Item 4

Devon County Council

Statement of Accounts and Annual Governance Statement 2012/2013

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Explanatory Foreword

Introduction

Welcome to the 2012/13 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 Councils accounts or those of the Pension Fund.

Accounting policies and comparative information

The accounting policies on which the figures in the financial statements are based follow the financial statements (Note 1 page 17). There are no significant changes in approach this year.

There is ongoing discussion within CIPFA/ LASAAC Local Authority Accounting Board over the appropriate treatment of publicly funded schools within the Local Authority group boundary. Our current accounting treatment is not to recognise the assets of Voluntary Aided schools on the balance sheet as the council does not control to whom the services are provided as the Governors are the admissions authority. Voluntary Controlled schools are recognised as the council exercises sufficient control over admissions and other key issues.

Foundation or trust schools are removed from our balance sheet on the date that their legal status changes and the property transfers to the trust board. If a school's status is to change on 1st April of the next financial year we do not seek to impair or derecognise the asset as at the 31st March. As a statutory transfer, we derecognise the asset in the next financial year.

We intend to continue with this treatment until the issues are resolved at a national level.

The prior period comparative information has been restated to take account of two issues:

Science Park: An Asset Under Construction has been held on the authority’s Balance Sheet for several years. It has been determined that the authority is acting as an Agent for the Homes and Communities Agency, formerly South West Regional Development Agency. The construction and associated costs have been wholly funded by the agency. The Asset Under Construction of £17.754 millions has been removed from the authority’s Balance Sheet.

King Edward VI School: The school became a Co-operative Trust in 2011/12 and the school land and buildings transferred from the authority to the Trust at that time. The land and buildings valued at £16.293 millions has been removed from the Balance Sheet to reflect the change in status of the school.

Further detail is provided in note 3 on page 31.

Summary of Financial statements

The financial statements and their purpose are summarised as follows:

- Movement in Reserves Statement (page 13) – this statement shows the movement in year for the reserves held by the Council analysed into useable 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 are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance. 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 balance carried forward at 31st March 2013 has decreased by £200 millions. £196 millions of this is in relation to Unusable Reserves. The main reason for this decrease in unusable reserves is the transfer of school assets to Academy and Co-operative Schools at no charge. Note 25 on page 64 provides more information on the purpose of each of the Unusable Reserves and analyses the movement in the balances. Page 10 of this foreword and note 43 on page 89 provides more information on the changes to the Pension Liability;
- Comprehensive Income and Expenditure Statement (page 14) – 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;
- Total Comprehensive Expenditure and Income was a deficit of £175.532 millions in 2012/13 compared with a deficit of £288.261 millions in 2011/12. The decrease of £112.729 millions is mainly due to a reduction in Actuarial Losses on the Pension Liability. As mentioned above, Page 10 of this foreword and note 43 on page 89 provides more information on the changes to the Pension Liability;
- Balance Sheet (page 15) – 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 useable 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 2013 which means that the authority's liabilities are £96.5 millions greater than its assets. As discussed above the movement from Net Assets of £103.996 millions in 2011/12 to Net Liabilities of £96.505 millions in 2012/13 is mainly due to the transfer of schools assets to Academy and Co-Operative Schools at no charge. The negative Balance Sheet has no impact on the authority being considered a going concern. The net Pension liability of £762 millions has a substantial impact on the net worth of the authority as recorded in the Balance Sheet. However, statutory arrangements for funding the deficit mean that the financial position of the authority remains healthy. The deficit on the local government scheme will be made good by increased contributions over the remaining working life of employees, as assessed by the scheme Actuary.
- Cash Flow Statement (page 16) – the Cash Flow Statement shows the changes in cash and cash equivalents of the Council during the reporting period. The statement shows how the Council 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 Council are funded by way of taxation and grant income or from the recipients of services provided by the Council. 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

Reduction in public sector spending and investment is still seen as essential to reduce the national budget deficit. This retrenchment is designed to set the national debt on a sustainable downward path that will restore public spending as a share of the economy to a level closer to the historical average. The continuing emphasis on public spending reduction is partly due to a failure of the wider economy to grow as forecast.

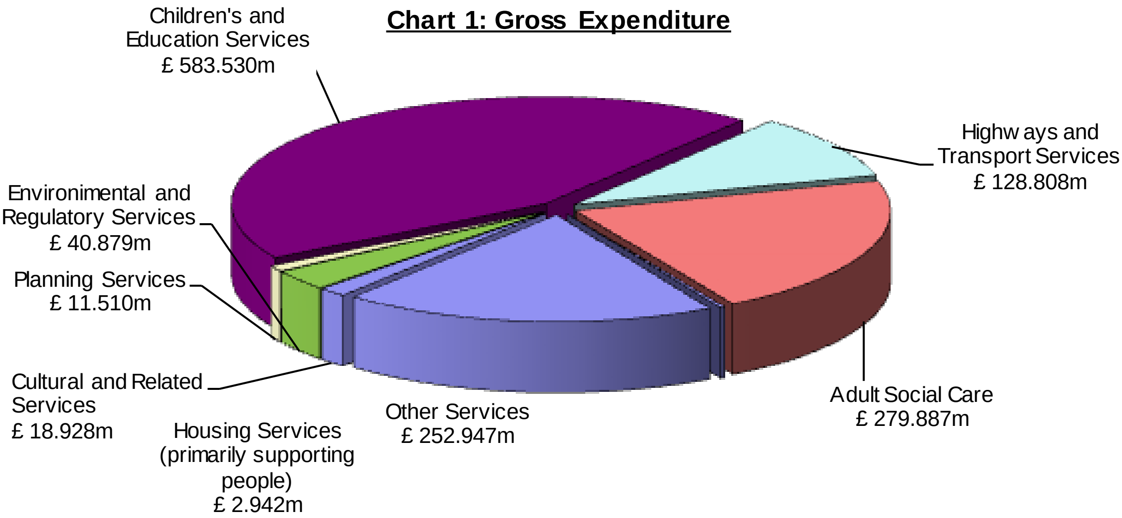
The Comprehensive Spending Review (CSR) in October 2010 set out the Government's spending plans for the financial years 2011/12 to 2014/15. It announced that Central Government funding for Local Authority spending would reduce by 28% over four years with a reduction of 8% in 2012/13.

