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Foreword by the Chief Financial Officer

Introduction

The purpose of this foreword is to provide the reader with an easily understandable 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 expenditure and income 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 over £70m passing through our books in a year.

The Challenges

The world economic conditions continued to dominate, which made 2012/13 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 had on Public Finances will continue well beyond 2012/13. The Council's Corporate Plan was published in September 2011. The Plan and Medium Term Financial Strategy set out the challenges facing the Council to deliver a managed reduction in costs to meet the continued downward shift in resources provided by Central Government.

The extents of the national austerity measures were published in the Coalition Government's Comprehensive Spending Review in November 2010. The impact on North Devon Council for the coming years was confirmed in January 2011, which resulted in a reduction in Central Government Formula Grant of £2.9m over financial years 2011/12 to 2013/14. Indicative funding for 2014/15 was provided as part of the 2013/14 settlement indicating a further reduction of £0.9m, however the final settlement for 2014/15 will not be known until this is released in December 2013.

The Council's Medium Term Financial Strategy has been reviewed to take account of these significant financial challenges and will continue to be updated in light of the Chancellor's spending plan announcement in June 2013 outlining a further 10% reduction in Government funding for Local Government for 2015/16.

The national crisis for pensions funding continues to be a major concern for Local Government. During the autumn of 2010 our actuary undertook the latest triennial review of the Pension scheme and costs. The Local Government Pension Scheme is currently being reviewed nationally to ensure it meets the objectives of being viable and acceptable to both employees and the employer. It is expected that any changes to the scheme will come into force in April 2014. The next full valuation is due to commence in Autumn 2013.

The full valuation of the pension fund through to 2013/14 informs the authority in terms of employer contribution levels, which will increase from 18.8% to 19.3%. However due to these and a range of other factors the deficit on the pension fund increased from £38m to £42m.

Meeting the Challenges

The Council already operates a robust financial planning regime through its approved five year 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 improvement 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 2012/13 was £4.1m compared to £2.8m in 2011/12. £1.2m was spent on the construction and purchase of new assets, £2.1m providing grants and other financial assistance and £0.8m 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 2013/14 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 Council has been working more closely with our neighbour, Torridge District Council, to take advantage of opportunities where they exist and arise for shared arrangements. This followed the statement of intent signed by the Leaders of both authorities following the District Council elections in May 2011.

The recommended level of general fund balance is 5%-10% of the council's net revenue budget. I am pleased to report that the combination of in year measures and the robust Medium Term Financial Strategy saw us through the financial pressures and resulted in us reaching the year-end with a general fund reserve balance at 31 March 2013 of £0.986m, which is a level of 8%.

At the same time, the Council continued to meet its commitment to keep the Council Tax increase low by approving a 0% increase for 2012/13 financial year.

The challenges of 2012/13 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 2012/13 and the Service Reporting Code of Practice 2012/13, 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 2012/13 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 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 £42m at 31st March 2013 (£38m at 31st March 2012). The amount the Council contributes to the Pension Fund is re-assessed every three years; the most recent review was in the autumn of 2010 and took effect from April 2011. This review incorporated a number of significant changes to the Local Government pension Scheme, which came into effect on 1 April 2010. The next review is due in autumn 2013. The Council has adjusted its contributions in line with the Actuaries recommendations.

Note 42 Defined Benefit Pension Schemes provides more information on this area.

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.

The Council originally budgeted to spend £12.322m in 2012/13.

Actual 31 March 2013

The actual outturn produced a requirement to draw down an amount of £0.101m, over and above the original budgeted use of general fund reserve. This was a small increase of £0.012m against the December forecast, which was to draw down a further £0.089m.

This is a much-improved financial position than the Quarter 2 Performance and Financial Management report, where we were reporting a net budget shortfall of £0.352m. I took a further report to Executive outlining proposed measures to reduce the shortfall and bring the budget back in line. I am pleased to report that these actions were implemented and the outturn figures have reduced the shortfall by (£0.250m) for the 2012/13 financial year.

A number of contributory factors to the shortfall have come from large income generating services. The Council has taken action to address these by looking to enhance the way services are delivered. Income from other major sources has declined over the past 4 years and we anticipate as the economy grows we should see corresponding improvements. Although the budget for 2012/13 assumed a fall in the volume of car park receipts the final outturn resulted in a much larger reduction in volume, estimated to have lost the authority £0.175m of income compared to the budget.

Further income reductions have also been seen in the sale of recyclable materials and commercial waste. The recycling market is a volatile one and until recently prices were buoyant. Last financial year 2011/12 we received income of £0.940m but 2012/13 has seen a reduction in material price and the impact has seen sales drop to £0.676m, a reduction of £0.264m on last year's income level and a reduction on the budget of £0.198m.

Commercial waste income levels have reduced due to a mixture of loss of customer base and customers looking to recycle more. These changes have seen income for 2012/13 drop to £0.567m, a reduction of £0.111m on 2011/12's income level and a reduction on the budget of £0.175m. A new commercial waste recycling service is being launched to offer a more comprehensive waste and recycling service to local

businesses that aims to attract new and existing customers and ultimately achieve an increase in revenue income to the service

A couple of posts have been made redundant in 2012/13; the one-off redundancy costs total £0.087m, which have been funded through the Improvement Programme reserve. The ongoing annual revenue savings from these posts not being replaced are £0.050m, giving a pay back period of 1.74 years.

Throughout 2012/13 15 posts were approved at Personnel Committee to leave the authority through voluntary redundancy/early retirement. Of these posts, 8 staff left before 31 March 2013 and the remainder will leave through the 2013/14 year. Even though the remaining 7 posts leave during 2013/14 year, with the decision having been made the authority is required to provide for these costs within 2012/13. The one-off cost of these 15 posts is £0.720m, which are being funded through the Improvement Programme reserve, however the ongoing annual revenue savings from these posts not being replaced are £0.424m – thus paid back in 1.70 years.

The Council retains a General Fund Balance of £1m and earmarked reserve balances of £2.6m: providing overall total reserves of £3.6m. These balances enable North Devon Council to retain 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.

The table below highlights the variance of £0.012m against the forecast produced as at 31 December 2012:

	Worse / (better) £m	Totals £m
Corporate & Community Services		0.029
CCTV income	0.025	
Pannier Market income	0.014	
DRM reduced costs	(0.010)	
Environmental Health & Housing		(0.045)
Homelessness (Q3 forecast overspend reduction)	(0.043)	
Additional employee savings	(0.015)	
Reduced income (HMO licensing/Housing standards)	0.013	
Financial Services		0.004
Benefit subsidy (reduced income – homelessness placements)	0.116	
Additional employee savings	(0.043)	
Discretionary rate relief (Q3 forecast overspend reduction)	(0.024)	
Summons costs income	(0.045)	
Ifracombe Harbour		0.002
Pilotage (increased pension fund contribution)	0.011	
Reduced spend on water and electricity	(0.009)	
Planning & Development Services		0.060
Building Control fees	0.061	
Additional employee savings	(0.021)	
Planning appeals	0.075	
Local Plan costs (actual spend lower than forecast)	(0.055)	

	Worse / (better) £m	Totals £m
Policy and Performance		(0.018)
Additional employee savings	(0.018)	
Property & Technical Services		(0.064)
Civic Centre rent (reduced capital cost 2011/12 & 2012/13)	(0.103)	
Additional employee savings	(0.031)	
Park School (reduction in maintenance and rates)	(0.010)	
Lynton House (electricity and rates)	0.010	
Parks ground maintenance	0.070	
Senior Management Team		0.027
Land Charges income	0.010	
Municipal Mutual Insurance levy	0.017	
Works & Recycling Service		0.018
Additional employee savings	(0.016)	
Supplies and services - various	0.026	
Trade Waste income	(0.016)	
Sale of Recyclable materials	0.024	
Other		(0.001)
Other variances (net) above £10,000	(0.001)	
Total		£0.012m

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 £0.06m and Earmarked Reserve Balance of £0.23m, 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:

	£000	%
Council Tax	7,332	53%
Government Grants	767	6%
Non Domestic Rates	5,746	41%
	13,845	

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 2013.

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 2012/13, the Council invested £3.709m from its capital resources, analysed as follows:

	2012/13 £000
New assets being constructed	891
Purchase of vehicles and IT equipment	266
Providing grants and assistance	2,144
Statutory and Landlord Functions	825
Total	4,126

This compares to £2.8m spent in 2011/12.

