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NARRATIVE REPORT

Introduction

The purpose of the narrative report is to provide the reader with an easy to understand guide to the most significant financial matters reported in the accounts. It also acts as the Council's annual report, which highlights the major influences on the Council's spending and comments on the Council's overall financial position and performance against the Corporate Plan and Key Performance Indicators.

The Challenges

The world economic conditions continued to dominate, which made 2017-18 another challenging year for everyone: the Council being no exception. Returns on investments continued to be low due to unprecedented low interest rates.

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

However, the Council recognises that the impact the recession has had on Public finances will continue well beyond 2017-18. The Council's Corporate Plan 2015-2018 was approved in January 2016 to reflect the changed landscape we now face and the reality of the significant cuts to government grant support which have been extended into 2018-19. We are forecasting reductions beyond 2018/19 as there are no indications that austerity measures will come to an end.

The Corporate Plan 2015-2018 has identified two key priority areas, which are:

1. **Organisational Transformation**

    - To develop a robust & flexible organisation
    - Determine our own future/destiny
    - Maintain or improve our services by flexing Council structures and activities delivering resilience in the short to medium term.

2. **Growing North Devon**

    - To create & protect a resilient North Devon
    - Promote Barnstaple and its uniqueness as the sub-regional centre for growth, but consider all opportunities
    - Use the increase in the local tax base from predicted housing and/or businesses to deliver resilience
    - Support and develop low carbon opportunities including the tidal demonstration zone.

Due to cuts in government grant and the poor economic situation, the Council has reduced its revenue budget by around £4m (to £11.9m for 2017-18) with a reduction in workforce of around 125 posts since the start of the 2010 spending review. Income streams have also been affected by the current poor economic conditions.

Meeting the Challenges – the Medium Term Financial Strategy 2018-2022

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

The Council's Medium Term Financial Strategy (MTFS) 2018-2022 was approved by Full Council in February 2018. The plan underpins and provides the financial cornerstone of the Corporate Plan, which will shape the Executive's activities. It is good practice that it is refreshed on an annual basis to ensure that the Council's forward looking financial position is considered particularly in the current economic climate.

The MTFS looks at the changing financial situation of the Council over the future four financial years for 2018-19 to 2021-22. The starting position is the Budget 2018-19, which is rolled forward based on a set of assumptions.

The refreshed forecasted cumulative budget gap / (surplus) for 2018-19 to 2021-22 is shown as follows:

Years	2018-19 £m	2019-20 £m	2020-21 £m	2021-22 £m
Budget gap / (surplus)	0	0.345	0.517	0.616

The major plans currently included within the MTFS to deliver the savings required in the short to medium term are:

- Continued implementation of approved changes to the recycling services and the remodelling of refuse rounds
- Inclusion in the Devon-wide saving sharing scheme with Devon County Council following the roll out of changes to recycling service
- Continued vigorous vacancy management measures and on-going reviews of the structure of the Council to determine whether posts can be removed without detrimentally impacting on the way the Council operates
- Reviewing external grants and all services provided by external partners through voluntary and contractual arrangements

Whilst preparing the 2018-19 Budget, each Head of Service was tasked with preparing service plans covering 2018-19 and beyond. These plans have been through Overview and Scrutiny Committee in January 2018 and the 2018-19 revenue implications have been factored into the budget. The purpose of these plans is to ensure that the Council has a strategic approach to delivering the budget reductions expected as a result of the Government's austerity programme.

The Council has been preparing and positioning itself for on-going budget reductions and will continue to work on options to deliver the savings necessary to balance the budget gaps through to 2021-22 year.

The financial challenge faced by the Council during the year will continue through 2018-19 and beyond particularly whilst the Government continues implementing its plans to reduce public expenditure across all departments and any wider impacts to the public sector following the Brexit negotiations to leave the European Union .

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 on-going programme of investment and improvement in services, whilst meeting the challenge of reduced funding.

The challenges of 2017-18 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 below.

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.

Expenditure and income on every day 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**.**

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.

Review of the Financial Year ended 31 March 2018

The business of managing the Council's finances presents a number of significant challenges with around £60m passing through our books in a year.

The Council originally budgeted to spend £11.945m in 2017-18. As at 31 December 2017, the Council was forecasting a net deficit of £0.012m against the budget.

The last quarter of the financial year saw some favourable variances since the last reported position; additional income through both the Business Rate Retention scheme and Council Tax and Benefits grant income together with additional savings achieved throughout our staffing budgets.

It is pleasing to report that the final out turn position is a budget surplus of (£0.504m), which is an overall movement of (£0.516m) from the last forecast at quarter 3. The following table shows this movement:

Service and Cost Area	Qtr 3 Variance to Budget £m	Outturn Variance to Budget £m	Movement Qtr 3 to Outturn £m
Temporary Accommodation B&B costs	0.322	0.316	(0.006)
Homelessness support grant	(0.277)	(0.306)	(0.029)
Homelessness deposits	(0.045)	(0.036)	0.009
Homelessness & Prevention	0.000	0.050	0.050
Environmental Health & Housing	**(0.000)**	**0.024**	**0.024**
Software Licenses	(0.010)	(0.021)	(0.011)
Council Tax and Benefits additional grant income	(0.120)	(0.184)	(0.064)
Rates and water charges	(0.027)	(0.029)	(0.002)
Revenues/Benefits reduced costs	0.000	(0.025)	(0.025)
Investment Properties (Reduced costs & increased income)	0.000	(0.017)	(0.017)
Lynton Agency (Additional income)	0.000	(0.010)	(0.010)
Seven Brethren Bank (Reduced costs & increased income)	0.000	(0.011)	(0.011)
Various	(0.005)	(0.001)	0.004
Resources	**(0.162)**	**(0.298)**	**(0.136)**
Customer Services salary savings	(0.011)	(0.011)	0.000
Member Services employee savings	(0.006)	(0.006)	0.000
Cultural Services	(0.011)	(0.002)	0.009
Democratic Representation & Management	0.000	(0.009)	(0.009)
Legal increased fee income and reduced costs	0.000	(0.018)	(0.018)
Design & Print reduce costs	0.000	(0.010)	(0.010)
Various	0.000	(0.018)	(0.018)
Corporate & Community Services	**(0.028)**	**(0.074)**	**(0.046)**
Works & Recycling Employees	0.501	0.547	0.046
Works & Recycling Vehicle costs	0.105	0.123	0.018
Works & Recycling Supplies & Services	0.044	(0.002)	(0.046)
Works & Recycling Tipping Charges	(0.066)	(0.069)	(0.003)
Works & Recycling Haulage & sub-contractors	0.028	0.013	(0.015)
Trade Waste income	0.018	0.015	(0.003)
Garden Waste income	(0.227)	(0.231)	(0.004)
Recycling Credits	0.041	0.069	0.028
Sales of Recyclable materials	(0.059)	(0.065)	(0.006)
Customer Services Recycle More	(0.027)	(0.027)	0.000
Car Parks rates	(0.057)	(0.056)	0.001

Service and Cost Area	Qtr 3 Variance to Budget £m	Outturn Variance to Budget £m	Movement Qtr 3 to Outturn £m
Car Park income	0.107	0.072	(0.035)
Car Parks other	0.021	(0.019)	(0.040)
Contribution from Crematorium	(0.087)	(0.087)	0.000
Cemeteries (Reduced costs & increased income)	0.000	(0.017)	(0.017)
Various	0.020	0.023	0.003
Operational Services	**0.362**	**0.289**	**(0.073)**
ICT Software	(0.015)	(0.026)	(0.011)
ICT employee savings	(0.038)	(0.044)	(0.006)
Development Control fees	(0.010)	0.031	0.041
Development Control employee costs	(0.021)	(0.021)	0.000
Development Control Supplies & Services	(0.005)	0.013	0.018
Building Control income	0.000	0.027	0.027
Pannier Market employee costs (overtime & agency)	(0.001)	(0.001)	0.000
Pannier Market income	0.028	0.032	0.004
CCTV (overtime & agency)	0.019	0.011	(0.008)
CCTV Equipment	(0.029)	(0.029)	0.000
Apprenticeship Levy	0.007	0.005	(0.002)
Economic Development	0.016	(0.050)	(0.066)
Telephones data lines	(0.015)	(0.024)	(0.009)
Electoral Registration reduced costs	0.000	(0.014)	(0.014)
Various	(0.005)	(0.003)	0.002
Corporate Services	**(0.069)**	**(0.093)**	**(0.024)**
Borrowing costs	(0.054)	(0.054)	0.000
Insurance premium saving	(0.064)	(0.065)	(0.001)
Support charges outside revenue (capital / crem)	0.024	0.024	0.000
Contribution to Council Tax Support Scheme Reserve	0.053	0.053	0.000
Interest Receivable	0.000	(0.020)	(0.020)
Additional Government Grants	0.000	(0.015)	(0.015)
Reserve adjustments	0.000	0.006	0.006
Additional Business Rates Retention income	(0.050)	(0.206)	(0.156)
Additional employee savings	0.000	(0.075)	(0.075)
Other	**(0.091)**	**(0.352)**	**(0.261)**
Total	**0.012**	**(0.504)**	**(0.516)**

The original budget for 2017-18 included a forecast to achieve £0.200m worth of salary vacancy savings. The previous performance report at quarter 3 was forecasting this saving would be achieved this year; the final quarter of 2017-18 has actually resulted in further employee savings of £0.075m over and above the original target.

The “Recycle more” service changes were introduced in June 2017; the take up of the new garden waste service exceeded our expectations, with a total sign up of 17,320 properties (the original estimated take up was 13,000 properties). The additional income generated has been used to offset some of the additional costs incurred to rollout all the changes across the service.

The implementation of the ‘Recycle more’ project in 2017-18 has been a challenge and resulted in some one-off additional costs this year, which has meant the original savings target for the year not being achieved. Across the authority we have achieved a number of one off savings which have offset the additional costs and as highlighted above we are now coming in under the overall £11.945m budget set for the year.

Moving forwards to resolve the above challenges we have been working with our Waste and Recycling software supplier “Webaspx” who have provided us with support and training, which has enabled us in-house to streamline, remodel and reduce the current number of rounds needed; the results of this have been incorporated into the 2018-19 budget approved in February 2018. The outcome of this work should resolve the round inefficiency and budget overspends seen in the 2017-18 year and protect the authority ongoing as our staff are now equipped with the necessary skills to carry out future round remodelling when required.

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

For 2017-18 year we built in £1.220m additional income growth into the base budget over and above our ‘baseline’ funding. At 31 December 2017 the forecast position assumed additional income of £0.050m on top of the growth already factored into the budget. The final out turn on the Business Rates retention scheme has yielded overall additional income of £0.206m, which is a positive variance of £0.156m on the December forecast.

An earmarked reserve was created that deals with the timing impacts of the Collection Fund (Business Rates) which ensures the revenue budget is not unduly affected in the year the taxes are collected. Collection Fund deficits/surpluses are reversed out to bring the revenue account back to the budgeted figure for the year; the deficits/surpluses are recovered/distributed in the following financial years.

The Collection Fund Reserve balance at 31 March 2018 is £1.117m; as mentioned this balance is set aside to smooth the future year’s impacts on the budget from the Collection Fund balances; of which the current 40% deficit attributable to this authority is £0.594m. The reserve set aside will cover this contribution back to the Collection Fund over the next two financial years and leaves a residual balance of £0.523m to protect against any future volatility.

The 2017-18 revenue budget surplus of (£0.504m), it was proposed to set aside £0.294m into provisions; of which £0.264m was set aside to cover the one-off cost of voluntary redundancies / early retirements for posts approved at Personnel Committee on 21 March 2018. The total one-off cost of £0.264m will therefore be funded in full from the 2017-18 provision; however there will be on-going annual revenue savings of (£0.099m) from the structural changes which will be achieved from 2018-19 onwards and go towards helping reduce the future years funding gap as set out above in the Medium Term Financial Strategy.