In order to meet the challenges of the CSR the Council undertook a service prioritisation exercise that reviewed all services against a number of criteria. These criteria included an assessment of the extent to which services are required by statute, how they meet the strategic priorities of the Council and how they meet customer expectations. The review identified resources which could be released from some activities by a combination of efficiency savings, increased income and reductions in the level of some services. These changes have helped the Council to freeze its level of Council Tax in 2012/13 and find savings and efficiencies of £29 millions in 2012/13.

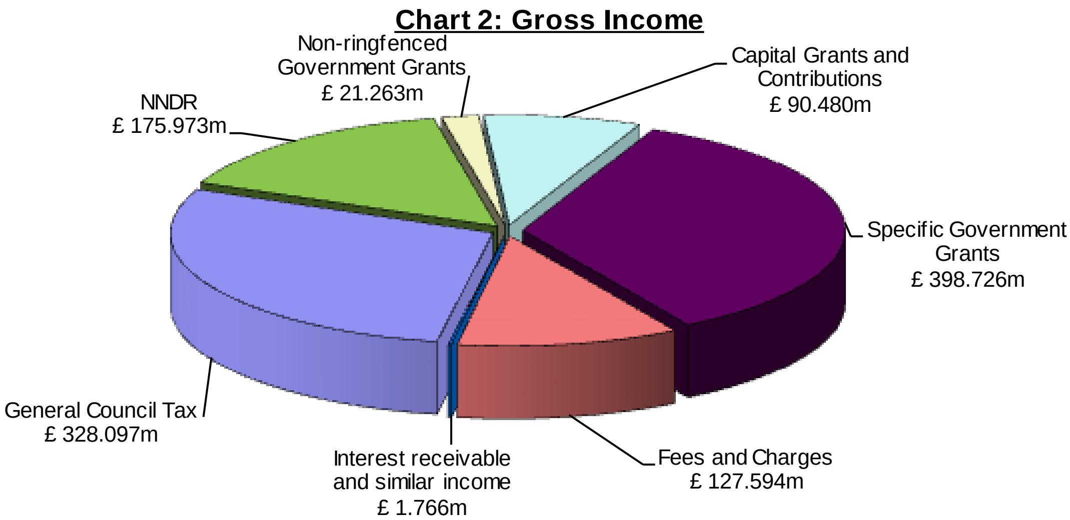
The government has provided support for councils which froze council tax in 2012/13, with £8.155 millions being received. This money is available for only one year.

Financial performance

The Comprehensive Income and Expenditure Statement is produced in line with the Chartered Institute of Public Finance and Accountancy's (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 £1,319 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, below, highlights sources of revenue income for the County Council during the year. Total gross income of £1,144 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.

People Services

The final outturn for People, after carry forward of unspent income and assuming other carry forwards are agreed, is net expenditure of £318,682,000 compared to a budget of £317,790,000, an overspend of £892,000 or 0.3%.

Members will be aware of the substantial pressure on children's social care, which led to an overspend of £3.8 millions in Child and Adult Protection, as numbers of children taken into care rose above the levels budgeted. Partly in response to other areas within People overspending, Social Care Commissioning actively managed its spending, delaying recruitment and some project work in order to deliver an underspend of £4.5 millions.

It is pleasing to note that, partly due to the benefit of investment of additional funding for Social Care in agreement with the NHS in Devon, Adult Care Management and the Integrated Children's Service has delivered a balanced outturn position. Despite strong pressures reported early in the year, numbers of people requiring care in residential settings have fallen in the second half of the year, without the number of people needing support in their own homes increasing. This is due to an approach to care that focuses more on a person's individual needs; the success of investment in alternatives to care, especially on discharge from hospital; and the intensive support given to people who need help to get over a crisis by way of the reablement service.

Grant Carry Forwards total £24.0 millions, £21.5 millions of which are due to underspend of Dedicated Schools Grant and other schools funding, which must under legislation be carried forward. Of this amount £16.9 millions relates directly to sums carried forward by schools themselves and £4.6 millions to central amounts. The schools' balances figures is higher than the previous year, but this is to be expected as a prudent reaction to uncertainty over funding mechanisms following changes required by government in the local formula under which funding is allocated to schools. The central amounts include sums earmarked to support the strategy of reducing reliance on independent special schools by enhancing the capacity of maintained Special Schools, for the use of Local Learning Communities, and increased contingency to deal with uncertainties from turbulence in funding.

Apart from the Dedicated Schools grant, a further £2.5 millions of grant and other tied income has been required. A planned contribution of £2.5 millions to the Extra Care Housing Reserve has been made.

Carry forwards totalling £8.6 millions include £2.8 millions in respect of unspent funding for social care received from the NHS in line with our agreement, some of which was received late in the year. As noted above this funding also continues to support the operational position of Adult Care Management by investments that prevent or minimize cost. £4.0 millions related to temporary funding set aside in the 2012/13 budget for a programme, which will span several years, to invest in the care provided in residential homes operated by the Council. This has been carried forward to 2013/14. In addition to these, carry forwards for a youth service contribution to the Totnes hub, targeted community support for the homeless, project and market management work associated with Social Care Commissioning and the improvement of IT systems have been agreed.

