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## **FOREWORD BY THE CHIEF FINANCIAL OFFICER**

### **Introduction**

The purpose of this foreword is to provide the reader with an easy to understand guide to the most significant financial matters reported in the Accounts. This foreword also acts as the Council's Annual Report, which highlights the major influences on the Council's spending and comments on the Council's overall financial position and performance against the Corporate Plan.

### **A Review of the Financial Year**

The business of managing the Council's finances presents a number of significant challenges with around £70m passing through our books in a year.

### **The Challenges**

The world economic conditions continued to dominate, which made 2014/15 another challenging year for everyone: the Council being no exception. Returns on investments continued to be low due to unprecedented low interest rates.

The Council had forecast to receive less revenue during the year and continued implementing plans to reduce expenditure with careful planning and consideration to ensure service provision was not unduly compromised.

However, the Council recognises that the impact the recession has had on Public Finances will continue well beyond 2014/15. The Council's Corporate Plan (2011-2015) was updated in September 2013 to reflect the changed landscape we now face and the reality of the significant cuts to government grant support which have been extended into 2015/16. We are forecasting reductions beyond 2015/16 as there are no indications that austerity measures will come to an end.

Due to cuts in government grant and the poor economic situation, the Council has reduced its revenue budget by around £3.3m (to £11.7m for 2014/15) with a reduction in workforce of around 75 posts. Income streams have also been affected by the current poor economic conditions.

The Council's Medium Term Financial Plan 2014/15 to 2017/18 takes account of these significant financial challenges and was approved by Full Council in November 2014. The plan will continue to be reviewed as we move through 2015/16 in light of the Government outlining further reductions in funding for Local Authorities.

The national crisis for pensions funding continues to be a major concern for Local Government. During the autumn of 2013 our actuary undertook the latest 3-yearly review of the Pension scheme and costs. The Local Government Pension Scheme has been reviewed nationally to ensure it meets the objectives of being viable and acceptable to both employees and the employer resulting in changes to the scheme that came into force in April 2014.

The full valuation of the pension fund through to 2016/17 informs the authority in terms of employer contribution levels, which will increase from 19.3% to 22.4%. Due

to this and a range of other factors; such as a fall in the discount rate assumption which the actuaries are required to use; the net liability on the pension fund has increased from £42.7m to £54.0m.

### **Meeting the Challenges**

The Council already operates a robust financial planning regime through its approved rolling financial plan (the Medium Term Financial Strategy). This plan seeks to achieve Council Tax increases in line with Central Government guidelines, at the same time, achieving budget improvements to help meet new challenges and priorities set out in the Council's Corporate Plan.

Whilst many of the economic conditions experienced during the year could not have been accurately predicted, prudent management of resources and a continued drive for efficiency provides the Council with a strong financial framework for dealing with these unprecedented and challenging financial circumstances.

Capital Programme investment during 2014/15 was £5.2m compared to £1.8m in 2013/14. £2.9m was spent on the construction and purchase of new assets, £1.0m providing grants and other financial assistance and £1.3m on improvement works to already owned assets. A further explanation of capital investment is highlighted in notes 11, 12, 13 and 14.

### **Summary**

The financial challenge faced by the Council during the year will continue through 2015/16 and beyond particularly whilst the Government continues implementing its plans to reduce public expenditure across all Government Departments. Further remedial action will be required including close management of vacancies, reviewing reserve contributions and a general search for savings opportunities to meet the Council's ongoing programme of investment and improvement in services, whilst meeting the challenge of reduced funding.

The recommended level of general fund balance is 5%-10% of the Council's net revenue budget. It is pleasing to report that the combination of in year measures and robust budget management saw the Council through the financial pressures and resulted in a general fund reserve balance at 31 March 2015 of £1.161m, which is a level of 9.9%.

At the same time, the Council continued to meet its commitment to keep the Council Tax increase low by approving a 0% increase for 2014/15 financial year together with a freeze on the majority of fees and charges.

The challenges of 2014/15 have now been dealt with and have been absorbed within our future financial plans, where necessary.

### **The Financial Statements**

The accounts contain a number of separate but inter-related statements. These are described briefly below.

## **Statement of Accounting Policies**

This statement describes the accounting concepts and policies adopted in the preparation of the accounts. It contains a number of technical notes, none of which are unusual or which differ from the concepts adopted by the majority of other Local Authorities. The Council complied with all recommended accounting practices contained within the Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 and the Service Reporting Code of Practice 2014/15, which is recognised by statute as representing proper accounting practices. These principles provide the basis by which authorities present their net cost of services in the statement of accounts i.e. the classifications of service to be detailed in the service expenditure analysis in the top half of the Comprehensive Income and Expenditure Statement.

## **International Financial Reporting Standards (IFRS)**

International Financial Reporting Standards (IFRSs) are a suite of accounting standards used across the world and are the equivalent of the Financial Reporting Standards (FRSs) that were previously used in the United Kingdom.

The 2014/15 financial statements have been produced in accordance with the above standards.

## **Pension Liabilities**

The Net Cost of Services within the Comprehensive Income and Expenditure Statement includes current service costs and past service costs. Net Operating Expenditure includes the Council's share of the return on pensions assets and the net interest cost of the Council's liability due to under-funding.

The Council's liability relating to the Devon County Council defined benefit pension scheme is included within the Balance Sheet. The liability is £54.0m at 31<sup>st</sup> March 2015 (£42.7m at 31<sup>st</sup> March 2014). The amount the Council contributes to the Pension Fund is re-assessed every three years; the most recent review was in the autumn of 2013 and took effect from April 2014. This review incorporated a number of significant changes to the Local Government Pension Scheme and the next review is due in autumn 2016. The Council has adjusted its contributions in line with the Actuaries recommendations.

## **Revenue Account**

Expenditure and income on everyday running costs, such as officers' salaries, premises, transport, supplies and services is contained in the Council's revenue account, the Comprehensive Income and Expenditure Statement.

## **Comprehensive Income and Expenditure Statement**

The Comprehensive Income and Expenditure Statement shows the income and expenditure for all the Council's services and the net surplus/deficit for the year, before taking account of transactions provided under statute, which are shown in a separate statement called Movement in Reserves Statement.

**Actual 31 March 2015**

The Council originally budgeted to spend £11.688m in 2014/15. As at 31 December 2014, the Council was forecasting a net surplus of (£0.085m) against the budget.

It is pleasing to report that the final out turn position is a budget surplus of (£0.605m), which is an overall movement of (£0.520m) from the last forecast at quarter 3. The following table shows this movement:

<b>Service and Cost Area</b>	<b>Worse/(Better) £m</b>	<b>Totals £m</b>
<b>Quarter 3 variance reported to Executive - February 2015</b>		<b>(0.085)</b>
<b>Environmental Health &amp; Housing</b>		<b>(0.035)</b>
Income (forecast Q3 reduction did not materialise)	(0.015)	
Licensing planned contribution to reserve no longer required	(0.020)	
<b>Financial Services</b>		<b>(0.097)</b>
Employee savings	(0.045)	
Decreased income from Q3 forecast (Collection Fund)	0.020	
Benefit payments - debtor recoveries	(0.072)	
<b>Human Resources</b>		<b>(0.027)</b>
Staff advertising and recruitment	(0.011)	
Equipment & external professional services	(0.016)	
<b>Legal Services</b>		<b>(0.012)</b>
Members allowances & travel reductions	(0.012)	
<b>Strategic Development &amp; Planning</b>		<b>(0.055)</b>
Employee costs	0.025	
Building Control fee income	0.015	
Planning fee income	(0.095)	
<b>Property &amp; Technical Services</b>		<b>(0.060)</b>
Car Parks (rates)	0.017	
Car Park income	(0.052)	
Park School reduced costs	(0.012)	
Woodlands Enterprise Centre increased income	(0.013)	
<b>Works &amp; Recycling Service</b>		<b>0.008</b>
Employee costs	0.065	
Transport savings	(0.069)	
Tipping Charges	0.012	
<b>Corporate Services</b>		<b>0.184</b>
Audit fees	(0.013)	
Land Charges decreased income from Q3 forecast	0.040	
Provisions (employee costs; property searches claim)	0.157	
<b>Other</b>		<b>(0.426)</b>
Business Rates Retention Scheme	(0.345)	
Additional central government grant funding	(0.015)	
Costs of borrowing	(0.037)	
Other variances (net) less than £0.010m	(0.029)	
<b>Total</b>		<b>(0.605)</b>

A large proportion of the surplus has arisen from the accounting arrangements for the new Business Rate retention scheme. Previously known as National Non Domestic Rates, under the previous scheme the Council acting as billing authority, paid all monies collected over to a national pool and received pre-determined funding back as part of the government settlement.

The Business Rate retention scheme was introduced in April 2013 which sees billing authorities receive a 'baseline' funding but in addition they are exposed to the risks and rewards of retaining a proportion of the income collected. This exposure is mitigated by participation in the Devon-wide pool that collates all of the Business Rate growth and decline and returns a share of the impact to each local authority.

Last year (2013/14) we achieved additional income of £0.320m over and above our 'baseline' funding and initial projections for 2014/15 were indicating a net gain of some £0.583m. As these figures can fluctuate during the year, at December 2014 (quarter 3) we prudently assumed a lower additional gain of £0.400m in the forecast. The final out turn on the Business Rates retention scheme has yielded overall additional income of £0.745m, which is a positive variance of £0.345m on the December forecast.

A new reserve was created last year that deals with the timing impacts of the Collection Fund (Business Rates) which ensures the revenue budget is not unduly affected in the year the taxes are collected. Collection Fund deficits/surpluses are reversed out to bring the revenue account back to the budgeted figure for the year; the deficits/surpluses are recovered/distributed in the following financial years. It was proposed to set aside £0.300m of the above gain into this reserve to mitigate any impact this potentially could have on the future revenue budget.

The revenue budget surplus of (£0.605m), once the £0.300m has been placed into the Collection Fund reserve leaves a surplus of (£0.305m). It was proposed to set aside £0.152m into the Economic Development reserve. The Council has an opportunity to buy out the interest in Woodlands Enterprise Centre, South Molton from the Homes and Communities Agency (HCA); of which they currently receive a 39% clawback of surplus rental income and a right to clawback 39% of any future disposal proceeds if this ever arose. This opportunity would enable the Council to have full control over future management and development of the site and helps protect the revenue budget moving forwards.

The remaining balance from the surplus of £0.153m has been placed into the Council's General Fund reserve. The balance in this reserve will increase to £1.161m at 31 March 2015.

The recommended level of general fund balance is 5%-10% of the net revenue budget; the Council's balance above equates to 9.9%.

The Council will hold a General Fund reserve of £1.2m and earmarked reserve balances of £4.4m: providing overall total reserves of £5.6m. These balances enable North Devon Council to remain in a strong financial position to deal with the risks it faces and to continue to deliver upon its priorities set out in the Corporate Plan.

Within the accounts the Council also holds balances in relation to the North Devon Crematorium, which is provided under a joint arrangement with Torridge District Council. The Council's Balance Sheet contains a General Balance of £0.060m and Earmarked Reserve Balance of £0.657m, which represents North Devon's estimated 60% of the share of the Crematorium total holding.

The Council's net expenditure on the Comprehensive Income and Expenditure Statement was financed from the following sources:

	2014/15 £000	%
Council Tax	6,700	48%
Government Grants	3,881	28%
Non Domestic Rates	3,341	24%
	<b>13,922</b>	

### Movement in Reserves Statement

This statement shows the movement in the year on the different reserves held by the Authority, 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 Authority'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 for council tax setting purposes. The Net Increase/Decrease before Transfers to Earmarked Reserves line shows the statutory General Fund balance before any discretionary transfers to or from earmarked reserves undertaken by the Council.

### Balance Sheet

The Balance Sheet shows the assets and liabilities of the Council as a whole at 31 March 2015.

There are a number of detailed notes. These include details of capital expenditure of the Council on fixed assets such as land and buildings; as distinguished from revenue expenditure or running costs. During 2014/15, the Council invested £5.230m from its capital resources, analysed as follows:

	2014/15 £000
New assets being constructed	100
Purchase of vehicles and IT equipment	2,772
Providing grants and assistance	1,041
Statutory and Landlord Functions	1,317
<b>Total</b>	<b>5,230</b>

This compares to £1.8m spent in 2013/14.

Back in 2008/09 the method of accounting for certain elements traditionally accounted for as Capital Expenditure changed. Expenditure incurred on items, which

includes disabled facilities grants and affordable housing, is now shown in the accounts as Revenue Expenditure Funded from Capital under Statute. It was previously known as deferred charges.

The legislation still allows the expenditure to be funded from capital resources such as capital receipts. However, the expenditure must be accounted for within the cost of services of the Comprehensive Income and Expenditure Statement together with any grants received to offset expenditure. The difference between expenditure and grant received is reversed out through the Movement in Reserves Statement in order that there is no impact on Council Tax. The reversal reflects the fact that the expenditure has already been funded from capital resources and a corresponding entry is made to the Capital Adjustment Account to reflect this.

The Council plans to invest the following sums in the years indicated:

2015/16	£4.3m
2016/17	£0.9m
2017/18	£0.1m
<b>Total</b>	<b>£5.3m</b>

This investment will be financed by:

Capital receipts	£3.4m
Earmarked reserves	£0.5m
External grants and contributions	£1.4m
<b>Total</b>	<b>£5.3m</b>

The Balance Sheet contains the Authority's Revenue Reserves, which are summarised below:

31/03/14 £000		31/03/15 £000
1,008	General Revenue Account	1,161
4,412	Earmarked Reserves	4,374
<b>5,420</b>		<b>5,535</b>

The Council has an overdraft facility of up to £500,000 with its bank subject to extension by agreement. Temporary borrowing from the money markets may occur during the year to meet temporary cash flow requirements.

### **Borrowing for Capital Investment**

The Council has forecast that the capital investment can be fully funded over the investment period. However, the timing and realisation of capital receipts can be impacted by events beyond the control of the Council.

The Council is able to manage its cash flows for projects through internal borrowing and also has authority to borrow from the Public Works Loan Board (PWLB) as outlined in the Treasury Management Annual Investment Strategy.

We anticipated external borrowing may be required through the 2014/15 financial

year to deliver the capital programme. The timing of borrowing is dependant on how the authority manages its treasury activity and due to current low interest rates and reduced returns on investments it was prudent for the Council to 'internally borrow' and use these monies to fund the Capital Programme.