The revenue budget surplus of (£0.504m), once the above provision of £0.294m has been made; leaves a residual surplus of (£0.210m). It was proposed to set aside this amount into the following earmarked reserves as follows:-

- £0.070m into Economic Development Reserve to fund economic growth programme
- £0.030m into Office Technology Reserve to increase funding to roll out of new ICT infrastructure across the authority
- £0.030m into CCTV Reserve to fund future service delivery changes
- £0.040m into Repairs Fund Reserve to fund additional enhancements to Council assets (on top of the already planned maintenance)
- £0.040m into Office Accommodation Reserve to fund planned enhancements

The recommended level of general fund balance is 5%-10% of the Council's net revenue budget. It is pleasing to report that the combination of in year measures and robust budget management saw the Council through the financial pressures and resulted in a general fund reserve balance at 31 March 2018 of £1.161m, which is a level of 9.7%.

Within the accounts the Council also holds balances in relation to the North Devon Crematorium, which is provided under a joint operation with Torridge District Council. The Council's Balance Sheet contains a General Balance of £0.060m and Earmarked Reserve Balances of £0.297m for crematorium capital reserve and £0.120m for crematorium equipment replacement reserve, 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:

	2017-18 £000	%
Council Tax	7,536	53%
Government Grants	2,237	16%
Non Domestic Rates	4,412	31%
	14,185	

Balance Sheet

The Balance Sheet shows the assets and liabilities of the Council as a whole at 31 March 2018. There are a number of detailed notes that break these figures down and provide further information.

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 2017-18, the Council invested £2.454m from its capital resources, analysed as follows:

	2017-18 £000
New assets being constructed	89
Purchase of vehicles and IT equipment	1,427
Providing grants and assistance	734
Statutory and Landlord Functions	204
Total	**2,454**

This compares to £3.357m spent in 2016-17.

Back in 2008-09 the method of accounting for certain elements traditionally accounted for as Capital Expenditure changed. Expenditure incurred on items, which includes disabled facilities grants and affordable housing, is now shown in the accounts as Revenue Expenditure Funded from Capital under Statute. It was previously known as deferred charges.

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

The Council plans to invest the following sums in the period 2018-19 to 2021-22:

2018-19	£8.626m
2019-20	£0.451m
2020-21	£0.175m
Total	**£9.252m**

This investment will be financed by:

Capital receipts/borrowing	£1.469m
Earmarked reserves	£1.782m
External grants and contributions	£6.001m
Total	**£9.252m**

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

31/03/17 £000		31/03/18 £000
1,161	General Revenue Account	1,161
6,520	Earmarked Reserves	5,647
7,681		**6,808**

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.

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 pension's assets and the net interest cost of the Council's liability due to under-funding.

During the autumn of 2016 our actuary undertook the latest 3-yearly review of the Pension scheme and costs; with the next review due in 2019-20 year. The Local Government Pension Scheme has been reviewed nationally to ensure it meets the objectives of being viable and acceptable to both employees and the employer.

With the effect of the re-valuation of the pension fund and a range of other factors; such as a decrease in the discount rate assumption which the actuaries are required to use; the net liability on the pension fund has decreased from £67.1m to £62.7m.

The Council's liability relating to the Devon County Council defined benefit pension scheme is included within the Balance Sheet and further details is shown in Note 42. The amount the Council contributes to the Pension Fund is re-assessed every three years; the most recent review was in the autumn of 2016 and took effect from April 2017. The Council has adjusted its contributions in line with the Actuaries recommendations which have been factored into the Medium Term Financial Strategy (MTFS) 2018-2022.

Borrowing for Capital Investment

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

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

The Council took on £1.5m of external borrowing in November 2014 and a further £0.5m in August 2016. We originally forecasted that additional external borrowing may have been required through the 2017-18 financial year to deliver the capital programme; however at 31 March 2018 no further external borrowing was actually needed The timing of any future borrowing is dependent on how the authority manages its treasury activity and due to current low interest rates and reduced returns on investments it was prudent for the Council to 'internally borrow' and use these monies to fund the Capital Programme.

The actual cost of borrowing was £0.544m, a reduction of £0.054m on the budgeted cost of £0.598m. This cost includes both the interest payable on external borrowing and the authority making a ‘minimum revenue provision (MRP)' to set aside repaying the principal on the borrowing need.

Cash Flow Statement

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

Collection Fund

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

Accounting Policies

This section 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 2017-18, 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 2017/18 financial statements have been produced in accordance with the above standards.

Notes to the Accounts

There are a number of disclosure notes that provide additional information and further explanation to the content of the statements. A glossary of terms is available on request.

Balances as at 31 March 2018

The Council will hold a General Fund Balance of £1.161m and Earmarked Reserve balances of £5.647m at 31 March 2018; providing overall total reserves of £6.808m. These balances enable North Devon Council to remain in a strong financial position to deal with the risks it faces and to continue to deliver upon its priorities set out earlier in the Corporate Plan.

Councillor Des Brailey ....
Leader

Mike Mansell ....
Chief Executive

Key Performance Indicators: 2016-17 and 2017-18 year

The following performance information was reported as part of Performance & Financial Management for Quarter 4 of 2017-18 to the Executive meeting held 4 June 2018. It covers the following service areas;

- Planning
- Waste and Recycling
- Finance
- Property
- Building Control
- Customer Services & Communications
- Environmental Health and Housing

PI Code & Short Name	Performance Data Q1 2016/2017 & 2017/18	Performance Data Q2 2016/2017 & 2017/18	Performance Data Q3 2016/2017 & 2017/18	Performance Data Q4 2016/2017 & 2017/18	Year End Target	Year End Result	Current Target	Latest Note & History
Planning								
NI 155 **Number** of affordable homes delivered (cumulative[1])	28	46	73	88		88	41	
	19	37	63	131		131		
	21	44.44	8	40	45	28.4	45	

NI 157a **Percentage** of major applications processed within 13 weeks	22	30	30	75	45	39.25		
NI 157b **Percentage** of minor planning applications processed within 8 weeks	61	65	62	71		64.75	75	
	81	71	77	95		78.5		
NI 157c **Percentage** of other applications processed within 8 weeks	88	88	88	88	85	88		
	88	89	87	97	85	90.25	85.00	
Waste & Recycling								
L82(i) Total **percentage** domestic waste recycled or composted	46.7	48.89	42.04	36	44	43.4		
	48.22	50.21	46.9				40.00	
LPI 82b(ii) **Tonnes** of household waste composted	3,014.25	3,421.00	2231.86	1,582.30	9,400.00		2,000.00	
	3,287.00	2,963.00	2,204.00					
LPI 191 Residual household waste per household in **kilograms**	122	126	123	128				
	126	108	102				126	

Finance								
BV8 **Percentage** of invoices paid on time	98.51	98.70	96.24	98	97	97.90		
	97.76	97.74	97.24	96.72	97	97.37	97.00	
BV9 **Percentage** of Council Tax collected	29.36	56.94	84.26	97.21	98.00	97.21		
	29.11	56.48	83.53	97.03	98.00	97.03	98.00	
BV78a (M) **Speed** of processing - new Housing Benefit/Council Tax Benefit claims	17.9	17.5	17.2	19	28.0	17.9		
	20.1	20.2	18.6	22.00	28.00	20.23	28.0	

BV10 **Percentage** of Non-domestic Rates Collected	32.14 32.11	57.84 58.11	81.88 83.04	96.11 97.96	99.05 99.05	96.11 97.96	99.05	

Property & Technical								
L0010 **Number** of visits to Queen's Theatre run by NDTT (per quarter)	14,685 Closed	5,781 1,789	28,616 26,922	0 13,779			27,667	
L728 **Percentage** of the gross internal area of the investment estate currently let	95.97 95.31	95.21 95.40	95.74 95.31	95.31 95.40				
L0013 **Percentage** of Grounds Maintenance Contract completed to specification	94 91	92 100	93 99.72	94 98.74	100 100	93.25 97.37	100	
L168 **Income** per car park P&D ticket	Jun 1.70 July 1.78	Sept 1.69 Sept 1.68	Dec 1.68 Dec 1.52	Apr 1.71 April £1.63			1.68	
L169 **Number**. of car park pay & display tickets sold	446,138 408,734	515,055 483,901	432,664 411,993	367,360 349,913	1,367,923 1,728,235	1,752,217 1,654,541	389,566 367,360	

PI Code & Short Name	Performance Data Q1 2016/2017 & 2017/18	Performance Data Q2 2016/2017 & 2017/18	Performance Data Q3 2016/2017 & 2017/18	Performance Data Q4 2016/2017 & 2017/18	Year End Target	Year End Result	Current Target	Latest Note & History
Building Control								
L310 NDC Building Control – **percentage** market share - new housing	19	22	4	36	75	18.75	75	
L311 NDC Building Control – **percentage** market share – commercial market	86 81	60 79	80 73	80 74	92 75	76.5 76.75	92	

PI Code & Short Name	Performance Data Q1 2016/2017 & 2017/18	Performance Data Q2 2016/2017 & 2017/18	Performance Data Q3 2016/2017 & 2017/18	Performance Data Q4 2016/2017 & 2017/18	Year End Target	Year End Result	Current Target	Latest Note & History
L300 Building Regulation Full Plan applications determined in 2 months	84	95	96	99	95%	93.5	95%	
L301 Building Regulation Applications examined within 3 weeks	96	86	98	97	95%	94.25	95%	
L302 Average time to first response (Days)	15	14	10	10	10	12.25	10	
Customer Services & Communications								
L358 **Number** of complaints raised	181	132	123	91		527		
	212	375	79	206				
L928c **Percentage** of all calls in the Customer Service Centre that are abandoned	8.8	8	7.5	10	4	8.6		
	26	17	8	11	4	15.5	4	
L928h **Average call waiting time** in the Customer Service Centre in seconds	45	46	39	51	18	45.25	18	
	113	81	30	61	18	71.25	18	

Environmental Health & Housing								
LEHH011 **Percentage** of Private Water Supply Due Interventions Completed (Jan - Dec)	40	59	75	97	100	97		
	57.2	88	84.6	12.8	100		100	
	10	433	869	1189		1189		

LEHH014 Food Hygiene Interventions **Completed**	78	202	321	707		707		
LEHH015 **Percentage** of Food Hygiene Due Interventions Completed	1.1	45	91	97.5		96	100	
	13	35	55.8	95				
LEHH016 Housing Options - **Number** of Homelessness Prevented & Relieved	126	154	262	112		654	Data only	
	181	120	135	267		703		
LEHH017 Housing Options - **Number** of Households Accommodated in Temporary Accommodation	18	13	12	28		71	Data Only	
	28	36	25	28		117		
LEHH019 Housing Standards - **Number** of DFG's Completed & **Monies Paid**	13	46	84	161		161	Data only	
	43	46	27	107				
LEHH026 **Number** of NDC Lets Through DHC	38	46	33	38		155	Data only	
	33	37	30	65		165		
LEHH020 Housing Standards – the **level** of unmet demand for DFGs	385,155	342,028	276,644	271,296			Data only	
	226,780	199,968	224,412	33,000				

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 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:

E. J. Moore
.... Date: 14 August 2018
Chairman, North Devon District Council

The Chief Financial Officer's Responsibilities

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

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

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

The Chief Financial Officer has also:

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

These financial statements replace the unaudited financial statements certified by the Chief Financial Officer on 29 May 2018.

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 2018 and its income and expenditure for the year ended 31 March 2018.

.... Date: 14 August 2018
Jon Triggs, Chief Financial Officer

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.