Place Services

Place has an under spend of £4.0 million at the end of the year. Unused grant of £2.8 millions must be carried forward. Once this is excluded there is an under spending on services of just over £1.2 million.

Reduced planned works within Highways and Traffic Management of £1.6 millions has been used to offset an increase in the Winter Maintenance costs of £902,000 due to a very cold spell at the end of March 2013, together with a provision of £500,000 for the insurance excess for the recent appeal of a road traffic collision and an overspend of £318,000 on street lighting due to an increase in outages.

In addition to the carry forward of unspent grants and contributions of £2.8 millions carry forwards totalling £2.7 millions have been agreed. These include £1.35 millions for storm legacy works, £400,000 for new book stock for the new Exeter Central Library and smaller requests for delayed flooding projects, leachate works at Sutton Barton, Skypark and for BDUK delays in the procurement framework.

The storm events of 2012/13 have had a significant financial impact. The gross cost of the works undertaken during the year totalled £12.2 millions. This amount has been offset by a budget provision of £1.0 million, the use of the emergency reserve of £3.6 millions and the total of the Bellwin claims submitted of £3.1 millions. The remaining cost, £4.5 millions, has been met from under spending elsewhere in the Place budget.

In order to qualify for Bellwin assistance the authority has to fund up to a threshold of £1.7 millions before a claim can be made. The £3.1 millions claimed by Council, is over and above this threshold.

In addition to the storm works overspend of £4.5 millions a carry forward for £1.350 millions to cover storm legacy works is included in the outturn position. This will cover the remaining revenue works which have been identified.

Corporate Services

These Services produced a combined underspend of just under £1.6 million, of which £0.2 million relates to unspent grant which will be carried forward. The remaining underspend was mainly due to the impact of vacancy management strategies alongside acceleration of restructuring of services (Human Resources & Business Support), delayed corporate infrastructure projects and savings in fees and increased income. This was partly offset by one-off lease termination costs and delays in the property rationalisation programme, caused by increased lead-in times.

The carry forwards in addition to that for grants are for £0.7 million and relate to enabling costs in respect of invest to save projects, unavoidable delays relating to commitments for corporate infrastructure projects, and other commitments in respect of facilities.

Other Items

Investment returns have continued at low levels. Commentators suggest that Base Rate increases are not to be expected until 2015, but this is far from certain. Despite this, interest from investments exceeded the budget by £0.8 million due to some attractive rates being unexpectedly available during the year. A further under spend of £0.6 million has been found from a review of the balance sheet which has identified a number of balances that are no longer required.

On the 31 May 2013, £1.7 million were received from the Department for Education. It represents a refund of top sliced Revenue Support Grant used to finance the academies programme in 2012/13. This programme was initially funded on the basis of projected pupil numbers. Because the number of academy conversions in Devon for 2012/13 has been slower than anticipated the top slice has been too great and the difference repaid. The refund has been added to the redundancy reserve in anticipation of the high levels of severance costs which will need to be met in the next two to three years.

General Balances

A review of the financial risk assessment prepared when the 2013/14 Budget was considered indicates that the Council should hold working balances of about £14 millions.

Working balances at 31st March 2012 were £14.470 millions. As a result of outturn, it has been possible to make a further contribution of £68,000, bringing the level at year-end to £14.538 millions.

Earmarked Reserves

At the beginning of the financial year, earmarked reserves (excluding schools and non-schools carry forwards) stood at £58.6 millions. During the year earmarked reserves have reduced by a net £4.7 millions which includes the elimination of the roads emergency reserve of £3.6 millions. A further reduction of £14.1 millions is planned for 2013/14. With most of the remaining reserves already committed it is inevitable that the use of the remainder will need to be severely restricted and carefully targeted.

Details of earmarked reserves including school and non-school carry forwards are shown in Note 10 on page 40.

In aggregate the level of reserves and balances is regarded as sufficient to meet current needs and to provide some assurance that unforeseen risks and emergencies can be managed.

Capital Spending

The final capital programme for 2012/13 was £180.120 million and actual capital expenditure was £117.526 million. The table below summarises 2012/13 expenditure and approvals.

	Budget £ 000's	Actual £ 000's	Variation £ 000's
Place	144,539	97,892	46,647
People	25,088	16,384	8,704
Corporate	10,493	3,250	7,243
Total	180,120	117,526	62,594

Planning, Transportation and Environment

Work has commenced on the South Devon Link Road, which is being delivered in partnership with Torbay Council. The scheme addresses a long standing congestion problem and will enable growth in the Newton Abbot area and in Torbay.

2012/13 has seen continued investment in additional pupil places to meet the future demographic pressures in pupil numbers across the county. A major project which has started this year has been the Dartmouth Academy rebuild following a successful bid for funds to the DfE. The relocation of Millwater School to the Bicton College site has now started following the detailed feasibility study, and works will continue into the 2013/14 financial year.

Over 100 local transport schemes around Devon were completed in 2012/13. These addressed a range of issues highlighted as priorities by local members and the public and ranged from cycle routes, to and cycle parking within, schools, to new bus shelters, public rights of way improvements, casualty reduction schemes, pedestrian crossings and dropped crossings. These were supplemented by a range of schemes supported through the Government's Local Sustainable Transport Funding.

Good progress was also made developing larger schemes in the Targeted Capital Investment (TCI) programme. These take several years to bring to fruition and several are now ready for a start on construction in 2013/14 subject to confirmation of funding. Three schemes developed in the 2012/13 TCI programme, M5 Junction 27, M5 Junction 30 and A38 Drumbridges junction were accepted for the Highways Agency's Pinch Point programme in recent months and will be completed by March 2015.

