

South Hams District Council

Statement of Accounts

2005/2006

(Subject to Audit)



**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.
2. The Statement of Accounting Policies summarises the framework within which the Council's accounts are prepared and published, and the contents pages include a brief explanation of each statement as a helpful reference. This foreword intends to give a general guide to the significant matters reported in the statements and provides a summary of the overall position.

REVIEW OF THE YEAR

The revenue budget

3. The main components of the General Fund budget for 2005/2006 and how these compare with actual income and expenditure are set out below:

	Estimate £000s	Actual £000s	Difference Cost/(Saving) £000s
Net cost of services	12,067	13,789	1,722
Parish precepts	1,132	1,132	-
Asset management revenue account	(2,689)	(1,959)	730
Interest and Investment income	(1,420)	(1,290)	130
Capital expenditure financed from revenue	-	818	818
Contributions to (from) revenue reserves	1,070	(430)	(1,500)
Contributions re Pensions	-	(530)	(530)
Contributions to (from) capital reserves	(171)	(1,489)	(1,318)
Amount to be met from government grants and taxation	9,989	10,041	52
<i>Financed from:</i>			
Government grants – Revenue Support Grant	(2,232)	(2,241)	(9)
Government grants – LABGI	-	(267)	(267)
Business rates	(2,361)	(2,358)	3
Surplus on collection fund	(34)	(34)	-
Council tax	(5,362)	(5,362)	-
Surplus	-	(221)	(221)

SECTION 1. EXPLANATORY FOREWORD

4. It is pleasing to note that effective budgetary control within the organisation, together with significant income beyond expectation, has generated a surplus of £221,000, which is less than 1% of the Council's gross turnover. This surplus is derived from a large number of income and expenditure variations, but the main differences from budget can be summarised as follows:

ANALYSIS OF VARIATIONS	£000
Increases in expenditure/reductions in income	
Leisure Centres – delay in transfer	149
Reduction in investment income arising from capital contribution made to pension fund	130
Recycling – expansion of kerb side collection scheme and reduction in income	66
Redundancy costs etc. not funded from reserves	65
Land Charges – reduction in net income	42
Approved carry forwards from 2004/05	38
Car & boat parking - reduction in anticipated income	29
Development Control – increase in net costs	23
Dartmouth Ferry - reduction in anticipated income	19
Reductions in expenditure/additional income	
Receipt of Local Authority Business Growth Incentive Scheme (LABGI) grant	(267)
Liquor Licensing – net additional income	(136)
Benefits – improved recovery of overpayments and additional grant	(107)
Employment Estates – net additional income	(70)
Homelessness – reductions in costs/increased recovery of rents	(64)
Council Tax Collection – rate relief etc.	(44)
Homelessness – reduction in bad debt provision	(21)
Pollution Reduction - net additional income	(19)
Democratic Representation - Members' allowances etc.	(16)
Land & Investment Properties – net additional income	(14)
Environmental Initiatives – delay in net project spending	(13)
Pannier Markets – additional income	(11)
TOTAL SURPLUS	(221)

SECTION 1. EXPLANATORY FOREWORD

Capital spending

5. The Council spent £4.0m on capital projects. The main areas of expenditure were as follows:
 - waste management (purchase of vehicles and wheelie bins etc. for the introduction of the new collection/composting scheme)(£1.3m)
 - the provision of affordable housing in partnership with registered social landlords (£0.7m)
 - house renovation grants (£0.4m)
 - information technology (£0.3m)
 - environmental schemes (£0.3m)
 - industrial units (£0.2m)

Other matters that significantly affect the reported financial position

6. 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. The impact on the 2005/06 budget was the loss of identified savings of approximately £150,000. However, following a second tendering exercise the Council plans to transfer its leisure service in October 2006.

SECTION 1. EXPLANATORY FOREWORD

FINANCIAL NEEDS AND RESOURCES

7. 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.
8. **Revenue reserves** have decreased by £209,000 from the preceding year, and stand at £10.0m at 31 March 2006. Revenue reserves may be used to finance capital or revenue spending plans.
9. **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 £10.6m, is available to meet capital expenditure. However, the Fixed Asset Restatement and Capital Financing Accounts cannot be used to finance capital or revenue expenditure.
10. The use of capital reserves must be carefully judged against the impact on the Council's interest receipts and Council Tax.
11. 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 £7.5m at 31 March 2006. 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.
12. 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 employers contribution rates, and hence cashflows, which are calculated using actuarial assumptions spread over a number of years. This results in less volatility.
13. However, 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 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 Consolidated Revenue Account**

This account provides a statement of financial stewardship of the money received by the Council. It analyses the cost of services and the income those services generate and shows how the difference between the two is met by local tax payers and general Government grants.

- **The Consolidated 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.

- **The Statement of Total Movements in Reserves**

This statement brings together all the recognised gains and losses of the Council and identifies those that have not been shown in the Consolidated Revenue Account.

- **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.

- **Trading Operations**

This section provides a summary of the trading operations that operated under contracts successfully tendered for under the former Compulsory Competitive Tendering (CCT) legislation and other trading activities within the General Fund.

- **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.

SECTION 1. EXPLANATORY FOREWORD

- **Auditors' Opinion**

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

FURTHER INFORMATION

14. The following pages explain the Council's financial position in detail including further details of the Authority's activities, cashflows 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

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 2005: 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).

Please see also the separate note explaining how the Council accounts for debtors and creditors.

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 Consolidated 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. house renovation grants, grants to other parties to support expenditure for other purposes etc. Deferred charges are written off ("amortised") through the Consolidated Revenue Account in the year of expenditure. A contra-entry is made to the Capital Finance 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.

FIXED ASSETS (TANGIBLE)

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 levels 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

SECTION 2. STATEMENT OF ACCOUNTING POLICIES

balance sheet immediately prior to the latest (re-) valuation is credited or debited to the Fixed Asset Restatement Account as appropriate.

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 reserve.

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:

Asset	Useful life
Land and Buildings	Sixty years
Infrastructure	Twenty years
Vehicles	Seven years
Marine vessels	Fifteen years
IT equipment	Four years
Leisure equipment	Five years

g) Charges for the use of Fixed Assets

General fund service revenue accounts, central support services and trading accounts, including DSOs, are charged with a capital charge for all fixed assets used in the provision of the service. Such charges cover the annual provision for depreciation, where appropriate, plus a capital financing charge determined by applying a specified notional rate of interest to the net amount at which the asset is included in the balance sheet.