	2016/17				2017/18	
Gross Expenditure £000	**Gross Income £000**	**Net Expenditure £000**		**Gross Expenditure £000**	**Gross Income £000**	**Net Expenditure £000**
4,848	(1,045)	3,803	Corporate & Community	4,535	(541)	3,994
3,426	(2,571)	855	Environmental Health & Housing	4,173	(2,382)	1,791
29,699	(27,919)	1,780	Resources	28.734	(26,788)	1,946
5,970	(2,568)	3,402	Corporate Services	6,199	(3,792)	2,407
7,097	(6,228)	869	Operational Services	10,088	(7,069)	3,019
51,040	**(40,331)**	**10,709**	**Cost of services**	**53,729**	**(40,572)**	**13,157**
1,693	(553)	1,140	Other operating expenditure (Note 12)	1,824	(383)	1,441
2,009	(366)	1,643	Financing and investment income and expenditure (Note 13)	1,996	(373)	1,623
116	(13,789)	(13,673)	Taxation and non-specific grant income and expenditure (Note 14)	90	(14,184)	(14,094)
54,858	**(55,039)**	**(181)**	**(Surplus) or deficit on Provision of Services**	**57,639**	**(55,512)**	**2,127**
0	(6,587)	(6,587)	Surplus or deficit on revaluation of property, plant and equipment assets	0	(1,480)	(1,480)
15,466	(0)	15,466	Re-measurements of the net defined benefit liability	0	(7,188)	(7,188)
15,466	**(6,587)**	**8,879**	**Other Comprehensive Income & Expenditure**	**0**	**(8,668)**	**(8,668)**
70,324	**(61,626)**	**8,698**	**Total Comprehensive Income & Expenditure**	**57,639**	**(64,180)**	**(6,541)**

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	Total General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000
Balance at 31st March 2016	**1,161**	**4,664**	**5,824**	**0**	**90**	**5,914**	**21,748**	**27,662**
<u>Movement in Reserves during 2016/17</u>								
Total Comprehensive Income and Expenditure	181		**181**	**0**		**181**	(8,879)	**(8,698)**
Adjustments between accounting basis and funding basis under regulations (Note 10)	1,675		**1,675**	0	37	**1,712**	(1,712)	**0**
Transfers to/(from) Earmarked Reserves (Note 11)	(1,856)	1,856	**0**	0		**0**	3	**3**
Increase/decrease in 2016/17	**0**	**1,856**	**1,856**	**0**	**37**	**1,893**	**(10,588)**	**(8,695)**
Balance at 31st March 2017 carried forward	**1,161**	**6,520**	**7,680**	**0**	**127**	**7,807**	**11,160**	**18,967**

	General Fund Balance £000	Earmarked General Fund Reserves £000	Total General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000
Balance at 31st March 2017	**1,161**	**6,520**	**7,680**	**0**	**127**	**7,807**	**11,160**	**18,967**
Movement in Reserves during 2017/18								
Total Comprehensive Income and Expenditure	(2,127)	0	**(2,127)**	**0**		**(2,127)**	8,668	**6,541**
Adjustments between accounting basis and funding basis under regulations (Note 10)	1,253	0	**1,253**	0	1,861	**3,114**	(3,114)	**0**
Transfers to/(from) Earmarked Reserves (Note 11)	874	(873)	**1**	0	(1)	**0**	0	**0**
Increase/decrease in 2017/18	**0**	**(873)**	**(873)**	**0**	**1,860**	**987**	**5,554**	**6,541**
Balance at 31st March 2018 carried forward	**1,161**	**5,647**	**6,808**	**0**	**1,987**	**8,795**	**16,714**	**25,509**

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 2017 £000		Notes	31st March 2018 £000
80,220	Property, Plant and Equipment	15	80,432
888	Heritage Assets	16	888
4,459	Investment Property	17	4,449
11	Intangible Assets	18	1
177	Long Term Debtors	19	152
85,755	**Long Term Assets**		**85,922**
98	Inventories	20	156
5,732	Short Term Debtors	22	3,829
4,960	Cash and Cash Equivalents	23	10,735
10,790	**Current Assets**		**14,720**
0	Short Term Borrowing	19	(756)
(5,301)	Short Term Creditors	25	(5,842)
(761)	Donated Assets Account	35	(761)
(599)	Provisions	26	(865)
(6,661)	**Current Liabilities**		**(8,224)**
(2,014)	Long Term Borrowing	19	(1,258)
(67,086)	Defined Benefit Pension Scheme Liability	42	(62,684)
(1,747)	Capital Grants Receipts in Advance	35	(2,897)
(70)	Other Long Term Liabilities		(70)
(70,917)	**Long Term Liabilities**		**(66,909)**
18,967	**Net Assets**		**25,509**
7,807	Usable Reserves		8,795
11,160	Unusable Reserves	27	16,714
18,967	**Total Reserves**		**25,509**

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.

2016/17 £000		**2017/18 £000**
(181)	Net (surplus) or deficit on the provision of services	2,127
(1,196)	Adjustments to net surplus or deficit on the provision of services for non cash movements	(6,364)
76	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	72
(1,301)	Net cash flows from Operating Activities (Note 28)	(4,165)
2,865	Investing Activities (Note 29)	2,074
(2,385)	Financing Activities (Note 30)	(3,684)
(821)	Net (increase) or decrease in cash and cash equivalents	(5,775)
(4,139)	Cash and cash equivalents at the beginning of the reporting period	(4,960)
(4,960)	**Cash and cash equivalents at the end of the reporting period**	**(10,735)**

COLLECTION FUND

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

2017/18 Collection Fund

	Business Rates £000	Council Tax £000	Total £000	Notes
INCOME				
Council Tax Receivable	0	58,624	58,624	40
Business Rates Receivable	31,770	0	31,770	41
Transitional Protection Payments Payable	(1,139)	0	(1,139)	
	30,631	58,624	89,255	
Contribution to Previous Year's Deficit				
Central Government	1,299	0	1,299	
North Devon Council	1,040	0	1,040	
Devon County Council	234	0	234	
Devon and Somerset Fire	26	0	26	
Devon and Cornwall Police (PCC)	0	0	0	
	2,599	0	2,599	
Total Income	**33,230**	**58,624**	**91,854**	
EXPENDITURE				
Apportionment of Previous Year Surplus				
Central Government	0	0	0	
North Devon Council	0	45	45	
Devon County Council	0	328	328	
Devon and Somerset Fire	0	22	22	
Devon and Cornwall Police (PCC)	0	47	47	
	0	442	442	
Precepts, Demands and Shares				
Central Government	15,507	0	15,507	
North Devon Council	12,406	7,459	19,865	
Devon County Council	2,791	41,549	44,340	
Devon and Somerset Fire	310	2,673	2,983	
Devon and Cornwall Police (PCC)	0	5,777	5,777	
	31,014	57,458	88,472	
Charges to Collection Fund				
Write offs of uncollectable amounts	315	208	523	
Increase/(Decrease) in provision for bad debts	(117)	190	73	
Increase/(Decrease) in provision for appeals	142	0	142	
Disregarded amounts	359	0	359	
Cost of Collection	201	0	201	
	900	398	1,298	
Total Expenditure	**31,914**	**58,298**	**90,212**	
(Deficit)/Surplus for the year	1,316	326	1,642	
Balance at beginning of the year	(2,802)	1,124	(1,678)	
(Deficit)/Surplus at 31 March 2018	**(1,486)**	**1,450**	**(36)**	

The (£1,486k) represents the overall deficit on the non-domestic rate element of the Collection Fund at 31 March 2018. Of this balance 40% is attributable to North Devon Council, which equates to (£594k).
The £1,450k represents the overall surplus on the council tax element of the Collection Fund at 31 March 2018. Of this balance 10.1% is attributable to North Devon Council, which equates to £146k.

2016/17 Collection Fund

	Business Rates £000	Council Tax £000	Total £000	Notes
INCOME				
Council Tax Receivable	0	55,116	55,116	40
Business Rates Receivable	32,187	0	32,187	41
Transitional Protection Payments Payable	(817)	0	(817)	
	31,370	55,116	86,486	
Contribution to Previous Year's Deficit				
Central Government	908	0	908	
North Devon Council	727	0	727	
Devon County Council	163	0	163	
Devon and Somerset Fire	18	0	18	
Devon and Cornwall Police (PCC)	0	0	0	
	1,816	0	1,816	
Total Income	**33,186**	**55,116**	**88,302**	
EXPENDITURE				
Apportionment of Previous Year Surplus				
Central Government	0	0	0	
North Devon Council	0	6	6	
Devon County Council	0	44	44	
Devon and Somerset Fire	0	3	3	
Devon and Cornwall Police (PCC)	0	6	6	
	0	59	59	
Precepts, Demands and Shares				
Central Government	16,792	0	16,792	
North Devon Council	13,433	7,085	20,518	
Devon County Council	3,022	38,899	41,921	
Devon and Somerset Fire	336	2,576	2,912	
Devon and Cornwall Police (PCC)	0	5,567	5,567	
	33,583	54,127	87,710	
Charges to Collection Fund				
Write offs of uncollectable amounts	298	189	487	
Increase/(Decrease) in provision for bad debts	14	119	133	
Increase/(Decrease) in provision for appeals	(1,191)	0	(1,191)	
Disregarded amounts	311	0	311	
Cost of Collection	204	0	204	
	(364)	308	(56)	
Total Expenditure	**33,219**	**54,494**	**87,713**	
(Deficit)/Surplus for the year	(33)	622	589	
Balance at beginning of the year	(2,769)	502	(2,267)	
(Deficit)/Surplus at 31 March 2017	**(2,802)**	**1,124**	**(1,678)**	

The (£2,802k) represents the overall deficit on the non-domestic rate element of the Collection Fund at 31 March 2017. Of this balance 40% is attributable to North Devon Council, which equates to (£1,121k).

The £1,124k represents the overall surplus on the council tax element of the Collection Fund at 31 March 2017. Of this balance 10.2% is attributable to North Devon Council, which equates to £115k.

NOTES TO THE ACCOUNTS

1. ACCOUNTING POLICIES

i. General Principles

The Statement of Accounts summarises the Authority's transactions for the 2017/18 financial year and its position at the year-end of 31st March 2018. The Authority is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015, 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 2017/18, supported by International Financial Reporting Standards (IFRS).

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. Comprehensive Income and Expenditure Statement

Expenditure on services and income relating to or derived from those services is classified in the Comprehensive Income and Expenditure Statement in accordance with CIPFA Code of Local Authority Accounting in the UK. The 2017/18 Code requires that authorities present expenditure and income on services on the basis of it's reportable segments. These reportable segments are based on the authority's internal management reporting structure. This is a change from the previous requirement to present expenditure and income in accordance with the Service Expenditure Code of Practice (SERCOP).

iii. Accruals of Income and Expenditure

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

- Revenue from the sale of goods is recognised when the Authority transfers the significant risk and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Authority.

- Revenue from the provision of services is recognised when the Authority can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Authority.

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

- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption; they are carried as inventories on the Balance Sheet.

- Expenses in relation to services received including services provided by employees are recorded as expenditure when the services are received rather than when payments are made.

- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.

- Where revenue and expenditure has been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance sheet of debtors is written down and a charge made to revenue for the income that might not be collected.

- A de minimis level of £5,000 is normally applied to any manual adjustments made.

iv. 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.

v. Material Items

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

vi. 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.

vii. Charges to Revenue for Non Current Assets

Services, support services and trading accounts are debited with the following amounts to record the cost of holding non-current assets during the year:

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

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

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

viii. 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 reversed out through the Movement in Reserves statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

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 2.55% (annualised yield on the Merill Lynch AA rated corporate bond yield curve).

- The assets of the Devon County pension fund attributable to the Authority are included in the Balance Sheet at their fair value:

  - Quoted securities – current bid price
  - Unquoted securities – professional estimate
  - Unitised securities – current bid price
  - Property – market value

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

  - Current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statements to the services for which the employees worked

  - Past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs

  - Net interest cost – the net interest expense for the authority – the change during the period in the net defined benefit liability that arises from the passage of time; charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement – this is calculated by applying the discount rate used to measure the defined benefit liability at the beginning of the period – taking into account any changes in the net defined benefit liability during the period as a result of contribution and benefit payments.

  - Return on plan assets – excluding amounts included in net interest on the net defined benefit liability - charged to the

Pensions Reserve as Other Comprehensive Income and Expenditure

- Actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.

- Contributions paid to the Devon County pension fund – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the Authority to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year end.

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

Discretionary Benefits

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

ix. 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.

x. Financial Instruments

Financial Liabilities

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

Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

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

Financial Assets

Financial assets are classified into two types:

- Loans and receivables – assets that have fixed or determinable payments but are not quoted in an active market

- Available for sale assets – assets that have a quoted market price and/or do not have fixed or determinable payments

Loans and Receivables

Loans and receivables are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the

Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for the interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument.

The loans that the Authority has made to organisations are at less than market rates (soft loans). When soft loans are made, a loss is recorded in the Comprehensive Income and Expenditure Statement (debited to the appropriate service) for the present value of the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal. Interest is credited to the Financing and Investment Income and Expenditure line in the Comprehensive income and Expenditure Statement at a marginally higher effective rate of interest than the rate receivable from the organisations, with the difference serving to increase the amortised cost of the loan in the Balance Sheet.