The junction improvement scheme at the intersection of the M5 (junction 29) and the A30 was completed along with the provision of access and highway infrastructure for the

Exeter Science Park; new community of Cranbrook; and Skypark. The schemes enable economic growth in the area.

Highways and Traffic Management

Significant investment on structural maintenance of the road network and bridges remains a prominent theme in ensuring that a significant proportion of A and B roads are in good condition, in line with the County's strategic plan. Whilst A and B road condition remains at the target level all other roads are deteriorating at a significant rate because overall expenditure on carriageway maintenance is running at about half that needed to keep condition static. The Bridge Assessment and Strengthening programme continues to deliver key investment in critical areas with £2.04 millions being spent on strengthening retaining walls, protecting bridges against river scour, and renewing vital bridge joints and bearings components.

The year saw completion of strategic sections of new cycle trails incorporating the land mark structures of Gem Bridge on the Drake's Trail and Town Quay Crossing on the Teign Estuary at Newton Abbot. Construction has also started on Clyst Bridge which will see completion of the eastern side of the Exe Estuary Trail in 2013.

Further significant progress has been made on the carbon reduction programme for street lighting with over 35,000 units now converted to part-night lighting.

Capital Development and Waste Management

During the year there have been 166 capital maintenance projects completed within the schools estate that has resulted in a reduction to the backlog of maintenance work outstanding. This year has seen the completion of several major schemes including Ilfracombe Community College boiler and roof works, and structural repairs at Ladysmith Junior School.

Construction of the Exeter Energy from Waste plant has progressed on programme with completion of the facility due in summer 2014.

The Council is part of a Waste Partnership with Torbay and Plymouth Councils which was set up formally in 2008 to source a household waste disposal solution for South West Devon. The three councils jointly signed a 25 year contract for waste disposal with MVV Umwelt in March 2011 following a public procurement exercise. MVV are currently building an energy from waste facility on leased Ministry of Defence land at Camels Head North Yard in Devonport Dockyard, Plymouth. Construction is due to be completed in the Autumn of 2014 when the plant will receive waste from the three authorities in return for contract payments linked to tonnages delivered. The costs of procurement and initial start-up from 1st April 2007 to 31st March 2013 for the partnership totalled £3.3m and these have been shared equally between the three local authority partners. The expenditure for 2012/13 was £0.264m.

The total estimated cost of the contract to the partnership is £436m (at February 2010 prices, indexation will apply) over the 25 year period. The estimated first full year cost (using assumed price inflators) is £15.3m, which is estimated to be split between the three authorities as follows Plymouth £7.3m, Devon £5.4m, and Torbay £2.6m, based on tonnes of waste delivered to the plant.

The exact accounting treatment of the contract payments for waste disposal which will commence autumn 2014 has not been finalised, and finance staff from the three local authorities will be working with external financial advisors to establish the appropriate accounting treatment by April 2014. The final agreed treatment will not impact on the net revenue accounts of each council, and therefore will not affect the council tax requirement.

The governance of the partnership is through the South West Devon Waste Partnership Committee. Plymouth City Council are the accountable authority in relation to accounting for the Joint Committee and the authority's finance staff are currently assessing the appropriate financial reporting arrangements for the Joint Committee This assessment will be complete by April 2014.

Work has started on the construction of the new Sidmouth Recycling Centre, which will assist in improving recycling rates and provide a better facility for the locality.

Services for the Community

On 25th June 2012, the £2.8 millions Passmore Edwards Centre was launched in Newton Abbot. A redevelopment of a grade II listed building, this is the second Devon Centre and now houses a modern 21st century library, adult and community learning facility, and services that are supporting people with learning disabilities. It also has an IT suite, WIFI technology, café and meeting rooms available for local groups to use.

Redevelopment of the Mansion site to deliver a much-needed new Totnes Library has progressed and construction of the first-floor facility is currently nearing completion with opening scheduled for June 2013.

The major £4 millions scheme of redeveloping the 1960s Exeter Central Library is underway. Following separation works over the autumn of 2012, the interim library opened in the Castle Street building in December 2012. Subsequent asbestos removal and associated works has been completed and the main construction period has now commenced. The new facility is anticipated to be ready in spring 2014.

Child and Adult Protection

Haven Banks Outdoor Education Centre will provide a contemporary hub for outdoor activities for young people and adults. It is progressing well and expected to complete in summer of 2013. There have been significant refurbishments of several Youth centres around the County including Axminster, Bideford and Tiverton. All are now complete and in use.

Social Care Provision

The Extra Care Housing programme has, in partnership with Teignbridge District Council and Aster Housing Group, initiated a new development, on part of the old hospital site in the Newton Abbot town centre. This will provide 50 self contained flats, ten of which will be specifically for people with dementia, the first of which will be available the autumn of 2014.

The remodelling and refurbishment of the Children's Home in Rifford Road is now complete, providing accommodation for seven young people on emergency admissions for short-term assessment, whilst workers identify an appropriate move-on placement. The new extension to the Atkinson Secure Unit is currently on site and is due to be completed by mid 2013.

Education and Learning

The Stansfield Centre (Falcon Road DPLS) has now been completed and is currently being used to provide education and accommodation to children with a wide range of specialist needs.

The Newton Abbot Skills centre has also been completed and is being run by the three secondary schools in the area providing technical and vocational qualifications to young people.

Individual schools have undertaken numerous local projects using their devolved formula capital to acquire or maintain assets to enhance the quality of education for their pupils. Projects range from upgrades of building to refurbishments of IT suites.

Corporate Services

During 2012/13 work was undertaken to reconfigure office accommodation and incorporate additional staff while making more efficient use of space. In particular, Follaton House in Totnes will accommodate Childcare Social Work services, the South Hams Community Learning Disability Team and the local area Reablement Team. In Newton Abbot five DCC teams have moved and co-located to enable the release of two leased properties and the sale of a DCC owned building.