SECTION 2. STATEMENT OF ACCOUNTING POLICIES

However, in order to disclose the Authority's corporate net operating expenditure, capital charges to services need to be reversed out and replaced by depreciation. This reconciliation is performed in the Asset Management Revenue Account (see note 2 to the Consolidated Revenue Account below).

Net operating expenditure contains accounting entries that are not revenue-based and should not have an impact on the Council Tax. Consequently, after the disclosure of net operating expenditure, a second reconciliation is needed to reverse out non-revenue items (e.g. depreciation and amortised government grants deferred). This is accomplished in the line 'Contribution from Capital Financing Reserve' in the Consolidated Revenue Account.

h) Government Grants and Other Contributions

Revenue grants are accrued and credited to income in the same period in which the related expenditure was charged.

Grants and other contributions relating to fixed assets are credited to a Government Grants Deferred Account and released to revenue over the expected useful life of the asset. Thus, the related asset is recorded at its gross current value in the balance sheet, and the grant is written off to the Asset Management Revenue Account over the life of the asset, thereby matching the depreciation of the asset.

FIXED ASSETS (INTANGIBLE)

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.

GOVERNMENT GRANTS

In accordance with SSAP4, Government grants are accounted for on an accruals basis and income has been credited, in the case of revenue grants, to the appropriate revenue account. The treatment of Government grants for fixed assets is explained above.

GROUP ACCOUNTS

The 2005 SORP requires the preparation of group revenue account and balance sheets where local authorities have interests in subsidiaries, associated companies and joint ventures that are material. The Council has considered its arrangements it has with other bodies and is of the opinion that no requirement to produce group accounts currently exists.

SECTION 2. STATEMENT OF ACCOUNTING POLICIES

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.

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. Further costs arise in respect of certain pensions paid to retired employees on an unfunded basis.

The implementation of FRS17 accounting policies 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.

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.

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.

SECTION 2. STATEMENT OF ACCOUNTING POLICIES

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; the 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:

Cost	Basis of allocation
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

VALUE ADDED TAX

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

Section 3

Financial Statements

**SECTION 3A. CONSOLIDATED REVENUE ACCOUNT FOR THE YEAR ENDED
31 MARCH 2006**

Net Expenditure / (Income) 2004/2005 £000s		Notes	Year ending 31 March 2006		
			Gross Expenditure £000s	Gross Income £000s	Net Expenditure £000s
682	Central Services to the Public		5,979	(5,325)	654
3,126	Cultural and Related Services		3,613	(465)	3,148
4,376	Environmental Services		6,706	(1,717)	4,989
(1,190)	Highways, Roads and Transport Services		2,908	(3,967)	(1,059)
1,489	Housing Services		18,072	(16,498)	1,574
1,999	Planning and Development Services		4,644	(2,445)	2,199
2,057	Corporate and Democratic Core		2,154	(35)	2,119
605	Non Distributed Costs		165		165
7,500	Exceptional Non Distributed Costs - contribution towards pension fund deficit	1			-
20,644	Net cost of services				
1,018	Parish Council Precepts		1,132		1,132
(1,713)	Asset Management Revenue Account	2		(1,959)	(1,959)
-	Contribution of housing capital receipts to Government Pool		5		5
(1,683)	Interest and Investment Income			(1,290)	(1,290)
(30)	Pensions Interest and Return on Assets			(180)	(180)
18,236	Net operating expenditure		45,378	(33,881)	11,497
470	Contributions to / (from) earmarked reserves				(430)
-	Transfer from Usable Capital Receipts equal to the contribution to Housing Pooled Capital Receipts				(5)
342	Capital expenditure financed from revenue	3			818
(8,999)	Contribution from capital financing account	3			(1,489)
(744)	Contributions to / (from) pensions reserve				(350)
9,305	Amount to be met from government grants and local taxation				10,041
(2,204)	Revenue Support Grant				(2,241)
(2,235)	Non-domestic rates redistribution				(2,358)
(5,051)	Demand on the Collection Fund				(5,362)
(33)	Transfer from Collection Fund in respect of previous year's surplus				(34)
	LAGBI Grant				(267)
(218)	Net General Fund (surplus)				(221)
(2,590)	Balance on General Fund brought forward				(2,708)
100	Transfer to Strategic Issues Reserve				250
(2,708)	Balance on General Fund (Accumulated Surplus) carried forward				(2,679)

SECTION 3B. CONSOLIDATED BALANCE SHEET AS AT 31 MARCH 2006

31 March 2005			Notes	31 March 2006	
£000s	£000s			£000s	£000s
404		Intangible Fixed Assets	16	660	
		Tangible Fixed assets	15		
		<i>Operational assets</i>			
43,050		- land and buildings		45,116	
2,304		- vehicles, plant furniture and equipment		3,128	
2,695		- infrastructure assets		2,718	
326		- community assets		321	
517		<i>Non-operational assets</i>		958	
	49,296	Total fixed assets			52,901
	259	Deferred Credits	17		182
	35	Long-term debtors			21
	<u>49,590</u>	Total long-term assets			<u>53,104</u>
		Current assets			
94		- stocks and work in progress	18	99	
3,885		- debtors	19	5,310	
22,920		- investments	20	22,775	
13		- cash and bank		(884)	
	<u>26,912</u>				<u>27,300</u>
	76,502	Total assets			80,404
		Current liabilities			
(3,971)		- creditors	21	(4,294)	
-		- provisions	22	-	
	<u>(3,971)</u>				<u>(4,294)</u>
	72,531	Total assets less current liabilities			76,110
		Long term liabilities			
	(11,000)	- pensions liability	24		(7,500)
	<u>61,531</u>	Total assets less liabilities	25		<u>68,610</u>
		Financed by:			
	(8,194)	Fixed asset restatement account	32		(5,793)
	54,254	Capital financing account	33		54,619
	1,140	Capital contributions unapplied	31/33		1,681
	3,492	Government grants deferred	31/33		4,265
	11,053	Usable capital receipts reserve	} 31		10,585
	17	Deferred capital receipts	} 31		8
	(11,000)	Pensions reserve	24/30		(7,500)
	6,446	Earmarked reserves	30/34		6,336
		Balances			
	2,708	- accumulated surplus	30/34		2,679
	868	- contingency/working balances	30/34		868
	211	- trading accounts	30/34		141
	536	- collection fund	34/42		721
	<u>61,531</u>	Total net worth			<u>68,610</u>

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Strategic Director (Resources)

Date

SECTION 3C. STATEMENT OF TOTAL MOVEMENTS IN RESERVES

The statement of total movements in reserves brings together all the recognised gains and losses of the Authority during the period and identifies those which have and have not been recognised in the Consolidated Revenue Account. This statement separates the movements between revenue and capital reserves.