Statutory provisions require that the impact of soft loans on the General Fund Balance is in the interest receivable for the financial year – the reconciliation of amounts debited and credited to the Comprehensive Income and Expenditure Statement to the net gain required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

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.

xi. 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 in sterling only; therefore there are no foreign currency transactions in 2017/18.

xii. 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.

xiii. 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 2017/18.

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.

xiv. Interests in Companies and Other Entities

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

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

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

xv. 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.

xvi. 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 highest and best price 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.

xvii. 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.

xviii. Overheads and Support Services

Costs of overheads and support services are not recharged to front line services and are shown in the Comprehensive Income and Expenditure Statement in the cost of services, which is line with our internal reporting method.

xix. 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.

<u>Recognition</u>

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. Expenditure is treated as revenue expenditure in nature unless the expenditure exceeds £10,000. (Exceptions to this would include where schemes cross financial years and where we have projects attracting specific grant income that must be applied to capital expenditure).

<u>Measurement</u>

Assets are initially measured at cost, comprising:

- The purchase price
- Any costs attributable to brining 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 current 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 current value. The difference between current 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 – existing use value – Where prices for comparable properties are available in an active market, properties are valued at market value taking into account the existing use. Where no market exists or the property is specialised, current value is measured at depreciated replacement cost (DRC).

Assets included in the Balance Sheet at current value are re-valued sufficiently regularly to ensure that their carrying amount is not materially different from their current 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 25 years

- Infrastructure – straight line allocation ranging from 5 to 100 years

Where an item of Property, Plant and Equipment asset has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately.
The Authority holds one asset containing major components, namely Brynsworthy Environment Centre. The valuation of this asset has been accounted for separately with different estimated lives and thus been depreciated separately within the financial statements.

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

Surplus Assets, Non Current Assets Held For Sale and Disposals

Surplus assets are measured for their economic benefit at fair value under IFRS 13.

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.

xx Heritage Assets

Heritage assets are valued at cost, insurance valuation or other appropriate methods depending on the nature of the asset.

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.

xxi. 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.

xxii. 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.

xxiii. 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.

xxiv. 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.

xxv. Minimum Revenue Provision

The Prudential code requires that all capital expenditure is financed by a credit to the Capital Adjustment Account. If funding is not immediately available then a capital financing requirement (CFR) arises.

Essentially the CFR has to be mitigated over time on a prudent basis by making a “minimum revenue provision”. This is a charge to the General Fund made from the “Adjustments between Accounting Basis and Funding Basis under Regulation” and the Capital Adjustment account. The basis of estimation adopted by the Authority comprises of the following elements:

1. Finance leases have the capital financing applied on a straight line basis over the life of the lease contract.
2. All other assets that are not finance leases have their capital financing calculated on a straight line basis over the life of the asset.

2. EXPENDITURE & FUNDING ANALYSIS

The objective of the Expenditure and Funding Analysis is to demonstrate to council Tax payers how the funding available to the Authority (ie. Government grants, council tax and business rates) for the year has been used in providing services in comparison with those resources consumed or earned by the Authority in accordance with generally accepted accounting practices. The Expenditure and Funding Analysis also shows how this expenditure is allocated for decision making purposes between the Authority's service areas. Income and expenditure accounted for under generally accepted practices is presented more fully in the Comprehensive Income and Expenditure Statement.

2017/18

	As reported for resource management	Adjustments to arrive at the net amount chargeable to the General Fund Note 3	Net Expenditure Chargeable to the General Fund	Adjustments between Funding and Accounting Basis Note 3	Net expenditure in the Comprehensive Income and Expenditure Statement
	£000	£000	£000	£000	£000
Corporate & Community Services	2,960	0	**2,960**	1,034	**3,994**
Environmental Health & Housing	1,888	0	**1,888**	(97)	**1,791**
Resources	1,089	124	**1,213**	733	**1,946**
Corporate Services	3,653	223	**3,876**	(1,469)	**2,407**
Operational Services	1,123	71	**1,194**	1,825	**3,019**
Net Cost of Services	**10,713**	**418**	**11,131**	**2,026**	**13,157**
Other Income & Expenditure	(11,217)	960	**(10,257)**	(773)	**(11,030)**
(Surplus) or Deficit	**(504)**	**1,378**	**874**	**1,253**	**2,127**

Surplus £504k transferred to Provisions and Earmarked Reserves (see note 3(c) below) and there has been no change in the General Fund balance

2016/17*

	As reported for resource management Restated	Adjustments to arrive at the net amount chargeable to the General Fund Note 3 Reststed	Net Expenditure Chargeable to the General Fund	Adjustments between Funding and Accounting Basis Note 3	Net expenditure in the Comprehensive Income and Expenditure Statement
	£000	£000	£000	£000	£000
Corporate & Community Services	2,910	0	**2,910**	893	**3,803**
Environmental Health & Housing	761	0	**761**	94	**855**
Resources	1,153	74	**1,227**	553	**1,780**
Corporate Services	3,385	0	**3,385**	17	**3,402**
Operational Services	954	0	**954**	(85)	**869**
Net Cost of Services	**9,163**	**74**	**9,237**	**1,472**	**10,709**
Other Income & Expenditure	(9,512)	(1,581)	**(11,093)**	203	**(10,890)**
(Surplus) or Deficit	**(349)**	**(1,507)**	**(1,856)**	**1,675**	**(181)**

Surplus £349k transferred to Earmarked Reserves (see note 3 (c) below) and there has been no change in the General Fund balance

* 2016/17 Restated to show the EFA reconciles with the surplus disclosed in the Narrative report

3. NOTE TO THE EXPENDITURE & FUNDING ANALYSIS

This note explains the main adjustments from net expenditure chargeable to the general fund balances to arrive at the amounts in the Comprehensive Income and Expenditure Statement.

2017/18

	Investment properties reported at Directorate level Note (a)	Transfers To/From Earmarked Reserves (b)	Provisions and Reserve Transfers (c)	Total to arrive at amount charged to the General Fund	Adjustment for capital purposes Note (d)	Net change for the Pensions adjustment Note (e)	Other differences Note (f)	Total adjustment between funding and accounting basis
	£000	£000	£000	£000	£000	£000	£000	£000
Corporate & Community Services	0	0	0	**0**	735	297	2	**1,034**
Environmental Health & Housing	0	0	0	**0**	(382)	282	3	**(97)**
Resources	124	0	0	**124**	390	342	1	**733**
Corporate Services	0	0	223	**223**	(921)	(555)	7	**(1,469)**
Operational Services	0	0	71	**71**	1,180	641	4	**1,825**
Net Cost of Services	**124**	**0**	**294**	**418**	**1,002**	**1,007**	**17**	**2,026**
Other Income & Expenditure	(124)	873	210	**959**	(2,034)	1,779	(518)	**(773)**
(Surplus) or Deficit	**0**	**873**	**504**	**1,377**	**(1,032)**	**2,786**	**(501)**	**1,253**

2016/17*

	Investment properties reported at Directorate level Note (a)	Transfers To/From Earmarked Reserves (b) Restated	Provisions and Reserve Transfers (c) Restated	Total to arrive at amount charged to the General Fund Restated	Adjustment for capital purposes Note (d)	Net change for the Pensions adjustment Note (e)	Other differences Note (f)	Total adjustment between funding and accounting basis
	£000	£000	£000	£000	£000	£000	£000	£000
Corporate & Community Services	0	0	0	**0**	749	144	0	**893**
Environmental Health & Housing	0	0	0	**0**	(35)	129	0	**94**
Resources	74	0	0	**74**	393	160	0	**553**
Corporate Services	0	0	0	**0**	586	(569)	0	**17**
Operational Services	0	0	0	**0**	(354)	269	0	**(85)**
Net Cost of Services	**74**	**0**	**0**	**74**	**1,339**	**133**	**0**	**1,472**
Other Income & Expenditure	(74)	(1,856)	349	**(1,581)**	(1,443)	1,756	(110)	**203**
(Surplus) or Deficit	**0**	**(1,856)**	**349**	**(1,507)**	**(104)**	**1,889**	**(110)**	**1,675**

* 2016/17 Restated to show the EFA reconciles with the surplus disclosed in the Narrative report

(a) The authority includes investment properties in the Resources Directorate, however, this is reported in the financial statements below cost of services and therefore, this table shows the item being reallocated.

(b) The authority makes in-year transfers to/from Earmarked Reserves.

(c) The in-year net surplus is used to fund Provisions or transferred to Earmarked Reserves (See Narrative Report) for details

(d) In general this column adds in depreciation, impairments and revaluation gains and losses. It also adjusts for capital disposals with a transfer of the income on the disposal and the amounts written-off. Minimum Revenue Provision (MRP) is deducted because it is not chargeable under generally accepted practices. Adjustments are also made to recognise capital grant income.

(e) This shows which lines have been affected by the removal of pension contributions and replaced with IAS 19 debits and credits.

(f) This column includes timing differences for debits and credits relating to premiums or discounts on debt settlement and variations in the amount chargeable for NDR and Council Tax under statute and the Code.

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

Paragraph 3.3.4.3 of the Code of Practice requires that the Authority discloses information relating to the impact of an accounting change that will be required by a new standard that has been issued but not yet adopted. The requirement applies to accounting standards that come into effect for financial years commencing on or before 1 January of the financial year in question (i.e. on or before 1 January 2018 for 2017/18).

Standards that fall into this category are:

- IFRS 9 Financial Instruments
- IFRS 15 Revenue from Contracts with Customers

All of these standards will be incorporated into the Code from 2018/19 and will be complied with by the authority. However, none have material impact for the Council and none warrant specific disclosure in these accounts.

5. 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.

6. 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 2018 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if actual results differ from assumptions
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.
	Asset values are based upon market prices, and are periodically reviewed to ensure the Council does not materially misstate its non-current & investment assets. The Council's Valuers provided valuations as at 1st April 2017.	A reduction in the estimated valuations would result in reductions to the revaluation reserve, and/or a loss recorded as appropriate to the Comprehensive Income and Expenditure statement. The net book value of assets subject to

Item	Uncertainties	Effect if actual results differ from assumptions
		potential revaluation is £86m. If the valuations on these assets were to reduce/increase by 10% there would be a movement on the revaluation reserve of £8.6m.
Accruals	A number of manual accruals are contained within the accounts some of which are known costs that have not been paid as at 31st March 2018. However, some of these accruals are estimates of outstanding costs for goods or services received or supplied prior to 31st March 2018 but the costs are unknown.	By the nature of estimates some of the amounts contained within the accruals may turn out to be different to the accrual. Every assurance is made to ensure that estimated accruals are as accurate as possible and reasonable assumptions have been made. It is anticipated that any variances from the accrued amount will not be material.
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.	The effects on the net pensions liability of changes in individual assumptions can be measured. For instance, a 0.1% increase in the discount rate assumption would result in a decrease in the pension liability by £2.4m. A 1 year increase in longevity rates would increase the pension liability by £5.1m. However, the assumptions interact in complex ways.
Pension Assets	The value of pension assets is estimated based upon information available at the Balance Sheet date, but these valuations	The actual valuations at the Balance Sheet date, which may not be available until some time later, may give a different value of

Item	Uncertainties	Effect if actual results differ from assumptions
	may be earlier than the Balance Sheet date.	pension assets, but this difference is not considered to be material.
Arrears	At 31st March 2018, the Authority had a balance of sundry debtors of £3.3m. A review of significant balances suggested that an impairment of doubtful debtors of 39% (£1,288,000) was appropriate. However, in the current economic climate, it is not certain that such an allowance would be sufficient	If collection rates were to deteriorate, a doubling of the amount of the impairment of doubtful debts would require an additional £1,288,000 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.