Over the coming year more staff will be relocating to the five strategic centres – County Hall, Great Moor House, Barnstaple Civic Centre, Estuary House (Newton Abbot) and Follaton House (Totnes). This will release buildings to achieve capital receipts and reduce running costs as set out in the Estates Strategy for 2012-2017.

A number of ICT schemes have completed during the year. The most significant of these are Modernising the Desktop, replacing the technology supporting the End of Life Backup and improved storage. Roll out of the new modernised desktop has improved home working accessibility and will provide the authority with the latest versions of software such as Office, Project and Visio. It has also reduced login speeds at remote sites and improved access to applications and data. In addition, approximately 200 software applications have been decommissioned as part of the roll out process.

The County Farms Estate Useable Capital Receipt Reserve was used in 2012/13 to fund 33 projects. These involved essential infrastructure upgrades to meet strategic goals and fulfil statutory obligations such as building Nitrate Vulnerable Zone compliant slurry stores.

Funds for Capital and Other Commitments

The capital programme required finance of £117.526 millions. Borrowing was met from internal sources during 2012/13 and amounted to £16.065 millions. No new long term borrowing took place during the year. Other sources of finance were grants and contributions totalling £90.448 millions, capital receipts from the sale of assets contributed funding of £9.589 millions and direct revenue contributions and use of reserves provided £1.424 millions.

The cost of servicing the Private Finance Initiative for Exeter Schools is met annually from revenue budgets. An outstanding liability of £53.647 millions is included on the balance sheet at the 31 March 2013 which will be written down as payments are made against the contract over its remaining life. Note 41 on page 86 provides further detail.

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 £511.569 millions. £20 millions of borrowing from commercial lenders is due for repayment in July 2013 and is included within the balance sheet as short term borrowing.

Pensions Liability

The pension liability is based on an actuarial valuation and represents the benefits that have been accrued by members of the local government pension scheme. At the end of March 2013 the liability is estimated at just over £1,735 millions, which is set against estimated assets of £972.6 millions. These estimates reflect the position as at 31 March 2013 and the conditions and actuarial assumptions prevailing at that time. The situation will change, for example, with changes in the financial performance of the Pension Fund investments and changes to the provisions of the Local Government Pension Scheme.

The impact of changes to actuarial assumptions has been largely offset by the increase the Fund's invested asset, values resulting in a relatively small increase in net liabilities for the year. As a result for 2012/13 the net liability has increased by just over £47 millions from £715 millions to £762 millions.

The pension fund deficit does not represent an immediate call on the Council's reserves but simply provides a snapshot (at 31st March 2013), with the value of assets and liabilities changing on a daily basis. It is arguable whether the annual calculation of the pension fund deficit accurately reflects the long run position, many believe it does not. The triennial valuation undertaken by the actuary and effective from 1 April 2011 shows a marginal improvement in funding which has allowed the County Council's pension fund contributions to remain unchanged until 2014. The next triennial valuation, due in the next year, will take account of wide spread changes to the Local Government Pension Fund which will shortly be finalised.

Note 43 on page 89 provides further information.

Integrated Children's Service

Virgin Care Limited has been awarded a contract to manage the Integrated Children's Service from 1 April 2013. The contract award is initially for 3 years and has an annual value of approximately £31 millions. The contract combines NHS and Devon County Council provision. The current value of County Council provision assigned to the contract is in the region of £2.5 millions per annum.

Conclusion

The financial statements record that as a result of careful management of the Council's resources an adequate level of reserves has been maintained, leaving the Council in a reasonable financial position to cope with future challenges.

The impact of the economic downturn is that a significant squeeze on public expenditure, including that for local authorities, will take place during the next three to four years. The financial resilience of the Council during this period will be recorded in future years' financial statements and will give a unique insight into the robustness of its financial management structures.

The preparation of these financial statements results from the painstaking effort over many months of a great many people. I would like to place on record my 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

13th September 2013

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 2013 has been prepared in accordance with the Accounts and Audit (England) Regulations 2011 and that it gives a true and fair view of the financial position of the Authority as at 31st March 2013 and its income and expenditure for the year ended 31st March 2013.

Mary Davis

County Treasurer

13th September 2013

Approval of the Statement of Accounts

I confirm that these accounts were approved by the Audit Committee at its meeting on 23rd September 2013

Chairman of the Audit Committee

23rd September 2013

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 10.

	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 2011 Restated	**(29,234)**	**(72,369)**	**(7,587)**	**(43,317)**	**(152,507)**	**(239,750)**	**(392,257)**
Movement in reserves during 2011/12 Restated							
(Surplus)/deficit on the provision of services	93,968				**93,968**		**93,968**
Other Comprehensive Income & (Expenditure)	0				**0**	**194,293**	**194,293**
Total Comprehensive Income & Expenditure	93,968	0	0	0	93,968	194,293	288,261
Adjustments between accounting basis & funding basis under regulations (Note 9)	(100,286)		(10,550)	7,090	**(103,746)**	**103,746**	**0**
Net Increase/Decrease before Transfers to Earmarked Reserves	(6,318)	0	(10,550)	7,090	**(9,778)**	298,039	288,261
Transfers to/from Earmarked Reserves (Note 10)	5,657	(5,657)			**0**		**0**
(Increase)/Decrease in 2011/12	**(661)**	**(5,657)**	**(10,550)**	**7,090**	**(9,778)**	**298,039**	**288,261**
Balance at 31st March 2012 Carried Forward	**(29,895)**	**(78,026)**	**(18,137)**	**(36,227)**	**(162,285)**	**58,289**	**(103,996)**
Movement in reserves during 2012/13							
(Surplus)/deficit on the provision of services	175,532				**175,532**		**175,532**
Other Comprehensive Income & (Expenditure)	0				**0**	**24,969**	**24,969**
Total Comprehensive Income & Expenditure	175,532	0	0	0	**175,532**	**24,969**	**200,501**
Adjustments between accounting basis & funding basis under regulations (Note 9)	(175,109)		(46)	5,539	**(169,616)**	**169,616**	**0**
Net Increase/Decrease before Transfers to Earmarked Reserves	423	0	(46)	5,539	**5,916**	**194,585**	**200,501**
Transfers to/from Earmarked Reserves (Note 10)	(1,931)	1,931			**0**		**0**
(Increase)/Decrease in 2012/13	**(1,508)**	**1,931**	**(46)**	**5,539**	**5,916**	**194,585**	**200,501**
Balance at 31st March 2013 Carried Forward	**(31,403)**	**(76,095)**	**(18,183)**	**(30,688)**	**(156,369)**	**252,874**	**96,505**

