Devon County Council

Statement of Accounts and Annual Governance Statement 2015/2016

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Devon County Council Statement of Accounts 2015/16

Report of the Treasurer and Chief Executive

Introduction

Welcome to the 2015/16 financial statements for Devon County Council. The financial statements have been prepared in accordance with the requirements of the Code of Practice on Local Authority Accounting (the Code) which is based on International Financial Reporting Standards (IFRS).

The Devon Pension Fund accounts, although included in this publication, are separate from the accounts of the Council and are subject to a separate audit opinion.

The Annual Governance Statement is included within this publication but does not form part of Devon County Council's accounts or those of the Pension Fund. The Annual Governance Statement explains the:

- Council's Governance Framework and the roles of Cabinet and the Scrutiny function; and
- Significant governance issues and the challenges faced by the County Council.

Accounting policies

The accounting policies (Note 1 page 23) establish the principles on which the figures in the financial statements are based. There are no significant changes in approach this year other than changes required by the Code in relation to the adoption of IFRS 13 Fair Value Measurement.

Fair Value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The Code adapts International Accounting Standard (IAS) 16 to require that items of property, plant and equipment that are operational and therefore providing service potential for the authority are measured for their service potential at existing use value, or depreciated replacement cost (current value), and not at fair value. The new definition of current value means that the measurement requirements for property, plant and equipment providing service potential for an authority have not changed from the 2014/15 Code. Surplus assets (property, plant and equipment) are measured at fair value.

To increase consistency and comparability in fair value measurements and related disclosures, IFRS 13 establishes a fair value hierarchy that categorises into three levels the inputs to valuation techniques used to measure fair value.

Summary of Financial statements

The financial statements and their purpose are summarised as follows:

Movement in Reserves Statement (page 19)

This statement shows the movement in year for the reserves held by the Authority analysed into usable reserves (i.e. those that can be applied to either fund expenditure or reduce local taxation) and other reserves. The surplus or deficit on the Provision of Services line shows the true economic cost of providing services, more detail of which is shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance. The Net Increase/Decrease before Transfers to Earmarked Reserves line shows the statutory General Fund Balance before any discretionary transfers to and from earmarked reserves undertaken by the Council.

The Total Authority Reserves at 31st March 2016 (compared with 31st March 2015) have increased by £78.4 millions with Usable Reserves decreasing by £6.0 millions and Unusable Reserves increasing by £84.4 millions. The main reason for the movement in Unusable Reserves is the decrease in the pension deficit of £73 millions (Notes 20 and 37) and increase in the revaluation reserve offset by a decrease in the capital adjustment account (Note 20, page 64), provides detailed information of our Unusable Reserves and their movement during the year. Page 13 of this report and Note 37 on page 95 provides more information on the decrease in the Pension Reserve of £73 millions.

Comprehensive Income and Expenditure Statement (page 20)

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Councils raise taxation to cover expenditure in accordance with regulations: this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

The Comprehensive Income and Expenditure Account shows a deficit of £74.5 millions in 2015/16 compared with a deficit of £29.5 millions in 2014/15.

Balance Sheet (page 21)

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Council. The net assets of the Council (assets less liabilities) are matched by reserves held by the Council. Reserves are reported in two categories. The first category of reserves is usable reserves, those reserves that the Council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitation on their use (for example the Capital Receipts Reserve may only be used to fund capital expenditure or repay debt). The second category of reserves hold unrealised gains and losses (for example the Revaluation Reserve) where amounts would only become available to provide services if the assets are sold; and hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

The Authority has a negative Balance Sheet as at 31st March 2016 which means that the Authority's liabilities are £106 millions greater than its assets (£185 millions at 31st March 2015). Although it may appear that this is a concern it is not as the Pension Liability of £942 millions does not represent an immediate call on the Authority's reserves and is a snap-shot valuation in time based on assumptions. The true value of the deficit is assessed on a triennial basis with contribution rates set to recover the balance over the longer-term. More information on Pensions is provided within this Foreword on page 13 and within Note 37 on page 95.

The Plymouth Energy from Waste facility became operational in 2015/16 and this increased the Authority's assets (and long term liabilities) by £69.3 millions. The plant was then subsequently revalued downwards to £65.9 millions at 31 March 2016. (Note 35 page 91 provides more details.)

Cash Flow Statement (page 22)

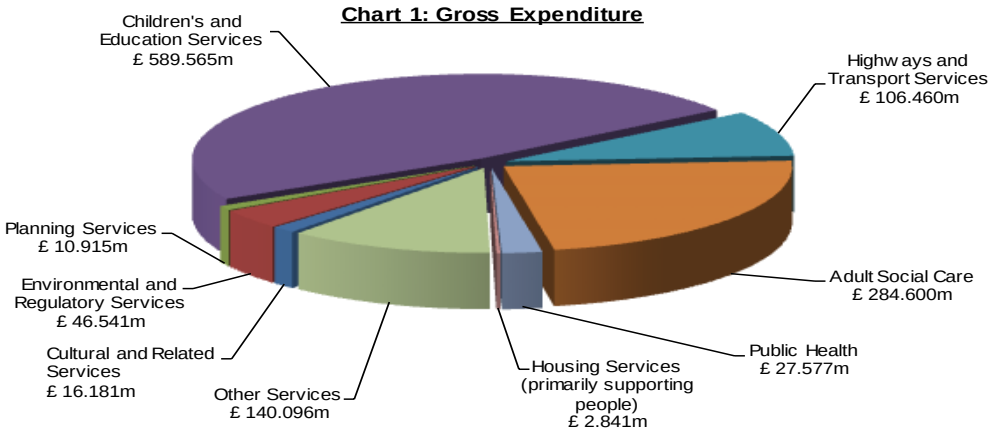
The Cash Flow Statement shows the changes in cash and cash equivalents of the Authority during the reporting period. The statement shows how the Authority generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows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

Economic context

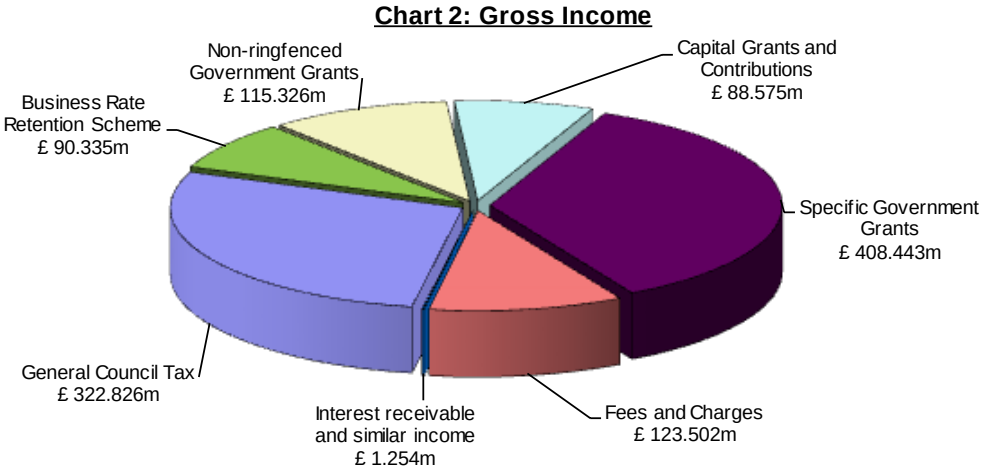
2015/16 although beyond the Government's four year Comprehensive Spending Review period saw not only a continuation of cuts to our funding but an acceleration. The authority's core funding from Government for 2015/16 was, compared to 2014/15, reduced by almost £29 millions (14%). This level of cut on top of those already experienced was, and continues to be, a significant challenge for the authority.

Financial performance

The Comprehensive Income and Expenditure Statement is produced in line with the CIPFA Service Reporting Code of Practice (SERCOP) and the Code. This requires a standard analysis of service expenditure, to be shown at total cost, which includes charges for capital asset utilisation, apportionments of central costs, expenditure from funds and reserves and appropriate provision for pension costs. Gross expenditure totalled nearly £1,225 millions and Chart 1 highlights spending for each service.



Expenditure is funded from a number of sources, some within Devon and some from Central Government. Chart 2, that follows, highlights sources of revenue income for the Authority during the year. Total gross income of just over £1,150 millions was received during the year. Chart 2 shows how this is derived.



Whilst the published Comprehensive Income and Expenditure Statement is based on the SERCOP analysis, the Council manages the revenue budget according to Service management responsibilities, as shown below.

Revenue Spending

Revenue expenditure provides the day-to-day services of the Council. Income arises from charges for such services where appropriate and contributions towards their costs.

Monitoring of income and expenditure takes place throughout the year. The financial performance, relative to budgets approved by Members is detailed below. The budget is set and monitored on a management accounting basis and does not include the statutory accounting entries that are included elsewhere within these accounts.

Regular budget monitoring reports to Cabinet have throughout 2015/16 identified budget pressures and risks.

People Services

The services that comprise People show an overspend of £9.816 millions at the end of the financial year.

Members will be aware that Children's Social Work and Child protection faced very great pressure in the year and finished 2015/16 overspent by nearly £13.9 millions. This was mainly the result of more children being placed in care than allowed for in the budget. Average prices paid for their care were also higher as more children were placed in higher cost residential settings and external foster placements than had been planned. The cost of Social Workers was also higher than budgeted due to higher numbers being employed in the first half of the year and also having to pay higher agency rates for temporary workers. The numbers of both agency workers and Social workers were reduced during the year and by the last two months of the year were within budgeted levels.

Adult Social Care also faced great underlying pressures on spending, especially on fee rates in both residential/nursing care and personal care in the home. Despite this, an underspending of just over £1.8 millions was achieved. This underspending was the result of some savings being realised more quickly than anticipated and containing demand by working closely with partners in the Health Service and paying close attention to eligibility criteria. However, many of the reductions which led to this result are by their nature temporary and may not be available to ease pressures in 2016/17.

In Social Care Commissioning there was similar early achievement of savings from planned contract reductions resulting in an underspend of £3.2 millions, as spending in these and other areas was curtailed wherever possible.

Education and Learning overspent by £787,000, entirely due to School Transport, with higher contractor costs, less income and more children with Special Educational Needs requiring transport. All other areas of spending were reduced wherever possible to mitigate the overspending in transport.

Carry forward proposals for grants and contributions received total £30.0 millions. Nearly all of this, £29.1 millions, is in respect of Dedicated Schools Grant, which funds schools and education and is ring fenced to these purposes. If unspent it must be carried forward. Of this amount £23.2 millions comprise sums carried forward by schools themselves., The remaining £5.9 million is made up of sums carried forward for Early Years, High Needs and central provision and an allowance for the requirement for new schools which will need to be covered over several years.

Apart from carry forwards of grants and contributions received, the only other carry forward is an amount of £221,000, jointly agreed with our health partners to fund an

expanded Rapid Response service, which aims to give swift and sometimes intensive support to people at home who might otherwise need to be admitted to hospital or residential care.

Place Services

The outturn for Place Services shows an overall net underspend of £2.464 millions after taking into account use of reserves and carry forward requests. This variation mainly resulted from an underspend on Highways and Traffic Management and a combination of underspending and increased income from Planning, Transportation and Environment.

Capital Development and Waste Management are showing an underspend of £427,000. At the start of the year Waste Services were predicting an overspend due to increased tonnages. There has been an increase in waste disposal with costs increasing by £2.1 millions. However, during the year Waste were able to make reductions elsewhere to bring the service back to an underspend of £146,000. These savings related to reduced costs on the first year of operation of the Energy from Waste Plants along with one-off savings from the special works budget. The Engineering Design Group over recovered on fees due to increased productivity which resulted in a year end underspend of £281,000.

Planning, Transportation and Environment are showing a net underspend of £1.017 million. This includes increased income relating to inspection and planning fees of £678,000 due to an increase in large applications. There is also a net underspend of £339,000 partly due to slippage on the Minerals Plan examination timescale and the development of the Greater Exeter Local Plan and additional income streams developed during the year.

Highways and Traffic Management is showing an underspend of £823,000. There has been a reduction in spend of £1.2 millions due to a mild winter with no significant storms. Increased spend on planned and routine works along with an overspend on grass cutting during the implementation of the new regime has resulted in an overspend of £636,000. The reduced energy and maintenance costs of street lighting has resulted in an underspend of £334,000 with other minor overspends of £75,000.

Services for Communities are showing a small underspend of £115,000. This relates to an underspend on planned operational spend for Bus Support costs of £363,000 mainly due to using different funding streams during the year. This has been offset by an overspend on Libraries of £307,000. Libraries were transferred to a Public Sector Mutual from 1st April 2016. During the year focus moved to the work to achieve divestment of the service in a relatively short timescale which resulted in planned savings not being implemented. Other minor variations resulted in further underspending of £59,000.

Economy and Enterprise are showing a small net underspend of £82,000 due to spend slippage on the Connecting Devon and Somerset (Broadband) project resulting from the contractual complexities of implementing this scheme.

Corporate Services

The outturn for corporate services represents a net underspend of £2.416 million, after taking into account carry forward requests.

Business strategy and support final outturn represents a net underspend of £649,000 including staff vacancies, savings in IT contracts, savings in premises costs and delayed projects. Carry forward requests totalling £322,000 are sought in relation to facilities commitments, including delayed projects.

County Solicitors show a net underspend of £779,000 as a result of delayed implementation of new legislation in the Coroners service (Medical Examiner) and

increased income, as well as reduced fees and other net savings for the Registration service.

For Human Resources the net underspend is £346,000 as a result of staff vacancies, savings in training and additional income.

Treasurer's Service final outturn represents an under spend of £214,000, the majority of which relates to staff vacancies and additional income for finance services. In addition there are net savings in Authority-wide unfunded pensions of £395,000 resulting from an increase in mortality rates, alongside net savings in Bank Charges of £33,000.

Public Health show a net break even, with savings in NHS Health Check Programme offset by increased costs for Sexual Health and Public Mental Health. The in-year net reduction in grant income of £1,645,000 has been offset by funding from Public Health ring-fenced reserve.

Other Items

Capital Financing costs are £11.9 millions less than budgeted due to the change in-year to the Minimum Revenue Provision policy. As outlined in the Medium Term Financial Strategy this sum is being added to the Budget Management Reserve with the intention that it will be used in 2017/18 to help protect services. Interest Receivable is £275,000 more than budgeted due mainly to the investment in the CCL Property Fund.

£582,000 of the 2013/14 infrastructure development budget was carried forward to 2015/16. £250,000 has been carried forward again to support the remaining projects in 2016/17 and £89,000 of the efficiency support budget is carried forward to enable the continuation of Chapter 8 training with Parish Councils.

The Government has provided £5.8 millions to fund the implementation of the Care Act. £2.9 millions has been carried forward to 2016/17 to fund the ongoing costs of Part I of the Act. £1.1 million of the Dartington School budget has been carried forward to fund the ongoing revenue costs of the Dartington School rebuild and legal costs.

£420,000 of Direct Revenue Support for Capital has been carried forward to 2016/17 in relation to flood relief schemes and £513,000 for Special Educational Needs and Disability.

£391,000 is estimated to be received in relation to business rates pooling gain; it has been set-aside in the earmarked reserve to help mitigate future business rate risk associated with backdated appeals and other losses.

General Balances

The working balance at 31st March 2015 was £14.601 millions. The review of the financial risk assessment prepared when the 2015/16 Budget was considered indicates that the Council should hold a working balance of about £14 millions. The outturn enabled £35,000 to be added to the working balance.

Earmarked Reserves

At the beginning of the financial year, earmarked reserves (excluding schools and non-schools carry forwards) stood at £47.5 millions. During the year earmarked reserves have increased by a net £8.6 millions to £56.1 millions. Of this increase £11.9 millions relates to an increase in the Budget management Reserve from savings achieved through the change to Minimum Revenue Provision policy and £600,000 from Pension Contributions. It is planned that these sums will be taken from the Reserve in 2017/18 to support services and to provide some resilience against any increase in pension costs following the Triennial Valuation in 2016/17. The Public Health service suffered an in

year cut to its Central Government Grant funding that has required a withdrawal of £1.625 millions from their ring-fenced reserve. The Transformation Reserve has reduced by £3.3 millions which is the net effect of the planned contribution to the reserve of £2.5 millions and in year costs of £5.8 millions

Details of earmarked reserves are contained in Note 8 on page 47.

Capital Spending

The County Council approved the Capital Programme of £120.206 million for 2015/16 in February 2015. The programme was increased during the financial year by £38.353 million as a result of the previous year underspends and Members have been asked to approve a further £16.712 millions for other adjustments during the year.

The final capital programme for 2015/16 was £175.271 million and actual capital expenditure was £128.459 millions. The table that follows summarises 2015/16 expenditure and approvals.

	Budget £ 000	Actual Spend £ 000	Variation £ 000
Place	146,235	110,446	35,789
People	20,719	14,588	6,131
Corporate	8,317	3,425	4,892
Total	175,271	128,459	46,812

Capital Outturn

The County Council delivered a large programme of capital investment in 2015/16. There were a number of significant schemes completed during the year which included the completion of the South Devon Link Road, two new rail stations at Newcourt and Cranbrook and a number of school expansion schemes.

As set out in the table above, the Capital Programme underspent by £46.8 million at outturn (this compares to £47.3 million in 2014/15). Within this total £43.0 million represents slippage across a range of schemes which will be carried forward to future years and £3.8 million savings achieved in programme delivery.

Variation between the delivered Capital Programme and Budget

The 2015/16 net underspending totalled £46.812 million. It is recommended that £39.183 millions are carried forward into the 2016/17 Capital Programme, and £3.803 millions into 2017/18 and beyond. An analysis of the underspending and the carry forward request is set out in the following table.

	Variation	Carry Forward to 2016/17	Carry Forward to 2017/18 and future years
	£ 000	£ 000	£ 000
Place	35,789	29,108	2,958
People	6,131	5,210	845
Corporate	4,892	4,865	0
Total	46,812	39,183	3,803

The main reasons for the variation between spend and budgets are explained in the following paragraphs.

Place

In 2015/16 the variation between budget and spend is split between slippage of £32.066 millions and underspend of £3.723 millions.

Planning, Transportation and Environment (PT&E)

The PT&E capital programme included a number of large schemes and a summary of some of the main areas of slippage and variations are outlined below

The South Devon Link Road slippage was due in part to a land negotiation achieving a lower cost than expected. However, there are a number of outstanding contractor claims which may affect the final outturn.

The Bridge Road and Marsh Barton rail schemes started on site later than planned primarily due to a combination of land complications and negotiations with Network rail

Land negotiations primarily outside the County Council's control have resulted in slippage on a number of strategic cycling schemes

Tithebarn Lane Phase 2 and other Growth Deal 1 schemes including the cycle schemes have been delayed starting on site due to a combination of external funding, design issues and land negotiations

The significant underspend on Cranbrook rail station is primarily due to successful negotiations with Network Rail to reduce DCC's share of increases in the scheme's delivery cost.

Highways, Capital Development and Waste Management (H,CD&WM)

The Local Transport Plan (LTP) Maintenance block grant funding of £46 millions was over delivered in 2015/16 by £2 millions. This over delivery was offset by slippage in other areas of the Place capital programme. The LTP will be the first call on this over delivery in 2016/17 ensuring expenditure remains within the overall allocation.

The Ivybridge Recycling Centre scheme was delayed through the tendering process. A successful tender and award was completed and the works commenced in February 2016, resulting in slippage of £2.7 millions.

Economy and Enterprise

The Okehampton East Business Park development was substantially completed in 2015/16 and whilst costs have not been finalised there is an anticipated saving on this scheme. The saving will be used to support the project costs of development of the Roundswell Strategic Employment Site, Barnstaple.

The implementation of superfast broadband by BT has reached over 170,000 users despite earlier delivery problems during 2014/15. There is slippage of £8.7 millions into 2016/17 primarily due to the delivery programme by BT.

People

Social Care Commissioning

There was slippage of £1.0 million within the Better Care Fund. Plans are being reviewed with health partners to determine how these resources will be allocated in 2016/17. There is also slippage within the Grants to Independent Sector - Care Homes scheme of £1.0 million. The County Council is actively seeking partners to develop additional care provision in 2016/17.

Schools

Schools projects have broadly been delivered on time, however there are some smaller schemes which have experienced slippage.

Corporate

County Farms

The current level of slippage is primarily due to a small number of Nitrate Vulnerable Zone compliant schemes where tenders have been let later than planned and the works will commence in 2016/17. The total scheme slippage within County Farms of £0.771 million will be carried forward into 2016/17.

Estates

Work at the Barnstaple Civic Centre annexe to facilitate the relocation of staff commenced in 2015/16. The project is expected to be completed in August 2016 resulting in slippage within this scheme..

The refurbishment of Lucombe House at County Hall due to be undertaken in 2015/16 has been delayed to facilitate a wider review of other accommodation requirements.

The upgrade of the boiler house and ventilation system at County Hall has required detailed discussions with English Heritage to finalise an acceptable design solution. This has resulted in the project being delayed until 2016/17.

ICT

The variation between the delivered capital programme and budget of £1.1 millions was largely due to delays in confirming service requirements and wider operational issues relating to the rollout of Windows 10 (which includes the replacement of out of date desktop computers with laptops/tablets) and the modernising of meeting rooms at the Authority's key strategic centres.

Financing the Capital Programme

The table that follows sets out how the Council planned to finance its capital spending and the actual sources of funding that were used. The third column shows the funding that will be carried forward into later years, with the final column showing savings from the funding source.

	2015/16 Final Budget	2015/16 Final Outturn	Capital Budgets Carried Forward	2015/16 Capital Budget Savings
	£ 000	£ 000	£ 000	£ 000
Capital Receipts Applied	26,831	10,960	15,683	188
Borrowing	31,340	16,073	14,373	894
External Grants and Contributions	114,530	99,167	12,632	2,731
Revenue Budgets	2,570	2,259	298	13
Total	175,271	128,459	42,986	3,826

The total borrowing required to finance the capital programme in 2015/16 was £16.073m million. The council was able to meet all borrowing requirements from internal cash resources so did not need to increase external borrowing

The Council had Capital Receipts unapplied of £25.848 million at 1st April 2015. Net of the cost of sales, capital receipts of £6.410 million were received in year from the sale of County land, building and other assets. Having applied £10.960 million of capital receipts to finance spend, the closing balance for Capital Receipts is £21.298 million. These movements are shown in the following table:

	General Receipts	Investing in Devon	Total
	£ 000	£ 000	£ 000
Opening Balance 1st April 2015	13,928	11,920	25,848
Received in year	6,410	0	6,410
Applied to finance spend	(8,559)	(2,401)	(10,960)
Closing Balance 31st March 2016	11,779	9,519	21,298

Major Capital Investment

Place

Planning, Transportation and Environment – £46 million outturn spend

There continues to be significant investment into the infrastructure of the County during 2015/16 with further major works planned for 2016/17. A summary of the main schemes are set out below:

The South Devon Link Road was completed in December 2015 and is already making a significant difference to journey times to and from Torbay and South Devon.

The Decoy Industrial Estate Access Road, including a parallel cycle link and connecting to the A380 at Aller, was also completed earlier in the financial year.

Major transport improvements on the M5 at Junction 28 (Cullompton), Drumbridges (A38) and Turks Head (Honiton / A30) were completed in partnership with Highways England.

Two new rail stations at Newcourt and Cranbrook were delivered in partnership with the rail industry.

The Stover Way multi-use trail between Newton Abbot and Bovey Tracey was also completed early in the financial year.

The Jurassic Coast visitor centre at Seaton, a partnership project with East Devon District Council and other funding bodies was opened late in the financial year.

Further capital investment has also been made in preparing schemes including, the A30/A303 (Honiton to Somerset border), North Devon Link Road (M5 – Bideford), Tiverton EUE access, A382 and Houghton Barton link (Newton Abbot), Deep Lane Phase 2 (Sherford), Bere Alston – Tavistock rail link and future schemes to be potentially funded through round three of Growth Deal.

Other major schemes that have commenced in 2015/16 include Bridge Road Widening improvements (Exeter), the Exeter Flood Alleviation scheme (delivered by the Environment Agency), the Exe Estuary cycle route between Dawlish Warren and Dawlish and the countywide bus real time information system. Services for the Community.

Highways Capital development and Waste Management - £60 million outturn

The Local Transport Plan (LTP) Maintenance block grant funding has delivered over 750 highway schemes and targeted priority carriageway schemes including surface dressing treatments and preparatory patching works. A significant number of bridge schemes were also funded from LTP including the Teign Estuary Viaduct.

£1.5 million has been invested in street lighting columns and lanterns in Barnstaple as part of a successful application to the Department for Transport funded Challenge Fund project.

Schools capital maintenance investment totalled £8.8 million with 275 projects competed during the year.

Economy and Enterprise

Okehampton East Business Park was substantially completed in November and although surfacing and landscaping works are still to be carried out, the majority of the plots are under offer.

People

Better Care Fund (BCF)

The Disabled Facilities Grant component of the BCF (£3.4m) was entirely transferred to the District Authorities. A capital allocation of £0.9m was spent on Community Equipment as a joint partnership with Health partners.

Other schemes included:

The Extra Care Housing programme saw significant expenditure of £1.6 millions contributing to developments in Newton Abbot and Totnes.

A £1.3 millions investment was made to an improved IT system for use by our partners Virgin Care.

The Transforming Care programme spent £0.6m of grants towards re-housing people with autism and other challenging behaviours away from traditional health care settings.

Contributions were also made towards the Exeter Engagement and Wellbeing Hub and towards a scheme to support people with autism led by our partners in Devon and Cornwall Police.

Education and Learning - Schools

Individual schools have continued to make large investment to their estate with several large expansion and improvement projects at Southbrook School, Lampard Community School and Bratton Fleming Community Primary School. There has also been continued investment in the playground facilities at Axe Valley Community College, Instow Community Primary, West Alvington Church of England Primary School and Landscore Primary.

Children's Social Work and Child Protection

This year has seen the Education Funding Agency fund a number of major improvements to the Atkinson Unit including, a new life skills room, upgraded play area, and high dependency unit as well as other minor projects such as refurbishments to the medical room, security improvements, and new windows and doors.

Corporate Services

Estates

Aligned to the authority's Estates Strategy, during 2015/16 a number of key enabling projects have been undertaken to facilitate the release of buildings and to deliver the capital receipts target. Work has also commenced on key Strategic Centre projects with the remainder of the work anticipated to be completed in 2016/17.

ICT

Capital schemes have focussed around key ICT objectives including the upgrade of DCC's infrastructure to provide a fit for purpose, up to date and reliable day to day ICT service that also includes significant increases in storage capacity.

Development and implementation of a pilot of the Windows 10 infrastructure and associated end user devices within Adult Social Care Commissioning was completed which will enable a wider roll out in 2016/17 to other services.

A major upgrade to the main meeting rooms within our strategic centres is well underway with modern ICT facilities available such as Skype for Business.

Borrowing

The Council borrows over the long-term to finance capital expenditure and in the short-term, to smooth the cash flow requirements of the authority on a daily basis.

The principal source of borrowings in excess of one year (i.e. classified as long-term borrowing) is the Public Works Loan Board although some borrowing from commercial lenders has taken place. At the year-end, long-term borrowing totalled £511.4 millions.

Pensions Liability

The Authority's pension fund deficit is subject to two different actuarial valuations; the Triennial Valuation and the IAS 19 annual accounting valuation. The Triennial Valuation is used to set the employer contribution rates for the following three years and is based on assumptions that are specific to the authority's part of the Devon Pension Fund. The annual IAS 19 valuation, that the authority is required to use in these accounts uses standardised assumptions and is designed to provide comparability between employers.

The liability of £942 millions (Note 37 page 98) on the County Council's Balance Sheet is offset by pension costs to be reimbursed as they fall due from Plymouth City Council and Torbay Council of £30 millions (Note 14 page 52) leaving a net liability of £912 millions (Note 20 page 64). This net liability is the annual accounting valuation and is an assessment of the level of corporate bonds a corporate body would need to issue in order to cover the cost of the deficit over an assessed period. This approach was designed with the Private Sector in mind but has also been adopted by the Public Sector although of course in local government the true pension fund deficit is assessed through the Triennial Valuation and the deficit made good over the working life of the employees rather than by issuing Corporate Bonds.

The accounting valuation is based on the corporate bond yield as at 31st March 2016. The deficit at 31st March 2016 is £76 millions less than as at 31st March 2015; this is due mainly to the increase in the discount rate of 0.3% from 3.3% to 3.6%. This 'snapshot' approach to valuing the deficit is very volatile; for instance at the end of May 2016, two months after the year end, the corporate bond yield has reduced by 0.1%. This would have the effect of increasing the estimated liability by £35.8 millions.

It is arguable whether the annual calculation of the pension fund deficit accurately reflects the long run position, many believe it does not.

Note 37 on page 95 provides further information.

Performance Management

The County Council serves around 760,000 people in Devon. The County has an older population profile than England with a higher proportion in older age groups. All Devon districts have a higher proportion of those aged 85 and over than England, with particularly high concentrations in coastal and market towns such as Sidmouth, Teignmouth and Dartmouth. The population of the county is changing, with a projected increase in population of 100,000 over the next 20 years. This is illustrated by the number of persons aged 85 and over, which stood at 10,300 in 1981, 28,300 in 2015, and is set to rise to 64,900 by 2037, contributing to an increasing proportion of the population in older age groups, with consequences for both increased demand for health services and the availability of staff.

The development and expansion of new towns, such as Cranbrook in East Devon and Sherford in the South Hams, coupled with continued housing and economic development in existing settlements will have an impact on local patterns of demand for health and care services.

"Better Together" sets out five broad outcomes for Devon and flags up our change from a service provider to an enabler:

Resilient - Resilient people and communities are more likely to enjoy health, happiness and prosperity.

Healthy - On average, people in Devon enjoy better health and live longer than those across England and Wales as a whole.

Prosperous - Resourceful small enterprises, innovative high value businesses, agriculture and tourism form Devon's diverse and dynamic economy.

Connected - People need to be able to connect to one another in order to form supportive and inclusive communities.

Safe - The overwhelming majority of Devon's families and communities are places in which people can flourish, whatever their circumstances.

In order to better understand the future context for us as an organisation and our impact on improving outcomes for citizens and communities, we have developed a performance framework comprising three elements: Strategic Performance, Operational Performance and Community Performance.

Together these three views give us, and the public, an overview of the performance of our organisation and the health and wellbeing of our citizens and communities.

In parallel to this there have also been some service specific performance management developments for both Children's and Adults' Social Care. In particular a new Adult Social Care Performance Framework has been introduced which gives particular emphasis to quality assurance of practice, quality and sufficiency in the market, and robust information about safeguarding.

Achievements

Against the five broad outcomes for Devon set out in "Better Together", the County Council has achieved the following:

Resilient

- Reduced rate of permanent admissions to residential and nursing care. In 2014/15, the rate of permanent admissions to residential and nursing care was 601.8 per 100,000 population (aged 65 and over) compared to 668.8 nationally. For 2015/16 the rate is 535.2 per 100,000 population (aged 65 and over)
- A Community Impact Support Scheme offers £0.5 million of funding and business support to help social enterprises promote independence and self reliance.
- Phase 1 of our Targeted Family Support Programme turned around the full cohort of 1370 families. These households are now more independent and resilient, with fewer members engaged in crime and more progressing to education or employment.
- Our investment of £3 millions in the Exeter Flood Protection scheme helped to secure £30 millions from the Department for Environment, Food and Rural Affairs (DEFRA). The scheme together with a range of other smaller initiatives linked to key flood risk areas across the County are well underway.
- With a recycling rate of 55%, Devon is one of the top recycling counties in the country, compared to the national average of 45%. Each year there are 110,000 tonnes of waste not going to landfill but being used for energy recovery. The amount of waste going to landfill will reduce further because:
    - the full year's effect of the Exeter Energy Recovery Facility, which became operational from July 2014, has to be taken into account
    - a new Energy Recovery Facility in Devonport became operational in September 2015. This was constructed as part of a Private Finance Initiative in partnership with Plymouth CC and Torbay Council.

Healthy

- Higher proportion of older people (aged 65 and over) who are still at home 91 days after discharge from hospital into reablement/rehabilitation services (88.8% compared to 82.1% nationally in 2014/15). For 2015/16 the figure is 87.1%.
- The Integrated Care for Exeter (ICE) project is leading systems change across health, social care and communities in the city, serving as a development platform for wider scale change.

- The Transforming Lives project at Poltimore House provides vulnerable and marginalised people with a fulfilling and active recovery. The restoration of this historical building will provide clients with more opportunities to improve their health and wellbeing.
- The Joint Strategic Needs Assessment (JSNA) evidences emotional wellbeing as a significant issue for young people in Devon. In response the Health and Wellbeing Board and the Children, Young People and Families Alliance (CYPF) engaged with schools and other partners and then quickly co-commissioned the new Emotional Wellbeing service.

Safe

- By May 2015 OFSTED judged Children's Services to have improved and were no longer "inadequate". Although further change was needed, it was concluded that no child was left "at risk of harm". Children's Services Improvement Plan sets out a comprehensive programme of work that is addressing the OFSTED recommendations. The programme has strong governance and is progressing well.
- The performance within Children's Social Work remains stable. The numbers of children subject to Child Protection Plan continues to rise and work is underway with case conference chairs to ensure that appropriate risk assessment leads to the right decisions. The number of children coming off a plan quickly (within 3 months) is high and the number of cases which close following Single Assessment is also very high. All of these indicators are impacted by partners' capacity to hold and support families. This work is underway through Early Help development and Devon Safeguarding Children's Board. The number of looked after children is reducing, although caseload has increased.
- The number of children subject to a child protection plan at as March 2015 is 481, compared to 724 in March 2016.
- We have modernised and improved our adoption and fostering service. Our Devon Adoption team has won the award for Local Authority Adoption Team of the Year. The team uses creative ways to provide the missing connections between children and their families when they go into care, then onto adoption.
- A new Adult Social Care Performance Framework has been introduced. It gives particular emphasis to quality assurance of practice, quality and sufficiency in the market, and robust information about safeguarding. It is based around the priorities and key questions addressed in the 'Adult Social Care in Devon Annual Report 2015'.

Prosperous

- Education and Learning - Results in the national tests are improving with performance above the national average at every key stage. Gaps in outcomes for disadvantaged students and their peers are closing and in 2015 they were at least in line or better, than those found nationally.
- Percentage 5+ A* - C or equivalent including English and Maths – In 2014 - 56.7% and in 2015 - 58.1%
- The percentage of schools judged to be good or outstanding is now at 90% which is 5% above the national average. Devon's improvement trend is also above that seen nationally.
- The percentage of NEETs (not in education, employment or training) remains low when compared to national and regional benchmarks:
- Percentage of 16 – 18 year olds who are Not in Education, Employment or Training as at the end of 2014 is 4.2% and at the end of 2015 4.1%.

- Ongoing delivery of inward investment for Devon in conjunction with the Local Enterprise Partnership and expansion of Exeter Science Park, Skypark and Cranbrook new community East of Exeter
- Securing Devon CC approval to progress with the Okehampton East Business Park
- Securing Local Enterprise Partnership (LEP) Government Growth Deal funding towards employment and skills focused capital projects,
- Providing significant support to Districts submitting projects to the LEP's Growth Deal (Unlocking Small and Medium Enterprise Growth) pot, as well as progressing County Council led applications to this pot including Holsworthy Agribusiness Centre extensions; Skypark Innovation Centre and the Family Business Growth Centre at Bicton College.
- Delivery of a FabLab at the new Exeter library
- Securing in partnership the £94 millions Met Office Supercomputer and collaboration centre at Exeter Science Park, currently in development.
- The Transport Infrastructure Plan identifies an on-going programme of transport schemes aimed at supporting the growth of the county's economy.

Connected

- The Connecting Devon and Somerset programme (CDS) is extending superfast broadband to around 90% of homes and businesses in phase 1 of the rollout. This is the largest programme of its kind in England and to date it has connected over 180,000 homes and businesses to fibre broadband.
- Phase 2 of the Programme aims to extend superfast broadband even further to reach around 95% of homes and businesses in the area.
- We have helped to build a cross-authority Peninsular Rail Task Force and are working towards the delivery of three new railway stations at Cranbrook (completed), Marsh Barton (funding in the process of being secured) and Edginswell and completion of Newcourt station.
- Following countywide consultation it has been possible to save £1.75 million from the Public Transport budget whilst affecting just 4% of passenger journeys.
- A robust case put forward by the County Council will see the A303 improvements as part of a £2 billion investment in South West roads which will create an estimated 1,300 construction jobs. We are also working to secure Government commitment to improvements to the A361 North Devon Link Road.
- The South Devon Link Road has been successfully completed. Improved access to Torbay and South Devon is expected to lead to the creation of nearly 8,000 jobs in South Devon and remove 95% of traffic away from Kingskerswell, restoring and revitalising the village.
- The Exeter cycle network is being expanded with new routes proposed to link Cranbrook to the city centre and University of Exeter, as well as connecting Newcourt to the city centre. These will support economic growth and encourage more people to leave their cars at home, helping them to improve health, fitness and their local environment.

Conclusion

A budget underspend has been achieved in spite of significant financial pressures within People Services. The in-year change in the Minimum Revenue Provision Policy has enabled £12 millions to be added to the Budget Management Reserve that will provide some protection to services in 2017/18. The outturn was £500.070 millions, an underspend of £35,000.

In 2016/17 the budget for People Services was increased by nearly £16.2 millions in recognition of the increase in demand faced by the caring services. The Council must ensure that it stays within the increased budget set for 2016/17 and that there is not a repeat in 2016/17 of the Children's Services overspending either in that service or any other service area

The preparation of these financial statements results from the painstaking effort over many months of a great many people. We would like to place on record our thanks to members and officers of the Council who have done so much to achieve this and who continue to secure the financial health of the Council.

Mary Davis

County Treasurer

24th August 2016

Phil Norrey

Chief Executive

24th August 2016

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 County Treasurer;
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets; and
- approve the Statement of Accounts.

Responsibilities of the County Treasurer

The County Treasurer 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 County Treasurer 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 County Treasurer has also:

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

Certificate of the County Treasurer

I hereby certify that this Statement of Accounts for the year ended 31st March 2016 has been prepared in accordance with the Accounts and Audit (England) Regulations 2015 and that it gives a true and fair view of the financial position of the Authority as at 31st March 2016 and its income and expenditure for the year ended 31st March 2016.

Mary Davis

County Treasurer

24th August 2016

Approval of the Statement of Accounts

I confirm that these accounts were approved by the Audit Committee at its meeting on 7th September 2016

Chairman of the Audit Committee

7th September 2016

Movement in Reserves Statement

This statement shows the movement in the year on various reserves held by the authority, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The '(Surplus) or deficit on the provision of services' line shows the true economic cost of providing the authority's services, more details of which are shown in Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance for Council Tax setting purposes. The 'Net (increase)/decrease before transfers to earmarked reserves' line shows the statutory General Fund Balance before any discretionary transfers to or from earmarked reserves made by the Council. The General Fund Balance includes reserves held by schools (School carry forwards); details are included within Note 8.

	General Fund Balance £000	Earmarked General Fund Reserves £000	Capital Grants Unapplied £000	Capital Receipts Reserve £000	**Total Usable Reserves £000**	**Unusable Reserves £000**	**Total Authority Reserves £000**
Balance at 1st April 2014	**(32,819)**	**(81,161)**	**(17,027)**	**(24,319)**	**(155,326)**	**163,308**	**7,982**
Movement in reserves during 2014/15							
(Surplus)/deficit on the provision of services	29,506				**29,506**		**29,506**
Other Comprehensive Income & (Expenditure)					**0**	147,386	**147,386**
Total Comprehensive Income & Expenditure	**29,506**	**0**	**0**	**0**	**29,506**	**147,386**	**176,892**
Adjustments between accounting basis & funding basis under regulations (Note 7)	(17,949)		(4,506)	(1,529)	**(23,984)**	23,984	**0**
Net (Increase)/Decrease before Transfers to Earmarked Reserves	**11,557**	**0**	**(4,506)**	**(1,529)**	**5,522**	**171,370**	**176,892**
Transfers From Earmarked Reserves (Note 8)	(14,270)	14,270			**0**		**0**
(Increase)/Decrease in 2014/15	**(2,713)**	**14,270**	**(4,506)**	**(1,529)**	**5,522**	**171,370**	**176,892**
Balance at 31st March 2015 Carried Forward	**(35,532)**	**(66,891)**	**(21,533)**	**(25,848)**	**(149,804)**	**334,678**	**184,874**
Movement in reserves during 2015/16							
(Surplus)/deficit on the provision of services	74,515				**74,515**		**74,515**
Other Comprehensive Income & (Expenditure)					**0**	(152,923)	**(152,923)**
Total Comprehensive Income & Expenditure	**74,515**	**0**	**0**	**0**	**74,515**	**(152,923)**	**(78,408)**
Adjustments between accounting basis & funding basis under regulations (Note 7)	(83,688)		10,592	4,550	**(68,546)**	68,546	**0**
Net (Increase)/Decrease before Transfers to Earmarked Reserves	**(9,173)**	**0**	**10,592**	**4,550**	**5,969**	**(84,377)**	**(78,408)**
Transfers to Earmarked Reserves (Note 8)	6,906	(6,906)			**0**		**0**
(Increase)/Decrease in 2015/16	**(2,267)**	**(6,906)**	**10,592**	**4,550**	**5,969**	**(84,377)**	**(78,408)**
Balance at 31st March 2016 Carried Forward	**(37,799)**	**(73,797)**	**(10,941)**	**(21,298)**	**(143,835)**	**250,301**	**106,466**

Comprehensive Income and Expenditure Statement

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with regulation this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

2014/15 Gross Expenditure	2014/15 Gross Income	2014/15 Net Expenditure		Notes	2015/16 Gross Expenditure	2015/16 Gross Income	2015/16 Net Expenditure
£000	£000	£000			£000	£000	£000
			General Fund continuing operations				
18,809	(2,921)	15,888	Cultural and Related Services		16,181	(2,915)	13,266
68,659	(6,492)	62,167	Environmental and Regulatory Services		46,541	(9,332)	37,209
13,272	(5,497)	7,775	Planning Services		10,915	(4,585)	6,330
588,654	(402,675)	185,979	Children's and Education Services		589,565	(401,811)	187,754
115,361	(17,842)	97,519	Highways and Transport Services		106,460	(18,893)	87,567
301,198	(80,854)	220,344	Adult Social Care		284,600	(66,084)	218,516
22,436	(22,708)	(272)	Public Health		27,577	(25,684)	1,893
2,036	(61)	1,975	Housing Services (primarily supporting people)		2,841	(76)	2,765
3,395	(224)	3,171	Corporate and Democratic Core		3,508	(248)	3,260
5,072	(85)	4,987	Non Distributed Costs		1,239	(103)	1,136
3,923	(2,076)	1,847	Central Services to the Public		3,867	(2,214)	1,653
1,142,815	**(541,435)**	**601,380**	**Cost of Services**	22	**1,093,294**	**(531,945)**	**561,349**
16,429		16,429	Other Operating Expenditure	5, 10	59,602		59,602
70,189	(2,324)	67,865	Financing and Investment Income and Expenditure	11	71,880	(1,254)	70,626
	(656,168)	(656,168)	Taxation and Non-specific Grant Income	12		(617,062)	(617,062)
1,229,433	**(1,199,927)**	**29,506**	**(Surplus) or Deficit on Provision of Services**		**1,224,776**	**(1,150,261)**	**74,515**
		(28,082)	(Surplus) or deficit on revaluation of Property, Plant and Equipment	20			(45,449)
		0	(Surplus) or deficit on revaluation of available for sale financial assets				590
		175,468	Remeasurements of the net defined benefit liability	37			(108,064)
		147,386	**Other Comprehensive Income & Expenditure**				**(152,923)**
		176,892	**Total Comprehensive Income & Expenditure**				**(78,408)**

Balance Sheet

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

31st March 2015 £000		Notes	31st March 2016 £000	£000
1,369,662	Property, Plant & Equipment	13	1,439,091	
1,318	Intangible Assets		1,659	
2,457	Heritage Assets		2,472	
0	Long Term Investments	15	9,410	
1,678	Investments in Associates & Joint Ventures	15	1,678	
34,237	Long Term Debtors	14	31,478	
1,409,352	**Long Term Assets**			1,485,788
50,244	Short Term Investments	15	45,140	
1,893	Inventories		1,657	
85,139	Short Term Debtors	16.2	82,696	
64,247	Cash and Cash Equivalents	18	59,445	
7,041	Assets held for sale	19	11,778	
208,564	**Current Assets**			200,716
(8,057)	Provisions		(8,372)	
(288)	Short Term Borrowing	15	(286)	
(714)	Revenue Grants Receipts in Advance	32	(999)	
(113,473)	Short Term Creditors	16.1	(115,301)	
(122,532)	**Current Liabilities**			(124,958)
(15,511)	Provisions	17	(15,452)	
(511,450)	Long Term Borrowing	15	(511,386)	
(1,132,491)	Other Long Term Liabilities	21	(1,117,978)	
(2,559)	Revenue Grants Receipts in Advance	32	(3,225)	
(18,247)	Capital Grants Receipts in Advance	32	(19,971)	
(1,680,258)	**Long Term Liabilities**			(1,668,012)
(184,874)	**Net Assets/(Liabilities)**			**(106,466)**
(149,804)	Usable Reserves			(143,835)
334,678	Unusable Reserves	20		250,301
184,874	**Total Reserves**			**106,466**

Cash Flow Statement

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

2014/15 £000		Note	2015/16 £000	£000
29,506	**(Surplus) or Deficit on the Provision of Services**			**74,515**
	Adjustments for -			
(177,584)	Non cash movements	23	(185,743)	
7,107	Investing and financing activities	24	6,070	
(170,477)				(179,673)
(140,971)	**Net cash flows from operating activities**	25		**(105,158)**
121,495	Investing activities	26		**106,348**
3,657	Financing activities	27		**3,612**
(15,819)	**Net (increase)/decrease in cash and cash equivalents**			**4,802**
48,428	Cash and cash equivalents opening balance			64,247
64,247	**Cash and cash equivalents at year end**	18		**59,445**

1.Statement of Accounting Policies

General Principles

The Statement of Accounts summarises the Authority's transactions for the 2015/16 financial year and its position at the year-end of 31st March 2016. The Authority is required to prepare an annual Statement of Accounts by the Accounts and Audit (England) Regulations 2015, which those regulations require to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 and the Service Reporting Code of Practice 2015/16, supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under section 12 of the 2003 Local Government Act.