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:

2013-14	£4.8m
2014-15	£0.7m
Total	£5.5m

This investment will be financed by:

Capital receipts from the sale of assets	£3.6m
Earmarked reserves	£0.4m
External grants and contributions	£1.5m
Total	£5.5m

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

31/03/12 £000		31/03/13 £000
1,187	General Revenue Account	986
3,500	Earmarked Reserves	2,573
4,687		3,559

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 these projects through internal borrowing and also has authority to borrow up to a prudential borrowing limit of £5m from the Public Works Loan Board (PWLb) as outlined in the Treasury Management Annual Investment Strategy.

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 show income from local taxes and from the national non-domestic rates pool, and how these are allocated to the District Council, County Council and the Police and Fire Authorities on whose behalf they are collected.

Notes to the Accounts

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

Authorisation of the Statement of Accounts

The Chief Financial Officer certified the Statement of Accounts 2012/13 on 28 June 2013. This is also the date up to which events after the balance sheet date have been considered.

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: 25 September 2013

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').

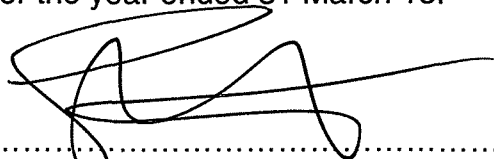
In preparing this Statement of Accounts, the Chief Financial Officer has:

- 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.

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 13 and its income and expenditure for the year ended 31 March 13.


.....
Steve Hearse, Chief Financial Officer

Date: 25 September 2013

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
Balance at 31st March 2011	1,533	3,187	1,589	397	6,706	48,968	55,674
<u>Movement in Reserves during 2011/12</u>							
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	(11,246)	(11,246)
Total Comprehensive Income and Expenditure	(4,476)	0	0	0	(4,476)	(11,246)	(15,722)
Adjustments between accounting basis and funding basis under regulations (Note 6)	4,442	0	(1,237)	(330)	2,875	(2,875)	0
Net increase/decrease before Transfers to Earmarked Reserves	(34)	0	(1,237)	(330)	(1,601)	(14,121)	(15,722)
Transfers to/from Earmarked Reserves (Note 7)	(312)	313	(1)	(1)	(1)	1	0
Increase/decrease in 2011/12	(346)	313	(1,238)	(331)	(1,602)	(14,120)	(15,722)
Balance at 31st March 2012 carried forward	1,187	3,500	351	66	5,104	34,848	39,952

	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
Balance at 31st March 2012	1,187	3,500	351	66	5,104	34,848	39,952
<u>Movement in Reserves during 2012/13</u>							
Surplus or (deficit) on provision of services	(6,223)	0	0	0	(6,223)	0	(6,223)
Other Comprehensive Income and Expenditure	0	0	0	0	0	(1,394)	(1,394)
Total Comprehensive Income and Expenditure	(6,223)	0	0	0	(6,223)	(1,394)	(7,617)
Adjustments between accounting basis and funding basis under regulations (Note 6)	5,095	0	(351)	(5)	4,739	(4,739)	0
Net increase/decrease before Transfers to Earmarked Reserves	(1,128)	0	(351)	(5)	(1,484)	(6,133)	(7,617)
Transfers to/from Earmarked Reserves (Note 7)	927	(927)	0	0	(1)	1	0
Increase/decrease in 2012/13	(201)	(927)	(351)	(5)	(1,485)	(6,132)	(7,617)
Balance at 31st March 2013 carried forward	986	2,573	0	61	3,619	28,716	32,335

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.

2011/12				2012/13		
Gross Expenditure £000	Gross Income £000	Net Expenditure £000		Gross Expenditure £000	Gross Income £000	Net Expenditure £000
9,610	(8,458)	1,152	Central Services to the Public	9,696	(8,563)	1,133
1,354	(5)	1,349	Corporate and Democratic Core	1,465	(6)	1,459
277	(5)	272	Non Distributed Costs	545	0	545
3,021	(257)	2,764	Cultural and Related Services	3,489	(356)	3,133
9,767	(3,162)	6,605	Environmental and Regulatory Services	9,997	(2,755)	7,242
30,661	(28,592)	2,069	Housing Services	31,438	(29,583)	1,855
2,565	(3,864)	(1,299)	Highways and Transport Services	2,940	(3,746)	(806)
4,678	(1,758)	2,920	Planning Services	4,770	(2,142)	2,628
61,933	(46,101)	15,832	Cost of services	64,340	(47,151)	17,189
2,543	(356)	2,187	Other operating expenditure (Note 8)	1,933	(407)	1,526
1,369	(370)	999	Financing and investment income and expenditure (Note 9)	1,751	(398)	1,353
0	(14,542)	(14,542)	Taxation and non specific grant income (Note 10)	0	(13,845)	(13,845)
65,845	(61,369)	4,476	(Surplus) or deficit on Provision of Services	68,024	(61,801)	6,223
0	(992)	(992)	Surplus or deficit on revaluation of property, plant and equipment assets	0	(1,034)	(1,034)
12,238	0	12,238	Actuarial gains/losses on pension assets/liabilities	2,428	0	2,428
12,238	(992)	11,246	Other Comprehensive Income & Expenditure	2,428	(1,034)	1,394
78,083	(62,361)	15,722	Total Comprehensive Income & Expenditure	70,452	(62,835)	7,617

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'.

31st March 2012	Notes	31st March 2013
£000		£000
68,495	Property, Plant and Equipment 11	68,043
799	Heritage Assets 12	839
4,325	Investment Property 13	4,104
17	Intangible Assets 14	45
362	Long Term Debtors 15	1,293
73,998	Long Term Assets	74,324
0	Short Term Investments 15	0
0	Assets Held For Sale 20	0
135	Inventories 16	142
3,660	Short Term Debtors 18	3,160
7,627	Cash and Cash Equivalents 19	5,354
11,422	Current Assets	8,656
0	Short Term Borrowing 15	0
(5,399)	Short Term Creditors 21	(5,525)
(254)	Donated Assets Account 33	(761)
(228)	Provisions 22	(578)
(5,881)	Current Liabilities	(6,864)
0	Long Term Borrowing 15	0
(37,968)	Defined Benefit Pension Scheme Liability 42	(42,343)
(167)	Finance Leases 36	(39)
(1,452)	Capital Grants Receipts in Advance 33	(1,399)
(39,587)	Long Term Liabilities	(43,781)
39,952	Net Assets	32,335
5,104	Usable Reserves	3,619
34,848	Unusable Reserves 23	28,716
39,952	Total Reserves	32,335

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.

2011/12		2012/13
£000		£000
4,476	Net (surplus) or deficit on the provision of services	6,223
(5,935)	Adjustments to net surplus or deficit on the provision of services for non cash movements	(6,868)
116	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	115
(1,343)	Net cash flows from Operating Activities (Note 24)	(530)
1,805	Investing Activities (Note 25)	3,729
241	Financing Activities (Note 26)	(926)
703	Net (increase) or decrease in cash and cash equivalents	2,273
(8,330)	Cash and cash equivalents at the beginning of the reporting period	(7,627)
7,627	Cash and cash equivalents at the end of the reporting period	5,354

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, community charges and non-domestic rates on behalf of those authorities for which the income has been raised. Administration costs of collection are borne by the Income and Expenditure Account.

2011/12 £000		2012/13 £000	Notes
	EXPENDITURE		
	<u>Precepts</u>		
38,857	Devon County Council	39,084	
7,267	North Devon District Council	7,339	
5,451	Devon and Cornwall Police Authority	5,592	
2,498	Devon and Somerset Fire & Rescue Authority	2,588	
	<u>Business Rates</u>		
29,410	Payments to National Pool	30,681	
199	Costs of Collection	200	
(365)	Bad Debts Written Off	(308)	
294	Increase in Provision For Bad Debts	492	
83,611	TOTAL EXPENDITURE	85,668	
	INCOME		
46,573	Council Tax	46,969	39
29,405	Business Rates	31,111	40
7,524	Council Tax Benefits	7,520	41
188	Contribution to Previous Year's Revenue Account Deficit	108	37
83,690	TOTAL INCOME	85,708	
79	(Deficit)/Surplus	40	
(296)	Balance at Beginning Of Year	(217)	
(217)	BALANCE AT END OF YEAR	(177)	

1. ACCOUNTING POLICIES

i. General Principles

The Statement of Accounts summarises the Authority's transactions for the 2012/13 financial year and its position at the year-end of 31st March 2013. 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 2012/13 and the Service Reporting Code of Practice 2012/13, 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.
- 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. Exceptional 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 amendment in the 2012/13 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 (England and Wales)).

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.

The Council has no outstanding borrowing as at 31 March 2013 therefore no contribution from revenue to reduce borrowing was necessary for 2012/13.

