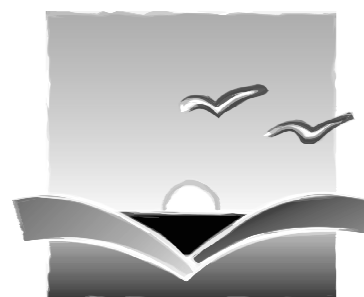


# **South Hams District Council**

## **Statement of Accounts**

**2006/2007**



**South Hams  
District Council**

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## SECTION 1. EXPLANATORY FOREWORD

### INTRODUCTION

1. Each year South Hams District Council publishes a Statement of Accounts that incorporates all the financial statements and disclosure notes required by statute. Significant changes have been introduced in 2006/07 which are designed to align local authority accounts more closely with the United Kingdom Generally Accepted Accounting Practice (UK GAAP).
2. The Statement of Accounting Policies summarises the framework within which the Council's accounts are prepared and published. This foreword intends to give a general guide to the significant matters reported in the statements and provide a summary of the overall financial position.

### REVIEW OF THE YEAR

#### The revenue budget

3. The main components of the General Fund budget for 2006/2007 and how these compare with actual income and expenditure are set out below:

	Estimate £000s	Actual £000s	Difference Cost/(Saving) £000s
<b>Cost of services (after allowing for income and reserve contributions)</b>	10,859	11,476	617
Parish precepts	1,205	1,205	-
Interest and Investment income	(1,150)	(1,318)	(168)
<b>Amount to be met from government grants and taxation</b>	<b>10,914</b>	<b>11,363</b>	<b>449</b>
<i>Financed from:</i>			
Government grants – Revenue Support Grant	(843)	(843)	-
Business rates	(4,369)	(4,369)	-
Council tax	(5,667)	(5,667)	-
Surplus on collection fund	(35)	(35)	-
Government grants – LABGI	-	(288)	(288)
<b>DEFICIT</b>	<b>-</b>	<b>161</b>	<b>161</b>

## SECTION 1. EXPLANATORY FOREWORD

4. From a financial point of view, the Council was faced with a challenging year. The extension of the successful, but costly, Concessionary Fares Scheme and the delay in the transfer of the Council's Leisure Centres were largely responsible for a recorded deficit of £161,000. However, it should be borne in mind, that this deficit represents less than 0.5% of the Council's gross turnover. A summary of the main differences from budget is provided below:

<b>ANALYSIS OF VARIATIONS</b>	<b>£000</b>
<b>Increases in expenditure/reductions in income</b>	
Concessionary Fares	314
Cleansing Services – partially off set by income (see below)	278
Leisure Centres – delay in transfer/trading loss	207
Dartmouth Ferry - reduction in anticipated net income	104
Redundancy and compensation payments etc	51
Commutation Adjustment – reduction in Government allocation	23
Planning – compensation payment/ consultants' fees etc.	16
Pannier Markets – reduction in net income	14
Electoral Registration – new legislative requirements	13
Parks – income from sponsorship not achieved	11
Other net variances	12
<b>Reductions in expenditure/additional income</b>	
Receipt of Local Authority Business Growth Incentive Scheme (LABGI) grant	(288)
Cleansing Services – additional income	(219)
Investment Income – increased interest rates/ improved cash flow	(168)
Homelessness/Housing Benefits – reductions in costs, increased recovery of rents, additional subsidy etc.	(86)
Employment Estates – net additional income	(63)
Council Tax Collection – additional recovery of enforcement costs etc.	(58)
<b>TOTAL DEFICIT</b>	<b>161</b>

## **SECTION 1. EXPLANATORY FOREWORD**

### **Leisure Transfer**

5. The Council had hoped to transfer the management of its leisure centres to a charitable trust during 2004/05, following an extensive tender process. Unfortunately, it was not possible to conclude an acceptable deal with the nominated preferred bidder. However, following a second successful tendering exercise the Council transferred its leisure service to Tone Leisure on 1 December 2006. As a result of the delay, the Council was not able to realise savings it had planned in 2006/07, which coupled with a trading loss, led to the budget variance recorded in paragraph 4. See also note 2 to the Core Financial Statements (page 22).

### **Capital spending**

6. The Council spent £2.9m on capital projects. The main areas of expenditure were as follows:
  - purchase of properties to house the homeless (£0.6m)
  - house renovation grants (£0.5m)
  - the provision of affordable housing in partnership with registered social landlords (£0.4m)
  - environmental schemes (£0.3m)
  - leisure and recreation (£0.3m)
  - vehicle replacements (£0.2m)
  - information technology (£0.2m)
  - community development/grant aid (£0.1m)

### **Issue of accounts**

7. It is intended that The Statement of Accounts for 2006/2007 will be authorised for issue on 28th June 2007. This is also the date up to which events after the balance sheet date will have been considered.

## **SECTION 1. EXPLANATORY FOREWORD**

### **FINANCIAL NEEDS AND RESOURCES**

8. The Authority maintains both capital and revenue reserves. The provision of an appropriate level of balances is a fundamental part of prudent financial management enabling the Council to build up funds to meet known and potential financial commitments.
9. **Revenue reserves** have decreased by £909,000 from the preceding year, and stand at £9.1m at 31 March 2007. Revenue reserves may be used to finance capital or revenue spending plans.
10. **Capital reserves**, i.e. the Fixed Asset Restatement Account, Capital Financing Account and Usable Capital Receipts Account are the subject of complex government controls. The Usable Capital Receipts Reserve, standing at £10.1m, is available to meet capital expenditure. However, the Fixed Asset Restatement and Capital Financing Accounts cannot be used to finance capital or revenue expenditure.
11. The use of capital reserves must be carefully judged against the impact on the Council's interest receipts which are paid into the General Fund. Any reduction will influence the level of Council Tax required to balance the budget.
12. When reviewing the amount of overall reserves held, consideration should be given to the possible implications of the **Pension Fund deficiency** disclosed within the notes to the balance sheet. The requirement to recognise the net pension liability in the balance sheet has reduced the reported net worth of the Authority by £7.68 m at 31 March 2007. This disclosure follows the implementation of the Financial Reporting Standard 17 'Retirement Benefits' (FRS17). This standard requires local authorities and other businesses to disclose pension assets and liabilities within the balance sheet.
13. It is important to an understanding of the accounts to appreciate the nature of this reported deficiency, which is based on a "snapshot" of pension assets and liabilities at the year-end. This is quite different from the valuation basis used for the purposes of establishing the employer's contribution rate and fund shortfall, which are calculated using actuarial assumptions spread over a number of years. This results in less volatility.
14. Overall, the Council's finances remain strong. In order to maintain this position, the Council operates continuous monitoring of both income and expenditure. This ensures that services are delivered within approved budgets and value for money is achieved for our residents. In addition, a planning mechanism is in place which focuses, not only on one year, but also on the longer term. The consideration of longer term financial challenges and levels of reserves and balances has therefore played an important part in shaping not only the current year's budget, but those of future years.

## **SECTION 1. EXPLANATORY FOREWORD**

### **EXPLANATION OF FINANCIAL STATEMENTS**

The following notes provide an explanation of the main accounting statements which follow this section.

- **The Statement of Accounting Policies**

This section explains the basis on which the accounts are prepared and how they comply with the guidelines of the regulatory bodies. Proper appreciation of the accounts requires a clear understanding of the policies that have been followed in dealing with material items.

- **The Income and Expenditure Account**

This account summarises the resources that have been generated and consumed in providing services and managing the Council during the last year. It includes all day-to-day expenses and related income on an accruals basis, as well as transactions measuring the value of fixed assets actually consumed and the real projected value of retirement benefits earned by employees in the year.

- **Statement of the Movement on the General Fund Balance**

The Income and Expenditure Account shows the Council's actual financial performance for the year, measured in terms of the resources consumed and generated over the last months. However, the authority is required to raise council tax on a different accounting basis, the main differences being:

- Capital investment is accounted for as it is financed, rather than when the assets are consumed
- Retirement benefits are charged as amounts become payable to pension funds and pensioners, rather than as future benefits are earned.
- The General Fund Balance shows whether the Council has over or under spent against the council tax that it raised for the year, taking into account the use of reserves built up in the past and contributions to reserves earmarked for future expenditure.

**The reconciliation statement summarises the differences between the outturn on the Income and Expenditure Account and the General Fund Balance.**

- **Statement of Total Recognised Gains and Losses**

This statement brings together all the recognised gains and losses of the Council.

- **The Balance Sheet**

A consolidation of the balances held by the Council at the end of the year indicating how much is owed to it and how much it owes others. Notes identify the nature and value of assets held.

## **SECTION 1. EXPLANATORY FOREWORD**

- **The Cash Flow Statement**

This statement summarises the inflows and outflows of cash arising from transactions between the Council and third parties.

- **The Collection Fund**

This shows the transactions of the Council as a charging authority in relation to the Council Tax, and how this has been distributed between the Council's General Fund and other precepting authorities. It also summarises the transactions relating to the collection of business rates on behalf of the Government, which are held in a national pool. The total amount held in that pool is re-distributed to local authorities on the basis of population.

- **Statement of Responsibilities**

This comprises a statement of the Council's financial responsibilities and those of the Strategic Director (Resources).

- **Statement on Internal Control**

This statement sets out the framework within which control is managed and reviewed and the main components of the system, including the arrangements for risk management.

- **Auditors' Opinion**

This represents the External Auditors' verification of the financial statements.

### **FURTHER INFORMATION**

15. The following pages explain the Council's financial position in detail including further details of the Authority's activities, cash flows and reserves. Further information on the Council's service priorities and issues can also be found within the Council's Performance Plan. Copies are available from South Hams District Council, Follaton House, Plymouth Road, Totnes, TQ9 5NE, or e-mail [enquiries@southhams.gov.uk](mailto:enquiries@southhams.gov.uk)

Mark Seymour BSc (Econ) CPFA  
Strategic Director (Resources)

## **SECTION 2. STATEMENT OF ACCOUNTING POLICIES**

### **GENERAL PRINCIPLES**

The accounts have been drawn up in accordance with the *Code of Practice on Local Authority Accounting in the United Kingdom 2006: A Statement of Recommended Practice (the SORP)*, which is recognised by statute as representing proper accounting practice.

### **ACCRUALS**

The Council prepares its financial statements, except for cash flow information, on the accrual basis of accounting. The accrual basis of accounting requires the non-cash effects of transactions and other events to be reflected as far as it is possible, in the financial statements for the accounting period in which they occur, and not, for example, in the period in which any cash involved is received or paid (Financial Reporting Standard (FRS) 18).

### **CAPITAL RECEIPTS**

Capital receipts are sums received by the Authority from the sale of assets. These receipts are available for financing future capital expenditure and are included in the Balance Sheet within the usable capital receipts reserve.

### **CONTINGENT ASSETS AND LIABILITIES**

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the Council's control. In accordance with FRS12, where a material contingent loss is not accrued, perhaps because it cannot be estimated or because the event is not considered sufficiently certain, it is disclosed as a note to the balance sheet. Contingent assets, where applicable, are disclosed by way of notes if the inflow of a receipt or economic benefit is probable.

### **DEBTORS AND CREDITORS**

The Council's revenue accounts cover the day to day running cost of providing services. They are prepared on an accruals basis in accordance with FRS18, which means that adjustments are made for sums receivable or payable where the actual transaction has not been completed at the year-end.

### **DEFERRED CHARGES**

A deferred charge occurs when an asset is purchased with capital finance which has no long-term benefit to the Council e.g. home renovation grants, capital grants to external bodies etc. Deferred charges are "amortised" (written off) to the revenue account in the year of expenditure. A contra-entry is made to the Capital Financing Account so that the amortisation does not impact on the level of Council Tax to be collected.

## **SECTION 2. STATEMENT OF ACCOUNTING POLICIES**

### **EXCEPTIONAL ITEMS**

Exceptional items are material items which derive from events or transactions that fall within the ordinary activities of the reporting entity and which individually or, if of a similar type, in aggregate, need to be disclosed by virtue of their size or incidence in the Statement of Accounts in order to give a true and fair view.

### **GOVERNMENT GRANTS**

Whatever their basis of payment, revenue grants are matched with the expenditure to which they relate. Grants made to finance the general activities of the Council or to compensate for a loss of income are credited to the revenue account of the period in respect of which they are payable.

Where the acquisition of a fixed asset is financed either wholly or in part by a government grant or other contribution, the amount of the grant or contribution is credited to the government grants-deferred account and written off in the service revenue account over the useful life of the asset to match the depreciation of the asset to which it relates.

Government grants or other contributions are accounted for on an accruals basis and recognised in the accounting statements when the conditions for their receipt have been complied with and where there is reasonable assurance that the grant or contribution will be received.