The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

POLICIES

Accruals of Income and Expenditure

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

- Fees, charges and rents due from customers are accounted for as income at the date the Authority provides the relevant goods and services;
- The full cost of employees is charged to the accounts for the period within which the employees worked. Accruals are made for salaries and wages, holiday pay, flexi leave and time off in lieu earned but unpaid at the year-end;
- Supplies and services are recorded as expenditure when they are consumed or received. Where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the balance sheet;
- Interest payable on borrowings and receivable on investments is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by contract; and
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the balance sheet. Where it is doubtful that debts will be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

Accounting for Schools

The Code of Practice on Local Authority Accounting in the United Kingdom confirms that the balance of control for local authority maintained schools stipulates that those schools' assets, liabilities, reserves and cash flows are recognised in the local authority financial statements. Therefore schools' transactions, cash flows and balances are recognised in each of the financial statements of the Authority as if they were the transactions, cash flows and balances of the Authority.

Properties used by schools are recognised in accordance with the indicators of control identified under the requirements of the Code's adoption of IFRS 10, Consolidated Financial Statements. Where assets are owned by Devon County Council and used by

community schools, voluntary aided and voluntary controlled schools then they are recognised in the Authority's balance sheet.

Where the title of ownership of voluntary aided and voluntary controlled school assets rests with Trustees of the religious bodies, the Authority does not recognise these assets in its balance sheet.

In the case of foundation schools where assets have been transferred to the schools' governing bodies then the restrictions on the use of those assets in the legal transfer documents are such that the land and buildings are included in the Authority's balance sheet.

The Authority does not recognise the land or buildings used by Academy Schools in its balance sheet. The Authority still owns the assets but has transferred the rights over the assets to the academies through leases of 125 years.

Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in 90 days or less from date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the cash flow statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Authority's cash management.

Charges to Revenue for Non-Current Assets

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

- Depreciation attributable to the assets used by the relevant service;
- Revaluation and Impairment losses on assets used by a service where there are no accumulated gains in the revaluation reserve against which the losses can be written-off; and
- Amortisation of intangible assets attributable to the service.

The Authority is not required to raise council tax to fund depreciation, revaluation, impairment losses or amortisation. It is, however, required to make an annual contribution from revenue towards the reduction in the overall borrowing requirement (equal to either an amount calculated on a prudent basis determined by the Authority in accordance with statutory guidance). Depreciation, revaluation, impairment losses and amortisation are therefore replaced by the contribution in the General Fund Balance (Minimum Revenue Provision) by way of an adjusting transaction with the Capital Adjustment Account in the movement in reserves statement for the difference between the two.

Contingent Assets

Contingent assets are disclosed by way of note where it is probable that there will be an inflow of economic benefits or service potential.

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

Contingent Liabilities

Contingent liabilities are disclosed by way of note when there is a possible obligation which may require a payment or a transfer of economic benefits. The timing of the economic transfer and the level of uncertainty attaching to the event are such that it would be inappropriate to make a provision.

Employee Benefits

Benefits payable during employment

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave and non-monetary benefits (e.g. cars) for current employees and are recognised as an expense for services in the year in which employees render service to the Authority. An accrual is made for the cost of holiday entitlements (or any form of leave e.g. time off in lieu) earned by employees but not taken before year-end which employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to the surplus or deficit on the provision of services, but then reversed out through the movement in reserves statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Authority to terminate an officer's employment before normal retirement date (or an officer's decision to accept voluntary redundancy) and are charged on an accruals basis to the appropriate service or where applicable Non distributable cost line in the comprehensive income and expenditure statement, at the earlier of when the Authority can no longer withdraw an offer of those benefits or when the Authority recognises costs for a restructuring.

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

Post-Employment Benefits

Employees of the Authority are members of three separate pension schemes:

- The Teachers' Pension Scheme, administered by Capita Teachers' Pensions on behalf of the Department of Education (DfE),
- The NHS Pension Scheme, administered by the NHS Business Service Authority; and
- The Local Government Pension Scheme, administered by Devon County Council.

All schemes provide defined benefits to members (retirement Lump sums and Pensions), earned as employees work for the Authority.

The arrangements for the teachers' and NHS schemes mean that liabilities for these benefits cannot ordinarily be identified specifically to the Authority. The schemes are therefore accounted for as if they were a defined contribution scheme and no liability for future payments of benefits is recognised in the balance sheet. The Children's and Education services and Public Health lines in the comprehensive income and expenditure

statement are charged with the employer's contributions payable to teachers' pensions in the year.

The Local Government Pension Scheme

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

The liabilities of the Devon pension scheme attributable to the Authority are included in the balance sheet on an actuarial basis using the projected unit method. This is an assessment of the future payments that will be made in relation to retirement benefits earned to date by the employees, based on assumptions about mortality rates, employee turnover rates and projections of earnings for current employees.

Liabilities are discounted to their value at current prices, using a discount rate based on the iBoxx AA rated corporate bond index.

The assets of the Devon pension fund attributable to the Authority are included in the balance sheet at fair value:

- quoted securities - current bid price
- unquoted securities – professional estimate
- unitised securities – current bid price
- property – market value

The change in the net pension liability is analysed into five components:

- Current service cost – the increase in liabilities as a result of years of service earned this year and allocated in the comprehensive income and expenditure statement to the services for which the employee worked;
- Past service cost – the increase in liability arising from current year decisions which relate to years of service earned in earlier years - debited to the surplus or deficit on the provision of service line in the comprehensive income and expenditure statement as part of non-distributed costs;
- Net interest on the net defined benefit liability/(asset), i.e. net interest expense for the Authority – the change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement – this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability (asset) at the beginning of the period – taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments.
- Remeasurements comprising:
    - the return on plan assets – excluding amounts included in net interest on the net defined benefit liability (asset) – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure
    - actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure
- Contributions paid to the Devon Pension Fund- Cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as expense.

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

accounting standards. In the Movement in Reserves Statement, this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

Discretionary benefits

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

Events after the Reporting Period

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

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

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

Financial instruments

Financial liabilities

Financial liabilities are recognised on the balance sheet when the Authority becomes a party to the contractual provisions of a financial instrument. They are initially measured at fair value and are carried at their amortised cost. Annual charges to the financing and investment income and expenditure line in the comprehensive income and expenditure statement for interest payable are based on the carrying amount of the liability, multiplied by the effective interest rate for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised. For most of the borrowings that the Authority has, this means that the amount presented in the balance sheet is the outstanding principal repayable (plus accrued interest) and interest charged to the comprehensive income and expenditure statement is the amount payable for the year according to loan agreement.

Gains and losses on the repurchase or early settlement of borrowing are credited and debited to the financing and investment income and expenditure line in the comprehensive income and expenditure statement in the year of the repurchase or settlement. Where repurchase has taken place as part of a restructuring of a loan portfolio that involves the modification or exchange of existing instruments, the premium or discount is respectively deducted from or added to the amortised cost of the new or modified loan and the write-down to the comprehensive income and expenditure statement is spread over the life of the loan by an adjustment to the effective interest rate.

Where, in previous periods, premiums and discounts have been charged to the comprehensive income and expenditure statement, regulations allow the impact on the general fund balance to be spread over future years. The Authority has a policy of spreading the gain or loss over the term remaining on the loan against which the premium was payable or the discount receivable when it was repaid. The reconciliation of amounts charged to the comprehensive income and expenditure statement to the net charge required against the general fund balance is managed by a transfer to or from the financial instruments adjustment account in the movement in reserves statement.

Financial Assets

Financial assets are classified into two types:

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

Loans and receivables

Loans and receivables are initially measured at fair value and are carried at their amortised cost. Annual credits to the financing and investment income and expenditure line in the comprehensive income and expenditure statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the loans that the Authority has made, this means that the amount presented in the balance sheet is the outstanding principal receivable and interest credited to the comprehensive income and expenditure statement receivable for the year in the loan agreement.

The Authority has made a small number of loans to other parties at less than market rates (soft loans). When soft loans are made a loss is recorded in the comprehensive income and expenditure statement for the present value of the interest foregone over the life of the instrument resulting in a lower amortised cost than the outstanding principal. Interest is credited to the financing and investment income and expenditure line in the comprehensive income and expenditure statement at a marginally higher effective rate of interest than the rate receivable from these bodies, with the difference serving to increase the amortised cost of the loan in the balance sheet. Statutory provisions require that the impact of soft loans on the general fund balance is the interest receivable in the financial year. The reconciliation of amounts debited or credited to the comprehensive income and expenditure statement to interest credited to the general fund balance is accounted for by a transfer to or from the financial instruments adjustment account in the movement in reserves statement.

Where assets are identified as impaired because of the likelihood, arising from a past event, that payments due under the contract will not be made, the asset is written down and a charge made to the comprehensive income and expenditure statement.

The impairment loss is measured as the difference between the carrying amount and present value of the revised future cash flows discounted at the asset's original effective interest rate.

Any gains and losses that arise on derecognition of assets are credited or debited to the comprehensive income and expenditure statement.

Available for Sale assets

Available for sale assets are initially measured and carried at fair value. Where the asset has fixed or determinable payments, annual credits to the financing and investment income and expenditure line in the comprehensive income and expenditure statement for interest receivable are based on the amortised cost of the asset multiplied by the effective interest rate for the instrument. Where there are no fixed or determinable

payments, income is credited to the comprehensive income and expenditure statement when it becomes receivable by the Authority.

Assets are maintained in the balance sheet at fair value. Values are based on the following principles:

- Instruments with quoted market prices – the market price
- Other instruments with fixed and determinable payments – discounted cash flow analysis
- Equity shares with no quoted market price – independent appraisal of company valuations.

The inputs to the measurement techniques are categorised in accordance with the following three levels:

- Level 1 inputs – quoted prices (unadjusted) in active markets for identical assets that the authority can access at the measurement date.
- Level 2 inputs – inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly.
- Level 3 inputs – unobservable inputs for the asset.

Changes in fair value are balanced by an entry in the available for sale reserve and the gain or loss is recognised in the surplus or deficit on the revaluation of available for sale financial asset. The exception is where impairment losses have been incurred. These are debited to the financing and investment income and expenditure line in the comprehensive income and expenditure statement, along with any net gain or loss for the asset accumulated in the available for sale reserves.

Where assets are identified as impaired because of a likelihood, arising from a past event, that payments due under the contract will not be made or fair value falls below cost, the asset is written down and a charge made to financing and investment income and expenditure line in the comprehensive income and expenditure statement.

If the asset has fixed or determinable payments, the impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate. Otherwise, the impairment loss is measured as any shortfall of fair value against the acquisition cost of the instrument (net of any principal repayment and amortisation).

Any gains and losses that arise on the derecognition of the asset are credited or debited to the financing and investment income and expenditure line in the comprehensive income and expenditure statement along with any accumulated gains or losses previously recognised in the available for sale reserve.

Where fair value cannot be measured reliably the instrument is carried at cost less any impairment losses.

Government grants and contributions

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

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

Amounts recognised as due to the Authority are not credited to the comprehensive income and expenditure statement until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations which specify that the future economic

benefits or service potential embodied in the asset in the form of the grant or condition are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

Monies advanced as grants and contributions when conditions have not been satisfied are carried in the balance sheet as liabilities. When conditions are satisfied, the grant or contribution is credited to the relevant service line ('Attributable revenue grants and contributions') or taxation and non-specific grant income ('Non ring-fenced revenue grants and all capital grants') in the comprehensive income and expenditure statement.

Where capital grants are credited to the comprehensive income and expenditure statement, they are reversed out of the general fund balance in the movement of reserves statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the capital grants unapplied reserve. Where it has been applied it is posted to the Capital Adjustment Account. Amounts in the capital grants unapplied reserve are transferred to the capital adjustment account once they have been applied to fund capital expenditure.

Heritage Assets

Heritage assets are assets that are held by the Authority principally for their contribution to knowledge or culture. Heritage Assets are recognised and measured in accordance with the Authority's accounting policies on property, plant and equipment with only assets above a £12,000 de-minimis limit recognised. The Authority's collections of heritage assets are accounted for as follows:

- **Artefacts held at the Devon Records Office:** The Authority's Record Office holds a number of artefacts with a large proportion falling below the de-minimis threshold. There is no insurance held for the archive collection which is standard practice for this type of service. The more significant collections have been subject to an external valuation and are reported in the balance sheet at market value;
- **Artefacts held by Devon Libraries:** The Devon Library Service securely holds a number of heritage assets in the 'Stack' at Exeter Central Library, and are accessible by the public upon request. These items are reported in the balance sheet at insurance valuation. These insurance valuations are updated on an annual basis.
- **Art Collection:** The Art Collection includes paintings (both oil and watercolour) and is reported in the balance sheet at market value.

The Authority's heritage asset collection is relatively static and acquisitions or donations are rare. When they do occur acquisitions are initially recognised at cost and donations are recognised at valuation, with valuations provided by an external valuer.

For assets recently purchased or where insurance valuations are available it is the Authority's policy to recognise the assets using these bases; obtaining an external valuation would involve a disproportionate cost in relation to the benefits to users of the financial statements.

The carrying amounts of heritage assets are reviewed annually where there is evidence of impairment. Any impairment is recognised and measured in accordance with the Authority's general policies on impairment. It is the Authority's policy not to dispose of assets under its ownership, as many of these assets have grant conditions attached to their funding which prohibit sale.

The Authority's heritage assets are deemed to have indeterminate lives and therefore the Authority does not consider it appropriate to charge depreciation.

Intangible Assets

Expenditure on non-monetary assets that do not have a physical substance but are controlled by the Authority as a result of past events is capitalised when it is expected that future economic benefits or service potential will flow from the intangible assets to the Authority for more than one financial year. Control of an intangible asset will be secured by legal rights which grant access to benefits for a fixed period. The balance is amortised to the relevant service revenue account over the economic life of the investment to reflect the pattern of consumption of benefits.

Expenditure on the development of websites is not capitalised if the website is solely or primarily intended to promote or advertise the Authority's goods or services.

Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the asset held by the Authority can be determined by reference to an active market. In practice, no intangible asset held by the Authority meets this criterion and are therefore carried at amortised cost. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service line in the comprehensive income and expenditure statement. An asset is tested for impairment whenever there is an indication that the asset might be impaired. Any losses recognised are posted to the relevant service line in the comprehensive income and expenditure statement. Any gain or loss arising on the disposal or abandonment of an intangible asset appears as 'Other operating expenditure' in the comprehensive income and expenditure statement.

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the general fund balance. The gains and losses are therefore reversed out of the general fund balance in the movement of reserves statement and posted to the capital adjustment account and (for any sales proceeds greater than £10,000) the capital receipts reserve.

Inventories

Inventories are included in the balance sheet at the lower of cost and net realisable value with the exception of trading account stock which is valued at current cost and stock of road salt which is valued at cost. The cost of inventories is assigned using the First In First Out costing formula.

Joint Operations

Joint operations are arrangements where the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities relating to the arrangement. The activities undertaken by the Authority in conjunction with other joint operators involve the use of the assets and resources of those joint operators. In relation to its interest in a joint operation, the Authority as a joint operator recognises:

- its assets, including its share of any assets held jointly
- its liabilities, including its share of any liabilities incurred jointly
- its revenue from the sale of its share of the output arising from the joint operation
- its share of the revenue from the sale of the output by the joint operation
- its expenses, including its share of any expenses incurred jointly.

Leases

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases. Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification purposes.

Leases that do not meet the definition of Finance Leases are accounted for as Operating Leases. Rentals payable are charged to the comprehensive income and expenditure statement on a straight-line basis over the term of the lease, generally meaning that rentals are charged when they become payable.

Where the Authority is the lessor, income is credited to cost of services in the comprehensive income and expenditure statement on a straight-line basis over the term of the lease, generally meaning that rentals are credited when they are due.

Finance leases (Authority as Lessor)

The Authority does not include a lease debtor within the balance sheet as the sum is not material. The annual lease income is accounted for within the comprehensive income and expenditure statement as it falls due.

Finance leases (Authority as Lessee)

The Authority does not include a lease liability within the balance sheet as the sum is not material. The annual lease payments are accounted for within the comprehensive income and expenditure statement as they fall due.

Overheads and Support Services

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA Service Reporting Code of Practice 2015/16(SeRCOP). The total absorption costing principle is used. The full cost of overheads and support services are shared between users in proportion to the benefits received with the exception of:

- Corporate and democratic core – costs relating to the Authority's status as a multi functional, democratic organisation;
- Non distributed costs – the cost of discretionary benefits awarded to employees retiring early and impairment losses chargeable on assets Held For Sale.

These two cost categories are defined in SeRCOP and are accounted for as separate headings in the comprehensive income and expenditure statement as part of net expenditure on continuing services.

Private Finance Initiative (PFI) and Similar Contracts

PFI and similar contracts are agreements to receive services, where the responsibility for making available the Property, plant and equipment (PP&E) needed to provide the services passes to the PFI contractor. As the Authority is deemed to control the services that are provided under its PFI schemes, and as ownership of the PP&E will pass to the Authority at the end of the contracts for no additional charge, the Authority carries the assets used under the contracts on its balance sheet as part of PP&E.

The original recognition of these assets at fair value (based on the cost to purchase the PP&E) was balanced by the recognition of a liability for amounts due to the scheme operator to pay for the capital investment.

Non-current assets recognised on the balance sheet are revalued and depreciated in the same way as PP&E owned by the Authority

The amounts payable to the PFI operators each year are analysed into five elements:

- Fair value of the services received during the year – debited to the relevant service in the comprehensive income and expenditure statement;
- Finance cost – an interest charge on the outstanding balance sheet liability, debited to the financing and investment income and expenditure line in the comprehensive income and expenditure statement;
- Contingent rent – increases in the amount to be paid for the property arising during the contract, debited to the financing and investment income and expenditure line in the comprehensive income and expenditure statement;
- Payment towards liability – applied to write down the balance sheet liability towards the PFI operator (the profile of write-downs is calculated using the same principles as for a finance lease); and
- Lifecycle replacement costs – a proportion of the amounts payable is posted to the balance sheet as a prepayment and then recognised as additions to PP&E when the relevant works are actually carried out.

Prior Period Adjustments, Changes to Accounting policies and Estimates and Errors

Prior period adjustments may arise as a result of a change in accounting policies or in order to correct a material error. Changes in accounting estimates are accounted prospectively, i.e., in the current and future years affected by the change and do not give rise to prior period adjustments.

Changes in accounting policies are only made when required by proper accounting practices or when the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Authority's financial position or financial performance. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

Property, Plant and Equipment

Property, plant and equipment (PP&E) are assets that have physical substance and are held for the provision of services or for administrative purposes for more than one financial year.

Recognition

Expenditure on the acquisition, creation or enhancement of PP&E is capitalised on an accruals basis, provided that it is probable that future economic benefits or services potential associated with the item will flow to the Authority and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential is charged as an expense when it is incurred.

Expenditure below £50,000 for property and £12,000 for plant, vehicles and equipment is treated as revenue (de minimis) expenditure. Subsequent expenditure below these initial recognition amounts may be capitalised once the asset has been recorded on the

fixed asset register. In the context of schools' plant, vehicle and equipment assets, a de-minimis test is not applied.

Componentisation

The requirement for componentisation for depreciation purposes is applicable to enhancement and acquisition expenditure incurred, and to revaluations carried out, from 1 April 2010.

The Authority has voluntarily applied component accounting to all relevant assets from 1 April 2010. It is the Authority's current policy to apply component accounting to its schools asset base as it is only here that componentisation has a material impact on the amount of depreciation charged.

The Valuer has assigned to each school a group of significant common components based upon indices collected by the Royal Institution of Chartered Surveyors (RICS). Each component represents a percentage of the overall asset value and a specific useful economic life. The following standard components and asset lives have been determined:

Component category	Percentage (%)	Asset Life (Years)
Primary Schools		
Sub & Super Structure	54.0	60.0
Services	31.0	20.0
Fittings	5.0	10.0
Finishes	10.0	10.0
Secondary Schools		
Sub & Super Structure	55.0	60.0
Services	30.0	20.0
Fittings	5.0	10.0
Finishes	10.0	10.0
Special Schools		
Sub & Super Structure	52.5	60.0
Services	33.0	20.0
Fittings	4.5	10.0
Finishes	10.0	10.0

Where a component is replaced or restored, the carrying amount of, the old component is derecognised and the new component reflected in the assets carrying amount, subject to the recognition principles of capitalising expenditure.

More information on accounting for school assets is contained within the Report of the Treasurer and Chief Executive on page 1.

Measurement after recognition

Assets are initially measured at cost, including any costs that are directly attributable to bringing the asset into working condition for its intended use.

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

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

- Infrastructure, community assets and assets-under-construction are measured at depreciated historical cost;

- School buildings - current value but because of their specialist nature, are measured at depreciated replacement cost
- Surplus assets - the current value measurement base is fair value, estimated at the highest and best use from a market participant's perspective.
- Council offices and other assets - current value, determined as the amount that would be paid for the assets in their existing use. However, If there is no market-based evidence of current value because of the specialist nature of the asset and the asset is rarely sold, (such as schools) current value is estimated by using a Depreciated Replacement Cost (DRC) approach.
- Where non-property assets have short useful life or low value (or both), depreciated historical cost basis is used as a proxy for fair value.

Assets included in the balance sheet at current value should be revalued sufficiently regularly (as a minimum every five years) to ensure that their carrying amount is not materially different from their current value at the year end.

Increases in valuations are matched by credits to the revaluation reserve to recognise unrealised gains. To the extent that revaluation gains reverse a loss previously charged to a service, that service is credited in the Surplus or Deficit on the Provision of Services.

Where decreases in value are identified, they are accounted for as follows:

- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains);
- Where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line in the comprehensive income and expenditure statement

The revaluation reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the capital adjustment account.

Surplus Assets at Fair Value

All the Council's material surplus properties have been value assessed as Level 2 on the fair value hierarchy for valuation.

Fair Value Hierarchy

Fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Valuations are to presume highest and best use. This is the use that brings maximum value that is physically possible, legally permissible and financially feasible.

To increase consistency and comparability the Council categorises its Surplus Asset valuations using a fair value hierarchy for the inputs to valuation techniques. Where inputs from different levels are used, the measurement is categorised at the lowest of the levels that contains a significant input.

Level 1	Quoted prices for identical assets
Level 2	Inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly (e.g. quoted prices or market evidence for similar assets
Level 3	Unobservable inputs for the asset (e.g. internal information used to form assumptions about the assumptions that market participants would use)

The presumption that an orderly transaction takes place requires the Council to consider which markets it has access to at the valuation date and determine the principal market (that with greatest volume and level of activity). If there is no principal market, the most advantageous is identified.

In measuring fair values the valuation techniques must be appropriate for the circumstances and for which sufficient data is available. The use of relevant observable data (inputs) should be maximised and unobservable inputs (estimates) used only where there are no alternatives. Inputs for valuation techniques are selected consistently with the characteristics that the market participants would take into account.

Valuation Techniques Used to Determine Level 2 Fair Values for Surplus Assets

The fair value of the Council's surplus properties has been measured using a market based approach, which takes into account market data, such as publicly available information about actual events for completed property transactions for similar assets in principal and active markets. These inputs reflect the assumptions that market participants would use when pricing the asset. Market conditions are such that similar properties are actively purchased and sold and the level of observable inputs are significant. The Council has recent and continuing experience arising from its Property Rationalisation Programme from which comparable and observable inputs are taken.

Changes in valuation techniques

Surplus Assets are now measured prospectively from 1 April 2015 in accordance with the IFRS 13 Fair Value definition adopted by the CIPFA Code. There has been no subsequent change in the valuation techniques used during the year for surplus properties.

Unobservable inputs

Level 3 unobservable inputs are confined to non-operational surplus properties where significant physical, legal and financial constraints restrict the market for direct or indirectly comparable transactions. The economic benefits that may be generated from highest and best use (or the next best alternatives) are limited and market participants are not readily identifiable. Asset pricing assumptions assume de-minimis market values or unsaleable.

Sensitively of unobservable inputs

Significant changes in any of the unobservable inputs would result in significantly lower or higher fair values.

Highest and best use (HBU)

The HBU for Level 2 properties groups are assessed as residential or commercial redevelopment and private dwellings.

Impairment

Assets are assessed at each year-end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

When impairment losses are identified, they are accounted for in the following way:

- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains);
- Where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line in the Comprehensive Income and Expenditure Statement;

Where an impairment loss is reversed, the reversal is credited to the relevant service line in the comprehensive income and expenditure statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

When a school becomes an academy trust the Authority is obliged to grant a 125 year lease for the school land and buildings. The land and buildings are removed from the Authority's balance sheet in line with proper accounting practices, as the beneficial rights associated with ownership have been transferred to the academy.

Non-current assets-held-for-sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an asset-held-for-sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the 'Other Operating Expenditure' line in the comprehensive income and expenditure statement. Gains in fair value are recognised only up to the amount of any previous losses recognised in the 'Surplus or Deficit on Provision of Services'. Depreciation is not charged on assets-held-for-sale.

If assets no longer meet the criteria to be classified as assets-held-for-sale, they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as held-for-sale (adjusted for the depreciation, amortisation or revaluation that would have been recognised had they not been classified as held-for-sale) and their recoverable amount at the date of the decision not to sell.

Disposals

Assets that are to be abandoned or scrapped are not reclassified as assets-held-for-sale. When an asset is disposed of, decommissioned or transferred to a third party, the carrying amount of the asset in the balance sheet is written-off to the 'Other Operating Expenditure' line in the comprehensive income and expenditure statement as part of the gain or loss on disposal. Receipts from disposals are credited to the comprehensive income and expenditure statement as part of the gain or loss on disposal. Any revaluation gains in the revaluation reserve are transferred to the capital adjustment account.

Amounts in excess of £10,000 are categorised as capital receipts. The balance of receipts is required to be credited to the usable capital receipts reserve, and can then only be used for new capital investment or set aside to reduce the Authority's underlying need to borrow. Receipts are appropriated to the reserve from the general fund balance in the movement in reserves statement.

The written-off value of disposals is not a charge against council tax, as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the capital adjustment account from the General Fund Balance in the movement in reserves statement.

Plant, vehicles, furniture and equipment assets are decommissioned at the point the useful economic life expires, with the following modifications:

- The existence of individual items with a purchase cost exceeding £50,000 is verified and retained on the balance sheet where they remain in-use;
- The existence of fleet items (vehicles) is verified and retained on the balance sheet where they remain in use.

Depreciation

Depreciation is provided for on all property, plant and equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (e.g. freehold land and certain community assets) and assets that are not yet available for use (i.e. assets under construction). Depreciation is not charged in the year of acquisition, and is charged up to the point of disposal.

Depreciation is calculated on the following bases:

- Buildings – straight-line allocation over the useful life of the property as estimated by a suitably qualified officer
- Vehicles, plant, furniture and equipment – straight line over the life of the asset
- Infrastructure – straight-line allocation over the useful life of the asset as estimated by a suitably qualified officer

Where an item of property, plant and equipment asset has significant components with different estimated lives, these are depreciated separately.

Revaluation gains are depreciated with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the revaluation reserve to the capital adjustment account.

The following useful lives have been used in the calculation of depreciation:

Asset Type	Estimated Useful Life
Care Homes	50 to 60 Years
Education – Non Schools	30 to 60 Years
Education – Schools	10 to 60 Years
Energy from Waste facilities	25 to 30 Years
Farm Buildings	50 to 60 Years
Farm Land	Indefinite
Heritage Assets	Indefinite
Highways Depots	50 Years
Infrastructure	10 to 40 Years
Intangible Assets	3 to 5 Years
Libraries	30 to 60 Years
Offices	50 to 60 Years
Social Services	50 to 60 Years
Vehicles, Plant, Furniture	3 to 15 Years
Waste Disposal sites	50 Years

Provisions

Provisions are made where an event has taken place that gives the Authority a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential and a reliable estimate can be made of the amount of the obligation.

Provisions are charged to the appropriate service line in the Comprehensive Income and Expenditure statement in the year that the Authority becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties. When payments are eventually made, they are charged to the provision set up in the balance sheet. Estimated settlements are reviewed at the end of each financial year.

Where it becomes less than probable that a transfer of economic benefits will be required or a lower settlement than anticipated is made, the provision is reversed and credited back to the relevant service.

Where some or all of the payment required to settle a provision is expected to be recovered from another party, this is recognised as income in the relevant service revenue account if it is virtually certain that reimbursement will be received if the obligation is settled.

Reserves

Usable Reserves

The Authority sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the general fund balance in the movement in reserves statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service revenue account in that year to score against the surplus or deficit on provision of services in the comprehensive income and expenditure statement. The reserve is then appropriated back into the General Balance Fund in movement in reserves statement so that there is no net charge against council tax expenditure.

Unusable Reserves

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

Revenue Expenditure Funded from Capital under Statute (REFCUS)

Some expenditure can be classified as capital for funding purposes when it does not result in expenditure being carried on the balance sheet as a non-current asset. This is to avoid a charge on the general fund and impact on the year's council tax. Such expenditure is charged to the comprehensive income and expenditure statement. Any statutory provision that allows capital resources to meet the expenditure is accounted for by debiting the capital adjustment account and crediting the general fund balance and showing this as a reconciling item in the movement in reserves statement. Where under the general provisions of the Code the statutory capital receipt is accounted for within the balance sheet, the statutory requirement is effected by crediting capital receipts reserve and debiting the capital adjustment account.

Revenue Recognition

Council tax and Non Domestic rates

Revenue is recognised when the following conditions have been satisfied:

a) the amount of revenue can be measured reliably and

b) it is probable that the economic benefits or service potential associated with the transaction will flow to the Authority

There is no difference between the delivery and payment dates for non-contractual, non-exchange transactions, i.e. revenue relating to council tax and general rates, and therefore these transactions shall be measured at their full amount receivable.

The Collection Fund Adjustment Account records the differences arising from the recognition of council tax income in the Comprehensive Income and Expenditure

Statement as it falls due from council tax payers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Funds administered by the Billing Authorities.

Value Added Tax (VAT)

Income and expenditure excludes any amounts relating to VAT except to the extent that it is irrecoverable.

2. Accounting Standards that have been issued but have not yet been adopted

In 2016/17 there will be new requirements for the Comprehensive Income and Expenditure Statement to be presented according to how the Authority manages itself, rather than the Service Expenditure Analysis. A new Expenditure and Funding Analysis will reconcile service outturns in the Comprehensive Income and Expenditure Statement to net expenditure reported to management.

CIPFA/LASAAC has agreed that the 2016/17 edition of the Code will adopt the measurement requirements of the CIPFA Code of Practice on Transport Infrastructure Assets, as amended in 2013 (or any subsequent amendments to that Code that may be issued), i.e. measurement on a Depreciated Replacement Cost basis.

This change to the Code will require the establishment of a separate class of assets for transport infrastructure assets (e.g. roads and bridges) in accordance with the types of assets classified in the Code of Practice on Transport Infrastructure Assets. It is expected that the carrying value of the Authority's transport infrastructure will increase significantly when the 2016/17 Code is applied.

The requirements to restate opening balances at 1 April 2015 and preceding year information in the 2016/17 financial statements for the Highways Network Asset have now been removed under an exceptional adaptation to IAS 1 Presentation of Financial Statements.

3. Critical judgements in applying Accounting Policies

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

- These accounts have been prepared on a going concern basis. The concept of a going concern assumes that an authority, its functions and services will continue in operational existence for the foreseeable future. Although Central Government funding is being cut significantly this will have no effect on Devon County Council as a going concern;
- In cases where schools' land and buildings are owned by the Diocese of Exeter, the Authority has not identified any arrangements that transfer the rights arising from ownership of voluntary aided and voluntary controlled schools from the Trustees (religious organisations) to Devon County Council. Consequently, the Authority has not recognised these assets in its balance sheet.
- There are eight voluntary controlled schools where the land and buildings are owned by the Authority. There are also 40 voluntary aided and voluntary controlled schools where the Authority owns the playing fields. The Authority consolidates these assets into its balance sheet.
- For Foundation schools the assets are owned by the governing body but deemed to be controlled by the local authority. The Authority consolidates these assets into its balance sheet.
- Note 15 page 53 Financial Instruments details the authority's Investment Strategy and approach to managing risk. None of the Authority's investments have been impaired;
- The Authority has relationships with several Companies, details are provided in note 34 page 85. The Authority's interests in these companies (£1.7m investments in the balance sheet) have been assessed as not being material to the overall financial statements. Consequently, the Authority has not prepared Group Accounts. The value of the Authority's investments in associates and joint ventures is initially recognised at cost (cash investment in company shares) and then periodically revalued. The latest valuation of these shares was 31 March 2011. The Authority reviews the audited accounts of these companies and should there be an indication of a significant change in net assets and valuation (in aggregate), a professional valuation would be sought.
- From 2015/16 a Better Care Fund has been established between Devon County Council, North, East West Devon CCG and South Devon and Torbay CCG, funded and controlled jointly by the three partners. The County Council administers the scheme in that it makes most of the payments on behalf of the Fund. The arrangement has been accounted for as a joint operation - where each partner shows in its accounts its share of the expenditure, assets and liabilities of the Better Care Fund. Further details are disclosed in Note 34, Partnerships and Related Party Transactions.

The Authority's significant contracts have been reviewed and no embedded finance leases or service concessions found. The Authority has a Private Finance Initiative (PFI) contract for the provision of schools. The Authority also has a Public Private Partnership for the construction and operation of an energy from waste facility in Exeter. Devon County Council, Plymouth City Council and Torbay Council form South West Devon Waste Partnership. The partner authorities have a PFI contract for the construction and operation of an energy from waste facility in Plymouth and in 2015/16 the plant became operational and each partner recognises its share of the asset in proportion to gate fees paid by each local authority. Note 35 page 91 provides detail.

- The Authority's interests in finance leases both as a lessor and lessee are not material. Where the Council acts as lessor, the lease debtor is not recognised as it is not material and the assets remain on the balance sheet. Where the Authority acts as lessee, the present value of the lease payments are not material but the Authority's interest in the assets is included within non-current assets on the balance sheet. Note 36 page 93 provides more detail.
- Where an investment has no maturity date - i.e. there is no specific date that the money is due to be repaid to the Authority and it expects to realise the asset within 12 months after the reporting period, then that investment is classified as short term. All other investments are classified as long term. The Council expects to hold its investment (purchase price of £10 millions) in its property fund (CCLA) for more than 12 months after the reporting period and has classified it as long term. It is an available for sale asset and any fluctuation in bid price at the balance sheet date is recognised in the available for sale reserve.
- From 2009/10 to 2014/15 inclusive the Minimum Revenue Policy (MRP) strategy has been calculated on varying bases. Supported capital expenditure and unsupported borrowing up to 1 April 2008 has been charged by the Capital Finance Requirement method (4%). Unsupported borrowing post 1 April 2008 (including Vehicle and Equipment Loans Pool), Capitalisation Direction and charges to other public sector bodies has been charged based on the period of benefit of the capital investment (over the asset life).

  From 2015/16 the Authority’s MRP strategy will be consistent with all elements, both pre 1 April 2008 and post 1 April 2008, being charged based on the period of benefit of the capital investment. All supported capital expenditure and unsupported borrowing up to 1st April 2008 will cease to be by the Capital Finance Requirement method (4% reducing balance) and will instead by charged on the period of benefit of the capital investment (on a 2% straight line basis). The impact of this change is to reduce the MRP charge by £9.8 millions in 2015/16.

  Capital financing costs are also affected by PFI contracts and finance leases coming 'on Balance Sheet'. In the past the MRP relating to these contracts has been charged based on the contract term, for 2015/16 and 2016/17 this will change and be brought in-line with the authority’s main MRP Policy and be charged over the period of benefit of the capital investment, being the asset life. The impact of this change is to reduce the MRP charge by a further £2.1 millions in 2015/16.

  Earmarked reserves at 31 March 2016 are £11.9 millions higher than they would have been without this change to the MRP calculation.

4. Assumptions made about the future and other major sources of estimation uncertainty

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

The items in the Authority's Balance Sheet at 31st March 2016 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if actual results differ from assumptions
Property, Plant and Equipment	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the authority will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.	If the useful life of assets is reduced, depreciation charges increase and the carrying amount of the assets fall. It is estimated that the annual depreciation charges for buildings and infrastructure would be £3.805m and £7.286m respectively for every year that useful lives have to be reduced.
Provisions	The Authority has made a provision of £13m (short and long term) in relation to self insurance liabilities. This provision is an estimate of the potential liability and the final costs may be more or less.	The difference between the amounts provided for and the final costs will be charged or credited to the cost of services when they are incurred.
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. Barnett Waddingham, a firm of consulting Actuaries is engaged to provide the authority with expert advice about the assumptions to be applied.	The effects of the net pensions liability of changes in individual assumptions can be measured. For instance, a 0.1% decrease in the discount rate assumption would result in an increase in the pension liability of £35.8 million. However, the assumptions interact in complex ways. During 2015/16, the Authority's actuaries advised that due to estimates being corrected (as a result of experience) the net pensions liability had decreased by £1.3m and decreased by £143.8m due to updating of the assumptions.
	Amounts charged to and income credited in the Comprehensive Income and Expenditure Statement and the valuation of the pension reserve in the Balance Sheet in respect of employee pension benefits are heavily influenced by the estimated future inflation and earnings on investments. The assumptions made in making these estimates are set out in note 37. The value of pension assets is estimated based upon information available at the Balance Sheet date, but these valuations may be earlier than the Balance Sheet date. The actual valuations at the Balance Sheet date, which may not be available until some time later, may give a different value of pension assets, but this difference is not considered to be material.	The impact is not expected to be material.
Debtors	At 31st March 2016, the Authority had a balance of sundry debtors of £83m which included an impairment for doubtful debts of £7m. A review of significant balances suggested that this was appropriate. However, in the current economic climate it is not certain that such an allowance will be sufficient.	If collection rates were to deteriorate, every 1% deterioration would require an additional impairment provision of £900,000.

5. Material items of Income and Expenditure

During 2015/16 a material item was included in the comprehensive income and expenditure statement relating to derecognition of property, plant and equipment assets attributable to schools transferring to academy trust status. These assets were derecognised in accordance with proper accounting practices with nil sale proceeds, resulting in a loss on disposal of £47.612 million (£13.431 million in 2014/15), recognised within 'Other Operating Expenditure.

6. Events after the Reporting Period

The following events are non-adjusting events.

Academy Schools

Between 1st April 2016 and 24th August 2016 the following schools became Academies:

- Bearnes Voluntary Primary School
- Diptford Parochial Church of England Primary School
- Harbertonford Church of England Primary School
- Hennock Community Primary School
- Landscove Church of England Primary School
- Stoke Gabriel Primary School
- St David's Church of England Primary School
- Redhills Community Primary School
- Shaldon Primary School
- St James School

A further eight schools have had applications to transfer to academy status approved; however the transfer dates have not been confirmed. Academies are independent bodies and Devon County Council will cease to be the maintaining authority from the transfer date. All running costs and income relating to these schools will no longer be part of the Council's accounts and it is estimated that the Council's Gross Expenditure and Income will reduce by £8.541 millions per annum.

Devon County will grant a 125 year lease to the Academies to occupy the site where the Authority owns the freehold. The building element of the lease will meet the definition of a finance lease and will no longer be included within the Council's Balance Sheet. The net book value of the land and buildings for converters at 31 March 2016 is £23.707 millions.

Libraries

On 1st April 2016, the Authority transferred all existing library service activities to Libraries Unlimited South West under a five (plus 5) year contract. The organisation which is a private limited company by guarantee (09822597) with provisional charitable status, is independent of the Authority. The resource stock and statutory fees and fines are under an agency agreement with the Authority. The premises are currently under Tenancy at Will arrangements which will, shortly, be formalised in to lease arrangements. The land and buildings will remain on the Authority's balance sheet.