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 4.4% (annualised yield at the 20 year point on the Merrill Lynch AA rated corporate bond 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 seven 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

 - Interest cost – the expected increase in the present value of liabilities during the year as they move one year closer to being paid – debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement

 - Expected return on assets – the annual investment return on the fund assets attributable to the Authority, based on an average of the expected long term return – credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement

 - Gains or losses on settlements and curtailments – the result of actions to relieve the Authority of liabilities or events that reduce the expected future service or accrual of benefits of employees – debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs

 - 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

 - 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.

As at 31 March 2013 the Council had no outstanding loans.

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 31st March 2013 is £0.281m). 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 31st 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 with UK institutions only, therefore there are no foreign currency translation transaction in 2012/13.

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.

Area Based Grant

Area Based Grant (ABG) is a general grant allocated by central Government directly to local authorities as additional revenue funding. ABG is non-ring fenced and is credited to Taxation and Non Specific

Grant Income in the Comprehensive Income and Expenditure Statement.

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 2012/13.

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 jointly controlled entities 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 arrangement with Torridge District Council that is not an entity. 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 2012/13 (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 1st 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 15 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.

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

The International Accounting Standards Board has revised IAS 19 (Employee Benefits). The changes are effective for accounting periods after 1 January 2013 therefore do not affect the 2012/13 disclosures. However to illustrate the impact had the revised standard been applied in the financial year to 31st March 2013, a table has been included within Note 42 - Defined Benefit pension schemes.

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 31st March 2013 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 £0.560m 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 in September 2012, November 2012 and February 2013 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 £2m.</p> <p>However, the assumptions interact in complex ways. During 2012/13, the Authority's actuaries advised that the net pensions liability had decreased by £3.5m as a result of estimates being corrected as a result of experience and increased by £6m attributable to updating of the</p>

<u>Item</u>	<u>Uncertainties</u>	<u>Effect if actual results differ from assumptions</u> assumptions.
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 Sheet date.	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 not considered to be material.
Arrears	At 31 st March 2013, the Authority had a balance of sundry debtors for £3.1m. A review of significant balances suggested that an impairment of doubtful debtors of 1% (£31,000) 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 £31,000 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 28 June 2013. 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 31st March 2013, 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.

2012/13	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000
Adjustments primarily involving the Capital Adjustment Account:						
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:						
Charges for depreciation and impairment of non current assets	1,788	0	0	1,788	(1,788)	0
Revaluation losses on Property Plant and Equipment	413	0	0	413	(413)	0
Movements in the fair value of Investment Properties	0	0	0	0	0	0
Amortisation of intangible assets	23	0	0	23	(23)	0
Revenue expenditure funded from capital under statute	1,749	0	0	1,749	(1,749)	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	362	0	0	362	(362)	0
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:						
Capital expenditure charged against the General Fund	(730)	0	0	(730)	730	0
Adjustments primarily involving the Capital Grants Unapplied Account:						
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	(518)	0	518	0	0	0
Application of grants to capital financing transferred to Capital Adjustment Account	614	0	(523)	91	(91)	0

2012/13	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000
Adjustments primarily involving the Capital Receipts Reserve:						
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(418)	418	0	0	0	0
Use of the Capital Receipts Reserve to finance new capital expenditure	0	(770)	0	(770)	770	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	3	0	3	(3)	0
Adjustments primarily involving the Pensions Reserve:						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	3,622	0	0	3,622	(3,622)	0
Employer's pensions contributions and direct payments to pensioners payable in the year	(1,798)	0	0	(1,798)	1,798	0
Adjustments primarily involving the Collection Fund Adjustment Account:						
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	(4)	0	0	(4)	4	0
Adjustment primarily involving the Accumulated Absences Account:						
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from the remuneration chargeable in the year in accordance with statutory requirements	(10)	0	0	(10)	10	0
Total Adjustments	5,095	(351)	(5)	4,739	(4,739)	0

2011/12	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000
Adjustments primarily involving the Capital Adjustment Account:						
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:						
Charges for depreciation and impairment of non current assets	2,679	0	0	2,679	(2,679)	0
Revaluation losses on Property Plant and Equipment	0	0	0	0	0	0
Movements in the fair value of Investment Properties	(4)	0	0	(4)	4	0
Amortisation of intangible assets	11	0	0	11	(11)	0
Revenue expenditure funded from capital under statute	517	0	0	517	(517)	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	1,029	0	0	1,029	(1,029)	0
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:						
Capital expenditure charged against the General Fund	(502)	0	0	(502)	502	0
Adjustments primarily involving the Capital Grants Unapplied Account:						
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	(494)	0	494	0	0	0
Application of grants to capital financing transferred to Capital Adjustment Account	859	0	(824)	35	(35)	0
Adjustments primarily involving the Capital Receipts Reserve:						
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(385)	385	0	0	0	0
Use of the Capital Receipts Reserve to finance new capital expenditure	0	(1,623)	0	(1,623)	1,623	0

2011/12	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	1	(1)	0	0	0	0
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	0	2	0	2	(2)	0
Adjustments primarily involving the Pensions Reserve:						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	2,533	0	0	2,533	(2,533)	0
Employer's pensions contributions and direct payments to pensioners payable in the year	(1,794)	0	0	(1,794)	1,794	0
Adjustments primarily involving the Collection Fund Adjustment Account:						
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	(9)	0	0	(9)	9	0
Adjustment primarily involving the Accumulated Absences Account:						
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from the remuneration chargeable in the year in accordance with statutory requirements	1	0	0	1	(1)	0
Total Adjustments	4,442	(1,237)	(330)	2,875	(2,875)	0

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 2012/2013.

	Balance at 1 st April 2011 £000	Transfers Out 2011/12 £000	Transfers In 2011/12 £000	Balance at 31 st March 2012 £000	Transfers Out 2012/13 £000	Transfers In 2012/13 £000	Balance at 31 st March 2013 £000
HEAT Reserve	0	0	0	0	0	360	360
Public Conveniences Planned Maintenance	274	0	0	274	(1)	0	273
Housing Prevention CLG Grant	117	(46)	142	213	(112)	136	237
Crematorium Capital Works	482	(171)	163	474	(418)	176	232
Greensweep Replacement	548	0	0	548	(395)	0	153
Repairs Fund	129	(195)	194	128	(184)	194	138
2 nd Homes Council Tax	125	0	0	125	0	0	125
Executive Contingency	142	(53)	107	196	(123)	45	118
New Homes Bonus	0	0	0	0	(88)	195	107
Land Charges	70	0	28	98	0	0	98
Lynton Agency	241	(50)	35	226	(136)	0	90
Tarka Tennis Surface Replacement	69	0	9	78	0	9	87
General Contingency	0	0	61	61	(17)	27	71
Improvement Programme	113	(72)	458	499	(838)	363	24
Economic Development (LABGI)	186	(112)	0	74	(74)	0	0
Planning Inquiries	87	(93)	68	62	(130)	68	0
Other Reserves: (individual balances less than £50,000)	604	(304)	144	444	(225)	241	460
Total	3,187	(1,096)	1,409	3,500	(2,741)	1,814	2,573

The table below shows the purpose of each of the reserves included above:

HEAT Reserve	Home Energy Action Taskforce - funding to support launch of Green Deal and increase energy efficiency
Public Conveniences	Public Conveniences planned maintenance
Housing Prevention	To fund associated costs of homelessness and prevention
Crematorium	Funding of capital works at the North Devon Crematorium
Greensweep Replacement	To provide for future wheelie bin replacement within the capital programme
Repairs Fund	To fund the maintenance of Council assets
Second Homes Council Tax	To fund capital programme projects relating to housing
Executive Contingency	Funding for in year initiatives and to deal with any matters that arise of an urgent nature that could not have been foreseen when setting the budget
New Homes Bonus	Funding for in year initiatives and opportunities
Land Charges	To manage the year on year fluctuations on the land charges trading account
Lynton Agency	Accumulated surpluses and deficits from the agency arrangement with Lynton Town Council
Tarka Tennis	To fund future court surface replacement
General Contingency	Funding for in year initiatives and opportunities

8. OTHER OPERATING EXPENDITURE

2011/12 £000s		2012/13 £000s
1,539	Parish council precepts	1,577
3	Levies	3
2	Payments to the Government Housing Capital Receipts Pool	2
643	(Gains)/losses on the disposal of non current assets	(56)
2,187	Total	1,526

9. FINANCING AND INVESTMENT INCOME AND EXPENDITURE

2011/12 £000s		2012/13 £000s
4	Interest payable and similar charges	0
890	Pensions interest cost and expected return on pensions assets	1,298
(120)	Interest receivable and similar income	(115)
225	Income and expenditure in relation to investment properties and changes in their fair value	170
999	Total	1,353