7. EVENTS AFTER THE BALANCE SHEET DATE

The Statement of Accounts was authorised for issue by the Chief Financial Officer (Head of Financial Services) on 29 May 2018. 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 2018, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

8. EXPENDITURE AND INCOME ANALYSED BY NATURE

The authority's expenditure and income is analysed as follows:

2016/17 £000 Restated*		2017/18 £000
	Expenditure	
12,463	Employee Benefits	14,834
9,477	Other Service Expenses	10,189
26,613	Housing Benefit Payments	25,393
1,794	Interest Payments	1,819
1,691	Precepts & Levies	1,807
2,820	Capital Financing	3,582
0	Loss on Disposal of Non Current Asset	15
54,858	**Total Expenditure**	**57,639**
	Income	
(7,155)	Council Tax (Incl Parish Precepts)	(7,536)
(3,525)	Non Domestic Rates	(4,412)
(3,108)	Non Specific Government Grants	(2,237)
(2,088)	Other Government Grants	(3,152)
(26,605)	Housing Benefit Subsidy	(25,532)
(77)	Interest & Investment income	(73)
(1,660)	Other Grants	(1,493)
(10,267)	Receipts	(10,694)
(554)	Gain on Disposal of Non Current Asset	(383)
(55,039)	**Total Income**	**(55,512)**
(181)	**Deficit on provision of services**	**2,127**

*2016/17 Restated due to extra analysis

9. SEGMENT REPORTING

Income received on a segmental basis is analysed below:

2016/17 £000		2017/18 £000
(353)	Corporate & Community Services	(216)
(744)	Environmental Health & Housing	(653)
(823)	Resources	(781)
(2,146)	Corporate Services	(1,995)
(6,201)	Operational Services	(7,049)
(10,267)	**Total analysed on a segmental basis**	**(10,694)**

10. 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.

2017/18	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 & Expenditure Statement:						
Charges for depreciation and impairment of non current assets	2,388	0	0	2,388	(2,388)	0
Revaluation (Gain)/loss on Property Plant and Equipment	430	0	0	430	(430)	0
Movements in the fair value of Investment Properties	20	0	0	20	(20)	0
Amortisation of intangible assets	10	0	0	10	(10)	0
Revenue expenditure funded from capital under statute	49	0	0	49	(49)	0
Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal	159	0	0	159	(159)	0
Insertion of items not debited or credited to the Comprehensive Income & Expenditure Statement:						
Statutory provision for the financing of capital investment	(504)	0	0	(504)	504	0
Capital expenditure charged against the General Fund	(1,198)	0	0	(1,198)	1,198	0
Adjustments primarily involving the Capital Grants Unapplied Account:						
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	(2,438)	0	2,438	0	0	0
Application of grants to capital financing transferred to Capital Adjustment Account	577	0	(577)	0	0	0
Adjustments primarily involving the Capital Receipts Reserve:						

2017/18	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(527)	527	0	0	0	0
Use of the Capital Receipts Reserve to finance new capital expenditure	0	(528)	0	(528)	528	0
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	5,164	0	0	5,164	(5,164)	0
Employer's pensions contributions and direct payments to pensioners payable in the year	(2,378)	0	0	(2,378)	2,378	0
Adjustments primarily involving the Collection Fund Adjustment Account:						
Amount by which council tax income credited is different from council tax income calculated for the year in accordance with statutory requirements	(31)	0	0	(31)	31	0
Amount by which business rate income credited is different from business rate income calculated for the year in accordance with statutory requirements	(486)	0	0	(486)	486	0
Adjustment primarily involving the Accumulated Absences Account:						
Amount by which officer remuneration charged on an accruals basis is different from the remuneration chargeable in the year in accordance with statutory requirements	17	0	0	17	(17)	0
Total Adjustments	**1,253**	**0**	**1,861**	**3,114**	**(3,114)**	**0**

2016/17	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 & Expenditure Statement:						
Charges for depreciation and impairment of non current assets	2,279	0	0	2,279	(2,279)	0
Revaluation (Gain)/loss on Property Plant and Equipment	(991)	0	0	(991)	991	0
Movements in the fair value of Investment Properties	68	0	0	68	(68)	0
Amortisation of intangible assets	10	0	0	10	(10)	0
Revenue expenditure funded from capital under statute	93	0	0	93	(93)	0
Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal	89	0	0	89	(89)	0
Insertion of items not debited or credited to the Comprehensive Income & Expenditure Statement:						
Statutory provision for the financing of capital investment	(406)	0	0	(406)	406	0
Capital expenditure charged against the General Fund	(569)	0	0	(569)	569	0
Adjustments primarily involving the Capital Grants Unapplied Account:						
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	(969)	0	969	0	0	0
Application of grants to capital financing transferred to Capital Adjustment Account	932	0	(932)	0	0	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	(642)	642	0	0	0	0
Use of the Capital Receipts Reserve to finance new capital expenditure	0	(643)	0	(643)	643	0

2016/17	**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	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	3,957	0	0	3,957	(3,957)	0
Employer's pensions contributions and direct payments to pensioners payable in the year	(2,068)	0	0	(2,068)	2,068	0
Adjustments primarily involving the Collection Fund Adjustment Account:						
Amount by which council tax income credited is different from council tax income calculated for the year in accordance with statutory requirements	(63)	0	0	(63)	63	0
Amount by which business rate income credited is different from business rate income calculated for the year in accordance with statutory requirements	(47)	0	0	(47)	47	0
Adjustment primarily involving the Accumulated Absences Account:						
Amount by which officer remuneration charged on an accruals basis is different from the remuneration chargeable in the year in accordance with statutory requirements	0	0	0	0	0	0
Total Adjustments	**1,675**	**0**	**37**	**1,712**	**(1,712)**	**0**

11. 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 2017/18.

	Balance at 31st March 2016 £000	**Transfers Out 2016/17 £000**	**Transfers In 2016/17 £000**	**Balance at 31st March 2017 £000**	**Transfers Out 2017/18 £000**	**Transfers In 2017/18 £000**	**Balance at 31st March 2018 £000**
Collection Fund	**1,217**	0	189	**1,406**	(1,092)	803	**1,117**
Community Housing Fund	**0**	0	668	**668**	(32)	0	**636**
Vehicle Renewals Fund	**300**	0	250	**550**	(280)	250	**520**
Crematorium Capital Works	**103**	0	159	**262**	(46)	81	**297**
Repairs Fund	**198**	(265)	325	**258**	(229)	219	**248**
Capital Funding Reserve	**221**	(10)	0	**211**	(107)	122	**226**
Public Conveniences Maintenance	**273**	0	0	**273**	(95)	0	**178**
C Tax Support Scheme	**143**	(50)	67	**160**	(53)	53	**160**
Local Plans	**140**	(45)	25	**120**	0	28	**148**
Planning Inquiries	**102**	(52)	50	**100**	(3)	50	**147**
2nd Homes Council Tax	**125**	0	0	**125**	0	0	**125**
Crematorium Equipment Replacement	**0**	0	60	**60**	0	60	**120**
Improvement Programme	**213**	(204)	305	**314**	(245)	50	**119**
Tarka Tennis Surface Replacement	**102**	0	8	**110**	0	9	**119**
Domestic Abuse Reserve	**60**	0	69	**129**	(126)	102	**105**
Office Technology	**93**	(101)	175	**167**	(211)	148	**104**
Land Charges	**98**	0	0	**98**	0	0	**98**
New Homes Bonus	**14**	(38)	250	**226**	(132)	0	**94**
Waste Shared Savings	**0**	0	0	**0**	0	90	**90**
LA Mortgage Scheme	**56**	0	18	**74**	0	15	**89**
Housing Prevention CLG Grant	**136**	(28)	0	**108**	(27)	0	**81**
Economic Development	**6**	0	18	**24**	(21)	67	**70**
Executive Contingency	**114**	(111)	100	**103**	(120)	79	**62**

	Balance at 31st March 2016 £000	Transfers Out 2016/17 £000	Transfers In 2016/17 £000	Balance at 31st March 2017 £000	Transfers Out 2017/18 £000	Transfers In 2017/18 £000	Balance at 31st March 2018 £000
Leisure Centre Replacement	**50**	0	88	**138**	(85)	0	**53**
CCTV	**0**	0	0	**0**	0	50	**50**
Digital Transformation	**0**	0	175	**175**	(175)	22	**22**
Car Parking Machines	**0**	0	204	**204**	(247)	55	**12**
Other Reserves (balances less than £50,000)	**900**	(729)	286	**457**	(86)	186	**557**
Total	**4,664**	**(1,633)**	**3,489**	**6,520**	**(3,412)**	**2,539**	**5,647**

The following table shows the purpose of each reserve with a balance at 31st March 2018 over £0.200m:

Collection Fund	To deal with the timing impacts of the Collection Fund (Council Tax and Business Rates transactions)
Community Housing Fund	Housing Enabling
Vehicles Renewals Fund	Replacement of vehicles
Crematorium Capital Works	Works at North Devon Crematorium
Repairs Fund	Maintenance of council assets
Capital Funding Reserve	Future capital schemes

12. OTHER OPERATING EXPENDITURE

2016/17 £000s		2017/18 £000s
1,678	Parish council precepts	1,795
13	Levies	13
2	Payments to the Government Housing Capital Receipts Pool	1
(553)	(Gains)/losses on the disposal of non current assets	(368)
1,140	**Total**	**1,441**

13. FINANCING AND INVESTMENT INCOME AND EXPENDITURE

2016/17 £000s		2017/18 £000s
37	Interest payable and similar charges	40
1,756	Pensions interest cost and expected return on pensions assets	1,779
(76)	Interest receivable and similar income	(72)
(74)	Income and expenditure in relation to investment properties and changes in their fair value	(124)
1,643	**Total**	**1,623**

14. TAXATION AND NON SPECIFIC GRANT INCOMES

2016/17 £000s		2017/18 £000s
(7,155)	Council tax income	(7,536)
(3,525)	Non domestic rates	(4,412)
(3,109)	Non ring fenced government grants	(2,236)
116	CTS grant paid to parishes	90
(13,673)	**Total**	**(14,094)**

15. PROPERTY, PLANT AND EQUIPMENT

Movements in 2017/18	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 2017	77,527	7,751	2,280	292	475	301	88,626
Additions	231	1,097	0	0	0	446	1,774
Donations	0	0	0	0	0	0	0
Revaluation increases/(decreases) recognised in the Revaluation Reserve	1,475	0	0	0	5	0	1,480
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(526)	0	0	0	95	0	(431)
De-recognition on revaluations	(867)	0	0	0	(5)	0	(872)
De-recognition – disposals	(89)	(307)	0	0	(50)	0	(446)
Other movements in cost or valuation	179	106	0	0	0	(285)	0
At 31st March 2018	**77,930**	**8,647**	**2,280**	**292**	**520**	**462**	**90,131**
Accumulated Depreciation and Impairment At 1st April 2017	3,757	4,563	81	0	5	0	8,406
Depreciation charge	1,457	865	66	0	0	0	2,388
De-recognition on revaluations	(867)	0	0	0	(5)	0	(872)
Provision of Services	0	0	0	0	0	0	0
De-recognition – disposals	0	(223)	0	0	0	0	(223)
At 31st March 2018	**4,347**	**5,205**	**147**	**0**	**0**	**0**	**9,699**
Net Book Value At 31st March 2017	**73,770**	**3,188**	**2,199**	**292**	**470**	**301**	**80,220**
At 31st March 2018	**73,583**	**3,442**	**2,133**	**292**	**520**	**462**	**80,432**

Movements in 2016/17	Other Land and Buildings £000	Vehicles, Plant, Furniture and Equipment £000 Restated*	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 2016	72,073	10,411	500	117	475	391	83,967
Additions	277	1,342	0	0	0	286	1,905
Donations	0	0	0	0	0	0	0
Revaluation increases/(decreases) recognised in the Revaluation Reserve	4,619	0	1,796	175	0	0	6,590
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	991	0	0	0	0	0	991
De-recognition – disposals	(63)	(757)	0	0	0	0	(820)
De-recognition–other (*)	(746)	(3,245)	(16)	0	0	0	(4,007)
Other movements in cost or valuation	376	0	0	0	0	(376)	0
At 31st March 2017	**77,527**	**7,751**	**2,280**	**292**	**475**	**301**	**88,626**
Accumulated Depreciation and Impairment At 1st April 2016	3,059	7,797	31	0	4	0	10,891
Depreciation charge	1,444	768	66	0	1	0	2,279
Provision of Services	0	0	0	0	0	0	0
De-recognition – disposals	0	(757)	0	0	0	0	(757)
De-recognition–other (*)	(746)	(3,245)	(16)	0	0	0	(4,007)
At 31st March 2017	**3,757**	**4,563**	**81**	**0**	**5**	**0**	**8,406**
Net Book Value At 31st March 2016	**69,014**	**2,614**	**469**	**117**	**471**	**391**	**73,076**
At 31st March 2017	**73,770**	**3,188**	**2,199**	**292**	**470**	**301**	**80,220**

(*) 2016/17 Vehicle, Plant and Equipment restated to remove Historic Disposals (all with a Net Book Value of zero)

Capital Commitments

At 31st March 2018, the Authority has no significant capital commitments.