Library staff transferred to Libraries Unlimited South West, a closed admitted pension scheme under the regulations for a community transferee body. The Authority is the pension guarantor.

7. Adjustments between accounting basis and funding basis under regulations

The total comprehensive income and expenditure recognised by the authority in the year is in accordance with proper accounting practice. This note details the adjustments to comprehensive income and expenditure that are required by Statute.

2015/16	General Fund £000	Capital grants Unapplied £000	Capital Receipts Reserve £000	Movement in Unusable Reserves £000
Adjustments involving the Capital Adjustment Account:				
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:				
Charges for depreciation and impairment of non current assets	(69,179)			69,179
Revaluation Losses on Property Plant & Equipment	(14,518)			14,518
Amortisation of intangible assets and write back of deferred	(289)			289
Release of deferred income from Energy from Waste contract	1,801			(1,801)
Capital grants and contributions	88,575	(88,575)		
Revenue expenditure funded from capital under statute	(19,456)			19,456
Skypark loan and academy loan	307			(307)
Amounts of non current assets written off on disposal or sale, as part of the gain/loss on disposal	(65,268)			65,268
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:				
Statutory provision for the financing of capital investment	20,315			(20,315)
Capital Expenditure charged to the General Fund Balance	2,259			(2,259)
Adjustments involving the Capital Receipts Reserve:				
Transfer of sale proceeds credited as part of the gain/loss on disposal	6,410		(6,410)	
Use of the Capital Receipts Reserve to finance new capital expenditure			10,960	(10,960)
Adjustments involving the Capital Grants Unapplied Reserve:				
Use of the Capital Grants Unapplied Reserve to finance capital expenditure		99,167		(99,167)
Adjustments involving the Pensions Reserve:				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see note 37)	(79,862)			79,862
Employer's pensions contributions and direct payments to pensioners payable in the year	44,882			(44,882)
Adjustments involving the Collection Fund Adjustment Account:				
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	1,566			(1,566)
Amount by which business rate retention scheme income credited to the Comprehensive Income and Expenditure Statement is different from business rate retention scheme income calculated for the year in accordance with statutory requirements	(2,954)			2,954
Adjustments involving the Financial Instruments Adjustment Account:				
Difference between amounts debited/creditied to the Comprehensive Income and Expenditure Statement and amounts payable/receivable to be recognised under statutory provisions relating to soft loans, stepped interest rate borrowing and preimiums on the early repayment of debt.	752			(752)
Adjustment involving the Accumulating Compensated Absences Adjustment Account:				
Amount by which officer remuneration charged to the Comprehensive Expenditure and Income Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	971			(971)
Total Adjustments	**(83,688)**	**10,592**	**4,550**	**68,546**

2014/15	General Fund £000	Capital grants Unapplied £000	Capital Receipts Reserve £000	Movement in Unusable Reserves £000
Adjustments involving the Capital Adjustment Account:				
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:				
Charges for depreciation and impairment of non current assets	(71,154)			71,154
Revaluation Losses on Property Plant & Equipment	(51,896)			51,896
Amortisation of intangible assets and write back of deferred	(363)			363
Release of deferred income from Energy from Waste contract	72			(72)
Capital grants and contributions	114,573	(114,573)		
Revenue expenditure funded from capital under statute	(9,600)			9,600
Skypark loan and academy loan	326			(326)
Amounts of non current assets written off on disposal or sale, as part of the gain/loss on disposal	(22,964)			22,964
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:				
Statutory provision for the financing of capital investment	31,915			(31,915)
Capital Expenditure charged to the General Fund Balance	3,602			(3,602)
Adjustments involving the Capital Receipts Reserve:				
Transfer of sale proceeds credited as part of the gain/loss on disposal	7,236		(7,236)	
Use of the Capital Receipts Reserve to finance new capital expenditure			5,707	(5,707)
Adjustments involving the Capital Grants Unapplied Reserve:				
Use of the Capital Grants Unapplied Reserve to finance capital expenditure		110,067		(110,067)
Adjustments involving the Pensions Reserve:				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see note 37)	(71,006)			71,006
Employer's pensions contributions and direct payments to pensioners payable in the year	44,161			(44,161)
Adjustments involving the Collection Fund Adjustment Account:				
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	4,285			(4,285)
Amount by which business rate retention scheme income credited to the Comprehensive Income and Expenditure Statement is different from business rate retention scheme income calculated for the year in accordance with statutory requirements	689			(689)
Adjustments involving the Financial Instruments Adjustment Account:				
Difference between amounts debited/creditied to the Comprehensive Income and Expenditure Statement and amounts payable/receivable to be recognised under statutory provisions relating to soft loans, stepped interest rate borrowing and preimiums on the early repayment of debt.	724			(724)
Adjustment involving the Accumulating Compensated Absences Adjustment Account:				
Amount by which officer remuneration charged to the Comprehensive Expenditure and Income Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	1,451			(1,451)
Total Adjustments	**(17,949)**	**(4,506)**	**(1,529)**	**23,984**

8. Transfers (to)/from Earmarked Reserves

This note sets out the amounts set aside from the General Fund balance in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet expenditure in year.

	Balance at 31st March 2014 £000	Transfers out 2014/15 £000	Transfers in/within 2014/15 £000	**Balance at 31st March 2015 £000**	Transfers out 2015/16 £000	Transfers in/within 2015/16 £000	**Balance at 31st March 2016 £000**
Affordable Housing	**(525)**	99		**(426)**	87		**(339)**
Budget Management	**(11,530)**			**(11,530)**		(12,496)	**(24,026)**
Business Rate Risk Management	**(1,451)**		(583)	**(2,034)**		(391)	**(2,425)**
Emergency	**(15,000)**			**(15,000)**			**(15,000)**
European Matched Funding							
Extra Care Housing							
General							
Local Authority Business Grant							
On Street Parking	**(2,513)**		(1,469)	**(3,982)**		(765)	**(4,747)**
Public Health	**(1,125)**		(992)	**(2,117)**	1,625		**(492)**
Redundancy	**0**						
Service Development							
Service Transformation	**(24,330)**	11,881		**(12,449)**	5,846	(2,500)	**(9,103)**
Waste Management Fund							
Total before Carry Forwards	**(56,474)**	**11,980**	**(3,044)**	**(47,538)**	**7,558**	**(16,152)**	**(56,132)**
Directorate Budget Carry Forwards	**(24,687)**	24,687	(19,353)	**(19,353)**	19,353	(17,665)	**(17,665)**
Total excluding schools	**(81,161)**	36,667	(22,397)	**(66,891)**	26,911	(33,817)	**(73,797)**
School Carry Forwards (included within General Fund Balance) See Note 9	**(18,267)**	18,267	(20,931)	**(20,931)**	20,931	(23,163)	**(23,163)**

9. General Fund Balance

31st March 2015 £000		**31st March 2016 £000**
(20,931)	Schools Carry Forwards	(23,163)
(14,601)	Non Schools working balance	(14,636)
(35,532)	Total General Fund Balance	**(37,799)**

10. Other Operating Expenditure

2014/15 £000		2015/16 £000
15,716	(Gains)/losses on the disposal of non current assets	58,856
713	Levies	746
16,429		**59,602**

11. Financing and Investment Income and Expenditure

2014/15 £000		2015/16 £000
34,891	Interest payable and similar charges	38,642
35,298	Pensions interest cost and expected return on pensions	33,238
(2,324)	Interest receivable and similar income	(1,254)
67,865		**70,626**

12. Taxation and Non Specific Grant Income

2014/15 £000		2015/16 £000
(311,396)	Council tax income	(322,826)
(91,703)	Business Rates Retention Scheme	(90,335)
(138,496)	Non-ringfenced government grants	(115,326)
(114,573)	Capital grants and contributions	(88,575)
(656,168)		**(617,062)**

13. Property Plant and Equipment (PPE)

Movements in 2015/16:	Other Land and Buildings £000	Vehicles, Plant, Furniture & Equipment £000	Infrastructure Assets £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	**Total Property, Plant and Equipment £000**
Cost or Valuation							
At 1st April 2015	780,878	47,469	780,104	2,003	13,381	110,178	**1,734,013**
Additions	83,074	3,205	83,303	266		7,834	**177,682**
Revaluation increases / (decreases) recognised in the Revaluation Reserve	29,590				(158)		**29,432**
Revaluation increases / (decreases) recognised in the Surplus / Deficit on the provision of Services	(19,041)				(213)		**(19,254)**
Derecognition - Disposals	(51,861)	(3,711)	(8,699)		(1,741)		**(66,012)**
Assets reclassified (to)/from Held for Sale	(6,547)				(2,061)		**(8,608)**
Other movements in cost or valuation	(4,657)		93,533		17,023	(105,899)	**0**
At 31st March 2016	**811,436**	**46,963**	**948,241**	**2,269**	**26,231**	**12,113**	**1,847,253**
Accumulated Depreciation and Impairment							
1st April 2015	(2,667)	(34,577)	(327,107)	0	0	0	**(364,351)**
Depreciation Charge	(29,111)	(4,511)	(35,554)		(3)		**(69,179)**
Depreciation written out to the Revaluation Reserve	16,017						**16,017**
Depreciation written out to the Surplus / Deficit on the provision of services	4,736						**4,736**
Derecognition - Disposals	1,314	3,301					**4,615**
At 31st March 2016	**(9,711)**	**(35,787)**	**(362,661)**	**0**	**(3)**	**0**	**(408,162)**
Net Book Value							
At 31st March 2016	**801,725**	**11,176**	**585,580**	**2,269**	**26,228**	**12,113**	**1,439,091**
At 1st April 2015	**778,211**	**12,892**	**452,997**	**2,003**	**13,381**	**110,178**	**1,369,662**

Movements in 2014/15:	Other Land and Buildings £000	Vehicles, Plant, Furniture & Equipment £000	Infrastructure Assets £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	**Total Property, Plant and Equipment £000**
Cost or Valuation							
At 1st April 2014	782,794	43,127	711,531	1,937	8,222	83,517	**1,631,128**
Additions	67,334	4,568	62,298	66	25	43,542	**177,833**
Donations							**0**
Revaluation increases / (decreases) recognised in the Revaluation Reserve	7,431						**7,431**
Revaluation increases / (decreases) recognised in the Surplus / Deficit on the provision of Services	(57,007)						**(57,007)**
Derecognition - Disposals	(21,149)	(226)			(850)		**(22,225)**
Derecognition - Other							**0**
Assets reclassified (to)/from Held for Sale							**0**
Other movements in cost or valuation	1,475		6,275		5,984	(16,881)	**(3,147)**
At 31st March 2015	**780,878**	**47,469**	**780,104**	**2,003**	**13,381**	**110,178**	**1,734,013**
Accumulated Depreciation and Impairment							
1st April 2014	(3,430)	(29,642)	(286,720)	0	0	0	**(319,792)**
Depreciation Charge	(25,616)	(5,151)	(40,387)				**(71,154)**
Depreciation written out to the Revaluation Reserve	20,652						**20,652**
Depreciation written out to the Surplus / Deficit on the provision of services	5,111						**5,111**
Impairment losses / (reversals) recognised in the surplus / deficit on the provision of services							**0**
Derecognition - Disposals	616	216					**832**
At 31st March 2015	**(2,667)**	**(34,577)**	**(327,107)**	**0**	**0**	**0**	**(364,351)**
Net Book Value							
At 31st March 2015	**778,211**	**12,892**	**452,997**	**2,003**	**13,381**	**110,178**	**1,369,662**
At 1st April 2014	**779,364**	**13,485**	**424,811**	**1,937**	**8,222**	**83,517**	**1,311,336**

Revaluations

The Authority maintains a rolling programme of revaluations that ensures all PPE required to be measured at fair value is revalued at least every five years. All valuations are carried out by our qualified external valuer, John Penaligon FRICS, NPS South West Ltd. All valuations were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors (RICS). The current value of PPE at 31 March 2016 is £1,439.091 millions.

The effective date for all valuations is 31 December 2015 for the financial year 2015/16 and the basis of valuation is explained in the Statement of Accounting Policies.

	Other Land and Buildings £000	Vehicles, Plant, Furniture & Equipment £000	Infrastructure Assets £000	Community Assets £000	Surplus Assets £000	Assets Under construction £000	Total £000
Valued at Historical Cost:		46,963	948,241	2,269		12,113	1,009,586
Valued at Current Value in:							
2015/16	691,666				26,231		717,897
2014/15	88,164						88,164
2013/14	25,880						25,880
2012/13	4,367						4,367
2011/12	1,359						1,359
Total	**811,436**	**46,963**	**948,241**	**2,269**	**26,231**	**12,113**	**1,847,253**

Removal, dismantling and restoration costs

An initial estimate of the costs of landfill decommissioning and aftercare are recognised within the measurement of landfill assets in accordance with the CIPFA Code.

Unavoidable statutory obligations to prevent redundant landfill sites damaging the environment will exist for a further forty years. The costs have been provided for in these accounts and first recognised in 2013/14. That element falling due within one year is included as a provision in current liabilities while the remainder is similarly included in long term liabilities.

Derecognitions and disposals

The Authority derecognised in 2015/16 property, plant and equipment assets with a carrying value of £65.268 million, which are analysed as follows:

Derecognition category	Carrying value	Proportion
	£000	%
Transfers to academy school status	47,612	73%
Partial transfer of A380 SDLR to Torbay Highway Authority	8,699	13%
Disposals with proceeds, other	8,957	14%
Total	**65,268**	**100%**

Capital Commitments

This statement contains details of major capital contracts with significant commitment costs flowing into future financial years.

Contract Name	Project Purpose	2016/17 £000	2017/18 £000	Total Commitment 2016/17 Onwards £000
A379 Bridge Road Widening	To widen Bridge Road, Exeter	7,581		7,581
Surface dressing contract 2016/17	Design and application of carriageway surface dressing 2016/17	9,250		9,250
Marsh Barton Station	To construct a new rail station	4,550		4,550
North Devon Office	Refurbishment & remodelling of the annexe at Barnstaple Civic Centre	2,050	36	2,086
Ivybridge Recycling Centre	Construction of a new recycling centre	1,914		1,914
Street Lighting Challenge Fund	Convert street lights to part or all night lighting	1,833		1,833
Tithebarn Link Road Phase 2 - Blackhorse Link Northern Phase	To construct a new length of road from Science Park to northern development access	1,632		1,632
Axe Valley Community College	Replacement of blocks 07, 14, 17 & 19	1,241	35	1,276
A380 South Devon Link Road (Kingskerswell Bypass)	To construct a link road	711		711
Library Management System	Develop and install a new library system	368		368
North Hele Farm, Buckland Brewer	Provision of new NVZ compliant slurry store	281	7	288
Thorndon Farm, Broadwoodwidger	Provision of new NVZ compliant slurry store	276	7	283
		31,687	**85**	**31,772**

14. Long Term Debtors

31st March 2015 £000		31st March 2016 £000
55	Car Loans to Employees	32
33	Skills Funding Agency	16
86	Academy Schools	65
1,093	Skypark LLP	1,401
3	Housing Advances	2
4	Industrial Loans	4
202	Magistrates	150
187	PLUSS	0
32,535	Unfunded pensions	29,668
39	Probation	37
0	Devon Disability Collective	103
34,237		**31,478**

15. Financial Instruments

15.1 Financial instrument balances

The financial assets and liabilities disclosed in the Balance Sheet are made up of the following categories of financial instruments:

Long-Term 31/03/2015 £000	Current 31/03/2015 £000		Long-Term 31/03/2016 £000	Current 31/03/2016 £000
		Investments		
0	50,244	Loans and receivables	0	45,140
247	0	Available-for-sale financial assets	9,657	0
1,431	0	Unquoted equity investment at cost	1,431	0
1,678	**50,244**	**Total Investments**	**11,088**	**45,140**
		Cash		
0	80,764	Cash flow investments (cash equivalents)	0	73,798
0	(16,517)	Cash (overdraft at bank)	0	(14,353)
0	**64,247**	**Total Cash**	**0**	**59,445**
		Debtors		
660	49,889	Loans and receivables	1,608	48,701
33,577	35,250	Debtors that are not financial instruments	29,870	33,995
34,237	**85,139**	**Total Debtors**	**31,478**	**82,696**
		Borrowings		
(436,349)	0	Financial liabilities at amortised cost - PWLB	(436,349)	0
(75,101)	(288)	Financial liabilities at amortised cost - LOBOs*	(75,037)	(286)
(511,450)	**(288)**	**Total Borrowings**	**(511,386)**	**(286)**
		Other Long Term Liabilities		
(111,030)	0	PFI Liability	(132,670)	0
(769)	0	Financial Guarantee Liability	(800)	0
(111,799)	0	Total included in Other Long Term Liabilities	(133,470)	0
(1,020,692)	0	Other Long Term Liabilities that are not financial instruments	(984,508)	0
(1,132,491)	**0**	**Total Other Long Term Liabilities**	**(1,117,978)**	**0**
		Creditors (payable within 12 months)		
0	(99,345)	Financial liabilities at amortised cost	0	(93,852)
0	(3,740)	PFI Liability	0	(4,024)
0	(103,085)	Total included in Ceditors	0	(97,876)
0	(10,388)	Creditors that are not financial instruments	0	(17,425)
0	**(113,473)**	**Total Creditors**	**0**	**(115,301)**

* Lender's Option Borrower's Option

PWLB loans are at a fixed rate of interest for the duration of the loan. No additional loans have been taken out during the year.

Note 38, Contingent Liabilities discloses the financial impact of guarantees that the Authority has entered into, including the one in relation to Exeter Science Park.

15.2 Financial instruments gains and losses

The gains and losses recognised in the Comprehensive Income and Expenditure Statement in relation to financial instruments are made up as follows:

2014/15			2015/16	
Financial Liabilities	**Financial Assets**		**Financial Liabilities**	**Financial Assets**
Liabilities measured at amortised cost	Loans and receivables		Liabilities measured at amortised cost	Loans and receivables
£000	£000		£000	£000
34,891	0	Interest expense	38,642	0
0	0	Impairment losses		435
34,891	**0**	**Interest payable and similar charges**	**38,642**	**435**
0	(533)	Decrease in Impairment	0	0
0	(2,324)	Interest Income	0	(1,254)
0	**(2,857)**	**Interest and investment income**	**0**	**(1,254)**
34,891	**(2,857)**	**Net gain/(loss) for the year**	**38,642**	**(819)**

15.3 Fair value assets and liabilities carried at amortised cost

Loans and receivables, total borrowing and long term creditors are carried in the Balance Sheet at amortised cost. The fair value is assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments, using the following assumptions:

- The fair values for Public Works Loans Board (PWLB) and PFI have been calculated by reference to the new borrowing rate at 31st March 2016 and the 'premature repayment' rate in force in 2015.
- Loans from other sources and investments have been valued by reference to the set of interest rates in force on 31st March 2015 and 2016.
- No early repayment is recognised.
- The decrease in impairment in Table 15.2 relates to movement in the bad debt provision.
- Where an instrument will mature in the next 12 months, carrying amount is assumed to approximate to fair value.
- The fair value of short term debtors/creditors is the invoiced or billed amount.

The fair values calculated are as follows:

31st March 2015			31st March 2016	
Carrying amount	Fair value	**Financial Liabilities**	Carrying amount	Fair value
£000	£000		£000	£000
(436,349)	(704,663)	PWLB	(436,349)	(599,731)
(75,101)	(108,518)	LOBO's	(75,037)	(107,618)
(114,770)	(186,084)	PFI	(136,694)	(252,266)
(626,220)	**(999,265)**		**(648,080)**	**(959,615)**

The fair value of the loans is in both cases higher than the carrying amount. This is due to current loan rates being less than those available at the time the loans were taken out. This commitment to pay interest above current market rates increases the amount that the Authority would have to pay if the lender agreed to early repayment of the loans. The fair value of the PFI liability is higher than the amount that is carried in the balance sheet. This is due to current loan rates being lower than the interest rate implied within the PFI contract.

Fair Value Hierarchy

The valuation of financial instruments has been classified in 3 levels, according to the quality and reliability of information used to determine fair values.

Level 1
Quoted prices (unadjusted) in active markets for identical assets or liabilities that the authority can access at the measurement date.

Level 2
Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3
Unobservable inputs for the asset or liability.

The following table analyses the financial instruments into hierarchies

31st March 2015				31st March 2016		
Level 1	**Level 2**	**Level 3**		**Level 1**	**Level 2**	**Level 3**
£000	£000	£000		£000	£000	£000
			Investments			
50,244	0	0	Loans and receivables	45,140	0	0
0	247	0	Available-for-sale financial assets	0	9,657	0
0	0	1,431	Unquoted equity investment at cost	0	0	1,431
50,244	**247**	**1,431**	**Total Investments**	**45,140**	**9,657**	**1,431**
			Cash			
80,764		0	Cash flow investments (cash equivalents)	73,798		0
	0				0	
(16,517)	0	0	Cash (overdraft at bank)	(14,353)	0	0
64,247	**0**	**0**	**Total Investments**	**59,445**	**0**	**0**
			Debtors - Current and Long Term			
0	50,549	0	Loans and receivables	0	50,309	0
0	68,827	0	Debtors that are not financial instruments	0	63,865	0
0	**119,376**	**0**	**Total Debtors**	**0**	**114,174**	**0**
			Borrowings			
(436,349)	0	0	Financial liabilities at amortised cost - PWLB	(436,349)	0	0
(75,389)	0	0	Financial liabilities at amortised cost - LOBOs	(75,323)	0	0
(511,738)	**0**	**0**	**Total Borrowings**	**(511,672)**	**0**	**0**
			Other Long Term Liabilities			
0	0	(111,030)	PFI Liability - See note 35	0	0	(132,670)
0	0	(769)	Financial Guarantee Liability	0	0	(800)
0	0	(111,799)	Total included in Other Long Term Liabilities	0	0	(133,470)
0	0	(1,020,692)	Other Long Term Liabilities that are not financial instruments	0	0	(984,508)
0	**0**	**(1,132,491)**	**Total Other Long Term Liabilities**	**0**	**0**	**(1,117,978)**
			Creditors (payable within 12 months)			
(99,345)	0	0	Financial liabilities at amortised cost	(93,852)	0	0
0	0	(3,740)	PFI Liability - See note 35	0	0	(4,024)
(99,345)	0	(3,740)	Total included in Ceditors	(93,852)	0	(4,024)
0	(10,388)	0	Creditors that are not financial instruments	0	(17,425)	0
(99,345)	**(10,388)**	**(3,740)**	**Total Creditors**	**(93,852)**	**(17,425)**	**(4,024)**

15.4 Disclosure of nature and extent of risks arising from financial instruments

Risk management is carried out by a central treasury team under policies approved for overall risk management as well as written policies covering specific areas, such as interest rate risk, credit risk, and the investment of surplus cash.

The County Council has adopted the CIPFA Code of Practice for Treasury Management in Public Services. The Treasury Management Policy Statement together with the Statement of Treasury Management Practices (TMPs) was formally adopted by the County Council on 16th February 2012. TMPs set out the manner in which the Authority will seek to achieve its treasury management policies and objectives and how it will manage and control those activities. The County Council will receive reports on its treasury management policies, practices and activities including, as a minimum, an annual strategy and plan in advance of the year, a mid-year review and an annual report after its close, in the form prescribed in the TMPs.

A variety of investment instruments are available to the Local Authority market. In addition to the notice accounts and fixed term deposits available from UK and overseas banks, it is also possible for the Council to invest, for example, in UK Government Gilts, bond funds and property funds. These alternative instruments would either require the Council to tie up its cash for significantly longer periods, thus reducing liquidity, or would carry a risk of loss of capital if markets go down. During 2015/16 the Council reviewed these alternatives and concluded that investment in a commercial property fund would be a prudent way to diversify risk and achieve a higher yield.

The overall aims of the Authority's Annual Investment strategy continue to be to:

- Limit the risk to the loss of capital (credit and counterparty risk)
- Ensure that funds are always available to meet cash flow requirements; (liquidity risk)
- Maximise investment returns, consistent with the first two aims; (interest, inflation, exchange rate risks) and
- Review new investment instruments as they come to the Local Authority market, and to assess whether they could be a useful part of our investment process.

The annual Treasury Management Strategy and Prudential Indicators were approved by Authority on 19 February 2015. The Authorised Limit for external debt for 2015/16 was initially set at £807.239 millions for borrowing and other long term liabilities. Actual external debt for 2015/16 was £644.453 millions.

Credit and Counterparty Risk

The Authority regards a prime objective of its treasury management activities to be the security of the principal sums it invests. Accordingly, it ensures that its counterparty lists and limits reflect a prudent attitude towards organisations with which funds may be deposited, and limits its investment activities to the instruments, methods and techniques referred to in TMP4 'Approved Instruments, methods and techniques'. It also recognises the need to have, and maintain, a formal counterparty policy in respect of those organisations with whom it may enter into financing arrangements.

The County Council's arrangements are formulated to restrict the exposure to risk by taking account of the credit standing of counterparties, and setting limits to different types of borrowers.

The credit ratings of all three major rating agencies (Fitch, Moody's and Standard & Poor's) will be used to ensure that commercial institutions satisfy the requirements of the current policy. In essence the County looks for the highest rating from banks and sets lending limits against each one. Banks and UK Building Societies that do not attract these ratings are not considered at all. The actual ratings sought by the Authority may be varied as part of the regular review of lending policy and counterparties.

Security is achieved by the creation of an 'Approved List of Counterparties'. These are the banks, building societies, money market funds and other public bodies with which the Authority is prepared to deposit funds. In preparing the list, a number of criteria is used not only to determine who is on the list, but also to set limits as to how much money can be placed with them, and how long that money can be placed for.

The following table summarises the current 'Approved List' criteria.

Counterparty Type	Fitch	Moody's	Standard & Poor's	Credit Limit
UK Banks with >30% UK Government ownership				
not below	A- & F1	A3 & P-1	A- & A-1	£50 million
Other UK Banks				
not below	AA- & F1+	Aa3 & P-1	AA- & A-1+	£50 million
not below	A- & F1	A3 & P-1	A- & A-1	£30 million
UK Building Societies				
not below	AA- & F1+	Aa3 & P-1	AA- & A-1+	£50 million
not below	A- & F1	A3 & P-1	A- & A-1	£30 million
Non-Eurozone Overseas Banks				
Sovereign Rating of	AAA	Aaa	AAA	
and not below	AA- & F1+	Aa3 & P-1	AA- & A-1+	£50 million
and not below	A- & F1	A3 & P-1	A- & A-1	£30 million
UK Public Bodies				
Central Government				
– Debt Management Office				Unlimited
Local Government				
– County Councils				£10 million
– Metropolitan Authorities				£10 million
– London Boroughs				£10 million
– English Unitaries				£10 million
– Scottish Authorities				£10 million
– English Districts				£5 million
– Welsh Authorities				£5 million
Fire & Police Authorities				£5 million
Money Market Funds	AAA	Aaa	AAA	Not in use
CCLA Property Fund				£30 million

The List of Approved Counterparties is kept under close review and is subject to amendment in the light of changes to credit ratings, takeovers and mergers, or changes to the type of institution.

The financial press and other sources are monitored with a view to discovering cases where an institution on the List is in any difficulty, financial or otherwise. If appropriate, any organisation will be immediately suspended from the list until such time that they demonstrate their creditworthiness. The decision to suspend a counterparty is made by the Investment Manager, and notified to other officers by the issue of a revised Approved List.

Funds available to the County for investment are substantial, and the current lending policies ensure a balance of there being no difficulty placing funds, whilst at the same time minimising the credit risk.

The Authority does not generally allow credit to customers, the amount owed to the Authority can be analysed by age as follows:

	Amount at 31/03/16	Historic experience of default	Historic experience adjusted for market conditions at 31/03/16	Estimated maximum exposure to default and uncollectability
	£000	%	%	£000
Deposits with banks and financial institutions	104,585	0.00%	0.0373%	39
Loans and receivables - Debtors	50,309	0.46%	1.8148%	913
				952

Loans and Receivables - Debtors	2014/15	2015/16
	£000	£000
Less than three months	36,128	28,686
Three to six months	4,426	10,388
Six months to one year	4,103	3,579
More than one year	5,931	6,961
	50,588	49,614
Provision for bad debts - Impairment	(699)	(913)
Long Term Debtors not yet due	660	1,608
	50,549	50,309

Liquidity Risk

The Authority will ensure it has adequate though not excessive cash resources, borrowing arrangements, overdraft or standby facilities to enable it at all times to have the level of funds available which are necessary for the achievement of its business and service objectives.

The daily cash flow is managed by officers in order to 'smooth' the flow of funds into and out of the Authority, ensuring best returns on surplus funds, whilst minimising borrowing costs on days where there is a shortage. Borrowing and lending is generally undertaken in periods of under one month to ensure as far as is possible that on no one day should there be a requirement to have to fund shortages in excess of £1 million. Days when it is known that large outflows of money will take place e.g. payroll dates, are obvious dates to ensure there is sufficient liquidity.

Funds may be earmarked for specific purposes or may be general balances, and this will be a consideration in determining the period over which the investment will be made.

The Authority has a self-imposed limit of ensuring that at least 15% of deposits will be realisable within one month.

A requirement of the Prudential Code is to establish an indicator of the total principal sum invested for a period longer than 364 days, and to state the basis used in determining the amount. The purpose of this indicator is to help the Authority to contain its exposure to the possibility of loss that might arise as a result of having to seek early repayment or redemption of principal sums invested.

The limit on investments over 364 days will be set at no more than 20% of the total investments outstanding at any time or £30m whichever is the lower.

The maturity analysis of borrowing is as follows:

	£000
Less than one year	(286)
Between one and two years	0
Between two and five years	0
Between five and ten years	0
Between ten and fifteen years	(39,610)
Between fifteen and twenty years	(56,144)
Between twenty and twenty-five years	(56,440)
Between twenty-five and thirty years	(50,403)
Between thirty and thirty-five years	(8,903)
Between thirty-five and forty years	(189,296)
Between forty and forty-five years	(107,053)
Between forty-five and fifty years	0
	(508,135)

Short term creditors (£115.3 millions) are due to be paid in less than one year.

Interest Rate Risk

Borrowing at fixed rates of interest for long periods can give the opportunity to lock into low rates and provide stability, but means that there is a risk of missing possible opportunities to borrow at even lower rates in the medium term.

Variable rate borrowing can be advantageous when rates are falling but also means that there is a risk of volatility and a vulnerability to unexpected rate rises.

Borrowing for short periods or having large amounts of debt maturing (and having to be re-borrowed) in one year increases the risk of being forced to borrow when rates are high.

The Authority's policy has been to borrow at fixed rates of interest when rates are considered attractive, mainly from the Public Works Loan Board (PWLB) or the Money Market. This policy is reassessed annually as part of the adoption of the Treasury Policy Statement.

The Prudential Indicators for 2015/16 and beyond are set out in the following table:

	Upper Limit %	Lower Limit %
Limits on borrowing at fixed interest rates	100	70
Limits on borrowing at variable interest rates	30	0
Percentage of Fixed Rate Debt maturing in:		
Under 12 months	20	0
12 Months to within 24 months	25	0
24 Months to within 5 Years	30	0
5 years and within 10 Years	35	0
10 years and within 20 years	45	0
20 years and within 30 years	55	0
30 years and within 40 years	65	0
40 years and within 50 years	75	20

Market Loans, usually in the form of Lender's Option Borrower's Option (LOBOs), offer an alternative to borrowing from the PWLB. Here money is borrowed for an initial period against the issue of a Bond, and gives the Lender the Option of varying the rate at the end of the period. If this Option is taken, the Authority as Borrower can in turn agree to the new rate, or repay the loan without penalty. The flexibility offered by such loans can be a great help in managing the risk of fluctuations in interest rates. The lender, who has the choice to (or not to) exercise the first option, has to be seen as having the greater control of the arrangement.

On the investment side, the use of Call Accounts, Notice Money, Money Market Funds, and Callable Deposits all introduce a degree of flexibility not offered by fixed term investments.

Movement in interest rates have a complex impact on the Authority. For instance a rise in interest rates would have the following effects:

- Borrowing at fixed rate – the fair value of the borrowings will fall
- Investments at variable rate – the interest income credited to the income and expenditure statement will rise
- Investments at fixed rates – the fair value of the assets will fall

Borrowings are not carried at fair value, so nominal gains and losses on fixed rate borrowings would not impact on the income and expenditure statement. However, changes in interest receivable on variable rate investments will be posted to the income and expenditure statement and affect the general fund balance.

The PFI Liability and most of the Authority's loans and investments are fixed rate. Consequently, the impact of say a 1% increase in interest rates would have an impact only on variable rate investments by increasing interest receivable by £737,980 if the investments were held for a year.

The formula grant received from central government contains an element for funding debt charges but as the formula is now fixed for at least one year ahead any changes in interest rate would have no effect in the short term.

The impact of a 1% fall in interest rates would be as above with the movements being reversed.

Exchange Rate Risk

The Authority manages its exposure to fluctuations in exchange rates so as to minimise any detrimental impact on its budgeted income/expenditure levels.

It achieves this objective by the prudent use of its approved financing and investment instruments, methods and techniques, primarily to create stability and certainty of costs and revenues, but at the same time retaining a sufficient degree of flexibility to take advantage of unexpected, potentially advantageous changes in the level or structure of exchange rates.

The risk from fluctuating exchange rates is not usually material as far as the Authority is concerned, as there is currently very little of either income or expenditure transacted in currencies other than Sterling.

Inflation Risk

The effects of varying levels of inflation is considered by the Authority as an integral part of its strategy for managing its overall exposure to risk.

During the current period of low and stable inflation, there is little requirement for active consideration of its impact. The key objectives are that investments reap the highest real rate of return, with debt costing the lowest real cost. Should this change, projections of inflation will become part of the debt and investment decision-making criteria, both strategic and operational.

Market Risk

The Authority seeks to ensure that its stated treasury management policies and objectives will not be compromised by adverse market fluctuations in the value of the principal sums it invests, and will accordingly seek to protect itself from the effects of such fluctuations.

The majority of lending is in the form of cash deposits. However a proportion of the Council's funds may be invested in alternative forms of investment where the capital value may fluctuate. These are managed in such a way as to minimise the risk of financial loss. The potential list of alternative forms of investment includes UK Government Gilts, bond funds and property funds, but only those specified within the annual Treasury Management Strategy are be permitted.

Price Risk

The Authority does not generally invest in equity shares but does have two £1 shares in NPS (SW) Ltd, valued at £247,000 and has an equity investment in Science Park Ltd valued at £1,430,354. These shares are recognised in the balance sheet at £1,677,604. Price is therefore not a significant risk for the Authority.

16. Creditors and Debtors

16.1 Creditors

These represent sums of money owed by the County Council for goods and services received during the year and not paid for by 31 March, or where money has been received by the County Council in advance.

31st March 2015 £000		31st March 2016 £000
(6,772)	Central Government	(6,118)
(8,338)	Other Local Authorities	(4,637)
(4,369)	NHS Bodies	(2,206)
(824)	Public Corporations & Trading Funds	(13)
(93,170)	Other Entities & Individuals	(102,327)
(113,473)		**(115,301)**

16.2 Debtors

These represent sums of money owed to the County Council for goods and services supplied during the year and not paid for by 31 March, or for payments in advance by the County Council.

31st March 2015 £000		31st March 2016 £000
1,954	Central Government	8,972
14,961	Other Local Authorities	17,190
5,784	NHS Bodies	7,249
594	Public Corporations & Trading Funds	109
61,846	Other Entities & Individuals	49,176
85,139		**82,696**

17. Provisions (Long Term Liabilities)

Provisions are set up to meet known liabilities where the exact amount is not known when the accounts are prepared. They represent amounts already charged in the respective year in which the chargeable event took place.

Provisions estimated to be utilised after more than one year	As at 31/03/14 **£000**	Amounts released **£000**	Provided in year **£000**	**As at 31/03/15 £000**	Amounts released **£000**	Provided in year **£000**	**As at 31/03/16 £000**
Insurance Fund prior to 01/04/98	(75)	75	0	**0**	0	0	**0**
Insurance Fund from 01/04/98	(9,039)	0	(421)	**(9,460)**	0	(207)	(9,667)
Landfill aftercare	(6,301)	250	0	**(6,051)**	266	0	(5,785)
Total	**(15,415)**	**325**	**(421)**	**(15,511)**	**266**	**(207)**	**(15,452)**

For insurance and landfill, that element falling due within one year is included as a provision in current liabilities while the remainder is included in long term liabilities.

Insurance provisions

The Council's Insurance provision enables it to carry some of its insurable risks in-house, achieving significant savings in external premiums. It covers Public Liability, Professional Indemnity, Employers Liability and vehicles, but excludes theft and accidental damage. The value of the provision has not been discounted because the significant majority of payments are expected to be made in the next 5 years. The provision is reviewed annually and is assessed on a triennial basis by Marsh Ltd. The balance at 31 March 2016 is considered sufficient to meet claims registered on that date. An estimate of the payment profile has been provided by Marsh and applied to the Authority's insurance provision at 31 March 2016:

payable within	**£000**
1 to 2 years	(3,613)
3 to 5 years	(5,571)
6 to 9 years	(483)
more than 9 years	0
Total	**(9,667)**

A separate provision, created to cover events prior to local government reorganisation on 1 April 1998, is now extinguished.

Landfill aftercare

The Council is responsible for ensuring that landfill sites do not pose a risk to the environment. During the final, aftercare phase, regular monitoring for leachate and gas emissions must be carried out and appropriate remedial action taken where necessary. A programme of estimated expenditure extending over forty years has been provided for in these accounts and the estimate of timing of payments is shown below.

payable within	**£000**
1 to 2 years	(261)
3 to 5 years	(736)
6 to 10 years	(1,086)
more than 10 years	(3,702)
Total	**(5,785)**

18. Cash and Cash Equivalents

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

31st March 2015 £000		31st March 2016 £000
(16,517)	Bank Current Accounts	(14,353)
80,764	Investments less than 90 days	73,798
64,247		**59,445**

19. Assets Held for Sale

The movement on Assets Held for Sale balances during the year is as follows:

2014/15 £000		2015/16 £000
5,402	**Balance outstanding at start of year**	7,041
3,210	Assets newly classified as held for sale: Property, Plant and Equipment	12,264
	Assets declassified as held for sale: Property, Plant and Equipment	(3,656)
(1,571)	Assets sold	(3,871)
7,041	**Balance outstanding at year-end**	**11,778**

20. Unusable Reserves

31st March 2015 £000		31st March 2016 £000
(146,466)	Revaluation Reserve	(174,199)
(163)	Available for sale FI reserve	427
(516,266)	Capital Adjustment Account	(500,081)
16,297	Financial Instruments Adj Account	15,545
985,042	Pensions Reserve	911,958
(10,098)	Collection Fund Adjustment Account	(8,709)
6,803	Accumulated Absences Account	5,831
(471)	Deferred Capital Receipts Reserve	(471)
334,678		**250,301**

Revaluation Reserve

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

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

2014/15 £000		2015/16 £000
(131,170)	**Balance at 1st April**	**(146,466)**
(36,780)	Upward revaluation of assets	(56,829)
8,698	Downward Revaluation of assets not charged to the Surplus/Deficit on the provision of services	11,380
(159,252)	Surplus or deficit on revaluation of non-curent assets not posted to the Surplus or Deficit on the Provision of Services	(191,915)
4,659	Difference between fair value depreciation and historical cost depreciation	7,485
8,127	Accumulated gains on assets sold or scrapped	10,231
12,786	Amount written off to the Capital Adjustment Account	17,716
(146,466)	**Balance at 31st March**	**(174,199)**

Capital Adjustment Account

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

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

Note 7 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

2014/15 £000		2015/16 £000
(507,768)	**Balance 1st April**	**(516,266)**
71,154	Charges for depreciation and impairment of non-current assets	69,179
51,896	Revaluation losses on Property Plant and Equipment	14,518
363	Amortisation	289
(72)	Release of deferred income from Energy from Waste	(1,801)
9,600	Revenue expenditure funded from capital under statute	19,456
22,964	Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	65,268
155,905		166,909
(12,786)	Adjusting amounts written out of the Revaluation Reserve	(17,716)
143,119	Net written out amount of the cost of non-current assets consumed in the year	149,193
(298)	Recognition of loan to Skypark	(307)
(28)	Recognition of loan to Academy schools on transfer	0
(326)		(307)
	Capital financing applied in the year:	
(5,707)	Use of the Capital Receipts Reserve to finance new capital expenditure	(10,960)
(110,067)	Application of grants to capital financing from the Capital Grants Unapplied Account	(99,167)
(31,915)	Statutory provision for the financing of capital investment charged against the General Fund	(20,315)
(3,602)	Capital expenditure charged against the General Fund	(2,259)
(151,291)		(132,701)
(516,266)	**Balance 31st March**	**(500,081)**

Financial Instruments Adjustment Account

The Financial Instruments Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefiting from gains in accordance with statutory provisions. The Authority uses the Account to manage premiums paid on the early redemption of loans. Premiums are debited to the Comprehensive Income and Expenditure Statement when they are incurred, but reversed out of the General Fund Balance to the Account in the Movement in Reserves Statement. Over time, the expense is posted back to the General Fund Balance in accordance with statutory arrangements for spreading the burden on council tax. In the Authority's case, this period is the unexpired term that was outstanding on the loans when they were redeemed. As a result, the balance on the Account at 31st March 2011 will be charged to the General Fund over the next 30 years.

2014/15 £000		2015/16 £000
17,021	**Balance 1st April**	**16,297**
(648)	Proportion of premiums incurred in previous financial years to be charged against the General Fund Balance in accordance with statutory requirements	(648)
(76)	Adjustments to softloans given by the Authority	(104)
(724)	Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements.	(752)
16,297	**Balance 31st March**	**15,545**

Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for past employment benefits and for funding benefits in accordance with statutory provisions. The Authority accounts for post employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by the employees accruing years of services, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Authority makes employer's contributions to pension funds or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a shortfall in the resources the Authority has set aside to meet future pension benefits, earned by past and current employees. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

2014/15 £000		2015/16 £000
782,729	**Balance 1st April**	**985,042**
175,468	Actuarial gains or (losses) on pensions assets and liabilities	(108,064)
71,006	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	79,862
(44,161)	Employer's Pensions contributions and direct payments to pensioners payable in the year	(44,882)
985,042	**Balance 31st March**	**911,958**

21. Other Long Term Liabilities

31st March 2015 £000		31st March 2016 £000
(1,017,577)	Pensions Liability	(941,624)
(66,691)	Private Finance Initiative Liability - schools	(63,134)
(44,339)	Liability Exeter Energy from Waste	(44,041)
0	Private Finance Initiative Liability - Plymouth Energy from Waste	(25,495)
(3,115)	Deferred income - Exeter Energy from Waste	(2,904)
0	Deferred income - Plymouth Energy from Waste	(39,980)
(769)	Financial Guarantee	(800)
(1,132,491)		**(1,117,978)**

22. Amounts Reported for Resource Allocation Decisions

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the Service Reporting Code of Practice. However, decisions about resource allocation are taken by the Authority's Cabinet on the basis of budget reports analysed across directorates. These reports are prepared on a different basis from the accounting policies used in the financial statements. In particular:

- no charges are made for use of assets (whereas depreciation, revaluation and impairment losses in excess of the balance on the Revaluation Reserve and amortisation are charged to services in the Comprehensive Income and Expenditure Statement)
- the cost of retirement benefits is based on cash flows (payment of employer's pensions contributions) rather than current service cost of benefits accrued in the year
- expenditure on some support services is budgeted for centrally and not charged to services.