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.

2011/12 Gross Expenditure	**2011/12 Gross Income**	**2011/12 Net Expenditure**		**Notes**	**2012/13 Gross Expenditure**	**2012/13 Gross Income**	**2012/13 Net Expenditure**
Restated	**Restated**	**Restated**					
£000	£000	£000			£000	£000	£000
			General Fund continuing operations				
16,763	(3,043)	13,720	Cultural and Related Services		18,928	(3,040)	15,888
36,538	(3,248)	33,290	Environimental and Regulatory Services		40,879	(3,639)	37,240
12,666	(2,663)	10,003	Planning Services		11,510	(4,008)	7,502
615,305	(461,037)	154,268	Children's and Education Services		583,530	(419,590)	163,940
108,801	(7,575)	101,226	Highways and Transport Services		128,808	(14,415)	114,393
277,297	(71,120)	206,177	Adult Social Care		279,887	(79,709)	200,178
134		134	Housing Services (primarily supporting people)		2,942	(58)	2,884
3,062	(61)	3,001	Corporate and Democratic Core		4,154	(147)	4,007
(12,765)		(12,765)	Non Distributed Costs		(12,979)	(66)	(13,045)
3,417	(1,741)	1,676	Central Services to the Public		3,581	(1,648)	1,933
5,392		5,392	Exceptional items not included in costs of specific services	7	1,993		1,993
1,066,610	**(550,488)**	**516,122**	**Cost of Services**	27	**1,063,233**	**(526,320)**	**536,913**
136,077		136,077	Other Operating Expenditure	6, 12	199,139		199,139
52,459	(1,919)	50,540	Financing and Investment Income and Expenditure	13	57,059	(1,766)	55,293
	(608,771)	(608,771)	Taxation and Non-specific Grant Income	14		(615,813)	(615,813)
1,255,146	**(1,161,178)**	**93,968**	**Surplus or Deficit on Provision of Services**		**1,319,431**	**(1,143,899)**	**175,532**
		(6,436)	(Surplus) or deficit on revaluation of Property, Plant and Equipment				(13,720)
		0	(Surplus) or deficit on revaluation of available for sale financial assets				0
		200,729	Actuarial (Gains) or losses on pension assets and liabilities	43			38,689
		194,293	**Other Comprehensive Expenditure & Income**				**24,969**
		288,261	**Total Comprehensive Expenditure & Income**				**200,501**

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 is those that the authority is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the revaluation reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line "Adjustments between accounting basis and funding basis under regulations".

The 31st March 2012 position has been restated to take account of the prior year adjustments detailed in Note 3 on page 31.

31st March 2012 Restated £000		Notes	31st March 2013 £000	31st March 2013 £000
1,323,450	Property, Plant & Equipment	15	1,160,056	
597	Intangible Assets	16	440	
2,381	Heritage Assets	17	2,399	
0	Long Term Investments	19	5,000	
247	Investments in Associates & Joint Ventures	19	372	
27,864	Long Term Debtors	18	28,221	
1,354,539	**Long Term Assets**			1,196,488
40,314	Short Term Investments	19	57,405	
1,664	Inventories		1,756	
66,429	Short Term Debtors	21	77,685	
92,725	Cash and Cash Equivalents	23	62,685	
7,542	Assets held for sale	24	6,970	
208,674	**Current Assets**			206,501
(6,739)	Provisions	20	(4,374)	
(11,415)	Short Term Borrowing	19	(31,431)	
(913)	Revenue Grants Receipts in Advance	38	(880)	
(110,728)	Short Term Creditors	21	(108,485)	
(129,795)	**Current Liabilities**			(145,170)
(9,110)	Provisions	22	(10,642)	
(531,624)	Long Term Borrowing	19	(511,569)	
(768,598)	Other Long Term Liabilities	26	(813,228)	
(2,607)	Revenue Grants Receipts in Advance	38	(2,624)	
(17,483)	Capital Grants Receipts in Advance	38	(16,261)	
(1,329,422)	**Long Term Liabilities**			(1,354,324)
103,996	**Net Assets/(Liabilities)**			**(96,505)**
(162,285)	Usable Reserves			(156,369)
58,289	Unusable Reserves	25		252,874
(103,996)	**Total Reserves**			**96,505**

Cash Flow Statement

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

2011/12 Restated £000		**Note**	**2012/13 £000**	**£000**
93,968	**(Surplus) or Deficit on the Provision of Services**			**175,531**
	Adjustments for -			
(203,974)	Non cash movements	28	(275,618)	
6,315	Investing and financing activities	29	4,050	
(197,659)				(271,568)
(103,691)	**Net cash flows from operating activities**	30		**(96,037)**
64,533	Investing activities	31		**124,116**
2,071	Financing activities	32		**1,961**
(37,087)	**Net (increase)/decrease in cash and cash equivalents**			**30,040**
55,638	Cash and cash equivalents at 1 April 2012			92,725
92,725	**Cash and cash equivalents at 31 March 2013**	23		**62,685**

1.Statement of Accounting Policies

General Principles

The Statement of Accounts summarises the Authority's transactions for the 2012/13 financial year and its position at the year-end of 31st March 2013. The Authority is required to prepare an annual Statement of Accounts by the Accounts and Audit (England) Regulations 2011, which those regulations require to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on local Authority Accounting in the United Kingdom 2012/13 and the Service Reporting Code of Practice 2012/13, supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under section 12 of the 2003 Act.