	2005/2006 £000s	2005/2006 £000s	2004/2005 £000s
Surplus/(deficit) for year			
- General Fund	221		218
<i>Add back:</i>			
Movements on specific revenue reserves	(430)		470
Movement on collection fund balance	185		82
<i>Deduct:</i> Appropriation from pensions reserve	(350)		6,758
Actuarial gains and (losses) relating to pensions	3,850		(11,350)
Total increase/(decrease) in revenue resources (note 30 & 34)		3,476	(3,822)
Increase/(decrease) in usable/deferred capital receipts	(477)		533
Increase/(decrease) in unapplied capital grants and contributions	541		308
Total increase/(decrease) in realised capital resources (note 31)		64	841
Gain on revaluation of fixed assets (increase in unrealised value - note 32)		2,418	3,817
Value of assets sold, disposed of or decommissioned (note 33)		(17)	(371)
Capital receipts set aside	1,037		1,243
Revenue resources set aside	(672)		(8,657)
Movements on Government Grants deferred	773		1,802
Total increase/(decrease) in amounts set aside to finance capital investment (note 32)		1,138	(5,612)
Increase/(decrease) on the pensions reserve		-	-
TOTAL RECOGNISED GAINS AND (LOSSES)		7,079	(5,147)

SECTION 3E. 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.

2004/2005 £000s	Notes	2005/2006 £000s
Income		
(40,591) Council Tax	40	(42,337)
(4,066) Council Tax Benefits		(4,512)
(15,613) Business Rates	41	(18,466)
323 Less: Transitional Relief / (Surcharge)		1,940
		0
(59,947)		(63,375)
Expenditure		
Precepts and Demands		
33,010 <i>Devon County Council</i>		34,314
4,157 <i>Devon and Cornwall Police</i>		4,405
2,039 <i>Devon Fire Authority</i>		2,149
5,051 <i>South Hams District Council</i>		5,361
Business Rates		
15,110 <i>Payment to national pool</i>		16,230
168 <i>Costs of collection allowance</i>		173
Distribution of previous year's estimated surplus		
222 <i>Devon County Council</i>		224
25 <i>Devon and Cornwall Police</i>		28
- <i>Devon Fire Authority</i>		14
33 <i>South Hams District Council</i>		34
Bad and doubtful debts		
Write Offs		
56 <i>Council Tax</i>		48
45 <i>Business Rates</i>		76
Provisions		
(18) <i>Council Tax</i>		87
(33) <i>Business Rates</i>		47
59,865		63,190
(82)	MOVEMENT ON FUND BALANCE	42
		(185)

Section 4

Explanatory and Disclosure

Notes

SECTION 4A. NOTES TO THE CONSOLIDATED REVENUE ACCOUNT

1. Exceptional non distributed costs

This heading represents overheads which are considered to be unapportionable and are therefore not allocated to services in accordance with guidance contained in the Best Value Accounting Code of Practice.

The exceptional payment of £7.5m to the Devon County Council Pension Fund in 2004/05 was made to enable the District Council superannuation rate to remain at 9.6%. A directive was obtained from the Office of the Deputy Prime Minister which enabled this sum to be treated as capital expenditure and be funded from capital receipts. For accounting purposes this expenditure is treated as a deferred charge and written off to the CRA, but has no impact on the "bottom line" as a contra entry is made to the capital financing account.

2. Transactions in the Asset Management Revenue Account

The Asset Management Revenue Account reverses out the capital charges made to services under the capital accounting system and replaces them with depreciation (net of government grants deferred) and external interest charges (where applicable). The balance on the Asset Management Revenue Account is transferred to the Consolidated Revenue Account after the net cost of services has been determined.

2004/2005 £000s		2005/2006 £000s
	Income	
(2,750)	Capital Charges	(2,991)
(19)	Intangible Asset Amortisation	(34)
(61)	Government grants - deferred	(144)
(2,830)		(3,169)
	Expenditure	
19	Intangible Asset Amortisation	34
1,098	Provision for depreciation	1,176
1,117		1,210
(1,713)	Balance to Consolidated Revenue Account	(1,959)

SECTION 4A. NOTES TO THE CONSOLIDATED REVENUE ACCOUNT

3. Contribution to / (from) Capital Financing Account

The notes and table, which follow, detail the contributions to and from the Capital Financing Account:

2004/2005 £000s		Notes	2005/2006 £000s
Contributions to the Capital Financing Account			
342	Capital expenditure financed from revenue	(i)	818
Contributions from the Capital Financing Account			
(1,098)	Depreciation charged to revenue accounts	(ii)	(1,175)
(19)	Amortisation of intangible fixed assets	(ii)	(34)
61	Less: deferred grants written down	(ii)	144
(88)	Commutation adjustment	(iii)	(71)
(7,855)	Deferred charges (net of capital grant)	(ii)	(353)
(8,999)	Balance to Consolidated Revenue Account		(1,489)

- (i) This entry represents the direct revenue financing of capital expenditure from earmarked reserves. A corresponding credit from the earmarked reserves is included within the line contributions to / (from) earmarked reserves.
- (ii) Net operating expenditure contains accounting entries that are not revenue-based and should not have an impact on the Council Tax (e.g. depreciation and deferred charges written off to general fund services). Consequently, after the disclosure of net operating expenditure, further reconciling entries are needed to reverse out these items.
- (iii) 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.

SECTION 4A. NOTES TO THE CONSOLIDATED REVENUE ACCOUNT

4. 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 2005/2006 was £107,000 (2004/2005, £85,000).

The Authority is committed to making payments of £85,000 under these leases in 2006/2007, comprising the following elements:

	£000
Leasing expiring in 2006/2007	15
Leasing expiring between 2007/2008 and 2010/2011	70
Leases expiring after 2011/2012	-

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.

5. Expenditure on publicity

Section 5(1) of the Local Government Act 1986, requires disclosure of the Council's expenditure on publicity. Expenditure during the year totalled approximately £495,000 including recruitment advertising of £62,000 (total expenditure in 2004/2005 was £423,000 including recruitment expenditure of £94,000).

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 £46,000 in 2005/2006 (£46,000 in 2004/05). The Council also undertakes building maintenance work on an agency basis for housing associations. The value of work undertaken was £40,000 in 2005/2006 (£167,000 in 2004/2005).

SECTION 4A. NOTES TO THE CONSOLIDATED REVENUE ACCOUNT

7. 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.