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

2014/15
Service Income and Expenditure

	People £000	Place £000	Corporate £000	Other £000	**Total £000**
Employees	330,945	32,330	47,875	3,814	**414,964**
Premises-related expenditure	24,561	6,138	8,189	-	**38,888**
Transport-related expenditure	28,272	11,387	560	-	**40,219**
Supplies and services	69,395	76,279	26,263	-	**171,937**
Third party payments	287,013	16,184	18,584	-	**321,781**
Transfer payments	28,296	687	-	-	**28,983**
Support services	26,494	7,103	4,013	-	**37,610**
Income	(444,779)	(36,529)	(66,943)	-	**(548,251)**
Service totals	350,197	113,579	38,541	3,814	**506,131**

2015/16
Service Income and Expenditure

	People £000	Place £000	Corporate £000	Other £000	**Total £000**
Employees	317,041	31,573	46,390	4,946	**399,950**
Premises-related expenditure	22,220	6,111	7,699	-	**36,030**
Transport-related expenditure	28,973	10,646	467	-	**40,086**
Supplies and services	72,113	63,451	43,011	-	**178,575**
Third party payments	278,582	14,632	5,186	-	**298,400**
Transfer payments	30,890	64	-	-	**30,954**
Support services	22,990	6,211	4,720	-	**33,921**
Income	(426,863)	(37,053)	(72,847)	-	**(536,763)**
Service totals	345,946	95,635	34,626	4,946	**481,153**

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

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

	2014/15	**2015/16**
	£000	**£000**
Net expenditure in the Directorate Analysis	506,131	481,153
Net service expenditure not included in the analysis	8,164	15,909
Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the Analysis	157,046	20,303
	671,341	517,365
Amounts included in the Analysis not included in Cost of Services in the Comprehensive Income and Expenditure Statement	(69,961)	43,984
Cost of Services in the Comprehensive Income and Expenditure Statement	**601,380**	**561,349**

Reconciliation to Subjective Analysis

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

2014/15

Reconciliation of Subjective Analysis to Net cost of services and Net surplus	Service analysis £000	Items not in analysis £000	Not reported to mngmnt £000	Not included in CoS £000	Allocn of recharges £000	**Net cost of services £000**	Corporate items £000	**Net surplus £000**
Employee expenses	414,964	7,784	24,267	(36,956)		**410,059**		**410,059**
Other service expenses	601,808	(43)	9,736	(2,086)		**609,415**		**609,415**
Support Services	37,610	96		(1,364)	(36,342)	**-**		**-**
Precepts & levies						**-**	713	**713**
Depreciation, amortisation and impairment			123,341			**123,341**		**123,341**
Interest payable						**-**	25,830	**25,830**
Pensions Financing and Investment Income and Expenditure						**-**	35,298	**35,298**
PFI financing charges						**-**	9,061	**9,061**
Gain or Loss on Disposal of Non Current Assets						**-**	15,716	**15,716**
Total operating expenses	1,054,382	7,837	157,344	(40,406)	(36,342)	**1,142,815**	86,618	**1,229,433**
Fees, charges & other service income	(187,680)	327	(298)	2,144	36,342	**(149,165)**		**(149,165)**
Interest and investment income						**-**	(2,324)	**(2,324)**
Income from council tax						**-**	(311,396)	**(311,396)**
Business rates retention scheme - tax element						**-**	(21,531)	**(21,531)**
Government grants and contributions	(360,571)			(31,699)		**(392,270)**	(323,241)	**(715,511)**
Total Income	(548,251)	327	(298)	(29,555)	36,342	**(541,435)**	(658,492)	**(1,199,927)**
Surplus or deficit on the provision of services	506,131	8,164	157,046	(69,961)	-	**601,380**	(571,874)	**29,506**

2015/16 Reconciliation of Subjective Analysis to Net cost of services and Net surplus	Service analysis £000	Items not in analysis £000	Not reported to mngmnt £000	Not included in CoS £000	Allocn of recharges £000	**Net cost of services £000**	Corporate items £000	**Net surplus £000**
Employee expenses	399,950	10,813	40,364	(47,185)		**403,942**		**403,942**
Other service expenses	584,045	4,005	17,316			**605,366**		**605,366**
Support Services	33,921	646		(1,352)	(33,215)	**-**		**-**
Precepts & levies						**-**	746	**746**
Depreciation, amortisation and impairment				83,986		**83,986**		**83,986**
Interest payable						**-**	25,906	**25,906**
Pensions Financing and Investment Income and Expenditure						**-**	33,238	**33,238**
PFI financing charges						**-**	12,736	**12,736**
Gain or Loss on Disposal of Non Current Assets						**-**	58,856	**58,856**
Total operating expenses	1,017,916	15,464	57,680	35,449	(33,215)	**1,093,294**	131,482	**1,224,776**
Fees, charges & other service income	(164,496)	445	(1,201)	8,535	33,215	**(123,502)**	-	**(123,502)**
Interest and investment income						**-**	(1,254)	**(1,254)**
Income from council tax						**-**	(322,826)	**(322,826)**
Business rates retention scheme - tax element						**-**	(90,335)	**(90,335)**
Government grants and contributions	(372,267)		(36,176)			**(408,443)**	(203,901)	**(612,344)**
Total Income	(536,763)	445	(37,377)	8,535	33,215	**(531,945)**	(618,316)	**(1,150,261)**
Surplus or deficit on the provision of services	481,153	15,909	20,303	43,984	-	**561,349**	(486,834)	**74,515**

23. Cash Flow – Adjustments to the deficit on the Provision of Services for non-cash movements

2014/15 £000		**2015/16 £000**
(71,154)	Depreciation	(69,179)
(51,896)	Revaluation Losses	(14,518)
(363)	Amortisation	(289)
72	Release of deferred income	1,801
(6,182)	(Increase)/Decrease in creditors	(776)
4,738	Increase/(Decrease) in debtors	(5,288)
348	Increase/(Decrease) in inventories	(238)
(27,303)	(Increase)/Decrease in pension liability	(32,112)
(2,809)	(Increase)/Decrease in provisions	(255)
(22,964)	Net Book Value of disposals	(65,268)
(71)	Other non-cash items within the provision of services	379
(177,584)		**(185,743)**

24. Cash Flow – Adjustments to the deficit on the Provision of Services for investing and financing activities

2014/15 £000		2015/16 £000
7,107	Proceeds from sale of non current assets	6,070
7,107		**6,070**

25. Cash Flow - Operating Activities

2014/15 £000		2015/16 £000
484,209	Cost of services	480,178
713	Other Operating Expenditure	746
	Financing and Investment Income and Expenditure	
24,713	Interest paid and similar income	25,971
9,061	Interest element of PFI	12,736
(1,143)	Interest received and similar income	(2,399)
(658,524)	Taxation and Non-specific Grant Income	(622,390)
(140,971)	**Net cash flows from operating activities**	**(105,158)**

26. Cash Flow - Investing Activities

2014/15 £000		2015/16 £000
128,571	Purchase of property, plant and equipment, intangible and heritage assets	107,560
0	Purchase of long term investments	10,000
157,958	Purchase of short term investments	136,550
(7,076)	Sale of property, plant and equipment	(6,212)
(157,958)	Sale of short term investments	(141,550)
121,495	**Net cash flows from investing activities**	**106,348**

27. Cash Flow - Financing Activities

2014/15 £000		2015/16 £000
3,843	Payments applied in reducing finance lease and PFI liabilities	3,986
(186)	External contribution to repayment of debt	(374)
3,657	**Net cash flows from financing activities**	**3,612**

28. Schemes under the Transport Act 2000

Devon County Council did not operate any schemes under this act in 2015/16 or in 2014/15.

29. Members' Allowances

The authority pays its elected members basic allowances, special responsibility allowances and travel and subsistence. During 2015/16 £1,009,216 was paid (£1,028,869 in 2014/15).

30. Audit Fees

In 2015/16 the County Council incurred the following fees relating to the external audit:

2014/15 £000		2015/16 £000
140	Accounts & value for money conclusion	105
(15)	Audit fee rebates	
4	Grant claims certification	
6	Other services	8
135		**113**

From 2015/16, audit work not prescribed by the Audit Code of Practice is classified as other services.

31. Officers' Remuneration

31.1 Senior Officers Remuneration

The County Council is required to:

- Name all officers that earn over £150,000 per annum for all or part of a year.
- List all post holders who earn between £50,000 and £150,000 for all or part of a year and who also fit the following criteria:
- They report directly to the Chief Executive, or;
- They are part of the Councils Senior Management Team, or;
- They hold posts required by statute (the Chief Finance Officer and the Monitoring Officer)

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

	Note		Salary, Fees and Allowances £	Expenses Allowances £	Compensation for loss of office £	Pension contributions £	**Total £**
Chief Executive		2015/16	149,995			28,199	**178,194**
		2014/15	149,995			28,199	**178,194**
Strategic Director - Place		2015/16	129,995			24,439	**154,434**
		2014/15	129,995			24,439	**154,434**
Strategic Director - People		2015/16	129,995			24,439	**154,434**
		2014/15	129,995			24,439	**154,434**
County Solicitor		2015/16	105,000			19,740	**124,740**
		2014/15	105,000			19,740	**124,740**
County Treasurer		2015/16	105,000			19,740	**124,740**
		2014/15	105,000			19,740	**124,740**
Head of Business Strategy & Support	1	2015/16	98,025			18,429	**116,454**
		2014/15	75,375			14,171	**89,546**
Director of Public Health		2015/16	155,630	81		22,255	**177,966**
		2014/15	154,624	198		21,647	**176,469**

Notes:

1) Salary paid in 2015/16 includes arrears of pay of £11,325 for Salary due in 2014/15

31.2 Officers Remuneration

The Authority's employees receiving more than £50,000 remuneration for the year (excluding employer's pension contributions) is set out in the following table. This table includes those Officers disclosed in note 31.1

2014/15				Emoluments	2015/16			
Schools Staff	Other Staff	**Total**	**Left in Year**	**£**	Schools Staff	Other Staff	**Total**	**Left in Year**
96	38	**134**	11	**50,000 - 54,999**	89	41	**130**	2
66	42	**108**	13	**55,000 - 59,999**	67	29	**96**	2
43	10	**53**	5	**60,000 - 64,999**	49	15	**64**	1
14	7	**21**	5	**65,000 - 69,999**	14	4	**18**	1
12	3	**15**	3	**70,000 - 74,999**	8	4	**12**	1
6	4	**10**	1	**75,000 - 79,999**	9	1	**10**	
1	3	**4**		**80,000 - 84,999**	4	2	**6**	
3	1	**4**	1	**85,000 - 89,999**	2	2	**4**	
3		**3**	1	**90,000 - 94,999**	2		**2**	1
2	4	**6**		**95,000 - 99,999**	3	6	**9**	1
	2	**2**	1	**100,000 - 104,999**		1	**1**	
3	3	**6**	1	**105,000 - 109,999**	2	3	**5**	
				110,000 - 114,999				
				115,000 - 119,999				
				120,000 - 124,999				
	2	**2**		**125,000 - 129,999**		2	**2**	
				130,000 - 134,999				
				135,000 - 139,999				
				140,000 - 144,999				
	1	**1**		**145,000 - 149,999**		1	**1**	
	1	**1**		**150,000 - 154,999**				
				155,000 - 159,999		1	**1**	
				160,000 - 164,999				
				165,000 - 169,999				
				170,000 -174,999				
				175,000 - 179,999				
				180,000-184,999				
				185,000-189,999				

31.3 Exit Packages

The following table shows the number and value of exit packages included within the Comprehensive Income & Expenditure Statement.

	Number of compulsory redundancies		**Number of other departures agreed**		**Total number of exit packages by cost band**		**Total cost of exit packages in each band**	
	2014/15	**2015/16**	**2014/15**	**2015/16**	**2014/15**	**2015/16**	**2014/15**	**2015/16**
	No.	**No.**	**No.**	**No.**	**No.**	**No.**	**£000**	**£000**
£0 - £20,000	488	230	199	98	687	328	4,863	2,114
£20,001 - £40,000	73	33	43	25	116	58	3,190	1,633
£40,001 - £60,000	12	8	12	7	24	15	1,171	732
£60,001 - £80,000	9	5	4	5	13	10	863	727
£80,001 - £100,000	2	1		3	2	4	173	354
£100,001 - £150,000	1	1	1	2	2	3	227	346
£150,001 - £200,000								
£200,001 - £250,000								
	585	**278**	**259**	**140**	**844**	**418**	**10,487**	**5,906**

32. Grant Income

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

Credited to Taxation and Non Specific Grant Income

2014/15 £000		2015/16 £000
	UK Government Revenue Grants:	
(116,515)	Revenue Support Grant	(86,925)
(3,134)	New Homes Bonus	(4,264)
(915)	Local Service Support Grant	(673)
(4,164)	Private Finance Initiative - Interest	(4,965)
(2,133)	Adoption Reform Grant	(433)
(8,828)	Education Services Grant	(6,876)
0	Independent Living Fund	(2,281)
(4)	Commons Pioneer Authority	0
(9)	Community Voice	0
(125)	Care Bill Implementatation	(5,843)
(10)	Transparency Code Set Up	(13)
0	Property Searches	(8)
0	Business Cap Compensation	(1,372)
(18)	Business Rates Flood	0
(2,457)	Small Business & Empty Property Rate Relief	(1,673)
(184)	Efficiency Support for Sparse Areas	0
(138,496)		**(115,326)**
	Capital Grants:	
(40,851)	Local Transport Plan - DfT grant	(45,907)
(8,858)	Schools Capital Maintenance - DfE grant	(7,113)
0	Growth Deal One Grant - DCLG / HotSW LEP grant	(4,660)
0	Better Care Fund - DfG grant	(4,292)
(5,201)	Schools Basic Needs - DfE grant	(3,550)
(2,403)	Devolved Formula Capital - DfE grant	(1,876)
(3,850)	Local Pinch Point - DfT grant	(1,836)
0	Target Capital Fund 14-19 - DfE grant	(1,205)
0	Street Lighting Challenge Fund - DfT grant	(1,138)
(3,952)	Dartmoor Granite and Gears - DfT grant	(340)
(21,180)	South Devon Link Road - DfT grant	0
(9,130)	Pothole Challenge Fund - DfT grant	0
(5,905)	Local Infrastructure Fund - DCLG grant	0
(1,257)	Dartmouth Academy - DfE grant	0
(11,986)	Other	(16,658)
(114,573)		**(88,575)**
(253,069)		**(203,901)**

Credited to Services

2014/15 £000		2015/16 £000
(1,007)	Active Devon	(989)
0	Adoption Reform Grant	(153)
(291)	Areas of outstanding Natural Beauty	(291)
(195)	Armed Forces Community Covenant	(59)
(1,146)	Bus Services Operators Grant	(1,146)
(315)	Cycling Projects Grant	(286)
(321,763)	Dedicated Schools Grant	(321,783)
0	Deprivation of Liberty Grant (DoH)	(381)
(184)	District Heating HNDU (DECC)	(101)
(757)	Education Funding Agency	(59)
(97)	English Heritage projects	(174)
(126)	Environment Projects	(152)
(456)	Flood Resilience Community (DEFRA)	0
(230)	Learning Disability Health Reform	0
(646)	Local Reform Community Voices	(558)
0	Music Education Grant	(996)
(293)	Other Communities Government Grants	(224)
(1,037)	Local Sustainable Transport Fund	(1,219)
(152)	Nat Coll of Teaching & Leadership (DfE)	(202)
0	North Devon Link Road – Feasibility Study (DfE)	(609)
(35)	Other PTE Govt Grants	(157)
(2,275)	PE and Sports Grant (DfE)	(2,216)
(2,774)	Private Finance Initiative	(1,972)
(17,373)	Pupil Premium	(16,981)
(22,060)	Public Health	(24,986)
(3,361)	Adult and Community Learning	(3,375)
(1,345)	Discretionary Social Fund	0
(170)	Sus Drnge Sys Cpblty & Cpty Bldg (DEFRA)	0
(300)	Total Transport Pilot Grant (DfT)	0
(1,185)	Troubled Families Programme	(1,414)
(4,381)	Universal Infant Free School Meals (DfE)	(6,541)
(271)	Youth Justice Board - Youth Offending	(298)
(6,769)	YPLA Post 16 Funding	(6,286)
(729)	Government Grants below £150,000	(803)
(391,660)	Total UK Government Grants	**(394,411)**
(610)	Total EU Grants	**(506)**
(1,842)	Exeter Diocesan Board PFI contribution	(1,852)
(4,679)	Contributions from other local authorities	(1,605)
(1,160)	S106 contributions paid by developers	(1,052)
0	Better Care Fund	(13,527)
(4,764)	Other contributions to services	(3,521)
(12,445)	Total Contributions from Other Sources	**(21,557)**
(404,714)	Total Grant Income Credited to Services	**(416,474)**

The Authority has received a number of grants, contributions and donations that have yet to be recognised as income within the Comprehensive Income and Expenditure

Statement as they have conditions attached to them that may require the monies to be returned to the giver if the conditions are not met. The balances at the year end are:

2014/15 £000		2015/16 £000
	Revenue Grants (Included within Revenue Grants Receipts in Advance - Long Term Liabilities):	
(2,559)	S106 Developer Contributions	**(3,225)**
	Revenue Grants (Included within Revenue Grants Receipts in Advance - Current Liabilities)	
(714)		**(999)**
	Capital Grants (Included within Capital Grants Receipts in Advance - Long Term Liabilities):	
(1,972)	Devolved Formula Capital	(1,672)
0	Growth Deal One Grant - DCLG / HotSW LEP grant	(1,181)
0	Better Care Fund - DfG grant	(1,090)
(1,477)	Targeted Capital Fund	(273)
(1,836)	Local Pinch Point Fund - DFT grant	0
(12,962)	Other	(15,755)
(18,247)		**(19,971)**

32.1 Details of the deployment of DSG receivable for 2015/16 are as follows:

The council's expenditure on schools is funded primarily by grant monies provided by the Department for Children, Schools and Families, the Dedicated Schools Grant (DSG). DSG is ring fenced and can only be applied to meet expenditure properly included in the Schools Budget, as defined in the School Finance (England) Regulations 2008. The Schools Budget included elements for a range of educational services provided on an authority-wide basis and for the individual Schools Budget (ISB), which is divided into a budget share for each maintained school.

Details of the deployment of DSG receivable for 2015/165 are as follows:

2014/15				2015/16		
Central Expenditure £000	**ISB £000**	**Total £000**		**Central Expenditure £000**	**ISB £000**	**Total £000**
		445,848	Final DSG before Academy recoupment			465,686
		(122,077)	Academy figure recouped			(138,788)
		323,771	Total DSG after Academy recoupment			326,898
		9,894	Brought forward from previous year			9,992
		0	Carry forward agreed in advance			
82,255	251,410	333,665	Agreed initial budgeted distribution	76,025	260,865	336,890
(33,873)	31,873	(2,000)	In year adjustments	(27,741)	22,583	(5,158)
48,382	283,283	331,665	Final budgeted distribution	48,284	283,448	331,732
(38,390)		(38,390)	Less Actual central expenditure	(42,320)		(42,320)
	(283,283)	(283,283)	Less Actual ISB deployed to schools		(283,448)	(283,448)
		0	Plus Local authority contribution			0
9,992	0	9,992	Carry forward agreed in advance	5,964	0	5,964

33. Capital Expenditure and Capital Financing

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

Summary of Capital Expenditure and Sources of Finance

2014/15			2015/16
£000			£000
677,135	**Opening Capital Financing Requirement**		710,969
677,135			710,969
	Capital Investment		
129,977	Property, Plant and Equipment		108,359
	Energy from Waste Plant (Note 35)		
47,921	Initial recognition of asset	69,323	
(3,187)	less deferred credit	(43,412)	
			25,911
46	Heritage Assets		14
669	Intangible Assets		630
9,600	Revenue Expenditure Funded from Capital under Statute		19,456
	Sources of Finance		
(5,707)	Capital Receipts		(10,960)
(110,067)	Government Grants and other contributions		(99,167)
	Sums set aside from revenue:		
(3,602)	Direct revenue contributions		(2,259)
(32,101)	Statutory provision for the financing of capital investment		(20,413)
	Capital provision		
6,586	Creation of Long Term Provision		6,301
(6,301)	Provision remaining at year end		(6,026)
710,969	**Closing Capital Financing Requirement**		**732,815**
	Explanation of Movements in Year		
20,916	Increase in underlying need to Borrow (unsupported by government financial assistance)		16,073
285	Decrease in Capital Provision		275
40,890	(Reduction)/ Increase in PFI liability		23,990
(28,257)	Increase in the provision for repayment of debt		(18,492)
33,834	**Increase/(decrease) in Capital Financing Requirement**		**21,846**

34. Partnerships and Related Party Transactions

The Council is required to disclose material transactions with related parties, bodies and individuals that have the potential to control or influence the Council or to be controlled or influenced by the Council. Disclosure of these transactions allows readers to assess the extent to which the Council might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Council.

Central Government has effective control over the general operations of the Council. It is responsible for providing the statutory framework, within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties. Details of transactions with government departments are set out in Note 32.

Members of the Council have direct control over the Council's financial and operating policies. The Council's constitution requires members to declare their interests in related parties in a register of interests. In addition members are asked to declare separately any transactions with the Authority. Transactions which require disclosure are in respect of the following: 1 - A member's partner is a foster carer and has received payment of £49,000 (2014/15 £46,000). 2 - A member's partner is the Director of Social Matters Ltd which has received payments of £22,000 in 2015/16 (2014/15 £64,000). 3 – A member is a Trustee of Exeter Citizens Advice Bureau which is part of the Citizens Advice Devon consortium. Citizens Advice Devon received payments as detailed under Assisted Organisations in Note 1.4. A member is a trustee of CEDA (Community Equality and Disability Action) which received a total of £345,000 in 2015/16 (2014/15 £362,000). CEDA is an independent registered charity and not-for-profit company limited by guarantee which provides learning and social opportunities to disabled people in Devon. These transactions were entered into in full compliance with the County Council's Financial Regulations and Code of Business Conduct.

Officers are bound by the Council's Code of Business Conduct which seeks to prevent related parties exerting undue influence over the Authority. Directors are required to declare any transactions with the Authority. There is only one transaction that requires disclosure. A strategic director's partner is the Chairman of The Parkview Society which received a total of £458,000 (2014/15 £564,000) from Devon County Council. The Parkview Society, a voluntary organisation, is a provider of residential care and supported living in the community.

34.1 Local Levies

The following levies were paid during the year:

2014/15 £000		2015/16 £000
383	Environment Agency	416
330	IFCA	330

All levies were due and paid during the year.

For the financial year 2015/16, the Council's County Treasurer acted as the Chief Finance Officer for the Dartmoor National Park Authority and the Devon and Severn Inshore Fisheries and Conservation Authority (IFCA). Also during 2015/16 the Council's HR department provided help and support to the IFCA. There were no outstanding sums due to or from the IFCA at the year end. The Council received payments from these bodies for services provided as follows:

2014/15 £000		2015/16 £000
121	Dartmoor National Park	62
14	IFCA	21

The decrease in payments from Dartmoor relate to reduced charges for seconded staff. The Council gave grants to Dartmoor National Park Authority of £144,000 (2014/15 £70,000) principally for the maintenance of footpaths, bridleways and footbridges and received grants of £65,000 (2014/15 £7,900) mainly for the support of public rights of way.

34.2 Other public sector bodies

Devon County Council received income from the NHS Commissioning Board and two Clinical Commissioning Groups (CCGs) - North, East and West Devon CCG and South Devon and Torbay CCG, of £87.994 millions in 2015/16 (2014/15 £78.389 millions) of which £17.122 millions (£30.185 millions in 2014/15) is included in the Comprehensive Income and Expenditure Account. The Authority made payments of £16.921 millions (2014/15 £10.416 millions) during the year to the CCGs. The income is primarily for funded nursing care payments, which are administered by the County Council on behalf of the combined organisations and therefore not included within the Comprehensive Income and Expenditure Statement, and other healthcare partnership agreements. The payments to the CCGs is primarily in respect of joint staffing arrangements. At the year end the Authority was due £7.161 millions (2014/15 £4.066 millions) from the organisations combined and owed it £ 0.931 millions (2014/15 £2.456 millions).

34.3 Transaction with the Pension Fund

The Council charged the Fund £1.971 million (2014/15 £1.838 million) for expenses incurred in administering the fund. The whole of this sum was due at 31st March and settled in 2015/16.

34.4 Assisted Organisations

The Council has provided significant contributions to the following bodies:

- Seven District Councils in Devon have received a total of £318,000 (2014/15 £359,000) conditional on long term agreements for the daytime use of pools and dual use sports halls by schools, without charge.
- Citizens Advice Bureaux in Devon have received £623,000 (2014/15 - £346,000) and the Council for Voluntary Services £376,000 (2014/15 - £345,000) from the Council conditional on long term agreements for the provision of services.
- The Community Council of Devon has received grants of £1.040 millions (2014/15 - £1.089 millions). Conditional on long term agreements for the provision of services.
- Local Council Tax Schemes have received assistance valued at £106,000 (2014/15 £252,000).

- Devon Disability Collective – is a Social Enterprise that provides quality employment and training to people with disabilities and those furthest from the labour market. A County Councillor is a non-executive director and in 2015/16 Devon Disability Collective received £130,000 from the County Council.

34.5 Partnerships

There are a number of partnerships in which the County Council participates. The most significant of these is the Better Care Fund, which began in 2015/16. Devon County Council has joined with its NHS partners, North, East West (NEW) Devon and South Devon and Torbay CCG in the provision of services to support reduced hospital admissions and length of stay. Joint arrangements of this type are permitted under section 75 of the National Health Service Act 2006.

The aims and benefits of the Partners in entering in to this Agreement are to:

- improve the quality and efficiency of the Services;
- meet the National Conditions and Local Objectives;
- make more effective use of resources through the establishment and maintenance of a pooled fund for expenditure on the Services;
- ensure that people in Devon will be independent, resilient and self-caring so fewer people reach crisis point; and
- for those that need it, to develop an integrated health and care system that enables people to proactively manage their own care with the support of their family, community and the right professionals at the right time in a properly joined up system.

In a crisis, people in Devon will know exactly what to do, who to contact, receive a rapid response and have their needs met in a completely organised, systematic and careful way.

The following table shows the contributions of Devon County Council and its partners and the key areas of expenditure.

Better Care Fund - 2015/16 is the 1st year	South Devon & Torbay CCG	NEW Devon CCG	Devon County Council		TOTAL
			Revenue	Capital	
	2015/16	2015/16	2015/16	2015/16	2015/16
Income	£000	£000	£000	£000	£000
Contributions	(9,716)	(36,785)	(3,980)	(5,383)	(55,864)
less carry forwards / refunds due	178	1,250	1,419	1,091	3,938
Income	(9,538)	(35,535)	(2,561)	(4,292)	(51,926)
Expenditure	£000	£000	£000	£000	£000
Disabled Facilities Grants				3,392	3,392
Enabling Schemes	248	1,695	315	900	3,158
Enhanced Carers Offer/ Care Implementation Act	773	3,218	24		4,015
Enhanced Community Equipment Service	708	3,349	1,199		5,256
Frailty and Community Care Services, Support to Social Services	5,898	20,376	6		26,280
Rapid Response Services	364	1,718	778		2,860
Step Up Step Down Care Services	947	3,078	37		4,062
Other	600	2,101	202		2,903
Total Expenditure	**9,538**	**35,535**	**2,561**	**4,292**	**51,926**

The value of community equipment held as stock amounts to £2.0 millions of which the County Council's share included in the balance sheet is £1.0 million.

		2014/15			2015/16		
Reference - see below	**Health - Section 75 partnerships**	Income - other partners £000	Council's Contribution £000	Total Expenditure £000	Contribution - other partners £000	Council's Contribution £000	Total Expenditure £000
	Joint Equipment Store	(4,942)	(830)	5,772	Now included in Better Care fund		
	Rapid Response (New in 2014/15)	(2,269)	(153)	2,422			
	Carers Service (New in 2014/15)	(1,492)	(1,938)	3,430			
a	Integrated Health and Social Care	(172)	(1,962)	2,134	(970)	(1,460)	2,430
b	Mental Health Services - Devon Partnership Trust	(1,100)	(1,299)	2,399	(220)	(1,616)	1,836
c	Integrated Care Exeter (ICE)				(576)	0	576
	Other partnerships						
d	Devon Audit Partnership	(998)	(426)	1,424	(893)	(417)	1,310
e	South West Devon Waste Partnership	0	(119)	119	(2,567)	(2,043)	4,610
f	Safety Camera Partnership	0	(198)	198	0	(158)	158
g	Youth Offending Team	(1,062)	(299)	1,361	(973)	(299)	1,272
h	Devon Children's Safeguarding Board	(174)	(258)	432	(152)	(291)	443

a) The integrated health and social care management structure is a partnership arrangement under the terms of section 75 of the Health Act 2006, but is not a

pooled budget. Staff are employed either by Devon County Council, NEW Devon CCG, South Devon & Torbay CCG, or North Devon Healthcare Trust, and agreed proportions of the cost of these staff are shared with other partners to the arrangement. The expenditure figure above represents the cost of the partnership and the net expenditure is the cost to DCC.

b) Devon Health Partnership Trust manages the provision of services for people with mental health needs on behalf of the County Council and the Clinical Commissioning Groups operating in Devon. The net expenditure shown above represents the County Council's contribution to the joint working arrangement.

c) Integrated Care Exeter is a Partnership of Devon County Council, NEW Devon CCG, the Royal Devon & Exeter Hospital, Exeter City Council, and a number of 3rd sector organisations, which has the objective of transforming the way in which health and social care is delivered in the Exeter area. Devon County Council is the accountable body for the partnership, the activity of which is funded by a Transformation Challenge Award grant from the DCLG.

d) Devon Audit Partnership is a Joint Committee formed by Devon County Council, Plymouth Council and Torbay Council. The partnership provides an Internal Audit service to the three Councils and other Local Government clients across Devon.

e) The South West Devon Waste Partnership is an equal partnership between Devon County Council, Plymouth City Council and Torbay Council which has established arrangements to convert waste into energy.

f) The Safety Camera Partnership has a membership that includes highways authorities in Devon and Cornwall, Devon and Cornwall Police Authority and the Highways Agency. Its purpose is to reduce road casualties by deterring and detecting speeding and traffic light offences. Funding is drawn from the Road Safety Grant.

g) The Youth Offending Team is a statutory partnership funded by contributions from the County Council, Devon & Cornwall Police & Crime Commissioner, NEW Devon CCG, South Devon & Torbay CCG, and the National Probation Service, as well as a combination of government grants. The initiative provides programmes to reduce youth re offending and youth crime prevention programmes to reduce first time offending.

h) The Devon Children's Safeguarding Board has the responsibility for co-ordinating and scrutinising the effectiveness of services being delivered to children and young people across Devon. This partnership is funded by contributions from the County Council, Devon & Cornwall Police & Crime Commissioner, National Probation Service, NEW Devon CCG, South Devon & Torbay CCG, North Devon Healthcare Trust, Devon Partnership Trust and Careers South West Ltd.

34.6 Associated Companies and Joint Ventures

Devon County Council has the following transactions with these organisations:

Skypark Development Partnership LLP The Council has a 50% interest in this limited liability partnership to develop a business park which will offer high quality employment opportunities. St. Modwen Developments Ltd holds the other 50% interest.

	2014/15	2015/16
	£000	£000
Income	(76)	0
Expenditure	1,562	1,112
Debtors	0	0
Creditors	(268)	0

Exeter Science Park. The Council holds a 49.97% interest in this company which was set up on 24th February 2009. The Science Park Company operates under 'de minimis' State Aid regulations with the intention of promoting Exeter Science Park. The other partners are East Devon District Council, Exeter City Council and the University of Exeter.

	2014/15	2015/16
	£000	£000
Income	(116)	(48)
Expenditure	4,121	92
Debtors	24	2
Creditors	(93)	0

The PLUSS organisation a company limited by guarantee provided employment and work-related services for people with disabilities. Devon CC had equal voting rights with other authorities, until PLUSS became a Community Interest Company on the 16th December 2015.

	2014/15	2015/16
	£000	£000
Income	(830)	(229)
Expenditure	6,854	5,816
Debtors	153	10
Creditors	(506)	(577)

Careers South West - a local authority controlled company which manages Devon Education Business Partnership. The members of the Company, are Devon County Council, Cornwall Council, Torbay Council and Plymouth City Council. Devon County Council has guaranteed 45% of any pension liability in the event that the company is wound up.

	2014/15	2015/16
	£000	£000
Income	0	(5)
Expenditure	2,294	2,227
Debtors	0	0
Creditors	(96)	(24)

Associated Companies and Joint Ventures (continued)

NPS South West - The Council holds 20% equity and appoints two of the six members of the Board. The Council's 50% share of profits is used to discount the payments it makes to the company for property management services provided to it. The ultimate parent is Norse Group Limited which is 100% owned by Norfolk County Council.

	2014/15	2015/16
	£000	£000
Income	(407)	(9)
Expenditure	5,528	5,393
Debtors	70	250
Creditors	(1,047)	(786)

Devon Norse. The Council holds equity of 20%. The company was set up on 7th March 2011 to provide cleaning and catering services, and was expanded on 1 April 2014 to include facilities management for all corporate premises. The ultimate parent is Norse Group Limited which is 100% owned by Norfolk County Council.

	2014/15	2015/16
	£000	£000
Income	(17)	(76)
Expenditure	9,633	9,514
Debtors	70	144
Creditors	(713)	(594)

Babcock LDP LLP is a joint venture between Devon County Council and Babcock Training Ltd. Devon CC holds 19.9%. Education and inclusion services previously delivered by the Learning Development Partnership as a Council service have been transferred to Babcock LDP LLP.

	2014/15	2015/16
	£000	£000
Income	(961)	(607)
Expenditure	14,030	14,532
Debtors	195	185
Creditors	(43)	(394)

South West Grid for Learning Trust. The County Council is one of 15 member authorities based in the South West. The principal activity of the Company is to provide education information technology support services. A guarantee for pension liabilities is disclosed at Note 38.

	2014/15	2015/16
	£000	£000
Income	(32)	(30)
Expenditure	1,591	858
Debtors	414	6
Creditors	(285)	(9)

The South West Heritage Trust – an independent charitable trust - took over management of Devon Heritage Services on 1 November, 2014. Though the Heritage Trust operates as an independent organisation, it receives support from Somerset and Devon County Councils for five years

	2014/15	2015/16
	£000	£000
Income	(4)	(33)
Expenditure	237	488
Debtors	0	0
Creditors	(19)	0

Exeter Skypark - dormant and has never been used.

35. Private Finance Initiative and Similar Contracts

Exeter Schools - PFI Scheme

2015/16 was the eleventh year of a 28 year PFI contract for the construction, maintenance and operation of 5 secondary and 1 primary schools in the city of Exeter. The contract confers rights to the Governing Bodies of the schools for 195 School Days from 8am to 5.30pm. During these hours and on these days the schools should be fully functional. In addition staff should be able to gain access to all areas of the school from 7.30am to 6.00 pm.

Additionally each school is entitled to additional school periods defined within the Project Agreement which were agreed prior to commencement. These vary between individual schools.

The contract specifies minimum standards for the services to be provided by the contractor, with deductions from the fee payable being made if facilities are unavailable or performance is below the minimum standards. The contractor took on the obligation to construct the schools and maintain them to a minimum acceptable condition and to procure and maintain the plant and equipment needed to operate the schools. The buildings and any plant and equipment installed in them at the end of the contract will be transferred to the Authority in a condition complying with the Residual Life Requirements, for nil consideration. The Authority only has rights to terminate the contract if it compensates the contractor in full for the Senior Debt, subordinate debt and any other costs incurred.

2014/15		2015/16
£000		£000
	Property Plant & Equipment	
37,887	Opening Net Book Value	37,924
1	Additions	8
(1,959)	Depreciation	(2,262)
1,995	Revaluations	2,477
0	Disposals	0
37,924	**Closing Net Book Value**	**38,147**

The PFI liability is carried on the Balance Sheet at amortised cost. The fair value is assessed by calculating the present value of the cash flows over the remaining term of the agreement. This has been calculated based on the Public Works Loan Board (PWLB) premature repayment set of rates in force on 31/03/15 and 31/03/16.

The fair value of the liability is higher than the amount that is carried in the balance sheet. This is due to current loan rates being lower than the interest rate implied within the PFI contract.

Value of Liabilities held under PFI contracts

2014/15 £000		2015/16 £000
(73,880)	Opening Liability	(70,161)
3,719	Repayment of Liability	3,469
(70,161)	**Closing Liability**	**(66,692)**
(121,036)	**Fair Value**	**104,881**

Payments due to be made under the PFI Contract for Liabilities held on Balance Sheet include a service element for the schools' premises running costs and capital financing payments that relate to the reduction of liability and an amount for interest. Other Cash Charges include the ongoing costs of maintaining the assets and contingent rents. The figures shown in the table below do not include any adjustments for inflation.

Payments to be made under the PFI Contract for Liabilities held on Balance Sheet

	Repayments of Liability	Interest Charges	Service Charges	Other Cash Charges	Total Payments
	£000	£000	£000	£000	£000
Within 1 year	3,557	5,490	2,830	1,141	**13,018**
Within 2 - 5 years	15,138	18,888	12,144	5,764	**51,934**
Within 6 - 10 years	19,624	16,326	17,233	9,748	**62,931**
Within 11 - 15 years	16,729	8,687	19,861	15,266	**60,543**
Within 16 - 20 years	11,644	2,043	13,324	7,445	**34,456**
	66,692	**51,434**	**65,392**	**39,364**	**222,882**

Payments under the contract commenced in 2005/06. For both the on balance sheet schools and the off balance sheet schools the total payments under the contract amount to £349 millions. Set against this is a grant of £247 millions that will be received from central government. Of the balance, £70 millions will be met from delegated school budgets and the remainder (£32 millions) will be financed by the county council.

The un-discharged liability to Devon County Council under the contract is £14.966 millions of which the maximum in any year is £1.9 millions. This is based upon an assumed inflation rate of 2.5%. If inflation is greater than 2.5% then the maximum payment in any year will increase. In 2015/16, Devon County Council's contribution was £1.7 millions. We currently assume that inflation will be 2.5% as per the Bank of England target. If inflation is 1% greater than this then Devon County Council's undischarged liability will increase by £5.0 millions to £19.8millons.

Exeter Energy from Waste

DCC entered into an agreement in October 2011 with an operator to finance, design, construct and operate an energy from waste ('EFW') plant to treat and render inert waste that would otherwise be disposed of in landfill sites. Construction of the EFW plant was completed in July 2014.

The operator receives payments from DCC, via a 'gate fee' per tonne of waste treated at the EFW plant and fixed at an assumed capacity of 60,000 tonnes of waste per annum. The Council may make deductions from the EFW gate fee if the operator fails to accept waste for treatment or fails to perform services to the required standards. The entire EFW gate fee is indexed according to changes in the Retail Prices Index.

Accounting Standards for this service concession require the authority to record the EFW's costs of construction as property, plant and equipment.

2014/15 £000		2015/16 £000
	Property Plant & Equipment	
0	Opening Net Book Value	27,857
47,921	Initial recognition	
3,762	Additions	
0	Depreciation	(929)
(23,826)	Revaluations	
0	Disposals	
27,857	**Closing Net Book Value**	**26,928**

To match the asset, the authority is also recognising balances whose natures depend on how the service concession asset is funded. The balances matching the asset are allocated according to the proportion of total revenues made up of Third Party Revenues and EFW Gate Fee. The proportion of the asset that is funded from DCC gate fee, 93%, is established as a long term liability while the remaining 7% is assumed to be funded from external third party revenues and is established in the authority's accounts as a deferred credit.

2014/15 £000		2015/16 £000
	opening deferred credit	(3,115)
(3,187)	Initial recognition of EEFW deferred credit	
72	Release of deferred income	106
(3,115)	**Closing Liability**	**(3,009)**

2014/15 £000		2015/16 £000
	Opening liability	(44,609)
(44,734)	Initial recognition of EEFW liability	
125	Repayment of Liability	270
(44,609)	**Closing Liability**	**(44,339)**
65,048	**Fair Value**	**93,616**

The Service Concession liability is carried on the Balance Sheet at amortised cost. The fair value is assessed by calculating the present value of the cash flows over the remaining term of the agreement. This has been calculated based on the Public Works Loan Board (PWLB) premature repayment set of rates in force on 31/03/16.

The fair value of the liability is higher than the amount that is carried in the balance sheet. This is due to current loan rates being lower than the interest rate implied within the contract.

Payments due to be made under the Service Concession Contract for Liabilities held on Balance Sheet include a number of different elements within the gate fee. The Repayment of Liability covers the initial cost of developing the plant. The Interest Charge includes an assumed cost of capital and the element of the charge that is dependent on future cost of living increases to capital financing. Lastly, the Service charge covers the cost of servicing and maintaining the plant. The figures shown in the table below assume an annual inflation rate of 1.5%.

Payments to be made under the Service Concession Contract for Liabilities held on Balance Sheet

	Repayments of Liability	Interest Charges	Service Charges	Total Payments
	£000	£000	£000	£000
Within 1 year	298	4,541	3,332	**8,171**
Within 2 - 5 years	1,933	19,031	13,814	**34,778**
Within 6 - 10 years	3,008	25,589	19,996	**48,593**
Within 11 - 15 years	4,714	27,407	22,857	**54,978**
Within 16 - 20 years	7,945	28,790	25,467	**62,202**
Within 21 - 25 years	13,392	28,915	28,069	**70,376**
Within 26 - 30 years	13,050	17,674	20,069	**50,793**
	44,340	**151,947**	**133,604**	**329,891**

Payments under the contract commenced in 2014/15. Based upon an assumed inflation rate of 1.5% the total payments under the contract will amount to £330 millions. This is the total amount that will be met by DCC via a 'gate-fee' over the life of the agreement.

The un-discharged liability to the authority under the contract is £335 millions of which the maximum in any year is £16 millions although that is not until 2043/44. In 2015/16, the authority paid £8 million under the contract.

If inflation is greater than 2.5% then the un-discharged liability and maximum payment in any year will increase. If inflation is 1% greater than this then the undischarged liability will increase by £44 millions to £387 millions.