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

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 Council 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.

Carbon Reduction Commitment Scheme

The Authority is required to participate in the Carbon Reduction Commitment (CRC) Energy Efficiency Scheme. This scheme is currently in its introductory phase which will last until 31st March 2014. The authority is required to purchase and surrender allowances, currently retrospectively, on the basis of emissions i.e. carbon dioxide produced as energy is used. As carbon dioxide is emitted (i.e. as energy is used), a liability and an expense are recognised. The liability will be discharged by surrendering allowances. The liability is measured at the best estimate of the expenditure required to meet the obligation, normally at the current market price of the number of allowances required to meet the liability at the reporting date and is included as a provision on the authority's balance sheet. The cost to the authority is recognised and reported in the costs of the authority’s services and is apportioned to services on the basis of energy consumption.

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 service where there are no, or insufficient, accumulated gains in the revaluation reserve against which they 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, or loans fund principal charges). Depreciation, revaluation, impairment losses and amortisation are therefore replaced by the contribution in the General Fund Balance (MRP or loans fund principal), by way of an adjusting transaction with the Capital Adjustment Account in the movement in reserves statement for the difference between the two.

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 Council. 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 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 Council 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 when the Council is demonstrably committed to the termination of the employment of an officer or group of officers or making an offer to encourage voluntary redundancy.

Where termination benefits involve the enhancement of pensions, statutory provisions require the general fund balance to be charged with the amount payable by the Council 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 Council are members of two separate pension schemes:

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

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

The arrangements for the teachers' scheme mean that liabilities for these benefits cannot ordinarily be identified specifically to the Council. The scheme is therefore accounted for as if it 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 line in the comprehensive income and expenditure is 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 Council 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 Council 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 seven 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;

- Interest cost – the expected increase in the present value of liabilities during the year as they move one year closer to being paid debited to the financing and investment income and expenditure line in the comprehensive income and expenditure statement;
- Expected return on assets – the annual investment return on the fund assets attributable to the Council, based on an average of the expected long term return credited to the financing and investment income and expenditure line in the comprehensive income and expenditure statement;
- Gains and losses on settlements and curtailments – the result of actions to relieve the Council of liabilities or events that reduce the expected future service or accrual of benefits of employees and is debited/credited to the surplus or deficit on the provision of service line in the comprehensive income and expenditure statement as part of non distributed costs;
- Actuarial gains and losses – changes in the net pension liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions and charged to the pension reserve.
- 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 Council 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.

Exceptional items

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

Financial instruments

Financial liabilities

Financial liabilities are recognised on the balance sheet when the council becomes a party of the contractual provision of a financial instrument and are initially measured at fair value and are carried at their amortised cost. Annual charges to the financing and investment income and expenditure line in the comprehensive income and expenditure statement for interest payable are based on the carrying amount of the liability, multiplied by the effective 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 Council 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 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 Council 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 Council 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 Council 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 Council.

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.

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.

Foreign Currency Translation

Where Devon County Council has entered into a transaction denominated in a foreign currency, the transaction is converted into sterling at the exchange rate applicable on the date the transaction was effective. Where amounts in foreign currency are outstanding at the year-end, they are reconverted at the spot exchange rate at 31 March. Resulting gains or losses are recognised in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

Government grants and contributions

Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as due to the Authority when there is reasonable assurance that the Authority will comply with the conditions attached to the payments, and the grants or contributions will be received. Amounts recognised as due to the Council are not credited to the comprehensive income and expenditure statement until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations 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 if ('Attributable revenue grants and contributions') or taxation and non-specific grant income (if 'Non ring-fenced revenue grants and all capital grants') in the comprehensive income and expenditure statement.

Whereas 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 being 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 hold a number of heritage assets which are held securely in the Stack at Exeter Central Library and are accessible by the public on 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 and donations are rare. Where they do occur acquisitions are initially recognised at cost and donations are recognised at valuation with valuations being provided by an external valuer.

For assets that have been recently purchased, or where insurance valuations are available, it is the Authority's policy to recognise the assets using these bases since obtaining an external valuation would involve a disproportionate cost in comparison to the benefits to users of the Authority's 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 Council 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 Council 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 Councils 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 Council meets this criterion, and they are therefore carried at amortised cost. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service line(s) in the comprehensive income and expenditure statement. An asset is tested for impairment whenever there is an indication that the asset might be impaired. Any losses recognised are posted to the relevant service line(s) in the comprehensive income and expenditure statement. Any gain or loss arising on the disposal or abandonment of an intangible asset 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.

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.

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 Council 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 (Council as Lessor)
The Council has 40 land and building assets that are leased to tenants and that meet the definition of a Finance Lease. All of the assets are included within Fixed Assets on the Balance Sheet. 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)
The Council has 18 land and building assets that are held on Finance Leases. The Council's interest in the assets is included within Fixed Assets on the Balance Sheet. 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.