Total Building Control 2004/2005 £000s		Chargeable 2005/2006 £000s	Non – Chargeable 2005/2006 £000s	Total Building Control 2005/2006 £000s
	Expenditure			
370	Employee expenses	358	52	410
8	Premises	7	1	8
24	Transport	23	3	26
91	Supplies and Services	36	16	52
9	Central Support Services	7	2	9
502	Total Expenditure	431	74	505
	Income			
(494)	Building Regulations Charges	(429)	-	(429)
(494)	Total Income	(429)	-	(429)
8	(Surplus)/Deficit for Year	2	74	76

SECTION 4A. NOTES TO THE CONSOLIDATED REVENUE ACCOUNT

8. 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 Consolidated Revenue Account. The activities undertaken by South Hams District Council are analysed below:

	2004/05	2005/06
	£000	£000
Provision of administrative and professional services to local Councils	3	5
Lease of accommodation to the Devon County Council Registration service, Citizens Advice Bureau and Teignbridge Enterprise Agency etc.	35	38
Provision of printing services (to local housing associations, parish councils etc.)	7	10
Total	45	53

9. Members allowances

The total of Members' Allowances paid in the year was £238,000 (2004/2005: £239,000).

10. 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 (includes redundancy payments in 2004/05):

2004/2005 Total	Remuneration Band	2005/2006 Total
3	£50,000 - £59,999	-
2	£60,000 - £69,999	3
-	£70,000 - £79,999	-
1	£80,000 - £89,999	1
-	£90,000 - £99,999	-
-	£100,000 - £109,999	-
1	£110,000 - £119,999	-

SECTION 4A. NOTES TO THE CONSOLIDATED REVENUE ACCOUNT

11. Pensions

The Pension Scheme:

The Local Government Pension scheme is a defined benefit scheme based on 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 2005/2006 is based on the actuarial valuation of the fund as at 31 March 2004.

In 2005/2006, the Council paid an employers' normal contribution of £845,000 (£794,000 in 2004/2005) 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 2005/2006 these amounted to £352,000 (£453,000 in 2004/2005).

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.

SECTION 4A. NOTES TO THE CONSOLIDATED REVENUE ACCOUNT

Implementation of Financial Reporting Standard (FRS)17

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 charges made against council tax are based on the cash payable in the year, so the real cost of retirement benefits is reversed out of the Consolidated Revenue Account after Net Operating Expenditure. The following transactions have been made in the Consolidated Revenue Account during the year.

	2004/05	2005/06
	£000s	£000s
Net Cost of Services		
current service cost	1,450	1,590
past service costs	320	90
Net Operating Expenditure		
interest cost	2,830	3,190
expected return on assets in the scheme	(2,860)	(3,370)
Amounts to be met from Government Grants and Local Taxation		
movement on pensions reserve	(744)	(350)
Actual amounts charged against council tax for pensions in the year		
employer's contributions payable to scheme	996	1,150

Notes regarding the Council's pension liabilities and effects on the accounts are included both in this section and in the notes to the Consolidated Balance Sheet. The Consolidated Balance Sheet discloses the Authority's net liability in relation to retirement benefits.

SECTION 4A. NOTES TO THE CONSOLIDATED REVENUE ACCOUNT

12. 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. Although their membership of the board does not constitute a controlling interest, it is felt appropriate, within the definition of FRS8, to disclose this relationship and the transactions between the two organisations.

13. Financial assistance to organisations and individuals

Service Area	2004/2005 £000s	2005/2006 £000s
Environmental projects, including land management grants under the EU funded Area of Outstanding Natural Beauty programme	10	99
Housing enabling grants	92	9
Citizens Advice Bureau	36	36
Economic promotion grants	44	17
Grants to town/parish councils, village halls and local organisations through the Community Grants Reserve	70	67
Support to the arts	12	10
Beach and Water safety	2	5
Public transport	13	10
Other welfare payments	23	23
Sports development	3	6
Miscellaneous	88	30
Total	393	312

SECTION 4A. NOTES TO THE CONSOLIDATED REVENUE ACCOUNT

14. External Audit Costs

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

	2004/05	2005/06
	£ 000	£ 000
Audit Code Responsibilities	59	
Statutory Performance	8	
Grant Claims and Returns	22	
Other Services	3	
TOTAL	92	TBA

SECTION 4B. NOTES TO THE CONSOLIDATED BALANCE SHEET

15. Fixed assets

Movements on fixed assets

	Land and Buildings	Vehicles, plant furniture & Equipment	Infra- structure assets	Community Assets	Non- operational assets	Total
	£000s	£000s	£000s	£000s	£000s	£000s
Certified valuation at 31 March 2005	44,316	4,568	3,540	326	540	53,290
Accumulated depreciation and impairment	(1,266)	(2,264)	(845)	-	(23)	(4,398)
Net book value of assets at 31 March 2005	43,050	2,304	2,695	326	517	48,892
Movements in 2005/06						
- Additions	188	1,326	187	(1)	425	2,125
- Disposals	-	(17)	-	-	-	(17)
- Reclassifications	-	-	-	-	-	-
- Revaluations	2,454	(11)	(45)	(4)	22	2,416
- Depreciation	(576)	(474)	(119)	-	(6)	(1,175)
Net book value of fixed assets as at 31 March 2006	45,116	3,128	2,718	321	958	52,241
Accumulated depreciation / impairment at 31 March 2006	1,256	2,458	926	-	12	4,652

SECTION 4B. NOTES TO THE CONSOLIDATED BALANCE SHEET

Summary of capital expenditure and sources of finance

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

	2004/05	2005/06
	£000s	£000s
Capital Investment		
Operational Assets	3,750	1,914
Non-operational assets	7	211
Intangible Fixed Assets	309	289
Deferred Charges	8,419	1,620
Loans	-	5
Total expenditure for capital purposes	12,485	4,039
* (Increase) / Decrease in Capital Creditors	392	-
Expenditure for capital controls	12,877	4,039
Sources of Finance		
Capital receipts	10,081	1,037
Capital grants and external contributions	2,384	2,117
Earmarked reserves	402	885
Revenue/Revenue balances	10	-
Total	12,877	4,039

* The Government's capital controls system has previously required that a financing statement is prepared only for cash payments. This requirement was changed for the 2004/05 accounts which means that financing can now be undertaken on an accruals basis. However, a one-off adjustment was required in 2004/05 for the unfinanced accruals in the 2003/04 financial year.