Similar commitments at 31st March 2017 were £181,448.

Property, Plant and Equipment Revaluations

The Authority carries out a rolling programme that ensures all surplus assets are measured at Fair Value and that all other classes of assets within Property, Plant and Equipment are measured at Current Value. All Other Land and Buildings are revalued at least every five years.

All valuations were carried out internally by Natalie Hayes BSc (Hons) MRICS Estates Officer, Helen Bond BSc (Hons) MRICS Estates Officer and Naomi Wild BSc (Hons) MRICS Estates Officer, as at 1st April each year. Valuations of land and buildings were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institute of Chartered Surveyors. The last valuation was carried out as at 1st April 2017.

	Other Land and Buildings £000
Valued at Historic Cost	0
Valued at fair value as at:	
31st March 2018	43,168
31st March 2017	17,091
31st March 2016	6,870
31st March 2015	5,675
31st March 2014	5,126
Total	**77,930**

16. HERITAGE ASSETS

	31st March 2017 £000	**31st March 2018 £000**
Valuation	**888**	**888**

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.

17. 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:

	2016/17 £000	2017/18 £000
Rental income from investment property	290	301
Direct operating expenses arising from investment property	(162)	(149)
Net gain/(loss)	**128**	**152**

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:

	2016/17 £000	2017/18 £000
Balance at start of year	4,555	4,459
Additions:		
• Construction	0	10
Disposals	(28)	0
Net gains/(losses) from fair value adjustments	(68)	(20)
Transfers:		
• To/from Property, Plant and Equipment	0	0
Other changes (IFRS re-statement - from assets held for disposal)	0	0
Balance at the end of the year	**4,459**	**4,449**

Revaluations

The Authority carries out a rolling programme that ensures that all Investment Properties are measured at fair value and revalued every year. All valuations were carried out internally by Natalie Hayes BSc (Hons) MRICS Estates Officer, Helen Bond BSc (Hons) MRICS Estates Officer and Naomi Wild 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.

18. INTANGIBLE ASSETS

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

	2016/17 Total £000 Restated	**2017/18 Total £000**
Gross Book Value at start of year	254	137
Purchases	0	0
De-recognition – Disposals (*)	(117)	0
Gross Book Value at end of year	**137**	**137**
Amortisation at start of year	233	126
Amortisation for the period	10	10
De-recognition – Disposals (*)	(117)	0
Amortisation at end of year	**126**	**136**
Net Book Value	**11**	**1**

* 2016/17 Re-stated to remove historic disposals (all with a Net Book Value of zero)

19. FINANCIAL INSTRUMENTS
Categories of Financial Instruments

	Long Term		**Current**	
	31st March 2017 £000	**31st March 2018 £000**	**31st March 2017 £000**	**31st March 2018 £000**
Debtors				
Loans and receivables	165	140	25	23
Financial assets carried at contract amounts	12	12	3,900	2,689
Total included in Debtors	**177**	**152**	**3,925**	**2,712**
Cash and Cash Equivalents				
Cash and Cash Equivalents				
Total Cash and Cash	0	0	4,960	10,735
Equivalents	**0**	**0**	**4,960**	**10,735**
Borrowings				
Financial liabilities at amortised cost	(2,014)	(1,258)	0	(756)
Total included in Borrowings	**(2,014)**	**(1,258)**	**0**	**(756)**
Creditors				
Financial liabilities carried at contract amount	0	0	(3,662)	(4,446)
Total Creditors	**0**	**0**	**(3,662)**	**(4,446)**

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:

- For loans from the PWLB payable, new borrowing rates from the PWLB have been applied to provide the fair value under PWLB debt redemption procedures. An additional note to the tables sets out the alternative fair value measurement applying the premature repayment, highlighting the impact of the alternative valuation;
- No early repayment or impairment is recognised.
- Where an instrument has a maturity of less than 12 months or is a trade or other receivable the fair value is taken to be the carrying amount or the billed amount;
- 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 2018	
	Carrying Amount £000	**Fair Value £000**
Cash (deposit account)	9,564	9,564
Total	**9,564**	**9,564**

	31st March 2018	
	Carrying Amount £000	**Fair Value £000**
Long Term Borrowing (PWLB)	(2,014)	(2,001)
Total	**(2,014)**	**(2,001)**

The fair value of the liabilities is lower than the carrying amount because the Council's portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the rates available for similar loans in the market at the balance sheet date.

The authority has a continuing ability to borrow at concessionary rates from the PWLB, rather than from the markets. A supplementary measure of the additional interest that the authority will pay, as a result of its PWLB commitment for fixed rate loans, is to compare the terms of these loans with the new borrowing rates available from the PWLB. If a value is calculated on this basis, the carrying amount of £2,014,000 would be valued at £2,000,502.

If the authority were to seek to realise the projected gain by repaying the loans to the PWLB, the PWLB would raise a penalty charge for early redemption in addition to charging a premium for the additional interest that will not now be paid. The exit price for the PWLB loans including the penalty charge would be £2,053,616.

The valuation basis adopted in the Fair Value report uses Level 2 Inputs (inputs other than quoted prices that are observable for the financial asset/liability).

The council provides interest free loans to employees for car loans and the balance outstanding at 31 March 2018 was £34,505. 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 2018 was £126,630.

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.

20. INVENTORIES

Consumable Stores	**2016/17 £000**	**2017/18 £000**
Balance outstanding at start of year	107	98
Purchases	843	911
Recognised as an expense in the year	(852)	(853)
Balance outstanding at year end	**98**	**156**

21. CONSTRUCTION CONTRACTS

At 31st March 2018, the Authority had no construction contracts in progress. (31st March 2017 - None).

22. SHORT TERM DEBTORS

	31st March 2017 £000	**31st March 2018 £000**
Central government bodies	1,468	805
Other local authorities	428	344
Other entities and individuals	5,775	4,647
Gross debtors	7,671	5,796
Provision for bad debts	(1,939)	(1,967)
Net debtors	**5,732**	**3,829**

23. CASH AND CASH EQUIVALENTS

31st March 2017 £000		31st March 2018 £000
3	Cash held by the Authority	2
1,105	Bank current accounts	1,169
3,852	Short term deposits with banks and building societies	9,564
4,960	**Total Cash and Cash Equivalents**	**10,735**

24. ASSETS HELD FOR SALE

As at 31st March 2018, the Authority had no assets held for sale.

25. SHORT TERM CREDITORS

	31st March 2017 £000	31st March 2018 £000
Central government bodies	1,082	1,118
Other local authorities	1,312	2,295
Other entities and individuals	2,907	2,429
Total	**5,301**	**5,842**

26. PROVISIONS

	Redundancy and Early Retirement £000	Business Rate Appeals £000	Holiday Pay £000	Total £000
Balance at 31st March 2017	175	404	20	599
Additional provisions made in 2017/18	264	220	30	514
Amounts used in 2017/18	(85)	(163)	0	(248)
Balance at 31st March 2018	**354**	**461**	**50**	**865**

27. UNUSABLE RESERVES

31st March 2017 £000		31st March 2018 £000
29,565	Revaluation Reserve	30,410
49,765	Capital Adjustment Account	49,573
3	Deferred Capital Receipts Reserve	1
(67,086)	Pensions Reserve	(62,684)
(918)	Collection Fund Adjustment Account	(401)
(169)	Accumulated Absences Account	(185)
11,160	**Total Unusable Reserves**	**16,714**

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.

2016/17 £000		2017/18 £000
23,556	**Balance at 1st April**	29,565
6,714	Upward revaluation of assets	2,872
(123)	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	(1,392)
(578)	Difference between fair value depreciation and historical cost depreciation	(624)
(4)	Accumulated gains on assets sold or scrapped	(11)
29,565	**Balance at 31st March**	**30,410**

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 deprecation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The Account is credited with the amounts set aside by the Authority as finance for the costs of acquisition, construction and enhancement.

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

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

Note 10 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

2016/17 £000		2017/18 £000
49,114	**Balance at 1st April**	49,765
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:	
(1,701)	• Charges for depreciation and impairment of non current assets	(1,764)
991	• Revaluation Gains on Property, Plant and Equipment	(430)
(10)	• Amortisation of intangible assets	(10)
(1,454)	• Revenue expenditure funded from capital under statute	(734)
(87)	• 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	(212)
	Capital financing applied in the year:	
645	• Use of the Capital Receipts Reserve to finance new capital expenditure	591
1,361	• Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	685
569	• Capital expenditure charged against the General Fund and HRA balances	1,198
406	• Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	504
(69)	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	(20)
49,765	**Balance at 31st March**	**49,573**

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.

2016/17 £000		2017/18 £000
6	**Balance at 1st April**	3
(3)	Transfer to the Capital Receipts Reserve upon receipt of cash	(2)
3	**Balance at 31st March**	**1**

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.

2016/17 £000		**2017/18 £000**
(49,731)	**Balance at 1st April**	(67,086)
(15,466)	Actuarial gains or (losses) on pensions assets and liabilities	7,188
(3,957)	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	(5,164)
2,068	Employer's pensions contributions and direct payments to pensioners payable in the year	2,378
(67,086)	**Balance at 31st March**	**(62,684)**

Collection Fund Adjustment Account

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

2016/17 £000		**2017/18 £000**
(1,028)	**Balance at 1st April**	(918)
110	Amount by which council tax and business rates is charged to the Comprehensive Income and Expenditure Statement is different from council tax and business rates income calculated for the year in accordance with statutory requirements	517
(918)	**Balance at 31st March**	**(401)**

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.

2016/17 £000		2017/18 £000
(169)	**Balance at 1st April**	(169)
169	Settlement or cancellation of accrual made at the end of the preceding year	169
(169)	Amounts accrued at the end of the current year	(185)
(169)	**Balance at 31st March**	**(185)**

28. CASH FLOW STATEMENT – OPERATING ACTIVITIES

The cash flows for operating activities include the following items:

2016/17 £000		2017/18 £000
(181)	Net surplus/deficit on the provision of service	2,127
(1,675)	Net amount debited to the general fund (note 10)	(1,253)
(110)	Removed as part of note 10 that do form part of the cash movement	(517)
(406)	Minimum Revenue Provision (MRP)	(504)
(375)	Capital items removed that are part of note 10 and are not in the I&E	(1,186)
808	Movement in Provisions	(266)
	(Add back)	
(21)	Other non-cash items	(24)
(9)	Movement in Stock	58
946	Movement in Debtors	(2,009)
(354)	Movement in Creditors	(663)
	Remove interest paid and received to include in note 29	
76	Interest received	72
0	Interest paid	0
(1,301)	**Net Cash flow from operating activities**	**(4,165)**

29. CASH FLOW STATEMENT – INVESTING ACTIVITIES

2016/17 £000		2017/18 £000
3,451	Purchase of property, plant and equipment, investment property and intangible assets	2,592
0	Purchase of short term and long term investments	0
0	Other payments for investing activities	0
(510)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(446)
(76)	Proceeds from short term and long term investments	(72)
2,865	**Net cash flows from investing activities**	**2,074**

30. CASH FLOW STATEMENT – FINANCING ACTIVITIES

2016/17 £000		2017/18 £000
(2,385)	Other receipts from financing activities	(3,684)
0	Repayments of short and long term borrowing	0
(2,385)	**Net cash flows from investing activities**	**(3,684)**

31. TRADING OPERATIONS

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

		2016/17 £000	2017/18 £000
Car Parks	Turnover	(4,595)	(3,812)
	Expenditure	1,090	1,694
	(Surplus)/Deficit	**(3,505)**	**(2,118)**
South Molton Cattle Market	Turnover	(34)	(34)
	Expenditure	16	18
	(Surplus)/Deficit	**(18)**	**(16)**
Barnstaple Pannier Market	Turnover	(237)	(219)
	Expenditure	300	323
	(Surplus)/Deficit	**63**	**104**
Corporate Properties/Industrial Units	Turnover	(551)	(791)
	Expenditure	560	758
	(Surplus)/Deficit	**9**	**(33)**
Ilfracombe Harbour	Turnover	(311)	(285)
	Expenditure	761	678
	(Surplus)/Deficit	**450**	**393**
Seaside Undertakings	Turnover	(37)	(40)
	Expenditure	0	1
	(Surplus)/Deficit	**(37)**	**(39)**
Trade Waste	Turnover	(624)	(604)
	Expenditure	668	602
	(Surplus)/Deficit	**44**	**(2)**
Trade Recycling	Turnover	(85)	(69)
	Expenditure	77	75
	(Surplus)/Deficit	**(8)**	**6**
Net (surplus)/deficit on trading operations		**(3,002)**	**(1,705)**