### **GROUP ACCOUNTS**

The 2006 SORP requires the preparation of group revenue accounts and balance sheets where local authorities have interests in subsidiaries, associated companies and joint ventures that are material. The Council has considered its arrangements with other bodies and is of the opinion that no requirement to produce group accounts currently exists.

### **INTANGIBLE FIXED ASSETS**

Intangible fixed assets are defined in FRS 10 as “non-financial fixed assets that do not have physical substance, but are identifiable and are controlled by the entity through custody or legal rights”. Expenditure that falls into this category includes the purchase of computer software. Intangibles are capitalised at cost and amortised to revenue over a 3 year period. Amortisations are debited to the relevant service revenue account.

### **INVESTMENTS**

Investments are shown in the balance sheet at cost. They reflect the temporary investment of the amount of cash surplus to the Council's requirements at the end of the year. Investments are held with banks and similar institutions.

## **SECTION 2. STATEMENT OF ACCOUNTING POLICIES**

### **LEASES**

The accounting statements reflect the requirements of SSAP21 *Accounting for lease and hire purchase contracts*. SSAP21 introduced the concept of two types of lease transaction occurring between lessors and lessees, operating leases and finance leases. An operating lease involves the lessee paying a rental for the hire of an asset for a period of time that is normally substantially less than its useful economic life. The lessor retains most of the risks and rewards of ownership of an asset in the case of an operating lease. A finance lease usually involves payment by a lessee to a lessor of the full cost of the asset together with a return on the finance provided by the lessor. The lessee has substantially all the risks and rewards associated with the ownership of the asset, other than the legal title. This Council does not hold any assets under finance leases.

Operating leases are accounted for by making charges to revenue as expenditure is incurred.

### **PENSION COSTS**

The pension costs that are charged to the Council's accounts in respect of its employees are equal to the contributions paid to the funded pension scheme for these employees in accordance with statutory requirements. Where this amount does not match the amount charged to the Income and Expenditure Account for the year the difference is taken to the Pensions Reserve. Where the pension costs charged to the Income and Expenditure Account are:

- larger than the amount payable for the year in accordance with the scheme requirements the General Fund Balance is credited and the Pension Reserve debited.
- smaller than the amount payable for the year in accordance with the scheme requirements the General Fund Balance is debited and the Pensions Reserve credited.

the debit or credit to the General Fund is shown as a reconciling item in the Statement of Movement on the General Fund Balance.

The implementation of FRS17 "Retirement Benefits" has had a material effect on substantial parts of the statement of accounts. Previous policy was to recognise liabilities in relation to retirement benefits only when the employer's contributions became payable to the pension fund or payments fell due to pensioners for which the Council was directly responsible. The new policies better reflect the commitment in the long-term to increase contributions to make up any shortfall in attributable net assets in the pension fund.

## **SECTION 2. STATEMENT OF ACCOUNTING POLICIES**

### **PROVISIONS**

In accordance with FRS12, the Council sets aside provisions for future liabilities or losses, which are likely or certain to be incurred, but uncertain as to the amounts or the dates on which they will arise, such as potential costs arising from public inquiries, etc.

### **PROVISIONS FOR BAD AND DOUBTFUL DEBTS**

The carrying amount of debtors is adjusted for doubtful debts, which are provided for, and known uncollectible debts are written off.

### **RESERVES**

Amounts set aside for purposes falling outside the definition of provisions are considered as reserves, and transfers to and from them are distinguished from service expenditure disclosed in the Statement of Accounts. Expenditure is not charged direct to any reserve.

The Fixed Asset Restatement Account and Capital Financing Account cannot be called upon to support spending; the Usable Capital Receipts Reserve can be used to meet expenditure designated as expenditure for capital purposes; Revenue Reserves can be used to meet capital and revenue expenditure.

### **STOCKS**

Stocks are valued at cost and represent goods and materials chargeable to revenue, which have not been consumed by the accounting date. Costs are carried forward to be charged in the accounting period in which they are consumed.

### **SUPPORT SERVICES AND OTHER OVERHEADS**

The costs of the Council's support services and related overheads are allocated to the services based on the budgeted time allocations for the year, updated for known demands on officer time, in accordance with the requirements of the Best Value Accounting Code of Practice. The bases of allocation used for the main costs are outlined below:

<b>Cost</b>	<b>Basis of allocation</b>
Staffing and related overheads	Cost of time spent by staff based on timesheets
Administrative buildings	Area occupied
IT costs	Usage of major systems plus a standard charge per PC/printer

## **SECTION 2. STATEMENT OF ACCOUNTING POLICIES**

### **TANGIBLE FIXED ASSETS**

#### **a) Categories of assets**

Fixed assets are categorised into classes as follows:

##### ***Operational assets:***

- Land and buildings
- Vehicles, plant, furniture and equipment
- Infrastructure assets e.g. roads
- Community assets e.g. parks and open spaces

***Non-operational assets*** e.g. assets under construction

#### **b) Recognition**

All expenditure on the acquisition, creation or enhancement of fixed assets which exceeds de-minimis levels (levels are reviewed annually by the Head of Financial Services) is capitalised on an accruals basis. Expenditure on the acquisition of a tangible asset, or expenditure which adds to, and not merely maintains the value of an existing asset, is capitalised and classified as a fixed asset, provided that the asset yields benefits to the Authority for a period of more than one year.

#### **c) Measurement**

Fixed assets are initially measured at cost. Only those costs that are directly attributable to bringing the asset into working condition for its intended use are included in its measurement. Plant and machinery are not included in the valuation of the buildings.

Full valuations are performed on a rolling basis by a qualified internal valuer to cover all the Authority's land and buildings over a five-year cycle. Operational land and properties and other operational assets are included in the balance sheet at value for existing use, or where this could not be assessed because the asset is specialised in nature, the depreciated replacement cost.

Non-operational land and properties are included in the balance sheet at market value. Infrastructure assets and community assets are included in the balance sheet at historical cost, net of depreciation, where appropriate.

Where a fixed asset is included in the balance sheet at current value, the difference between the amount at which the asset was included in the balance sheet immediately prior to the latest (re-) valuation is credited or debited to the Fixed Asset Restatement Account as appropriate.

## **SECTION 2. STATEMENT OF ACCOUNTING POLICIES**

### **d) Disposals (see also capital receipts)**

Income from the disposal of fixed assets is credited to the Usable Capital Receipts Reserve, and accounted for on an accruals basis. Upon disposal, the net book value of the assets disposed of is written off against the Fixed Asset Restatement Account.

### **e) Impairment**

The value of fixed assets included in the balance sheet is reviewed at the end of each reporting period and where there is reason to believe that its value has changed materially in the period, the valuation is adjusted accordingly (please see FRS11). Where the impairment is caused by a clear consumption of economic benefits, then a charge is made to the service revenue account. Other impairments, reflecting a general fall in prices, would be recognised in the Fixed Asset Restatement Account.

### **f) Depreciation**

In accordance with FRS15, depreciation is provided on all fixed assets other than freehold land. Assets are not depreciated in the year of acquisition.

The Council depreciates its fixed assets on a straight-line basis over the expected life of the asset after allowing for the residual value of an asset. Useful lives are determined on a case by case basis. Typical useful lives are:

<b>Asset</b>	<b>Useful life</b>
Buildings	Sixty years
Infrastructure	Twenty years
Refuse vehicles	Seven years
Light vans	Five years
Marine vessels	Fifteen years
IT equipment	Four years

Service revenue accounts, support services and trading accounts are charged with a depreciation charge for all fixed assets used in the provision of the service.

## **VALUE ADDED TAX**

The Council does not include VAT as part of income or expenditure, except where it irrecoverable. This is in accordance with the requirements of SSAP5.

## ***Section 3***

# ***Core Financial Statements***

## SECTION 3A. INCOME AND EXPENDITURE ACCOUNT

This account summarises the resources that have been generated and consumed in providing services and managing the Council during the last year. It includes all day-to-day expenses and related income on an accruals basis, as well as transactions measuring the value of fixed assets actually consumed and the real projected value of retirement benefits earned by employees in the year.

Net Expenditure / (Income) 2005/2006 £000s		Year ending 31 March 2007		
		Gross Expenditure £000s	Gross Income £000s	Net Expenditure £000s
654	Central Services to the Public	6,286	(5,588)	698
2,557	Cultural and Related Services	3,614	(439)	3,175
4,657	Environmental Services	7,046	(2,018)	5,028
(1,297)	Highways, Roads and Transport Services	3,558	(4,293)	(735)
1,458	Housing Services	18,111	(16,580)	1,531
1,512	Planning and Development Services	4,591	(2,609)	1,982
2,112	Corporate and Democratic Core	2,166	(61)	2,105
165	Non Distributed Costs	174		174
<b>11,818</b>	<b>Net cost of services</b>	<b>45,546</b>	<b>(31,588)</b>	<b>13,958</b>
(372)	Gain on the disposal of fixed assets			(290)
1,132	Parish Council Precepts			1,205
5	Contribution of housing capital receipts to Government Pool			1
(1,290)	Interest and Investment Income			(1,318)
(180)	Pensions Interest cost and expected return on Assets			(600)
<b>11,113</b>	<b>Net operating expenditure</b>			<b>12,956</b>
(2,241)	Revenue Support Grant			(843)
(2,358)	Non-domestic rates redistribution			(4,369)
(5,362)	Demand on the Collection Fund			(5,667)
(34)	Transfer from Collection Fund in respect of previous year's surplus			(35)
(267)	LABGI Grant			(288)
<b>851</b>	<b>Net General Fund (surplus) / deficit</b>			<b>1,754</b>

**SECTION 3B1. STATEMENT OF MOVEMENT ON THE GENERAL FUND BALANCE**

The Income and Expenditure Account shows the Council's actual financial performance for the year, measured in terms of the resources consumed and generated over the last months. However, the authority is required to raise council tax on a different accounting basis, the main differences being:

- Capital investment is accounted for as it is financed, rather than when the assets are consumed
- Retirement benefits are charged as amounts become payable to pension funds and pensioners, rather than as future benefits are charged
- The General Fund Balance shows whether the Council has over- or – under spent against the council tax that it raised for the year, taking into account the use of reserves built up in the past and contributions to reserves earmarked for future expenditure.

Net Expenditure 2005/2006 £000s	Notes	Net Expenditure 2006/2007 £000s
851	(Surplus)/ deficit for the year on the Income and Expenditure Account	1,754
(1,072)	Net additional amount required by statute and non-statutory proper practices to be debited or credited to the General Fund Balance for the year	(1,593)
<b>(221)</b>	<b>(Increase)/decrease in General Fund Balance for the Year</b>	<b>161</b>
(2,708)	General Fund Balance brought forward	(2,679)
250	Transfer to Strategic Issues Reserve	-
-	- Transfer to Economic Initiatives Reserve	270
-	- Transfer to Planning Reserve	250
-	- Transfer to Carry forwards/ Strain Payments Reserve	128
<b>(2,679)</b>	<b>General Fund Balance carried forward</b>	<b>(1,870)</b>

**SECTION 3B2. ANALYSIS OF RECONCILING ITEMS FOR THE STATEMENT OF MOVEMENT ON THE GENERAL FUND BALANCE**

This reconciliation statement summarises the differences between the outturn on the Income and Expenditure Account and the General Fund Balance.

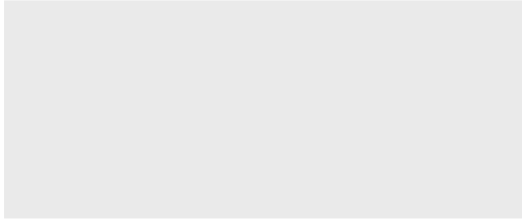
2005/06 £000		2006/07 £000
	<b>Amounts included in the Income and Expenditure Account, but required by statute to be excluded when determining the Movement on the General Fund Balance for the year</b>	
(33)	Amortisation of intangible fixed assets	(233)
(1,176)	Depreciation and impairment of fixed assets	(1,296)
143	Government grants deferred amortisation	371
(353)	Write downs of deferred charges to be financed from capital resources (usable receipts)	(224)
385	Net gain on sale of fixed assets	308
(1,500)	Net charges made for retirement benefits in accordance with FRS 17	(1,360)
(2,534)		(2,434)
	<b>Amounts not included in the Income and Expenditure Account, but required to be included by statute when determining the Movement on the General Fund Balance for the year</b>	
818	Capital expenditure charged in-year to the General Fund Balance	393
(5)	Transfer from Usable Capital Receipts to meet payments to the Housing Capital Receipts Pool	(1)
1,150	Employer's contributions payable to the Devon County Council Pension Fund	1,230
1,963		1,622
	<b>Transfers to or from the General Fund Balance that are required to be taken into account when determining the Movement on the General Fund Balance for the year</b>	
(71)	Voluntary revenue provision for capital financing (Commutation Adjustment)	(32)
(430)	Net transfer to or from reserves	(749)
(501)		(781)
<b>(1,072)</b>	<b>Net additional amount to be credited to the General Fund balance for the year</b>	<b>(1,593)</b>

**SECTION 3C. STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES**

This statement brings together all the gains and losses of the Council for the year and shows the aggregate increase in its net worth. In addition to the surplus generated on the Income and Expenditure Account, it includes gains and losses relating to the revaluation of fixed assets and the re-measurement of the net liability to cover the cost of retirement benefits.