SECTION 4B. NOTES TO THE CONSOLIDATED BALANCE SHEET

Analysis of Capital Expenditure by Service

2004/05 £000s		2005/06 £000s
	Central Services	
493	Vehicle replacement programme	206
45	Follaton House (repairs, access, drainage works etc.)	-
7,500	Contribution towards the Pension fund deficit	-
415	IT hardware and software	327
	Cultural and Related Services	
1,473	Leisure centre new facilities / refurbishments	80
50	Sports development	-
16	Disability Discrimination Act Works	74
81	Financial Assistance (Flavel Centre)	-
	Environmental Services	
20	Refurbishment of public conveniences	4
13	Waste Management	1,107
74	Coast and Flood Protection etc.	119
	Highways, Roads and Transport Services	
130	Car and boat park enhancements	37
18	Salcombe Harbour - Harbour office, watercraft and infrastructure	14
	Housing Services	
408	Renovation grants, etc.	394
1,135	Purchase of properties for temporary accommodation	-
84	New housing in partnership with housing associations	747
	Planning and Development	
220	Industrial units	210
80	Community development / grant aid	97
37	Totnes Southern Area	213
179	Environmental Schemes (HLF Programme etc.)	311
14	Other	99
12,485	TOTAL	4,039

Commitments under capital contracts

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

Admiral's Court, Phase 2	£000s
- represents an outstanding capital commitment relating to the construction of a further three employment units at Admiral's Court, Dartmouth.	40
Total	40

SECTION 4B. NOTES TO THE CONSOLIDATED BALANCE SHEET

Information on assets held

31.3.2005 Number		31.3.2006 Number
	Operational Assets	
	Land and buildings	
20	<i>Dwellings used for housing the homeless</i>	20
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
161	Industrial Units	164
51	Public conveniences	48
	Vehicles, plant, furniture and equipment	
13	Watercraft / vessels	13
91	Vehicles and plant	86
	IT and other equipment	
	Community assets	
	including: -	
16	<i>Parks / Ornamental Gardens (23 hectares)</i>	16
	<i>Informal parks / Open spaces (105.4 hectares)</i>	
	Non operational land and buildings - including	
7	café, shops and land awaiting development	8

SECTION 4B. NOTES TO THE CONSOLIDATED BALANCE SHEET

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 following statement shows the progress of the Council's rolling programme of the revaluation of fixed assets.

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	1,317	3,128	2,718	321	430	7,914
New certified valuation included in balance sheet :						
2005/2006	13,162	-	-	-	123	13,285
2004/2005	11,653	-	-	-	-	11,653
2003/2004	14,315	-	-	-	184	14,499
2002/2003	4,580	-	-	-	-	4,580
2001/2002	89	-	-	-	221	310
Total	45,116	3,128	2,718	321	958	52,241

SECTION 4B. NOTES TO THE CONSOLIDATED BALANCE SHEET

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.

16. Movements in intangible fixed assets

	Software purchases £000s
Original Cost	423
Amortisations to 1 April 2005	(19)
Balance at 1 April 2005	404
Expenditure in Year	290
Written off to revenue in year	(34)
Balance at 31 March 2006	660

The balance at the 31 March 2006 represents expenditure on the Land Charges, Housing Benefits, Personnel and Payroll, Financial Management, Document Management, Customer Services and Performance Management Systems. Expenditure is being written off over three years.

SECTION 4B. NOTES TO THE CONSOLIDATED BALANCE SHEET

17. 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 £182,000 shown as a deferred credit represents the amount owing to the District Council at 31 March 2006. (£259,000 at the 31 March 2005).

18. Stocks

31.3.2005		31.3.2006
£000s		£000s
50	Works Depot	55
23	Leisure Centres	23
4	Drawing Office	3
9	Postage	8
8	Printing Materials	10
94		99

SECTION 4B. NOTES TO THE CONSOLIDATED BALANCE SHEET

19. Debtors

31.3.2005		31.3.2006
£000s		£000s
170	Government departments	1,003
79	Other local authorities	741
3,179	Sundry debtors	2,802
68	Housing Rents	67
-	NNDR Pool Debtor	-
919	Council tax payers	1,145
361	Business ratepayers	571
4,775		6,329
	Provision for bad debts:	
(479)	General Fund	(474)
	Collection Fund	
(269)	Council tax	(356)
(142)	Business rates	(189)
3,885	Totals	5,310

20. Temporary Investments

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

31.3.2005		31.3.2006
£000s		£000s
-	Local authorities	-
22,920	Banks and other monetary sector	22,775
22,920	Total	22,775

SECTION 4B. NOTES TO THE CONSOLIDATED BALANCE SHEET

21. Creditors

31.3.2005		31.3.2006
£000s		£000s
276	Inland Revenue	267
244	Other Government departments	501
149	Other local authorities	163
1,918	Sundry creditors	1,989
479	Council taxpayers	901
452	Business ratepayers	159
453	NNDR Pool	314
3,971		4,294

22. Provisions

No provisions were required in 2004/05 and 2005/06.

SECTION 4B. NOTES TO THE CONSOLIDATED BALANCE SHEET

23. 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 all of the information known to them at 28 October 2004; it is unlikely that a Scheme of Arrangement will need to be invoked.
- 3) The Council is in the process of transferring the management of its leisure centres to an external provider. However, should transfer not be achieved, the Council could face a VAT liability of approximately £115,000 payable to the Customs and Excise.

SECTION 4B. NOTES TO THE CONSOLIDATED BALANCE SHEET

24. Pension fund assets and liabilities

The disclosures below relate to the Devon County Council Pension Fund (the Fund). South Hams District Council participates in the Local Government Pension Scheme. The Local Government Pension Scheme provides defined benefits, based on members' final pensionable salary.

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

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:

Main financial assumptions

	31.3.06	31.3.05
	% pa	% pa
Inflation	3.0	2.9
Rate of increase in salaries	4.5	4.4
Rate of increase to pensions	3.0	2.9
Discount rate for scheme liabilities	3.0	5.3
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 2006 was assessed at £1.92bn. The assets as at 31 March 2006 have been estimated using index returns between 28 February 2006 and 31 March 2006. The asset values used as at the accounting date are set out below:

	Long-term rate of return expected at 31 March 2006 (% p.a.)	Estimated value at 31 March 2006 (£ M)	Long-term rate of return expected at 31 March 2005 (% p.a.)	Value at 31 March 2005 (£ M)
Equities	7.3	1359.27	7.7	1,029.88
Property	6.3	191.80	6.7	148.10
Government bonds	4.3	296.00	4.7	238.74
Corporate bonds	4.9	12.71	5.3	13.46
Other	4.6	111.70	4.8	121.88
Total	6.6	1,971.48	6.9	1,552.06

SECTION 4B. NOTES TO THE CONSOLIDATED BALANCE SHEET

Funding Position for South Hams District Council (SHDC)

	As at 31.3.06 Value (£m)	As at 31.3.05 Value (£m)
Share of assets	60.65	49.08
Estimated funded liabilities	(65.11)	(57.20)
Estimated unfunded liabilities (see note)	(3.04)	(2.88)
SHDC surplus/ (deficit) in the scheme	(7.50)	(11.00)

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.