Plymouth Energy from Waste

Devon County Council entered into a Waste Partnership with Plymouth City Council & Torbay Council in 2008 - South West Devon Waste Partnership. The outcome of the project is a waste disposal solution for South West Devon. The three Councils jointly signed a 25 year contract for waste disposal with German Company MVV Umwelt in March 2011.

MVV has built an energy from waste facility on leased Ministry of Defence land at Camels Head North Yard in Devonport Dockyard, Plymouth. The Plant was fully operational in September 2015 when the plant received waste from the three authorities in return for contract payments linked to tonnages of waste delivered.

Devon County Council will be taking approximately 60,000 tonnes of waste per year to the facility with the facility designed to process approximately 250,000 tonnes of residual waste per year. It uses this waste to produce approximately 22.5 MegaWatts of electricity and 23.3 MegaWatts of heat, which will be primarily used by the adjacent Naval Dockyard, with the remainder being exported to the national grid.

Accounting Standards for this PFI require the authority to record the Authoritiey's share of EFW's costs of construction as property, plant and equipment.

Value of Assets held under PFI contract

	2015/16 £000
Property Plant & Equipment	
Initial recognition	69,323
Revaluations	(3,382)
Closing Net Book Value	**65,941**

To match the asset, the authority is also recognising balances whose natures depend on how the PFI is funded. The balances matching the asset are allocated according to the proportion of total revenues made up of Third Party Revenues and PEFW Gate Fee. The proportion of the asset that is funded from DCC gate fee is established as a long term liability while the remaining assumed to be funded from external third party revenues and is established in the authority's accounts as a deferred credit.

Value of Deferred Credit held under PFI

	2015/16 £000
Initial recognition	(43,412)
Release of deferred income	1,695
Closing Liability	**(41,717)**

Value of Liabilities held under PFI contract

	2015/16 £000
Initial recognition	(25,911)
Repayment of Liability	247
Closing Liability	**(25,664)**
Fair Value	**(53,762)**

The PFI liability is carried on the Balance Sheet at amortised cost. The fair value is assessed by calculating the present value of the cash flows over the remaining term of the agreement. This has been calculated based on the Public Works Loan Board (PWLB) premature repayment set of rates in force on 31/03/16.

The fair value of the liability is higher than the amount that is carried in the balance sheet. This is due to current loan rates being lower than the interest rate implied within the contract.

Payments due to be made under the PFI Contract for Liabilities held on Balance Sheet include a number of different elements within the gate fee. The Repayment of Liability covers the initial cost of developing the plant. The Interest Charge includes an assumed cost of capital and the element of the charge that is dependent on future cost of living increases to capital financing. Lastly, the Service charge covers the cost of servicing and maintaining the plant. The figures shown in the table below assume an annual inflation rate of 2.5%.

Payments to be made under the Service Concession Contract for Liabilities held on Balance Sheet

	Repayments of Liability £000	Interest Charges £000	Service Charges £000	Total Payments £000
Within 1 year	169	2,640	2,551	**5,360**
Within 2 - 5 years	952	9,966	11,253	**22,171**
Within 6 - 10 years	2,380	10,811	15,854	**29,045**
Within 11 - 15 years	3,986	8,030	18,292	**30,308**
Within 16 - 20 years	7,898	3,648	20,624	**32,170**
Within 21 - 25 years	10,280	(1,299)	16,158	**25,139**
	25,665	**33,796**	**84,732**	**144,193**

Payments under the contract commenced in 2015/16. Based upon an assumed inflation rate of 2.5% the total payments under the contract will amount to £148 millions. This is the total amount that will be met by DCC via a 'gate-fee' over the life of the agreement.

The un-discharged liability to the authority under the contract is £144 millions of which the maximum in any year is £6.9 millions although that is not until 2038/39. In 2015/16, the authority paid £5 million under the contract.

If inflation is greater than 2.5% then the un-discharged liability and maximum payment in any year will increase. If inflation is 1% greater than this then the undischarged liability will increase by £19 millions to £167 millions.

36. Leases and Contract Hire

Finance leases (Council as Lessor)

Land and buildings: The Council has 43 assets that are leased to tenants that meet the definition of a finance lease. The present value at 31 March 2016 of the rental payments due to the Council is not material. The lease debtor is not included within the balance sheet as the sum is not material. The annual lease income is accounted for within the comprehensive income and expenditure statement as it falls due.

Finance leases (Council as Lessee)

Land and buildings: The Council has 21 assets that are held on finance leases. The Council's interest in the assets is included within non-current assets on the balance sheet. The present value of lease payments to be made over the term is estimated to be £1.609m. The lease liability is not included within the balance sheet as the sum is not material. The annual lease payments are accounted for within the comprehensive income and expenditure statement as they fall due.

Operating leases (Council as Lessee)

The future minimum lease payments due under non-cancellable leases in future years are:

2014/15	Property £000	Equipment £000	Contract Hire £000	**Total £000**
Not later than 1 year	913	476	22	**1,411**
Later than 1 year but not later than 5 years	4,012	845	20	**4,877**
Later than 5 years	7,214	13		**7,227**
	12,139	**1,334**	**42**	**13,515**

2015/16	Property £000	Equipment £000	Contract Hire £000	**Total £000**
Not later than 1 year	1,186	460	34	**1,680**
Later than 1 year but not later than 5 years	4,078	802	21	**4,901**
Later than 5 years	6,798	21		**6,819**
	12,062	**1,283**	**55**	**13,400**

The expenditure charged to cost of services in the comprehensive income and expenditure statement was:

2014/15	Property £000	Equipment £000	Contract Hire £000	**Total £000**
Minimum lease payments	913	509	22	**1,444**
	913	**509**	**22**	**1,444**

2015/16	Property £000	Equipment £000	Contract Hire £000	**Total £000**
Minimum lease payments	1,186	509	34	**1,729**
	1,186	**509**	**34**	**1,729**

Operating leases (Council as Lessor)

The rental received for operating property leased to third parties for the year is £1.721m of which £0.942m relates to smallholdings. The gross value of smallholdings at 31 March 2016 is £15.376m. Property leases are often for parts of assets for which individual valuations are not maintained and therefore an exact valuation is not provided.

The future minimum lease payments due under non-cancellable leases in future years are:

2014/15 £000		**2015/16** £000
1,733	Not later than 1 year	1,721
3,067	Later than 1 year but not later than 5 years	5,398
3,645	Later than 5 years	4,719
8,445		**11,838**

The expenditure charged to Cost of Services in the Comprehensive Income and Expenditure Statement was:

2014/15 £000		**2015/16** £000
903	Minimum lease payments	1,116
903		**1,116**

37. Pensions

As part of the terms and conditions of employment of its officers and other employees, the County Council makes contributions towards the cost of post-employment benefits. Although these benefits will not actually be payable until employees retire, the County Council has a commitment to make the payments (for those benefits) and to disclosed them at the time that employees earn their future entitlement.

The County Council participates in three different pension schemes:

- The Local Government Pension Scheme;
- The Teachers Pension Scheme; and
- The NHS Pensions scheme

Unfunded Benefits

Unfunded Benefits are a defined benefit arrangement, under which liabilities are recognised when awards are made. There are no plan assets built up to meet these pension liabilities and cash has to be generated to meet actual pension payments as they eventually fall due.

37.1 Defined Benefit Pensions Schemes

The Local Government Pension Scheme (LGPS), administered locally by Devon County Council, is a funded defined benefit final salary scheme with its benefits defined and set in law, meaning that the Authority and employees pay contributions into a fund, calculated at a level intended to balance the pension's liabilities with investment assets.

The LGPS is contracted out of the State Second Pension Scheme (S2P) and must, in general, provide benefits at least as good as most members would have received had they remained in S2P. The Pensions Act 2014 introduces a new State Pension for people reaching State Pension age on or after 6 April 2016. The new scheme will replace the existing basic and additional State Pension and end contracting-out and the National Insurance rebate.

The LGPS provides significant retirement and death benefits to its members which include the following:

- A guaranteed pension calculated as 1/60 x final salary x post April 2008 service
- A guaranteed pension calculated as 1/80 x final salary x pre April 2008 service
- A Tax free lump sum upon retirement calculated using the formula 3/80 x final salary x pre April 2008 service. Options are available to increase the lump sum
- Ability to increase benefits by paying additional voluntary contributions
- An Ill health pension payable from any age
- Immediate unreduced pension on redundancy after the age of 55
- Death in Service lump sum of 3 x salary
- Widow’s/widower’s/civil partner’s/co habiting partner pension payable for life
- Children’s pension
- Benefits rise in line with inflation

The Local Government Pension Regulations 2013 commenced on 1 April 2014 for all future LGPS membership.

Some of the main provisions of LGPS 2014 are as follows:

- A Career Average Revalued Earnings (CARE) Scheme revalued in line with CPI
- The Accrual rate will be 1/49th
- Retirement age linked to State Pension Age
- A 50/50 option where members can elect to pay half the contributions for half the pension.
- Benefits for service prior to 1st April 2014 are protected and keep the final salary link.

The Pension Liability does not represent an immediate call on the Authority's reserves and is a snap-shot valuation in time based on assumptions. The true value of the deficit is assessed on a triennial basis with contribution rates set to recover the balance over the longer-term.

See page 115 for information on the regulatory framework of the LGPS and the Authority’s role as an Administrating Authority.

Transactions relating to Retirement Benefits

The County Council recognises the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge we are required to make against council tax is based on the cash payable in the year, so the real cost of post-employment/retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year:

Local Government Pension Scheme and Unfunded Benefit Arrangements - Liabilities

Comprehensive Income and Expenditure Statement	**2014/15 £000**	**2015/16 £000**
Cost of Services:		
Service cost comprising:		
Current service cost	41,414	49,850
Past service costs, including curtailments	2,534	3,418
(Gain)/loss from settlements	(5,115)	(6,986)
Pre 01/04/98 unfunded benefits actuarial gains/losses)	(3,125)	342
Financing and Investment Income and Expenditure:		
Net interest expense	34,724	32,784
Administration expense	574	454
Total Post-employment Benefits charged to the Surplus or Deficit on the Provision of Services	**71,006**	**79,862**
Other Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement:		
Remeasurement of the net defined benefit liability comprising:		
Return on plan assets (excluding the amount included in the net interest expense)	(63,697)	(37,051)
Actuarial gains and losses arising on changes in demographic assumptions	0	0
Actuarial gains and losses arising on changes in financial assumptions	236,768	143,815
Experience loss/(gain) on defined benefit obligation	2,397	1,300
Other actuarial gains/(losses)	0	0
Remeasurement of the net defined benefit liability	175,468	108,064
Total Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement	**246,474**	**187,926**
Movement in Reserves Statement		
Reversal of net charges made to the Surplus or Deficit on the Provision of Services for post employment benefits in accordance with the Code (Note 7)	**71,006**	**79,862**

	Funded Liabilities		**Unfunded Liabilities**		**Total Liabilities**	
	2014/15	**2015/16**	**2014/15**	**2015/16**	**2014/15**	**2015/16**
	£000	**£000**	**£000**	**£000**	**£000**	**£000**
Actual amount charged against the General Fund Balance for pensions in the year:						
Employers contributions payable to scheme	36,956	37,696	0	0	36,956	37,696
Retirement benefits payable to pensioners	0	0	9,872	9,712	9,872	9,712
Contribution to pre 01/04/98 unfunded benefits	0	0	(2,666)	(2,526)	(2,666)	(2,526)
	36,956	**37,696**	**7,206**	**7,186**	**44,162**	**44,882**

The capitalised cost of curtailments arising as a result of the payment of unreduced pensions to former employees on early retirement to the Authority is £3.437 millions (£2.568 millions 2014/15).

As a result of some members transferring to/from another employer over the year liabilities have been settled at a cost different to the IAS19 reserve. The capitalised gain of this settlement is £6.986 millions (£5.115 millions gain 2014/15).

Pensions Assets and Liabilities Recognised in the Balance Sheet

The amount included in the Balance Sheet arising from the authority's obligation in respect of its defined benefit plans is as follows:

	Local Government Pension Scheme		Unfunded Liabilities		Total	
	2014/15 £000	**2015/16 £000**	**2014/15 £000**	**2015/16 £000**	**2014/15 £000**	**2015/16 £000**
Present value of the defined benefit obligation	(2,001,341)	(1,920,562)	(133,307)	(122,001)	(2,134,648)	(2,042,563)
Fair value of plan assets	1,117,071	1,100,939	0	0	1,117,071	1,100,939
Net liability arising from defined benefit obligation	**(884,270)**	**(819,623)**	**(133,307)**	**(122,001)**	**(1,017,577)**	**(941,624)**

Reconciliation of the Movements in the Fair Value of Scheme (Plan) Assets

Local Government Pension Scheme and Unfunded Benefit Arrangements

	2014/15 £000	**2015/16 £000**
Opening fair value of scheme assets	1,021,751	1,117,071
Interest income	44,687	36,614
Administration Expenses	(574)	(454)
Remeasurement gain/(loss):		
The return on plan assets, excluding the amount included in the net interest expense	63,697	(37,051)
Other Actuarial gains/(losses)	0	
Employer contributions	46,828	47,408
Contributions by scheme participants	12,472	12,030
Settlement prices received/paid	(3,087)	(1,582)
Benefits paid	(68,703)	(73,097)
Total Assets	**1,117,071**	**1,100,939**

Reconciliation of Present Value of the Scheme Liabilities (Defined Benefit Obligation)

Local Governement Pension Scheme and Unfunded Benefits - Liabilities	**2014/15 £000**	**2015/16 £000**
Opening balance	(1,836,557)	(2,134,648)
Current Service Cost	(41,414)	(49,850)
Interest Cost	(79,411)	(69,398)
Contributions from scheme participants	(12,472)	(12,030)
Remeasurement gains/(losses):		
Actuarial gains and losses arising on changes in financial assumptions	(236,768)	143,815
Experience (loss)/gains on defined benefit obligation	(2,397)	1,300
Past service costs, including curtailments	(2,534)	(3,418)
Liabilities assumed/(extinguished) on settlements	8,202	8,568
Benefits paid	68,703	73,097
Total (Liability)	**(2,134,648)**	**(2,042,564)**

Local Government Pension Scheme assets comprised:

Fair Value of Scheme Assets	**31 March 2015**		**31 March 2016**	
	£000	**%**	**£000**	**%**
Gilts	71,063	6%	30,317	3%
UK Equities	275,366	25%	265,685	23%
Overseas Equities	385,331	34%	353,803	32%
Property	111,666	10%	123,295	11%
Infrastructure	30,960	3%	41,680	4%
Target Return Portfolio	164,725	15%	160,366	15%
Cash	19,255	2%	24,539	2%
Other Bonds	38,840	3%	39,056	4%
Alternative assets	19,865	2%	62,198	6%
Net Asset / (Liability)	**1,117,071**	**100%**	**1,100,939**	**100%**

Fair Value of Scheme Assets

	31 March 2016			
	£000	**% Quoted**	**£000**	**% Unquoted**
Fixed interest government secutities				
UK	2,202	0.2%	0	0.0%
Overseas	28,624	2.6%	0	0.0%
Corporate bonds				
UK	2,202	0.2%	0	0.0%
Overseas	36,331	3.3%	0	0.0%
Equities				
UK	247,711	22.5%	17,615	1.6%
Overseas	308,263	28.0%	46,239	4.2%
Property				
All	0	0.0%	123,305	11.2%
Others				
Target return portfolio	160,737	14.6%	0	0.0%
Infrastructure	0	0.0%	41,836	3.8%
Multi sector credit fund	61,653	5.6%	0	0.0%
Cash/Temporary investments	0	0.0%	23,120	2.1%
Net current assets				
Debtors	0	0.0%	1,101	0.1%
Creditors	0	0.0%	0	0.0%
	847,723	**77.0%**	**253,216**	**23.0%**

Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc.

Both the Local Government Pension Scheme and discretionary benefits liabilities have been estimated by Barnett Waddingham LLP, an independent firm of actuaries, estimates for the County Council Fund being based on the latest full valuation of the scheme as at 1 April 2013.

The significant assumptions used by the actuary have been:

	Funded		Unfunded	
	2014/15	2015/16	2014/15	2015/16
Long-term expected rate of return on assets in the scheme:				
Discount rate	3.3%	3.6%		
Mortality Assumptions:				
Life Expectancy from age 65 (years) - Retiring today:				
Men	22.8	22.9	22.8	22.9
Women	26.1	26.2	26.1	26.2
Life Expectancy from age 65 (years) - Retiring in 20 years:				
Men	25.1	25.1	25.1	25.2
Women	28.4	28.6	28.4	28.6
Rate of Inflation	2.4%	2.3%		
Rate of increase in salaries	4.2%	4.1%		
Rate of increase in pensions	2.4%	2.3%		
Rate of discounting scheme liabilities	3.3%	3.6%		
Take-up of option to convert annual pension into retirement lump sum	10.0%	10.0%		

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analyses below have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all the other assumptions remain constant. In practice changes in some of the assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies for the scheme, i.e. on an actuarial basis using the projected unit credit method. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in the previous period.

	31 March 2016		
Sensitivity Analysis	**£000**	**£000**	**£000**
Adjustment to discount rate	+0.1%	0.0%	-0.1%
Present value of total obligation	2,007,427	2,042,563	2,078,348
Projected service cost	43,529	44,540	45,575
Adjustment to long term salary increase	+0.1%	0.0%	-0.1%
Present value of total obligation	2,046,334	2,042,563	2,038,815
Projected service cost	44,561	44,540	44,519
Adjustment to pension increases and deferred revaluation	+0.1%	0.0%	-0.1%
Present value of total obligation	2,075,000	2,042,563	2,010,699
Projected service cost	45,566	44,540	43,537
Adjustment to mortality age rating assumption	+ 1 Year	0.0%	- 1 Year
Present value of total obligation	2,106,563	2,042,563	1,980,565
Projected service cost	45,677	44,540	43,432

Impact on the Authority's Cash Flows

The objectives of the scheme are to keep employers' contributions at as constant a rate as possible. The County Council has agreed a strategy with the scheme's actuary to achieve a funding level of 100% over the next 27 years. Funding levels are monitored on an annual basis. The next triennial valuation is due to be completed as at 31 March 2016.

The scheme will need to take account of the national changes to the scheme under the Public Pensions Services Act 2013. The Act provides for scheme regulations to be made within a common framework, to establish new career average revalued earnings schemes to pay pensions and other benefits to certain public servants.

The contributions due to be paid in the next financial year are estimated to be £35.713 millions (£35.508 millions paid in 2015/16).

37.2 Pensions Schemes Accounted for as Defined Contribution Schemes

Teachers' Pensions Scheme

Teachers employed by the Authority are members of the Teachers' Pension Scheme, administered by Capita Teachers' Pensions on behalf of the Department for Education (DfE). The scheme provides teachers with specified benefits upon their retirement, and the Authority contributes towards the costs by making contributions based on a percentage of members' pensionable salaries.

The scheme is a multi-employer defined benefit scheme. The scheme is unfunded and the Department for Education uses a notional fund as the basis for calculating the employers' contribution rate paid by local authorities. Valuations of the notional fund are undertaken every four years.

The scheme has in excess of 3,700 participating employers and consequently the Authority is not able to identify its share of the underlying financial position and performance of the scheme with sufficient reliability for accounting purposes. For the purposes of this Statement of Accounts, it is therefore accounted for on the same basis as a defined contribution scheme.

In 2015/16, the authority paid £19.256 millons to Teachers' Pensions in respect of teachers' retirement benefits, representing 14.1% pensionable pay until 31st of August 2015 and of 16.48% of pensionable pay from 1st of September 2015. The figures for 2014/15 were £17.956 millons and 14.1%. There were no contributions remaining payable at the year-end. The contributions due to be paid in the next financial year are estimated to be £19.183 millions.

The Authority is responsible for the costs of any additional benefits awarded upon early retirement outside of the terms of the teachers' scheme. These costs are accounted for on a defined benefit basis.

The Authority is not liable to the scheme for any other entities' obligations under the plan.

NHS Pensions Scheme

Members of staff previously employed by the NHS, who transferred to the authority as part of public health services and activities, remained members of the NHS Pension Scheme, administered by the NHS Business Service Authority. The scheme provides members with specified benefits upon their retirement, and the Authority contributes

towards the costs by making contributions based on a percentage of members' pensionable salaries.

The scheme is an unfunded multi-employer defined benefit scheme and has in excess of 9,000 participating employers and consequently the Authority is not able to identify its share of the underlying financial position and performance of the scheme with sufficient reliability for accounting purposes. For the purposes of this Statement of Accounts, it is therefore accounted for on the same basis as a defined contribution scheme.

In 2015/16, the Authority paid £170,000 to NHS Pensions in respect of members' retirement benefits, representing 14.3% of pensionable pay. The figures for 2014/15 were £185,000 and 14%. There were no contributions remaining payable at the year-end. The employers contributions due to be paid in the next financial year are estimated to be £159,000.

The Authority is not responsible for the costs of any additional benefits awarded upon early retirement outside of the terms of the NHS Pensions Scheme.

The Authority is not liable to the scheme for any other entities' obligations under the plan.

From 1 April 2015 there is a new NHS Pension Scheme, the 2015 Scheme. This scheme has different features to the existing 1995/2008 Scheme

Some of the main provisions of the 2015 Scheme are as follows:

- A Career Average Revalued Earnings (CARE) Scheme revalued in line with CPI +1.5%;
- Normal Pension Age (NPA) at which benefits can be claimed, without reduction for early payment, will be linked to the same age as a member is entitled to claim their state pension;
- No limit on the number of years pension that can build up; and
- Final pension calculated by adding together all of the revalued pension earned in each year of membership.

It was identified during the transfer process that 10 transferring staff were contributing members of a life assurance scheme provided by private life by Canada Life, an historic arrangement to offer contributing members an enhanced death in service cover to extend their NHS cover from a payment of two years' salary to an employee's surviving relative, to three years' salary. This was provided at a cost of £1 per contributing member supplemented by contributions by the NHS.

Devon County Council has kept the arrangement for existing members by underwriting the value of the benefit and funding the payment of the same terms of death in service benefit in the event of the death of one of the existing staff members who are part of the Canada Life Scheme. The liability would only be in respect of 10 members of Public Health staff and ceases on the employee either leaving employment with the Authority or retiring.

38. Contingent Liabilities

New Street Works

No provision is made for accrued interest on New Street Works Advance Payments Deposits and S38 agreements. The capital value for this was approximately £2.017 millions at 31 March 2016 (£2.463 millions at 31 March 2015).

Exeter and Devon Airport Limited

Following the sale of Exeter and Devon Airport Limited possible expenditure relating to the following contingent liabilities has arisen:

- a maximum of £200,000 for construction and equipment costs should the engine testing area be relocated,
- losses in connection with claims under the SWERDA agreement (relating to the Flybe hanger development) in excess of £1.920 millions
- legitimate claims or demands from specified contractors for any sum owing to them,
- losses that result in breaches of the covenants existing with the Church Commissioners' Properties which may have resulted from the sale to a maximum of £300,000,
- provable losses resulting from disruption or damage to the instrument landing system including any consequent disruption to the operation of business in connection with the widening of the Clyst Honiton bypass,
- losses arising from disruption resulting from the failure of the concrete used to construct the apron area for the Flybe Hanger 1 and 2 until 2016/17 to a maximum of £125,000.

Breach of Data Protection Act

The Authority reported three breaches of the Data Protection Act to the Information Commissioner's Office (ICO) in 2015/16. The Information Commissioner is still investigating two of these incidents but has decided to take no enforcement action against the Council in relation to the third. The ICO may issue a monetary penalty of up to £500,000 where it considers there to have been a serious contravention of the Act, likely to cause substantial damage or distress. It is not known what, if any, enforcement action may be taken against the Council in relation to the two incidents still outstanding with the ICO.

Babcock LDP LLP

From 1 April 2012 a joint venture called LDP / Babcock between Devon County Council and Babcock International took effect. In order to limit risks to the joint venture, cost sharing arrangements are in place for pension costs should certain trigger points be reached. Pension costs are subject to a cap and collar arrangement where, should the employer's contribution rate move upwards or downwards by more than 4 per cent, a financial adjustment will be made. The expectation is that the County Council would either incur additional cost if the rate increases or benefit if it decreases around the 4 per cent threshold. The pension rate will be reviewed as at 1 April 2016 with the outcome being published early in 2017.

Guarantees

The Authority has provided a number of guarantees. These are detailed as follows:

- In 2013/14, the Authority guaranteed 50% of a loan of £5.304 millions made to Exeter Science Park from the Local Enterprise Partnership. The Authority has provided for a liability of £800,000 at 31 March 2016.
- A guarantee has been provided to NPS (SW) Ltd. to meet obligations in relation to rent of premises. Should the company fail to meet its obligations under the terms of the lease it will be assigned to the County Council. The premises will be available for sub-letting.
- The Authority together with 14 other authorities in the South West has given a guarantee to the Avon Pension Fund in respect of employer liabilities of South West Grid for Learning Trust.
- Careers South West Ltd (formerly Connexions Devon and Cornwall Ltd) became a public sector controlled company at 1 April 2008. A guarantee in relation to pension liabilities has been provided on 31 March 2008.
- The Authority has given guarantees to foster carers and children's placement providers for uninsurable losses in relation to fire damage to their properties. The guarantees extend to two properties with an estimated value of £1.15 million.

39. Contingent Assets

Dartington School

A new primary school for Dartington was commissioned in 2008. Shortly after it was completed and occupied in December 2010, evidence of water ingress became apparent and subsequent investigations found evidence of wet/dry rot in the floor structure. Technical specialists were commissioned to undertake an investigation into the reasons behind the water ingress. Their conclusion, after a thorough investigation, was the most cost effective remedial solution was a complete replacement of the school.

Letters of claim have been issued to the original designer White Design Architects as well as the original contractor Interserve, for the recovery of costs associated with the remedial building work, the temporary relocation of the school and associated costs and expenses. These two claims are in excess of £10 millions. Currently neither party is accepting responsibility for the acknowledged defects. Given the complexity of the legal process the expectation is the financial claim will be resolved at the end of 2016.

Glossary of Terms

ACCOUNTING POLICIES

Accounting policies determine the basis on which income and expenditure, assets and liabilities, transactions and adjusting events are reflected in financial statements. For example, an accounting policy for a particular type of expenditure may specify whether an asset or a loss is to be recognised, how it is to be measured and where in the comprehensive income and expenditure statement or balance sheet it is to be presented.

ACCRUALS

Except for the cash flow statement, the statement of accounts is prepared using the accruals basis of accounting. This requires the non cash effects of transactions to be reflected in the accounting period during which those effects are experienced and not in that during which any cash is paid or received. On this basis, income and expenditure is reported when the related activity or benefit actually occurs.

ACTUARY

An actuary is an expert on pension scheme assets and liabilities. Actuaries compute the actuarial charges falling due in each year in accounting for retirement benefits. Actuaries also make recommendations every three years regarding the rate of employer contributions due to the local government pension scheme.

AMORTISATION

Amortisation represents the use of economic benefits derived from intangible assets and is charged on a straight line basis over their useful lives. These are reviewed annually. Amortisation is charged with but is distinct from impairment charges.

APPROPRIATION

Certain charges and credits which are made to the comprehensive income and expenditure account do not affect the authority's funding requirements and so are not chargeable to the general fund. In such cases appropriation of the amount concerned is made from the general fund to the relevant unusable reserve. The authority may also set sums aside for planned future expenditure by appropriation of the funding to earmarked reserves. All appropriations are included in the movement in reserves statement.

ASSOCIATE

An associate is an entity over which the authority has significant influence. This means that investment by the authority is such that it has power to participate in the operating and financial policy decisions of the entity (though not to the extent of control, which would create a subsidiary). Investment takes account of contractual connections, participation in governance and executive interchange as well as the level of financial investment.

AVAILABLE FOR SALE FINANCIAL INSTRUMENTS RESERVE

This is classified as an unusable reserve and carries the valuation surplus of those equity investments which are regarded under the Code as available for sale. The surplus comprises the amount by which fair value exceeds historical cost.

BALANCE SHEET

The balance sheet is one of the primary financial statements and presents the authority's recognised assets, liabilities and reserves as at the end of each financial year. It shows the distribution of assets in relation to short and long term liabilities and the extent to which the authority's net worth is available in usable and unusable reserves. Each balance sheet element is recognised and valued in accordance with the Code of Practice on Local Authority Accounting (the Code) as set out in supporting notes.

BUDGET

A budget is approved annually by the authority and sets out the council tax requirement for the next financial year. This council tax precept funds the planned spending programme which is presented net of income from grants, fees and charges and other sources. The budget does not include any of the adjustments needed to comply with financial reporting standards and, as such, is not truly comparable with the results as shown in the statement of accounts for the same period.

CAPITAL ADJUSTMENT ACCOUNT

The capital adjustment account records the funding from internal resources of capital expenditure and the financing (under statute) of certain revenue expenditure. It also includes (for existing property, plant and equipment) the revaluation gains accumulated prior to 1 April 2007 (the date on which a separate revaluation reserve was established). It is an unusable reserve and relevant adjustments are summarised in the movement in reserves statement. Categorised as timing adjustments, these typically comprise period depreciation, amortisation and impairment debits, charges for financing of certain revenue expenditure under statute or for repayment of financial assistance for capital purposes, revaluation deficit adjustments, credits for financing charges to revenue (including MRP) and for unconditional grants applied to capital expenditure. Finally, there are adjustments in respect of assets reclassified (as investments or assets held for sale) or de-recognised on disposal.

CAPITAL CHARGES

Depreciation, amortisation and downward revaluations (subject to restriction) are charges made to the comprehensive income and expenditure account for the use, depletion or impairment of non current assets during each financial period. These charges do not affect the funding position of the authority and are accordingly appropriated from the general fund to capital adjustment account. Capital charges reduce the carrying value of property, plant and equipment and of intangible assets and correspondingly reduce the capital adjustment account and (again, subject to restriction) the revaluation reserve.

CAPITAL EXPENDITURE

Capital expenditure is expenditure on the construction, acquisition, development or improvement of property, plant and equipment and of intangible assets (principally, software licenses). Under legislation it may be financed from capital sources or from funds set aside from revenue. It is to be distinguished, however, from revenue expenditure funded from capital under statute (REFCUS) which is charged as revenue expenditure in the comprehensive income and expenditure account and only matched with its capital funding by transfer in the movement in reserves statement.

CAPITAL RECEIPTS

Capital receipts are income received from the sale of property, plant and equipment or intangible assets. They are available only to finance new capital expenditure or to repay debt. Until this occurs they are held on the capital receipts reserve.

CASH FLOW STATEMENT

The cash flow statement summarises the inflows and outflows of cash and cash equivalents resulting from operations, and from investing and financing activities. It also shows, by way of note, how the net cash flow from operations is related to the net surplus or deficit on the provision of services.

CIPFA

CIPFA (The Chartered Institute of Public Finance and Accountancy) is the lead body for setting standards in public sector accounting practice.

COMPONENTISATION

Assets may be analysed into various components that have significantly different estimated lives and differentially depreciated accordingly. The authority's policy on componentisation is described under the accounting policies in Note 1.

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

The comprehensive income and expenditure account shows the net cost in the year of providing services in accordance with generally accepted accounting practices (rather than the amount to be funded from taxation). It discloses the gross income and expenditure of continuing operations analysed by service, any exceptional items, other operating expenditure, financing and investment income and expenditure, and taxation and non-specific grant income. These items together comprise the surplus or deficit on the provision of services. Below this line, valuation and actuarial gains and losses are included in order to arrive at the total comprehensive income and expenditure. Those elements which, under statutory regulations, are not to be accounted for in the general fund are transferred to unusable reserves as shown in the movement in reserves statement.

CONTINGENT LIABILITIES

Contingent liabilities arise where, firstly, past events precipitate a present obligation which is either unlikely to result in a transfer of economic benefit or cannot be measured with sufficient reliability. Secondly, past events may give rise to a possible obligation whose existence can only be confirmed by some future occurrence not wholly under the authority's control. A contingent liability is not provided for, therefore, either because of the improbability of outflow or the inability to measure it. Contingent liabilities are disclosed by way of note.

CONTRIBUTIONS

Contributions are receivable from health authorities, other local authorities and other non-governmental bodies in respect of the authority's functions carried out independently. They are distinguishable from fees and charges income, which is received under a contract of supply. The same distinction applies to contributions paid by the authority. Contributions receivable are distinguished from grant income only in that grants are received from UK or EU governments (or their agencies).

CREDITORS

Creditors are amounts due to third parties as at the balance sheet date arising from goods or services that have been received but for which payment has not been made, from income received in advance of supply, or from unspent grant monies covered by a repayment clause. Creditors also include provisions and amounts held on account for payment.

CURRENT ASSETS/LIABILITIES

Current assets are amounts owed to the authority and due for payment within twelve months or items, such as stocks, that can be readily converted to cash. Current liabilities are amounts that the authority owes to other bodies, and due for payment within twelve months of the balance sheet date.

CURRENT VALUE

The Code has introduced the concept and definition of current value to the measurement of property, plant and equipment. Current value measurements reflect the economic environment prevailing for the service or function the asset is supporting at the reporting date.

For non-specialised assets, current value should be interpreted as existing use value. In the RICS Valuation – Professional Standards, this is market value based on the assumption that property is sold as part of the continuing enterprise.

For specialised assets where no market exists, current value should be interpreted as the present value of the assets' remaining service potential, which can be assumed to be at least equal to the cost of replacing that service potential. Under these circumstances, property, plant and equipment is measured at Depreciated Replacement Cost.

DEBTORS

Debtors are amounts owed to the authority at the balance sheet date where services have been delivered but payment has not been received. An unexpired period in a period-based charge is also included under debtors as expenditure in advance.

DEPRECIATION

Depreciation is the systematic allocation of the depreciable amount of an asset over its useful life. As charged in the comprehensive income and expenditure account it represents the measure of the cost or re-valued amount consumed during the period. Depreciation is charged with but is distinct from impairment.

DONATED ASSETS

Assets may be donated by another public body, by government or by benefactors. These are reported under the non current asset heading appropriate to their particular nature and are included at fair value. The credit to comprehensive income and expenditure account represents the surplus of fair value over any consideration and this surplus is included in taxation and non specific grant income. The value of any condition requiring repayment is excluded from income and reported in the balance sheet as income in advance.

ENTITY

An entity is a body corporate, partnership or unincorporated association which has an autonomous financial structure, and which is legally capable of contracting and making binding decisions under its own name.

FAIR VALUE

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

FINANCIAL GUARANTEES

A financial guarantee is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

FINANCIAL INSTRUMENTS ADJUSTMENT ACCOUNT

The financial instruments adjustment account is an unusable reserve which holds cumulative timing differences arising from valuation adjustments to loans and receivables accounted for as financial instruments. Annual charges and credits included in the comprehensive income and expenditure account are transferred to the reserve as shown in the movement in reserves statement.

GENERAL FUND

The general fund is the usable revenue reserve which finances the authority's working capital. It represents the cumulative net budget surplus after appropriations to or from earmarked reserves and consists of two elements: the county fund and reserves held by schools under delegated management. The county fund balance is evaluated under the authority's risk management strategy as the amount required to fund operations without borrowing before the first precept payments are received.

GOVERNMENT GRANTS

These are sums of money paid UK or EU governments, or their agencies, in order to fund the activities of the authority. Grants in support of local government services may be for general application or, where restricted to specified services, ring-fenced. The amount of grant income credited to the comprehensive income and expenditure account for the year represents the value received (or due to be received) in the year less any such amounts which are repayable by virtue of a condition which has not been satisfied. Outstanding conditions are normally satisfied in the following year in which case the liability is transferred to income at that stage.

The following bodies (shown together with their common abbreviations) award grants to the authority and are the sources of income in the analysis of government grants:

- CSPN = County Sports Partnership Network
- CWDC = Children's Workforce Development Council
- DCLG = Department of Communities & Local Government
- DCMS = Department for Culture, Media & Sport
- DEFRA = Department of the Environment & Rural Affairs
- DfE = Department for Education
- DfT = Department for Transport
- DH = Department of Health
- DIUS = Department for Innovation, Universities and Skills
- DTI = Department of Trade & Industry
- DWP = Department of Work & Pensions
- EFA = Education Funding Agency
- EN = English Nature
- EU = European Union
- GOSW = Government Office South West
- HEFCE = Higher Education Funding Council for England
- HLF = Heritage Lottery Fund
- HO = Home Office
- LSC = Learning Skills Council
- MoD = Ministry of Defence
- P4S = Partnership for Schools
- PSA = Public Service Agreement
- SCITT = School Centred Initial Teacher Training
- SDF = Sustainable Development Fund
- SFA = Skills Funding Agency
- TDA = Training and Development Agency
- YJB = Youth Justice Board

HERITAGE ASSETS

Heritage assets are assets that are held by the authority principally for their contribution to knowledge or culture. They are reported under a separate heading in the balance sheet (or notes thereto) and are included at fair value.

IMPAIRMENT

Impairment is the charge made in order to reduce the carrying amount of property, plant and equipment or intangible assets to the recoverable amount. An impairment loss is recognised when a specific asset's remaining service potential has been detrimentally affected by, for example, obsolescence, damage, or the adverse effects of reorganisation or regulatory changes. It is distinct from revaluation losses which, being price based, are non-specific in nature. Impairment also applies separately to financial instruments and to council tax collection.

INFRASTRUCTURE ASSETS

Infrastructure assets are part of property, plant and equipment (principally highways and footpaths) that are regarded as inalienable from the fabric of the Authority's responsibilities. As such, these assets have no resale value and are included in the balance sheet, subject to any impairment, at depreciated historical cost.

INTANGIBLE ASSETS

Intangible assets have no physical substance but have a value in use of more than one year. These assets are not considered as marketable and are included in the balance sheet, subject to any impairment, at amortised historical cost. All intangible assets currently owned by the authority are software licences.

INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

These standards are issued by the International Accounting Standards Board. They are adapted under the auspices of CIPFA so as to apply to local authorities and consolidated in the Code of Practice on Local Authority Accounting (The Code).

JOINT OPERATION

A joint operation is a binding collaborative arrangement which requires the unanimous consent of the authority and at least one other party (together exercising joint control) and in which the rights and obligations of each party are identified in relation to the income and expenditure, and assets and liabilities arising under the arrangement.

JOINT VENTURE

A joint venture is a binding collaborative arrangement which requires the unanimous consent of the authority and at least one other party (together exercising joint control) and which is carried on through a separate vehicle where the rights of each party are identified in relation to the net assets of an autonomous financial structure.

LEASES

Two types of leases are accounted for. Finance leases transfer substantially all the risks and rewards of ownership of the assets concerned to the authority as lessee; operating leases do not. The type of lease concerned in a particular case will be determined using a list of prescribed criteria which include, for example, the length of the contract (in relation to the life of the asset), the nature of the asset (whether for specialist or general use) and the allocation of responsibility for maintenance and insurance. Operating leases are included simply as expenditure in the comprehensive income and expenditure account. Finance leases are capitalised as corresponding assets (within property, plant and equipment) and liabilities (discounted to net present value). The lease payments are similarly disaggregated as repayment of principal and interest while depreciation is charged annually to the service for which it is used.

LENDER OPTION BORROWER OPTION LOAN (LOBO)

Included in the Authority's borrowings are loans structured as LOBOs. These are fixed term loans with one or more options exercisable at specified dates, which allow the lender to charge a higher interest rate. If such an option is exercised, the borrower may then opt to repay the principal outstanding immediately. LOBOs are accounted for under reporting standards applying to Financial Instruments.

MINIMUM REVENUE PROVISION (MRP)

MRP represents the minimum amount that, under government regulations, must be appropriated from the general fund each year in order to fund the repayment of existing debt.

MOVEMENT IN RESERVES STATEMENT

The movement in reserves statement sets out transfers between reserves which are made in arriving at their balance sheet values. The surplus or deficit on the provision of services is carried to the general fund. Appropriations are then made (to exclude non-monetary charges and credits) to unusable reserves except for asset disposal sales proceeds and unapplied capital grants, which are usable reserves. Other discretionary appropriations are made to earmarked reserves for projected future spending. Appropriations are also made between the capital adjustment account and either the capital receipts reserve or capital grants unapplied reserve in order to reflect the application of capital grants and disposal receipts already credited to the comprehensive income and expenditure account. Adjustments to revaluation surpluses similarly involve capital adjustment account and the revaluation reserve.

NET BOOK VALUE/NET CARRYING AMOUNT

Net book value is the carrying amount at which assets and liabilities are included in the balance sheet under the Code. In the case of financial instruments, it is stated after including any timing adjustments and, in the case of property, plant and equipment and intangible assets, any revaluation, depreciation or amortisation. In all cases it is stated after any recognised impairment.

OUTTURN

Outturn represents the annual results of the revenue and capital programmes which the authority reports in order to account for its use of public funds under government legislation. It is reported in the same terms as the budget under which council tax funding was originally raised. The outturn report is not subject to external audit and does not apply the Code, nor does it include a balance sheet. As such it is not truly comparable with the statement of accounts.

PRECEPTS & LEVIES

A levy is a charge made by one statutory body on another in order to meet the net cost of its services. A precept is a charge made by a statutory body upon the council tax collection fund of a billing authority.

PRIVATE FINANCE INITIATIVE (PFI)

PFI contracts, and also public-private partnerships (PPP), typically involve a private sector operator constructing or enhancing assets used in the provision of a public service, and operating and maintaining those assets for a specified period of time on behalf of the authority after which the assets pass to the authority for little or no incremental consideration. Under the Code, contractual charges made by the operator on the authority fall under two headings, finance lease (to finance construction or enhancement) and service provision (to finance operation and maintenance), and each heading is accounted for accordingly over the period of each contract. In cases where no asset is to pass to the Balance Sheet, all charges are made annually to the

comprehensive income and expenditure account. Under the finance lease model, the liability remains with the Authority even where assets subsequently vest in schools on a change of status.

PRIOR PERIOD ADJUSTMENTS

Prior period adjustments are adjustments, applicable to prior years, arising from changes in accounting policies or from the correction of material errors. They do not include corrections of recurring items or adjustments of accounting estimates made in prior years.

PROPERTY, PLANT AND EQUIPMENT

Assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and that are expected to be used during more than one financial year are included in the balance sheet under the heading of property, plant and equipment. Such assets are carried at current value and are regularly revalued in order to ensure that this remains the value at which they are reported annually. Where there is no market-based evidence of current value (because of the specialist nature of an asset), depreciated replacement cost is used as an estimate of current value. Depreciation is charged annually by reference to the remaining useful life of an asset or of each class of component making up that asset.

Surplus assets are valued at fair value.

PROVISIONS

A provision is a liability of uncertain timing or amount. It is recognised when there is a present obligation (whether legal or constructive) as a result of a past event where a transfer of economic benefit is likely to result and a reliable estimate of this transfer can be made.

PUBLIC WORKS LOAN BOARD

The Public Works and Loans Board is a government agency which provides long term loans to local authorities.