<b>2005/2006</b> <b>£000s</b>		<b>2006/2007</b> <b>£000s</b>
<b>851</b>	<b>(Surplus)/ deficit for the year on the Income and Expenditure Account</b>	<b>1,754</b>
(2,583)	Surplus arising on revaluation of fixed assets	(2,376)
(3,850)	Actuarial (gains)/ losses on pension fund assets and liabilities	50
2	Other gains & losses	2
(185)	Collection Fund (Surplus)	(229)
<b>(5,765)</b>	<b>Total recognised gains for the year</b>	<b>(799)</b>

## SECTION 3D. BALANCE SHEET

31 March 2006		Notes	31 March 2007	
£000s	£000s		£000s	£000s
660		<b>Intangible Fixed Assets</b>	17	612
		<b>Tangible Fixed Assets</b>		
		<i>Operational assets</i>	12	
45,116		- land and buildings		47,341
3,128		- vehicles, plant and equipment		2,841
2,718		- infrastructure assets		2,699
321		- community assets		321
		<i>Non operational assets</i>	12	
528		- investment properties		1,057
430		- assets under construction		24
	<b>52,901</b>	<b>Total Fixed assets</b>		<b>54,895</b>
	182	Deferred Credits	19	139
	21	Long term debtors		27
	<b>53,104</b>	<b>Total long term assets</b>		<b>55,061</b>
		<b>Current assets</b>		
99		- stocks and work in progress	20	76
5,287		- debtors	21	5,598
22,775		- investments	22	21,355
(884)		- cash and bank	38	55
	<u>27,277</u>			<u>27,084</u>
	<b>80,381</b>	<b>Total assets</b>		<b>82,145</b>
		<b>Current liabilities</b>		
(4,271)		- creditors	23	(4,463)
	<u>(4,271)</u>			<u>(4,463)</u>
	<b>76,110</b>	<b>Total assets less current liabilities</b>		<b>77,682</b>
		<b>Long term liabilities</b>		
(1,681)		- capital contributions unapplied	34/35	(2,418)
(4,265)		- government grants deferred	36	(4,121)
(7,500)		- pensions liability	37	(7,680)
	<b>62,664</b>	<b>Total assets less liabilities</b>		<b>63,463</b>
		<b>Financed by:</b>		
(5,793)		Fixed asset restatement account	28/29	(3,947)
54,619		Capital financing account	28/30	54,899
10,585		Usable capital receipts reserve	28/31	10,124
8		Deferred capital receipts	28/31	2
(7,500)		Pensions reserve	28/37	(7,680)
6,336		Earmarked reserves	28/32	6,327
		Balances		
2,679		- accumulated surplus	28/32	1,870
868		- contingency/working balances	28/32	868
141		- trading accounts	28/32	50
721		- collection fund	Sct 5	950
	<b>62,664</b>	<b>Total net worth</b>		<b>63,463</b>
19 June 2007				
				
Mark Seymour BSc (Econ) CPFA Strategic Director (Resources)				



***Section 4***

***Notes to the***

***Core Financial Statements***

## SECTION 4. NOTES TO THE CORE FINANCIAL STATEMENTS

### 1. Prior Period Adjustments

In the 2006/2007 Statement of Accounts, the council has adopted three significant new accounting policies that impact on the comparative figures for 2005/06 in the Income and Expenditure Account:

- capital financing charges for the use of fixed assets are no longer made to service revenue accounts, support services and trading accounts
- credits for government grants deferred are now posted to service revenue accounts, support services and trading accounts rather than credited as a corporate income item
- gains and losses on the disposal of fixed assets are recognised in the I&E Account

These changes have had the following impact on the comparative figures for 2005/06 compared with those published in the 2005/06 Statement of Accounts (only figures that have changed are included in the table):

	Consolidated Revenue Account in 2005/06 Statement of Accounts £000s	Removal of capital financing charges £000s	Relocation of government grants deferred credits £000s	Recognition of gains and losses on disposal of fixed assets £000s	2005/06 Comparatives in Income and Expenditure Account £000s
Central services to the public	654				654
Cultural and related services	3,148	(563)	(28)		2,557
Environmental services	4,989	(236)	(96)		4,657
Highways, roads and transport services	(1,059)	(237)	(1)		(1,297)
Housing services	1,574	(104)		(12)	1,458
Planning & development services	2,199	(676)	(11)		1,512
Corporate and democratic core	2,119		(7)		2,112
Non distributed costs	165				165
<b>Impact on Net Cost of Services</b>	<b>13,789</b>	<b>(1,816)</b>	<b>(143)</b>	<b>(12)</b>	<b>11,818</b>
(Gain)/loss on the disposal of fixed assets				(372)	(372)
Asset Management revenue account (Interest payable and similar charges in 2006/07)	(1,959)	1,816	143		0
<b>Impact on Net Operating Expenditure</b>	<b>11,830</b>	<b>0</b>	<b>0</b>	<b>(384)</b>	<b>11,446</b>

## SECTION 4. NOTES TO THE CORE FINANCIAL STATEMENTS

### 2. Trading Operations

The Local Government Planning and Land Act 1980 and the Local Government Act 1988 introduced Compulsory Competitive Tendering (CCT) for certain activities. In order for the Council to undertake these activities they had to successfully tender for the work through the creation of Direct Labour Organisations (DLOs) and Direct Service Organisations (DSOs). Although the CCT legislation was repealed on 2 January 2000, the Council has continued to provide some services in a competitive environment until 30 November 2006.

Cleansing Services (i.e. Refuse Collection, Street, Beach and Public Convenience Cleaning) ceased trading from the 1 July 2005.

Under the CCT legislation, all services were required to break even after allowing for capital charges. Actual performance for the year is set out below:

<b>Revenue Account</b>				
<b>2005/2006 (Surplus) / Deficit £000s</b>		<b>Year ending 31 March 2007</b>		<b>(Surplus) / Deficit £000s</b>
		<b>Income £000s</b>	<b>Expenditure £000s</b>	
(13)	Refuse Collection	-	-	-
(49)	Street Cleaning	-	-	-
(62)	<b>Sub Total: Cleansing Contract:</b>	-	-	-
(7)	Beach Cleaning	-	-	-
6	Public Conveniences	-	-	-
20	Management of Sports & Leisure Facilities	(1,456)	1,579	123
<b>(43)</b>	<b>(Surplus) / Deficit</b>	<b>(1,456)</b>	<b>1,579</b>	<b>123</b>

The deficit arising from the operation of the Council's leisure facilities has increased by £103,000 from the prior year. This is due to a combination of factors, namely a reduction in income from trading activities together with increased labour and other costs. The operation of the leisure centres was transferred under contract to Tone Leisure (South Hams) Ltd on 1st December 2006. It is anticipated that the new arrangements will deliver substantial efficiency savings over the contract period.

## SECTION 4. NOTES TO THE CORE FINANCIAL STATEMENTS

The Council also operates a number of other trading services which are shown in the following table:

2005/06				2006/07
Net Expenditure/ (Surplus) £000s	Service	Turnover £000s	Expenditure £000s	Net Expenditure/ (Surplus) £000s
(1,357)	Car & Boat Parking	(2,713)	1,104	(1,609)
(129)	Dartmouth Ferry	(791)	650	(141)
(512)	Employment Estates	(1,050)	432	(618)
(81)	Pannier Markets	(112)	42	(70)
(2)	Salcombe Harbour	(787)	771	(16)
(31)	Trade Refuse	(725)	614	(111)
<b>(2,112)</b>	<b>Net surplus on trading units</b>	<b>(6,178)</b>	<b>3,613</b>	<b>(2,565)</b>

*NB The figures for 2005/06 have been restated following the requirements of the SORP 2006 to remove the notional interest charge from service accounts.*

### Car & Boat Parking

The Council provides off-street parking at an appropriate level according to demand and environmental impact. Charges are made where it is economic to do so and at a level which will ensure that the provision and management are not a cost burden to local Council Tax payers.

### Dartmouth Ferry

The Council operates a public ferry service for cars and foot passengers across the River Dart between Kingswear and Dartmouth.

### Employment Estates

The Council undertakes the programmed development and letting of identified employment sites to generate quality employment opportunities.

### Pannier Markets

The Council operates weekly markets in Totnes, Kingsbridge and Ivybridge as permitted by statutory powers and thereby maintains the tradition of market towns for the benefit of customers, traders and the towns as a whole.

### Salcombe Harbour

The Council aims to improve, maintain and manage the whole of the Salcombe-Kingsbridge Estuary for the benefit of users, who include commercial fishermen, local residents and visitors, on a self-financing basis.

### Trade Refuse

The Council operates a trade refuse collection service.

## SECTION 4. NOTES TO THE CORE FINANCIAL STATEMENTS

### 3. Financial assistance to organisations and individuals

Service Area	2005/2006 £000s	2006/2007 £000s
Environmental projects, including land management grants under the EU funded Area of Outstanding Natural Beauty programme	99	228
Housing enabling grants	9	9
Citizens Advice Bureau	36	37
Economic promotion grants	17	16
Grants to town/parish councils, village halls and local organisations through the Community Grants Reserve	67	60
Support to the arts	10	12
Beach and Water safety	5	5
Public transport	10	11
Other welfare payments	23	39
Sports development	6	4
Miscellaneous	30	26
<b>Total</b>	<b>312</b>	<b>447</b>

### 4. Expenditure on publicity

Section 5(1) of the Local Government Act 1986, requires disclosure of the Council's expenditure on publicity. The Council's spending on publicity is as follows:

	2005/06 £000	2006/07 £000
Recruitment advertising	62	129
Other advertising	82	103
Publicity	351	342
<b>Total</b>	<b>495</b>	<b>574</b>

## SECTION 4. NOTES TO THE CORE FINANCIAL STATEMENTS

### 5. Building Control Trading Account

The Building (Local Authority Charges) Regulations 1998 require the disclosure of information regarding the setting of charges for the administration of the building control function – ‘details of the scheme for setting charges’. However, certain activities performed by the Building Control Unit cannot be charged for, such as providing general advice and liaising with other statutory authorities. The statement below shows the total cost of operating the building control unit divided between the chargeable and non-chargeable activities.

<b>Total Building Control 2005/2006 £000s</b>		<b>Chargeable 2006/2007 £000s</b>	<b>Non – Chargeable 2006/2007 £000s</b>	<b>Total Building Control 2006/2007 £000s</b>
	<b>Expenditure</b>			
410	Employee expenses	310	48	358
8	Premises	6	1	7
26	Transport	28	5	33
52	Supplies and Services	103	24	127
9	Support Services	49	17	66
505	Total Expenditure	496	95	591
	<b>Income</b>			
(429)	Building Regulations Charges	(470)		(470)
	Other Income	(44)	(1)	(45)
(429)	Total Income	(514)	(1)	(515)
<b>76</b>	<b>(Surplus)/ Deficit for Year</b>	<b>(18)</b>	<b>94</b>	<b>76</b>

## **SECTION 4. NOTES TO THE CORE FINANCIAL STATEMENTS**

### **6. Agency arrangements**

Certain statutory powers allow the Council to undertake work on behalf of other public bodies. The main arrangement under these powers was the collection of land charge search fees on behalf of Devon County Council. These fees are included within the standard search fee and reimbursed to the County Council on a periodic basis. The amount collected was £44,000 in 2006/2007 (£46,000 in 2005/06).

### **7. Local Authority (Goods and Services) Act 1970**

The Council is required to provide details of work carried out for other Public bodies. The purpose of this disclosure is to demonstrate the extent to which the Council is engaged in trading activities which would not otherwise be part of its function as a Local Authority.