10. TAXATION AND NON SPECIFIC GRANT INCOMES

2011/12 £000s		2012/13 £000s
(7,255)	Council tax income	(7,332)
(5,001)	Non domestic rates	(5,746)
(2,286)	Non ring fenced government grants	(767)
(14,542)	Total	(13,845)

11. PROPERTY, PLANT AND EQUIPMENT

Movements in 2012/13	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
GBV or Valuation							
At 1st April 2012	71,645	9,063	1,442	134	932	965	84,181
Additions	891	158	0	0	0	0	1,049
Donations	508	0	0	0	0	0	508
Revaluation increases/(decreases) recognised in the Revaluation Reserve	1,224	0	0	0	10	0	1,234
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	105	0	0	0	(12)	0	93
De-recognition – disposals	(286)	0	0	0	(8)	0	(294)
De-recognition – other	(5,823)	(117)	(43)	0	(57)	(562)	(6,602)
Other movements in cost or valuation	496	0	0	0	0	(387)	109
At 31st March 2013	68,760	9,104	1,399	134	865	16	80,278
Accumulated Depreciation and Impairment							
At 1st April 2012	9,140	6,398	91	0	57	0	15,686
Depreciation charge	1,060	863	17	0	11	0	1,951
Impairment losses/(reversals) recognised in the Revaluation Reserve	168	0	0	0	0	0	168
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	470	0	0	0	0	0	470
De-recognition – other	(5,823)	(117)	(43)	0	(57)	0	(6,040)
At 31st March 2013	5,015	7,144	65	0	11	0	12,235
Net Book Value							
At 31st March 2012	62,505	2,665	1,351	134	875	965	68,495
At 31st March 2013	63,745	1,960	1,334	134	854	16	68,043

Comparative Movements in 2011/12	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
GBV or Valuation							
At 1st April 2011	70,543	8,724	2,449	134	870	177	82,897
Additions	46	475	0	0	0	702	1,223
Donations	0	0	0	0	0	254	254
Revaluation increases/(decreases) recognised in the Revaluation Reserve	1,031	0	19	0	0	0	1,050
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	17	0	18	0	0	0	35
De-recognition – disposals	0	0	(1,000)	0	0	(10)	(1,010)
De-recognition – other	(85)	(136)	(44)	0	0	0	(265)
Assets reclassified (to)/from Held for Sale	0	0	0	0	60	0	60
Other movements in cost or valuation	93	(0)	0	0	2	(158)	(63)
At 31st March 2012	71,645	9,063	1,442	134	932	965	84,181
Accumulated Depreciation and Impairment							
At 1st April 2011	7,711	5,614	119	0	0	0	13,444
Depreciation charge	1,343	920	16	0	0	0	2,279
Impairment losses/(reversals) recognised in the Revaluation Reserve	46	0	0	0	0	0	46
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	187	0	0	0	54	0	241
De-recognition – other	(85)	(136)	(44)	0	0	0	(265)
Other movements in depreciation and impairment	(62)	0	0	0	3	0	(59)
At 31st March 2012	9,140	6,398	91	0	57	0	15,686
Net Book Value							
At 31st March 2011	62,832	3,110	2,330	134	870	177	69,453
At 31st March 2012	62,505	2,665	1,351	134	875	965	68,495

Capital Commitments

At 31st March 2013, the Authority has the following capital commitments:

- Affordable Housing – Leigh Villas £80,000
- Affordable Housing – Lower Poole Farm £52,080

Similar commitments at 31st March 2012 were £1,058,266.

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. 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.

	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	843	5,283	0	0	0	16	6,142
Valued at fair value as at:							
31 st March 2013	12,155	633	109	71	21	0	12,989
31 st March 2012	10,896	0	1	63	140	0	11,100
31 st March 2011	0	374	0	0	0	0	374
31 st March 2010	14,832	1,814	42	0	0	0	16,688
31 st March 2009	30,034	1,000	1,247	0	704	0	32,985
Total	68,760	9,104	1,399	134	865	16	80,278

12. HERITAGE ASSETS

	31 st March 2012	31 st March 2013
	£000	£000
Valuation	799	839

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 46 and 47.

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:

	2011/12 £000	2012/13 £000
Rental income from investment property	211	246
Direct operating expenses arising from investment property	123	113
Net gain/(loss)	88	133

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:

	2011/12 £000	2012/13 £000
Balance at start of year	4,305	4,325
Additions:		
• Construction	47	0
Disposals	(28)	(67)
Net gains/(losses) from fair value adjustments	4	(45)
Transfers:		
• To/from Property, Plant and Equipment	(2)	(109)
Other changes (IFRS re-statement - from assets held for disposal)	(1)	0
Balance at the end of the year	4,325	4,104

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 as intangible assets, to the extent that the software 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 is 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 software suites used by the Authority are:

Useful Lives	Internally Generated Assets	Other Assets
4 Years	None	IEG Software Licenses Gazetteer Software Licenses Software Licenses acquired 2008/09 Software Licenses acquired 2009/10 Software Licenses acquired 2010/11 Software Licenses acquired 2011/12 Software Licenses acquired 2012/13

The carrying amount of intangible assets is amortised on a straight-line basis. The amortisation of £23,000 charged to revenue in 2012/13 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:

	2011/12			2012/13		
	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	155	155	0	162	162
• Accumulated amortisation	0	134	134	0	145	145
Net carrying amount at start of year	0	21	21	0	17	17
Additions:						
• Purchases	0	7	7	0	51	51
Amortisation for the period	0	11	11	0	23	23
Net carrying amount at end of year	0	17	17	0	45	45
Comprising:						
• Gross carrying amounts	0	162	162	0	213	213
• Accumulated amortisation	0	145	145	0	168	168

15. FINANCIAL INSTRUMENTS

Categories of Financial Instruments

	Long Term		Current	
	31 st March 2012 £000	31 st March 2013 £000	31 st March 2012 £000	31 st March 2013 £000
Investments				
Unquoted equity investment at cost	0	0	0	0
Total Investments	0	0	0	0
Debtors				
Loans and receivables	350	281	61	53
Financial assets carried at contract amounts	12	1,012	3,307	2,855
Total included in Debtors	362	1,293	3,368	2,908
Cash and Cash Equivalents				
Cash and Cash Equivalents				
Total Cash and Cash Equivalents	0	0	7,627	5,354
Borrowings				
Financial liabilities at amortised cost	0	0	0	0
Total included in Borrowings	0	0	0	0
Other Long Term Liabilities				
Finance lease liabilities	(167)	(39)	0	0
Total Other Long Term Liabilities	(167)	(39)	0	0
Creditors				
Financial liabilities carried at contract amount	0	0	(3,479)	(4,443)
Total Creditors	0	0	(3,479)	(4,443)

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 at 31st March 2013 of 0.93% 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:

	31st March 2013	
	Carrying Amount	Fair Value
	£000	£000
Cash (deposit account)	5,030	5,030
Total	5,030	5,030

The council provides interest free loans to employees for car loans and the balance outstanding at 31 March 2013 was £103,085. 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 2013 was £193,330. 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

	2011/12	2012/13
	£000	£000
Consumable Stores		
Balance outstanding at start of year	113	135
Purchases	1,102	1,157
Recognised as an expense in the year	(1,080)	(1,150)
Balance outstanding at year end	135	142

17. CONSTRUCTION CONTRACTS

At 31st March 2013, the Authority had no construction contracts in progress.

18. DEBTORS

	31st March	31st March
	2012	2013
	£000	£000
Central government bodies	1,063	162
Other local authorities	394	312
Other entities and individuals	2,203	2,686
Total	3,660	3,160

19. CASH AND CASH EQUIVALENTS

The balance of Cash and Cash Equivalents is made up of the following elements:

31st March 2012 £000		31st March 2013 £000
2	Cash held by the Authority	2
(344)	Bank current accounts	(52)
7,969	Short term deposits with banks and building societies	5,404
7,627	Total Cash and Cash Equivalents	5,354

20. ASSETS HELD FOR SALE

	2011/12 £000	2012/13 £000
Balance outstanding at start of year	60	0
Assets declassified as held for sale to:		
• Property, plant and equipment	(60)	0
Balance outstanding at year end	0	0

21. CREDITORS

	31st March 2012 £000	31st March 2013 £000
Central government bodies	2,102	1,548
Other local authorities	522	691
Other entities and individuals	2,775	3,286
Total	5,399	5,525

22. PROVISIONS

	Redundancy and Early Retirement £000	Municipal Mutual Insurance £000	Total £000
Balance at 1st April 2012	228	0	228
Additional provisions made in 2012/13	475	17	492
Amounts used in 2012/13	(142)	0	(142)
Balance at 31st March 2013	561	17	578

Redundancies and Early Retirements

A number of redundancies and early retirements have been identified which were approved by Personnel Committee on 17 September 2012, 19 November 2012 and 25 February 2013. As these redundancies and early retirements were known as at 31st March 2013 a provision was set up to cover the costs.