RELATED PARTIES

Parties are considered to be related if one party has the ability either to control the other party or to exercise significant influence over it in making financial or operating decisions. Parties are also related if they are subject to common control. Related parties include subsidiaries, associates, joint ventures, and possibly other entities or individuals. Central government is a related party by this definition. Related parties attract additional disclosure requirements in order to identify the extent to which the authority may exercise or be subject to influence or control. The statement of accounts includes the following in this respect:

- Details of significant government grants and the awarding bodies;
- Transactions with subsidiary and associated companies;
- Transactions with the pension fund.
- Transactions with related individuals not applicable to other members of the community (for example, members and chief officers)

REVALUATION RESERVE

The revaluation reserve is an unusable reserve holding revaluation gains on property, plant and equipment and intangible assets. Each revaluation is asset specific, allowing no offset, and restricted to operational assets, thus excluding investment properties and surplus assets. Accounting for changes in valuation is closely prescribed and distinct from the treatment of impairment. Revaluations cannot be grouped or offset, and a revaluation deficit is appropriated to capital adjustment account.

REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE (REFCUS)

REFCUS is revenue expenditure that is funded from capital either because it is capital in nature (but does not result in an asset) or because capital financing has been allowed by specific regulation. REFCUS is included accordingly in the comprehensive income and expenditure account and appropriated from general fund to capital adjustment account in the movement in reserves statement.

SECTION 151 OFFICER

The section 151 officer is the council officer designated under that section of the Local Government Act 1972 to take overall control of the financial affairs of the authority and to take personal responsibility for its financial administration. At Devon County Council the Section 151 Officer is the County Treasurer.

SUBSIDIARY

A subsidiary is an entity which is under the control of the authority. This means that investment by the authority is such that it has decisive power over the entity, has the ability to direct all its substantial activities and enjoys rights (or suffers exposure) to variable returns. Investment takes account of contractual connections, participation in governance and executive interchange as well as the level of financial investment.

UNUSABLE RESERVES

Unusable reserves are reserves that the authority is not able to utilise to provide services. These reserves fall into two categories, namely: revaluation balances and adjustment accounts. Revaluation gains held under the first category only become available for use when the assets to which they relate are disposed of and the gain realised as a capital receipt. In the second category, each reserve is named after the adjustment variously required to report the comprehensive income and expenditure account under the accounting basis. These adjustments are realised only by reversal and thus constitute timing differences. By these adjustments, the general fund continues to be stated under the funding basis required by regulation.

USABLE RESERVES

Usable reserves are reserves available to the authority for the provision of services although there may be statutory limitations on the type of use in each case. Reserves usable for capital expenditure consist of the capital receipts reserve (which may also be applied in the repayment of borrowings) and capital grants unapplied. Usable revenue reserves consist of the general fund together with any earmarked reserves set aside from general fund for specified future expenditure.

VALUATION

Assets and liabilities are included in the balance sheet at their carrying amounts, which are valuations determined in accordance with the Code. These are set out in the note on accounting policies.

Pension Fund Statement of Accounts 2015/16

Report of the County Treasurer

2015/16 was a difficult year for investment markets. The Devon Pension Fund's investment return for the year, net of fees, was -0.5%, which was below the Fund's bespoke benchmark target of +1.2%. The return was just below the average local authority pension fund return of +0.2%. In addition the Fund's maturing cashflow profile saw a deficit between the contributions received during the year and the benefit payments and management costs paid out of £29.5 million. All of these factors have reduced the value of the Fund from £3.374 billion (as at 31 March 2015) to £3.336 billion as at 31 March 2016, a reduction of just over 1%.

The Government announced in July 2015 that it intended to work with Local Government Pension Scheme (LGPS) funds to ensure they pool their investment assets, with the intention of achieving cost savings, maintaining or improving investment performance, and providing the capacity for funds to invest in infrastructure. The Devon Fund has been working with nine other LGPS funds to form the Brunel Pension Partnership. Considerable further work is required to establish the partnership and the Government's target date for implementation of the pooling arrangements is April 2018. Once the partnership becomes operational, the Devon Fund will continue to decide on the allocation between different asset classes to meet local investment objectives, but the Brunel Pension Partnership will be responsible for selection and monitoring of the external investment managers who will manage the investments.

As a result of the Public Service Pensions Act 2013, the Devon Fund put in place a Pension Board, which met twice during the year. The Board comprises fund member and employer representatives and an independent member, and its role is to assist the Administering Authority and ensure compliance with regulation. The Investment and Pension Fund Committee continues to be the Fund's decision making body. A report on the work of the Pension Board during the year is included in this year's Annual Report.

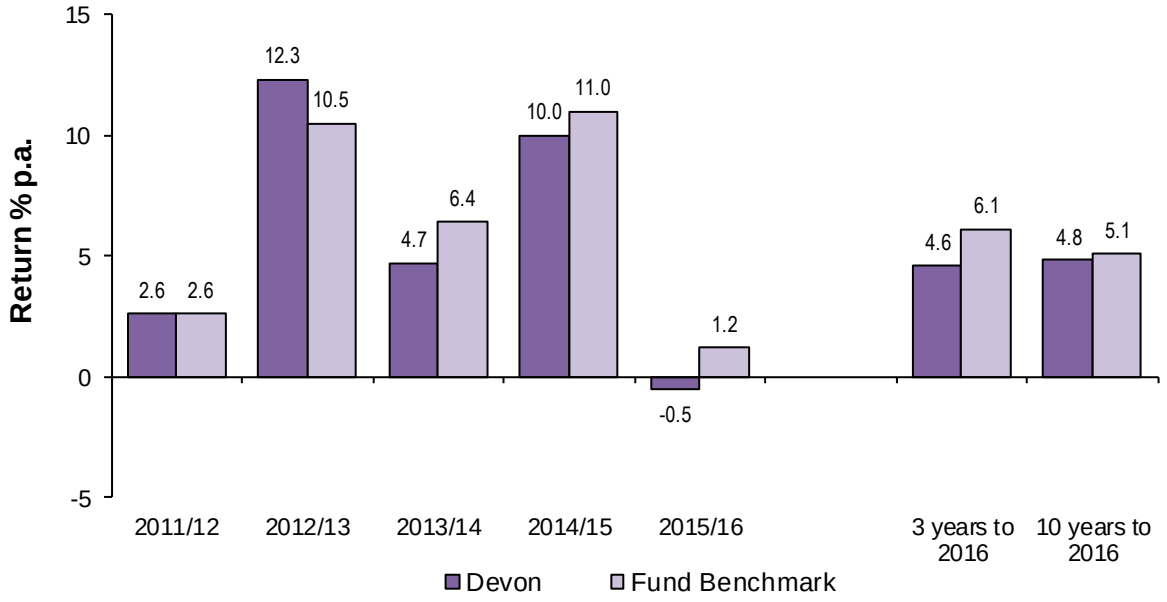
2015/16 was another challenging year for pension administration. Amendment to the LGPS regulations and implications of Fair Deal were expected but have been delayed. The team worked hard over the year to reduce backlogs of work and whilst this has an adverse knock on affect to the performance statistics, we expect overall performance to improve as we build upon the foundations of the shared service that have been put in place over the last two years.

Investment Performance

As indicated above the asset value of the fund at the end of the 2015/16 financial year was £3.336 billion. This represents a negative investment return of -0.5% net of fees, below the Fund's internally set benchmark target of +1.2%. The largest contributing factor to the underperformance was the investment in diversified growth funds, which aim to achieve a positive return of cash plus 3.5% to 4% under all market conditions. This was not an achievable benchmark in the market conditions prevailing during the year and is best judged over the longer term. The fund's active equity and bond managers also underperformed.

Pension fund investment management has to consider the long term, and the Investment and Pension Fund Committee's principal aim for the Fund is therefore to maintain high performance over the longer term. The chart that follows presents the investment returns achieved by the Devon Fund compared to the Fund's benchmark over each of the last five years, plus the total annualised return over the last three years and the last ten years. Performance Figures for 2014/15 and 2015/16 are shown net of fees, the previous years' figures are gross.

Investment Performance



Fund Solvency

The Fund is required to have an actuarial valuation conducted every three years. The last triennial valuation, as at 31 March 2013, was carried out by the Fund Actuary, Barnett Waddingham, and determined that the Devon Pension Fund had a funding level of 83%.

Work on the next scheduled valuation, as at 31 March 2016, is now underway. There will be a report on the final results in next year's annual report. The outcome of the valuation will depend on the assumptions that are made by the Actuary and also the experience of the last three years. The negative return for 2015/16 means that investment returns over the three year period have been below the Actuary's expectation. However, low levels of inflation will have kept pension increases down, which will have helped the position. While it would be unwise to prejudge the outcome of the actuarial valuation, it might be prudent to anticipate a small increase in employer contribution rates over the three years from 2017/18.

The 2016 valuation is likely to be scrutinised to a greater degree than previous valuations as a result of increased focus on the affordability of the LGPS by the Government and media. Following the valuation conducted by the fund actuary a further exercise will be completed by the Government Actuaries Department (GAD). This will look to compare LGPS funds on a "like for like" basis in order to highlight funds that are poorly funded, and also feed into the cost control mechanisms set up to determine whether changes are required to either pension benefits or employee contribution rates to ensure the affordability of the scheme to the taxpayer.

Summary of Financial Statements

The financial statements and their purpose are summarised as follows:

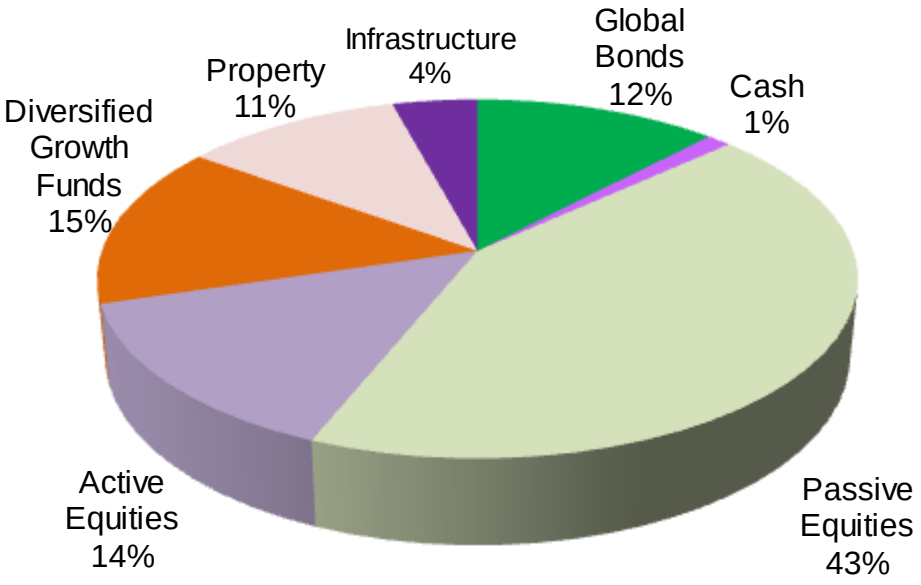
- Fund Account – The Fund Account sets out the Pension Fund's income and expenditure for the year to 31 March 2016. The first section sets out the income received from contributions from employers and employees, and the expenditure on pension benefit payments. In the past income from contributions has exceeded the annual expenditure on benefit payments, resulting in a significant surplus to invest. This has not been the case over the last three years, and the shortfall is continuing to grow. The second section of the Fund Account shows the income received from the Fund's investments and the cost of managing those investments. The majority of investment income is retained by the external investment managers for re-investment, but income from property and infrastructure is returned as cash, and can be used to offset any shortfall between contributions and benefit payments. The growing gap between contributions and pension benefit payments means that a larger proportion of investment income will now need to be used to meet the shortfall, rather than being reinvested.
- Net Asset Statement – The Net Asset Statement sets out the net assets of the Fund, in line with the IFRS Based Code of Practice on Local Authority Accounting in the United Kingdom (the Code) and the latest Statement of Recommended Practice (SORP). Pooled and Managed Funds represent investments into pooled Equity, Property and Infrastructure Funds and they are incorporated into those categories in reviewing the Asset Allocation of the Fund in the following section of my report. As reported above, the capital value of the Fund's assets is now £3.336 billion.

Asset Allocation

The Investment and Pension Fund Committee is charged with the responsibility for governance and stewardship of the Fund and making decisions about strategic asset allocation policy.

The Committee's strategic asset allocation to the major asset classes remained the same throughout the year. In April a fifth of the target allocation to passive equities was invested in a mandate allocated to alternative indices, rather than the traditional market capitalisation weighted indices.

The Fund's actual asset allocation as at 31 March 2016 is shown in the following chart:



A comparison of the actual allocation with the Fund's target allocation is shown in the following table:

Actual Asset Allocation Compared to Target

	Target allocation %	Fund asset allocation at 31.03.16 %	Variation from Target %
Global Bonds	14.0	12.0	
Cash	2.0	1.4	
Total Fixed Interest	**16.0**	**13.4**	**-2.6**
Passive Equities	40.0	42.7	
Active Equities	15.0	14.1	
Total Equities	**55.0**	**56.8**	**+1.8**
Diversified Growth Funds	**15.0**	**14.6**	**-0.4**
Property	10.0	11.0	
Infrastructure	4.0	4.2	
Total Property and Infrastructure	**14.0**	**15.2**	**+1.2**

The Committee decided to maintain the actual allocation to fixed interest below target for the duration of the financial year, rather than rebalancing.

Conclusion

Market conditions have meant that the value of the fund has fallen slightly over the year and as a result the three year investment return is below the Actuary's expectations at the last Actuarial Review. This will make the 2016 Valuation more challenging. However, the Fund will continue to focus on meeting its liabilities over the longer term, and the Committee will keep the investment strategy under review and consider changes to the approach where appropriate.

The Devon Pension Fund will continue to work with neighbouring funds to create the Brunel Pension Partnership. This will result in short term costs, but should ensure greater efficiency and reduced costs in future years. The Fund remains committed to ensuring that it provides an excellent service to pension fund members and value for money for both pension fund members and local taxpayers.

Mary Davis

County Treasurer

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 County Treasurer;
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets;
- approve the Statement of Accounts.

Responsibilities of the County Treasurer

The County Treasurer 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 County Treasurer 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 County Treasurer has also:

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

Certificate of the County Treasurer

I hereby certify that this Statement of Accounts for the year ended 31 March 2016 has been prepared in accordance with the Accounts and Audit Regulations 2015 and that it presents a true and fair view of the financial position of the Pension Fund as at 31 March 2016 and its income and expenditure for the year ended 31 March 2016.

Mary Davis

County Treasurer

24th August 2016

Approval of the Statement of Accounts

I confirm that these accounts were approved by the Audit Committee at its meeting on 7th September 2016

Chairman of the Audit Committee
7th September 2016

Summary of Scheme and its Management

The Local Government Pension Scheme (LGPS) is one of the oldest public sector schemes in operation, having been established as a national scheme in 1922. The LGPS is managed by administering authorities in accordance with regulations approved by Parliament. In the county area of Devon, Devon County Council is the administering authority of the Fund. Each administering authority is responsible for its own Fund, into which all contributions are paid. Rules by which the administering authorities must operate - the LGPS Regulations - are determined by the Government after consultation with representatives for both employees (trade unions) and employers (Local Government Association, Local Government Pensions Committee).

The scheme is governed by the Public Service Pensions Act 2013. The fund is administered in accordance with the following secondary legislation:

- The Local Government Pension Scheme Regulations 2013 (as amended)
- The Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014 (as amended)
- The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009.

Each LGPS administering authority pays its benefits from a dedicated pension fund. Both the scheme member and their employer pay into this fund in order to provide retirement benefits for the member once they reach retirement age (or earlier if the situation demands). Before this time arrives however, the contributions paid into the scheme are invested in a variety of suitable investments. By investing the contributions in this way the fund can build up enough assets to cover any payments it may be expected to make regarding its scheme members retirement benefits. Please visit the website http://www.peninsulapensions.org.uk/ for further information.

As at 31st March 2016, the net assets of the Devon Pension Fund were valued at £3,336 million. The fund currently has 37,679 actively contributing members, employed by 202 employers of various descriptions (Unitary, District, Town & Parish Councils, Education Establishments and Admitted Bodies).

Scheduled Body - An employer explicitly defined in the Regulations. As listed on pages 161 and 162.	**Admitted Body - As listed on page 162.**
No employing body discretion on membership.	Employing body discretion on membership
No employer discretion on who can join.	Employer discretion on who can join
Restricted to geographical area of fund.	May operate outside geographical area of fund, and potentially participate in more than one fund (separate admission agreement required).
No parent guarantee or bond.	May require an indemnity or bond

Pensions are paid to 29,135 pensioners (and/or dependants) every month. There are currently 39,252 members with rights to deferred benefits, frozen memberships pending refunds and those undecided pending resolution.

Further contributions are made by Fund employers, which are set based on triennial actuarial funding valuations. The last such valuation was at 31 March 2013. Employer contributions comprise a future service rate, which represents the employers' share of the cost of future benefits, and a deficit contribution, to meet any shortfall on past service liabilities. Currently, employer future service rates range from 7.8% to 29.1% of pensionable pay. The deficit contribution is expressed as a cash sum, and ranges from £0 to £12.1 million.

From 1 April 2014, the scheme became a career average scheme, whereby members accrue benefits based on their pensionable pay in that year at an accrual rate of 1/49th. Accrued pension is uprated annually in line with the Consumer Prices Index. There are a range of other benefits provided under the scheme including early retirement, disability pensions and death benefits.

	Service before 1 April 2008	**Service 1 April 2008 to 31 March 2014**	**Service from 1 April 2014**
Pension	Each year worked is worth 1/80 x final pensionable salary.	Each year worked is worth 1/60 x final pensionable salary.	Each year worked is worth 1/49 x pensionable salary in that year which will then be uprated for future inflation.
Lump sum	Each year worked is worth 3/80 x final pensionable salary. In addition, part of the annual pension can be exchanged for an additional oneoff tax-free cash payment. A lump sum of £12 is paid for each £1 of pension given up.	No automatic lump sum. Part of the annual pension can be exchanged for a one-off tax-free cash payment. A lump sum of £12 is paid for each £1 of pension given up.	No automatic lump sum. Part of the annual pension can be exchanged for a one-off tax-free cash payment. A lump sum of £12 is paid for each £1 of pension given up.

Management Structure

Administering Authority	Devon County Council County Hall Exeter EX2 4QD	

Your Pension Fund Representatives

Investment and Pension Fund Committee (at 31 March 2016)

Representing Devon County Council	Councillor Rufus Gilbert	(Chairman)
	Councillor Ray Radford	(Vice-Chairman)
	Councillor Richard Edgell	
	Councillor Des Hannon	
	Councillor Roy Hill	
	Councillor Richard Hosking	
Representing Devon Unitary & District Councils	Councillor Peter Edwards	(Devon Districts Councils)
	Councillor Lorraine Parker Delaz Ajete	(Plymouth)
	Councillor James O'Dwyer	(Torbay)
Representing Other Employers	Donna Healy	(Dartmoor National Park Authority)
Observers		
Representing the Contributors	Roberto Franceschini	
	Jo Rimron	
Representing the Beneficiaries	Colin Lomax	
Adviser	Steve Tyson	(AllenbridgeEpic)

Devon Pension Board (at 31 March 2016)

Representing Fund Employers	Councillor Jerry Brook	(Devon County Council)
	Councillor Brian Greenslade	(Devon County Council)
	Carl Hearn	(Tavistock Town Council)
	Graham Smith	(Devon and Cornwall Police)
Representing Fund Members	Andrew Bowman	
	Heather Keightley	
	Cheryl Lewis	
	One Vacancy	
Independent Member	William Nicholls	

Investment Managers	Devon County Council Investment Team	
	Aberdeen Asset Managers Ltd	
	Aviva Investors Global Services Ltd	
	Baillie Gifford and Co.	
	Baring Asset Management Ltd	
	Lazard Asset Management LLC	
	State Street Global Advisors Ltd	
	UBS Global Asset Management (UK) Ltd	
	Wellington Management International Ltd	
County Council Officers	Phil Norrey	Chief Executive
	Mary Davis	County Treasurer
	Chris Phillips	Deputy County Treasurer
	Mark Gayler	Assistant County Treasurer
	Charlotte Thompson	Head of Peninsula Pensions
Fund Actuary	Barnett Waddingham LLP	

For More Information
Copies of the full Annual Report, Statutory Published Statements and abridged Members Leaflet can be found on-line at: http://www.peninsulapensions.org.uk/lgps/pension-fund-investments/devon-county-council-investments/devon-fund-key-documents/

Requests for information about the accounts or investments should be made in writing to Mark Gayler, Assistant County Treasurer - Investments and Treasury Management, Devon County Council, Room G99, County Hall, Exeter, EX2 4QD.

Financial Statements

Background

Employees of the Council are entitled to become members of three separate pension schemes:

- The Local Government Pension Scheme, administered by Devon County Council.
- The Teachers' Pension Scheme, administered by Capita Teachers' Pensions on behalf of the Department for Education (DFE).
- The NHS Pension Scheme, administered by the NHS Business Service Authority.

All three schemes provide defined benefits to members earned as employees. The arrangements for the teachers' and NHS schemes mean that liabilities for these benefits fall on the NHS and DFE respectively and do not form part of the Devon Pension Fund. The fund also extends to cover employees of unitary and district councils, civilian employees of the Devon and Cornwall Police Authority and Devon and Somerset Fire & Rescue Authority and employees of a number of other admitted member bodies.

The accounts of the Fund are set out in line with the IFRS Based Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

The accounts reflect the assets that are available to the Fund, and the current liabilities. Future contributions are matched to future liabilities through an actuarial valuation.

All employers' contribution rates are decided by the Fund's Actuary every three years after an actuarial valuation of the fund. The statutory triennial actuarial valuation of the fund was undertaken in 2013 and was signed by the Actuary on 27 March 2014.

The Accounts are set out in the following order:

- **Fund Account** - discloses the income to and expenditure from the Fund relating to scheme members and to the investment and administration of the Fund. The account also reconciles the Fund's net assets at the start of the year to the net assets at the year end.
- **Net Asset Statement** - discloses the type and value of all net assets at the year end.
- **Notes to the Accounts** - provides supporting details and analysis of the figures in the Fund Account and Net Asset Statement.

Fund Account

2014/15 £'000		Notes	2015/16 £'000
	Dealings with members, employers and others directly involved in the fund		
	Contributions		
(115,057)	Employers	5	(117,079)
(35,845)	Members	5 & 7	(36,201)
	Transfers in from other pension funds:		
(1,994)	Group Transfers		0
(3,692)	Individual Transfers		(4,766)
(156,588)			(158,046)
	Benefits		
126,148	Pensions	6	132,435
28,757	Commutation and lump sum retirement benefits	6	30,035
3,431	Lump sum death benefits	6	3,777
	Payments to and on account of leavers	6	
191	Refunds to members leaving service		443
	Payments for members joining state scheme		
63,144	Group Transfers		960
5,407	Individual Transfers		6,026
227,078			173,676
70,490	**Net (Additions)/Withdrawals from Dealings with Fund members**		**15,630**
12,481	Management expenses	9	13,945
	Returns on investments		
	Investment Income:		
	Fixed Interest		
(321)	U.K. Public Sector Bonds		(282)
(5,967)	Overseas Government Bonds		(5,195)
0	Overseas Government Index Linked Bonds		(24)
(827)	UK Corporate Bonds		(568)
(4,328)	Overseas Corporate Bonds		(3,569)
	Equities (Quoted)		
(1,727)	U.K.		(1,055)
(8,442)	Overseas		(6,707)
(4,074)	Pooled Investments		(3,728)
(11,004)	Pooled Property Investments		(14,542)
(763)	Interest on Cash and Short Term Deposits		(1,072)
	Taxes on income:		
154	Withholding Tax - Fixed Interest securities		355
670	Withholding Tax - Equities		644
	Profit and losses on disposal of investments and changes in market value of investments:		
(66,845)	Realised (profit)/loss		(121,546)
(214,030)	Unrealised (profit)/loss		166,225
(317,504)	**Net Returns on Investments**		**8,936**
(234,533)	Net increase/(decrease) in the net assets available for benefits during the year		38,511
(3,139,893)	Opening Net Assets of the Fund at 1 April		(3,374,426)
(3,374,426)	**Net Assets of the Fund at 31 March**		**(3,335,915)**

Net Asset Statement

31 March 2015 £'000		Notes	31 March 2016 £'000
	INVESTMENTS AT MARKET VALUE	13 & 14	
	Investment Assets		
	Fixed Interest		
15,362	U.K. Public Sector Bonds		1,981
177,602	Overseas Government Bonds		129,023
0	Overseas Index Linked Bonds		2,029
16,644	UK Corporate Bonds		7,067
122,222	Overseas Corporate Bonds		66,531
	Equities (Quoted)		
33,346	U.K.		28,085
264,294	Overseas		253,669
2,340,286	Pooled Investments	16	2,438,204
334,997	Pooled Property Investments	16	358,863
	Derivative Assets	18	
69	Futures - Overseas Fixed Interest		0
1,265	UK Bond Forwards		0
1,000	Overseas Bond Forwards		0
4,244	Forward Currency Contracts		1,418
	Cash deposits		
5,257	Foreign Currency		2,156
30,258	Cash Equivalents		21,296
22,686	Cash & Bank Deposits		12,168
4,862	Investment income due		4,518
38,446	Amounts receivable for sales		880
	Investment Liabilities		
	Derivatives	19	
(56)	Futures - Overseas Fixed Interest		0
(632)	UK Bond Forwards		0
(1,162)	Overseas Bond Forwards		0
(2,844)	Forward Currency Contracts		(4,961)
(45,794)	Amounts payable for purchases		(475)
3,362,352	**Net investment assets**		3,322,452
	Non current Assets and Liabilities	21	
8,190	Non current Assets		7,288
(9,024)	Non current Liabilities		(7,520)
	Current Assets and Liabilities	20	
19,678	Current Assets		19,418
(6,770)	Current Liabilities		(5,723)
3,374,426	**Net assets of the fund available to fund benefits at 31 March**		**3,335,915**

Notes to the Net Asset Statement

The financial statements summarise the transactions and net assets of the Fund but they do not take account of liabilities to pay pensions and other benefits which fall due after the end of the Fund's accounting year. These obligations are summarised in Note 22 on page 145.

Notes to the Accounts

1. Accounting Policies

The Statement of Accounts summarises the fund's transactions for the 2015/16 financial year and its position at year-end as at 31 March 2016. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector.

The accounts summarise the transactions of the fund and report on the net assets available to pay pension benefits. The accounts do not take account of obligations to pay pensions and benefits which fall due after the end of the financial year.

The Devon Pension Scheme is a defined benefit scheme which provides pensions for County, Unitary and District Council staff not in other schemes, together with staff at certain other admitted bodies.

Devon County Council is the designated Administering Authority. The Investment and Pension Fund Committee comprising of County Councillors together with representatives of the Unitary and District Councils and other employers (with observers representing the staff and retired members) control the investments with advice from specialists. Employing body details are shown on pages 161 and 162.

Fund account – revenue recognition

Contribution income

Normal contributions, both from the members and from the employer, are accounted for on an accruals basis at the percentage rate recommended by the fund actuary in the payroll period to which they relate.

Employer deficit funding contributions are accounted for on the due dates on which they are payable under the schedule of contributions set by the scheme actuary or on receipt if earlier than the due date.

Employers' augmentation contributions and pensions strain contributions are accounted for in the period in which the liability arises. Any amount due in year but unpaid will be classed as a current financial asset. Amounts not due until future years are classed as long-term financial assets.

Transfers to and from other schemes

Transfer values represent the amounts received and paid during the year for members who have either joined or left the fund during the financial year and are calculated in accordance with The Local Government Pension Scheme Regulations.

Individual transfers in/out are accounted for when received/paid, which is normally when the member liability is accepted or discharged.

Transfers in from members wishing to use the proceeds of their additional voluntary contributions to purchase scheme benefits are accounted for on a receipts basis and are included in Transfers In.

Bulk (group) transfers are accounted for on an accruals basis in accordance with the terms of the transfer agreement.

Investment income

- Interest income is recognised in the fund account as it accrues
- Dividend income is recognised on the date the shares are quoted ex-dividend.
- Distributions from pooled funds are recognised at the date of issue.

Any amount not received by the end of the reporting period is disclosed in the net assets statement as a current financial asset.

Changes in the net market value of investments (including investment properties) are recognised as income and comprise all realised and unrealised profits/losses during the year.

Fund account – expense items

Benefits payable

Pensions and lump-sum benefits payable include all amounts known to be due as at the end of the financial year. Any amounts due but unpaid are disclosed in the net assets statement as current liabilities.

Taxation

The fund is a registered public service scheme under section 1(1) of Schedule 36 of the Finance Act 2004 and as such is exempt from UK income tax on interest received and from capital gains tax on the proceeds of investments sold. Income from overseas investments suffers withholding tax in the country of origin, unless exemption is permitted. Irrecoverable tax is accounted for as a fund expense as it arises.

Management expenses

The Code does not require any breakdown of pension fund administrative expenses. However, in the interests of greater transparency, the Authority discloses its pension fund management expenses in accordance with the CIPFA guidance on Accounting for Local Government Pension Scheme Management Costs (Note 9).

Management Expenses recharged from Devon County Council to the Pension Fund are accounted for in accordance with Devon County Council's accounting policies. In particular the full cost of employees is charged to the accounts for the period within which the employees worked.

Administrative expenses; oversight and governance costs; and investment management expenses are accounted for an accruals basis.

Net assets statement

Financial assets

Financial assets are included in the net assets statement on a fair value basis as at the reporting date. A financial asset is recognised in the net assets statement on the date the Fund becomes party to the contractual acquisition of the asset. From this date any gains or losses arising from changes in the fair value of asset are recognised in the fund account.

The values of investments as shown in the net assets statement have been determined as follows:

- Market-quoted investments. The value of an investment for which there is a readily available market price is determined by the bid market price ruling on the final day of the accounting period.

- Fixed interest securities are recorded at net market value based on their current yields.
- Unquoted investments. The fair value of investments for which market quotations are not readily available is determined as follows:
    - Investments in unquoted property and infrastructure pooled funds are valued at the net asset value or a single price advised by the fund manager.
    - Investments in private equity funds and unquoted limited partnerships are valued based on the fund's share of the net assets in the private equity fund or limited partnership using the latest financial statements published by the respective fund managers in accordance with the guidelines set out by the British Venture Capital Association.
    - Limited partnerships. Fair value is based on the net asset value ascertained from periodic valuations provided by those controlling the partnership.
    - Pooled investment vehicles are valued at closing bid price if both bid and offer prices are published; or if single priced, at the closing single price. In the case of pooled investment vehicles that are accumulation funds, change in market value also includes income which is reinvested in the fund, net of applicable withholding tax.

Foreign currency transactions

Dividends, interest and purchases and sales of investments in foreign currencies have been accounted for at the spot market rates at the date of transaction. End-of-year spot market exchange rates are used to value cash balances held in foreign currency bank accounts, market values of overseas investments and purchases and sales outstanding at the end of the reporting period.

Derivatives

The fund uses derivative financial instruments to manage its exposure to specific risks arising from its investment activities. The fund does not hold derivatives for speculative purposes.

Derivative contract assets are fair valued at bid prices and liabilities are fair valued at offer prices. Changes in the fair value of derivative contracts are included in change in market value.

The value of futures contracts is determined using exchange prices at the reporting date. Amounts due from or owed to the broker are the amounts outstanding in respect of the initial margin and variation margin.

The future value of forward currency contracts is based on market forward exchange rates at the year-end date and determined as the gain or loss that would arise if the outstanding contract were matched at the year-end with an equal and opposite contract.

A bond forward is an agreement to trade a bill or bond at an agreed time and place in the future. The value of a bond forward is derived from the spot market of the underlying bond adjusted for the cost of carry and accrued interest.

Cash and cash equivalents

Cash comprises cash in hand and demand deposits and includes amounts held by the fund's external managers.

Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and that are subject to minimal risk of changes in value.

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments

that mature in 90 days or less from date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

Financial liabilities

The fund recognises financial liabilities at fair value as at the reporting date. A financial liability is recognised in the net assets statement on the date the fund becomes party to the liability. From this date any gains or losses arising from changes in the fair value of the liability are recognised by the fund.

Actuarial present value of promised retirement benefits

The actuarial present value of promised retirement benefits is assessed on a triennial basis by the scheme actuary in accordance with the requirements of IAS 19 and relevant actuarial standards.

As permitted under the Code, the fund has opted to disclose the actuarial present value of promised retirement benefits by way of a note to the net assets statement (Note 22).

Additional voluntary contributions

The Additional Voluntary Contributions Investments are not included in the Pension Fund Accounts in accordance with regulation 5(2)(c) of the Pension Scheme (Management and Investment of Funds) Regulations 2009, but are instead disclosed within the notes to the accounts (Note 8). The fund has two appointed AVC providers; Equitable Life and Prudential.

Contingent assets

Contingent assets are disclosed by way of note where inflow of a receipt or economic benefit is probable and whose existence or valuation will be confirmed only by the occurrence or non-occurrence of one or more future events not wholly within the control of the Pension Fund.

Events after the Reporting Date

Events after the reporting date have been considered up to the time the Pension Fund Accounts were authorised for issue on 24 August 2016.

Where an event after the reporting date occurs which provides evidence of conditions that existed at the reporting date the Statement of Accounts is adjusted. Where an event occurs after the reporting date which is indicative of conditions that have arisen after the reporting date, adjustments are not made.

Financial Instruments

The Financial Instruments of the Pension Fund are classified into the following categories:

- Financial assets and liabilities at fair value through profit or loss:
    - The Pension Fund classifies financial instruments that are 'held for trading' as at fair value through profit or loss when the financial instrument is:
        - Acquired or incurred principally for the purpose of selling or repurchasing it in the near term, or
        - Part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit taking, or
        - A derivative.
    - Financial assets and liabilities at fair value through profit or loss are initially recognised at fair value excluding transaction costs and carried at fair value without any deduction for transaction costs that would be incurred on sale or disposal.

- Loans and receivables:
    - Financial Instruments have been classified as loans and receivables when they have fixed or determinable payments and are not quoted in an active market.
    - Loans and receivables are initially recognised at Fair Value and carried at historic cost as they are all short term with the exception of capital payment due from the Devon & Cornwall Magistrates Courts Service (see note 21 - Non-Current Assets and Liabilities).
- Financial liabilities:
    - The liabilities of the Pension Fund consist of creditors and derivative liabilities. Derivative liabilities are classified as financial liabilities at fair value through profit or loss and carried at fair value.

Value Added Tax (VAT)

Income and expenditure excludes any amounts relating to VAT except to the extent that it is irrecoverable.

2. Critical judgements in applying Accounting Policies

In applying the accounting policies set out in Note 1 the Authority has had to make certain judgements about complex transactions or those involving uncertainty about future events.

The critical judgements made in the Statement of Accounts are:

- These accounts have been prepared on a going concern basis. The concept of a going concern assumes that the Pension Fund will continue in operational existence for the foreseeable future.

Note 25 Additional Financial Risk Management Disclosures details the Fund's investment strategy and approach to managing risk. None of the Authority's investments are impaired.

- The Fund's significant contracts have been reviewed and no embedded finance leases or service concessions found.

3. Assumptions made about the future and other major sources of estimation uncertainty

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

Item	Uncertainties	Effect if actual results differ from assumptions
Market Value of investments	The Fund's investments are revalued on a monthly basis. Investments are valued using quoted prices in active markets or by reference to markets which are not considered to be active but are valued based on quoted market prices, dealer quotations or alternative pricing sources supported by observable inputs with the exception of the UBS International Infrastructure Fund LLP (£27.913m as at 31 March 2016), the Hermes GPE Infrastructure Fund LLP (£28.920m as at 31 March 2016) and the Aviva Investors REaLM Infrastructure Fund (£19.656m as at 31 March 2016). While market values are not estimates, the method of valuation does mean that future values may fluctuate (see note 4).	For every 1% increase in Market Value the value of the Fund will increase by £33.225m with a decrease having the opposite effect.
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. Barnett Waddingham, a firm of consulting actuaries, is engaged to provide the authority with expert advice about the assumptions to be applied.	The effects on the actuarial present value of promised retirement benefits (the Funded Obligation) of changes in individual assumptions can be measured. For instance, a 0.1% increase in the discount rate assumption would result in a decrease in the Funded Obligation of £105.784m, a 0.1% increase in assumed earnings inflation would increase the value of liabilities by approximately £13.667m, and a one-year increase in assumed life expectancy would increase the liability by approximately £174.545m

4. Estimates

The Devon Pension Fund is a limited partner in the UBS International Infrastructure Fund LLP, the Hermes GPE Infrastructure Fund LLP and the Aviva Investors REaLM Infrastructure Fund. UBS, Hermes and Aviva (the fund managers to the partnerships) provide the Pension Fund with quarterly financial statements indicating the value of these investments. These statements are audited annually. For all other investments market values are available from an active market and as such no assumptions have been made in their valuation.

Where actual costs were not known or could not be calculated, year-end debtors and creditors are based on the last received payment or invoice.

5. Contributions receivable

By authority

2014/15 £'000		2015/16 £'000
(141,493)	Scheduled bodies	(142,682)
(341)	Admitted bodies	(160)
(3,613)	Community admission body	(3,625)
(4,773)	Transferee admission body	(6,017)
(682)	Resolution body	(796)
(150,902)		**(153,280)**

By type

2014/15 £'000		2015/16 £'000
(35,845)	Employees' normal contributions	(36,201)
(84,651)	Employers' normal contributions	(85,500)
(30,406)	Employers' deficit recovery contributions	(31,579)
(150,902)		**(153,280)**

6. Benefits Payable

By authority

2014/15 £'000		2015/16 £'000
151,432	Scheduled bodies	158,210
762	Admitted bodies	280
3,528	Community admission body	4,476
2,174	Transferee admission body	2,812
440	Resolution body	469
158,336		**166,247**

7. Contribution Rates

Scheme members (employees) paid variable percentages of their total pensionable pay into the fund as set out below.

Whole Time Pay Rate 2014/15	Member contribution rate	Whole Time Pay Rate 2015/16	Member contribution rate
£0 to £13,500	5.5%	£0 to £13,600	5.5%
£13,501 to £21,000	5.8%	£13,601 to £21,200	5.8%
£21,001 to £34,000	6.5%	£21,201 to £34,400	6.5%
£34,001 to £43,000	6.8%	£34,401 to £43,500	6.8%
£43,001 to £60,000	8.5%	£43,501 to £60,700	8.5%
£60,001 to £85,000	9.9%	£60,701 to £86,000	9.9%
£85,001 to £100,000	10.5%	£86,001 to £101,200	10.5%
£100,001 to £150,000	11.4%	£101,201 to £151,800	11.4%
£150,001 or more	12.5%	£151,801 or more	12.5%

8. Additional Voluntary Contributions (AVC) Investments

The Fund has two AVC providers; Equitable Life and Prudential. The value of employees' AVC investments is shown below.

Value at 31 March 2015 £000	Contributions £000	Investment Return £000	Paid Out £000	Value at 31 March 2016 £000
6,530	633	97	(1,016)	6,244

Value at 31 March 2014 £000	Contributions £000	Investment Return £000	Paid Out £000	Value at 31 March 2015 £000
5,898	703	467	(538)	6,530

These amounts are not included in the Pension Fund Accounts in accordance with regulation 5(2)(c) of the Pension Scheme (Management and Investment of Funds) Regulations 2009.

9. Management Expenses

2014/15		2015/16
£000		£000
1,366	**Administrative costs**	1,523
1,366		**1,523**
	Investment management expenses	
10,162	Management fees (a)	7,685
0	Performance fees (a)	551
209	Custody fees	140
263	Transaction costs	3,508
(97)	Stock Lending Income & Commission Recapture	(94)
25	Other Investment management expenses	50
10,562		**11,840**
	Oversight and governance costs	
26	Audit Fees (c)	29
527	Other Oversight and governance costs	553
553		**582**
12,481		**13,945**

a) The majority of current managers' fees are on a fixed fee basis, calculated using the market value of the portfolio. The cost of external fund management varies with the value of investments under management. A small proportion of the current managers' fees is based on performance and will be paid where the manager outperforms an agreed target level of return.

The fund's investment in pooled property funds is via a fund of funds arrangement managed by Aviva. In addition the diversified growth funds managed by Baillie Gifford and Barings will also invest in underlying funds. The Devon Pension Fund does not have day to day involvement over the investment decisions made by Aviva, Baillie Gifford or Barings, and therefore the investment costs incurred by the underlying funds are not included in the management costs disclosed.

b) In addition to these costs, indirect costs are incurred through the bid-offer spread on investments sales and purchases. These are reflected in the cost of investment acquisitions and in the proceeds from the sales of investments (see Note 15).

c) Audit fees include an amount of £28,603 (£28,603 as well as an audit fee rebate of £2,940 in 2014/15) in relation to Grant Thornton UK LLP, the auditors appointed by the Audit Commission for external audit services under the Code of Audit Practice.

10. Agency Services

The Pension Fund pays discretionary awards to the former employees of other bodies The amounts paid are not included within the Fund Account but are provided as a service and fully reclaimed from the employer bodies. The sums are disclosed in the following table.

31 March 2015 £'000	Body	31 March 2016 £'000
8,686	Payments on behalf of Devon County Council	8,516
1,090	Payments on behalf of Plymouth City Council	1,083
622	Payments on behalf of Torbay Council	617
383	Payments on behalf of Teignbridge District Council	382
341	Payments on behalf of University Of Plymouth	343
279	Payments on behalf of Exeter City Council	279
245	Payments on behalf of North Devon District Council	242
205	Payments on behalf of South Hams District Council	203
268	Payments on behalf of Dorset, Devon and Cornwall Rehabilitation Service	211
103	Payments on behalf of Torridge District Council	104
572	Payments of less than £100,000 on behalf of other bodies	568
12,794		**12,548**

11. Related Party Transactions

The Devon Pension Fund is administered by Devon County Council. During the reporting period, the council incurred costs of £1.971m (2014/15: £1.838m) in relation to the administration of the fund and was subsequently reimbursed by the fund for these expenses. Devon County Council and its employees contributed £44.979m to the fund in 2015/16 (2014/15: £45.835m). In 2015/16 £3.836m was owed to the fund (2014/15: £5.190m) and £2.073m was due from the fund (2014/15: £1.917m).

The Investment and Pensions Fund Committee is the decision making body for the fund and Devon County Council nominates 6 of the 10 voting committee members.

Each member of the pension fund committee is required to declare their interests at each meeting.

In accordance with IAS 24 'Related Party Disclosures' material transactions with related parties not disclosed elsewhere are detailed below:

No members of the Investment & Pension Fund Committee receive pension benefits from the Fund.

No senior officers responsible for the administration of the Fund have entered into any contract, other than their contract of employment with the Council, for the supply of goods or services to the Fund.

12. Key Management personnel

Paragraph 3.9.4.3 of the Code exempts local authorities from the key management personnel disclosure requirements of IAS 24, on the basis that the disclosure requirements for officer remuneration and members' allowances detailed in section 3.4 of the Code (which are derived from the requirements of Regulation 7(3) of the Accounts and Audit (England) Regulations 2015 and Regulation 7A of the Accounts and Audit (Wales) Regulations 2005) satisfy the key management personnel disclosure requirements of paragraph 16 of IAS 24. This applies in equal measure to the accounts of the Devon Pension Fund.