All local authorities are allowed to supply goods and services to a number of prescribed public bodies by the 1970 Act. The income and expenditure in respect of these activities is included in the Council's Income and Expenditure Account. The activities undertaken by South Hams District Council are analysed below:

	<b>2005/06 £000</b>	<b>2006/07 £000</b>
Provision of professional services to local Councils (payroll, internal audit, health & safety etc.)	5	43
Lease of accommodation to the Devon County Council Registration service, Citizens Advice Bureau and Teignbridge Enterprise Agency etc.	38	37
Provision of printing services (to local housing associations, parish councils etc.)	10	10
Provision of building maintenance services (to parish & town councils etc.)	40	18
<b>Total</b>	<b>93</b>	<b>108</b>

### **8. Members allowances**

The total of Members' Allowances paid in the year was £246,000 (2005/2006: £238,000).

## **SECTION 4. NOTES TO THE CORE FINANCIAL STATEMENTS**

### **9. Employee remuneration**

The Accounts and Audit Regulations 2003 require the disclosure of certain information relating to officers' emoluments. This means all amounts paid to or receivable by an employee and includes sums due by way of expenses, allowances and the estimated money value of any other benefits received by an employee other than in cash. Details of the number of employees, whose remuneration fell in bands of £10,000, starting from £50,000 are as follows:

<b>2005/2006 Total</b>	<b>Remuneration Band</b>	<b>2006/2007 Total</b>
-	£50,000 - £59,999	4
3	£60,000 - £69,999	2
-	£70,000 - £79,999	-
1	£80,000 - £89,999	1

### **10. Related party transactions**

The Council is obliged under FRS8 (Related Party Disclosures) to consider details of related party transactions between itself and each related party – e.g. Central Government, individual Member or Chief Officer (and that individual's close family). Any material transactions, other than those common to all individuals (e.g. Council Tax, Housing Benefit, etc.) are disclosed so that the reader of the accounts can judge the effect such a transaction may have had on the reported financial position.

No material transactions with related parties during the year have been identified, other than those disclosed below or elsewhere, i.e. Government grants, etc.

The Council is a member of Tor Homes which is a company limited by guarantee and a registered charity which was set up to own and manage the stock previously owned by the Council. The Council's voting rights as a member of the Company amount to (and are limited by the Company's constitution to) 33.3 per cent. The Council also has the right to appoint five of the Company's fifteen trustees (who are the company's board of directors), and five of its Councillors currently serve in this capacity. Their membership of the board does not constitute a controlling interest and indeed these individuals are unable to vote on issues which involve the interests of the District Council.

## **SECTION 4. NOTES TO THE CORE FINANCIAL STATEMENTS**

### **11. External Audit Costs**

The following fees were payable in respect of external audit and inspection:

	<b>2005/06</b>	<b>2006/07</b>
	<b>£ 000</b>	<b>£ 000</b>
Audit Code Responsibilities	61	63
Statutory Performance	23	24
Grant Claims and Returns	36	31
Other Services	3	6
<b>TOTAL</b>	<b>123</b>	<b>124</b>

## SECTION 4. NOTES TO THE CORE FINANCIAL STATEMENTS

### 12. Summary of capital expenditure and fixed asset disposals

#### Movement on fixed assets

	Land and Buildings £000s	Vehicles, plant furniture & Equipment £000s	Infra- structure assets £000s	Community Assets £000s	Non- operational assets £000s	Total £000s
Certified valuation at 31 March 2006	46,372	5,586	3,644	321	970	56,893
Accumulated depreciation and impairment	(1,256)	(2,458)	(926)	-	(12)	(4,652)
Net book value of assets at 31 March 2006	45,116	3,128	2,718	321	958	52,241
Movements in 2006/07						
- Additions	1,046	260	110	-	76	1,492
- Disposals	(526)	(4)	-	-	-	(530)
- Reclassifications	128	-	-	-	(128)	-
- Revaluations	2,194	(2)	-	-	184	2,376
- Depreciation	(617)	(541)	(129)	-	(9)	(1,296)
<b>Net book value of fixed assets as at 31 March 2007</b>	<b>47,341</b>	<b>2,841</b>	<b>2,699</b>	<b>321</b>	<b>1,081</b>	<b>54,283</b>
Accumulated depreciation / impairment at 31 March 2007	1,574	2,934	1,055	-	13	5,576

## **SECTION 4. NOTES TO THE CORE FINANCIAL STATEMENTS**

### Summary of capital expenditure and financing

The following table shows how expenditure on fixed assets was financed:

	<b>2005/06</b>	<b>2006/07</b>
	<b>£000s</b>	<b>£000s</b>
<b>Capital Investment</b>		
Operational Assets	1,701	1,414
Non-operational assets	425	76
Intangible Fixed Assets	290	185
Deferred Charges	1,620	1,230
Loans	5	22
<b>Total expenditure</b>	<b>4,041</b>	<b>2,927</b>
<b>Sources of Finance</b>		
Capital receipts	1,037	1,300
Capital grants and external contributions	2,119	1,174
Earmarked reserves	885	453
<b>Total funding</b>	<b>4,041</b>	<b>2,927</b>

## SECTION 4. NOTES TO THE CORE FINANCIAL STATEMENTS

### Analysis of Capital Expenditure by Service

2005/06 £000s		2006/07 £000s
	<b>Central Services</b>	
206	Vehicle replacement programme	226
	- Follaton House (repairs, access, drainage works etc.)	15
327	IT hardware and software	208
	<b>Cultural and Related Services</b>	
80	Leisure centre new facilities / refurbishments	128
25	Outdoor facilities	139
74	Disability Discrimination Act Works	41
	<b>Environmental Services</b>	
4	Refurbishment of public conveniences	58
1,107	Waste Management	0
119	Coast and Flood Protection etc.	70
	<b>Highways, Roads and Transport Services</b>	
37	Car and boat park enhancements	1
14	Salcombe Harbour - Harbour office, watercraft and infrastructure	5
0	Dartmouth Ferry - workshop	30
	<b>Housing Services</b>	
394	Renovation grants, etc.	475
	- Purchase of properties for temporary accommodation	558
747	New housing in partnership with housing associations	368
	<b>Planning and Development</b>	
210	Industrial units	82
97	Community development / grant aid	114
213	Totnes Southern Area	52
311	Environmental Schemes (HLF Programme etc.)	285
76	<b>Other</b>	72
<b>4,041</b>	<b>TOTAL</b>	<b>2,927</b>

### 13. Commitments under capital contracts

The following significant contractual commitment has been entered into by the Council:

Project	£000s
Erme Court Resource Centre – the Council has committed to providing capital funding of up to £520,000 towards the total estimated construction costs of £4.008M. This project is being delivered by Ivybridge Town Council and the facility is due to become operational from March 2008.	
<b>Total</b>	<b>520</b>

## SECTION 4. NOTES TO THE CORE FINANCIAL STATEMENTS

### 14. Information on assets held

31.3.2006 Number		31.3.2007 Number
	<b>Operational Assets</b>	
	Land and buildings	
20	<i>Dwellings used for housing the homeless</i>	24
4	<i>Sports centres and pools</i>	4
3	<i>Offices, administrative</i>	3
4	<i>Depots</i>	4
4	<i>Visitor / Resource Centres</i>	4
	Courts and pitches (5 main sites) include:	
19	<i>Tennis Courts</i>	19
3	<i>Bowling Greens (incl. 1 all weather)</i>	3
2	<i>Putting Greens</i>	2
10	<i>Soccer pitches (incl 1 junior)</i>	10
4	<i>Rugby pitches (incl. 1 junior)</i>	4
4	<i>Cricket Squares</i>	4
1	<i>All weather pitches</i>	1
6	<i>Skate parks</i>	6
4	<i>BMX tracks</i>	4
94	Children's play areas	94
49	Off street car parks / park and ride	49
164	Industrial Units	164
48	Public conveniences	46
	<b>Vehicles, plant, furniture and equipment</b>	
13	Watercraft / vessels	13
86	Vehicles and plant	88
	<b>Community assets</b>	
	including: -	
16	<i>Parks / Ornamental Gardens (23 hectares)</i>	16
	<i>Informal parks / Open spaces (105.4 hectares)</i>	
	<b>Non operational land and buildings</b> - including	
8	café, shops and land awaiting development	8

## SECTION 4. NOTES TO THE CORE FINANCIAL STATEMENTS

### 15. Valuation information

All material freehold and leasehold properties which comprise the Authority's property portfolio are revalued by the Council's Valuer on a rolling basis. Valuations are in accordance with the Statements of Asset Valuation Practice and Guidance Notes of the Royal Institution of Chartered Surveyors.

The valuations of real estate were carried out by Paul Abrey FRICS, the Council's Principal Valuer. Fixed assets are valued in accordance with a five year rolling programme (with ad hoc valuations taking place, for example where assets have been enhanced). The basis of valuation is set out in the Statement of Accounting policies. The table that follows shows the date and amounts of the valuations. All assets have been subjected to a full valuation since 1 April 1999 (except assets carried at historical cost):

	Land and Buildings	Vehicles, plant furniture & equipment	Infra- structure assets	Community Assets	Non- operational assets	Total
	£000s	£000s	£000s	£000s	£000s	£000s
Valued at historical cost	1,240	2,841	2,699	321	289	7,390
New certified valuation included in balance sheet :						
2006/2007	16,589	-	-	-	661	17,250
2005/2006	12,456	-	-	-	119	12,575
2004/2005	11,372	-	-	-	-	11,372
2003/2004	5,684	-	-	-	-	5,684
2002/2003	-	-	-	-	12	12
<b>Total</b>	<b>47,341</b>	<b>2,841</b>	<b>2,699</b>	<b>321</b>	<b>1,081</b>	<b>54,283</b>

## **SECTION 4. NOTES TO THE CORE FINANCIAL STATEMENTS**

### **16. Depreciation methodologies**

In accordance with FRS15, the council provides depreciation on all fixed assets other than freehold land. The provision for depreciation is made by allocating the cost (or revalued amount) less the estimated residual value of the assets over the accounting periods expected to benefit from their use. The straight-line method of depreciation is used.

Asset lives are reviewed regularly as part of the rolling programme of property revaluation and annual impairment review. Where the useful life of a fixed asset is revised, the carrying amount of the fixed asset is depreciated over the revised remaining life.

### **17. Movement in intangible fixed assets**

	<b>Software purchases £000s</b>
<b>Original Cost</b>	<b>713</b>
Amortisation to 1 April 2006	(53)
<b>Balance at 1 April 2006</b>	<b>660</b>
Expenditure in Year	185
Written off to revenue in year	(233)
<b>Balance at 31 March 2007</b>	<b>612</b>

The balance at the 31 March 2007 represents expenditure on the Land Charges, Personnel and Payroll, Financial Management, Document Management, Customer Services and Performance Management Systems. Expenditure is being written off over three years.

## SECTION 4. NOTES TO THE CORE FINANCIAL STATEMENTS

### 18. Leases

The Authority does not hold any assets under finance leases. The Authority uses certain land and buildings under the terms of an operating lease. The amount paid under these arrangements in 2006/2007 was £97,000 (2005/2006, £107,000).

The Authority is committed to making payments of £85,000 under these leases in 2007/2008, comprising the following elements:

	<b>£000</b>
Leasing expiring in 2007/2008	15
Leasing expiring between 2008/2009 and 2011/2012	70
Leases expiring after 2013/2014	-

The Authority also uses various fixed assets, principally photocopiers, leased cars and vending machines under the terms of an operating lease. However, the payments due under such agreements are of negligible value being less than £5,000 for any one operating lease.

### 19. Deferred credits

The District Council has entered into a partnership with Devon County Council (DCC) to construct and operate a waste transfer facility at Torr Quarry. DCC makes an annual contribution to the construction cost which is based on the annual tonnage of throughput. The sum of £105,000 shown as a deferred credit represents the amount owing to the District Council at 31 March 2007 (£182,000 at the 31 March 2006).

In addition, the Council has recently constructed a new play area in Ivybridge for which it is receiving a contribution from the Ivybridge Youth Action Group. The sum of £34,000 recorded as a deferred credit represents the amount owing to the District Council at 31 March 2007.