The Council took on £1.5m of external borrowing in November 2014 with borrowing costs being £0.013m producing a favourable variance against the budgeted borrowing costs of £0.135m.

### **Cash Flow Statement**

This statement summarises the inflows and outflows of cash arising from external transactions for both capital and revenue purposes.

### **Collection Fund**

These statements represent the transactions of the Collection Fund, a statutory fund separate from the main accounts of the Authority. The Fund accounts independently for income from council tax and non-domestic rates on behalf of those authorities for which the income has been raised.

### **Notes to the Accounts**

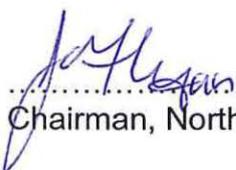
These provide the additional information and further explanation to the content of the statements.

**STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS****The Authority's Responsibilities**

The Authority is required to:

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

The Accounts and Audit Regulations 2011 require the person presiding at the meeting that has approved the Statement of Accounts to sign and date the Accounts accordingly. The Chairman's signature is set out below:

  
.....  
Chairman, North Devon District Council

Date: 23 September 2015

**The Chief Financial Officer's Responsibilities**

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

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

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

The Chief Financial Officer has also:

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

These financial statements replace the unaudited financial statements certified by the Chief Financial Officer on 29 June 2015.

I certify that the Statement of Accounts presents a true and fair view of the financial position of North Devon Council as at 31 March 2015 and its income and expenditure for the year ended 31 March 2015.

  
.....  
Jon Triggs, Chief Financial Officer

Date: 23 September 2015

**MOVEMENT IN RESERVES STATEMENT**

This statement shows the movement in the year on the different reserves held by the Authority, 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 Authority'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 for council tax setting purposes. The Net Increase/Decrease before Transfers to Earmarked Reserves line shows the statutory General Fund balance before any discretionary transfers to or from earmarked reserves undertaken by the Council.

	General Fund Balance £000	Earmarked General Fund Reserves £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000
<b>Balance at 31<sup>st</sup> March 2013</b>	<b>986</b>	<b>2,573</b>	<b>0</b>	<b>61</b>	<b>3,619</b>	<b>28,716</b>	<b>32,335</b>
<b><u>Movement in Reserves during 2013/14</u></b>							
Surplus or (deficit) on provision of services	(6,311)	0	0	0	(6,311)	0	(6,311)
Other Comprehensive Income and Expenditure	0	0	0	0	0	1,598	1,598
<b>Total Comprehensive Income and Expenditure</b>	<b>(6,311)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(6,311)</b>	<b>1,598</b>	<b>(4,713)</b>
Adjustments between accounting basis and funding basis under regulations (Note 6)	8,172	0	0	0	8,172	(8,172)	0
<b>Net increase/decrease before Transfers to Earmarked Reserves</b>	<b>1,861</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,861</b>	<b>(6,574)</b>	<b>(4,713)</b>
Transfers to/from Earmarked Reserves (Note 7)	(1,839)	1,839	0	0	0	0	0
<b>Increase/decrease in 2013/14</b>	<b>22</b>	<b>1,839</b>	<b>0</b>	<b>0</b>	<b>1,861</b>	<b>(6,574)</b>	<b>(4,713)</b>
<b>Balance at 31<sup>st</sup> March 2014 carried forward</b>	<b>1,008</b>	<b>4,412</b>	<b>0</b>	<b>61</b>	<b>5,480</b>	<b>22,142</b>	<b>27,622</b>

	General Fund Balance £000	Earmarked General Fund Reserves £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000
<b>Balance at 31<sup>st</sup> March 2014</b>	<b>1,008</b>	<b>4,412</b>	<b>0</b>	<b>61</b>	<b>5,480</b>	<b>22,142</b>	<b>27,622</b>
<b><u>Movement in Reserves during 2014/15</u></b>							
Surplus or (deficit) on provision of services	(4,476)	0	0	0	(4,476)	0	(4,476)
Other Comprehensive Income and Expenditure	0	0	0	0	0	(7,221)	(7,221)
<b>Total Comprehensive Income and Expenditure</b>	<b>(4,476)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(4,476)</b>	<b>(7,221)</b>	<b>(11,697)</b>
Adjustments between accounting basis and funding basis under regulations (Note 6)	4,591	0	0	31	4,622	(4,622)	0
<b>Net increase/decrease before Transfers to Earmarked Reserves</b>	<b>115</b>	<b>0</b>	<b>0</b>	<b>31</b>	<b>146</b>	<b>(11,843)</b>	<b>(11,697)</b>
Transfers to/from Earmarked Reserves (Note 7)	38	(38)	0	0	0	0	0
<b>Increase/decrease in 2014/15</b>	<b>153</b>	<b>(38)</b>	<b>0</b>	<b>31</b>	<b>146</b>	<b>(11,843)</b>	<b>(11,697)</b>
<b>Balance at 31<sup>st</sup> March 2015 carried forward</b>	<b>1,161</b>	<b>4,374</b>	<b>0</b>	<b>92</b>	<b>5,626</b>	<b>10,299</b>	<b>15,925</b>

**COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT**

This statement shows the accounting cost in the year of providing services in accordance with generally accepted 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.

2013/14			2014/15			
Gross Expenditure £000	Gross Income £000	Net Expenditure £000		Gross Expenditure £000	Gross Income £000	Net Expenditure £000
2,002	(1,117)	885	Central Services to the Public	2,242	(946)	1,296
1,338	(5)	1,333	Corporate and Democratic Core	1,370	(15)	1,355
487	0	487	Non Distributed Costs	486	0	486
2,538	(265)	2,273	Cultural and Related Services	2,599	(450)	2,149
9,556	(3,033)	6,523	Environmental and Regulatory Services	9,828	(3,324)	6,504
30,609	(28,566)	2,043	Housing Services	30,433	(28,912)	1,521
5,014	(3,632)	1,382	Highways and Transport Services	2,896	(3,373)	(477)
4,761	(1,838)	2,923	Planning Services	4,532	(1,947)	2,585
<b>56,305</b>	<b>(38,456)</b>	<b>17,849</b>	<b>Cost of services</b>	<b>54,386</b>	<b>(38,967)</b>	<b>15,419</b>
1,468	(535)	933	Other operating expenditure (Note 8)	1,538	(477)	1,061
1,772	(433)	1,339	Financing and investment income and expenditure (Note 9)	2,133	(382)	1,751
194	(14,004)	(13,810)	Taxation and non-specific grant income and expenditure (Note 10)	167	(13,922)	(13,755)
<b>59,739</b>	<b>(53,428)</b>	<b>6,311</b>	<b>(Surplus) or deficit on Provision of Services</b>	<b>58,224</b>	<b>(53,748)</b>	<b>4,476</b>
671	0	671	Surplus or deficit on revaluation of property, plant and equipment assets	0	(2,190)	(2,190)
0	(2,269)	(2,269)	Re-measurements of the net defined benefit liability	9,411	0	9,411
<b>671</b>	<b>(2,269)</b>	<b>(1,598)</b>	<b>Other Comprehensive Income &amp; Expenditure</b>	<b>9,411</b>	<b>(2,190)</b>	<b>7,221</b>
<b>60,410</b>	<b>(55,697)</b>	<b>4,713</b>	<b>Total Comprehensive Income &amp; Expenditure</b>	<b>67,635</b>	<b>(55,938)</b>	<b>11,697</b>

**BALANCE SHEET**

The balance sheet shows the value as at the balance sheet date of the assets and liabilities recognised by the Authority. The net assets of the Authority (assets less liabilities) are matched by the reserves held by the Authority. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the Authority may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves is those that the Authority is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

<b>31<sup>st</sup> March 2014</b>		<b>Notes</b>	<b>31<sup>st</sup> March 2015</b>
<b>£000</b>			<b>£000</b>
62,909	Property, Plant and Equipment	11	65,257
871	Heritage Assets	12	888
4,410	Investment Property	13	4,321
28	Intangible Assets	14	40
1,249	Long Term Debtors	15	1,215
<b>69,467</b>	<b>Long Term Assets</b>		<b>71,721</b>
0	Short Term Investments	15	0
0	Assets Held For Sale	20	0
114	Inventories	16	125
4,681	Short Term Debtors	18	3,020
1,873	Cash and Cash Equivalents	19	5,749
<b>6,668</b>	<b>Current Assets</b>		<b>8,894</b>
0	Short Term Borrowing	15	0
(3,063)	Short Term Creditors	21	(6,117)
(761)	Donated Assets Account	33	(761)
(730)	Provisions	22	(926)
<b>(4,554)</b>	<b>Current Liabilities</b>		<b>(7,804)</b>
0	Long Term Borrowing	15	(1,513)
(42,663)	Defined Benefit Pension Scheme Liability	40	(54,049)
0	Finance Leases	36	0
(1,296)	Capital Grants Receipts in Advance	33	(1,254)
0	Other Long Term Liabilities		(70)
<b>(43,959)</b>	<b>Long Term Liabilities</b>		<b>(56,886)</b>
<b>27,622</b>	<b>Net Assets</b>		<b>15,925</b>
5,480	Usable Reserves		5,626
22,142	Unusable Reserves	23	10,299
<b>27,622</b>	<b>Total Reserves</b>		<b>15,925</b>

**CASH FLOW STATEMENT**

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

<b>2013/14</b>		<b>2014/15</b>
<b>£000</b>		<b>£000</b>
6,311	Net (surplus) or deficit on the provision of services	4,476
(3,446)	Adjustments to net surplus or deficit on the provision of services for non cash movements	(10,093)
74	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	75
2,939	Net cash flows from Operating Activities (Note 24)	(5,542)
1,253	Investing Activities (Note 25)	3,978
(711)	Financing Activities (Note 26)	(2,312)
3,481	Net (increase) or decrease in cash and cash equivalents	(3,876)
(5,354)	Cash and cash equivalents at the beginning of the reporting period	(1,873)
<b>1,873</b>	<b>Cash and cash equivalents at the end of the reporting period</b>	<b>5,749</b>

**COLLECTION FUND**

These Statements represent the transactions of the Collection Fund, a statutory fund separate from the main accounts of the Authority. The Fund accounts independently for income from council tax and non-domestic rates on behalf of those authorities for which the income has been raised.

**2014/15 Collection Fund**

	<b>Business Rates £000</b>	<b>Council Tax £000</b>	<b>Total £000</b>	<b>Notes</b>
<b><u>INCOME</u></b>				
Council Tax Receivable	0	50,678	50,678	38
Business Rates Receivable	31,990	0	31,990	39
Transitional Protection Payments Receivable	116	0	116	
	32,106	50,678	82,784	
<b>Contribution to Previous Year's Deficit</b>				
Central Government	981	0	981	
North Devon Council	785	7	792	
Devon County Council	177	50	227	
Devon and Somerset Fire	20	3	23	
Devon and Cornwall Police	0	7	7	
	1,963	67	2,030	
<b>Total Income</b>	<b>34,069</b>	<b>50,745</b>	<b>84,814</b>	
<b><u>EXPENDITURE</u></b>				
<b>Precepts, Demands and Shares</b>				
Central Government	15,769	0	15,769	
North Devon Council	12,616	6,694	19,310	
Devon County Council	2,839	35,915	38,754	
Devon and Somerset Fire	315	2,425	2,740	
Devon and Cornwall Police	0	5,241	5,241	
	31,539	50,275	81,814	
<b>Charges to Collection Fund</b>				
Write offs of uncollectable amounts	314	233	547	
Increase/(Decrease) in provision for bad debts	63	110	173	
Increase/(Decrease) in provision for appeals	128	0	128	
Disregarded amounts	22	0	22	
Cost of Collection	202	0	202	
	729	343	1,072	
<b>Total Expenditure</b>	<b>32,268</b>	<b>50,618</b>	<b>82,886</b>	
(Deficit)/Surplus for the year	1,801	127	1,928	
Balance at beginning of the year	(2,859)	492	(2,367)	
<b>(Deficit)/Surplus at 31 March 2015</b>	<b>(1,058)</b>	<b>619</b>	<b>(439)</b>	

The (£1,058k) represents the overall deficit on the non-domestic rate element of the Collection Fund at 31 March 2015. Of this balance 40% is attributable to North Devon Council, which equates to (£423k).

The £619k represents the overall surplus on the council tax element of the Collection Fund at 31 March 2015. Of this balance 10.6% is attributable to North Devon Council, which equates to £66k.

**2013/14 Collection Fund**

	<b>Business Rates £000</b>	<b>Council Tax £000</b>	<b>Total £000</b>	<b>Notes</b>
<b><u>INCOME</u></b>				
Council Tax Receivable	0	49,235	49,235	38
Business Rates Receivable	31,427	0	31,427	39
Transitional Protection Payments Receivable	156	0	156	
	<b>31,583</b>	<b>49,235</b>	<b>80,818</b>	
<b>Contribution to Previous Year's Deficit</b>				
Central Government	0	0	0	
North Devon Council	0	12	12	
Devon County Council	0	80	80	
Devon and Somerset Fire	0	5	5	
Devon and Cornwall Police	0	11	11	
	<b>0</b>	<b>108</b>	<b>108</b>	
<b>Total Income</b>	<b>31,583</b>	<b>49,343</b>	<b>80,926</b>	
<b><u>EXPENDITURE</u></b>				
<b>Precepts, Demands and Shares</b>				
Central Government	16,492	0	16,492	
North Devon Council	13,193	6,538	19,731	
Devon County Council	2,969	34,428	37,397	
Devon and Somerset Fire	330	2,325	2,655	
Devon and Cornwall Police	0	5,024	5,024	
	<b>32,984</b>	<b>48,315</b>	<b>81,299</b>	
<b>Charges to Collection Fund</b>				
Write offs of uncollectable amounts	178	108	286	
Increase/(Decrease) in provision for bad debts	217	251	468	
Increase/(Decrease) in provision for appeals	861	0	861	
Cost of Collection	202	0	202	
	<b>1,458</b>	<b>359</b>	<b>1,817</b>	
<b>Total Expenditure</b>	<b>34,442</b>	<b>48,674</b>	<b>83,116</b>	
(Deficit)/Surplus for the year	(2,859)	669	(2,190)	
Balance at beginning of the year	0	(177)	(177)	
<b>(Deficit)/Surplus at 31 March 2014</b>	<b>(2,859)</b>	<b>492</b>	<b>(2,367)</b>	

The (£2,859k) represents the overall deficit on the non-domestic rate element of the Collection Fund at 31 March 2014. Of this balance 40% is attributable to North Devon Council, which equates to (£1,144k).