The Council's overall level of reserves held should also be borne in mind when considering the deficit disclosed above.

Analysis of movement in deficit during the year

	For year ending 31 March 2006 (£m)
Surplus (deficit) in scheme at beginning of the year	(11.00)
Contributions	1.15
Current service cost	(1.59)
Past service costs	(0.09)
Other finance income	0.18
Actuarial gain (loss)	3.85
Surplus (deficit) in scheme at year end	(7.50)

SECTION 4B. NOTES TO THE CONSOLIDATED BALANCE SHEET

25. Analysis of net assets employed

31.3.2005 £000s		31.3.2006 £000s	
60,358	General Fund		67,229
637	Salcombe Harbour		660
536	Collection Fund		721
61,531	Total		68,610

26. Post balance sheet events

None.

27. Euro costs

The Council has not incurred any expenditure on modifications to assets to deal with the Euro and has no such commitments. However, the situation is closely monitored by the Strategic Director (Resources) and where new purchases are made Euro compliance is considered.

28. 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 result 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	31.03.2005 £000	Income £000	Expenditure £000	31.03.2006 £000
Langage Energy Centre	-	432		432
Motor Inn, Kingsbridge	83			83
Ferryman's Table, Hillhead	97			97
Methodist Church Site, Salcombe	85			85
Lee Mill	249		(5)	244
Grosvenor House, Ivybridge	230			230
Penn Torr, Salcombe	-	84		84
TOTAL	744	516	(5)	1,255

SECTION 4B. NOTES TO THE CONSOLIDATED BALANCE SHEET

29. 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:

	Balance 1.4.05 £	Balance 31.3.06 £
Hendra Bequest 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
Re: Salcombe Castle Preservation Association This sum represents the residual funds arising from the dissolution of the charity. The association sought to preserve Salcombe Castle with financial support from English Heritage and the Council. On dissolution, funds were transferred to the Council for the sole purpose of repair and preservation of the castle. These funds (augmented with additional funding from Devon County Council) have been used to commission a condition survey on the structure of the castle and an archaeological report bringing together all the known historical and technical information on the site. This work is a precursor to discussions with English Heritage, the County Archaeologist, and others, about the future management and conservation of this important Scheduled Ancient Monument.	3,618	-

SECTION 4C. NOTES TO THE STATEMENT OF TOTAL MOVEMENTS IN RESERVES.

30. Movements in revenue resources

	General Fund Balances £000s	Earmarked Revenue Reserves £000s	Pensions Reserve £000s
Surplus for 2005/06	221	-	-
Appropriations to / (from) revenue	(320)	(110)	(350)
Actuarial gains and (losses) relating to pensions			3,850
	(99)	(110)	3,500
Balance brought forward at 1 April 2005	3,787	6,446	(11,000)
Balance carried forward at 31 March 2006	3,688	6,336	(7,500)

SECTION 4C. NOTES TO THE STATEMENT OF TOTAL MOVEMENTS IN RESERVES.

31. Movements in realised capital resources

This heading brings together the movements in reserves that represent an increase or decrease in the Authority's ability to finance capital investment in future years.

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.

Unapplied capital grants and contributions

These represent grants and contributions received in advance of their matching to new capital investment. The major item under this heading is a £360,000 capital grant provided by the government to fund the implementation of electronic government.

	Usable/deferred capital receipts	Unapplied capital grants & contributions
	£000s	£000s
Amounts received in 2005/2006	574	2,658
Amounts applied to finance new capital investment in 2005/06	(1,051)	(2,117)
Total increase/(decrease) in realised capital resources in 2005/2006	(477)	541
Balance brought forward at 1 April 2005	11,070	1,140
Balance carried forward at 31 March 2006	10,593	1,681

SECTION 4C. NOTES TO THE STATEMENT OF TOTAL MOVEMENTS IN RESERVES.

32. Movements in unrealised value of Fixed Assets – 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 2005/2006 are shown below:

	Fixed Asset Restatement Account £000s
Gains/(losses) on revaluation and restatement of fixed assets	2,418
Impairment losses on fixed assets due to general changes in prices in 2005/2006	-
Total increase/(decrease) in unrealised capital resources in 2005/2006	2,418
Amounts written off fixed asset balances for disposals in 2005/2006	(17)
Total movement on account in 2005/2006	2,401
Balance brought forward at 1 April 2005	(8,194)
Balance carried forward at 31 March 2006	(5,793)

SECTION 4C. NOTES TO THE STATEMENT OF TOTAL MOVEMENTS IN RESERVES.

33. Movements in amounts set aside to finance capital investment

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. Furthermore, Statutory Instrument 3146 allows authorities which were debt free at 31st March 2004 to use set aside amounts (PCL) balance for capital expenditure. Debt free authorities at this date could convert all or part of this set aside into capital receipts. In order to maximise the level of its available resources the Council transferred £8.9M from the CFA to the Useable Capital Receipts Reserve in 2004/05.

The movements on the capital financing account in 2005/2006 are shown in the table on the following page.

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 released to revenue over the life of the asset taking account of depreciation.

SECTION 4C. NOTES TO THE STATEMENT OF TOTAL MOVEMENTS IN RESERVES.

	Capital financing account £000s	Government grants deferred £000s	Total £000s
Capital receipts set aside			
- reserved capital receipts	-		-
- statutory conversion	-		-
- usable receipts applied	1,037		1,037
- write-down of reserved capital receipts	-		-
Total capital receipts set aside in 2005/2006	1,037	-	1,037
Revenue resources set aside			
- capital expenditure financed from revenue	818		818
- minimum revenue provision (less depreciation, amortisation, impairment and government grants deferred)	(1,066)		(1,066)
- commutation adjustment	(71)		(71)
- write down of deferred charges	(353)		(353)
Total revenue resources set aside in 2005/2006	(672)	-	(672)
Grants applied to capital investment		916	916
Amounts credited to the asset management revenue account		(143)	(143)
Movement on government grants deferred 2005/2006		773	773
Total (increase)/decrease in amounts set aside to finance capital investment			1,138
Total movement on reserve in 2005/2006	365	773	1,138
Balance brought forward at 1 April 2005	54,254	3,492	57,746
Balance carried forward at 31 March 2006	54,619	4,265	58,884

SECTION 4C. NOTES TO THE STATEMENT OF TOTAL MOVEMENTS IN RESERVES.