The disclosures required by Regulation 7(3) of the Accounts and Audit (England) Regulations can be found on page 74 of the main accounts of Devon County Council.

13. Stock Lending

The Local Government Pension Scheme (Management & Investment of Funds) Regulations 2009 allow the Fund to lend stock provided that the total value of the securities to be transferred does not exceed 25% of the total fund value. JP Morgan Worldwide Securities Services acted as custodian for the Fund up to 31 August 2014, and the Northern Trust Company has acted as custodian for the Fund since 1 September 2014. Both were authorised to lend both UK and Overseas stocks. A summary of the stock on loan as at 31 March 2016 is shown below.

31 March 2015 £'000	% of Fund %		31 March 2016 £'000	% of Fund %
33,531	1.0	**Stock on Loan**	**25,399**	0.8
		Collateral		
1,367		Cash	10,621	
33,946		Securities	16,094	
35,313			**26,715**	

Northern Trust is authorised to invest and reinvest all or substantially all cash collateral. The cash collateral shown in the above table reflects its fair value as at the 31st March. It is not the policy of Northern Trust or the Devon Pension Fund to sell or repledge collateral held in the form of securities. Such securities are shown in the above table at fair value as at 31st March. In the event of default by the borrower Northern Trust will liquidate the non-cash collateral and will repurchase the original lent securities. If this is not possible (due to liquidity issues), Northern Trust will arrange an acceptable solution with the Devon Pension Fund.

14. Investment Management Arrangements

The Pension Fund is currently managed by 8 external managers (8 in 2014/15) and the in-house Investment Team in the following proportions:

31 March 2015 £'000	%	Manager	Mandate	31 March 2016 £'000	%
183,017	5.4	Aberdeen Asset Managers Ltd	Global Equity	174,215	5.2
146,004	4.3	Aberdeen Asset Managers Ltd	Global Emerging	136,970	4.1
841,488	25.1	State Street Global Advisors Ltd	Passive Equities	549,209	16.5
635,852	18.9	UBS Global Asset Management (UK) Ltd	Passive Equities	876,318	26.4
203,446	6.0	Lazard Asset Management LLC	Global Fixed Interest	208,203	6.3
192,308	5.7	Wellington Management International Ltd	Global Fixed Interest	194,035	5.8
250,031	7.4	Baillie Gifford & Co	Diversified Growth Fund	247,811	7.5
246,004	7.3	Baring Asset Management Ltd	Diversified Growth Fund	238,268	7.2
345,548	10.3	Aviva Investors Global Services Ltd	Property	366,555	11.0
318,654	9.6	DCC Investment Team	Specialist Funds	330,868	10.0
3,362,352	**100**			**3,322,452**	**100**

15. Investment Movements and Transactions

The change in market value of investments during the year comprises all increases and decreases in the market value of investments held at any time during the year, including profits and losses realised on sales of investments during the year.

	Value at 31 March 2015	Reclassification	Purchases at cost & Derivative Payments	Sale proceeds & Derivative Receipts	Change in Market Value	Value at 31 March 2016
	£000	£000	£000	£000	£000	£000
Investment Assets						
Fixed Interest						
U.K. Public Sector Bonds	15,362	0	10,094	(23,348)	(127)	1,981
Overseas Government Bonds	177,602	1,020	247,202	(297,361)	560	129,023
Overseas Government Index Linked Bonds	0	0	2,064	(110)	74	2,028
UK Corporate Bonds	16,644	0	421	(9,479)	(519)	7,067
Overseas Corporate Bonds	122,222	(1,020)	30,386	(83,706)	(1,351)	66,531
Equities (Listed)						
U.K.	33,346	0	4,309	(3,547)	(6,023)	28,085
Overseas	264,294	0	41,763	(35,198)	(17,190)	253,669
Pooled investments	2,340,286	0	477,746	(345,690)	(34,138)	2,438,204
Pooled property investments	334,997	0	30,983	(29,937)	22,820	358,863
Derivative contracts						
Futures	13	0	0	62	(75)	0
Forward currency contracts	1,400	0	45,746	(41,553)	(9,135)	(3,542)
Bond Forwards	471	0	14,376	(14,872)	25	0
Foreign Currency	5,257	0	4,984	(8,461)	376	2,156
Amount receivable for sales of investments	38,446	0	0	(37,215)	(351)	880
Amounts payable for purchases of investments	(45,794)	0	44,944	0	375	(475)
	3,304,546	**0**	**955,018**	**(930,415)**	**(44,679)**	**3,284,470**
Other Investment Balances						
Short Term Deposits	0					0
Cash Equivalents	30,258					21,296
Cash & Bank Deposits	22,686					12,168
Investment income due	4,862					4,518
Net investment assets	**3,362,352**					**3,322,452**

Investment Assets	Value at 31 March 2014 - Restated	Reclassification	Purchases at cost & Derivative Payments	Sale proceeds & Derivative Receipts	Change in Market Value	Value at 31 March 2015
Fixed Interest						
U.K. Public Sector Bonds	10,959	0	23,924	(20,996)	1,475	15,362
Overseas Government Bonds	205,791	0	618,049	(652,825)	6,587	177,602
Overseas Government Index Linked Bonds	0	0	25,652	(25,619)	(33)	0
UK Corporate Bonds	20,184	0	3,535	(7,230)	155	16,644
Overseas Corporate Bonds	142,478	0	55,222	(80,386)	4,908	122,222
Equities (Listed)						
U.K.	45,924	0	7,655	(16,357)	(3,876)	33,346
Overseas	379,345	0	53,902	(198,938)	29,985	264,294
Pooled investments	1,963,965	0	303,194	(130,053)	203,180	2,340,286
Pooled property investments	297,414	0	25,050	(25,384)	37,917	334,997
Derivative contracts						
Futures	(18)	0	2,254	(1,487)	(736)	13
Purchased/written options	0	0	7	(5)	(2)	0
Forward currency contracts	(701)	0	34,740	(34,680)	2,041	1,400
Bond Forwards	19	0	68,966	(68,216)	(298)	471
Foreign Currency	6,363	0	14,745	(15,469)	(382)	5,257
Amount receivable for sales of investments	3,771	0	0	34,307	368	38,446
Amounts payable for purchases of investments	(22,257)	0	(23,123)	0	(414)	(45,794)
	3,053,237	**0**	**1,213,772**	**(1,243,338)**	**280,875**	**3,304,546**
Other Investment Balances						
Short Term Deposits	5,750					0
Cash Equivalents	29,221					30,258
Cash & Bank Deposits	30,907					22,686
Investment income due	8,615					4,862
Net investment assets	**3,127,730**					**3,362,352**

16. Analysis of Pooled Funds

2014/15 £'000		2015/16 £'000
	UK	
541,307	Unit Trusts	583,657
294,271	Property Funds	308,845
635,852	Unitised Insurance Policies	611,454
148,896	Other Managed Funds (Equities)	149,143
	Overseas	
143,199	Unit Trusts	105,695
40,726	Property Funds	50,018
0	Unitised Insurance Policies	264,864
811,212	Other Managed Funds (Equities)	530,141
59,820	Other Managed Funds (Fixed Interest)	193,250
2,675,283	**Total Pooled Funds**	**2,797,067**

17. Analysis of Fund Assets

The following analysis is provided to comply with CIPFA guidance on preparing the annual report, to provide a consistent analysis across LGPS funds to assist in the production of the scheme annual report compiled by the LGPS scheme advisory board.

2015/16

	UK £'000	Non UK £'000	Global £'000	Total £'000
Equities	811,748	818,028	266,447	1,896,223
Bonds	9,048	197,583	193,250	399,881
Alternatives	381,775	50,018	67,934	499,727
Cash and cash equivalents	38,387	2,156	0	40,543
Other	0	0	486,078	486,078
Total	**1,240,958**	**1,067,785**	**1,013,709**	**3,322,452**

2014/15

	UK £'000	Non UK £'000	Global £'000	Total £'000
Equities	835,816	963,907	188,957	1,988,680
Bonds	32,006	299,824	59,820	391,650
Alternatives	320,022	40,726	69,524	430,272
Cash and cash equivalents	50,458	5,257	0	55,715
Other	0	0	496,035	496,035
Total	**1,238,302**	**1,309,714**	**814,336**	**3,362,352**

18. Analysis of Investment Income

The following analysis is provided to comply with CIPFA guidance on preparing the annual report, to provide a consistent analysis across LGPS funds to assist in the production of the scheme annual report compiled by the LGPS scheme advisory board.

2015/16

	UK £'000	Non UK £'000	Global £'000	Total £'000
Equities	1,055	6,384	0	7,439
Bonds	850	8,433	0	9,283
Alternatives	12,573	2,529	2,847	17,949
Cash and cash equivalents	1,072	0	0	1,072
Other	0	0	0	0
Total	**15,550**	**17,346**	**2,847**	**35,743**

2014/15

	UK £'000	Non UK £'000	Global £'000	Total £'000
Equities	1,727	8,370	36	10,133
Bonds	1,148	10,141	0	11,289
Alternatives	10,761	661	3,022	14,444
Cash and cash equivalents	763	0	0	763
Other	0	0	0	0
Total	**14,399**	**19,172**	**3,058**	**36,629**

19. Derivative Contracts

Derivative receipts and payments represent the realised gains and losses on futures contracts. The scheme's objective is to decrease the risk in the portfolio by entering into future positions to match current assets that are already held in the portfolio without disturbing the underlying assets.

There are no future contracts or bond forwards held as at 31 March 2016. This is a result of the decision to transfer the assets managed by Wellington Management from a segregated mandate to a pooled fund.

Futures

Position at 31 March 2015				Position at 31 March 2016	
Economic exposure £'000	**Market value £'000**		**Expiration Period**	**Economic exposure £'000**	**Market value £'000**
		INVESTMENT ASSETS			
		Futures			
0	0	UK Fixed Interest	< 1 Year	0	0
14,507	69	Overseas Fixed Interest	< 1 Year	0	0
14,507	69	**Total Assets**		0	0
		INVESTMENT LIABILITIES			
		Futures			
(604)	0	UK Fixed Interest	< 1 Year	0	0
(17,461)	(56)	Overseas Fixed Interest	< 1 Year	0	0
(18,065)	(56)	**Total Liabilities**		0	0
(3,558)	**13**	**Futures Total**		**0**	**0**

Notes:

Futures. A futures contract is a standardised contract between two parties to buy or sell a specified asset of standardised quantity and quality at a specified future date at a price agreed on a given day (the futures price). The contracts are traded on a futures exchange. The economic exposure values futures on a 'gross basis' showing the total exposure to the underlying asset class that the future affects as if the change in asset allocation in the underlying asset class has taken place.

Bond Forwards

Position at 31 March 2015 Market value £'000		Expiration Period	Position at 31 March 2016 Market value £'000
	INVESTMENT ASSETS		
	Bond Forwards		
1,265	UK Bond Forwards	< 1 Year	0
1,000	Overseas Bond Forwards	< 1 Year	0
2,265	**Total Assets**		0
	INVESTMENT LIABILITIES		
	Bond Forwards		
(632)	UK Bond Forwards	< 1 Year	0
(1,162)	Overseas Bond Forwards	< 1 Year	0
(1,794)	**Total Liabilities**		0
471	**Total Bond Forwards**		**0**

Notes:

Bond Forwards. A bond forward is an agreement whereby a counterparty agrees to trade a specified amount of a bond at a specified price on a future date.

Forward Currency Contracts

Settlements	Currency bought	Local value £'000	Currency sold £'000	Local value £'000	Asset value £'000	Liability value £'000
Up to one month	IDR	210,164	GBP	(11)	0	0
Up to one month	GBP	3	PHP	(231)	0	0
Up to one month	USD	1,713	CLP	(1,239,977)	0	(98)
One to six months	MYR	5,345	USD	(1,293)	61	0
One to six months	AUD	1,204	GBP	(587)	56	0
One to six months	GBP	9,956	AUD	(20,418)	0	(950)
One to six months	GBP	8,281	NZD	(18,182)	0	(481)
One to six months	NZD	352	GBP	(160)	10	0
One to six months	EUR	9,626	GBP	(7,501)	140	0
One to six months	GBP	4,262	HUF	(1,704,985)	0	(37)
One to six months	CZK	5,854	GBP	(169)	3	0
One to six months	GBP	10,951	NOK	(135,317)	0	(427)
One to six months	SEK	17,074	GBP	(1,409)	58	0
One to six months	GBP	5,719	PLN	(32,293)	0	(313)
One to six months	GBP	8,449	CAD	(16,546)	0	(450)
One to six months	CAD	1,161	GBP	(586)	39	0
One to six months	GBP	8,738	MXN	(236,843)	0	(837)
One to six months	GBP	4,875	SGD	(9,822)	0	(198)
One to six months	GBP	58,812	USD	(83,989)	388	(4)
One to six months	JPY	2,506,749	GBP	(15,428)	108	0
One to six months	USD	3,200	JPY	(364,710)	0	(34)
One to six months	MXN	79,457	USD	(4,348)	188	0
One to six months	SEK	13,813	USD	(1,630)	53	0
One to six months	USD	4,280	EUR	(3,876)	0	(99)
One to six months	USD	6,801	GBP	(4,759)	0	(28)
One to six months	USD	3,090	CLP	(2,107,484)	0	(26)
One to six months	HUF	178,792	GBP	(447)	4	0
Up to one month	GBP	415	HUF	(165,927)	0	(4)
Up to one month	CLP	1,239,977	USD	(1,815)	26	0
One to six months	KRW	2,802,294	USD	(2,315)	101	0
One to six months	JPY	727,580	USD	(6,463)	13	0
One to six months	USD	8,385	PHP	(396,028)	0	(153)
One to six months	GBP	1,634	EUR	(2,106)	0	(37)
One to six months	USD	2,993	CAD	(3,998)	0	(68)
One to six months	USD	4,343	MXN	(78,224)	0	(141)
One to six months	USD	1,467	NOK	(12,569)	0	(36)
One to six months	EUR	4,180	USD	(4,740)	21	0
Up to one month	GBP	13,820	EUR	(18,105)	0	(540)
Up to one month	GBP	34,508	USD	(49,385)	150	0
Open forward currency contracts at 31 March 2016					**1,419**	**(4,961)**
Net forward currency contracts at 31 March 2016						**(3,542)**
Prior year comparative:						
Open forward currency contracts at 31 March 2015					**4,244**	**(2,844)**
Net forward currency contracts at 31 March 2015						**1,400**

Notes:

Forward Currency Contract. A forward contract (or simply a forward) is a non-standardized contract between two parties to buy or sell an asset at a specified future time at a price agreed today.

20. Current Assets and Liabilities

The Analysis of Current Assets and Liabilities does not include purchases and sales of investments not yet due for settlement or investment income due. They are included within net investment assets and liabilities. Current assets and liabilities are valued at the fair value approximation of historical cost. Current assets and liabilities are all short term and there is no active market in which they are traded.

a) Analysis by nature of asset or liability

31 March 2015 £000		31 March 2016 £000
	Current Assets	
	Debtors and Prepayments	
	Contributions Receivable	
10,234	Employers	10,136
3,008	Current portion of non current assets (Employers contributions)	3,008
2,828	Employees	2,857
0	Interest on Cash & Bank Deposits	55
3,608	Other debtors	3,362
19,678		**19,418**
	Current Liabilities	
	Creditors and Receipts in Advance	
(1,917)	Devon County Council	(2,073)
(4,853)	Other creditors	(3,650)
(6,770)		**(5,723)**

b) Analysis by type of debtor or creditor

31 March 2015 £000		31 March 2016 £000
	Current Debtors	
4,599	Central Government Bodies	4,915
12,912	Other Local Authorities	12,473
25	NHS Bodies	73
1	Public Corporations and Trading Funds	0
2,141	Bodies external to general Government	1,957
19,678		**19,418**
	Current Creditors	
(1,492)	Central Government Bodies	(1,561)
(2,029)	Other Local Authorities	(2,114)
0	NHS Bodies	(1)
(3,249)	Bodies external to general Government	(2,047)
(6,770)		**(5,723)**

21. Non-Current Assets and Liabilities

At 31 March 2005 all staff employed by the Devon & Cornwall Magistrates Courts Service who were members of the Devon (LGPS) Fund transferred to the Principal Civil Service Pension Scheme (PCSPS). No further contributions were received from that employer. All affected staff subsequently had 12 months to elect whether to leave their accrued pension entitlement with the Devon Fund (as a deferred benefit) or transfer their 'pension pot' to the PCSPS. Under the transfer protocol issued by the Department for Constitutional Affairs the total capital payment of £15.04 millions due to the Devon Pension Fund would be repaid in ten annual instalments of £1.504 millions. The first instalment was received during 2011/12. The 2015/16 instalment was received in April 2016 and is included within current assets (Other debtors). The next instalment is disclosed as part of current assets with the remaining 4 instalments disclosed as part of long term assets. The deferred income is disclosed as part of long term creditors.

a) Analysis by nature of asset or liability

31 March 2015 £000		31 March 2016 £000
	Non Current Assets	
	Debtors and Prepayments	
8,190	Contributions Receivable - Employers	7,288
8,190		**7,288**
	Non Current Liabilities	
	Creditors and Receipts in Advance	
(9,024)	Deferred Income	(7,520)
(9,024)		**(7,520)**

b) Analysis by type of debtor or creditor

31 March 2015 £000		31 March 2016 £000
	Non current Debtors	
7,520	Central Government Bodies	6,161
515	Other Local Authorities	1,032
155	Bodies external to general Government	95
8,190		**7,288**
	Non current Creditors	
(9,024)	Central Government Bodies	(7,520)
(9,024)		**(7,520)**

22. Funded Obligation

The actuarial present value of promised retirement benefits (the Funded Obligation) amounts to £5,744 millions as at 31 March 2016 (£5,965 millions as at 31 March 2015). The Funded Obligation consists of £5,513 millions (£5,220 millions as at 31 March 2015) in respect of Vested Obligation and £231 millions (£745 millions as at 31 March 2015), of Non-Vested Obligation.

These figures have been prepared by the Fund Actuary (Barnett Waddingham LLP) in accordance with their understanding of IAS 26. In calculating the disclosed numbers the Actuary has adopted methods and assumptions that are consistent with IAS 19.

Actuarial Methods and Assumptions

Valuation Approach
To assess the value of the Fund's liabilities at 31 March 2016, the actuary has rolled forward the value of Fund's liabilities calculated for the funding valuation as at 31 March 2013, using financial assumptions that comply with IAS19.

The full actuarial valuation involved projecting future cashflows to be paid from the Fund and placing a value on them. These cashflows include pensions currently being paid to members of the Fund as well as pensions (and lump sums) that may be payable in future to members of the Fund or their dependants. These pensions are linked to inflation and will normally be payable on retirement for the life of the member or a dependant following a member's death.

It is not possible to assess the accuracy of the estimated liability as at 31 March 2016 without completing a full valuation. However, we are satisfied that the approach of rolling forward the previous valuation data to 31 March 2016 should not introduce any material distortions in the results provided that the actual experience of the Fund has been broadly in line with the underlying assumptions, and that the structure of the liabilities is substantially the same as at the latest formal valuation. From the information we have received there appears to be no evidence that this approach is inappropriate.

Demographic/Statistical Assumptions
The Actuary has adopted a set of demographic assumptions that are consistent with those used for the funding valuation as at 31 March 2013. The post retirement mortality tables adopted are the S1PA tables with a multiplier of 100% for males and 90% for females. These base tables are then projected using the CMI 2012 Model, allowing for a long term rate of improvement of 1.5% per annum.

The assumed life expectations from age 65 are:

Life Expectancy from 65 (years)	31 March 2015	31 March 2016
Retiring Today		
Males	22.8	22.9
Females	26.1	26.2
Retiring in 20 years		
Males	25.1	25.2
Females	28.4	28.6

The Actuary has also made the following assumptions:

- Members will exchange half of their commutable pension for cash at retirement;
- Members will retire at one retirement age for all tranches of benefit, which will be the pension weighted average tranche retirement age
- 10% of active members will take up the option under the new LGPS to pay 50% of contributions for 50% of benefits.

Financial Assumptions
The financial assumptions used for the purposes of the calculations are as follows:

Assumptions as at	31 March 2016		31 March 2015		31 March 2014	
	% p.a	Real*	% p.a	Real*	% p.a	Real*
RPI Increases	3.3%	-	3.2%	0.0%	3.6%	0.0%
CPI Increases	2.4%	-0.9%	2.4%	-0.8%	2.8%	-0.8%
Salary Increases	4.2%	0.9%	4.2%	1.0%	4.6%	1.0%
Pension Increases	2.4%	-0.9%	2.4%	-0.8%	2.8%	-0.8%
Discount rate	3.7%	0.4%	3.3%	0.1%	4.5%	0.9%

* Relative to RPI

These assumptions are set with reference to market conditions at 31 March 2016.

The Actuary's estimate of the duration of the Fund's liabilities is 19 years. The duration is the average time to payment of the benefits, weighted by the value of each payment.

The discount rate is the annualised yield at the 19 year point on the Merrill Lynch AA rated corporate bond curve which has been chosen to meet the requirements of IAS19 and with consideration of the duration of the Fund's liabilities. This is consistent with the approach used at the last accounting date.

The Retail Prices Index (RPI) increase assumption is set based on the difference between conventional gilt yields and index-linked gilt yields at the accounting date using data published by the Bank of England (BoE), specifically the 19 year point on the BoE market implied inflation curve. The RPI assumption is therefore 3.3% p.a. This is consistent with the approach used at the last accounting date.

As future pension increases are expected to be based on the Consumer Prices Index (CPI) rather than RPI, the Actuary has made a further assumption about CPI which is that it will be 0.9% p.a. below RPI i.e. 2.4% p.a. This is a slightly higher differential than last year. The Actuary believes that this is a reasonable estimate for the future differences in the indices, based on the different calculation methods and recent independent forecasts.

Salaries are assumed to increase at 1.8% p.a. above CPI in addition to a promotional scale.

Settlements
As a result of members transferring to another Fund over the year, liabilities have been settled at a cost different to the accounting reserve. The capitalised gain of this settlement is £879,000.

23. Taxation

Value Added Tax The Fund is reimbursed by H.M.Revenue & Customs, and the accounts are shown exclusive of this tax.

Income Tax The Pension Fund is an exempt fund, and where permitted U.K tax on interest and dividends is recovered from H.M.Revenue & Customs. The Pension Fund cannot reclaim the 10% tax credit attached to U.K. company dividends which are included net of the tax credit.

Withholding Tax This is payable on income from overseas investments. This tax is recovered wherever local tax law permits.

24. Financial Instrument Disclosures

The Net Assets of the Fund disclosed in the Net Asset Statement are made up of the following categories of financial instruments:

Fair value through profit and loss	Loans and receivables	Financial liabilities at amortised cost		Fair value through profit and loss	Loans and receivables	Financial liabilities at amortised cost
	2014/15				2015/16	
£'000	£'000	£'000		£'000	£'000	£'000
			Financial assets			
331,830	0	0	Fixed Interest	206,631	0	0
297,640	0	0	Equities (Listed)	281,754	0	0
2,340,286	0	0	Pooled investments	2,438,204	0	0
334,997	0	0	Pooled property investments	358,863	0	0
6,578	0	0	Derivative contracts	1,418	0	0
0	58,201	0	Cash	0	35,620	0
43,308	0	0	Other investment balances	5,398	0	0
0	27,868	0	Debtors	0	26,706	0
3,354,639	**86,069**	**0**		**3,292,268**	**62,326**	**0**
			Financial Liabilities			
(4,694)	0	0	Derivative contracts	(4,961)	0	0
0	0	(45,794)	Other investment balances	0	0	(475)
0	0	(15,794)	Creditors	0	0	(13,243)
(4,694)	**0**	**(61,588)**		**(4,961)**	**0**	**(13,718)**
3,349,945	**86,069**	**(61,588)**		**3,287,307**	**62,326**	**(13,718)**

As all investments are disclosed at fair value, carrying value and fair value are therefore the same.

The gains and losses recognised in the Fund Account in relation to financial instruments are made up as follows:

31 March 2015		31 March 2016
£000		£000
	Financial assets	
324,830	Fair value through profit and loss	(10,142)
749	Loans and receivables	1,096
325,579		**(9,046)**
	Financial liabilities	
(7,660)	Fair value through profit and loss	(265)
(415)	Loans and receivables	375
(8,075)		**110**

The total changes in fair value represent unrealised profit or loss. The difference in unrealised profit / (loss) figures between 2014/15 and 2015/16 reflects the prevailing economic conditions during each of the two years and the impact on the specific assets held by the Fund.

25. Additional Financial Risk Management Disclosures

The activities of the Pension Fund are exposed to a variety of financial risks; market risk (price risk, currency risk and interest rate risk), credit risk and liquidity risk.

The Fund's investments are managed on behalf of scheme members by the Investment Managers. Each investment manager is required to invest the assets managed by them in accordance with the terms of a written investment mandate or duly authorised prospectus.

The Investment and Pension Fund Committee has determined that appointment of these managers is appropriate for the Fund and is in accordance with its investment strategy.

The Investment and Pension Fund Committee obtains regular reports from each investment manager on the nature of the investments made and associated risks.

The Fund is exposed to interest rate risk, currency risk and other price risk due to its underlying assets and liabilities. The analysis below is provided to meet the disclosure requirements of IFRS 7 Financial Instruments disclosures and should not be used for any other purpose. The analysis is not intended to constitute advice and is not guaranteed.

Market Risk
Market risk represents the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. The Fund is exposed, particularly through its equity portfolio, to market risk influencing investment valuations. In addition to the effects of movements in interest rates, the Fund is exposed to currency risk and other price risk. The objective of market risk management is to manage and control market risk exposure within acceptable parameters, while optimising the return on risk.

In general, excessive volatility in market risk is managed through the diversification of the portfolio in terms of exposure to different markets through different Investment Managers. Risk of exposure to specific markets is limited by applying strategic targets to asset allocation, which are monitored by the Investment and Pension Fund Committee.

Other Price Risk
Other price risk represents the risk that the value of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or foreign exchange risk), whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all instruments in the market.

The Fund is exposed to price risk which arises from investments for which the prices in the future are uncertain. All securities investments present a risk of loss of capital, the maximum risk resulting from financial instruments is determined by the fair value of the financial instruments. The investment managers mitigate this risk through diversification in line with their own investment strategies.

Other Price Risk - Sensitivity Analysis
Following analysis of data from WM Performance Services, it has been determined that the following movements in market price risk were reasonably possible for the 2015/16 reporting period:

Asset Class	Percentage Change 2014/15	Percentage Change 2015/16
Equities	9.14%	9.50%
Bonds	6.93%	6.00%
Cash	0.01%	0.01%
Pooled Property Investments	3.00%	2.59%
Infrastructure	12.61%	8.85%
Pooled Multi Asset	3.95%	4.97%

A price change disclosed above is broadly consistent with a one-standard deviation movement in the value of the assets based on movements over the previous 3 years. This analysis assumes that all other variables, in particular foreign currency exchange rates, and interest rates remain constant.

An increase or decrease in the market price of the investments of the Fund by the percentages given at 31 March would have increased or decreased the net assets available to pay benefits by the amount shown below:

As at 31 March 2016

Asset Class	Value £'000	Percentage Change	Increase £'000	Decrease £'000
Equities	1,896,223	9.50%	180,141	(180,141)
Bonds	399,881	6.00%	23,993	(23,993)
Cash	37,000	0.01%	4	(4)
Pooled Property Investments	358,863	2.59%	9,295	(9,295)
Infrastructure	144,407	8.85%	12,780	(12,780)
Pooled Multi Asset	486,078	4.97%	24,158	(24,158)
Total	**3,322,452**		**250,371**	**(250,371)**

As at 31 March 2015

Asset Class	Value £'000	Percentage Change	Increase £'000	Decrease £'000
Equities	1,988,680	9.14%	181,765	(181,765)
Bonds	391,650	6.93%	27,141	(27,141)
Cash	57,599	0.01%	6	(6)
Pooled Property Investments	334,997	3.00%	10,050	(10,050)
Infrastructure	93,391	12.61%	11,777	(11,777)
Pooled Multi Asset	496,035	3.95%	19,593	(19,593)
Total	**3,362,352**		**250,332**	**(250,332)**

Interest Rate Risk

The Fund invests in financial assets for the primary purpose of obtaining a return on investments on behalf of scheme members. These investments are subject to interest rate risks, which represent the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Interest rates are monitored during the year, both by the Fund's Investment Managers and by the Devon County Council Investments team. Short term deposits are made at fixed rates and monitored against a target rate for the year, with the aim of maximising interest within risk parameters set by the Investment and Pension Fund Committee.

The Fund's exposure to interest rate movements on those investments at 31 March 2015 and 2016 are provided below. These disclosures present interest rate risk based on underlying financial assets (at fair value).

	As at 31 March 2015 £'000	As at 31 March 2016 £'000
Cash and cash equivalents	52,944	33,464
Fixed Interest	391,650	399,881
Total	**444,594**	**433,345**

Interest Rate Risk - Sensitivity Analysis

Interest rates vary and can impact on the value of the net assets available to pay benefits to scheme members. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

The sensitivity of bond prices to interest rate changes depends upon both the maturity of the fixed interest security and the size and frequency of its coupon payments. Duration is used to measure interest rate risk and is the weighted average maturity of a bond, where the weights are the relative discounted cash flows in each period. Duration can then be adapted with reference to the yield of a bond to calculate modified duration, which is the percentage change in a bond's price for a 1% change in yields. Modified duration can be calculated for a portfolio of bonds, and modified duration figures have been provided by the Devon Pension Fund's two bond managers (Lazard and Wellington) for the portfolios that they manage. A weighted average has been used in the tables that follow.

An increase or decrease of 1% in interest rates at the reporting date would have increased or decreased the change for the year in net assets available to pay benefits by the amount shown below:

As at 31 March 2016	Carrying value at 31 March 2016	Modified Duration of Portfolio	Effect on Asset Values +1%	-1%
	£'000	£'000	£'000	£'000
Cash and cash equivalents	33,464	-	-	-
Fixed Interest	399,881	3.86%	(15,435)	15,435
Total	**433,345**	**3.86%**	**(15,435)**	**15,435**

As at 31 March 2015	Carrying value at 31 March 2015	Modified Duration of Portfolio	Effect on Asset Values +1%	-1%
	£'000	£'000	£'000	£'000
Cash and cash equivalents	52,944	-	-	-
Fixed Interest	331,830	4.69%	(15,563)	15,563
Total	**384,774**	**4.69%**	**(15,563)**	**15,563**

As at 31 March 2016	Amount receivable in year ending 31 March 2016	Effect on Income Values	
		+1%	-1%
	£'000	£'000	£'000
Cash and cash equivalents	1,072	11	(11)
Fixed Interest	9,638	-	-
Total	**10,710**	**11**	**(11)**

As at 31 March 2015	Amount receivable in year ending 31 March 2015	Effect on Income Values	
		+1%	-1%
	£'000	£'000	£'000
Cash and cash equivalents	726	7	(7)
Short term Deposits	37	0	(0)
Fixed Interest	11,443	-	-
Total	**12,206**	**7**	**(7)**

This analysis demonstrates that a 1% increase in interest rates will not affect the interest received on fixed interest assets but will reduce their fair value, and vice versa. Changes in interest rates do not impact on the value of cash/cash equivalent or short term deposit balances but they will affect the interest income received on those balances. Changes to both the fair value of assets and the income received from investments impact on the net assets available to pay benefits.

Currency Risk and Sensitivity Analysis

Currency risk represents the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Fund is exposed to currency risk on financial instruments that are denominated in a currency other than the functional currency (Pound Sterling) of the Fund. The Fund holds both monetary and non-monetary assets denominated in currencies other than Pounds Sterling.

The following table summarises:

(a) The Fund's exposure at 31 March 2016 to currency exchange rate movements on its investments based on movements over the previous 3 years.

(b) A sensitivity analysis based on historical data (provided by WM Performance Services) of the likely volatility associated with foreign currency rate movements (as measured by one standard deviation). A strengthening or weakening of the pound against the various currencies by one standard deviation (measured in percentages) at 31 March 2016 would have increased or decreased the change for the year in net assets available to pay benefits by the amount shown. These changes in the currencies are considered to be reasonable based on historical movements in exchange rates over the past three years.

This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for the year ended 31 March 2016.

As at 31 March 2016	Assets held at fair value	FX Contracts	Total	Percentage Change	Change for the year in net assets available + 1 Standard Deviation	- 1 Standard Deviation
	£'000	£'000	£'000		£'000	£'000
Australian Dollar	13,794	(892)	12,902	9.26%	1,195	(1,195)
Brazilian Real	8,115	0	8,115	13.89%	1,127	(1,127)
Canadian Dollar	21,204	(412)	20,792	7.89%	1,640	(1,640)
Swiss Franc	16,984	0	16,984	9.95%	1,689	(1,689)
Chilean Peso	2,183	26	2,209	9.22%	204	(204)
Czech Republic Koruna	162	3	165	7.96%	13	(13)
Danish Krona	463	0	463	6.83%	32	(32)
Euro	169,080	(417)	168,663	6.77%	11,422	(11,422)
Hong Kong Dollar	24,976	0	24,976	7.67%	1,916	(1,916)
Hungarian Forint	5,761	(37)	5,724	8.75%	501	(501)
Indonesian Rupiah	6,539	0	6,539	12.46%	814	(814)
Indian Rupee	2,036	0	2,036	10.28%	209	(209)
Israeli Shekel	157	0	157	6.58%	10	(10)
Japanese Yen	26,930	121	27,051	11.68%	3,159	(3,159)
South Korean Won	10,376	101	10,477	7.22%	756	(756)
Mexican Peso	15,242	(649)	14,593	8.25%	1,204	(1,204)
Malaysian Ringit	2,725	61	2,786	10.24%	285	(285)
Norwegian Krone	12,738	(427)	12,311	9.40%	1,158	(1,158)
New Zealand Dollar	9,308	(471)	8,837	11.02%	974	(974)
Philipines Peso	12,657	0	12,657	7.84%	992	(992)
Polish Zloty New	9,296	(313)	8,983	8.39%	754	(754)
Swedish Krone	2,939	111	3,050	7.65%	233	(233)
Singapore Dollars	7,502	(198)	7,304	6.17%	451	(451)
Thailand Baht	8,076	0	8,076	8.39%	678	(678)
New Turkish Lira	6,682	0	6,682	10.78%	720	(720)
New Taiwan Dollar	7,917	0	7,917	6.59%	522	(522)
US Dollars	381,416	(150)	381,266	7.78%	29,674	(29,674)
South African Rand	10,301	0	10,301	10.31%	1,062	(1,062)
	795,559	**(3,543)**	**792,016**		**63,394**	**(63,394)**

As at 31 March 2015	Assets held at fair value	FX Contracts	Total	Percentage Change	Change for the year in net assets available to pay benefits + 1 Standard Deviation	- 1 Standard Deviation
	£'000	£'000	£'000		£'000	£'000
Australian Dollar	14,270	(151)	14,119	8.87%	1,253	(1,253)
Brazilian Real	8,007	(4)	8,003	11.70%	936	(936)
Canadian Dollar	25,135	(90)	25,045	6.65%	1,666	(1,666)
Swiss Franc	22,130	638	22,768	9.34%	2,127	(2,127)
Chinese Yuan	6,091	0	6,091	7.73%	471	(471)
Colombian Peso	1,877	(1)	1,876	8.69%	163	(163)
Czech Republic Koruna	2,150	34	2,184	7.51%	164	(164)
Danish Krona	1,750	7	1,757	6.20%	109	(109)
Euro	142,598	80	142,678	6.15%	8,774	(8,774)
Hong Kong Dollar	26,965	0	26,965	7.74%	2,087	(2,087)
Hungarian Forint	1,677	0	1,677	10.02%	168	(168)
Indonesian Rupiah	4,465	0	4,465	11.65%	520	(520)
Israeli Shekel	157	(2)	155	7.10%	11	(11)
Japanese Yen	26,572	736	27,308	11.03%	3,011	(3,011)
South Korean Won	11,359	2	11,361	6.62%	752	(752)
Mexican Peso	12,727	(189)	12,538	9.42%	1,181	(1,181)
Malaysian Ringit	6,558	0	6,558	7.32%	480	(480)
Norwegian Krone	12,915	268	13,183	8.64%	1,139	(1,139)
New Zealand Dollar	12,016	(365)	11,651	9.20%	1,072	(1,072)
Peruvian Sol	4,171	(1)	4,170	6.98%	291	(291)
Philipines Peso	13,532	0	13,532	7.85%	1,062	(1,062)
Polish Zloty New	6,825	(47)	6,778	8.39%	569	(569)
Swedish Krone	11,801	(29)	11,772	7.31%	860	(860)
Singapore Dollars	5,964	(26)	5,938	5.89%	350	(350)
Thailand Baht	8,385	0	8,385	8.09%	678	(678)
New Turkish Lira	6,437	(115)	6,322	9.85%	623	(623)
New Taiwan Dollar	8,083	0	8,083	6.62%	535	(535)
US Dollars	369,525	655	370,180	7.78%	28,800	(28,800)
South African Rand	12,199	(1)	12,198	10.72%	1,308	(1,308)
	786,341	**1,399**	**787,740**		**61,160**	**(61,160)**

Credit Risk

Credit risk represents the risk that the counterparty to the financial instrument will fail to discharge an obligation and cause the Pension Fund to incur a financial loss. Market prices generally incorporate credit assessments into valuations and risk of loss is implicitly provided for in the carrying value of the financial assets and liabilities as they are marked to market.

The net market value of financial assets represents the Fund's exposure to credit risk in relation to those assets. For derivative positions the credit risk is equal to the net market value of positive (asset) derivative positions.

	As at 31 March 2015 £'000	As at 31 March 2016 £'000
Fixed Interest	331,830	206,631
UK Equities - Quoted	33,346	28,085
Overseas Equities - Quoted	264,294	253,669
Pooled investments	2,340,286	2,438,204
Pooled property investments	334,997	358,863
Derivatives (net)	1,884	(3,543)
Foreign currency	5,257	2,156
Short term deposits	0	0
Cash and cash equivalents	52,944	33,464
Settlements and dividends receivable	43,308	5,398
Total of investments held	**3,408,146**	**3,322,927**

The selection of high quality counterparties, brokers and financial institutions minimises credit risk that may occur through the failure to settle transactions in a timely manner. The Fund's exposure to concentrations of credit risk to individual counterparties comprises of assets that are invested by individual investment managers and in specific investment trusts. The contractual credit risk is represented by the net payment or receipt that remains outstanding, and the cost of replacing the derivative position in the event of a counterparty default.

Credit risk on exchange traded derivative contracts is minimal due to the various insurance policies held by the exchanges to cover defaulting counterparties.

Interest rate agreements and foreign exchange contracts are subject to credit risk in relation to the relevant counterparties, which are principally large banks. The maximum credit risk exposure on foreign currency contracts is the full amount of the foreign currency the Fund pays when settlement occurs, should the counterparty fail to pay the amount which it is committed to pay the Fund.

The Fund's exposure to credit risk at 31 March 2016 is the carrying amount of the financial assets.

The Pension Fund believes it has managed its exposure to credit risk, and has had no experience of default or uncollectable deposits over the past five financial years. The Fund’s cash holding (short term deposits and cash equivalents) under its treasury management arrangements at 31 March 2016 was £21.296 millions (31 March 2015: £30.258 millions). This was held with the following institutions:

	Credit Rating at 31 March 2016			Balances as at 31 March 2015 £'000	Balances as at 31 March 2016 £'000
	Fitch	Moody's	Standard & Poor's		
Banks and Building Societies					
Barclays Bank	A	A2	A-	30,000	0
Handelsbanken	AA-	Aa2	AA-	258	21,296
				30,258	**21,296**

Liquidity Risk

Liquidity risk represents the risk that the Fund will not be able to meet its financial obligations as they fall due. In assessing each individual investment, a key consideration is to ensure that the liability of the Fund is limited to the amount of the investment in the asset.

The liquidity risks associated with the need to pay members' benefits are mitigated by maintaining a pool of cash. As this pool reduces other strategies will be developed to eliminate this risk. In the first instance, income from investments, now held and reinvested by fund managers, will be used to meet liquidity shortfall.

All the Fund's financial liabilities fall due within 12 months with the exception of the payments due from the Principal Civil Service Pension Scheme (PCSPS) (see note 21). Under the transfer protocol issued by the Department for Constitutional Affairs the capital payments due to the Pension Fund will be repaid in ten annual instalments of £1.504m. The first instalment was received during 2011/12. The 2015/16 instalment was received in April 2016 and is included within current assets. The next instalment is disclosed as part of current assets with the remaining 4 instalments disclosed as part of long term assets.

Fair Value Hierarchy

The valuation of financial instruments has been classified into three levels, according to the quality and reliability of information used to determine fair values.

Level 1

Financial instruments at Level 1 are those where the fair values are derived from unadjusted quoted prices in active markets for identical assets or liabilities. Products classified as level 1 comprise quoted equities, quoted fixed securities, quoted index linked securities and unit trusts.

Listed investments are shown at bid prices. The bid value of the investment is based on the bid market quotation of the relevant stock exchange.

Level 2

Financial instruments at Level 2 are those where quoted market prices are not available; for example, where an instrument is traded in a market that is not considered to be active, or where valuation techniques are used to determine fair value and where these techniques use inputs that are based significantly on observable market data.

Level 3

Financial instruments at Level 3 are those where at least one input that could have a significant effect on the instrument's valuation is not based on observable market data.

The UBS International Infrastructure Fund LLP, the Hermes GPE Infrastructure Fund LLP and the Aviva Investors REaLM Infrastructure Fund in 2015/16 and the UBS International Infrastructure Fund LLP and the Hermes GPE Infrastructure Fund LLP in 2014/15, have been classified as level 3 financial instruments.

The values of the investments in infrastructure funds are based on valuations provided by the fund managers. These valuations are prepared in accordance with the International Private Equity and Venture Capital Valuation Guidelines, which follow the valuation principles of IFRS and US GAAP. Valuations are usually undertaken annually at the end of December. Cash flow adjustments are used to roll forward the valuations to 31 March as appropriate.

The total amount of the change in fair value calculated based on these valuations that was recognised in the Fund Account is detailed below:

	2014/15 £'000	2015/16 £'000
UBS International Infrastructure Fund LLP	1,296	(1,644)
Hermes GPE Infrastructure Fund LLP	579	2,932
Aviva Investors REaLM Infrastructure Fund	-	(320)
	1,875	**968**

The following table provides an analysis of the financial assets and liabilities of the pension fund grouped into Levels 1 to 3, based on the level at which the fair value is observable.