The £492k represents the overall surplus on the council tax element of the Collection Fund at 31 March 2014. Of this balance 10.6% is attributable to North Devon Council, which equates to £52k.

## 1. ACCOUNTING POLICIES

### i. General Principles

The Statement of Accounts summarises the Authority's transactions for the 2014/15 financial year and its position at the year-end of 31<sup>st</sup> March 2015. The Authority is required to prepare an annual Statement of Accounts by the Accounts and Audit 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.

These statements have been compiled on the basis of the Council remaining a going concern and all amounts have been rounded to the nearest £1,000.

### ii. Accruals of Income and Expenditure

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

- Revenue from the sale of goods is recognised when the Authority transfers the significant risk and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Authority.
- Revenue from the provision of services is recognised when the Authority can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Authority.
- Revenue from council tax and business rates is 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.
- 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 has 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 sheet of debtors is written down and a charge made to revenue for the income that might not be collected.

### **iii. 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 highly liquid 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 are shown net of bank overdrafts that are repayable on demand and form an integral part of the Authority's cash management.

### **iv. Material Items**

When items of income and expense are material, their nature and amount is disclosed separately, either on the face of the Comprehensive Income and Expenditure Statement or in the notes to the accounts, depending on how significant the items are to an understanding of the Authority's financial performance.

### **v. Prior Period Adjustments, Changes in Accounting Policies 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 estimate are accounted for prospectively i.e. in the current and future years affected by the change and do not give rise to a prior period adjustment.

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Authority's financial position or financial performance. Where a change is made, it is applied retrospectively (unless otherwise stated)

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.

There were no material errors discovered requiring amendments in the 2014/15 statement of accounts.

#### **vi. 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 non-current assets 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 fixed assets attributable to the service

The Authority is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisations. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement (equal to either an amount calculated on a prudent basis determined by the Authority in accordance with statutory guidance).

Depreciation, revaluation and impairment losses and amortisations are therefore replaced by the contribution in the General Fund Balance by way of an adjusting transaction with the Capital Adjustment Account in the Movement In Reserves Statement for the difference between the two.

#### **vii. Employee Benefits**

##### Benefits Payable During Employment

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non monetary benefits for current employees and are recognised as an expense for services in the year in which employees render service to the Authority.

An accrual is made for the cost of holiday entitlements and 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 reserved out through the Movement in Reserves statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

### Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Authority to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy and are charged on an accruals basis to the Non Distributed Costs line in the Comprehensive Income and Expenditure Statement when the Authority is demonstrably committed to the termination of the employment of an officer or group of officers or making an offer to encourage voluntary redundancy.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable by the Authority to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year end.

### Post Employment Benefits

Employees of the Authority are members of the Local Government Pension Scheme (LGPS), administered by Devon County Council.

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

### Local Government Pension Scheme

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

- The liabilities of the Devon County pension fund attributable to the Authority are included in the Balance Sheet on an actuarial basis using the projected unit method i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates etc. and projections of projected earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate of 3.3% (annualised yield at the 18 year point on the Merrill Lynch AA rated corporate bond yield curve).

- The assets of the Devon County pension fund attributable to the Authority are included in the Balance Sheet at their fair value:
  - Quoted securities – current bid price
  - Unquoted securities – professional estimate
  - Unitised securities – current bid price
  - Property – market value
  
- The change in the net pensions liability is analysed into the following components:
  - Current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statements to the services for which the employees worked
  
  - Past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs
  
  - Net interest cost – the net interest expense for the authority – the change during the period in the net defined benefit liability that arises from the passage of time; charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement – this is calculated by applying the discount rate used to measure the defined benefit liability 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.
  
  - Return on plan assets – excluding amounts included in net interest on the net defined benefit liability - charged to the Pensions Reserve as Other Comprehensive Income and Expenditure
  
  - Actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
  
  - Contributions paid to the Devon County pension fund – cash paid as employer’s contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the Authority to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards.

In the Movement in Reserves Statement, this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year end.

The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

#### Discretionary Benefits

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

### **viii. Events after the Reporting Period**

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

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

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

### **ix. Financial Instruments**

#### Financial Liabilities

Financial liabilities are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost.

Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure

Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

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 Assets

Financial assets are classified into two types:

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

### *Loans and Receivables*

Loans and receivables are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for the interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument.

The loans that the Authority has made to organisations are at less than market rates (soft loans). When soft loans are made, a loss is recorded in the Comprehensive Income and Expenditure Statement (debited to the appropriate service) for the present value of the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal. Interest is credited to the Financing and Investment Income and Expenditure line in the Comprehensive income and Expenditure Statement at a marginally higher effective rate of interest than the rate receivable from the 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 in the interest receivable for the financial year – the reconciliation of amounts debited and credited to the Comprehensive Income and Expenditure Statement to the net gain required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

However, the Authority only has a minor value of loans outstanding (total long term loans outstanding as at 31<sup>st</sup> March 2015 is £0.203m). Therefore the amount presented in the Balance Sheet is simply the outstanding principal.

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

#### *Available For Sale Assets*

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

The Authority does not hold any available for sale assets.

#### **x. Foreign Currency Translation**

Where the Authority has entered into a transaction denominated in a foreign currency, the transaction is converted into sterling at the exchange rate applicable on the date the transaction was effective. Where amounts in foreign currency are outstanding at the year-end, they are reconverted at the spot exchange rate at 31<sup>st</sup> March.

Resulting gains or losses are recognised in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

The Authority has a policy to deal in sterling only; therefore there are no foreign currency transactions in 2014/15.

#### **xi. Government Grants and Contributions**

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

- The Authority will comply with the conditions attached to the payments; and
- The grants or contributions will be received.

Amounts recognised as due to the 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 in the form of the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

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

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

#### **xii. Intangible Assets**

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

Intangible assets are measured initially at cost. Amounts are only re-valued where the fair value of the assets held by the Authority can be determined by reference to an active market. In practice, no intangible asset held by the Authority meets this criterion and they are, therefore, carried at amortised cost. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

An asset is tested for impairment whenever there is an indication that the asset might be impaired – any losses recognised are posted to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

There were no impairments, disposals or abandonment of intangible assets during 2014/15.

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.

#### **xiii. Interests in Companies and Other Entities**

The Authority has no material interests in companies and other entities that have the nature of Subsidiaries, Associates and Joint Ventures and requiring the preparation of group accounts.

Although the Council does not have arrangements that give rise to the full adoption of Group Accounts the North Devon Crematorium has been treated as a Joint Operation with Torridge District Council.

The arrangements are based upon an estimated 60:40 split of all assets and liabilities. The Comprehensive Income and Expenditure Statement and Balance Sheet include this Authority's share (60%) of the income, expenditure, assets and liabilities of the Crematorium.

#### **xiv. Inventories and Long Term Contracts**

Inventories are included in the Balance Sheet at the lower of cost and net realisable value. The cost of inventories is assigned using the FIFO costing formula.

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

**xv. Investment Property**

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

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

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

**xvi. 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 and accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

**The Authority As Lessee***Finance Leases*

Property, plant and equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor. Initial direct costs of the Authority are added to the carrying amount of the asset. Premiums

paid on entry into a lease are applied to writing down the lease liability. Contingent rents are charged as expenses in the periods in which they incurred.

Lease payments are apportioned between:

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

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

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

### *Operating Leases*

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

### The Authority as Lessor

#### *Finance Leases*

Where the Authority grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease, the carrying amount of the asset in the Balance Sheet (whether property, plant and equipment or assets held for sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. A gain, representing the Authority's net investment in the lease, is credited to the same line in the Comprehensive Income and Expenditure Statement also 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.

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

#### *Operating Leases*

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

#### **xvii. 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 2014/15 (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 Authority's status as a multi-functional 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.

### **xviii. Property, Plant and Equipment**

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.

#### Recognition

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

#### 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 Authority does not capitalise borrowing costs incurred whilst assets are under construction.

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

the acquisition is the carrying amount of the asset given up by the Authority.

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

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

- Infrastructure, community assets and assets under construction – depreciated historical cost
- 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.

Assets included in the Balance Sheet at fair value are re-valued 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<sup>st</sup> April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

### Impairment

Assets are assessed 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.

### Depreciation

Depreciation is provided for on all Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (i.e. freehold land and certain Community Assets) and assets that are not yet available for use (i.e. assets under construction).

Depreciation is calculated on the following bases:

- Dwellings and other buildings – straight line allocation over the useful life of the property as estimated by the valuer, ranging from 5 up to 100 years
- Vehicles, plant, furniture and equipment – straight line allocation ranging from 3 to 25 years
- Infrastructure – straight line allocation ranging from 5 to 100 years

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.

The Authority holds one asset containing major components, namely Brynsworthy Environment Centre. The valuation of this asset has been accounted for separately with different estimated lives and thus been depreciated separately within the financial statements.

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

#### Disposals And Non Current Assets Held For Sale

When it becomes probable that the carrying amount of an asset will be recovered, principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held For Sale. The asset is re-valued 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 previous 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 are classified as held for sale; adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as Held for Sale and their recoverable amount at the date of the decision not to sell. Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale.

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

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

Reserve and can then only be used for new capital investment (or set aside to reduce the Authority's underlying need to borrow (the capital financing requirement (England and Wales))). 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 fixed assets 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.

#### **xix. Heritage Assets**

The Authority's Heritage Assets are held in the Authority's Museum and surrounding grounds. The Museum has a number of collections of heritage assets, which are held in support of the primary objective of the Authority's Museum, ie increasing the knowledge, understanding and appreciation of the Authority's history and local area. Heritage Assets are recognised and measured (including the treatment of revaluation gains and losses) in accordance with the Authority's accounting policies on property, plant and equipment. However, some of the measurement rules are relaxed in relation to heritage assets as detailed below. The Authority's collections of heritage assets are deemed to have indeterminate lives hence the Authority does not consider it appropriate to charge depreciation.

The carrying amount of heritage assets are reviewed where there is evidence of impairment for heritage assets, eg where an item has suffered physical deterioration or breakage or where doubts arise to its authenticity. Any impairment is recognised and measured in accordance with the Authority's general policies on impairment – see above note on property, plant and equipment in this summary of significant accounting policies. The Museum may occasionally dispose of heritage assets that have a doubtful provenance or are unsuitable for public display. The proceeds of such items are accounted for in accordance with the Authority's general provisions relating to the disposal of property, plant and equipment.

#### **xx. Provisions, Contingent Liabilities And Contingent Assets**

##### Provisions

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

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

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

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

#### Contingent Liabilities

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

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

#### Contingent Assets

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

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

### **xxi. Reserves**

The Authority sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed

from a reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against council tax for the expenditure.

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

**xxii. Revenue Expenditure Funded From Capital Under Statute**

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

**xxiii. 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.

## NOTES TO THE ACCOUNTS

### 2. ACCOUNTING STANDARDS THAT HAVE BEEN ISSUED BUT HAVE NOT YET BEEN ADOPTED

From 1 April 2015, the following new provisions in the Accounts Code will be implemented and could result in changes within the 2015/16 Statement of Accounts. The forthcoming standards that will need to be considered are:

IFRS 1	First Time Adoption of IFRS
IFRS 3	Business Combinations
IFRS 13	Fair Value Measurement
IAS 40	Investment Property
IFRIC 21	Levies

#### Annual Improvements to IFRSs 2011-2013 Cycle

It is anticipated that details of the disclosures required for most of these changes will be included in the Code of Practice issued for 2015/16.

### 3. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

In applying the accounting policies set out in 1. above, the Authority has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are:

- There is a high degree of uncertainty about future levels of funding for local government. However, the Authority has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Authority might be impaired as a result of a need to close facilities and reduce levels of service provision.

### 4. ASSUMPTIONS MADE ABOUT THE FUTURE AND OTHER MAJOR SOURCES OF ESTIMATION UNCERTAINTY

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

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

<u>Item</u>	<u>Uncertainties</u>	<u>Effect if actual results differ from assumptions</u>
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 Authority 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 fall.
Provisions	The Authority has made a provision of £0.441m to pay voluntary redundancy and early retirement costs in for staff leaving during the year.	Full costing of the posts concerned has taken place and approved by Personnel Committee assuming leave dates. If leave dates alter then the actual cost could change.
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Authority with expert advice about the assumptions to be applied.	<p>The effects on the net pensions 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 by £2.0m.</p> <p>A 1 year increase in longevity rates would reduce the pension liability by £4.0m.</p> <p>However, the assumptions interact in complex ways.</p>
Pension Assets	The value of pension assets is estimated based upon information available at the Balance Sheet date, but these valuations may be earlier than the Balance	The actual valuations at the Balance Sheet date, which may not be available until some time later, may give a different value of pension assets, but this difference is

<u>Item</u>	<u>Uncertainties</u>	<u>Effect if actual results differ from assumptions</u>
	Sheet date.	not considered to be material.
Arrears	At 31 <sup>st</sup> March 2015, the Authority had a balance of sundry debtors of £2.7m. A review of significant balances suggested that an impairment of doubtful debtors of 39% (£1,056,000) 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 £1,056,000 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.