### 20. Stocks

<b>31.3.2006</b>		<b>31.3.2007</b>
<b>£000s</b>		<b>£000s</b>
55	Works Depot	57
23	Leisure Centres	-
3	Drawing Office	3
8	Postage	6
10	Printing Materials	10
99		76

## SECTION 4. NOTES TO THE CORE FINANCIAL STATEMENTS

### 21. Debtors

<b>31.3.2006</b>		<b>31.3.2007</b>
<b>£000s</b>		<b>£000s</b>
980	Government departments	1,696
741	Other local authorities	570
2,802	Sundry debtors	2,345
67	Housing Rents	51
-	NNDR Pool Debtor	354
1,145	Council tax payers	1,118
571	Business ratepayers	534
<b>6,306</b>		<b>6,668</b>
	Provision for bad debts:	
(474)	General Fund	(427)
	Collection Fund	
(356)	Council tax	(448)
(189)	Business rates	(195)
<b>5,287</b>	<b>Totals</b>	<b>5,598</b>

### 22. Temporary Investments

The investments detailed below represent the amount of cash surplus to the Council's day to day requirements:

<b>31.3.2006</b>		<b>31.3.2007</b>
<b>£000s</b>		<b>£000s</b>
-	Local authorities	-
22,775	Banks and other monetary sector	21,355
<b>22,775</b>	<b>Total</b>	<b>21,355</b>

## SECTION 4. NOTES TO THE CORE FINANCIAL STATEMENTS

### 23. Creditors

<b>31.3.2006</b> <b>£000s</b>		<b>31.3.2007</b> <b>£000s</b>
267	Inland Revenue	261
478	Other Government departments	542
163	Other local authorities	309
1,989	Sundry creditors	2,438
901	Council taxpayers	625
159	Business ratepayers	288
314	NNDR Pool	-
<b>4,271</b>		<b>4,463</b>

### 24. Provisions

No provisions were required in 2006/07 or 2005/06.

### 25. Contingent liabilities

- 1) The transfer of the Council's housing stock in March 1999 resulted in a capital receipt of some £42m. As the stock transfer had to take place over a very short timescale, wide warranties were given to South Hams Housing (now Tor Homes) on staffing, environmental and other issues, (for example in relation to the existence of contaminated land, subsidence, etc.). The purpose of these warranties is to safeguard the housing company if any of the main assumptions on which the transfer price was calculated, turn out to be different in reality. Any liabilities that do arise will be funded from the Council's general reserves. Unfortunately, owing to the uncertainties surrounding any potential claim, it is not practicable to make an estimate of the total value of liabilities (if any).
- 2) During 1992 the Council's insurers, Municipal Mutual Insurance Ltd (MMI) ceased accepting new business or renewing policies as they expired due to a lack of sufficient solvency to meet the Department of Trade and Industry's requirements. Whilst the Council has insured elsewhere from 1 June 1993, it had a number of outstanding claims with MMI and arrangements are in place for the orderly settlement of the sums due. A contingent liability exists in that it is possible that if at some time in the future the Directors of MMI cannot foresee the conclusion of such orderly settlement, the company would invoke a Scheme of Arrangement with its major creditors, one of which is this Council. Should the Scheme of Arrangement be invoked the Council's maximum exposure to loss would be £118,608. It remains the view of the Directors of MMI, that based on

## SECTION 4. NOTES TO THE CORE FINANCIAL STATEMENTS

all of the information known to them at 28 October 2006, it is unlikely that a Scheme of Arrangement will need to be invoked.

- 3) The opening of Dartmouth Leisure Centre coupled with the delay in the transfer of the Council's leisure centres increased the amount of VAT which counted towards a technical VAT accounting ("partial exemption") limit. This situation adversely influenced the Council's VAT position for the financial year 2004/05. The matter has been referred to HM Revenue & Customs for an interpretation as to whether the limit has been exceeded. If so, the Council could face a VAT liability of approximately £115,000 payable to HM Revenue & Customs.
- 4) The Council has established the Local Plan Reserve to support the development of the planning policy framework for the District. The Reserve stands at approximately £1,800,000. Profiling of anticipated expenditure between 2005/06 and 2010/11 suggests that the reserve could be fully committed by March 2011. Events are unfolding which may require us to reconsider the pressure on the reserve in order to cover additional expenditure. This would include two possible developments:
  - a statutory appeal to the High Court against the Inspector's Report on the Sherford Area Action Plan (AAP)
  - the determination of either or both of two applications received in respect of the Sherford development by an inspector at a full public inquiry rather than determination by a Development Control Committee.

Both of these possible developments would involve significant legal costs (internal and external) professional advice and internal officer time. The potential financial implications are at this stage difficult to determine, but could have a major impact on the reserve.

### 26. Analysis of net assets employed

31.3.2006 £000s		31.3.2007 £000s
61,283	General Fund	61,792
660	Salcombe Harbour	721
721	Collection Fund	950
<b>62,664</b>	<b>Total</b>	<b>63,463</b>

### 27. Post balance sheet events

None.

## SECTION 4. NOTES TO THE CORE FINANCIAL STATEMENTS

### 28. Summary introduction to movements on Reserves

The Council keeps a number of reserves in the Balance Sheet. Some are required to be held for statutory reasons, some are needed to comply with proper accounting practice and others have been set up voluntarily to earmark resources for future spending plans.

	Balance 1 April 2006 £000s	Net Movement in Year £000s	Balance 31 March 2007 £000s	Purpose of Reserve	Further Detail of Movements
Fixed Asset Restatement Account	(5,793)	1,846	(3,947)	Store of gains on revaluation of fixed assets	See note 29
Capital Financing Account	54,619	280	54,899	Store of capital resources set aside to meet past expenditure	See note 30
Usable Capital Receipts	10,585	(461)	10,124	Proceeds of fixed asset sales available to meet future capital investment	See note 31
Deferred Capital Receipts	8	(6)	2	Principal outstanding on mortgages	See note 31
Pensions Reserve	(7,500)	(180)	(7,680)	Balancing account to allow inclusion of Pensions Liability in the Balance Sheet	See note 37
Earmarked Reserves	6,336	(9)	6,327	Set up to provide funds for future liabilities and expenditure in specific service areas.	See note 32
Balances	3,688	(900)	2,788	Available to meet contingencies and other budget pressures in any service area	See note 32
<b>Total</b>	<b>61,943</b>	<b>570</b>	<b>62,513</b>		

## **SECTION 4. NOTES TO THE CORE FINANCIAL STATEMENTS**

### **29.Fixed Asset Restatement Account.**

The system of capital accounting introduced in 1994/95 required the establishment of the Fixed Asset Restatement Account. The balance represents the difference between the valuation of assets under the previous system of capital accounting and subsequent revaluations, adjustments and disposals. The account will be written down in each year by the net book value of assets as they are disposed of and debited or credited with the deficits or surpluses arising on future revaluations.

The movements on the Fixed Asset Restatement Account 2006/2007 are shown below:

	<b>2006/07 £000s</b>
Gains/(losses) on revaluation and restatement of fixed assets	2,376
Impairment losses on fixed assets due to general changes in prices	-
<b>Total increase/(decrease) in unrealised capital resources in 2006/2007</b>	<b>2,376</b>
<b>Amounts written off fixed asset balances for disposals in 2006/2007</b>	<b>(530)</b>
<b>Net movement in year</b>	<b>1,846</b>

## **SECTION 4. NOTES TO THE CORE FINANCIAL STATEMENTS**

### **30. Capital Financing Account**

The Capital Financing Account (CFA) contains the amounts which were previously required by statute to be set aside from capital receipts for the repayment of external loans and the amount of capital expenditure financed from revenue and capital receipts. It also contains the difference between amounts provided for depreciation and that required to be charged to revenue to repay the principal element of external loans. Capital finance regulations which are now in force abolished the requirement to set aside a proportion of capital receipts.

The table which follows shows the contributions to and from the Capital Financing Account:

	<b>2006/2007 £000s</b>
<b>Contributions to the Capital Financing Account</b>	
Capital expenditure financed from capital receipts	1,300
Capital expenditure financed from revenue	394
<b>Contributions from the Capital Financing Account</b>	
Depreciation charged to revenue accounts	(1,296)
Amortisation of intangible fixed assets	(233)
Less: deferred grants written down	371
Commutation adjustment	(32)
Deferred charges (net of capital grant)	(224)
<b>Net movement in year</b>	<b>280</b>

## SECTION 4. NOTES TO THE CORE FINANCIAL STATEMENTS

### 31. Capital Receipts/Deferred Capital Receipts

#### Usable capital receipts

Capital Receipts received in the year are available to finance new capital expenditure.

#### Deferred capital receipts

Deferred capital receipts are amounts derived from sales of assets which will be received in instalments over an agreed period of time. They arise principally from mortgages on Council house sales. Only after the 'Mortgagor' has repaid the principal will the Council be able to utilise this as a true capital receipt.

	<b>Usable capital receipts</b>	<b>Deferred capital receipts</b>
	<b>£000s</b>	<b>£000s</b>
Amounts received in 2006/2007	834	
Principal repaid in 2006/2007	6	(6)
Contribution to housing capital receipts pool	(1)	
Amounts applied to finance new capital investment in 2006/07	(1,300)	
<b>Net movement in year</b>	<b>(461)</b>	<b>(6)</b>

## SECTION 4. NOTES TO THE CORE FINANCIAL STATEMENTS

### 32. The Authority's revenue reserves

As a matter of prudence the Council has set aside various amounts to cover future liabilities and items of expenditure. These reserves are set out below:

	31.03.06	Applications	Contributions	31.03.07
	£ 000	£ 000	£ 000	£ 000
<b>EARMARKED RESERVES</b>				
<b>General Fund</b>				
Affordable Housing	417	-	215	632
Drawing Office	10	-	-	10
Strategic Issues	384	(216)	61	229
Community Parks and Open Spaces	98	(48)	17	67
Economic Regeneration & anti-social behaviour	19	(5)	24	38
Pension Fund Strain	86	(215)	129	0
Repairs and Maintenance	366	(224)	130	272
Land and Development	328	(83)	110	355
Ferry Repairs and Renewals	404	(31)	25	398
Economic Initiatives	210	(40)	280	450
Vehicles and Plant Renewals	343	(226)	324	441
Pay and Display Equipment	45	-	20	65
Print Equipment	107	(1)	5	111
ICT Development	684	(111)	54	627
Sustainable Waste Management	165	-	106	271
Community Grants	78	(62)	45	61
Staff Training and Development	10	(10)	-	-
District Elections	46	(7)	10	49
Beach Safety	33	(7)	-	26
Planning (Local Plans)	2,043	(489)	250	1,804
Building Control	117	(113)	18	22
Section 106 agreements	45	-	-	45
<b>Sub Total</b>	<b>6,038</b>	<b>(1,888)</b>	<b>1,823</b>	<b>5,973</b>
<b>Specific Reserves – Salcombe Harbour</b>				
Pontoons	23	(5)	11	29
Harbour Renewals	132	-	34	166
General Reserve	138	-	16	154
<b>Sub Total</b>	<b>293</b>	<b>(5)</b>	<b>61</b>	<b>349</b>
<b>Trust and Bequest</b>	<b>5</b>	<b>-</b>	<b>-</b>	<b>5</b>
<b>TOTAL - Earmarked Revenue Reserves</b>	<b>6,336</b>	<b>(1,893)</b>	<b>1,884</b>	<b>6,327</b>
<b>GENERAL RESERVES</b>				
General Fund – Working Balance	750	-	-	750
General Fund – Contingency (see note)	118	-	-	118
General Fund – Accumulated Surplus	2,679	(809)	-	1,870
Trading Account Surpluses	141	(243)	152	50
<b>TOTAL – General Reserve</b>	<b>3,688</b>	<b>(1,052)</b>	<b>152</b>	<b>2,788</b>
<b>TOTAL REVENUE RESERVES</b>	<b>10,024</b>	<b>(2,945)</b>	<b>2,036</b>	<b>9,115</b>

## SECTION 4. NOTES TO THE CORE FINANCIAL STATEMENTS

### 33. Trusts and Bequests

These are funds which are held on trust for specified purposes in which the Council has an interest but do not strictly form part of the Council's finances. They are invested by the Council as trustee. Details are as follows:

	<b>Balance 1.4.06 £</b>	<b>Balance 31.3.07 £</b>
<b>Hendra Bequest</b>		
Represents a sum bequeathed to the council for the upkeep of land maintained by the council on behalf of the general public. Interest on the investment is transferred to the open spaces budget to support the annual costs of maintenance.	4,656	4,656

### 34. Capital Contributions Unapplied

These represent grants and contributions received in advance of matching to new capital investment. The majority of the balance on this account relates to Section 106 deposits for which further information is provided in Note 35.