32. MEMBERS' ALLOWANCES

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

	2016/17 £	2017/18 £
Allowances	284,593	280,627
Expenses	21,375	22,444
Total	**305,968**	**303,071**

33. OFFICERS' REMUNERATION

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

2017/18	Salary, fees and allowances £	Bonuses £	Expenses/ Allowances £	Compensation for loss of office £	Pension contribution £	Total £
Chief Executive	108,733	0	1,814	0	16,854	**127,401**
Head of Environmental Health and Housing Services	54,719	0	911	0	8,481	**64,111**
Head of Resources	54,719	0	3,165	0	8,481	**66,365**
Head of Corporate and Community Services	54,719	0	963	0	8,481	**64,163**
Head of Operational Services	54,965	0	1,549	0	8,520	**65,034**

2016/17	Salary, fees and allowances £	Bonuses £	Expenses/ Allowances £	Compensation for loss of office £	Pension contribution £	Total £
Chief Executive	104,902	0	1,763	0	13,702	**120,367**
Head of Property and Technical Services (1)	13,544	0	282	65,146	1,896	**80,868**
Head of Environmental Health and Housing Services	54,177	0	846	0	7,585	**62,608**
Head of Resources (2)	52,611	0	1,303	0	7,366	**61,280**
Head of Corporate and Community Services (3)	54,177	0	979	0	7,585	**62,741**
Head of Operational Services (4)	54,417	100	1,471	0	7,618	**63,606**

(1) The Head of Property and Technical Services left the Authority on 30th June 2016; the post has not been replaced.

(2) The Head of Resources was previously The Head of Financial Services

(3) The Head of Corporate and Community Services was previously The Head of Legal Services

(4) The Head of Operational Services was previously The Head of Works and Recycling Services

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

	Number of Employees	
Remuneration Band	2016/17	2017/18
£50,000 - £54,999	3	3
£55,000 - £59,999	0	0
£60,000 - £64,999	0	0
£65,000 - £69,999	0	0
£70,000 - £74,999	0	0
£75,000 - £79,999	0	0
£80,000 - £84,999	0	0
£85,000 - £89,999	0	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 (£)**	
	2016/17	**2017/18**	**2016/17**	**2017/18**	**2016/17**	**2017/18**	**2016/17 £**	**2017/18 £**
£0 - £20,000	0	0	5	2	5	2	40,132	15,872
£20,001 - £40,000	0	0	0	1	0	1	0	37,646
£40,001 - £60,000	0	0	0	0	0	0	0	0
£60,001 - £80,000	0	0	0	1	0	1	0	64,916
£80,001 - £100,000	0	0	0	0	0	0	0	0
£100,001 - £150,000	0	0	0	1	0	1	0	145,577
£150,001 - £200,000	0	0	0	0	0	0	0	0
Total	**0**	**0**	**5**	**5**	**5**	**5**	**40,132**	**264,011**

The cost of exit packages in 2017/18 was £264,011 and this cost is offset by ongoing annual revenue savings achieved by the exit packages of £98,516.

34. 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:

	2016/17 £000	2017/18 £000
Fees payable to (external auditors) with regard to external audit services carried out by the appointed auditor for the year	47	47
Refund from PSAA	0	(7)
Fees payable to (external auditors) for the certification of grant claims and returns for the prior year	18	9
Fees payable in respect of other services provided by (external auditors) during the year	10	0
Total	**75**	**49**

35. GRANT INCOME

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

	2016/17 £000 Restated*	2017/18 £000
Credited to Taxation and Non Specific Grant Income		
Council Tax (Incl Parish Precepts)	(7,155)	(7,536)
Non Domestic Rates	(3,525)	(4,412)
New homes bonus grant	(1,346)	(1,150)
Revenue support grant	(1,446)	(830)
Rural Services Grant	(309)	(249)
Transparency Code Set up Grant	(8)	(8)
Total	**(13,789)**	**(14,185)**
Credited to Services		
Housing benefit admin grant & additional grant	(351)	(338)
Housing benefit subsidy	(26,605)	(25,532)
NNDR Admin Grant	(204)	(201)
CTB Admin Grant	(117)	(109)
Disabled facilities grant	(962)	(948)
Ilfracombe Watersports Centre	0	(1,381)
Other Government Grants	(453)	(175)
Housing Enabling	(668)	0
Homelessness Grant	0	(315)
Domestic Violence	0	(364)
Elections Grant	(281)	(321)
Museum Extension**	0	(108)
Other Grants	(711)	(385)
Total	**(30,352)**	**(30,177)**

* 2016/17 Restated due to extra analysis
** Includes £30,000 "Ready to Borrow" Grant income

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

	31st March 2016 £000	31st March 2017 £000	31st March 2018 £000
Capital Grants Receipts in Advance			
S106/Commuted sum – Community facilities	(20)	(20)	(20)
S106/Commuted sum – Affordable housing	(332)	(657)	(1,292)
Commuted sums – Public open space	(786)	(697)	(1,092)
S106/Commuted sum – Car parking	(190)	(190)	(190)
S106/Commuted sum – Sustainable transport	(8)	(8)	(8)
S106/Commuted sum – Public conveniences	(15)	(15)	(15)
S106/Commuted sum – Heritage fund	(80)	(80)	(80)
S106/Commuted sum - Healthcare	0	(80)	0
Land Release Fund	0	0	(200)
Total	**(1,431)**	**(1,747)**	**(2,897)**

	31st March 2016 £000	31st March 2017 £000	31st March 2018 £000
Donated Assets Account			
Falcons Gymnastics	**(761)**	**(761)**	**(761)**

36. 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). Total grants received from government departments are set out in the subjective analysis in Note 8.

Members

Members of the Council have direct control over the Council's financial and operating policies. The total of Members' allowances paid in 2017/18 is shown in Note 32.

During 2017/18 works and services to the value of £4,836 were commissioned from companies where members had an interest (2016/17 £2,400). Where contracts were entered into in prior years they were in full compliance with the Council's Standing Orders and Financial Regulations. In all instances, the grants were made with proper consideration of declarations of interest. The relevant Members did not take part in any discussion or decision relating to the grants.

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

The Council received £247,095 (£162,504 in 2016/17) in the year from the North Devon Joint Crematorium Committee being the proportion due of the Committee's annual surplus.

37. 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.

	2016/17 £000	**2017/18 £000**
Opening Capital Financing Requirement	6,013	6,391
Capital Investment:		
Property, Plant and Equipment	1,903	1,686
Investment Properties	0	34
Intangible Assets	0	0
Revenue Expenditure funded from Capital under Statute	1,454	734
	3,357	2,454
Sources of Finance:		
Capital receipts	643	1,527
Government grants and other contributions	1,361	677
Sums set aside from revenue:		
Direct revenue contributions	569	1,206
MRP/Loans fund principal	406	504
	2,979	3,914
Closing Capital Financing Requirement	**6,391**	**4,931**
Explanation of movements in year:		
Increase in underlying need to borrowing (supported by government financial assistance)	0	0
Increase/(Decrease) in underlying need to borrowing (unsupported by government financial assistance)	378	(1,460)
Assets acquired under finance leases	0	0
Assets acquired under PFI/PP contracts	0	0
Increase/(decrease) in Capital Financing Requirement	**378**	**(1,460)**

38. LEASES

Authority as Lessee

Finance Leases

As at 31st March 2018, the Authority had no lessee finance leases.

Operating Leases

The Authority uses photocopiers & printers financed under terms of an operating lease. The amount paid under these arrangements in 2017/18 was £26,716 (2016/17 £34,321). The Code of Practice on Local Authority Accounting in the United Kingdom 2017/18 requires charges to be made evenly throughout the period of the lease.

The Authority was committed at 31st March 2018 to making payments of £18,048 under operating leases in 2018/19.

	31st March 2017 £000	31st March 2018 £000
Not later than one year	14	8
Later than one year and not later than five years	6	10
Later than five years	0	0
	20	**18**

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 2017 £000	31st March 2018 £000
Not later than one year	326	287
Later than one year and not later than five years	902	782
Later than five years	3,239	3,145
Minimum lease payments	**4,467**	**4,214**

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.

39. IMPAIRMENT LOSSES

During the 2017/18 valuation process no Impairment or Impairment reversals were identified. (2016/17 – None were identified).

40. COUNCIL TAX

Council Tax income is calculated by adding together the amounts required by North Devon Council, Devon County Council, Devon and Cornwall Police, Devon and Somerset Fire & Rescue and local Parish Councils. This amount, the Precept, is then divided by the North Devon District tax base of 32,769.47 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	5.32
A	4,173.52
B	6,807.16
C	7,331.81
D	6,853.12
E	4,980.48
F	2,443.86
G	940.94
H	73.50
Allowance for non collection at 2.5%	(840.24)
Council Tax Base	**32,769.47**

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

41. BUSINESS RATES

The introduction of the new Business Rates Retention Scheme in April 2013 has necessitated a new Collection Fund Statement in relation to Business Rates; under the new regime North Devon Council has joined a Devon wide pool in order to mitigate any losses and share any gains due to changes in the local economy. During 2017/18 the Devon Pool had net growth of £4.4m of which this authority received an additional £205k.

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 2018 was £89.461m. In 2017/18 the rate was 46.6p in the pound for small businesses and 47.9p in the pound for others as prescribed by the Government.

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

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.

In general, participating in a defined benefit pension scheme means that the Employer is exposed to a number of risks:

- **Investment risk**. The Fund holds investment in asset classes, such as equities, which have volatile market values and while these assets are expected to provide real returns over the long-term, the short-term volatility can cause additional funding to be required if a deficit emerges;

- **Interest rate risk**. The Fund’s liabilities are assessed using market yields on high quality corporate bonds to discount future liability cashflows. As the Fund holds assets such as equities the value of the assets and liabilities may not move in the same way;

- **Inflation risk**. All of the benefits under the Fund are linked to inflation and so deficits may emerge to the extent that the assets are not linked to inflation; and

- **Longevity risk**. In the event that the members live longer than assumed a deficit will emerge in the Fund. There are also other demographic risks.

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**	
	2016/17 £000	**2017/18 £000**	**2016/17 £000**	**2017/18 £000**
Cost of services:				
• Current service cost	1,985	3,349	0	0
• Past service cost	178	0	0	0
Financing and Investment Income and Expenditure:				
• Net Interest cost	1,756	1,779	0	0
Administration expenses	38	36	0	0
Total post employment benefit charged to the Surplus or Deficit on the Provision of Services	**3,957**	**5,164**	**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	3,957	5,164	0	0
Actual amount charged against the General Fund Balance for pensions in the year:				
Employers' contributions payable to scheme	(1,826)	(2,140)	(242)	(238)

The cumulative amount of actuarial gains and losses recognised in the Comprehensive Income and Expenditure Statement to the 31st March 2018 is a gain of £7.2m.

Assets and Liabilities In Relation To Post Employment Benefits

Reconciliation of present value of the Fund liabilities:

	Funded Liabilities: Local Government Pension Scheme		Unfunded Liabilities: Discretionary Benefits	
	2016/17 £000	**2017/18 £000**	**2016/17 £000**	**2017/18 £000**
Opening balance at 1st April	106,195	131,203	3,448	3,690
Current service cost	1,985	3,349	0	0
Past service cost	178	0	0	0
Interest cost	3,889	3,599	0	0
Contributions by scheme participants	469	511	0	0
Actuarial (gains)/losses arising on changes in financial assumptions	25,469	(6,247)	484	12
Actuarial (gains)/losses arising on changes in demographic assumptions	(324)	0	0	0
Experience (gains)/losses on defined benefit obligation	(2,910)	0	0	0
Benefits paid	(3,748)	(3,488)	0	0
Unfunded pension payments	0	0	(242)	(238)
Closing balance at 31st March	131,203	128,927	3,690	3,464

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

	Local Government Pension Scheme	
	2016/17 £000	**2017/18 £000**
Opening balance at 1st April	59,912	67,807
Interest income	2,133	1,820
Return on assets (less interest)	8,207	953
Other actuarial gains/(losses)	(954)	0
Employer contributions	2,068	2,378
Contributions by scheme participants	469	511
Administration expenses	(38)	(36)
Benefits paid	(3,990)	(3,726)
Closing balance at 31st March	67,807	69,707

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

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

The actual return on Fund assets in the 2017/18 year was £2,773,000 (£10,340,000 in 2016/17).