## 5. EVENTS AFTER THE BALANCE SHEET DATE

The Statement of Accounts was authorised for issue by the Chief Financial Officer (Head of Financial Services) on 29 June 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<sup>st</sup> March 2015, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

## 6. ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

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

2014/15	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000
<b>Adjustments primarily involving the Capital Adjustment Account:</b>						
<b>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</b>						
Charges for depreciation and impairment of non current assets	2,208	0	0	2,208	(2,208)	0
Revaluation losses on Property Plant and Equipment	1,647	0	0	1,647	(1,647)	0
Movements in the fair value of Investment Properties	39	0	0	39	(39)	0
Amortisation of intangible assets	24	0	0	24	(24)	0
Revenue expenditure funded from capital under statute	384	0	0	384	(384)	0
Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal	175	0	0	175	(175)	0
<b>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</b>						
Capital expenditure charged against the General Fund	(422)	0	0	(422)	422	0
<b>Adjustments primarily involving the Capital Grants Unapplied Account:</b>						
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	(662)	0	662	0	0	0
Application of grants to capital financing transferred to Capital Adjustment Account	681	0	(631)	50	(50)	0
<b>Adjustments primarily involving the Capital Receipts Reserve:</b>						

2014/15	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(622)	622	0	0	0	0
Use of the Capital Receipts Reserve to finance new capital expenditure	0	(622)	0	(622)	622	0
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	2	(2)	0	0	0	0
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	0	2	0	2	(2)	0
<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	3,877	0	0	3,877	(3,877)	0
Employer's pensions contributions and direct payments to pensioners payable in the year	(1,954)	0	0	(1,954)	1,954	0
<b>Adjustments primarily involving the Collection Fund Adjustment Account:</b>						
Amount by which council tax income credited is different from council tax income calculated for the year in accordance with statutory requirements	(14)	0	0	(14)	14	0
Amount by which business rate income credited is different from business rate income calculated for the year in accordance with statutory requirements	(770)	0	0	(770)	770	0
<b>Adjustment primarily involving the Accumulated Absences Account:</b>						
Amount by which officer remuneration charged on an accruals basis is different from the remuneration chargeable in the year in accordance with statutory requirements	(2)	0	0	(2)	2	0
<b>Total Adjustments</b>	<b>4,591</b>	<b>0</b>	<b>31</b>	<b>4,622</b>	<b>(4,622)</b>	<b>0</b>

2013/14 Comparative	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000
<b>Adjustments primarily involving the Capital Adjustment Account:</b>						
<b>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</b>						
Charges for depreciation and impairment of non current assets	1,763	0	0	1,763	(1,763)	0
Revaluation losses on Property Plant and Equipment	3,515	0	0	3,515	(3,515)	0
Movements in the fair value of Investment Properties	(306)	0	0	(306)	306	0
Amortisation of intangible assets	18	0	0	18	(18)	0
Revenue expenditure funded from capital under statute	312	0	0	312	(312)	0
<b>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</b>						
Capital expenditure charged against the General Fund	(417)	0	0	(417)	417	0
<b>Adjustments primarily involving the Capital Grants Unapplied Account:</b>						
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	(643)	0	643	0	0	0
Application of grants to capital financing transferred to Capital Adjustment Account	680	0	(643)	37	(37)	0
<b>Adjustments primarily involving the Capital Receipts Reserve:</b>						
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(535)	535	0	0	0	0
Use of the Capital Receipts Reserve to finance new capital expenditure	0	(536)	0	(536)	536	0
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	2	(2)	0	0	0	0
Transfer from Deferred	0	3	0	3	(3)	0

2013/14 Comparative	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000
Capital Receipts Reserve upon receipt of cash						
<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	4,306	0	0	4,306	(4,306)	0
Employer's pensions contributions and direct payments to pensioners payable in the year	(1,754)	0	0	(1,754)	1,754	0
<b>Adjustments primarily involving the Collection Fund Adjustment Account:</b>						
Amount by which council tax income credited is different from council tax income calculated for the year in accordance with statutory requirements	(71)	0	0	(71)	71	0
Amount by which business rate income credited is different from business rate income calculated for the year in accordance with statutory requirements	1,355	0	0	1,355	(1,355)	0
<b>Adjustment primarily involving the Accumulated Absences Account:</b>						
Amount by which officer remuneration charged on an accruals basis is different from the remuneration chargeable in the year in accordance with statutory requirements	(53)	0	0	(53)	53	0
<b>Total Adjustments</b>	<b>8,172</b>	<b>0</b>	<b>0</b>	<b>8,172</b>	<b>(8,172)</b>	<b>0</b>

## 7. TRANSFER 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 1 <sup>st</sup> April 2013 £000	Transfers Out 2013/14 £000	Transfers In 2013/14 £000	Balance at 31 <sup>st</sup> March 2014 £000	Transfers Out 2014/15 £000	Transfers In 2014/15 £000	Balance at 31 <sup>st</sup> March 2015 £000
Collection Fund	0	0	1,355	1,355	(838)	300	817
Crematorium Capital Works	232	0	196	428	(4)	233	657
HEAT	360	(116)	0	244	0	30	274
Public Conveniences Maintenance	273	0	0	273	0	0	273
Gov't Funding Impact Res	0	0	0	0	0	218	218
Housing Prevention CLG Grant	237	(153)	118	202	(18)	0	184
Economic Dev Res	0	0	0	0	0	173	173
C Tax Support Scheme	36	0	54	90	0	70	160
Repairs Fund	138	(222)	194	110	(219)	256	147
2 <sup>nd</sup> Homes Council Tax	125	0	0	125	0	0	125
Lynton Agency	90	(4)	25	111	(14)	25	122
Planning Inquiries	0	(38)	118	80	(59)	95	116
Local Plans	0	0	90	90	0	25	115
Land Charges	98	0	0	98	0	0	98
Tarka Tennis Surface Replacement	87	(11)	8	84	0	9	93
Greensweep	153	(30)	0	123	(40)	0	83
Improvement Programme	24	(232)	487	279	(197)	0	82
Executive Contingency	118	(61)	50	107	(28)	0	79
District Council Election	25	0	25	50	0	25	75
Domestic Abuse Reserve	0	0	0	0	0	60	60
Town & Parish Fund	30	(30)	56	56	(56)	15	15
Office Technology	0	(50)	106	56	(106)	50	0
Other Reserves (balances less than £50,000)	547	(322)	226	451	(312)	269	408
<b>Total</b>	<b>2,573</b>	<b>(1,269)</b>	<b>3,108</b>	<b>4,412</b>	<b>(1,891)</b>	<b>1,853</b>	<b>4,374</b>

The following table shows the purpose of each reserve with a balance at 31<sup>st</sup> March 2015 over £0.150m:

Collection Fund	To deal with the timing impacts of the Collection Fund (Council Tax and Business Rates transactions)
Crematorium	Funding of capital works at the North Devon Crematorium
HEAT Reserve	Home Energy Action Taskforce - funding to support launch of Green Deal and increase energy efficiency
Public Conveniences	Public Conveniences planned maintenance
Government Funding Impact Reserve	To help bridge the funding gap faced in 2015/16 budget due to the effect of ongoing government funding cuts
Housing Prevention	To fund associated costs of homelessness and prevention
Economic Development Reserve	Economic development projects throughout North Devon
Council Tax Support Scheme	To fund associated costs of implementing new localised Council Tax Support Scheme

## 8. OTHER OPERATING EXPENDITURE

2013/14 £000s		2014/15 £000s
1,463	Parish council precepts	1,503
3	Levies	3
2	Payments to the Government Housing Capital Receipts Pool	2
(535)	(Gains)/losses on the disposal of non current assets	(447)
<b>933</b>	<b>Total</b>	<b>1,061</b>

## 9. FINANCING AND INVESTMENT INCOME AND EXPENDITURE

2013/14 £000s		2014/15 £000s
0	Interest payable and similar charges	13
1,835	Pensions interest cost and expected return on pensions assets	1,838
(74)	Interest receivable and similar income	(75)
(422)	Income and expenditure in relation to investment properties and changes in their fair value	(25)
<b>1,339</b>	<b>Total</b>	<b>1,751</b>

## 10. TAXATION AND NON SPECIFIC GRANT INCOMES

2013/14 £000s		2014/15 £000s
(6,598)	Council tax income	(6,700)
(2,722)	Non domestic rates	(3,341)
(4,684)	Non ring fenced government grants	(3,881)
194	CTS grant paid to parishes	167
<b>(13,810)</b>	<b>Total</b>	<b>(13,755)</b>

**11. PROPERTY, PLANT AND EQUIPMENT**

Movements in 2014/15	Other Land and Buildings £000	Vehicles, Plant, Furniture and Equipment £000	Infrastructure Assets £000	Community Assets £000	Surplus Assets £000	Assets Under construction £000	Total Property, Plant and Equipment £000
<b>GBV or Valuation</b>							
<b>At 1<sup>st</sup> April 2014</b>	62,769	9,312	500	141	867	16	73,605
Additions	1,286	2,735	0	0	2	100	4,123
Donations	0	0	0	0	0	0	0
Revaluation increases/(decreases) recognised in the Revaluation Reserve	2,175	0	0	0	0	0	2,175
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(1,393)	0	0	0	(254)	0	(1,647)
De-recognition – disposals	(16)	0	0	0	(80)	0	(96)
De-recognition – other	(1,669)	(1,395)	0	0	0	0	(3,064)
Other movements in cost or valuation	0	0	0	0	0	0	0
<b>At 31<sup>st</sup> March 2015</b>	<b>63,152</b>	<b>10,652</b>	<b>500</b>	<b>141</b>	<b>535</b>	<b>116</b>	<b>75,096</b>
<b>Accumulated Depreciation and Impairment</b>							
<b>At 1<sup>st</sup> April 2014</b>	2,892	7,776	16	0	12	0	10,696
Depreciation charge	1,283	916	7	0	1	0	2,207
Impairment losses/(reversals) recognised in the Revaluation Reserve	0	0	0	0	0	0	0
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	0	0	0	0	0	0	0
De-recognition – disposals	0	0	0	0	0	0	0
De-recognition – other	(1,669)	(1,395)	0	0	0	0	(3,064)
<b>At 31<sup>st</sup> March 2015</b>	<b>2,506</b>	<b>7,297</b>	<b>23</b>	<b>0</b>	<b>13</b>	<b>0</b>	<b>9,839</b>
<b>Net Book Value</b>							
<b>At 31<sup>st</sup> March 2014</b>	59,877	1,536	484	141	855	16	62,909
<b>At 31<sup>st</sup> March 2015</b>	<b>60,646</b>	<b>3,355</b>	<b>477</b>	<b>141</b>	<b>522</b>	<b>116</b>	<b>65,257</b>

<b>Comparative Movements in 2013/14</b>	<b>Other Land and Buildings £000</b>	<b>Vehicles, Plant, Furniture and Equipment £000</b>	<b>Infrastructure Assets £000</b>	<b>Community Assets £000</b>	<b>Surplus Assets £000</b>	<b>Assets Under construction £000</b>	<b>Total Property, Plant and Equipment £000</b>
<b>GBV or Valuation At 1<sup>st</sup> April 2013</b>	68,760	9,104	1,399	134	865	16	80,278
Additions	614	357	0	7	2	0	980
Donations	0	0	0	0	0	0	0
Revaluation increases/(decreases) recognised in the Revaluation Reserve	(264)	0	(440)	0	0	0	(704)
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(3,112)	0	(402)	0	0	0	(3,514)
De-recognition – disposals	0	(149)	0	0	0	0	(149)
De-recognition – other	(3,229)	0	(57)	0	0	0	(3,286)
Other movements in cost or valuation	0	0	0	0	0	0	0
<b>At 31<sup>st</sup> March 2014</b>	<b>62,769</b>	<b>9,312</b>	<b>500</b>	<b>141</b>	<b>867</b>	<b>16</b>	<b>73,605</b>
<b>Accumulated Depreciation and Impairment At 1<sup>st</sup> April 2013</b>	5,015	7,144	65	0	11	0	12,235
Depreciation charge	1,106	781	8	0	1	0	1,896
Impairment losses/(reversals) recognised in the Revaluation Reserve	0	0	0	0	0	0	0
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	0	0	0	0	0	0	0
De-recognition – disposals	0	(149)	0	0	0	0	(149)
De-recognition – other	(3,229)	0	(57)	0	0	0	(3,286)
<b>At 31<sup>st</sup> March 2014</b>	<b>2,892</b>	<b>7,776</b>	<b>16</b>	<b>0</b>	<b>12</b>	<b>0</b>	<b>10,696</b>
<b>Net Book Value At 31<sup>st</sup> March 2013</b>	63,745	1,960	1,334	134	854	16	68,043
<b>At 31<sup>st</sup> March 2014</b>	<b>59,877</b>	<b>1,536</b>	<b>484</b>	<b>141</b>	<b>855</b>	<b>16</b>	<b>62,909</b>

## Capital Commitments

At 31<sup>st</sup> March 2015, the Authority has no capital commitments.

Similar commitments at 31<sup>st</sup> March 2014 were £539,217.

## Revaluations

The Authority carries out a rolling programme that ensures that all Property, Plant and Equipment required to be measured at fair value is revalued at least every five years. All valuations were carried out internally by Natalie Hayes BSc Hons MRICS, Estates Officer as at 1<sup>st</sup> April each year. 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 Institute of Chartered Surveyors. The last valuation was carried out as at 1<sup>st</sup> April 2014.

	Other Land and Buildings £000	Vehicles, Plant, Furniture and Equipment £000	Infrastructure Assets £000	Community Assets £000	Surplus Assets £000	Assets Under construction £000	Total Property, Plant and Equipment £000
Valued at Historic Cost	0	6,552	0	0	0	116	6,668
Valued at fair value as at:							
31 <sup>st</sup> March 2015	37,982	2,736	42	0	450	0	41,210
31 <sup>st</sup> March 2014	15,956	357	348	0	4	0	16,665
31 <sup>st</sup> March 2013	6,387	158	41	0	20	0	6,606
31 <sup>st</sup> March 2012	102	475	68	94	1	0	740
31 <sup>st</sup> March 2011	2,725	375	1	47	60	0	3,208
<b>Total</b>	<b>63,152</b>	<b>10,653</b>	<b>500</b>	<b>141</b>	<b>535</b>	<b>116</b>	<b>75,097</b>

## 12. HERITAGE ASSETS

	31 <sup>st</sup> March 2014	31 <sup>st</sup> March 2015
	£000	£000
<b>Valuation</b>	<b>871</b>	<b>888</b>

The above heritage assets are reported in the Balance Sheet at insurance valuation, which is based on market values. Further information on the above collections is detailed in notes 44 and 45.

### 13. INVESTMENT PROPERTIES

The following items of income and expense have been accounted for in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement:

	2013/14 £000	2014/15 £000
Rental income from investment property	318	247
Direct operating expenses arising from investment property	(124)	(109)
<b>Net gain/(loss)</b>	<b>194</b>	<b>138</b>

There are no restrictions on the Authority's ability to realise the value inherent in its investment property or on the Authority's right to the remittance of income and the proceeds of disposal. The Authority has no contractual obligations to purchase, construct or develop investment property or repairs, maintenance or enhancement.

The following table summaries the movements in the fair value of investment properties over the year:

	2013/14 £000	2014/15 £000
Balance at start of year	4,104	4,410
Additions:		
• Construction	0	29
Disposals	0	(79)
Net gains/(losses) from fair value adjustments	306	(39)
Transfers:		
• To/from Property, Plant and Equipment	0	0
Other changes (IFRS re-statement - from assets held for disposal)	0	0
<b>Balance at the end of the year</b>	<b>4,410</b>	<b>4,321</b>

#### Revaluations

The Authority carries out a rolling programme that ensures that all Investment Properties are measured at fair value and revalued at least every five years. All valuations were carried out internally by Natalie Hayes BSc Hons MRICS, Estates Officer. Valuations of Investment Properties were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institute of Chartered Surveyors.