	<b>2006/2007 £000s</b>
Amounts received	1,911
Amounts applied to finance new capital investment	(1,174)
<b>Net movement in year</b>	<b>737</b>

## SECTION 4. NOTES TO THE CORE FINANCIAL STATEMENTS

### 35. Section 106 Receipts

Section 106 receipts are monies paid to the Council by developers as a result of the grant of planning permission where works are required to be carried out or new facilities provided as a condition of that permission. The sums are restricted to being only spent in accordance with the agreement concluded with the developer. Any unspent amounts are held in the Balance Sheet in the Capital Contributions Unapplied Account and are as follows:

Site	31.03.2006 £000s	Income £000s	Expenditure £000s	31.03.2007 £000s
Langage Energy Centre	432	138	(10)	560
Motor Inn, Kingsbridge	83			83
Ferryman's Table, Hillhead	97			97
Methodist Church Site, Salcombe	85		(84)	1
Lee Mill	244		(5)	239
Grosvenor House, Ivybridge	230			230
Penn Torr, Salcombe	84			84
Sandquay Rd, Dartmouth	-	265		265
Inglewood, Kingswear	-	21		21
Fleet House Stables, Ermington	-	35		35
Old Mill Lane, Dartmouth	-	30		30
<b>TOTAL</b>	<b>1,255</b>	<b>489</b>	<b>(99)</b>	<b>1,645</b>

### 36. Government Grants Deferred

The balance on this account represents the value of capital grants and contributions which have been applied to finance the acquisition or enhancement of fixed assets. The balance is written-down to revenue based upon the depreciation policy adopted for the assets in question.

	2006/2007 £000s
Grants applied to finance capital investment	227
Amounts written-down to the Income and Expenditure Account	(371)
<b>Net movement in year</b>	<b>(144)</b>

## **SECTION 4. NOTES TO THE CORE FINANCIAL STATEMENTS**

### **37. Retirement Benefits**

#### The Pension Scheme

The disclosures below relate to the Devon County Council Pension Fund (the Fund) which is part of the Local Government Pension Scheme and certain unfunded arrangements where indicated. South Hams District Council participates in the Fund which provides defined benefits, based on members' final pensionable salary.

The contribution rate in any one year is determined by the Fund's actuary based on triennial actuarial valuations. The rate of 9.6% applicable for 2006/2007 is based on the actuarial valuation of the fund as at 31 March 2004.

In 2006/2007, the Council paid an employers' normal contribution of £870,000 (£845,000 in 2005/2006) into the pension fund.

In addition, the Council is responsible for all pension payments relating to added years it has awarded, together with related increases. In 2006/2007 these amounted to £340,000 (£352,000 in 2005/2006).

**Further information can be found in Devon County Council Pension Fund's Annual Report which is available upon request from Devon County Council, County Hall, Exeter, EX2 4QJ.**

In accordance with Financial Reporting Standard No. 17 – Retirement Benefits (FRS 17) disclosures of certain information concerning assets, liabilities, income and expenditure relating to pension schemes is required.

## SECTION 4. NOTES TO THE CORE FINANCIAL STATEMENTS

### Transactions Relating to Retirement Benefits

The implementation of FRS17 requires that the cost of retirement benefits is recognised in the net cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge made against council tax is based on the cash payable in the year, so the real cost of retirement benefits is reversed out in the Statement of Movement in the General Fund Balance. The following transactions have been made in the Income and Expenditure Account and Statement of Movement in the General Fund Balance during the year.

	2005/06 £000s	2006/07 £000s
<b>Net Cost of Services</b>		
current service cost	1,590	1,800
past service costs	90	160
<b>Net Operating Expenditure</b>		
interest cost	3,190	3,330
expected return on assets in the scheme	(3,370)	(3,930)
<b>Net Charge to the Income and Expenditure Account</b>	1,500	1,360
<b>Statement of Movement in the General Fund Balance</b>		
reversal of net charges made for retirement benefits in accordance with FRS 17	(1,500)	(1,360)
<b>Actual amounts charged against the General Fund Balance for pensions in the year</b>		
employer's contributions payable to scheme	1,150	1,230

### **Pension fund assets and liabilities**

The latest actuarial valuation of the Devon County Council Pension Fund took place on 31 March 2004. The principal assumptions used by the independent qualified actuaries in updating the latest valuations of the Fund for FRS 17 purposes were:

## SECTION 4. NOTES TO THE CORE FINANCIAL STATEMENTS

### Main financial assumptions

	<b>31.3.06</b>	<b>31.3.07</b>
	<b>% pa</b>	<b>% pa</b>
Inflation	3.0	3.2
Rate of increase in salaries	4.5	4.7
Rate of increase to pensions	3.0	3.2
Discount rate for scheme liabilities	3.0	3.2
Discount rate for pension cost	4.9	5.3

The market value of the assets of the Devon County Council Pension Fund at 28 February 2007 was assessed at £2.14bn. The assets as at 31 March 2007 have been estimated using index returns between 28 February 2007 and 31 March 2007. The asset values used as at the accounting date are set out below:

	<b>Long-term rate of return expected at 31 March 2006 (% p.a.)</b>	<b>Value at 31 March 2006 (£ M)</b>	<b>Long-term rate of return expected at 31 March 2007 (% p.a.)</b>	<b>Value at 31 March 2007 (£ M)</b>
Equities	7.3	1359.27	7.7	1493.51
Property	6.3	191.80	6.7	216.86
Government bonds	4.3	296.00	4.7	299.00
Corporate bonds	4.9	12.71	5.3	17.51
Other	4.6	111.70	5.6	152.64
<b>Total</b>	<b>6.6</b>	<b>1,971.48</b>	<b>7.0</b>	<b>2,179.52</b>

### Funding Position for South Hams District Council (SHDC)

	<b>As at 31.3.06 Value (£m)</b>	<b>As at 31.3.07 Value (£m)</b>
Share of assets	60.65	63.79
Estimated funded liabilities	(65.11)	(68.35)
Estimated unfunded liabilities (see note)	(3.04)	(3.12)
<b>SHDC surplus/ (deficit) in the scheme</b>	<b>(7.50)</b>	<b>(7.68)</b>

Readers should be aware that the deficit revealed above is based upon a snapshot of assets and liabilities at a given point in time. Results under the FRS 17 reporting standard can change dramatically depending on market conditions. The liabilities are linked to AA-rated corporate bonds whereas the majority of assets of the Fund are invested in equities. This will lead to volatility in the net pension asset on the balance sheet.

## SECTION 4. NOTES TO THE CORE FINANCIAL STATEMENTS

### Analysis of movement in deficit during the year

	<b>For year ending 31 March 2007 (£m)</b>
Surplus (deficit) in scheme at beginning of the year	(7.50)
Contributions	1.23
Current service cost	(1.80)
Past service costs	(0.22)
Curtailments/settlements	0.06
Other finance income	0.60
Actuarial gain (loss)	(0.05)
<b>Surplus (deficit) in scheme at year end</b>	<b>(7.68)</b>

### 38. Pensions reserve – actuarial gains & losses

The actuarial gain identified as movements on the Pensions Reserve in 2006/07 can be analysed into the following categories, measured as absolute amounts and as a percentage of assets or liabilities at 31 March 2007.

	2002/03		2003/04		2004/05		2005/06		2006/07	
	£m	%	£m	%	£m	%	£m	%	£m	%
Differences between the expected and actual return on assets	(9.13)	14.2%	5.390	14.2%	2.130	4.3%	8.47	14.0%	0.58	0.9%
Differences between actuarial assumptions about liabilities and actual experience	0.19	(0.1%)	(0.04)	(0.1%)	(1.00)	(1.7%)	(0.01)	0.0%	(0.16)	(0.2%)
Changes in the demographic and financial assumptions used to estimate liabilities	(0.03)	0.2%	0.10	0.2%	(12.48)	(20.8%)	(4.61)	(6.8%)	(0.47)	(0.7%)
<b>TOTAL ACTUARIAL GAIN/(LOSS)</b>	<b>(8.97)</b>		<b>5.45</b>		<b>(11.35)</b>		<b>3.85</b>		<b>(0.05)</b>	

## SECTION 4. NOTES TO THE CORE FINANCIAL STATEMENTS

### 39. Reconciliation between the net deficit on the Income and Expenditure Account and the revenue activities net cash flow

The deficit on the Income and Expenditure Account includes transactions which do not result in cash flows. The following table identifies these transactions and reconciles the Income and Expenditure Account deficit with the actual net revenue cash flows shown in the cash flow statement.

2005/2006 £000s		2006/2007 £000s
851	<b>Net deficit on the Income and Expenditure Account</b>	1,754
(1,072)	Net additional amount required by statute and non-statutory proper practices to be credited to the General Fund Balance for the year	(1,593)
(221)	(Increase)/decrease in General Fund Balance	161
(185)	(Surplus) per Collection Fund	(229)
1,290	Add: Investment income received	1,318
	<b>Non cash transactions</b>	
(379)	Contributions to/ (from) reserves	362
	<b>Items accounted for on an accruals basis</b>	
1,466	Increase/(decrease) in Debtors	288
(129)	Decrease/(Increase) in Creditors	(301)
5	(Decrease)/Increase in Stock	(23)
<b>1,847</b>	<b>Net cash outflow from revenue activities</b>	<b>1,576</b>

*Debtors and creditors exclude capital debtors and creditors which are shown under capital transactions in the cash flow statement.*

### 40. Analysis of Cash

	31.3.2006 £000s	31.3.2007 £000s	Movement £000s
Cash/(Overdraft)	(884)	55	939

## SECTION 4. NOTES TO THE CORE FINANCIAL STATEMENTS

### 41. Analysis of Government grants

2005/2006 £000s		2006/2007 £000s
<b>Revenue - DWP Grant for Benefits</b>		
13,443	Re. Rent Allowance Payments (Private Dwellings)	13,724
413	Re. Non HRA Rent Rebates (Leased Properties)	439
<b>13,856</b>	<b>Sub total:</b>	<b>14,163</b>
<b>Revenue - Other</b>		
4,156	DWP - council tax benefit	4,817
489	DWP - benefits administration allowance	636
239	DWP - benefits technical projects	202
173	DCLG - NNDR Administration Grant	182
110	European grants - environmental initiatives etc.	72
283	Other benefit and Housing Grants	179
47	Home Office Grant – Community Safety	42
102	DEFRA - environmental funding	69
60	DCLG - re. loan charges etc.	58
472	DCLG - Devon Improvement Programme	594
271	DCLG – Planning Delivery etc.	378
	- Dept. of Constitutional Affairs – elections	8
	- Dept. of Health – “Smoke Free” regulations	7
30	Devon County Council – Torr Quarry	49
3	Other	7
<b>6,435</b>	<b>Sub total:</b>	<b>7,300</b>
<b>Capital Grants</b>		
179	DCLG - Disabled Facilities Grants	202
150	DCLG Grant – Local Government on-line	-
222	DCLG - Planning Delivery	25
	- DCLG - Regional Housing Pot	553
25	South West Water – Torcross etc.	-
77	Devon County Council – Torr Quarry	77
747	Devon County Council – 2 <sup>nd</sup> homes council tax	414
383	DEFRA – environmental & other funding	-
18	ERDF – Admirals Court	63
43	ERDF – environmental initiatives etc	-
138	Life into Landscape – HLF/BTCV etc	163
	- Other	19
<b>1,982</b>	<b>Sub total:</b>	<b>1,516</b>
<b>22,273</b>	<b>Total</b>	<b>22,979</b>

**42. Liquid resources** – Liquid resources include investments held with banks, building societies and loans to other local authorities.

## SECTION 5. COLLECTION FUND

This statement shows the transactions of the Council as the charging authority in relation to the Council Tax, and how these have been distributed between the Council's General Fund and other precepting authorities. It also summarises the transactions relating to the collection of business rates on behalf of the Government, which are held in a national pool. The total amount held in that pool is re-distributed to local authorities on the basis of population.

2005/2006 £000s	Notes	2006/2007 £000s
<b>Income</b>		
(42,337) Council Tax	1	(44,815)
(4,512) Council Tax Benefits		(4,694)
(18,466) Business Rates	2	(18,732)
1,940 Less: Transitional Relief / (Surcharge)		904
<b>(63,375)</b>		<b>(67,337)</b>
<b>Expenditure</b>		
Precepts and Demands		
34,314 <i>Devon County Council</i>		36,237
4,405 <i>Devon and Cornwall Police</i>		4,654
2,149 <i>Devon Fire Authority</i>		2,271
5,361 <i>South Hams District Council</i>		5,667
Business Rates		
16,230 <i>Payment to national pool</i>		17,476
173 <i>Costs of collection allowance</i>		182
Distribution of previous year's estimated surplus		
224 <i>Devon County Council</i>		223
28 <i>Devon and Cornwall Police</i>		29
14 <i>Devon Fire Authority</i>		14
34 <i>South Hams District Council</i>		35
Bad and doubtful debts		
Write Offs		
48 <i>Council Tax</i>		58
76 <i>Business Rates</i>		164
Provisions		
87 <i>Council Tax</i>		92
47 <i>Business Rates</i>		6
<b>63,190</b>		<b>67,108</b>
<b>(185)</b>	<b>MOVEMENT ON FUND BALANCE</b>	<b>(229)</b>

## SECTION 5. COLLECTION FUND

### 1. Council tax and council tax base

In 2006/2007, the Council's average Band D Council Tax was £1,317.15. The charge for each band is a ratio of band D. The 2006/2007 charges therefore were:

Band	Ratio to Band D	Council Tax (£)
Disabled A	5/9	731.75
A	6/9	878.10
B	7/9	1,024.45
C	8/9	1,170.80
D	1	1,317.15
E	11/9	1,609.85
F	13/9	1,902.55
G	15/9	2,195.25
H	18/9	2,634.30

These charges are before any appropriate discounts or benefits. The Council tax base, which is used in the tax calculation, is based on the number of dwellings in each band on the listing produced by the Listing Officer. This is adjusted for exemptions, discounts, disabled banding changes and appeals. The tax base estimate for 2006/2007 was 37,071.92 as calculated below.