Municipal Mutual Insurance

Following the triggering of the MMI Scheme of Arrangement on 13 November 2012, the Scheme's Administrator, Ernst & Young advised creditors of a proposed Levy at an initial rate of 15% on all claims settled on behalf of the Council within the Scheme structure. The actual Levy Notice will be issued later this year but a provision has been made at 15% of the total value of claim payments carried forward at 31 March 2013.

23. UNUSABLE RESERVES

31st March 2012		31st March 2013
£000		£000
13,838	Revaluation Reserve	14,601
59,203	Capital Adjustment Account	56,670
15	Deferred Capital Receipts Reserve	13
(37,968)	Pensions Reserve	(42,343)
(24)	Collection Fund Adjustment Account	(19)
(216)	Accumulated Absences Account	(206)
34,848	Total Unusable Reserves	28,716

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 1st 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.

2011/12		2012/13
	£000	£000
13,047	Balance at 1st April	13,838
1,051	Upward revaluation of assets	1,283
(46)	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	(178)
(214)	Difference between fair value depreciation and historical cost depreciation	(270)
0	Accumulated gains on assets sold or scrapped	(72)
13,838	Balance at 31st March	14,601

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 covert 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 1st 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.

2011/12 £000		2012/13 £000
61,116	Balance at 1st April	59,203
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:	
(2,145)	• Charges for depreciation and impairment of non current assets	(1,558)
(9)	• Revaluation losses on Property, Plant and Equipment	(368)
(11)	• Amortisation of intangible assets	(23)
(1,726)	• Revenue expenditure funded from capital under statute	(2,587)
(1,028)	• 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	(290)
	Capital financing applied in the year:	
1,624	• Use of the Capital Receipts Reserve to finance new capital expenditure	770
876	• Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	838
502	• Capital expenditure charged against the General Fund and HRA balances	730
4	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	(45)
59,203	Balance at 31st March	56,670

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.

2011/12 £000		2012/13 £000
18	Balance at 1st April	15
(3)	Transfer to the Capital Receipts Reserve upon receipt of cash	(2)
15	Balance at 31st March	13

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.

2011/12 £000		2012/13 £000
(24,966)	Balance at 1st April	(37,968)
(12,238)	Actuarial gains or (losses) on pensions assets and liabilities	(2,488)
(2,533)	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	(3,622)
1,769	Employer's pensions contributions and direct payments to pensioners payable in the year	1,735
(37,968)	Balance at 31st March	(42,343)

Collection Fund Adjustment Account

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

2011/12 £000		2012/13 £000
(32)	Balance at 1st April	(24)
8	Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	5
(24)	Balance at 31st March	(19)

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 31st March. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

2011/12 £000		2012/13 £000
(215)	Balance at 1st April	(216)
215	Settlement or cancellation of accrual made at the end of the preceding year	216
(216)	Amounts accrued at the end of the current year	(206)
(216)	Balance at 31st March	(206)

24. CASH FLOW STATEMENT – OPERATING ACTIVITIES

The cash flows for operating activities include the following items:

2011/12 £000		2012/13 £000
4,476	Net surplus/deficit on the provision of service	6,223
(4,442)	Net amount debited to the general fund (note 6)	(5,095)
(502)	Capital items removed that are part of note 6 and are not in the I&E (Add back)	(730)
7	Other non-cash items	31
22	Movement in Stock	8
645	Movement in Debtors	(1,111)
(1,665)	Movement in Creditors	29
	Remove interest paid and received to include in note 25	
120	Interest received	115
(4)	Interest paid	0
(1,343)	Net Cash flow from operating activities	(530)

25. CASH FLOW STATEMENT – INVESTING ACTIVITIES

2011/12 £000		2012/13 £000
3,173	Purchase of property, plant and equipment, investment property and intangible assets	3,855
(1,002)	Purchase of short term and long term investments	0
4	Other payments for investing activities	0
(250)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(11)
(120)	Proceeds from short term and long term investments	(115)
1,805	Net cash flows from investing activities	3,729

26. CASH FLOW STATEMENT – FINANCING ACTIVITIES

2011/12 £000		2012/13 £000
(761)	Other receipts from financing activities	(926)
1,002	Repayments of short and long term borrowing	0
241	Net cash flows from investing activities	(926)

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:

Service Income And Expenditure 2012/13	Corporate & Community Services £000	Environmental Health and Housing Services £000	Financial Services £000	Planning and Development Services £000	Property and Technical Services £000	Works and Recycling Services £000	Other Services £000	Total £000
Fees, charges and other service income	(564)	(865)	(216)	(1,084)	(4,493)	(1,735)	(943)	(9,900)
Government grants	0	(1,155)	(36,208)	0	0	0	0	(37,363)
Total Income	(564)	(2,020)	(36,424)	(1,084)	(4,493)	(1,735)	(943)	(47,263)
Employee expenses	463	102	0	1,513	585	2,820	697	6,180
Other service expenses	1,305	938	35,403	484	2,905	1,594	991	43,620
Support service recharges	1,107	2,535	2,097	920	1,686	1,712	399	10,456
Total Expenditure	2,875	3,575	37,500	2,917	5,176	6,126	2,087	60,256
Net Expenditure	2,311	1,555	1,076	1,833	683	4,391	1,144	12,993

Service Income And Expenditure 2011/12 Comparative Figures	Corporate & Community Services £000	Environmental Health and Housing Services £000	Financial Services £000	Planning and Development Services £000	Property and Technical Services £000	Works and Recycling Services £000	Other Services £000	Total £000
Fees, charges and other service income	(628)	(719)	(164)	(912)	(4,670)	(2,146)	(854)	(10,093)
Government grants	(110)	(657)	(35,637)	0	0	(3)	0	(36,407)
Total Income	(738)	(1,376)	(35,801)	(912)	(4,670)	(2,149)	(854)	(46,500)
Employee expenses	456	89	0	1,579	596	2,892	663	6,275
Other service expenses	1,604	576	34,714	256	2,934	1,581	932	42,597
Support service recharges	925	2,415	1,998	914	1,524	1,773	394	9,943
Total Expenditure	2,985	3,080	36,712	2,749	5,054	6,246	1,989	58,815
Net Expenditure	2,247	1,704	911	1,837	384	4,097	1,135	12,315

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.

	2011/12 £000	2012/13 £000
Net expenditure in the Service analysis	12,315	12,993
Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the analysis	3,742	4,366
Amounts included in the analysis not included in the Comprehensive Income and Expenditure Statement	(225)	(170)
Cost of Services in Comprehensive Income and Expenditure Statement	15,832	17,189

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.

2012/13							
	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	(9,900)	0	283	(188)	(9,805)	(283)	(10,088)
Interest and investment income	0	0	0	0	0	(115)	(115)
Income from council tax	0	0	0	0	0	(7,332)	(7,332)
Government grants and contributions	(37,363)	0	0	0	(37,363)	(6,513)	(43,876)
Total Income	(47,263)	0	283	(188)	(47,168)	(14,243)	(61,411)
Employee expenses	6,180	193	0	8,370	14,743	0	14,743
Other service expenses	43,620	0	(120)	2,274	45,774	1,418	47,192
Support service recharges	10,456	0	(247)	(10,456)	(247)	247	0
Depreciation, amortisation and impairment	0	4,173	(86)	0	4,087	86	4,173
Precepts and levies	0	0	0	0	0	1,580	1,580
Payments to Housing	0	0	0	0	0	2	2
Capital Receipts Pool							
Gain or loss on disposal of fixed assets	0	0	0	0	0	(56)	(56)
Total Expenditure	60,256	4,366	(453)	188	64,357	3,277	67,634
(Surplus) or Deficit on the provision of services	12,993	4,366	(170)	0	17,189	(10,966)	6,223

2011/12 Comparative Figures							
	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	(10,093)	0	251	(157)	(9,999)	(251)	(10,250)
Interest and investment income	0	0	0	0	0	(120)	(120)
Income from council tax	0	0	0	0	0	(7,255)	(7,255)
Government grants and contributions	(36,407)	0	0	0	(36,407)	(7,287)	(43,694)
Total Income	(46,500)	0	251	(157)	(46,406)	(14,913)	(61,319)
Employee expenses	6,275	(197)	0	7,848	13,926	0	13,926
Other service expenses	42,597	0	(136)	2,252	44,713	1,026	45,739
Support service recharges	9,943	0	(345)	(9,943)	(345)	345	0
Depreciation, amortisation and impairment	0	3,939	5	0	3,944	(5)	3,939
Interest payments	0	0	0	0	0	3	3
Precepts and levies	0	0	0	0	0	1,542	1,542
Payments to Housing	0	0	0	0	0	2	2
Capital Receipts Pool							
Gain or loss on disposal of fixed assets	0	0	0	0	0	644	644
Total Expenditure	58,815	3,742	(476)	157	62,238	3,557	65,795
(Surplus) or Deficit on the provision of services	12,315	3,742	(225)	0	15,832	(11,356)	4,476

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.