## 14. INTANGIBLE ASSETS

The Authority accounts for its software licenses as intangible assets, to the extent that the software license is not an integral part of a particular IT system and accounted for as part of the hardware item of Property, Plant and Equipment.

All software licenses are given a finite useful life, based on assessments of the period that the software is expected to be of use to the Authority. The useful lives assigned to the major licenses used by the Authority are:

Useful Lives	Internally Generated Assets	Other Assets
4 Years	None	IEG Software Licenses Gazetteer Software Licenses Software Licenses acquired 2011/12 Software Licenses acquired 2012/13 Software Licenses acquired 2013/14 Software Licenses acquired 2014/15

The carrying amount of intangible assets is amortised on a straight-line basis. The amortisation of £23,939.67 charged to revenue in 2014/15 was charged to IT and then absorbed as an overhead across the service headings in the Net Expenditure of Services. It is not possible to quantify exactly how much of the amortisation is attributable to each service heading.

The movement of Intangible Assets balances during the year is as follows:

	2013/14			2014/15		
	Internally Generated Assets £000	Other Assets £000	Total £000	Internally Generated Assets £000	Other Assets £000	Total £000
Balance at start of year						
• Gross carrying amounts	0	213	<b>213</b>	0	214	<b>214</b>
• Accumulated amortisation	0	168	<b>168</b>	0	186	<b>186</b>
Net carrying amount at start of year	0	45	<b>45</b>	0	28	<b>28</b>
Additions:						
• Purchases	0	1	<b>1</b>	0	36	<b>36</b>
Amortisation for the period	0	18	<b>18</b>	0	24	<b>24</b>
Net carrying amount at end of year	0	28	<b>28</b>	0	40	<b>40</b>
Comprising:						
• Gross carrying amounts	0	214	<b>214</b>	0	250	<b>250</b>
• Accumulated amortisation	0	186	<b>186</b>	0	210	<b>210</b>

## 15. FINANCIAL INSTRUMENTS

### Categories of Financial Instruments

	Long Term		Current	
	31 <sup>st</sup> March 2014 £000	31 <sup>st</sup> March 2015 £000	31 <sup>st</sup> March 2014 £000	31 <sup>st</sup> March 2015 £000
<b>Investments</b>				
Unquoted equity investment at cost	0	0	0	0
<b>Total Investments</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Debtors</b>				
Loans and receivables	237	203	39	34
Financial assets carried at contract amounts	1,012	1,012	2,818	2,420
<b>Total included in Debtors</b>	<b>1,249</b>	<b>1,215</b>	<b>2,857</b>	<b>2,454</b>
<b>Cash and Cash Equivalents</b>				
Cash and Cash Equivalents				
<b>Total Cash and Cash Equivalents</b>	<b>0</b>	<b>0</b>	<b>1,873</b>	<b>5,749</b>
<b>Borrowings</b>				
Financial liabilities at amortised cost	0	(1,513)	0	0
<b>Total included in Borrowings</b>	<b>0</b>	<b>(1,513)</b>	<b>0</b>	<b>0</b>
<b>Other Long Term Liabilities</b>				
Finance lease liabilities	0	0	0	0
<b>Total Other Long Term Liabilities</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Creditors</b>				
Financial liabilities carried at contract amount	0	0	(2,340)	(5,096)
<b>Total Creditors</b>	<b>0</b>	<b>0</b>	<b>(2,340)</b>	<b>(5,096)</b>

### Fair Values of Assets and Liabilities

Financial liabilities, 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 interest rates for loans receivable and payable based on new lending rates for equivalent loans at that date.
- No early repayment or impairment is recognised.
- Where an instrument will mature in the next 12 months, carrying amount is assumed to approximate to fair value.
- The fair value of trade and other receivables is taken to be the invoiced or billed amount.

The fair values calculated are as follows:

	31 <sup>st</sup> March 2015	
	Carrying Amount £000	Fair Value £000
Cash (deposit account)	4,178	4,178
<b>Total</b>	<b>4,178</b>	<b>4,178</b>

The council provides interest free loans to employees for car loans and the balance outstanding at 31 March 2015 was £37,834. The council has also provided a loan to the Falcons Gymnastics Academy to enable them to construct a new facility at the Tarka Tennis Centre; the balance at 31 March 2015 was £166,650. An assessment for soft loan issues has been completed on both of these loans and confirmed the accounting adjustment fell below our materiality level. As a result, the loans are recognised as debtors in the balance sheet and measured at nominal value.

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

## 16. INVENTORIES

	2013/14 £000	2014/15 £000
<b>Consumable Stores</b>		
<b>Balance outstanding at start of year</b>	142	114
Purchases	1,050	933
Recognised as an expense in the year	(1,078)	(922)
<b>Balance outstanding at year end</b>	<b>114</b>	<b>125</b>

## 17. CONSTRUCTION CONTRACTS

At 31<sup>st</sup> March 2015, the Authority had no construction contracts in progress.

## 18. SHORT TERM DEBTORS

	31 <sup>st</sup> March 2014 £000	31 <sup>st</sup> March 2015 £000
Central government bodies	1,717	262
Other local authorities	436	518
Other entities and individuals	2,528	2,240
<b>Total</b>	<b>4,681</b>	<b>3,020</b>

**19. CASH AND CASH EQUIVALENTS**

<b>31<sup>st</sup> March 2014 £000</b>		<b>31<sup>st</sup> March 2015 £000</b>
2	Cash held by the Authority	3
704	Bank current accounts	842
1,167	Short term deposits with banks and building societies	4,904
<b>1,873</b>	<b>Total Cash and Cash Equivalents</b>	<b>5,749</b>

**20. ASSETS HELD FOR SALE**

	<b>2013/14 £000</b>	<b>2014/15 £000</b>
<b>Balance outstanding at start of year</b>	0	0
Assets declassified as held for sale to:		
• Property, plant and equipment	0	0
<b>Balance outstanding at year end</b>	0	0

**21. SHORT TERM CREDITORS**

	<b>31<sup>st</sup> March 2014 £000</b>	<b>31<sup>st</sup> March 2015 £000</b>
Central government bodies	374	1,979
Other local authorities	444	1,536
Other entities and individuals	2,245	2,602
<b>Total</b>	<b>3,063</b>	<b>6,117</b>

**22. PROVISIONS**

	<b>Redundancy and Early Retirement £000</b>	<b>Business Rate Appeals £000</b>	<b>Property Searches £000</b>	<b>Holiday Pay £000</b>	<b>Total £000</b>
<b>Balance at 1<sup>st</sup> April 2014</b>	385	345	0	0	730
Additional provisions made in 2014/15	222	383	69	20	694
Amounts used in 2014/15	(166)	(332)	0	0	(498)
<b>Balance at 31<sup>st</sup> March 2015</b>	<b>441</b>	<b>396</b>	<b>69</b>	<b>20</b>	<b>926</b>

**23. UNUSABLE RESERVES**

<b>31<sup>st</sup> March 2014</b>		<b>31<sup>st</sup> March 2015</b>
		<b>£000</b>
13,642	Revaluation Reserve	15,390
52,608	Capital Adjustment Account	49,620
11	Deferred Capital Receipts Reserve	8
(42,663)	Pensions Reserve	(54,049)
(1,303)	Collection Fund Adjustment Account	(519)
(153)	Accumulated Absences Account	(151)
<b>22,142</b>	<b>Total Unusable Reserves</b>	<b>10,299</b>

**Revaluation Reserve**

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

- Revalued downwards or impaired and the gains are lost
- Used in the provision of services and the gains are consumed through depreciation, or
- Disposed of and the gains are realised

The Reserve contains only revaluation gains accumulated since 1<sup>st</sup> 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.

<b>2013/14</b>		<b>2014/15</b>
		<b>£000</b>
14,601	<b>Balance at 1<sup>st</sup> April</b>	13,642
2,395	Upward revaluation of assets	2,921
(3,066)	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	(730)
(288)	Difference between fair value depreciation and historical cost depreciation	(443)
0	Accumulated gains on assets sold or scrapped	0
<b>13,642</b>	<b>Balance at 31<sup>st</sup> March</b>	<b>15,390</b>

## Capital Adjustment Account

The Capital Adjustment account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The Account is credited with the amounts set aside by the Authority as finance for the costs of acquisition, construction and enhancement.

The Account contains accumulated gains and losses on Investment Properties and gains recognised on donated assets that have yet to be consumed by the Authority.

The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1<sup>st</sup> April 2007, the date that the Revaluation Reserve was created to hold such gains.

Note 6 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

2013/14 £000		2014/15 £000
56,670	<b>Balance at 1<sup>st</sup> April</b>	52,608
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:	
(1,476)	• Charges for depreciation and impairment of non current assets	(1,764)
(3,515)	• Revaluation losses on Property, Plant and Equipment	(1,647)
(18)	• Amortisation of intangible assets	(24)
(848)	• Revenue expenditure funded from capital under statute	(1,041)
0	• Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(175)
	Capital financing applied in the year:	
536	• Use of the Capital Receipts Reserve to finance new capital expenditure	622
537	• Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	657
417	• Capital expenditure charged against the General Fund and HRA balances	423
305	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	(39)
<b>52,608</b>	<b>Balance at 31<sup>st</sup> March</b>	<b>49,620</b>

### Deferred Capital Receipts Reserve (England and Wales)

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 Authority 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
13	<b>Balance at 1<sup>st</sup> April</b>	11
(2)	Transfer to the Capital Receipts Reserve upon receipt of cash	(3)
<b>11</b>	<b>Balance at 31<sup>st</sup> March</b>	<b>8</b>

### Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post employment benefits and for funding benefits in accordance with statutory provisions. The Authority accounts for post employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs.

However, statutory arrangements require benefits earned to be financed as the Authority makes employer's contributions to pension funds or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Authority has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

2013/14 £000		2014/15 £000
(42,343)	<b>Balance at 1<sup>st</sup> April</b>	(42,663)
2,212	Actuarial gains or (losses) on pensions assets and liabilities	(9,466)
(4,306)	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	(3,877)
1,774	Employer's pensions contributions and direct payments to pensioners payable in the year	1,957
<b>(42,663)</b>	<b>Balance at 31<sup>st</sup> March</b>	<b>(54,049)</b>

### Collection Fund Adjustment Account

The Collection Fund Adjustment Account manages the differences arising from the recognition of council tax and business rates income in the Comprehensive Income and Expenditure Statement as it falls due from taxpayers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

2013/14 £000		2014/15 £000
(19)	<b>Balance at 1<sup>st</sup> April</b>	(1,303)
(1,284)	Amount by which council tax and business rates income credited to the Comprehensive Income and Expenditure Statement is different from council tax and business rates income calculated for the year in accordance with statutory requirements	784
<b>(1,303)</b>	<b>Balance at 31<sup>st</sup> March</b>	<b>(519)</b>

### 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<sup>st</sup> 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
(206)	<b>Balance at 1<sup>st</sup> April</b>	(153)
206	Settlement or cancellation of accrual made at the end of the preceding year	153
(153)	Amounts accrued at the end of the current year	(151)
<b>(153)</b>	<b>Balance at 31<sup>st</sup> March</b>	<b>(151)</b>

## 24. CASH FLOW STATEMENT – OPERATING ACTIVITIES

The cash flows for operating activities include the following items:

2013/14 £000		2014/15 £000
6,311	Net surplus/deficit on the provision of service	4,476
(8,172)	Net amount debited to the general fund (note 6)	(4,591)
1,283	Removed as part of note 6 that do form part of the cash movement	(784)
(417)	Capital items removed that are part of note 6 and are not in the I&E	(422)
175	Movement in Provisions (Add back)	(145)
(5)	Other non-cash items	18
(28)	Movement in Stock	10
1,351	Movement in Debtors	(1,413)
2,367	Movement in Creditors	(2,766)
	<b>Remove interest paid and received to include in note 25</b>	
74	Interest received	75
0	Interest paid	0
<b>2,939</b>	<b>Net Cash flow from operating activities</b>	<b>(5,542)</b>

**25. CASH FLOW STATEMENT – INVESTING ACTIVITIES**

2013/14 £000		2014/15 £000
1,873	Purchase of property, plant and equipment, investment property and intangible assets	4,960
0	Purchase of short term and long term investments	0
0	Other payments for investing activities	0
(546)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(907)
(74)	Proceeds from short term and long term investments	(75)
<b>1,253</b>	<b>Net cash flows from investing activities</b>	<b>3,978</b>

**26. CASH FLOW STATEMENT – FINANCING ACTIVITIES**

2013/14 £000		2014/15 £000
(711)	Other receipts from financing activities	(2,312)
0	Repayments of short and long term borrowing	0
<b>(711)</b>	<b>Net cash flows from investing activities</b>	<b>(2,312)</b>

**27. AMOUNTS REPORTED FOR RESOURCE ALLOCATION DECISIONS**

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 Authority's Executive on the basis of budget reports analysed across Services. These reports are prepared on a different basis from the accounting policies used in the financial statements. In particular:

- No charges are made in relation to capital expenditure (whereas depreciation, revaluation and impairment losses in excess of the balance on the Revaluation Reserve and amortisations are 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.
- Expenditure on some support services is budgeted for centrally and not charged to Services.