Band	Dwellings per Valuation List	Adjustment for Disabled Banding Appeals, Discounts and Exemptions	Revised Dwellings	Ratio to Band D	Band D Equivalent
Disabled A	0	9.50	9.50	5/9	5.28
A	4,737.00	(912.05)	3,824.95	6/9	2,549.97
B	8,191.00	(1,036.40)	7,154.60	7/9	5,564.69
C	8,162.00	(871.15)	7,290.85	8/9	6,480.76
D	7,686.00	(446.80)	7,239.20	1	7,239.20
E	6,048.00	(509.70)	5,538.30	11/9	6,769.03
F	3,376.00	(238.85)	3,137.15	13/9	4,531.44
G	2,784.00	(253.40)	2,530.60	15/9	4,217.67
H	243.00	(36.45)	206.55	18/9	413.10
<b>Total</b>	<b>41,227.00</b>	<b>(4,295.30)</b>	<b>36,931.70</b>		<b>37,771.14</b>
					(755.42)
					56.20
<b>Tax base</b>					<b>37,071.92</b>

## **SECTION 5. COLLECTION FUND**

### **2. Rateable value**

The total non-domestic rateable value at 31 March 2007 was £49,972,400. This compares to £49,553,865 at 31 March 2006 (a revaluation year). The standard non-domestic rate multiplier was 43.3p in 2006/07 (2005/06: 42.2p). Without reliefs this would generate a total income of £21,638,049.20 (2005/06 £20,911,731.03). These figures are a snapshot only and differ from the value of NNDR bills issued due to changes in rateable values during the year, small business rate relief, void properties and charitable relief.

### **3. Collection fund balance**

<b>2005/2006</b> <b>£000s</b>		<b>2006/2007</b> <b>£000s</b>
(536)	Fund balance at 1 April	(721)
(185)	(Surplus) / Deficit for year	(229)
<b>(721)</b>	<b>Fund balance as at 31 March</b>	<b>(950)</b>

## **SECTION 6. 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 Strategic Director (Resources)
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets
- approve the Statement of Accounts

### ***Responsibilities of the Strategic Director (Resources)***

The Strategic Director (Resources) 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 ('the Code of Practice').

In preparing this Statement of Accounts, the Strategic Director (Resources) 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 Strategic Director (Resources) has also:

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

The Statement of Accounts presents fairly the financial position of the authority at the accounting date and its income and expenditure for the year ended 31 March 2007.

M R Seymour  
BSc (Econ) CPFA  
Strategic Director (Resources)

28 June 2007

Cllr RJ Carter  
Chairman of Council

28 June 2007

## **SECTION 7. STATEMENT ON INTERNAL CONTROL**

### **1. SCOPE OF RESPONSIBILITY**

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

In discharging this overall responsibility, South Hams District Council is also responsible for ensuring that there is a sound system of internal control which facilitates the effective exercise of South Hams District Council's functions and which includes arrangements for the management of risk.

### **2. THE PURPOSE OF THE SYSTEM OF INTERNAL CONTROL**

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can, therefore, only provide reasonable and not absolute assurance of effectiveness.

The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of South Hams District Council's policies, aims and objectives; evaluate the likelihood of those risks being realised and the impact should they be realised; and to manage them efficiently, effectively and economically.

The system of internal control has been in place at South Hams District Council for the year ended 31<sup>st</sup> March 2007 and up to the date of approval of the annual report and accounts.

### **3. THE INTERNAL CONTROL ENVIRONMENT**

The key elements of the internal control environment include:

#### **The Council's Objectives**

The Council has established its Aim, Priorities and Commitments and these are published annually in the Council's Performance Plan.

The Performance Plan also sets out the measures of achievement for each priority, as well as the progress with targeted objectives.

All reports to members, and Service Plans produced annually by managers, link service priorities to the overall objectives of the Council. The officer appraisal process disseminates these priorities into personal objectives and targets.

## **SECTION 7. STATEMENT ON INTERNAL CONTROL**

### **Policy and Decision Making**

Policy and decision making is facilitated by the following:

- Delegation of powers to specific member bodies in the Council's Constitution;
- The stating of member and officer roles within the Constitution;
- National and local Codes of Conduct for Members and Officers;
- A formally adopted Scheme of Delegation to named officers;
- A Policy Panel made up of the Chairs of the Policy Development Group and Scrutiny, as well as the Leader of the Council, reviews policies and produces the Council's Policy Development and Review Programme. The Programme sets out, for each policy, details of the Member Group to review or develop the policy and the approval required; and
- The principles of decision making are set out in the Council's Constitution.

### **Compliance with Established Policies**

Compliance with established policies, procedures, laws and regulations is the responsibility of all officers and members.

Ensuring that established policies, procedures, laws and regulations are complied with is the responsibility of nominated statutory officers, the Monitoring Officer and S151 Officer, as laid down in the Council's Constitution.

The Council has also adopted a Local Code of Corporate Governance. The Code defines how the principles that underpin good governance - openness and inclusivity, accountability and integrity – are reflected in the dimensions of the Council's business, and is reviewed annually.

### **Risk Management**

The Council has a number of mechanisms in place that help it to identify and control risk including:

- A Risk Management Strategy that defines risk and identifies the process for ongoing risk management and the responsibilities of the various stakeholders in the risk management process;
- A Risk Management Group meeting regularly, a group of officers responsible for the implementation of the strategy and provide information and training to promote RM;
- Strategic and Operational Risk Registers which list the key risks to the Council rated by likelihood and impact, loaded into the performance management system;
- A processes developed for updating the Registers with emerging risks;
- A review by the Council's insurers of the Council's approach to the identification of corporate and departmental risks;
- Identification by service managers of their key operational risks in their service plans;
- Risk management training for officers and members;
- Risk identification workshops undertaken for key projects; and
- A risk assessment included in all reports to member bodies.

## **SECTION 7. STATEMENT ON INTERNAL CONTROL**

### **Economic, Effective and Efficient Use of Resources**

The Council ensures that its resources are utilised in the most effective, efficient and economic manner in order to deliver continuous improvement in all functions through:

- A programme of service reviews and updates, which look closely at and challenge service provision and delivery and discharges the Government's Best Value requirements for the Council, compares with the performance of the best, consults with those who have an interest and ensures competitiveness in all aspects;
- Annual planning and review of services by service teams; and
- Self assessment – using the Use of Resources checklist supplied by the Audit Commission.

### **Financial Management**

The financial management of the authority and the reporting of financial management include:

- Comprehensive budgeting systems set targets to measure financial performance;
- A medium-term financial plan covering both revenue and capital spend which provides a framework for the planning and monitoring of resource requirements;
- Annual budget setting process involving officers and members enables priorities and ambitions to be prioritised through a bids and reductions approach;
- Financial performance is reported to the Executive four times per year, and is considered regularly by the Strategic Management Team;
- Regular reports to managers and accountancy staff indicate actual expenditure against targets;
- The Council's adopted codes of practice in relation to treasury management for investments, and for capital finance and accounting (the Prudential Regime);
- Clearly defined capital expenditure guidelines (Standing Orders) and Financial Regulations that are contained within the Council's Constitution and the linked working level document. These set out the overall framework that governs the management of the Council's finances; and
- Self assessment – using the Use of Resources checklist supplied by the Audit Commission.

### **Performance Management**

The performance management of the authority and its reporting includes:

- A range of national and local performance statistics, collected across all services, and compared with other councils using figures collected nationally by the Office of the Deputy Prime Minister. The results are published annually in the Council's Performance Plan; and
- A number of key indicators, which are collected monthly through the year, with the results reported regularly to the Strategic Management Team and members.

## **SECTION 7. STATEMENT ON INTERNAL CONTROL**

### **Internal Audit**

As part of the system required to allow the Statement on Internal Control to be signed by the most senior member and officer of the Council, reviewed by the Audit Committee and approved by the Council, the head of internal audit must include an opinion of the adequacy and effectiveness of the control environment. Details of any weaknesses that qualify this opinion and issues relevant to the preparation of the SIC must also be disclosed.

***The Internal Audit Manager provided an opinion for 2006/07 to the Audit Committee in June 2007 that concluded that the Council's overall control environment is adequate and effective for the purposes of the Statement on Internal Control.***

The opinion is based on the work done against the annual risk based internal audit plan, which was approved by Scrutiny in April 2006.

### **Review of the Effectiveness of Internal Audit**

In accordance with legislation, the Council must maintain an adequate and effective system of internal audit of its accounting records and system of internal control in accordance with proper internal audit practices. It is required to conduct an annual review of the effectiveness of the system of internal audit as part of its wider annual review of the effectiveness of the system of internal control.

The Internal Audit section has therefore been assessed against the standards set out in the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice for Internal Audit in Local Government, as this is cited as proper practice in relation to Internal Audit.

The results of this review were satisfactory with the following issues highlighted for action in the financial year 2007/08:

<b>Issue</b>	<b>Action</b>
The Audit Manual 2006 does not include an audit strategy, i.e. a high level statement of how internal audit will be delivered and developed in accordance with the terms of reference and how it links to the organisational objectives and priorities	This will be included in the forthcoming review of the Audit Manual scheduled for 2007.
The Internal Audit Manager has established policies and procedures in an audit manual to guide staff in performing their duties and complying with the Code. The manual was updated early in 2006 based on the 2003 CIPFA Code of Practice for Internal Audit in Local Government. The manual therefore does not reflect any changes required by CIPFA's 2006 version of the Code.	The Audit Manual will be reviewed in 2007 to reflect the requirements of the 2006 CIPFA Code of Practice for Internal Audit in Local Government.

## **SECTION 7. STATEMENT ON INTERNAL CONTROL**

### **4. REVIEW OF EFFECTIVENESS OF THE SYSTEM OF INTERNAL CONTROL**

South Hams District Council has responsibility for conducting, at least annually, a review of the effectiveness of the system of internal control. The review of the effectiveness of the system of internal control is informed by the work of the internal auditors and the executive managers within the Council who have responsibility for the development and maintenance of the internal control environment, and also by comments made by the external auditors and other review agencies and inspectorates.

The process that has been applied in maintaining and reviewing the effectiveness of the system of internal control is summarised in the following table:

<b>Responsibility</b>	<b>Responsible Party</b>
<ul style="list-style-type: none"> <li>• Maintain a system of internal control.</li> <li>• Review system of internal control annually.</li> <li>• Evaluate assurance and conclude as to the independence and objectivity of the various sources of assurance before coming to an overall conclusion. This can be delegated to an appropriate member body to recommend approval, although approval remains with the Council.</li> <li>• Approve the Statement on Internal Control.</li> </ul>	<p>'The Relevant Body' - South Hams District Council</p>
<ul style="list-style-type: none"> <li>• Establish principal obligations and objectives, identify risks to these obligations and objectives and key controls to mitigate these risks.</li> <li>• Provide assurance through routine monitoring of internal controls as an integral part of the risk management process.</li> <li>• Regularly report on the operation of internal controls to elected members through the appropriate corporate management team.</li> </ul>	<p>Directors and Managers</p>
<ul style="list-style-type: none"> <li>• These statutory functions provide a key source of assurance that systems and procedures of internal control are in operation and effective.</li> </ul>	<p>S151 and Monitoring Officers</p>
<ul style="list-style-type: none"> <li>• Review the effectiveness of internal audit and include the results in the Statement on Internal Control;</li> <li>• Subject to complying with the Code of Practice for Internal Audit in Local Government, provide independent and objective assurance across the whole range of the Council's activities.</li> <li>• The annual internal audit report to the Council (Audit Committee) to include an opinion on the overall adequacy and effectiveness of the internal control environment, providing details of any weaknesses that qualify this opinion and issues relevant to the preparation of the Statement on Internal Control.</li> </ul>	<p>Internal Audit Manager</p>
<ul style="list-style-type: none"> <li>• Provide explicit assurance.</li> </ul>	<p>Risk Management Group External Auditor Other Review Agencies/Inspectorates</p>
<ul style="list-style-type: none"> <li>• Review the Statement at an early stage.</li> </ul>	<p>Head of Finance</p>
<ul style="list-style-type: none"> <li>• Approve SIC, if satisfied that it has obtained relevant and reliable evidence to support the disclosures.</li> </ul>	<p>Council or Delegated Member Body (Audit Committee)</p>

## SECTION 7. STATEMENT ON INTERNAL CONTROL

Consider the reviews of the S151 and Monitoring Officer on issues covered by statutory responsibilities. Recommend approval to the Council.	
<ul style="list-style-type: none"> <li>Following the recommendation by the Delegated Member Body to approve, sign the Statement on Internal Control.</li> </ul>	Leader and Chief Executive (as most senior member and officer)
<ul style="list-style-type: none"> <li>Publish the Statement on Internal Control with the Council's financial statements.</li> </ul>	Strategic Director (Resources)

A plan to address weaknesses identified and ensure continuous improvement of systems is in place.