Building Regulations Charging Account	Non Chargeable 2012/13 £000	Chargeable 2012/13 £000	Total Building Control 2012/13 £000
Expenditure			
Employees	82	203	285
Premises	0	0	0
Transport	5	14	19
Supplies and Services	5	13	18
Capital Financing	0	0	0
Central & Support Service charges	30	76	106
Total Expenditure	122	306	428
Income			
Building Regulation Charges	0	(276)	(276)
Miscellaneous Income	(9)	(2)	(11)
Total Income	(9)	(278)	(287)
(Surplus)/Deficit for Year	113	28	141
Comparatives for 2011/12			
Expenditure	124	345	469
Income	(10)	(357)	(367)
(Surplus)/Deficit for Year	114	(12)	102

29. TRADING OPERATIONS

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

		2011/12 £000	2012/13 £000
Car Parks	Turnover	(2,899)	(2,817)
	Expenditure	1,425	1,568
	(Surplus)/Deficit	(1,474)	(1,249)
South Molton Cattle Market	Turnover	(39)	(35)
	Expenditure	32	86
	(Surplus)/Deficit	(7)	51
Barnstaple Pannier Market	Turnover	(271)	(264)
	Expenditure	321	363
	(Surplus)/Deficit	50	99
Corporate Properties/Industrial Units	Turnover	(504)	(507)
	Expenditure	908	1,205
	(Surplus)/Deficit	404	698
Ilfracombe Harbour	Turnover	(471)	(533)
	Expenditure	643	840
	(Surplus)/Deficit	172	307
Seaside Undertakings	Turnover	(20)	(32)
	Expenditure	2	1
	(Surplus)/Deficit	(18)	(31)
Trade Waste & Skips	Turnover	(681)	(567)
	Expenditure	804	671
	(Surplus)/Deficit	123	104
Net (surplus)/deficit on trading operations		(750)	(21)

30. MEMBERS' ALLOWANCES

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

	2011/12 £	2012/13 £
Allowances	281,938	283,742
Expenses	15,624	20,195
Total	297,562	303,937

31. OFFICERS' REMUNERATION

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

2012/13

	Salary, fees and allowances £	Bonuses £	Expenses/ Allowances £	Compensation for loss of office £	Pension contribution £	Total £
Chief Executive	98,800	0	1,819	0	18,871	119,490
Assistant Chief Executive	60,949	0	63	0	11,641	72,653
Head of Property and Technical Services	51,968	0	2,243	0	9,926	64,137
Head of Community and Leisure Services (1)	40,652	0	1,207	59,200	7,765	108,824
Head of Environmental Health and Housing Services	51,968	0	963	0	9,926	62,857
Head of Human Resources (2)	22,918	0	0	70,000	1,820	94,738
Head of Financial Services (3)	57,383	0	1,582	0	10,960	69,925
Head of Legal Services (4)	36,730	0	0	55,788	7,015	99,533
Head of Works and Recycling Services (5)	0	0	0	0	0	0
Head of Strategic Development and Planning (6)	0	0	0	0	0	0

(1) The Head of Community and Leisure Services left the Authority on 12th January 2013.

(2) The Head of Human Resources left the Authority on 6th June 2012. This position was covered during 2012/13 by the Head of Human Resources at Torridge District Council, under a shared arrangement. The amount paid to Torridge District Council was £18,008 (October to March).

(3) The Head of Financial Services has been acting as a Senior Officer at Torridge District Council during 2012/13 under a shared arrangement. The remuneration shown for 2012/13 reflects any increases payable under these arrangements. The amount charged to Torridge District Council for these arrangements was £24,371 (August to March).

(4) The Head of Legal Services left the Authority on 31st December 2012. This position was covered during 2012/13 by the Head of Legal Services at Torridge District Council, under a shared arrangement. The amount paid to Torridge District Council was £9,416 (January to March).

(5) The position of Head of Works and Recycling Services was vacant. This position was covered during 2012/13 by the Head of Works, Recycling and Operations at Torridge District Council, under a shared arrangement. The amount paid to Torridge District Council was £27,033 (July to March).

(6) The position of Joint 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 £28,834 under the arrangements for the joint post.

2011/12

	Salary, fees and allowances £	Bonuses £	Expenses/ Allowances £	Compensation for loss of office £	Pension contribution £	Total £
Chief Executive	95,000	0	1,625	0	17,860	114,485
Assistant Chief Executive	60,949	0	0	0	11,458	72,407
Head of Property and Technical Services	51,968	0	1,892	0	9,770	63,630
Head of Community and Leisure Services	52,221	0	1,409	0	9,770	63,400
Head of Environmental Health and Housing Services	51,968	0	1,087	0	9,770	62,825
Head of Human Resources	51,968	0	0	0	9,770	61,738
Head of Financial Services	50,621	0	1,067	0	9,517	61,205
Head of Planning and Development Services (1)	38,976	0	1,368	67,395	7,328	115,067
Assistant Chief Executive – Legal and Democratic (2)	27,438	0	0	0	5,158	32,596

(1) The Head of Planning and Development Services left the Authority on 31st December 2011

(2) The Assistant Chief Executive – Legal and Democratic left the Authority on 31st July 2011

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	
	2011/12	2012/13
£50,000 - £54,999	0	1
£55,000 - £59,999	1	2
£60,000 - £64,999	0	0
£65,000 - £69,999	0	0
£70,000 - £74,999	0	1
£75,000 - £79,999	0	0
£80,000 - £84,999	1	0

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 (£)	
	2011/12	2012/13	2011/12	2012/13	2011/12	2012/13	2011/12 £	2012/13 £
£0 - £20,000	0	1	1	3	1	4	19,123	54,880
£20,001 - £40,000	0	0	1	4	1	4	24,551	95,057
£40,001 - £60,000	0	0	2	5	2	5	91,847	234,548
£60,001 - £80,000	0	0	0	1	0	1	0	70,000
£80,001 - £100,000	0	0	1	1	1	1	85,109	88,197
£100,001 - £150,000	0	0	0	1	0	1	0	101,224
£150,001 - £200,000	0	0	0	1	0	1	0	163,167
Total	0	1	5	16	5	17	220,630	807,073

The cost of exit packages in 2011/12 was £220,630 and this cost is offset by ongoing annual revenue savings achieved by the exit packages of £134,261.

The cost of exit packages in 2012/13 was £807,073 and this cost is offset by ongoing annual revenue savings achieved by the exit packages of £474,239.

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:

	2011/12 £000	2012/13 £000
Fees payable to (external auditors) with regard to external audit services carried out by the appointed auditor for the year*	96	57
Fees payable to (external auditors) for the certification of grant claims and returns for the year	24	20
Fees payable in respect of other services provided by (external auditors) during the year	0	2
Total	120	79

* The agreed audit fee for 2012/13 was £62,301 however the Audit Commission announced rebates to audited bodies of which £5,500 was received in March 2013, reducing the overall audit fee to £56,801.

33. GRANT INCOME

The Authority credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2012/13.