The income and expenditure of the Authority's principal Services recorded in the budget reports for the year is as follows:

<b>Service Income And Expenditure 2014/15</b>	<b>Legal and Democratic £000</b>	<b>Corporate Management £000</b>	<b>Environmental Health and Housing Services £000</b>	<b>Financial Services £000</b>	<b>Strategic Development &amp; Planning £000</b>	<b>Property and Technical Services £000</b>	<b>Works and Recycling Services £000</b>	<b>Total £000</b>
Fees, charges and other service income	(77)	(1,080)	(1,047)	(220)	(1,357)	(4,681)	(1,796)	(10,258)
Government grants	(37)	(1)	(452)	(28,361)	0	(133)	0	(28,984)
<b>Total Income</b>	<b>(114)</b>	<b>(1,081)</b>	<b>(1,499)</b>	<b>(28,581)</b>	<b>(1,357)</b>	<b>(4,814)</b>	<b>(1,796)</b>	<b>(39,242)</b>
Employee expenses	5	1,686	49	0	1,239	422	2,612	6,013
Other service expenses	647	1,303	881	27,480	381	2,797	1,772	35,261
Support service recharges	776	679	2,245	2,027	647	1,500	1,524	9,398
<b>Total Expenditure</b>	<b>1,428</b>	<b>3,668</b>	<b>3,175</b>	<b>29,507</b>	<b>2,267</b>	<b>4,719</b>	<b>5,908</b>	<b>50,672</b>
<b>Net Expenditure</b>	<b>1,314</b>	<b>2,587</b>	<b>1,676</b>	<b>926</b>	<b>910</b>	<b>(95)</b>	<b>4,112</b>	<b>11,430</b>

<b>Service Income And Expenditure 2013/14 Comparative Figures</b>	<b>Legal and Democratic £000</b>	<b>Corporate Management £000</b>	<b>Environmental Health and Housing Services £000</b>	<b>Financial Services £000</b>	<b>Strategic Development &amp; Planning £000</b>	<b>Property and Technical Services £000</b>	<b>Works and Recycling Services £000</b>	<b>Total £000</b>
Fees, charges and other service income	0	(1,237)	(1,029)	(252)	(1,164)	(4,576)	(1,711)	(9,969)
Government grants	0	(237)	(405)	(28,196)	0	0	0	(28,838)
<b>Total Income</b>	<b>0</b>	<b>(1,474)</b>	<b>(1,434)</b>	<b>(28,448)</b>	<b>(1,164)</b>	<b>(4,576)</b>	<b>(1,711)</b>	<b>(38,807)</b>
Employee expenses	0	1,092	0	0	1,335	511	2,614	5,552
Other service expenses	0	1,847	1,199	27,305	322	2,903	1,686	35,262
Support service recharges	0	1,248	2,404	2,062	782	1,556	1,568	9,620
<b>Total Expenditure</b>	<b>0</b>	<b>4,187</b>	<b>3,603</b>	<b>29,367</b>	<b>2,439</b>	<b>4,970</b>	<b>5,868</b>	<b>50,434</b>
<b>Net Expenditure</b>	<b>0</b>	<b>2,713</b>	<b>2,169</b>	<b>919</b>	<b>1,275</b>	<b>394</b>	<b>4,157</b>	<b>11,627</b>

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

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

	<b>2013/14 £000</b>	<b>2014/15 £000</b>
Net expenditure in the Service analysis	11,627	11,430
Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the analysis	5,800	3,964
Amounts included in the analysis not included in the Comprehensive Income and Expenditure Statement	422	25
<b>Cost of Services in Comprehensive Income and Expenditure Statement</b>	<b>17,849</b>	<b>15,419</b>

### Reconciliation to Subjective Analysis

This reconciliation shows how the figures on the analysis of Service income and expenditure relate to a subjective analysis of the Surplus or Deficit on the Provision of Services included in the Comprehensive Income and Expenditure Statement.

2014/15							
	Service Analysis £000	Amounts not reported to management for decision making £000	Amounts not included in I&E £000	Allocation of Recharges £000	Cost of Services £000	Corporate Amounts £000	Total £000
Fees, charges and other service income	(10,258)	0	307	(343)	(10,294)	(307)	(10,601)
Interest and investment income	0	0	0	0	0	(75)	(75)
Income from council tax	0	0	0	0	0	(6,700)	(6,700)
Income from Business Rates	0	0	0	0	0	(3,341)	(3,341)
Government grants and contributions	(28,984)	0	0	0	(28,984)	(3,881)	(32,865)
<b>Total Income</b>	<b>(39,242)</b>	<b>0</b>	<b>307</b>	<b>(343)</b>	<b>(39,278)</b>	<b>(14,304)</b>	<b>(53,582)</b>
Employee expenses	6,013	(447)	0	7,599	13,165	0	13,165
Other service expenses	35,261	0	(118)	2,142	37,285	2,123	39,408
Support service recharges	9,398	0	(110)	(9,398)	(110)	110	0
Depreciation, amortisation and impairment	0	4,411	(54)	0	4,357	54	4,411
Interest Payments	0	0	0	0	0	13	13
Precepts and levies	0	0	0	0	0	1,506	1,506
Payments to Housing	0	0	0	0	0	2	2
Capital Receipts Pool	0	0	0	0	0	(447)	(447)
Gain or loss on disposal of fixed assets	0	0	0	0	0	(447)	(447)
<b>Total Expenditure</b>	<b>50,672</b>	<b>3,964</b>	<b>(282)</b>	<b>343</b>	<b>54,697</b>	<b>3,361</b>	<b>58,058</b>
<b>(Surplus) or Deficit on the provision of services</b>	<b>11,430</b>	<b>3,964</b>	<b>25</b>	<b>0</b>	<b>15,419</b>	<b>(10,943)</b>	<b>4,476</b>

<b>2013/14 Comparative Figures</b>							
	<b>Service Analysis £000</b>	<b>Amounts not reported to management for decision making £000</b>	<b>Amounts not included in I&amp;E £000</b>	<b>Allocation of Recharges £000</b>	<b>Cost of Services £000</b>	<b>Corporate Amounts £000</b>	<b>Total £000</b>
Fees, charges and other service income	(9,969)	0	359	(209)	<b>(9,819)</b>	(359)	<b>(10,178)</b>
Interest and investment income	0	0	0	0	<b>0</b>	(74)	<b>(74)</b>
Income from council tax	0	0	0	0	<b>0</b>	(6,598)	<b>(6,598)</b>
Income from Business Rates	0	0	0	0	<b>0</b>	(2,722)	<b>(2,722)</b>
Government grants and contributions	(28,838)	0	0	0	<b>(28,838)</b>	(4,685)	<b>(33,523)</b>
<b>Total Income</b>	<b>(38,807)</b>	<b>0</b>	<b>359</b>	<b>(209)</b>	<b>(38,657)</b>	<b>(14,438)</b>	<b>(53,095)</b>
Employee expenses	5,552	267	0	7,773	<b>13,592</b>	0	<b>13,592</b>
Other service expenses	35,262	0	(131)	2,056	<b>37,187</b>	2,161	<b>39,348</b>
Support service recharges	9,620	0	(110)	(9,620)	<b>(110)</b>	110	<b>0</b>
Depreciation, amortisation and impairment	0	5,533	304	0	<b>5,837</b>	(304)	<b>5,533</b>
Interest Payments	0	0	0	0	<b>0</b>	0	<b>0</b>
Precepts and levies	0	0	0	0	<b>0</b>	1,466	<b>1,466</b>
Payments to Housing	0	0	0	0	<b>0</b>	2	<b>2</b>
Capital Receipts Pool							
Gain or loss on disposal of fixed assets	0	0	0	0	<b>0</b>	(535)	<b>(535)</b>
<b>Total Expenditure</b>	<b>50,434</b>	<b>5,800</b>	<b>63</b>	<b>209</b>	<b>56,506</b>	<b>2,900</b>	<b>59,406</b>
<b>(Surplus) or Deficit on the provision of services</b>	<b>11,627</b>	<b>5,800</b>	<b>422</b>	<b>0</b>	<b>17,849</b>	<b>(11,538)</b>	<b>6,311</b>

**28. BUILDING CONTROL TRADING ACCOUNT**

The Building (Local Authority Charges) Regulations 1998 require the disclosure of information regarding the setting of charges for the administration of the Building Control function. North Devon Council sets charges for work carried out in relation to building regulations, with the aim of covering all costs incurred. However, certain activities performed by the Building Control Unit cannot be charged for, such as providing general advice and liaising with other statutory authorities. The statement below shows the total cost of operating the Building Control Unit, divided between the chargeable and non-chargeable activities.

<b>Building Regulations Charging Account 2014/15</b>	<b>Non Chargeable £000</b>	<b>Chargeable £000</b>	<b>Total Building Control £000</b>
<b>Expenditure</b>			
Employees	81	166	247
Premises	0	0	0
Transport	5	9	14
Supplies and Services	7	13	20
Capital Financing	0	0	0
Central & Support Service charges	27	54	81
<b>Total Expenditure</b>	<b>120</b>	<b>242</b>	<b>362</b>
<b>Income</b>			
Building Regulation Charges	0	(341)	(341)
Miscellaneous Income	0	0	0
<b>Total Income</b>	<b>0</b>	<b>(341)</b>	<b>(341)</b>
<b>(Surplus)/Deficit for Year</b>	<b>120</b>	<b>(99)</b>	<b>21</b>
<b>Comparatives for 2013/14</b>			
Expenditure	124	274	398
Income	(9)	(337)	(346)
<b>(Surplus)/Deficit for Year</b>	<b>115</b>	<b>(63)</b>	<b>52</b>

**29. TRADING OPERATIONS**

Included within the Comprehensive Income and Expenditure Statement are the following trading activities:

		<b>2013/14</b>	<b>2014/15</b>
		<b>£000</b>	<b>£000</b>
Car Parks	Turnover	(2,816)	(2,968)
	Expenditure	3,853	2,158
	<b>(Surplus)/Deficit</b>	<b>1,037</b>	<b>(810)</b>
South Molton Cattle Market	Turnover	(32)	(30)
	Expenditure	16	16
	<b>(Surplus)/Deficit</b>	<b>(16)</b>	<b>(14)</b>
Barnstaple Pannier Market	Turnover	(251)	(239)
	Expenditure	337	704
	<b>(Surplus)/Deficit</b>	<b>86</b>	<b>465</b>
Corporate Properties/Industrial Units	Turnover	(565)	(523)
	Expenditure	1,346	1,307
	<b>(Surplus)/Deficit</b>	<b>781</b>	<b>784</b>
Ilfracombe Harbour	Turnover	(518)	(315)
	Expenditure	659	533
	<b>(Surplus)/Deficit</b>	<b>141</b>	<b>218</b>
Seaside Undertakings	Turnover	(35)	(28)
	Expenditure	2	1
	<b>(Surplus)/Deficit</b>	<b>(33)</b>	<b>(27)</b>
Trade Waste & Skips	Turnover	(572)	(686)
	Expenditure	708	732
	<b>(Surplus)/Deficit</b>	<b>136</b>	<b>46</b>
Trade Recycling	Turnover	(28)	(55)
	Expenditure	24	39
	<b>(Surplus)/Deficit</b>	<b>(4)</b>	<b>(16)</b>
<b>Net (surplus)/deficit on trading operations</b>		<b>2,128</b>	<b>646</b>

**30. MEMBERS' ALLOWANCES**

The Authority paid the following amounts to Members of the Council during the year:

	<b>2013/14</b>	<b>2014/15</b>
	<b>£</b>	<b>£</b>
Allowances	278,895	277,336
Expenses	23,703	17,812
<b>Total</b>	<b>302,598</b>	<b>295,148</b>

**31. OFFICERS' REMUNERATION**

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

<b>2014/15</b>	<b>Salary, fees and allowances £</b>	<b>Bonuses £</b>	<b>Expenses/ Allowances £</b>	<b>Compensation for loss of office £</b>	<b>Pension contribution £</b>	<b>Total £</b>
Chief Executive	98,628	0	1,658	0	13,808	<b>114,094</b>
Head of Property and Technical Services	52,776	0	1,657	0	7,389	<b>61,822</b>
Head of Environmental Health and Housing Services	52,776	0	846	0	7,389	<b>61,011</b>
Head of Financial Services (1) 01/04/14 - 16/11/14	44,753	0	920	0	5,364	<b>51,037</b>
Head of Financial Services 17/11/14 onwards	18,112	0	645	0	2,536	<b>21,293</b>
Head of Legal Services	52,776	0	1,190	0	7,389	<b>61,355</b>
Head of Works and Recycling Services (2)	26,532	0	661	0	3,715	<b>30,908</b>
Head of Strategic Development and Planning (3)	0	0	0	0	0	<b>0</b>

(1) The Head of Financial Services (01/04/14 – 16/11/14) was acting as a Senior Officer at Torrington District Council under a shared arrangement. The remuneration shown for 2014/15 reflects any increases payable under these arrangements. The amount charged to Torrington District Council for these arrangements was £23,292 (April to November). The Head of Financial Services left the Authority on 16<sup>th</sup> November and the agreement with Torrington District Council ended. The post was replaced 17<sup>th</sup> November 2014.

(2) The Head of Works and Recycling Services position was covered during 2014/15 (April – September) by the Head of Works, Recycling and Operations at Torrington District Council, under a shared arrangement. The amount paid to Torrington District Council was £18,856 (April to September). In October 2014 the agreement with Torrington District Council ended and a Permanent post was appointed.

(3) The position of Head of Strategic Development and Planning was a joint post with Torrington District Council. The post holder left their employment on 6 April 2015. The amount paid to Torrington District Council was £139,810 under the arrangements for the joint post which covered 50% recharge of salary and associated termination costs.

<b>2013/14 Comparative Figures</b>	<b>Salary, fees and allowances £</b>	<b>Bonuses £</b>	<b>Expenses/ Allowances £</b>	<b>Compensation for loss of office £</b>	<b>Pension contribution £</b>	<b>Total £</b>
Chief Executive	99,150	0	1,558	0	19,136	<b>119,844</b>
Assistant Chief Executive (1)	15,237	0	48	73,288	2,941	<b>91,514</b>
Head of Property and Technical Services	52,488	0	2,077	0	10,130	<b>64,695</b>
Head of Environmental Health and Housing Services	52,488	0	1,560	0	10,130	<b>64,178</b>
Head of Human Resources (2)	0	0	0	0	0	<b>0</b>
Head of Financial Services (3)	60,034	0	1,355	0	11,587	<b>72,976</b>
Head of Legal Services (4)	10,441	0	0	0	2,342	<b>12,783</b>
Head of Works and Recycling Services (5)	0	0	0	0	0	<b>0</b>
Head of Strategic Development and Planning (6)	0	0	0	0	0	<b>0</b>

(1) The Assistant Chief Executive left the Authority on 30<sup>th</sup> June 2013.

(2) The Head of Human Resources left the Authority in 2012/13. This position was covered during 2013/14 by the Head of Human Resources at Torridge District Council, under a shared arrangement. The amount paid to Torridge District Council was £21,551 (April to October).

(3) The Head of Financial Services has been acting as a Senior Officer at Torridge District Council during 2013/14 under a shared arrangement. The remuneration shown for 2013/14 reflects any increases payable under these arrangements. The amount charged to Torridge District Council for these arrangements was £36,694 (April to March).

(4) The Head of Legal Services position was covered during 2013/14 (April to January) by the Head of Legal Services at Torridge District Council, under a shared arrangement. The amount paid to Torridge District Council was £31,026. The position was filled by North Devon Council in January 2014.