34. 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:

	31.03.05	Applications	Contributions	31.03.06
	£ 000	£ 000	£ 000	£ 000
EARMARKED RESERVES				
General Fund				
Affordable Housing	221	(10)	206	417
Drawing Office	10	-	-	10
Strategic Issues	229	(95)	250	384
Community Parks and Open Spaces	79	-	19	98
Economic Regeneration & anti-social behaviour	-	(29)	48	19
Pension Fund Strain	206	(126)	6	86
Repairs and Maintenance	237	(96)	225	366
Land and Development	424	(196)	100	328
Ferry Repairs and Renewals	391	(22)	35	404
Economic Initiatives	178	(27)	59	210
Vehicles and Plant Renewals	89	(108)	362	343
Pay and Display Equipment	46	(23)	22	45
HQ Buildings R&M	133	(136)	3	-
Print Equipment	100	-	7	107
IT Development	677	(63)	70	684
Sustainable Waste Management	595	(552)	122	165
Community Grants	96	(67)	49	78
Staff Training and Development	10	-	-	10
District Elections	39	(4)	11	46
Beach Safety	32	-	1	33
Local Plan/Planning (see note)	2,153	(110)	-	2,043
Building Control	163	(50)	4	117
Section 106 agreements	55	(10)	-	45
Sub Total	6,163	(1,724)	1,599	6,038
Specific Reserves – Salcombe Harbour				
Pontoons	12	-	11	23
Harbour Renewals	127	(14)	19	132
General Reserve	136	-	2	138
Sub Total	275	(14)	32	293
Trust and Bequest	8	(3)	-	5
TOTAL - Earmarked Revenue Reserves	6,446	(1,741)	1,631	6,336
GENERAL RESERVES				
General Fund – Working Balance	750	-	-	750
General Fund – Contingency (see note)	118	-	-	118
General Fund – Accumulated Surplus	2,708	(250)	221	2,679
Trading Account Surpluses	211	(75)	5	141
TOTAL – General Reserve	3,787	(325)	226	3,688
TOTAL REVENUE RESERVES	10,233	(2,066)	1,857	10,024
COLLECTION FUND	536	-	185	721

SECTION 4C. NOTES TO THE STATEMENT OF TOTAL MOVEMENTS IN RESERVES.

35. Pensions reserve

The actuarial gain identified as movements on the Pensions Reserve in 2005/06 can be analysed into the following categories, measured as absolute amounts and as a percentage of assets or liabilities at 31 March 2006.

	2002/03		2003/04		2004/05		2005/06	
	£m	%	£m	%	£m	%	£m	%
Differences between the expected and actual return on assets	(9.13)	29.7%	5.390	14.2%	2.13	4.3%	8.47	14.0%
Differences between actuarial assumptions about liabilities and actual experience	0.19	0.50%	(0.04)	(0.1%)	(1.00)	(1.7%)	(0.01)	0.0%
Changes in the demographic and financial assumptions used to estimate liabilities	(0.03)	0.1%	0.10	0.2%	(12.48)	(20.8%)	(4.61)	-6.8%
TOTAL ACTUARIAL GAIN/(LOSS)	(8.97)		5.45		(11.35)		3.85	

SECTION 4D. NOTES TO THE CASH FLOW STATEMENT

36. Reconciliation between the net surplus on the Consolidated Revenue Account and the revenue activities net cash flow

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

2004/2005 £000s		2005/2006 £000s
(218)	(Surplus) per Consolidated Revenue Account	(221)
(82)	(Surplus) per Collection Fund	(185)
(300)	Net Surplus	
1,683	Add: Investment income received	1,290
	Non cash transactions	
154	(Increase)/Decrease in Provisions	0
(794)	Contributions to/ from reserves	(379)
	Items accounted for on an accruals basis	
(247)	Increase/(decrease) in Debtors	1,489
(283)	Decrease/(Increase) in Creditors	(152)
(43)	(Decrease)/Increase in Stock	5
170	Net cash outflow from revenue activities	1,847

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

37. Analysis of Cash

	31.3.2005 £000s	31.3.2006 £000s	Movement £000s
Cash/(Overdraft)	13	(884)	(897)

SECTION 4D. NOTES TO THE CASH FLOW STATEMENT

38. Analysis of Government grants

2004/2005 £000s		2005/2006 £000s
Revenue - DWP Grant for Benefits		
12,361	Re. Rent Allowance Payments (Private Dwellings)	13,443
394	Re. Non HRA Rent Rebates (Leased Properties)	413
12,755	Sub total:	13,856
Revenue - Other		
4,460	DWP - council tax benefit	4,156
465	DWP - benefits administration allowance	489
	- DWP - benefits technical projects	239
168	NNDR Administration	173
136	European grants - environmental initiatives etc.	110
249	Other benefit and Housing Grants	283
117	Home Office Grant – Community Safety	47
69	DEFRA - environmental funding	102
123	ODPM - re. loan charges etc.	60
	- ODPM - Devon Improvement Programme	472
	- ODPM – Planning Delivery etc.	271
63	ODPM – Tourism Beacon Status	-
105	Devon County Council – Torr Quarry	30
131	Other	3
6,086	Sub total:	6,435
Capital Grants		
133	ODPM - Disabled Facilities Grants	179
350	ODPM Grant – Local Government on-line	150
	- ODPM – Planning Delivery	222
14	South West Water – Torcross Public Conveniences etc.	25
52	Devon County Council – Torr Quarry	77
	- Devon County Council – 2 nd homes council tax Dartmouth Leisure Facilities – Sport	747
1,040	England/DCC/Dartmouth TC	-
13	DEFRA – environmental & other funding	383
	- ERDF – Admirals Court	18
86	ERDF – environmental initiatives etc	43
111	Life into Landscape – HLF/BTCV etc	133
10	Countryside Agency	5
1,809	Sub total:	1,982
20,650	Total	22,273

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

SECTION 4E. NOTES TO THE COLLECTION FUND

40. Council tax and council tax base

In 2005/2006, the Council set a band D tax of £1,255.43. The charge for each band is a ratio of band D. The 2005/2006 charges were:

Band	Ratio to Band D	Council Tax (£)
Disabled A	5/9	697.46
A	6/9	836.95
B	7/9	976.45
C	8/9	1,115.94
D	1	1,255.43
E	11/9	1,534.41
F	13/9	1,813.40
G	15/9	2,092.38
H	18/9	2,510.86

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 2005/2006 was 36,822.85 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	7.50	7.50	5/9	4.17
A	4,748.00	(937.20)	3,810.80	6/9	2,540.53
B	8,147.00	(1,024.50)	7,122.50	7/9	5,539.72
C	8,117.00	(899.35)	7,217.65	8/9	6,415.69
D	7,648.00	(420.35)	7,227.65	1	7,227.65
E	6,002.00	(497.65)	5,504.35	11/9	6,727.54
F	3,337.00	(246.95)	3,090.05	13/9	4,463.41
G	2,772.00	(254.10)	2,517.90	15/9	4,196.50
H	243.00	(37.70)	205.30	18/9	410.60
Total	41,014.00	(4,310.30)	36,703.70		37,525.81
					(750.52)
					47.56
Tax base					36,822.85

SECTION 4E. NOTES TO THE COLLECTION FUND

41. Rateable value

The total non-domestic rateable value at 31 March 2006 was £49,553,865 (a revaluation year). This compares to £38,398,049 at 31 March 2005. The standard non-domestic rate multiplier was 42.2p in 2005/06 (2004/05: 45.6p). Without reliefs this would generate a total income of £20,911,731.03 (2004/05 £17,509,510). 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.

42. Collection fund balance

2004/2005 £000s		2005/2006 £000s
(454)	Fund balance at 1 April	(536)
(82)	(Surplus) / Deficit for year	(185)
(536)	Fund balance as at 31 March	(721)

SECTION 5. TRADING OPERATIONS

Introduction

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.

The Council is currently operating trading accounts for the Management of Sports and Leisure facilities. Trading accounts were discontinued for Building Maintenance in 2004/05 as this service is no longer exposed to external competition. Likewise, 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:

2004/2005		Revenue Account		
		Income	Expenditure	(Surplus) / Deficit
(Surplus) / Deficit		£000s	£000s	£000s
65	Refuse Collection	(540)	527	(13)
(76)	Street Cleaning	(227)	178	(49)
	Sub Total: Cleansing Contract:			
(11)		(767)	705	(62)
(16)	Beach Cleaning	(18)	11	(7)
(19)	Building Maintenance	-	-	-
(3)	Public Conveniences	(64)	70	6
59	Management of Sports & Leisure Facilities	(2,166)	2,186	20
10	(Surplus) / Deficit	(3,015)	2,972	(43)

SECTION 5. TRADING OPERATIONS

The Best Value Accounting Code of Practice requires that significant balances on trading accounts should be reapportioned to the net cost of services within the Consolidated Revenue Account. This is necessary to avoid a material misstatement of the total cost to the Authority of performing functions – (particularly where these are the subject of a published performance indicator). DSO surpluses have therefore been credited back to the net cost of services by reference to the value of the work performed or contractor payment.

The Council also operates a number of other trading services such as Trade Refuse, Pannier Markets, Industrial units and Car and Boat Parking. Details of income and expenditure are shown on the next page.

SECTION 5. TRADING OPERATIONS

2004/05 Net Expenditure/ (Surplus) £000s	Service	Turnover £000s	Expenditure £000s	2005/06 Net Expenditure/ (Surplus) £000s
(185)	Dartmouth Ferry	(775)	657	(118)
(33)	Employment Estates	(965)	985	20
(1,219)	Car & Boat Parking	(2,482)	1,324	(1,158)
(83)	Pannier Markets	(117)	36	(81)
(49)	Trade Refuse	(643)	612	(31)
(47)	Salcombe Harbour	(709)	707	(2)
(1,616)	Net surplus on trading units	(5,691)	4,321	(1,370)

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.

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.

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.

Trade Refuse

The Council operates a trade refuse collection service.

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.

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 2006.

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

29 June 2006

Cllr BE Carson
Chairman of Council

29 June 2006

SECTION 7. STATEMENT ON INTERNAL CONTROL

This year's Statement on Internal Control will be considered by Scrutiny at its meeting on 21 September 2006. Following that meeting it will be incorporated in the Statement of Accounts which is required to be published by 30 September 2006.

SECTION 8. AUDITORS' REPORT

Auditors' Report to South Hams District Council

We have audited the Statement of Accounts which comprises the Consolidated Revenue Account, Consolidated Balance Sheet, Statement of Movement on Reserves, Cashflow Statement and Collection Fund and the notes to those statements and which has been prepared in accordance with the accounting policies applicable to local authorities as set out in the Statement of Accounting Policies.

This report is made solely to South Hams District Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 54 of the Statement of Responsibilities of Auditors and of Audited Bodies, prepared by the Audit Commission.

Respective Responsibilities of the Chief Financial Officer and Auditors

As described in the Statement of Responsibilities for the Statement of Accounts, the Chief Financial Officer is responsible for the preparation of the Statement of Accounts in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2004. Our responsibilities, as auditors, are established by statute, the Code of Audit Practice issued by the Audit Commission and our profession's ethical guidance.

We report to you our opinion as to whether the Statement of Accounts presents fairly the financial position and results of operations of the Council.

We review whether the Statement on Internal Control reflects 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 Statement of Accounts. We are not required to consider, nor have we considered, whether the Statement on Internal Control covers all risks and controls. We are also not required to form an opinion on the effectiveness of the authority's corporate governance procedures or its risk and control procedures. Our review was not performed for any purpose connected with any specific transaction and should not be relied upon for any such purpose.

The maintenance and integrity of the South Hams District Council website is the responsibility of the directors; 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.

SECTION 8. AUDITORS' REPORT

We read the other information published with the Statement of Accounts and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the Statement of Accounts. The other information comprises only the explanatory foreword.

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 relevant auditing standards issued by the Auditing Practices Board.

An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the Statement of Accounts. It also includes an assessment of the significant estimates and judgements made by the Council in the preparation of the statement of accounts, 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 Statement of Accounts is 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 Statement of Accounts.

Opinion

In our opinion the Statement of Accounts presents fairly the financial position of South Hams District Council as at 31 March 2006 and its income and expenditure for the year then ended.

Certificate

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

Signature:

Date:

PricewaterhouseCoopers LLP
Bristol

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.

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.

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.

SECTION 9. GLOSSARY OF TERMS

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 in the course of construction, land awaiting development.

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.

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.

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 General Fund Summary.

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 substantially all transferred.

SECTION 9. GLOSSARY OF TERMS

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.