	2011/12 £000	2012/13 £000
Credited to Taxation and Non Specific Grant Income		
Council tax freeze grant	(143)	(144)
Area based grant	(290)	0
New homes bonus grant	(307)	(495)
New burdens grant	0	(17)
Revenue support grant	(1,546)	(111)
Total	(2,286)	(767)
Credited to Services		
Disabled facilities grant	(464)	(518)
Amateur swimming grant	(22)	0
Second homes council tax grant	(8)	0
Total	(494)	(518)

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 that will require the monies or property to be returned to the giver. The balances at the year-end are as follows:

	31 st March 2011 £000	31 st March 2012 £000	31 st March 2013 £000
Capital Grants Receipts in Advance			
S106/Commutated sum – Bat Conservation	(3)	0	0
S106/Commutated sum – Community facilities	(20)	(20)	(20)
S106/Commutated sum – Affordable housing	(347)	(347)	(307)
S106/Commutated sum – Sports	(25)	(25)	(25)
Commutated sums – Public open space	(677)	(846)	(834)
S106/Commutated sum – Car parking	(191)	(191)	(190)
S106/Commutated sum – Sustainable transport	(8)	(8)	(8)
S106/Commutated sum – Public conveniences	(15)	(15)	(15)
Total	(1,286)	(1,452)	(1,399)

	31 st March 2011 £000	31 st March 2012 £000	31 st March 2013 £000
Donated Assets Account			
Falcons Gymnastics	0	(254)	(761)
Total	0	(254)	(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 2012/12 is shown in Note 30.

During 2012/13 works and services to the value of £23,107 (£23,735 in 2011/12) were commissioned from companies in which two members (two members in 2011/12) had an interest. (C & C Electrics and West of England Fire Protection). 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.

The Council received £60,000 (£60,000 in 2011/12) in the year from the North Devon Joint Crematorium Committee being the proportion due of the Committee's annual surplus.

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

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.

	2011/12 £000	2012/13 £000
Opening Capital Financing Requirement	397	265
<u>Capital Investment:</u>		
Property, Plant and Equipment	1,553	1,931
Investment Properties	47	0
Intangible Assets	7	51
Revenue Expenditure funded from Capital under Statute	1,394	2,144
	3,001	4,126
<u>Sources of Finance:</u>		
Capital receipts	1,623	770
Government grants and other contributions	876	838
Sums set aside from revenue:		
Direct revenue contributions	502	729
(MRP/Loans fund principal)	132	133
	3,133	2,470
Closing Capital Financing Requirement	265	1,921
<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)	0	1,788
Assets acquired under finance leases	(132)	(132)
Assets acquired under PFI/PP contracts	0	0
Increase/(decrease) in Capital Financing Requirement	(132)	1,656

36. LEASES

Authority As Lessee

Finance Leases

The Council has acquired vehicles for its Kerbside Recycling service under finance leases.

The assets acquired under these leases are carried as Property, Plant and Equipment in the Balance Sheet at the following net amounts:

	31 st March 2012 £000	31 st March 2013 £000
Vehicles, Plant, Furniture and Equipment	265	132

The Authority is committed to making minimum payments under these leases comprising settlement of the long term liability for the interest in the vehicles acquired by the Authority and finance costs that will be payable by the Authority in future years while the liability remains outstanding. The minimum lease payments are made up of the following amounts:

	31st March 2012 £000	31st March 2013 £000
Finance lease liabilities:		
• Current	128	128
• Non current	167	39
Finance costs payable in future years	98	55
Minimum lease payments	393	222

The minimum lease payments will be payable over the following periods:

	Minimum Lease Payments		Finance Lease Liabilities	
	31st March 2012 £000	31st March 2013 £000	31st March 2012 £000	31st March 2013 £000
Not later than one year	171	171	128	128
Later than one year and not later than five years	222	51	167	39
Later than five years	0	0	0	0
	393	222	295	167

Operating Leases

The Authority uses photocopiers & printers financed under terms of an operating lease. The amount paid under these arrangements in 2012-13 was £13,554 (2011-12 £27,938). The Code of Practice on Local Authority Accounting in the United Kingdom 2012/13 requires charges to be made evenly throughout the period of the lease.

The Authority was committed at 31st March 2013 to making payments of £12,789 under operating leases in 2013-14.

	31st March 2012 £000	31st March 2013 £000
Not later than one year	10	3
Later than one year and not later than five years	18	10
Later than five years	0	0
	28	13

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:

	31st March 2012 £000	31st March 2013 £000
Not later than one year	406	363
Later than one year and not later than five years	1,159	993
Later than five years	3,530	3,260
Minimum lease payments	5,095	4,616

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. CONTRIBUTION TO PREVIOUS YEAR'S COLLECTION FUND DEFICIT

	2011/12 £000	2012/13 £000
Devon County Council	139	80
North Devon Council	20	12
Devon and Cornwall Police Authority	20	11
Devon and Somerset Fire & Rescue Authority	9	5
	188	108

38. IMPAIRMENT LOSSES

During the 2012-13 valuation process the Council identified 13 assets suffering value losses as a result of impairment and 3 impairment reversals. The assets were as follows:

Other Land and Buildings:	£'000
Impairments:	
Bus Station Public Convenience	45
Lynton House	30
Yachtmens Facility	16
Castle Lodge	30
North Devon Museum	46
Queens Theatre	156
Old Quay Head (1)	101
Pannier Market	30
Central Car Park South Molton	100
Queens Street Car Park	20
Seven Brethren Car Park	39
Ilfracombe Pier Car Park	13
Cove Car Park	12
Total	638
Impairment reversals:	
12 Butchers Row	10
North Devon Leisure Centre	442
South Molton Livestock Market	49
Total	501

(1) In 2012/13, an impairment loss on Old Quay Head has resulted in the carrying value being reduced to zero. This is a result of the quay wall bulging in various locations and is likely to collapse in the near future. English Heritage have visited Old Quay Head and had concerns surrounding a temporary support and the recommended approach should be a permanent solution. Quantity Surveyors have provided indicative costs for a permanent solution of between £1.4m and £1.8m.

A report has been taken to Executive on 4th June 2013 and members have recommended "that Council approve the project and that subject to final cost and external grants secured, that up to £2m be borrowed externally to fund the project".

39. COUNCIL TAX

Council Tax income is calculated by adding together the amounts required by North Devon Council, Devon County Council, the Devon and Cornwall Police Authority, Devon and Somerset Fire & Rescue Authority and local Parish Councils. This amount, the Precept, is then divided by the North Devon District tax base of 35,010.33 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:

Band	Band D Equivalent Numbers
-A	5.85
A	5,456.96
B	7,382.93
C	7,560.02
D	6,850.60
E	4,741.66
F	2,362.57
G	938.18
H	65.20
Allowance For Non Collection At 1%	(353.64)
Council Tax Base	35,010.33

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

40. BUSINESS RATES

Under the current arrangements for uniform business rates, 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 2013 was £84.494m. In 2012-13 the rate was 45.0p in the pound for small businesses and 45.8p in the pound for others as prescribed by the Government. The total amount, less certain relief and other deductions, is paid from the Collection Fund to a central pool (the NNDR Pool) managed by Central Government. The Authority receives its share of the pool based on a standard amount per head of the local adult population.

41. COUNCIL TAX BENEFIT

Specific reductions are made to the Council Tax payable, in accordance with Government Regulations, for persons on lower incomes (Council Tax benefits). A transfer to the Collection Fund from the Comprehensive Income and Expenditure Statement, which in turn receives Government subsidy, meets the cost of individual Council Tax benefits.

42. 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	
	2011/12 £000	2012/13 £000	2011/12 £000	2012/13 £000
Cost of services:				
• Current service cost	1,623	2,001	0	0
• Settlements and curtailments	20	323	0	0
Financing and Investment Income:				
• Interest cost	4,123	4,023	0	0
• Expected return on scheme assets	(3,233)	(2,725)	0	0
Total post employment benefit charged to the Surplus or Deficit on the Provision of Services	2,533	3,622	0	0
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	2,533	3,622	0	0
Actual amount charged against the General Fund Balance for pensions in the year:				
Employers' contributions payable to scheme	(1,531)	(1,490)	(238)	(245)

The cumulative amount of actuarial gains and losses recognised in the Comprehensive Income and Expenditure Statement to the 31st March 2013 is a loss of £2.4m.

Revision to International Accounting Standards (IAS 19)

The International Accounting Standards Board has revised the IAS 19 standard. The changes are effective for accounting periods after 1 January 2013 therefore do not affect the 2012/13 disclosures, however the following table illustrates the impact had the revised IAS 19 standard been applied in the financial year to 31st March 2013.