(5) The Head of Works and Recycling Services position was covered during 2013/14 by the Head of Works, Recycling and Operations at Torridge District Council, under a shared arrangement. The amount paid to Torridge District Council was £38,829 (April to March).

(6) The position of Head of Strategic Development and Planning was appointed in July 2012 as a new joint post with Torridge District Council. The amount paid to Torridge District Council was £39,932 under the arrangements for the joint post.

The Authority's other employees receiving more than £50,000 remuneration for the year (excluding employer's pensions contributions) were paid the following amounts:

Remuneration Band	Number of Employees	
	2013/14	2014/15
£50,000 - £54,999	0	1
£55,000 - £59,999	0	0
£60,000 - £64,999	1	1
£65,000 - £69,999	1	2
£70,000 - £74,999	0	0
£75,000 - £79,999	0	0
£80,000 - £84,999	0	0
£85,000 - £89,999	0	1

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

Exit package cost band (including special payments)	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band		Total cost of exit packages in each band (£)	
	2013/14	2014/15	2013/14	2014/15	2013/14	2014/15	2013/14 £	2014/15 £
£0 - £20,000	0	0	3	0	3	0	26,269	0
£20,001 - £40,000	0	0	2	3	2	3	55,794	80,007
£40,001 - £60,000	0	0	0	3	0	3	0	151,130
£60,001 - £80,000	0	0	0	2	0	2	0	151,952
£80,001 - £100,000	0	0	0	1	0	1	0	96,498
£100,001 - £150,000	0	0	2	0	2	0	233,324	0
£150,001 - £200,000	0	0	0	0	0	0	0	0
<b>Total</b>	<b>0</b>	<b>0</b>	<b>7</b>	<b>9</b>	<b>7</b>	<b>9</b>	<b>315,387</b>	<b>479,587</b>

The cost of exit packages in 2013/14 was £315,387 and this cost is offset by ongoing annual revenue savings achieved by the exit packages of £224,783.

The cost of exit packages in 2014/15 was £479,587 and this cost is offset by ongoing annual revenue savings achieved by the exit packages of £371,158.

### 32. EXTERNAL AUDIT COSTS

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

	2013/14 £000	2014/15 £000
Fees payable to (external auditors) with regard to external audit services carried out by the appointed auditor for the year*	54	57
Fees payable to (external auditors) for the certification of grant claims and returns for the year	12	17
Fees payable in respect of other services provided by (external auditors) during the year	1	2
<b>Total</b>	<b>67</b>	<b>76</b>

\* The agreed audit fee for 2014/15 was £63,201 however the Audit Commission announced rebates to audited bodies of £6,403 reducing the overall audit fee to £56,798.

### 33. GRANT INCOME

The Authority credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement.

	2013/14 £000	2014/15 £000
<b>Credited to Taxation and Non Specific Grant Income</b>		
Council tax freeze grant	(58)	(58)
New homes bonus grant	(628)	(714)
Revenue support grant	(3,927)	(3,079)
Other	(71)	(30)
<b>Total</b>	<b>(4,684)</b>	<b>(3,881)</b>
<b>Credited to Services</b>		
Disabled facilities grant	(405)	(427)
Dotto land train (Leader 4)	(162)	0
Old Quay Head (Environment Agency)	(75)	0
Winter storms (Environment Agency)	0	(108)
Repair and renew grant (DEFRA)	0	(37)
Ilfracombe pool (Sport England)	0	(52)
Other	(1)	(38)
<b>Total</b>	<b>(643)</b>	<b>(662)</b>

The Authority has received a number of grants, contributions and donations that have yet to be recognised as income as they have conditions attached to them. The balances at the year-end are as follows:

	31 <sup>st</sup> March 2013 £000	31 <sup>st</sup> March 2014 £000	31 <sup>st</sup> March 2015 £000
<b>Capital Grants Receipts in Advance</b>			
S106/Commuted sum – Community facilities	(20)	(20)	(20)
S106/Commuted sum – Affordable housing	(307)	(260)	(289)
S106/Commuted sum – Sports	(25)	(5)	0
Commuted sums – Public open space	(834)	(798)	(732)
S106/Commuted sum – Car parking	(190)	(190)	(190)
S106/Commuted sum – Sustainable transport	(8)	(8)	(8)
S106/Commuted sum – Public conveniences	(15)	(15)	(15)
<b>Total</b>	<b>(1,399)</b>	<b>(1,296)</b>	<b>(1,254)</b>

	31 <sup>st</sup> March 2013 £000	31 <sup>st</sup> March 2014 £000	31 <sup>st</sup> March 2015 £000
<b>Donated Assets Account</b>			
Falcons Gymnastics	(761)	(761)	(761)

### **34. RELATED PARTIES**

The Authority is required to disclose material transactions with related parties – bodies or individuals that have the potential to control or influence the 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 Authority.

#### **Central Government**

Central government has effective control over the general operations of the Authority – it is responsible for providing the statutory framework within which the Authority operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Authority has with other parties (e.g. council tax bills, housing benefits). Grants received from government departments are set out in the subjective analysis in Note 27 on reporting for resources allocation decisions.

#### **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 30.

During 2014/15 works and services to the value of £451 (£17,439 in 2013/14) were commissioned from companies in which one member had an interest. (West of England Fire Protection Limited). Contracts were entered into in full compliance with the Council's Standing Orders and Financial Regulations. In all instances, the grants were made with proper consideration of declarations of interest. The relevant Members did not take part in any discussion or decision relating to the grants.

Details of all these transactions are recorded in the Register of Members' Interest open to public inspection during office hours.

The Council received £60,000 (£60,000 in 2013/14) in the year from the North Devon Joint Crematorium Committee being the proportion due of the Committee's annual surplus.

### **35. CAPITAL EXPENDITURE AND CAPITAL FINANCING**

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

	2013/14 £000	2014/15 £000
<b>Opening Capital Financing Requirement</b>	1,921	2,130
<u>Capital Investment:</u>		
Property, Plant and Equipment	980	4,124
Investment Properties	0	29
Intangible Assets	1	36
Revenue Expenditure funded from Capital under Statute	849	1,041
	1,830	5,230
<u>Sources of Finance:</u>		
Capital receipts	536	622
Government grants and other contributions	536	657
Sums set aside from revenue:		
Direct revenue contributions	417	423
MRP/Loans fund principal	132	0
	1,621	1,702
<b>Closing Capital Financing Requirement</b>	<b>2,130</b>	<b>5,658</b>
<u>Explanation of movements in year:</u>		
Increase in underlying need to borrowing (supported by government financial assistance)	0	0
Increase in underlying need to borrowing (unsupported by government financial assistance)	341	3,528
Assets acquired under finance leases	(132)	0
Assets acquired under PFI/PP contracts	0	0
<b>Increase/(decrease) in Capital Financing Requirement</b>	<b>209</b>	<b>3,528</b>

## 36. LEASES

### Authority as Lessee

#### *Finance Leases*

The Council previously acquired vehicles for its Kerbside Recycling service under finance leases; these leases came to an end during 2014/15 year.

#### *Operating Leases*

The Authority uses photocopiers & printers financed under terms of an operating lease. The amount paid under these arrangements in 2014/15 was £35,815 (2013/14 £42,315). The Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 requires charges to be made evenly throughout the period of the lease.

The Authority was committed at 31<sup>st</sup> March 2015 to making payments of £35,641 under operating leases in 2015-16.

	31 <sup>st</sup> March 2014 £000	31 <sup>st</sup> March 2015 £000
Not later than one year	3	25
Later than one year and not later than five years	28	11
Later than five years	0	0
	<b>31</b>	<b>36</b>

## Authority as Lessor

### *Finance Leases*

The Authority has one finance lease arrangement relating to Plot 4, Seven Brethren Bank for a period of 150 years effective from 26 August 2011. The lease amount is a peppercorn rent of £1 per annum.

### *Operating Leases*

The Authority leases out property and equipment 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:

	<b>31<sup>st</sup> March</b>	<b>31<sup>st</sup> March</b>
	<b>2014</b>	<b>2015</b>
	<b>£000</b>	<b>£000</b>
Not later than one year	371	345
Later than one year and not later than five years	969	1,006
Later than five years	3,264	3,261
<b>Minimum lease payments</b>	<b>4,604</b>	<b>4,612</b>

The minimum lease payments receivable do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews.

## 37. IMPAIRMENT LOSSES

During the 2014/15 valuation process no Impairment or Impairment reversals were identified.

**38. COUNCIL TAX**

Council Tax income is calculated by adding together the amounts required by North Devon Council, Devon County Council, Devon and Cornwall Police, Devon and Somerset Fire & Rescue and local Parish Councils. This amount, the Precept, is then divided by the North Devon District tax base of 31,543.02 to give an average Council Tax liability for a Band D property.

For Council Tax purposes the number of dwellings in each valuation band converted to a Band D equivalent was as follows:

<b>Band</b>	<b>Band D Equivalent Numbers</b>
-A	4.39
A	3,955.95
B	6,475.47
C	6,970.99
D	6,573.98
E	4,648.08
F	2,391.75
G	932.26
H	70.50
Allowance For Non Collection at 1.5%	(480.35)
<b>Council Tax Base</b>	<b>31,543.02</b>

Individual taxpayer's liability will depend upon the valuation band of the property they occupy.

**39. BUSINESS RATES**

The introduction of the new Business Rates Retention Scheme in April 2013 has necessitated a new Collection Fund Statement in relation to Business Rates; under the new regime North Devon Council has joined a Devon wide pool in order to mitigate any losses and share any gains due to changes in the local economy. During 2014/15 the Devon Pool had net growth of £2.5m of which this authority received an additional £105k.

The Council collects non-domestic rates for its area that are based on local rateable values multiplied by a uniform rate. The total non-domestic rateable value as at 31st March 2015 was £85.373m. In 2014/15 the rate was 47.1p in the pound for small businesses and 48.2p in the pound for others as prescribed by the Government.

The total amount, less certain reliefs and other deductions, is paid from the Collection Fund to a combination of Central Government, Devon County Council and Devon & Somerset Fire Service via the Devon Wide Pool which is managed by Plymouth City Council.

## 40. DEFINED BENEFIT PENSION SCHEMES

### Participation in Pension Schemes

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

The Authority participates in two post employment schemes:

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

### Transactions Relating To Post Employment Benefits

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

Comprehensive Income and Expenditure Account	Local Government Pension Scheme		Discretionary Benefits Arrangements	
	2013/14 £000	2014/15 £000	2013/14 £000	2014/15 £000
Cost of services:				
• Current service cost	2,135	1,877	0	0
• Past service cost	305	130	0	0
Financing and Investment Income and Expenditure:				
• Net Interest cost	1,835	1,838	0	0
Administration expenses	31	32	0	0
<b>Total post employment benefit charged to the Surplus or Deficit on the Provision of Services</b>	<b>4,306</b>	<b>3,877</b>	<b>0</b>	<b>0</b>
Movement in reserves statement:				
Reversal of net charges made to the Surplus or Deficit for the Provision of Services for the past employment benefits in accordance with the Code	4,306	3,877	0	0
Actual amount charged against the General Fund Balance for pensions in the year:				
Employers' contributions payable to scheme	(1,530)	(1,712)	(244)	(245)

The cumulative amount of actuarial gains and losses recognised in the Comprehensive Income and Expenditure Statement to the 31<sup>st</sup> March 2015 is a loss of £9.5m.

### Assets and Liabilities In Relation To Post Employment Benefits

Reconciliation of present value of the Fund liabilities:

	Funded Liabilities: Local Government Pension Scheme		Unfunded Liabilities: Discretionary Benefits	
	2013/14 £000	2014/15 £000	2013/14 £000	2014/15 £000
Opening balance at 1 <sup>st</sup> April	94,684	95,392	3,366	3,501
Current service cost	2,135	1,877	0	0
Past service cost	305	130	0	0
Interest cost	4,246	4,285	0	0
Contributions by scheme participants	474	483	0	0
Actuarial (gains)/losses arising on changes in financial assumptions	1,462	12,398	379	480
Actuarial (gains)/losses arising on changes in demographic assumptions	541	0	0	0
Experience (gains)/losses on defined benefit obligation	(4,587)	78	0	0
Benefits paid	(3,868)	(3,455)	0	0
Unfunded pension payments	0	0	(244)	(245)
Closing balance at 31 <sup>st</sup> March	95,392	111,188	3,501	3,736

## Reconciliation of fair value of the Fund (plan) assets:

	Local Government Pension Scheme	
	2013/14 £000	2014/15 £000
Opening balance at 1 <sup>st</sup> April	55,707	56,230
Interest income	2,411	2,447
Return on assets (less interest)	142	3,490
Other actuarial gains/(losses)	(135)	0
Employer contributions	1,774	1,957
Contributions by scheme participants	474	483
Administration expenses	(31)	(32)
Benefits paid	(4,112)	(3,700)
Closing balance at 31 <sup>st</sup> March	56,230	60,875

The expected return on Fund assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the Balance Sheet date.

Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets.

The actual return on Fund assets in the 2014/15 year was £5,937,000 (£2,553,000 in 2013/14).

**Fund History**

	2010/11 £000	2011/12 £000	2012/13 £000	2013/14 £000	2014/15 £000
<b>Present value of liabilities:</b>					
Local Government Pension Scheme	72,405	85,727	94,684	95,392	111,188
Discretionary benefits	3,221	3,289	3,366	3,501	3,736
<b>Fair value of assets in the Local Government Pension Scheme Surplus/(deficit) in the scheme:</b>					
Local Government Pension Scheme	50,660	51,048	55,707	56,230	60,875
<b>Surplus/(deficit) in scheme:</b>					
Local Government Pension Scheme	(21,745)	(34,679)	(38,977)	(39,162)	(50,313)
Discretionary benefits	(3,221)	(3,289)	(3,366)	(3,501)	(3,736)
<b>Total</b>	<b>(24,966)</b>	<b>(37,968)</b>	<b>(42,343)</b>	<b>(42,663)</b>	<b>(54,049)</b>

The liabilities show the underlying commitments that the Authority has in the long run to pay post employment (retirement) benefits. The total liability of £54.0m has a substantial impact on the net worth of the Authority as recorded in the Balance Sheet. However, statutory arrangements for funding the deficit mean that the financial position of the Authority remains healthy:

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

The total contributions expected to be made to the Local Government Pension Scheme by the Council in the year to 31<sup>st</sup> March 2016 is £1,780,000. Expected contributions for the discretionary benefits scheme in the year to 31<sup>st</sup> March 2016 are £250,000.