Fund History

	2013/14 £000	2014/15 £000	2015/16 £000	2016/17 £000	2017/18 £000
Present value of liabilities:					
Local Government Pension Scheme	95,392	111,188	106,195	131,203	128,927
Discretionary benefits	3,501	3,736	3,448	3,690	3,464
Fair value of assets in the Local Government Pension Scheme Surplus/(deficit) in the scheme:					
Local Government Pension Scheme	56,230	60,875	59,912	67,807	69,707
Surplus/(deficit) in scheme:					
Local Government Pension Scheme	(39,162)	(50,313)	(46,283)	(63,396)	(59,220)
Discretionary benefits	(3,501)	(3,736)	(3,448)	(3,690)	(3,464)
Total	**(42,663)**	**(54,049)**	**(49,731)**	**(67,086)**	**(62,684)**

The main reason for the decrease in the net liability this year is the change in financial assumptions. The financial assumptions are set out on page 10 of the actuaries report and the change in each of these since the previous year, have had the effect of decreasing the value placed on the liabilities. In particular:

- The discount rate assumption has fallen from 2.7% p.a. to 2.55% p.a.
- The pension increase assumption has decreased from 2.7% p.a. to 2.3%. This assumption is based on the Consumer Prices Index.
- The salary increase assumption has decreased from 4.2% p.a. to 3.8%.

The combined effect of these changes has decreased the value of the net liability. It may be helpful to also refer to the sensitivity analysis table at the end of this note, as this illustrates the effect of changing the assumptions.

The liabilities show the underlying commitments that the Authority has in the long run to pay post employment (retirement) benefits. The total liability of £62.7m 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 2019 is £2,411,000. Expected contributions for the discretionary benefits scheme in the year to 31st March 2019 are £240,000.

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 2018.

2016/17	Actuarial Assumptions	2017/18
	Mortality assumptions:	
	Longevity at 65 for current pensioners:	
23.4	• Men	23.5
25.5	• Women	25.6
	Longevity at 65 for future pensioners:	
25.6	• Men	25.7
27.8	• Women	27.9
3.6%	Rate of inflation – RPI	3.3%
2.7%	Rate of inflation – CPI	2.3%
4.2%	Rate of increase in salaries	3.8%
2.7%	Rate of increase in pensions	2.3%
2.7%	Discount rate	2.55%
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:

	31st March 2017	31st March 2017	31st March 2018	31st March 2018
	£000	%	£000	%
UK Equities	16,334	24%	14,945	22%
Overseas Equities	23,595	35%	25,799	37%
Gilts	2,001	3%	2,189	3%
Property	6,055	9%	6,486	9%
Cash	1,629	2%	1,702	2%
Target Return Portfolio	10,045	15%	10,410	15%
Infrastructure	2,722	4%	2,500	4%
Alternative Assets	3,678	5%	3,787	5%
Private Equity	0	0%	464	1%
Other Bonds	1,748	3%	1,425	2%
Total	**67,807**	**100%**	**69,707**	**100%**

Sensitivity Analysis

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

The sensitivity analysis shown below have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes, while all other assumptions remain constant. The assumptions in longevity, for example, assume that life expectancy increases or decreases for men and women. In practice, this is unlikely to occur, and changes in some of the assumptions may be interrelated.

The estimations in the sensitivity analysis have followed the accounting policies for the scheme, i.e. on the actuarial basis using the projected unit credit method. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in the previous period.

Impact on the present value of total obligation	**+0.1% £000**	**0.0% £000**	**-0.1% £000**
Adjustment to discount rate	130,002	132,391	134,825
Adjustment to long term salary increase	132,647	132,391	132,136
Adjustment to pension increases	134,572	132,391	130,249

Impact on the present value of total obligation	**+1 year £000**	**None £000**	**-1 year £000**
Adjustment in longevity	137,518	132,391	127,460

43. CONTINGENT LIABILITIES

At 31 March 2018, the Authority had no contingent liabilities.

44. CONTINGENT ASSETS

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

45. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

The Authority's activities expose it to a variety of financial risks. The key risks are:

- 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 rates or stock market movements.

The Authority's overall risk management programme focuses on the unpredictability of financial markets, and seeks to minimise potential adverse effects on the resources available to fund services.

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

Credit Risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Authority's customers.

This risk is minimised through the Annual Investment Strategy, which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria, in accordance with the Fitch, Moody's and Standard & Poors Credit Ratings Services. The Annual Investment Strategy also considers maximum amounts and time limits with a financial institution located in each category.

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

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

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

The full Investment Strategy for 2017/18 was approved by Full Council on 22 February 2017 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 £10.74m cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all of the Authority's deposits, but there was no evidence at 31st March 2018 that this was likely to crystallise.

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

	Amount at 31st March 2018 £000 A	**Historical experience of default %** B	**Adjusted for market conditions at 31st March 2018 %** C	**Estimated maximum exposure to default at 31st March 2018 £000** (A x C)	**Estimated maximum exposure to default at 31st March 2017 £000**
Customers – debtors*	3,302	39%	39%	1,288	1,239

*Excluding statutory debtors – Council Tax/NNDR

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

The Authority does not generally allow credit for customers, such that £3.302m is past its due date for payment. The past due amount can be analysed by age as follows:

	31st March 2018 £000	**31st March 2017 £000**
0 to 6 months	1,700	1,572
6 months to 1 year	229	513
1 to 2 years	414	385
More than 2 years	959	835
Total	**3,302**	**3,305**

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

Liquidity Risk

The Authority manages its liquidity position through the risk management procedures above (the setting and approval of prudential indicators and the approval of the treasury and investment strategy reports), as well as through a comprehensive cash flow management system, as required by the CIPFA Code of Practice. This seeks to ensure that cash is available when needed.

The Council has ready access to borrowings from the money markets to cover any day-to-day cash flow need, and the PWLB and money markets for access to longer-term funds. The Council is also required to provide a balanced budget through the Local Government Finance Act 1992, which ensures sufficient monies are raised to cover annual expenditure. There is therefore no significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

As at 31st March 2018 all sums owing are due to be paid in less than one year.

Refinancing and Maturity risk

The Authority maintains a debt and investment portfolio. Whilst the cash flow procedures above are considered against the refinancing risk procedures, longer-term risk to the Council relates to managing the exposure to replacing financial instruments as they mature. This risk relates to both the maturing of longer-term financial liabilities and longer-term financial assets.

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

- monitoring the maturity profile of financial liabilities and amending the profile through either new borrowing or the rescheduling of the existing debt; and
- monitoring the maturity profile of investments to ensure sufficient liquidity is available for the Council's day-to-day cash flow needs, and the spread of longer-term investments provide stability of maturities and returns in relation to the longer-term cash flow needs.

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

	Approved minimum limits	Approved maximum limits	Actual 31 March 2018 £000s	Actual 31 March 2017 £000s
Less than 1 year	0%	50%	750	0
Between 1 and 2 years	0%	50%	0	750
Between 2 and 5 years	0%	100%	750	750
Between 5 and 10 years	0%	100%	500	500
More than 10 years	0%	50%	0	0
Total			2,000	2,000

Market Risk

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

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

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

The Council has a number of strategies for managing interest rate risk. The Annual Treasury Management Strategy draws together Council's prudential and treasury indicators and its expected treasury operations, including an expectation of interest rate movements. From this Strategy a treasury indicator is set which provides maximum limits for fixed and variable interest rate exposure. Financial Services will monitor market and forecast interest rates within the year to adjust exposures appropriately. For instance during periods of falling interest rates, and where economic circumstances make it favourable, fixed rate investments may be taken for longer periods to secure better long term returns, similarly the drawing of longer term fixed rates borrowing would be postponed.

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

Foreign Exchange Risk

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

46. HERITAGE ASSETS: SUMMARY OF TRANSACTIONS

	Original £000	2012/13 £000	2013/14 £000	2014/15 £000	2015/16 £000	2016/17 £000	2017/18 £000	Value at 31st March 2018 £000
Valuation Movement of Heritage Assets								
Pottery	149	7	0	0	0	0	0	156
Carpet	184	9	0	0	0	0	0	193
Decorative Arts	51	2	0	0	0	0	0	53
Other	415	22	32	17	0	0	0	486
Total Valuation	**799**	**40**	**32**	**17**	**0**	**0**	**0**	**888**

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 6,000 archaeology specimens, plus an additional 2,500 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, 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. 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.

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

Report on the Audit of the Financial Statements

Opinion
We have audited the financial statements of North Devon District Council (the 'Authority') for the year ended 31 March 2018, which comprise the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement, the Collection Fund and notes to the financial statements, including a summary of significant accounting policies. 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 2017/18.

In our opinion the financial statements:
- give a true and fair view of the financial position of the Authority as at 31 March 2018 and of its expenditure and income for the year then ended;
- have been prepared properly in accordance with the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2017/18; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

Basis for opinion
We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Who we are reporting to
This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the Authority's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

Conclusions relating to going concern
We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:
- the Chief Financial Officer's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Chief Financial Officer has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Authority's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information
The Chief Financial Officer is responsible for the other information. The other information comprises the information included in the Statement of Accounts set out on pages 1 to 92,

and the Annual Governance Statement, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge of the Authority obtained in the course of our work including that gained through work in relation to the Authority's arrangements for securing value for money through economy, efficiency and effectiveness in the use of its resources or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Other information we are required to report on by exception under the Code of Audit Practice

Under the Code of Audit Practice published by the National Audit Office on behalf of the Comptroller and Auditor General (the Code of Audit Practice) we are required to consider whether the Annual Governance Statement does not comply with the 'Delivering Good Governance in Local Government: Framework (2016)' published by CIPFA and SOLACE or is misleading or inconsistent with the information of which we are aware from our audit. We are not required to consider whether the Annual Governance Statement addresses all risks and controls or that risks are satisfactorily addressed by internal controls.

We have nothing to report in this regard.

Opinion on other matter required by the Code of Audit Practice

In our opinion, based on the work undertaken in the course of the audit of the financial statements and our knowledge of the Authority gained through our work in relation to the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources, the other information published together with the financial statements in the Statement of Accounts and the Annual Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

Under the Code of Audit Practice we are required to report to you if:

- we have reported a matter in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we have made a written recommendation to the Authority under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we have exercised any other special powers of the auditor under the Local Audit and Accountability Act 2014.

We have nothing to report in respect of the above matters.

Responsibilities of the Authority, the Chief Financial Officer and Those Charged with Governance for the financial statements

As explained more fully in the Statement of Responsibilities set out on page 18, 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. The Chief Financial Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2017/18, which give a true and fair view, and for such internal control as the Chief Financial Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Chief Financial Officer is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Authority lacks funding for its continued existence or when policy decisions have been made that affect the services provided by the Authority.

The Audit Committee is Those Charged with Governance.

Auditor's responsibilities for the audit of the financial statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: auditorsresponsibilities. This description forms part of our auditor's report.

Report on other legal and regulatory requirements - Conclusion on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

Conclusion
On the basis of our work, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2017, we are satisfied that *the Authority* put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2018.

Responsibilities of the Authority
The Authority is responsible for putting in place proper arrangements for securing 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.

Auditor's responsibilities for the review of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources
We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to be satisfied that the Authority has made 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.

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2017, as to whether in all significant respects the Authority had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that 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 2018.

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 be satisfied that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

Report on other legal and regulatory requirements - Certificate
We certify that we have completed the audit of the financial statements of the Authority in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice.

Geraldine Daly
for and on behalf of Grant Thornton UK LLP, Appointed Auditor

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14 August 2018