The amounts recognised in the Comprehensive Income And Expenditure Account (if the revised IAS19 standard was adopted:	2012/13 £000
Service cost	2,325
Net interest on the defined liability (asset)	1,713
Administration expenses	25
Total	4,063
Actual return on scheme assets	6,347

Assets And Liabilities In Relation To Post Employment Benefits

Reconciliation of present value of the scheme liabilities:

	Funded Liabilities: Local Government Pension Scheme		Unfunded Liabilities: Discretionary Benefits	
	2011/12 £000	2012/13 £000	2011/12 £000	2012/13 £000
Opening balance at 1 st April	72,405	85,727	3,221	3,289
Current service cost	1,623	2,001	0	0
Interest cost	4,123	4,023	0	0
Contributions by scheme participants	525	496	0	0
Actuarial (gains)/losses on liabilities	10,297	5,764	306	322
Benefits paid	(3,266)	(3,650)	0	0
Past service costs	0	0	0	0
Unfunded pension payments	0	0	(238)	(245)
Curtailments	20	323	0	0
Closing balance at 31 st March	85,727	94,684	3,289	3,366

Reconciliation of fair value of the scheme (plan) assets:

	Local Government Pension Scheme	
	2011/12 £000	2012/13 £000
Assets and liabilities in relation to Post Benefit Benefits	50,660	51,048
Expected return on assets	3,233	2,725
Actuarial gains/(losses) on assets	(1,635)	3,598
Employer contributions	1,769	1,735
Contributions by scheme participants	525	496
Benefits paid	(3,504)	(3,895)
Actuarial (gains)/losses on liabilities	51,048	55,707

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields 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 scheme assets in the 2012/13 year was £6,322,000 (2011/12 £1,597,000).

Scheme History

	2008/09 £000	2009/10 £000	2010/11 £000	2011/12 £000	2012/13 £000
Present value of liabilities:					
Local Government Pension Scheme	62,500	90,232	72,405	85,727	94,684
Discretionary benefits	3,210	4,028	3,221	3,289	3,366
Fair value of assets in the Local Government Pension Scheme Surplus/(deficit) in the scheme:					
Local Government Pension Scheme	37,420	49,130	50,660	51,048	55,707
Surplus/(deficit) in scheme:					
Local Government Pension Scheme	(25,080)	(41,102)	(21,745)	(34,679)	(38,977)
Discretionary benefits	(3,210)	(4,028)	(3,221)	(3,289)	(3,366)
Total	(28,290)	(45,130)	(24,966)	(37,968)	(42,343)

The liabilities show the underlying commitments that the Authority has in the long run to pay post employment (retirement) benefits. The total liability of £42.3m 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 31st March 2014 is £1,650,000. Expected contributions for the discretionary benefits scheme in the year to 31st March 2014 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 2013.

2011/12	Actuarial Assumptions	2012/13
6.5%	Long term expected rate of return on assets in the scheme	5.4%
	Mortality assumptions:	
	Longevity at 65 for current pensioners:	
20.5	• Men	20.6
24.5	• Women	24.6
	Longevity at 65 for future pensioners:	
22.5	• Men	22.6
26.4	• Women	26.5
3.3%	Rate of inflation – RPI	3.4%
2.5%	Rate of inflation – CPI	2.6%
4.7%	Rate of increase in salaries	4.8%
2.5%	Rate of increase in pensions	2.6%
4.6%	Discount rate	4.4%
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 st March 2012	31 st March 2013
Equities	69%	61%
Gilts	18%	13%
Property	6%	8%
Cash	6%	3%
Target Return Portfolio	1%	15%
Total	100%	100%

History Of Experience Gains And Losses

The actuarial gains identified as movements on the Pensions Reserve in 2012/13 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31st March 2013:

	2008/09 %	2009/10 %	2010/11 %	2011/12 %	2012/13 %
Differences between the expected and actual return on assets	(33.5)	20.4	(2.8)	(3.2)	6.5
Experience gains and losses on liabilities	(0.5)	(0.4)	4.7	0.0	(0.1)

43. CONTINGENT LIABILITIES

The Council is obliged to keep information on Environmental Information regulations and, where possible, to make that information freely available. Case law has indicated that local authorities may have charged for information that should have been provided free of charge, but the situation is still evolving. The Council may be subject to claims for refunds of fees incorrectly paid. It is not possible to accurately estimate an amount but it is not considered to be material.

44. CONTINGENT ASSETS

The Council has lodged a Voluntary Disclosure (Protective Claim) with HM Customs and Excise 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 a further Tribunal hearing of the Isle of Wight appeal. As receipt of the payment is uncertain it has not been included within these accounts.

45. 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 procedures focus on the unpredictability of financial markets, and are structured to implement suitable controls to minimise these risks. 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 22 February 2012 and is available on the Council website. The key issues within the strategy were:

- The Authorised Limit for 2012/13 was set at £9m. This is the maximum limit of external borrowings or other long-term liabilities.
- The Operational Boundary was expected to be £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 100% and 65% based on the Council's net debt. (Variable interest rate exposure indicator was amended to 65% by Council on 28 November 2012).

These policies are implemented by Financial Services. The Council maintains written principles for overall risk management, as well as written policies (Treasury Management Practices – TMPs) covering specific areas, such as interest rate risk, credit risk, and the investment of surplus cash. These TMPs are a requirement of the Code of Practice and are reviewed periodically.

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 in respect of each financial institution. Deposits are not made with banks and financial institutions unless they meet the minimum requirements of the investment criteria outlined above.

This Authority also uses the creditworthiness service provided by Sector. 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

This Authority has set a limit of £3m for investment with any individual organisation and £4m with organisations that are more than 30% government owned.

The full Investment Strategy for 2012/13 was approved by Full Council on 22 February 2012 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 £5.4m 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 recoverability applies to all of the Authority's deposits, but there was no evidence at 31st March 2013 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 31st March 2013 £000	Historical experience of default %	Adjusted for market conditions at 31st March 2013 %	Estimated maximum exposure to default at 31st March 2013 £000 (A x C)
	A	B	C	
Sums invested	5,354	0%	0%	0
Customers – debtors	3,073	33.52%	33.52%	1,030

No breaches of the Authority's counterparty criteria occurred 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 £3.1m is past its due date for payment. The past due but not impaired amount can be analysed by age as follows:

	31 st March 2012 £000	31 st March 2013 £000
0 to 6 months	1,460	1,815
6 months to 1 year	314	338
1 to 2 years	324	272
More than 2 years	545	648
Total	2,643	3,073

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 31st March 2013 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;

- 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 includes the maximum and minimum limits for fixed interest rates maturing in each period. These limits were in the Treasury Management Strategy approved by Council.

As at 31st March 2013 the Authority did not have any outstanding fixed interest rate financial liabilities.

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. 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, subject to influences from Government grants. Movements in the fair value of fixed rate investments that have a quoted market price will be reflected in Other Comprehensive Income and Expenditure.

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.

46. HERITAGE ASSETS: FOUR-YEAR SUMMARY OF TRANSACTIONS

	2009/10 £000	2010/11 £000	2011/12 £000	2012/13 £000	Carrying Value as at 31 st March 2013 £000
Valuation Movement of Heritage Assets					
Pottery	149	0	0	7	156
Carpet	184	0	0	9	193
Decorative Arts	51	0	0	2	53
Other	415	0	0	22	437
Total Valuation	799	0	0	40	839

47. 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 46 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 46 within the "Other" category.

Decorative Arts

The decorative arts collection consists of nearly 1800 items, the most important being the Huguenot table carpet, the 17th 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 46 the Huguenot table carpet is identified separately, the 17th 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 46 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 46 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 46 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 (currently seconded to the North Devon Theatres Trust) who exercise strategic control. The Council is currently reviewing the costs and benefits of transferring the service to the Trust. This process will include the necessary arrangements for the ownership and care of collections as required by Arts Council guidance. 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. We are

currently working on an integrated Collections Management Plan, which will satisfy the new (2011) Accreditation Standard when the Museum comes up for re-accreditation in 2014.

In 2012-2013 we secured Arts Council Strategic Grant funding for developing partnership working with Torrington District Council and working towards excellent museum services. This has enabled us to invest in the MODES database software, the industry standard for collections management, transfer existing records from our defunct database and begin updating records. We have located and updated records for over 20,000 items over the past 9 months and the work continues with a second Arts Council grant in 2013-2014.

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

Opinion on the Authority financial statements

We have audited the financial statements of North Devon District Council for the year ended 31 March 2013 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 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 2012/13.

This report is made solely to the members of North Devon District Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010. 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 Head of Financial Services and auditor

As explained more fully in the Statement of the Head of Financial Services's Responsibilities, the Head of Financial Services 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, 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 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 Head of Financial Services; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the explanatory foreword to identify material inconsistencies with the audited financial statements. 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 2013 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 2012/13.

Opinion on other matters

In our opinion, the information given in the explanatory foreword for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we report by exception

We 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;
- we issue a report in the public interest under section 8 of the Audit Commission Act 1998;
- we designate under section 11 of the Audit Commission Act 1998 any 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.

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 audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in November 2012, 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 2013.

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 November 2012, 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 2013.

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
Director
for and on behalf of Grant Thornton UK LLP
Appointed Auditor

Bristol

September 2013