### 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 and are based on the latest full valuation of the scheme as at 31 March 2015.

2013/14	Actuarial Assumptions	2014/15
	Mortality assumptions:	
	Longevity at 65 for current pensioners:	
22.7	• Men	22.8
26.0	• Women	26.1
	Longevity at 65 for future pensioners:	
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%	Discount rate	3.3%
50%/75%	Take up of option to convert annual pension into retirement lump sum	50%/75%

The discretionary benefits arrangements have no assets to cover its liabilities. The Local Government Pension Scheme's assets consist of the following categories, by proportion of the total assets held:

	31 <sup>st</sup> March 2014	31 <sup>st</sup> March 2015
Equities	60%	59%
Gilts	7%	6%
Property	9%	10%
Cash	2%	2%
Target Return Portfolio	15%	15%
Infrastructure	2%	3%
Alternative Assets	0%	2%
Other Bonds	5%	3%
<b>Total</b>	<b>100%</b>	<b>100%</b>

## Sensitivity Analysis

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the above table.

The sensitivity analysis shown 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 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, i.e. on the 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>Impact on the present value of total obligation</b>	<b>+0.1% £000</b>	<b>0.0% £000</b>	<b>-0.1% £000</b>
Adjustment to discount rate	112,913	114,924	116,973
Adjustment to long term salary increase	115,192	114,924	114,658
Adjustment to pension increases	116,721	114,924	113,160

<b>Impact on the present value of total obligation</b>	<b>+1 year £000</b>	<b>0.0% £000</b>	<b>-1 year £000</b>
Adjustment in longevity	110,891	114,924	118,994

### 41. CONTINGENT LIABILITIES

At 31 March 2015, the Authority had no contingent liabilities.

### 42. CONTINGENT ASSETS

The Council has lodged a Voluntary Disclosure (Protective Claim) with HM Revenue and Customs amounting to £6.157 million for repayment of Value Added Tax on Car Parking income. The decision on whether payment will be made to the Council is dependent upon the outcome of the Isle of Wight appeal. As receipt of the payment is uncertain it has not been included within these accounts.

The Council has recently lodged a High Court claim against the Royal Mail for Value Added Tax on postage previously paid and for compound interest. The initial value of the claim, subject to verification and updating as the litigation progresses, amounts to £0.5 million. As receipt of the payment is uncertain it has not been included within these accounts.

#### **43. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS**

The Authority'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 Authority
- Liquidity risk – the possibility that the Authority might not have funds available to meet its commitments to make payments
- Re-financing risk – the possibility that the Authority might be requiring to renew a financial instrument on maturity at disadvantageous interest rates or terms
- Market risk – the possibility that financial loss might arise for the Authority as a result of changes in such measures as interest rate movements.

The Authority's overall risk management programme focuses 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 Authority 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 at or before the Council's annual Council Tax setting budget or before the start of the year to which they relate. These items are reported with the annual treasury management strategy, which outlines the detailed approach to managing risk in relation to the Council's financial instrument exposure. Actual performance is also reported after each year, as is a mid-year update.

The annual treasury management strategy which incorporates the prudential indicators was approved by Council on 26 February 2014 and is available on the Council website. The key issues within the strategy were:

- The Authorised Limit for 2014/15 was set at £9.5m. This is the maximum limit of external borrowings or other long-term liabilities.
- The Operational Boundary was expected to be £4.5m. This is the expected level of debt and other long-term liabilities during the year.
- The maximum amounts of fixed and variable interest rate exposure were set at £150,000 and £60,000 based on the Council's net debt.

Risk management is carried out by Financial Services, under policies approved by the Council in the annual treasury management strategy. The Council provides written principles for overall risk management, as well as written policies (covering specific areas, such as interest rate risk, credit risk and the investment of surplus cash).

### **Credit Risk**

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Authority'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, in accordance with the Fitch, Moody's and Standard & Poors Credit Ratings Services. The Annual Investment Strategy also considers maximum amounts and time limits with a financial institution located in each category.

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

This Authority uses the creditworthiness service provided by Capita Asset Services. This service uses a sophisticated modeling approach with credit ratings from all three rating agencies - Fitch, Moody's and Standard and Poors, forming the core element. However, it does not rely solely on the current credit ratings of counterparties but also uses the following as overlays:

- credit watches and credit outlooks from credit rating agencies
- CDS spreads to give early warning of likely changes in credit ratings
- sovereign ratings to select counterparties from only the most creditworthy countries

The full Investment Strategy for 2014/15 was approved by Full Council on 26 February 2014 and is available on the Council's website.

Customers for goods and services are assessed, taking into account their financial position, past experience and other factors, with individual credit limits being set in accordance with internal ratings in accordance with parameters set by the Council.

The Authority's maximum exposure to credit risk in relation to its investments in banks and building societies of £5.7m cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all of the Authority's deposits, but there was no evidence at 31<sup>st</sup> March 2015 that this was likely to crystallise.

The following analysis summarises the Authority's potential maximum exposure to credit risk on other financial assets, based on experience of default, adjusted to reflect current market conditions.

	Amount at 31 <sup>st</sup> March 2015 £000 A	Historical experience of default % B	Adjusted for market conditions at 31 <sup>st</sup> March 2015 % C	Estimated maximum exposure to default at 31 <sup>st</sup> March 2015 £000 (A x C)
Sums invested	5,749	0%	0%	0
Customers – debtors	2,707	39%	39%	1,056

No credit limits were exceeded during the reporting period and the Authority does not expect any losses from non-performance by any of its counterparties in relation to deposits.

The Authority does not generally allow credit for customers, such that £2.7m is past its due date for payment. The past due amount can be analysed by age as follows:

	31 <sup>st</sup> March 2014 £000	31 <sup>st</sup> March 2015 £000
0 to 6 months	1,656	1,567
6 months to 1 year	244	251
1 to 2 years	232	300
More than 2 years	547	589
<b>Total</b>	<b>2,679</b>	<b>2,707</b>

Collateral - During the reporting period the council held no material collateral as security.

### Liquidity Risk

The Authority manages its liquidity position through the risk management procedures above (the setting and approval 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 when 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.

As at 31<sup>st</sup> March 2015 all sums owing are due to be paid in less than one year.

### Refinancing and Maturity risk

The Authority maintains a 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 risk relates to both the maturing of longer-term financial liabilities and longer-term financial assets.

The approved treasury indicator limits for the maturity structure of debt and the limits placed on investments placed for greater than one year in duration are the key parameters used to address this risk. The Council approved treasury and investment strategies address the main risks and Financial Services address the operational risks within the approved parameters. This includes:

- monitoring the maturity profile of financial liabilities and amending the profile through either new borrowing or the rescheduling of the 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, and the spread of longer-term investments provide stability of maturities and returns in relation to the longer-term cash flow needs.

The maturity analysis of financial liabilities is as follows, with the maximum and minimum limits for fixed interest rates maturing in each period. These limits were in the Treasury Management Strategy approved by Council.

	Approved minimum limits	Approved maximum limits	Actual 31 March 2015 £000s	Actual 31 March 2014 £000s
Less than 1 year	0%	44%		0
Between 1 and 2 years	0%	56%		0
Between 2 and 5 years	0%	60%	750 (50%)	0
Between 5 and 10 years	0%	70%	750 (50%)	0
More than 10 years	0%	56%		0
<b>Total</b>			<b>1,500</b>	<b>0</b>

## Market Risk

**Interest rate risk** - The Authority is exposed to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the Authority, depending on how variable and fixed interest rates move across differing financial instrument periods. For instance, a rise in variable and fixed interest rates would have the following effects:

- Borrowings at variable rates – the interest expense charged to the Comprehensive Income and Expenditure Statement will rise;
- Borrowings at fixed rates – the fair value of the borrowing will fall (no impact on revenue balances)
- Investments at variable rates – the interest income credited to the Comprehensive Income and Expenditure Statement will rise; and
- Investment at fixed rates – the fair value of the assets will fall (no impact on revenue balances)

Borrowings are not carried at fair value on the balance sheet, 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. However, changes in interest payable and receivable on variable rate borrowings and investment will be posted to the Surplus or Deficit on the Provision of Services and affect the General Fund Balance. Movements in the fair value of fixed rate investments that have a quoted market price will be reflected in the Other Comprehensive Income and Expenditure Statement, if material.

The Council has a number of strategies for managing interest rate risk. The Annual Treasury Management Strategy draws together 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. Financial Services will monitor market and forecast interest rates within the year to adjust exposures appropriately. 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 term fixed rates borrowing would be postponed.

**Price Risk** - The Authority does not generally invest in equity shares or marketable bonds.

## Foreign Exchange Risk

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

**44. HERITAGE ASSETS: SIX-YEAR SUMMARY OF TRANSACTIONS**

	2009/10 £000	2010/11 £000	2011/12 £000	2012/13 £000	2013/14 £000	2014/15 £000	Value at 31 <sup>st</sup> March 2015 £000
<b>Valuation Movement of Heritage Assets</b>							
Pottery	149	0	0	7	0	0	156
Carpet	184	0	0	9	0	0	193
Decorative Arts	51	0	0	2	0	0	53
Other	415	0	0	22	32	17	486
<b>Total Valuation</b>	<b>799</b>	<b>0</b>	<b>0</b>	<b>40</b>	<b>32</b>	<b>17</b>	<b>888</b>

**45. HERITAGE ASSETS: FURTHER INFORMATION ON THE MUSEUM'S COLLECTIONS**

The Museum of Barnstaple & North Devon opened in 1989 in the former premises of the North Devon Athenaeum. Its collections are derived partly from the Athenaeum, (est. 1889, previously the Barnstaple Literary and Scientific Institution), but also from the Borough of Barnstaple Museum in St. Anne's Chapel (est. 1924) and from more recent collections. The collections cover the full range of museum disciplines, including natural history, archaeology, social history and fine and decorative art.

Some collections including the Royal Devon Yeomanry collections, art and social history belonging to the North Devon Athenaeum, and some church silver are held on loan and are not considered to be Heritage Assets of the council.

The (council owned) collection currently comprises over 47,000 items:

- More than 23,500 social history items, including militaria, and the Shapland and Petter design archive;
- Over 200 paintings and drawings;
- About 1,800 items of decorative art, including a number of individually important items and the North Devon Art Pottery Collection;
- More than 9,500 natural history specimens and over 5,500 geology specimens;
- Over 6000 archaeology specimens, plus an additional 2500 boxes of excavated finds not yet processed.

## **Social History**

The social history collection consists of over 23,500 items, the majority collected in the last 30 years. The collection comprises mainly domestic and household items with a North Devon provenance, along with material representing local trades and industries. There are also specific collections such as history of science, militaria, photographs, documents and ephemera. Important collections include the Shapland and Petter design archive and the collection of James Ravilious photographs. These are included in Note 44 within the "Other" category.

## **Fine and Decorative Art**

### **Fine Art**

The museum's fine art collection is small, around 213 drawings and paintings, mostly local topographic views. Well-represented artists include Brian Chugg and Francis Carruthers Gould. These are included in Note 44 within the "Other" category.

### **Decorative Arts**

The decorative arts collection consists of nearly 1800 items, the most important being the Huguenot table carpet, the 17<sup>th</sup> century John Abbott plaster overmantel, the C.H.Brannam collection of North Devon Art Pottery and a lidded bowl by George Fishley. There are also a number of pieces of furniture by Shapland and Petter, including an inlaid mahogany display cabinet. Important examples of North Devon silver include a collection of silver spoons and the Barnstaple Dissenters' silver. In note 44 the Huguenot table carpet is identified separately, the 17<sup>th</sup> Century Overmantle is within the "Decorative Arts" category, the Brannam collection and the lidded bowl by George Fishley is within the "Pottery" category, everything else is within the "Other" Category.

### **Natural History**

The museum holds nearly 10,000 natural history specimens, including the historic collections of the North Devon Athenaeum and more recent scientific collections. The Sharland herbarium is of particular importance. These are included in Note 44 within the "Other" category.

### **Geology**

The geology collections, numbering over 5500 specimens include the Partridge and Townsend Hall collections. This collection is highly important for Devonian geology, including a number of type and figured specimens. These are included in Note 44 within the "Other" category.

### **Archaeology**

The archaeology collection comprises historic collections and stray finds from the local Mesolithic to the present day together with excavated material. The museum is the collecting institution for all archaeological investigations in the Northern part of the county of Devon. There are substantial excavation archives relating to the post-mediaeval Barnstaple pottery industry, which are

still being processed. There is also a very small ethnographic collection. These are all included in Note 44 within the "Other" category.

### **Heritage Assets of Particular Importance**

The most valuable items in the collection are as follows:

Huguenot Table Carpet	£192,973
Dissenters silver	£10,121
Shapland & Petter display cabinet	£11,695
Bowl with lid by George Fishley	£23,391
Brannam Pottery exhibits	£132,857
Silver Spoons	£23,391
Overmantel 17th Century	£8,000

The valuations are mostly based on the curator's assessment of market changes since the items were acquired. In the case of the Huguenot table carpet, which is a unique item, the valuation is based on a compensatory sum should it be destroyed.

### **Preservation and Management**

The Museum of Barnstaple & North Devon has a rolling programme of conservation work and each year spends around £500 on remedial and preventive conservation work, directed by immediate need and prioritised by the exhibition programme. In addition, items are sometimes conserved through grant programmes.

The Museum is managed by professionally qualified staff, their previous secondment to the North Devon Theatres Trust ended on the 31<sup>st</sup> March 2014, after that date the staff reverted back to North Devon Council. Day to day collections care is carried out by the Museum Assistant, under the direction of the Museums Development Manager.

The Museum of Barnstaple & North Devon is an accredited Museum and has the necessary documentation and collections care procedures in place, including the Acquisitions and Disposals Policy approved by Council. The Museum is currently awaiting the result of its recent application for renewal of its accredited status.

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF NORTH DEVON DISTRICT COUNCIL**

We have audited the financial statements of North 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 and 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 North 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 Chief Financial Officer and auditor**

As explained more fully in the Statement of the Chief Financial Officer's Responsibilities, the Chief Financial Officer 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 Chief Financial Officer; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the 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 North 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 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, North 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 North 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.

Elizabeth Cave  
for and on behalf of Grant Thornton UK LLP, Appointed Auditor

Grant Thornton  
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24 September 2015