At 31 March 2016

	Quoted market price Level 1 £'000	Using observable inputs Level 2 £'000	With Significant unobservable inputs Level 3 £'000	Total £'000
Investment Assets				
Fixed Interest				
U.K. Public Sector Bonds	1,981	-	-	1,981
Overseas Government Bonds	129,023	-	-	129,023
Overseas Government Index Linked Bonds	2,029	-	-	2,029
UK Corporate Bonds	7,067	-	-	7,067
Overseas Corporate Bonds	66,531	-	-	66,531
Equities (Listed)				
U.K.	28,085	-	-	28,085
Overseas	253,669	-	-	253,669
Pooled investments	689,352	1,672,363	76,489	2,438,204
Pooled property investments	-	358,863	-	358,863
Derivative Assets				
Futures - UK Fixed Interest	-	-	-	-
Futures - Overseas Fixed Interest	-	-	-	-
UK Bond Forwards	-	-	-	-
Overseas Bond Forwards	-	0	-	-
Options	-	-	-	-
Forward Currency Contracts	-	1,418	-	1,418
Cash Deposits				
Foreign Currency	-	2,156	-	2,156
Short Term Deposits	-	-	-	-
Cash Equivalents	-	21,296		21,296
Cash & Bank Deposits	12,168	-	-	12,168
Investment income due	4,518	-	-	4,518
Amounts receivable for sales	880	-	-	880
Investment Liabilities		-	-	-
Derivatives	-	-	-	-
Futures - UK Fixed Interest	-	-	-	-
Futures - Overseas Fixed Interest	-	0	-	-
UK Bond Forwards	-	0	-	-
Overseas Bond Forwards	-	0	-	-
Forward Currency Contracts	-	(4,961)	-	(4,961)
Amounts payable for purchases	(475)	-	-	(475)
Assets and Liabilities		-	-	-
Non current Assets	7,288	-	-	7,288
Non current Liabilities	(7,520)	-	-	(7,520)
Current Assets	19,418	-	-	19,418
Current Liabilities	(5,723)	-	-	(5,723)
Net Assets of the Fund at 31 March 2016	**1,208,291**	**2,051,135**	**76,489**	**3,335,915**

At 31 March 2015

	Quoted market price Level 1 £'000	Using observable inputs Level 2 £'000	With Significant unobservable inputs Level 3 £'000	Total £'000
Investment Assets				
Fixed Interest				
U.K. Public Sector Bonds	15,362	-	-	15,362
Overseas Government Index Linked Bonds	-	-	-	-
Overseas Government Bonds	177,602	-	-	177,602
UK Corporate Bonds	16,644	-	-	16,644
Overseas Corporate Bonds	122,222	-	-	122,222
Equities (Listed)	-			
U.K.	33,346	-	-	33,346
Overseas	264,294	-	-	264,294
Pooled investments	684,506	1,655,780	-	2,340,286
Pooled property investments	-	279,220	55,777	334,997
Derivative Assets				
Futures - UK Fixed Interest	-	-	-	-
Futures - Overseas Fixed Interest	-	69	-	69
UK Bond Forwards	-	1,265	-	1,265
Overseas Bond Forwards	-	1,000	-	1,000
Options	-	-		-
Forward Currency Contracts	-	4,244	-	4,244
Cash Deposits				
Foreign Currency	-	5,257	-	5,257
Short Term Deposits	-	-	-	-
Cash Equivalents	-	30,258	-	30,258
Cash & Bank Deposits	22,686	-	-	22,686
Investment income due	4,862	-	-	4,862
Amounts receivable for sales	38,446	-	-	38,446
Investment Liabilities				-
Derivatives				
Futures - UK Fixed Interest	-	-	-	-
Futures - Overseas Fixed Interest	-	(56)	-	(56)
UK Bond Forwards	-	(632)	-	(632)
Overseas Bond Forwards	-	(1,162)	-	(1,162)
Forward Currency Contracts	-	(2,844)	-	(2,844)
Amounts payable for purchases	(45,794)	-	-	(45,794)
Assets and Liabilities		-	-	-
Non current Assets	8,190	-	-	8,190
Non current Liabilities	(9,024)	-	-	(9,024)
Current Assets	19,678	-	-	19,678
Current Liabilities	(6,770)	-	-	(6,770)
Net Assets of the Fund at 31 March 2015	**1,346,250**	**1,972,399**	**55,777**	**3,374,426**

During the year ended 31 March 2016 there were no transfers between levels 1, 2 or 3 of the fair value hierarchy.

26. Funding Arrangements

In line with the Local Government Pension Scheme (Administration) Regulations 2013, the fund's actuary undertakes a funding valuation every three years for the purpose of setting employer contribution rates for the forthcoming triennial period. The last such valuation took place as at 31 March 2013. The next valuation will take place as at 31 March 2016.

The key elements of the funding policy are:

- to ensure the long-term solvency of the fund, ie that sufficient funds are available to meet all pension liabilities as they fall due for payment
- to ensure that employer contribution rates are as stable as possible
- to minimise the long-term cost of the scheme by recognising the link between assets and liabilities and adopting an investment strategy that balances risk and return
- to reflect the different characteristics of employing bodies in determining contribution rates where the administering authority considers it reasonable to do so
- to use reasonable measures to reduce the risk to other employers and ultimately to the council tax payer from an employer defaulting on its pension obligations.

The aim is to achieve 100% solvency over a period of 25 years and to provide stability in employer contribution rates by spreading any increases in rates over a short period of time, normally three years.

Solvency is achieved when the funds held, plus future expected investment returns and future contributions, are sufficient to meet expected future pension benefits payable.

At the 2013 actuarial valuation, the fund was assessed as 83% funded (81% at the March 2010 valuation). This corresponded to a deficit of £603 millions (2010 valuation: £530 millions) at that time.

The common contribution rate (ie the rate which all employers in the fund pay) over the three year period ending 31 March 2015 is 18.8% of payroll.

Individual employers' rates will vary from the common contribution rate depending on the demographic and actuarial factors particular to each employer. Full details of the contribution rates payable can be found in the 2013 actuarial valuation report (http://www.peninsulapensions.org.uk/wp-content/uploads/2013/10/Devon-Valuation-Report-31-March-2013.pdf) and the funding strategy statement (http://www.peninsulapensions.org.uk/wp-content/uploads/2013/08/devon-funding-strategy-statement.pdf).

The valuation of the fund has been undertaken using the projected unit method under which the salary increase for each member is assumed to increase until they leave active service by death, retirement or withdrawal from service. The principal assumptions were:

Financial Assumptions

Assumptions	Rate
Investment return (discount rate)	6.1%
Price inflation	3.5%
Salary increases	4.5%
Pension increases in line with CPI – Assumed to be 0.5% less than RPI	2.7%

Mortality assumptions

Mortality assumptions at age 65	Male	Female
Current pensioners	22.7 years	26.0 years
Future pensioners (assumed current age 45)	24.9 years	28.3 years

Historic mortality assumptions

Life expectancy for the year ended 31 March 2013 are based on S1PA tables with a multiplier of 100% for males and 90% for females. The allowances for future life expectancy are based on the 2012 CMI Model with a long term rate of improvement of 1.5% per annum.

Commutation assumption

It is assumed that at retirement 50% of members will opt to increase their lump sum to the maximum allowed.

Statistical Summary

Financial Summary

	2011/12 £'000	2012/13 £'000	2013/14 £'000	2014/15 £'000	2015/16 £'000
Contributions and Benefits					
Contributions	(152,657)	(146,603)	(149,016)	(150,902)	(153,280)
Transfers in from other pension funds	(9,868)	(8,647)	(7,446)	(5,686)	(4,766)
	(162,525)	(155,250)	(156,462)	(156,588)	(158,046)
Benefits Paid	143,382	145,497	150,435	158,336	166,247
Payments to and on account of leavers	5,933	5,636	6,251	68,742	7,429
	149,315	151,133	156,686	227,078	173,676
Net (Additions) Withdrawals from Dealings with Fund members	**(13,210)**	**(4,117)**	**224**	**70,490**	**15,630**
Management Expenses	**4,878**	**8,579**	**10,074**	**12,481**	**13,945**
Returns on Investments					
Investment Income	(47,438)	(41,840)	(39,625)	(36,629)	(35,743)
Increase / (decrease) in Market Value of Investments during the Year	(21,062)	(285,575)	(103,882)	(280,875)	44,679
Net Returns on Investments	**(68,500)**	**(327,415)**	**(143,507)**	**(317,504)**	**8,936**
Net Assets of the Fund at 31 March	**(2,683,731)**	**(3,006,684)**	**(3,139,893)**	**(3,374,426)**	**(3,335,915)**

Members Summary

	2011/12 No.	2012/13 No.	2013/14 No.	2014/15 No.	2015/16 No.
Devon County Council					
Contributors	12,527	11,747	13,033	13,849	13,154
Pensioners and Dependants	11,408	11,824	12,175	12,649	12,720
Deferred Pensioners	10,480	11,113	11,576	15,648	16,171
Other Employers					
Contributors	22,760	23,653	24,196	25,620	24,525
Pensioners and Dependants	14,446	15,225	15,951	16,315	16,415
Deferred Pensioners	15,780	16,927	18,234	21,994	23,081

* Deferred pensioners include frozen memberships pending refunds and those undecided pending resolution.

Employing Bodies

	Active	Ceased	Total
Scheduled body	143	14	157
Admitted body	59	32	91
Total	**202**	**46**	**248**

There are currently 202 employers who have active members in the Fund.

Administering Authority

Devon County Council

Scheduled Bodies

Acorn Multi Academy Trust
Ashburton Town Council
Barnstaple Town Council
Barton Hill Academy
Bay Education Trust
Bicton College
Bideford College
Bideford Town Council
Bishopsteignton Parish Council
Bovey Tracey Town Council
Bradninch Town Council
Bradworthy Primary Academy
Braunton School And Community College
Brixham College
Brixham Town Council
Broadclyst Community Primary School
Buckland Monachorum Parish Council
Catered Limited
Chudleigh Town Council
Chulmleigh Community College
Churston Ferrers Grammar School Academy
City College Plymouth
Clyst Vale Community College
Coast Academies
Colyton Grammar School Academy
Combe Martin Parish Council
Coombe Dean School
Coombe Pafford School
Cranbrook Town Council
Crediton Town Council
Cullompton Town Council
Dartmoor National Park
Dartmouth Academy
Dartmouth Town Council
Dawlish Town Council
Devon & Cornwall Police & Crime Commissioner
Devon & Severn IFCA
Devon & Somerset Fire & Rescue
Devonport High School For Boys
Devonport High School For Girls
Drake Primary
East Devon District Council
Eggbuckland Community College
Elburton Primary Academy Trust
Exeter City Council
Exeter College
Exeter Mathematics School
Exmouth Community College
Exmouth Town Council
Fremington Parish Council
Gatehouse ACE Academy
Great Torrington Academy
Great Torrington Town Council
Hayes Road Academy
Hele's Trust
Holsworthy Academy
Honiton Community College
Honiton Town Council
Hooe Primary Academy Trust
Ilfracombe Arts College
Ilfracombe Town Council
Inspire Mat
Ivybridge Community College
Ivybridge Town Council
Kings Academy
Kingsbridge Academy
Kingsbridge Town Council
Kingsteignton Town Council
Kingswear Primary School
Learning Academy Partnership
Lipson Academy
Littletown Primary Academy And Nursery
Lynton & Lynmouth Town Council
Marine Academy Plymouth
Mayflower Academy
Mid Devon District Council
Newport Community School Primary Academy
Newton Abbot College
Newton Abbot Town Council
North Devon District Council
North Devon Joint Crematorium
Okehampton Town Council
Oreston Community Academy
Our School Federation

Scheduled Continued

Petroc
Pilton Community College
Plymouth Cast
Plymouth City Bus
Plymouth City Council
Plymouth College Of Art & Design
Plymouth School Of Creative Arts
Plymouth Studio School
Plymouth University
Plymstock Academy
Primaries Academy Trust
Queen Elizabeth's Academy Trust
Ridgeway School
Riviera Primary Trust
Route 39 Academy
Seaton Town Council
Schools Company
Shiphay Learning Academy
Sidmouth Town Council
South Dartmoor Academy
South Devon College
South Devon UTC
South Hams District Council
South Molton Town Council
Sparkwell Primary Academy
St Boniface Rc Boys School
St Christophers Primary Mat
St Margaret'S Academy
Steiner Academy
Stockland Cofe Primary School
Stoke Damerel Academy
Stoke Fleming
Stokenham Parish Council
Stowford Primary School
Studio School - South Devon
Team Multi Academy Trust
Tedburn St Mary Parish Council
Tedd Wragg MAT
Teignbridge District Council
Teignmouth Community School
Teignmouth Town Council
Templer Academy
The All Saints Church Of England Academy
Tone Leisure
Tor Bridge High
Torbay Council
Torbay Economic Development Academy
Torquay Boys' Grammar School
Torquay Girls Grammar School
Torquay Museum Trust
Torre Primary School
Torridge District Council
Totnes Town Council
Uffculme Academy
Ugborough Parish Council
Virgin Care
West Devon Borough Council
Widewell Academy
Witheridge Parish Council

Admitted Bodies

4Children
Access Plymouth
Action For Children
Amey Lg Ltd
Aspens Services Ltd
Babcock
Barnardo's
Bournemouth Churches Housing Association
Churchill Services
Compass
Cormac Solutions Ltd
Dame Hannah Rogers School
DCC South West Heritage Trust
Delt Shared Services Ltd
Devon & Cornwall Housing
Devon Norse Catering
Devon Norse Cleaning
Devon Norse Facilities Management
English Riviera Tourism Company
Exeter Community Initiatives
Exeter CVS
Exeter Royal Academy For Deaf Education
Glen Cleaning (Cockington)
Healthwatch
Human Support Group Ltd
Initial Plymouth Catering Services
Innovate
Interserve Projects Ltd
ISS
Leisure East Devon
Livewell South West
Mama Bears Day Nursery
Millfields Community Economic Development Trust
Mitie Plc (Devon)
North Devon Homes
On Course South West (Was Pacls)
Peninsula Dental Social Enterprise
Plymouth Citizen'S Advice Bureau
Plymouth Community Healthcare
Plymouth Community Homes
Plymouth Learning Partnership
Quadron
Sanctuary Housing
Schools Company Holborn
SLM Community Leisure
Sodexo
Strata
South Brent Parish Council
Tarka Housing
Tavistock Town Council
Teign Housing
The Childrens Society
Tor2Ltd
Torbay Coast & Countryside Trust
Torbay Community Development Trust
University Commercial Services Plymouth Ltd
UTC Limited
Viridor
Wolseley Community Economic Development Trust

Statement of the Actuary for the year ended 31 March 2016

Introduction

The last full triennial valuation of the Devon County Council Pension Fund was carried out as at 31 March 2013 in accordance with the Funding Strategy Statement of the Fund. The results were published in the triennial valuation report dated March 2014.

2013 Valuation Results

The results for the Fund at 31 March 2013 were as follows:

- the Fund had a funding level of 83% i.e. the assets were 83% of the value that they would have needed to be to pay for the benefits accrued to that date, based on the assumptions used. This corresponded to a deficit of £580m;
- the common contribution rate was 18.8% of pensionable pay;

Contribution Rates

The employer contributions rates, in addition to those paid by the members of the Fund, are set to be sufficient to meet:

- The annual accrual of benefits allowing for future pay increases and increases to pensions in payment when these fall due;
- plus an amount to reflect each participating employer's notional share of the Fund's assets compared with 100% of their liabilities in the Fund, in respect of service to the valuation date.

Details of each employer's contribution rate are contained in the Rates and Adjustment Certificate in the triennial valuation report.

Assumptions

The key assumptions used to value the benefits at 31 March 2013 are summarised below:

Assumption	31 March 2013
Discount rate	6.1% p.a.
Pension increases	2.7% p.a.
Salary increases	2.7% p.a. until 31 March 2015 and 4.5% p.a. thereafter
Mortality	S1PA tables with a multiplier of 100% for males and 90% for females, with projected improvements in line with the 2012 CMI model allowing for a long term rate of improvement of 1.5% p.a.
Retirement	Each member retires at a single age, weighted based on when each part of their pension is payable unreduced
Commutation	Members will convert 50% of the maximum possible amount of pension into cash

The 2016 triennial valuation is currently underway and the assumptions to be adopted as at 31 March 2016 will be decided upon as part of the valuation process.

Asset Value

The assumptions used to value the liabilities are smoothed based on market conditions around the valuation date, therefore the smoothed asset values are also measured in a consistent manner.

The smoothed market value of the Fund's assets as at 31 March 2013 for valuation purposes was £2,985m. At 31 March 2016, the smoothed assets had increased to an estimated £3,300m.

Updated position since the 2013 Valuation

Since March 2013, investment returns have been lower than assumed at the 2013 triennial valuation. The value placed on the liabilities will have increased slightly due to the accrual of new benefits and will have also changed due to changes in the underlying discount rate and other assumptions.

Overall, we expect that the funding level should be slightly improved when compared on a consistent basis to 31 March 2013 but the final position will depend on the assumptions adopted as part of the 2016 valuation process.

The next actuarial valuation is due as at 31 March 2016 and the resulting contribution rates required by the employers will take effect from 1 April 2017.

Graeme Muir FFA

Partner, Barnett Waddingham LLP

10 May 2016

Glossary

Actuarial Terms

Actuary

An independent consultant who advises on the financial position of the fund. Every three years the actuary reviews the assets and liabilities of the fund and reports to the County Council on the financial position and the recommended employers' contribution rates. This is known as the Actuarial Valuation.

BoE spot inflation curve

A fixed-interest gilt and an otherwise identical index-linked gilt of the same time to maturity will have a different price or yield. This difference in yields indicates the market's expectation of future inflation, or spot inflation, for that particular term. The Bank of England produces an inflation curve which is essentially a best fit of the difference in fixed interest gilts and index linked gilts for terms to maturity of up to 25 years

Deferred Pension

The pension benefit payable from normal retirement age to a member of the fund who has ceased to contribute as a result of leaving employment or opting out of the pension scheme before state retirement age.

Merrill Lynch AA rated corporate bond curve

Corporate bonds are given a credit rating by a credit rating agency which indicates the creditworthiness of the company that has issued the bond. Merrill Lynch produces a yield curve which shows the relationship between the yields on bonds with AA credit ratings against the time to maturity of these bonds.

Non-Vested obligations

If active members remain active rather than become deferred then their liabilities will be higher due to assumed salary increases until retirement. These additional liabilities make up the non-vested obligation.

Promotional scale

This takes into consideration the possibility of promotion during the course of an employees working life.

Retirement age assumption

Active members will retire one year later than they are first able to do so without reduction – One year after minimum retirement age

Solvency Test

An actuarial calculation to determine whether the assets of an occupational pension scheme are sufficient to meet its benefit obligations.

S1PA tables

The S1PA tables are published by the Actuarial Profession's Continuous Mortality Investigation ("CMI"). These tables are based on studies of mortality for members of large self-administered pension schemes over the period 2000 to 2006.

Vested obligations

Vested obligations are liabilities in respect of deferred and pensioner members. It also includes part of the liability for active members. This part is calculated by assuming that active members become deferred immediately and as such does not take into account future salary increases.

Derivatives

Financial contracts whose value is tied to an underlying asset. Derivatives include futures, options and swaps.

Emerging Markets

Stock Markets in developing countries (as defined by the World Bank).

Equities

Ordinary shares in UK and overseas companies traded on a recognised stock exchange. Shareholders have an interest in the profits of the company and are normally entitled to vote at shareholders' meetings.

Fixed Interest Securities

Investments, mainly in government stocks, which guarantee a fixed rate of interest. The securities represent loans which are repayable at a stated future date but which can be traded on a recognised Stock Exchange in the meantime.

Index Future

An obligation to make or take delivery of a specified quantity of an underlying Stock/Index at a particular time in the future, at a price agreed when the contract is taken out.

Index (Stock Market)

The movements in a Stock Market are monitored continuously by means of an Index made up of the current prices of a representative sample of stocks.

Indexation

Also known as Index Matching or Index Tracking. Indexation is a statistical technique used to construct a portfolio of shares that will consistently move in line with a particular Index.

Managed Fund

A multi-asset pooled fund under which an insurance company offers participation in one or more pooled funds.

Market Value

The price at which an investment can be sold at a given date.

Performance Services

WM Performance services are an independent company used to measure the investment performance of the Fund. They also measure 84 Local Authority sector funds calculating, every quarter, the average returns for the median of all the funds and constituent funds (the weighted average).

Pooled Funds

A fund managed by an external Fund Manager in which a number of investors buy units. The total fund is then invested in a particular market or region.

Portfolio

A collective term for all the investments held in a fund, market or sector.

Property Unit Trust

A pooled investment vehicle that enables investors to hold a stake in a diversified portfolio of properties.

Return

The total gain from holding an investment over a given period, including income and increase (decrease) in market value.

Transfers to/from Other Schemes

These are sums paid to or received from other pension schemes and relate to the current value of past contributions which transfer with a member when changing employment.

Unrealised Increase/(Decrease) in Market Value

The increase/ (decrease) in market value, since the previous year, of those investments still held at the year end.

Unit Trust

A Pooled Fund in which investors hold units, and where the fund offers new units and is prepared to redeem existing units from holders on a regular basis.

Annual Governance Statement 2015/16

Scope of Responsibility

Devon County 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. Devon County 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, the Council is responsible for putting in place proper arrangements for the governance of its affairs so as to facilitate the effective exercise of its functions and manage risk.

The County Council has approved and adopted a code of corporate governance which is consistent with the principles of the CIPFA/SOLACE Framework Delivering Good Governance in Local Government.

A copy of these codes can be obtained from the County Treasurer. This statement explains how the Council has complied with the code and also meets the requirements of the Accounts and Audit Regulations 2015.

Purpose of the Governance Framework

The governance framework comprises the systems and processes and culture and values by which the Council is directed and controlled; also the activities through which it accounts to, engages with and leads the community. It enables the Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.

The system of internal control is a significant part of the framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing achievement of the Council's policies, aims and objectives, to evaluate the likelihood of those risks not being realised - and the impact should they be realised - and to manage them efficiently, effectively and economically.

The governance framework has been in place at the Council for the year ended 31 March 2016 and up to the date of approval of the Statement of Accounts.

Satisfactory controls to support statements made in this Annual Governance Statement are essential and in endorsing it the Council's officers confirm that input to systems and processing of transactions is complete for the financial year ended 31 March 2016 and that there were no material or significant delays or backlogs of either input or processes that would result in financial or other records being incomplete.

The Council's financial management arrangements also conform with the CIPFA/Solace guidance on the role of the Chief Financial Officer in Local Government (2010), enabling the County Treasurer to operate in line with the 5 principles set out in the 'Application Note Delivering Good Governance in Local Government: A Framework' to operate effectively and perform her core duties demonstrating commitment to good practice in governance and financial management.

The Governance Framework – The Council's Constitution

The Constitution is fundamental to the working of the County Council, transcending the six core principles of corporate governance in the CIPFA/SOLACE Framework which form the basis of the response set out in the attached schedule.

The Constitution is the Council's Code of Corporate Governance. Framed in accordance with statute and Government guidance and evolved in the light of experience and subsequent legislation, it sets out how the Council operates, how decisions are made and the procedures which are followed to ensure that these are efficient, transparent and accountable to local people.

The Constitution is the guarantor of the continuing openness, accountability and integrity of the Council's decision-making processes and sets a series of exacting standards against which the Council's actions can be judged and, if necessary, challenged.

The Constitution is at the heart of the Council's business:

- it allocates power and responsibility within the Council and between it and partner organisations;
- it delegates authority for specific issues to act to the Leader, Committees, Cabinet Members and officers;
- it enables the people of Devon to ask questions at certain meetings and to have them answered or submit petitions;
- it sets down the procedures by which the people of Devon may give their views on the key decisions which the Council's Cabinet is to take;
- it regulates the behaviour of individuals and groups through codes of conduct, protocols and standing orders.

The Constitution comprises 16 Articles setting out the basic rules governing all aspects of the working of the Council (Part 2) and is then divided up into:

- the elements which define the Council's internal organisation, standing orders, financial regulations, schemes of delegation and terms of reference, procedures covering Cabinet and Scrutiny, Risk Management and Codes of Conduct (Parts 3–9);
- working practices which supplement these formal rules (Part 10);
- documents which focus on the Council's external operation through service delivery, community engagement and partnership working (Part 11).

In formulating its Constitution in 2002, the Council adhered closely throughout to the framework presented in Government's Modular Constitutions for English Local Authorities, enabling it to produce a constitution which was logical, integrated and accessible to members, officers, citizens and others interested in the way a local authority makes decisions and governs itself and its area. Then and subsequently, wherever legislation permitted local choice, the Council has framed its Constitution to take advantage of the most open and inclusive of the available options.

The Constitution is designed to meet all the necessary statutory requirements for instruments of governance and to include matters traditionally covered by local authority standing orders, financial regulations, schemes of delegation and terms of reference. It also contains the elements necessary to describe the Council's executive arrangements in a single, coherent document which can be used as a comprehensive point of reference by individuals and organisations inside and outside the Council. All the familiar elements can be found in the Constitution and

the Council has sought to use the model format to create a genuinely accessible, meaningful instrument of governance.

The Council is committed to involving the community in setting its priorities, enabling citizens to raise matters with and convey their concerns to the Council and to considering the needs of all groups in the community and promoting democratic understanding and participation. The Council's Constitution provides that framework.

Review of Effectiveness

The County Council's Constitution has been in force since 2002 and is regularly reviewed having been substantially amended in 2012/13 reflecting the requirements of the Localism Act and revised Standards arrangements. Minor changes were made in 2014/15 to reflect new regulations affecting, inter alia, the issuing of summonses at Council meetings electronically, dismissal of statutory chief officers and recording of officer decisions and also to the Council's public participation scheme. Except for annual revisions of the Pay Policy Statement and Chief Officer Employment Procedure Rules no significant changes were made in 2015/16.

The Constitution is published on the County Council's website at http://www.devon.gov.uk/constitution.htm and is also available for Inspection at the Council's offices.

The County Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including systems of internal control. This review of effectiveness is informed by the work of managers within the authority who have a responsibility for the development and maintenance of the governance environment, the Head of Internal Audit's annual report, and also by comments made by the external auditors and other review agencies and inspectorates.

Details of processes applied in maintaining and reviewing the effectiveness of the governance framework are summarised below.

The Constitution

The roles and responsibilities of the Council, its Cabinet and non-Cabinet Members are set out more fully in Articles 6 and 7 of the Constitution and in Part 3 (Responsibility for Functions). These have been regularly reviewed and revised since the County Council elections in 2009 and are themselves balanced by the Codes of Personal Conduct set out at Part 6 of the Constitution.

The Council currently comprises 62 councillors, meeting together as the full Council for specific purposes, to decide the Council's overall policies and set the budget each year. Meetings of the Council and its Committees are normally open to the public. The Council appoints the Leader, Scrutiny Committees, the Standards Committee and all other committees. The Council receives the minutes of committees, and has power to vary or refer back decisions which are outside established policy. From time to time it also debates issues of particular relevance or topicality for the County.

The Cabinet

The Cabinet is the part of the Council responsible for most day-to-day decisions. It is made up of a Leader and no more than nine other members (Cabinet Members), appointed by the Leader from amongst the membership of the Council. When major decisions are to be discussed or made, these are published in the Cabinet's Forward Plan in so far as they can be foreseen. These major decisions will be taken with council officers present at meetings of the Cabinet which will be open to the public except where personal or confidential information

is discussed. The Cabinet has to make decisions which are in line with the Council's overall policies and budget. If it wishes to make a decision which is outside the budget or policy framework, this matter must be referred to the full Council to decide

The Scrutiny Function

Scrutiny Committees support the work of the Cabinet and the Council as a whole. They look at the effectiveness of the Council's own policies and inquire into matters of local concern. These investigations lead to reports and recommendations which advise the Cabinet and the Council on its policies, budget and service provision. Scrutiny Committees also monitor the Cabinet's decisions. They may "call-in" a decision which has been made by the Cabinet but not implemented. This enables them to consider whether the decision is appropriate and they may recommend that the Cabinet reconsiders it. They may also be consulted by the Cabinet or the Council on forthcoming decisions and the development of policy. An Annual Scrutiny Report is also prepared for and considered by the County Council.

The Health & Wellbeing Scrutiny Committee also monitors the function and activity of the Devon Health & Wellbeing Board and its statutory responsibility for the Joint Health and Wellbeing Strategy, the Joint Strategic Needs Assessment and the Pharmaceutical Needs Assessment.

Scrutiny Committees aim to operate in a non-partisan way which it is believed has served both the electorate and the Council well in line with the Constitution and the Council's protocol governing relationships between the Cabinet and Scrutiny Committees. Members of the Council may place items on the agenda of any Scrutiny Committee, a right which has always effectively existed in the Constitution since it was first adopted in 2002, reflecting the requirements of the Local Government & Public Involvement in Health Act and its definition of 'any local government matter'.

It is widely acknowledged that, in order to be effective, call-ins must be used only in exceptional circumstances, sparingly and appropriately. In the year in question there were three instances of call-ins, which reinforce the independence and value of scrutiny in applying an 'external' view on decisions.

The Cabinet and Corporate Leadership Team remain appreciative of the work undertaken by the Scrutiny Committees and acknowledge that it has made a major contribution to the work of the Council, especially in areas where detailed objective research and analysis needed to be done.

Additionally and in the move towards a commissioning authority, scrutiny needs to continue to exercise influence through asking questions about delivery mechanisms, quality, monitoring, safety and responsiveness as an appreciative inquiry where problems are analysed and understood as a precursor to improvement and change rather than punitive action. Recognising this change to the way that Council services are delivered, the Corporate Services Scrutiny Committee established a Task Group in September 2015 to review the role of scrutiny in the Council's commissioning arrangements. The Task Group found that although there was evidence of scrutiny involvement in commissioning processes and in the monitoring of commissioned services, this was inconsistent across the Council's service areas. In response to this the Task Group recommended that a Scrutiny and Commissioning Protocol be established to clarify the role of scrutiny in commissioning processes, that scrutiny be enabled to hold joint venture partners and large providers to account through the inclusion of a contract clause requiring certain providers to attend and answer questions at Scrutiny Committee, and to strengthen scrutiny's role in the performance monitoring of joint venture partners and large providers.

More detailed information on the work of the County Council's scrutiny committees may be found in the various scrutiny annual reports available at http://new.devon.gov.uk/democracy/committee-meetings/scrutiny-committees/scrutiny-annual-reports/.

Organisational Performance

The continuing impact of the Government's reform of the public realm services' (see below) has influenced the Authority's current and future performance. It is likely that a more flexible organisational structure to respond to those challenges and better equip and position the Council to focus on its future strategic commissioning responsibilities will be required, as Government policy decisions impact on the Council.

The County Council had previously received an inadequate judgement from Ofsted following an unannounced inspection under section 136 of the Education and Inspections Act 2006 on the overall effectiveness of the arrangements in Devon to protect children. In February 2015 Ofsted undertook a month long unannounced inspection of the County Council's children's services. This included child protection, fostering and adoption, Integrated Children's Services and the Devon Safeguarding Children Board. The resulting judgement of the Ofsted Inspection published in May 2015 found that children's services in Devon required improvement, Ofsted having thereby acknowledged that there were no widespread or serious failures that create or leave children being harmed or at risk of harm and the welfare of looked after children is safeguarded and promoted and minimum requirements are in place. The Report's findings highlighted improvements in the quality of work and outcomes for children and families and that the welfare of looked after children was safeguarded and promoted.

On the 1 March 2016 the County Council received a letter from Children's Minister Edward Timpson stating that the Department for Education had ceased its formal intervention arrangements for children's services in Devon. In his letter the Minister said 'the services provided to children, young people and their families in Devon have improved significantly and the County Council can now be an example to other struggling authorities of how to bring about improvement.' The Minister cited strong leadership; a shared vision for children's services; success in workforce recruitment; improved audit and quality assurance systems and the more effective use of data as being key factors as to the County Council's improvement. Devon however still needs to embed and sustain its improvements across the service and ensure consistency across the County.

The Council also agreed the following policy changes or revised strategic objectives during 2015/16 which will impact on future performance namely:

a) the draft joint submission of the Heart of the South West Devolution Proposal working in partnership with the 17 local authorities, 2 National Park Authorities, the Local Enterprise Partnership and the 3 Clinical Commissioning Groups.

b) the future delivery model for the Highway Maintenance Service being a Core Term Maintenance Contract supported by other discrete contracts

c) a new Fair and Affordable Care Policy

d) a revised Energy Policy, Strategy and Action Plan and a revised governance structure for environmental performance

e) a new Living Well at Home - Domiciliary Care Provision and Personal Care Services Contract.

The Standards Committee

The Standards Committee continued to exercise its role in monitoring complaints and standards. The number of complaints received against Councillors remains small. There were no cases locally where a councillor was found to have been in breach of the Council's Code of Conduct.

Efficient, effective and ethical governance protects the public interest and the Council itself. Members and Officers are supported by a wide range of polices and Codes of Practice enunciated in the Council's Constitution and also by a wide range of training opportunities tailored to meet their needs. The Council's Governance Framework is reviewed annually and any issues for the future governance of the Council are highlighted and addressed at that time.

The work of the Standards Committee during 2015/16 is set out more fully in its Annual Report but there were no significant issues arising from members conduct, the Council's feedback and complaints process or the Local Government Ombudsman's Annual Review Letter which warranted further action.

The Audit Committee / Devon Audit Partnership

The Council's Audit Committee monitors the Council's arrangements to secure economy, efficiency and effectiveness in its use of resources including the work of the Council's Internal Audit team and the External Auditor and the application of the Council's Risk Management policy.

The Audit Committee continues to review separately, on a regular basis, progress with and implementation of any recommendations made in Audit Reports into specific areas of activity to ensure they have been adhered to and appropriate management action taken.

The Audit Committee has agreed a revised Risk Management Strategy to be implemented from 2016 which, whilst retaining much of the current strategy, builds on best practice from the UK office of Government Commerce and the Management of Risk Guidance.

The Audit Committee continues to respond to enquiries from the external auditors regarding the overall control environment of the Council, with particular focus on arrangements to ensure that the production of the financial statements were free of material error. It expressed concern over changes to CIPFA's Code of Practice, causing a significant increase in the value of the Council's highway infrastructure assets from £425 million to an estimated value of £8-9 billion. the reasoning behind and the potential impact the revaluing of local authority assets in line with CIPFA and government requirements, which involved valuing highway assets at the gross replacement cost, rather than as was previously the case, using historical costs and applying depreciation.

The Devon Audit Partnership was established by the Council in conjunction with Plymouth City and Torbay Councils in 2009 to provide shared internal audit services (as a means of improving services through joint working and maximising efficiencies and economies of scale) reporting to the new Devon Audit Partnership. The Partnership currently undertakes audit work for a number of District Councils, Devon and Somerset Fire and Rescue Service, Devon and Cornwall Police, the University of Plymouth and many other public authorities and planned to continue expanding on their work with external partners. The Partnership and democratic arrangements are working well and will continue to be reviewed.

The Investment and Pension Fund Committee

Accounting arrangements require separate accounts to be prepared for the County Council and the Devon Pension Fund. Recognising the need for clear governance arrangements for managing these Accounts the Council's Investment & Pension Fund Committee undertakes the role of reviewing and approving the Pension Fund Annual Report, which incorporates the Statement of Accounts. The Devon County Council Audit Committee undertakes the role to review and approve the accounts of the Devon Pension Fund to ensure appropriate accounting policies were introduced in the same way as it is responsible for monitoring and approving the Council's main accounts.

2015/16 saw the establishment of the Devon Pension Board. The Pension Board will help to ensure that the Devon Pension Fund is managed and administered effectively and efficiently and ensure that it complies with the code of practice on the governance and administration of public service pension schemes issued by the Pension Regulator. The Devon Pension Board (comprising employer and fund representatives with an independent member) has met three times. The operation of the Board will be kept under review

Engagement and Participation

The County Council has always prided itself on the work it does, over and above statutory consultations, to encourage individuals from all sections of the community to engage with, contribute to and participate in the work of the Council. Examples of this are the Council's Communications Strategy, the Devon Voice (Residents Panel), Parent Carers Voice, and the Tough Choices events held by the Leader of the Council across the County as part of a wider exercise by the County Council to consult and involve local people in determining the Council's priorities

Education

The County Council is committed to improving the life-chances of all Devon's children and young people, especially the most vulnerable. Local authorities have a democratic mandate to champion the interests of their local communities and ensure that services work effectively for children, young people and families, regardless of whether they attended local authority-maintained schools and settings or others, such as academies, free schools and independent specialist settings. The County Council acts as Corporate Parent for all children in care and therefore has a particular interest in the progress and attainment and hence achievement of all looked-after children.

The County Council's ambition is that no Devon child, regardless of their circumstances, is allowed to underachieve or their progress fall behind. For this reason, the County Council is committed to on-going commissioning of robust challenge and effective support for schools. Devon schools must enable vulnerable children and young people to achieve better by securing and sustaining improved standards of achievement for all children at all levels of ability and maximising outcomes at Key Stages 4 and 5. As well as developing a broader range of strategies to expand schools' universal offer especially for the most vulnerable and challenged children.

The County Council robustly challenges any underperformance and statutory non-compliance with an emphasis on vulnerable groups. An academies protocol is used to open a dialogue about underperformance in relation to state-funded independent schools such as academies and free schools. The protocol sets out the responsibilities for both academy schools and the County Council so that both parties share the same understanding of their respective roles in enabling the children and young people attending Devon schools achieve their potential. There

is also an increased focus in monitoring children placed in independent specialist provision to ensure sharper accountability of these settings for the achievement of children.

The People's Scrutiny Committee undertook a major piece of work on school exclusions and made a number of recommendations which were subsequently endorsed and actioned by Cabinet aimed to reduce the use of fixed-term and permanent exclusions. These included:

- work to monitor disadvantaged pupils and those with special educational needs and disabilities in terms of the extent to which these children are represented amongst those subject to permanent and fixed-term exclusions.

- support schools in finding ways to become more inclusive by providing evidence-based knowledge and training about 'what works best'.

- guidance to all schools with regard to emotional and social education, as well as training to all schools on how effective pastoral support systems can be developed and provided for all pupils.

- investigate both the legality and effectiveness of the practice of providing 'late' and 'early' schools, and 'part-time timetables' in Devon schools, and issues guidance to all schools as a result.

- The need to improve the way schools provide for the needs of pupils who have mental health problems, with particular reference to the Child and Adolescent Mental Health Service (CAMHS) and its relationship to schools.

More information on the County Council's role and support to schools may be found at:

http://www.devon.gov.uk/learningschools

Significant Governance Issues

The Local Government Boundary Commission for England published its final recommendations in January 2016 for the County Council's electoral arrangements for 2017 onwards. The Commission's final proposals had confirmed a reduction in the size of the Council of two councillors (from 62 to 60) with one fewer division in each of South Hams and Teignbridge, comprising 56 single-member divisions and 2 two-member divisions. The proposed new arrangements will need to be approved by Parliament and the necessary Order would be laid in Parliament in the early part of 2016, providing for the new electoral arrangements to come into force at the County Council elections in 2017 which will undoubtedly have an impact on the Council's governance arrangements moving forward.

One of the biggest issues addressed by the Council in 2015/16 was the setting of the budget for 2016/17 and in making sure that appropriate steps were taken and measures put in place to ensure that services delivered or commissioned by the County Council remained accountable and properly managed within the context of the new 4 year funding package. While members welcomed the degree of assurance the funding deal provides, the Joint Budget Scrutiny in January 2016 resolved that the Council should continue to press Government for a fairer allocation for Devon recognising more accurately the impact of providing services

in a rural area. The Council should also seek greater clarity through the LGA on the impact of the Better Care Fund and on the meaning of 100% Business Rates Retention and any additional responsibilities or constraints likely to be imposed upon Councils in respect of the latter and upon the required Annual Efficiency Plans.

Whilst it had been widely anticipated that the provisional settlement would only provide figures for one year with subsequent consultation on changes to grant distribution methodology, the Government had instead introduced changes in this year and beyond and had provided grant figures for individual authorities over a four year period from 2016/17 to 2019/20. While the latter change was to be welcomed it was noted that the impact of this revised grant distribution methodology was that shire counties would, collectively, lose funding in 2016/17 and moreover, within the allocation to County Councils and Upper Tier Authorities, there had been a further re-distribution with funding flowing from Councils with a higher tax base to Councils with a lower tax base; it was thought that this was to compensate those authorities dealing with adult social care pressures who would raise less income from a 2% precept. The settlement had also confirmed that Councils could raise Council Tax by an additional 2% to help cope with the costs of adult social care, over and above the 'normal' maximum 2% increase that could be levied before triggering a referendum.

The impact of the next Government's spending plan on future financial settlements will also be a key issue for the Council to address in 2016/17 and beyond. Moreover and in addressing the findings of the 2015 Ofsted inspection, the Council will need to focus on its future strategic responsibilities.

The year saw a successful culmination to the arrangements agreed by the Council for the future management of its libraries with from 1 April 2016 Libraries Unlimited taking over the running of Devon's libraries. The new staff and community-owned social enterprise will run the service on the County Council's behalf. The move is intended to secure the future of all 50 of the County's libraries and save a further £1.5 million in addition to the £3 million already saved from the library service budget over the past three years.

The announcement by the Chancellor in the Educational Excellence Everywhere white paper that all schools would have to move out of local authority control by 2020 will if implemented have a considerable impact upon local authorities in managing the transition of schools to academies and through having continuing responsibility for :

- Schools place planning and admissions
- Championing the interests of parents and pupils (advocacy & accountability)
- Ensuring provision for vulnerable children and those with special needs/disabilities
- School transport
- Safeguarding

The County Council continues to adopt a prudent approach to its treasury management practices. The Council's strategy is soundly based on the principle that when balancing risk and return the security and liquidity of an investment is given a higher priority than the yield. Throughout the year, the Council has been active in managing investment and interest rate risk.

As a result of Government direction, Pension Fund Investments are working towards establishing pooled arrangements. Devon is working with other regional authorities to establish a project board, which will involve appropriate governance representation from each authority.

The Council also regularly reviews and updates its Investment Strategy and its Treasury Management Policy and Practices to ensure that they reflect best practice guidance as issued by the Chartered Institute of Public Finance and Accountancy (CIPFA). In line with that guidance, the policies were first scrutinised - as indicated above - by the Council's Corporate Services Scrutiny prior to consideration by the Council's Cabinet.

The Treasury Management Stewardship Annual Report for 2015/16 had not identified any significant issues to highlight, confirming that there had been: no long term borrowing requirements at that stage; that investment income targets would be achieved and all lending had been carried out in accordance with the Council's Treasury Management Strategy.

The Council formally places on record and expresses its appreciation to its entire staff for their continuing commitment to the delivery of high quality services for the people of Devon throughout this period.

Certification

We have been advised on the result of the review of the effectiveness of the governance framework undertaken by the Cabinet, the Standards Committee, the Audit Committee, the Investment & Pension Fund Committee and by Scrutiny Committees and the plans, as summarised above, to address weaknesses and ensure continuous improvement of systems is in place.

We will over the coming year continue to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

Signed……..

Chairman of the Audit Committee, on behalf of Devon County Council

Signed……..

Chief Executive, on behalf of Devon County Council

30 June 2016