### 5. SIGNIFICANT INTERNAL CONTROL ISSUES

Action plan to address weaknesses and ensure continuous improvement of systems:

Significant Issues Identified	Officer Responsible and Timescale
<p>The Council is embarking on a programme of shared services with Teignbridge District and West Devon Borough Councils.</p> <p>To ensure that this project is successful an action plan will need to be established, together with the relevant cost saving/sharing protocols and suitable governance arrangements.</p>	Strategic Director (Resources) 2007/08
<p>Delivery of the Sherford New Community is a high risk project. The Council is seeking to minimise the risks through: the appointment of external legal advisers; and, through the S.106 Agreement and other legal agreements.</p> <p>A specific risk is that the Area Action Plan (AAP), while found to be sound through independent examination, may be challenged by a developer who has publicly stated through an examination process that the Council has made procedural errors. The Inspector has not agreed but the risk remains.</p> <p>A team of dedicated officers continues to work on the project in partnership with Plymouth City and Devon County Councils.</p>	Head of Community Regeneration 2007/08
<p>A new waste collection methodology and related working practices were introduced and highlighted a number of areas of concern that also resulted in an overspend on the operational budget.</p> <p>The situation is being addressed by a working group which will oversee the project to reorganise the collection rounds in a more efficient and cost effective manner.</p> <p>The Audit Committee recommend a review of the management of change, in particular of the management of risk for this project.</p>	Strategic Management Team Head of Operations 2007/08

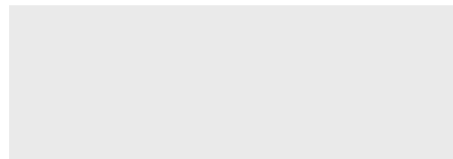
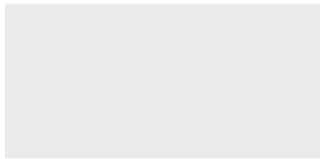
## SECTION 7. STATEMENT ON INTERNAL CONTROL

<p><i>Recruitment and Retention of Staff</i> The Council is at risk if the services of some key officers were lost to it. There has been difficulty retaining and recruiting the appropriate staff in certain critical areas e.g. Planning, Housing and Personnel.</p> <p><i>Single Status</i> The Council is undergoing a Single Status review, following a legally binding agreement between the Management and Trade Unions of the National Joint Council. It is essentially about the harmonisation of the terms and conditions on which different Council staff are employed, to ensure that they are both fair and non-discriminatory. The process includes job evaluation and a review of related policies and is ongoing.</p>	<p>Strategic Management Team Head of Personnel and Payroll 2007/08</p>
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## 6. CERTIFICATION

To the best of our knowledge the internal control environment, as defined above, has been effectively generated during the year.

Signed:



Date:

13 September 2007

13 September 2007

**David Incoll**  
Chief Executive

**Cllr. John Tucker**  
Leader of the Council

## **SECTION 8. AUDITORS' REPORT**

### ***Independent Auditors' Report to the members of South Hams District Council***

We have audited the financial statements of South Hams District Council for the year ended 31 March 2007 under the Audit Commission Act 1998. The financial statements comprise the Income and Expenditure Account, the Statement of Movement on the General Fund Balance, the Statement of Total Recognised Gains and Losses, the Balance Sheet, the Cash Flow Statement, the Collection Fund and the related notes. The financial statements have been prepared under the accounting policies set out within them.

### **Respective Responsibilities of the Chief Financial Officer and Auditors**

The Chief Financial Officer's responsibilities for preparing the financial statements in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2006 are set out in the Statement of Responsibilities for the Financial Statements.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (United Kingdom and Ireland).

This report, including the opinion, has been prepared for and only for South Hams District Council's members as a body in accordance with the Audit Commission Act 1998 and for no other purpose as set out in paragraph 36 of the Statement of Responsibilities of Auditors and of Audited Bodies, prepared by the Audit Commission. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements present fairly, in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2006, the financial position of the Council and its income and expenditure and the cash flows for the year.

We review whether the Statement on Internal Control reflects the Council's compliance with CIPFA's guidance "The Statement on Internal Control in Local Government: Meeting the Requirements of the Accounts and Audit Regulations 2003" published on 2 April 2004. We report if it does not comply with proper practices specified by CIPFA or if the statement is misleading or inconsistent with other information we are aware of from our audit of the financial statements. We are not required to consider whether the Statement on Internal Control covers all risks and controls. Neither are we required to form an opinion on the effectiveness of the Council's corporate governance procedures or its risk and control procedures.

## **SECTION 8. AUDITORS' REPORT**

We read the other information published with the financial statements and consider whether it is consistent with the audited financial statements. This other information comprises the explanatory foreword. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

The maintenance and integrity of South Hams District Council's website is the responsibility of the Council; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.


### **Basis of audit opinion**

We conducted our audit in accordance with the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission, which requires compliance with International Standards on Auditing (United Kingdom and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Council in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Council's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion, we evaluated the overall adequacy of the presentation of the information in the financial statements.

### **Opinion**

In our opinion the financial statements present fairly, in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2006, the financial position of South Hams District Council as at 31 March 2007 and its income and expenditure and cash flows for the year then ended.



PricewaterhouseCoopers LLP  
Bristol

18 September 2007

## **SECTION 8. AUDITORS' REPORT**

### **Conclusion on arrangements for securing economy, efficiency and effectiveness in the use of resources**

#### **Council's Responsibilities**

The Council is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to regularly review the adequacy and effectiveness of these arrangements.

Under the Local Government Act 1999, the Council is required to prepare and publish a best value performance plan summarising the Council's assessment of its performance and position in relation to its statutory duty to make arrangements to ensure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

#### **Auditors' Responsibilities**

We are required by the Audit Commission Act 1998 to be satisfied that proper arrangements have been made by the Council for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires us to report to you our conclusion in relation to proper arrangements, having regard to relevant criteria specified by the Audit Commission for principal local authorities. We report if significant matters have come to our attention which prevent us from concluding that the Council has made such proper arrangements. We are not required to consider, nor have we considered, whether all aspects of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

We are required by section 7 of the Local Government Act 1999 to carry out an audit of the Council's best value performance plan and issue a report:

- certifying that we have done so;
- stating whether we believe that the plan has been prepared and published in accordance with statutory requirements set out in section 6 of the Local Government Act 1999 and statutory guidance; and
- where relevant, making any recommendations under section 7 of the Local Government Act 1999.

#### **Conclusion**

We have undertaken our audit in accordance with the Code of Audit Practice and we are satisfied that, having regard to the criteria for principal local authorities specified by the Audit Commission and published in December 2006, in all significant respects, South Hams District Council made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2007.

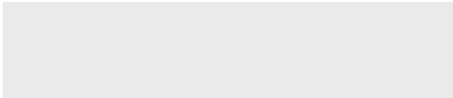
## **SECTION 8. AUDITORS' REPORT**

### **Best Value Performance Plan**

We issued our statutory report on the audit of the Council's best value performance plan for the financial year 2006/07 in October 2006. We did not identify any matters to be reported to the Council and did not make any recommendations on procedures in relation to the plan.

### **Certificate**

We certify that we have completed the audit of the financial statements in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.



PricewaterhouseCoopers LLP  
Bristol

18 September 2007

## **SECTION 9. GLOSSARY OF TERMS**

### **Accruals**

The concept that income and expenditure is accounted for as earned or incurred, not as money received or paid.

### **Capital Charges**

Charges made to service accounts for the use of assets. The charges consist of depreciation (where appropriate) and an interest charge.

### **Capital Expenditure**

Payments made for the acquisition or provision of assets, which will be of a long-term value to the Council, e.g. land and buildings.

### **Capital Financing Account**

This account contains the proportion of capital receipts and certain capital grants which had to be set aside under the Local Government and Housing Act 1989, for the redemption of debt. In addition, all capital financing transactions relating to the use of capital receipts, revenue contributions and reserves are credited to this account.

### **Capital Receipts**

Proceeds received from the sale of land, buildings and other assets.

### **Capital Receipts Deferred**

Money that is due under deferred purchase arrangements. This item consists mainly of Council House sales where the purchasers are buying their house with a mortgage from the Council. As the principal is repaid it becomes a true capital receipt.

### **Commutation Adjustment**

The commutation adjustment is an annual allowance to offset losses from the early repayment of improvement grant loan charges subsidy by the government in 1992/93.

### **Creditors**

Amounts owed by the Council for work done, goods received or services rendered but for which payment had not been made by the end of the year.

### **Debtors**

Sums of money due to the Council but unpaid at the end of the year.

### **Deferred Charges**

Represents expenditure that qualifies as capital expenditure, but does not result in the acquisition, creation or enhancement of a tangible fixed asset. Types of deferred charges include items such as improvement grants and grants to community organisations.

### **Finance Lease**

A finance lease is a lease that transfers substantially all the risks and rewards of ownership of an asset to the lessee.

## **SECTION 9. GLOSSARY OF TERMS**

### **Financial Reporting Standards (F.R.S.)**

Financial Reporting Standards are accounting standards developed by the Accounting Standards Board. They determine the standards adopted in the preparation and presentation of the Council's accounting records.

### **Fixed Assets**

Assets that yield benefits for a period of more than one year split into several categories:

**Operational Assets** - held, occupied, used or consumed in the direct delivery of those services for which the Council has either a statutory or discretionary responsibility e.g. offices, leisure centres, depots.

**Non-operational Assets** - held by the Council but not directly occupied, used or consumed in the direct delivery of services e.g. assets under construction, land awaiting development, investment properties. It should be noted that the incidence of rental income does not necessarily mean that the asset is an investment property; it would be deemed an investment property only if the asset is held for investment purposes and does not support the service or strategic objectives of the Council.

**Infrastructure Assets** - fixed assets which by their very nature cannot be sold and therefore expenditure can only be recoverable by continued use of the asset created e.g. coastal defences, highways, and land drainage.

**Community Assets** - assets which the Council intends to hold in perpetuity, that have no determinable finite useful life, and may have restrictions on their disposal e.g. parks, historic buildings.

### **Fixed Asset Restatement Account**

When an asset is revalued the difference between the valuation at the beginning of the year and the new valuation is credited (increase in valuation) or debited (decrease in valuation) to this Account.

### **Governments Grants Deferred Account**

This account collates certain government grants and other contributions received in relation to capital schemes. As assets to which these grants relate are depreciated, the corresponding amount is released from this account to the Income and Expenditure Account.

### **Intangible fixed assets**

Defined in FRS 10 as "non-financial fixed assets that do not have physical substance, but are identifiable and are controlled by the entity through custody or legal rights" Expenditure that falls into this category includes the purchase of computer software.

## **SECTION 9. GLOSSARY OF TERMS**

### **National Non- Domestic Rates (NNDR)**

Often referred to as business rates. A NNDR poundage is set annually by the Government, collected by local authorities and paid into a national pool. The proceeds are then distributed by Central Government as a grant to authorities in accordance with a government formula.

### **Operating lease**

An agreement in which the Council derives the use of an asset in exchange for rental payments, but where the risks and rewards of ownership are not transferred substantially.

### **Precept**

This is an amount levied by various bodies e.g. Devon County Council that is collected by this Council on their behalf.

### **Provisions**

Amounts set aside for the purposes of providing for any liability or loss which is likely or certain to be incurred but is uncertain as to the amount or the date on which it will arise e.g. bad debts.

### **Reserves**

Accounts available for meeting future planned expenditure, for example, vehicle replacement or unforeseen occurrences such as flooding or oil pollution

### **Revenue Contribution to Capital Outlay**

The financing of capital expenditure directly from revenue, rather than from loan or other sources.

### **Revenue Expenditure**

Expenditure on day-to-day expenses consisting mainly of employees, running expenses of buildings and equipment and capital financing costs.