Overheads and Support Services

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA Service Reporting Code of Practice 2012/13(SeRCOP). The total absorption costing principle is used. The full cost of overheads and support services are shared between users in proportion to the benefits received with the exception of:

- Corporate and democratic core – costs relating to the Council'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 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 Council is deemed to control the services that are provided under its PFI schemes, and as ownership of the PP&E will pass to the Council at the end of the contracts for no additional charge, the Council 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 Council

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 of 10.31% 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 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 is not applied.

Landfill Sites: The authority has a number of closed landfill sites. All of the sites have been restored and the only regular costs are in relation to leachate management and methane monitoring. The costs are charged to revenue and recognised in the Comprehensive Income and Expenditure Statement as they are incurred.

A capital provision has not been established as the costs are not material.

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 Council'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. 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	60
Services	31	20
Fittings	5	10
Finishes	10	10
Secondary Schools		
Sub & Super Structure	55	60
Services	30	20
Fittings	5	10
Finishes	10	10
Special Schools		
Sub & Super Structure	52.5	60
Services	33	20
Fittings	4.5	10
Finishes	10	10

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 Explanatory Foreword on page 1.

Measurement: assets are initially measured at cost, comprising 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. Donated assets are measured initially at fair value. The difference between fair value and any consideration paid is credited to the Taxation and Non-specific Grant Income line of the Comprehensive Income and Expenditure Statement, unless the donation has been made conditionally. Until conditions are satisfied, the gain is held in the Donated Assets Account. Where gains are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance to the Capital Adjustment Account in the Movement in Reserves Statement. Assets are then carried in the balance sheet using the following measurement bases: Infrastructure, Community Assets and Assets under Construction are measured at historical cost; all other classes of asset are measured at fair value. If there is no market-based evidence of fair value because of the specialist nature of the asset and the asset is rarely sold, fair value is estimated by using a Depreciated Replacement Cost (DRC) approach. Where non-property assets that have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for fair value.

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

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 a school becomes an Academy the authority is obliged to grant a 125 year lease for the school land and buildings. The buildings are then removed from the Authority's Balance Sheet in line with proper accounting practice as the building lease meets the definition of a Finance Lease. The land however, due to its indefinite life does not meet the definition of a Finance Lease and therefore remains on the Authority's Balance Sheet. The Authority does not impair the value of the Land as the children of Devon continue to be educated at the school and its service potential is not therefore affected.

Where 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(s) in the Comprehensive Income and Expenditure Statement

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line(s) in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

Disposals and Non Current Assets Held For Sale: When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is 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.

Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale.

When an asset is disposed of or decommissioned, the carrying amount of the asset in the balance sheet 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. A proportion of receipts relating to Housing disposal is payable to the government. 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 Council'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.

Depreciation: depreciation is provided for on all Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (i.e. freehold land and certain Community Assets) and assets that are not yet available for use (i.e. assets under construction).

Depreciation is not charged in the year of acquisition. In the year of disposal depreciation 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.

Provisions

Provisions are made where an event has taken place that gives the Council 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 Council 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 now be required or a lower settlement than anticipated is made, the provision is reversed and credited back to the relevant service.

Where some or all of the payment required to settle a provision is expected to be recovered from another party, 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 Council. These reserves are explained in the relevant policies.

Revenue Expenditure Funded from Capital under Statute

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.

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 [FIFO] costing formula.

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

IAS 19 Employee Benefits

Post Employment Benefits
In the 2013/14 Statement of Accounts, the Council will apply new accounting treatments to the presentation and disclosure of post employment benefits. The overall measurement of the Council's net pension liability will not change, but there will be some reclassification of the components into which year-on-year changes in the net liability are analysed. The only substantial change to the Council's financial performance will come from a revision of the measurement basis for the return on pension scheme investments, which will be calculated by applying the discount rate to pensions assets rather than as an expected return of the assets based on market expectations. If this treatment had been applied in 2012/13, the return on pension scheme investments would have been £7.8 millions less, increasing the Deficit on the Provision of Services to £183.332 millions. This would have been compensated for by a corresponding decrease in actuarial gains and losses in Other Comprehensive Income and Expenditure, leaving the outturn on the Comprehensive Income and Expenditure Statement unchanged.

Termination Benefits
From the 2013/14 Statement of Accounts, the Council will apply a new accounting policy for the recognition of termination benefits. Benefits will be recognised when the Council can no longer withdraw an offer to pay such benefits. Currently provision is made when the Council becomes demonstrably committed to terminate the employment of an employee (or groups of employees) or to provide benefits as part of an offer to encourage voluntary redundancy. If the new policy had been applied in the 2012/13 Statement of Accounts, £161,000 of termination benefits charged against the Surplus/Deficit on the Provision of Services would not have been recognised but would have been carried over to 2013/14.

3. Prior Year Adjustment

Science Park
An Asset Under Construction has been held on the authority's Balance Sheet for several years. It has been found that the authority is acting as an Agent for the Homes and Communities Agency, formerly South West Regional Development Agency. The construction and associated costs have been wholly funded by the agency. The Asset Under Construction of £17.754 millions has been removed from the authority's Balance Sheet.

King Edward VI School
The school became a Co-operative Trust in 2011/12 and the school land and buildings transferred from the authority to the Trust at that time. The land and buildings valued at £16.293 millions has been removed from the Balance Sheet to reflect the change in status of the school.

The 2011/12 accounts have been restated for both events as detailed below.

Movement in Reserves Statement

Before Restatement:

	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 2011	**(29,234)**	**(72,369)**	**(7,587)**	**(43,317)**	**(152,507)**	**(254,228)**	**(406,735)**
<u>Movement in reserves during 2011/12</u>							
Surplus/(deficit) on the provision of services	74,399				**74,399**		**74,399**
Other Comprehensive Income & (Expenditure)	0				**0**	**194,293**	**194,293**
Total Comprehensive Income & Expenditure	74,399	0	0	0	74,399	194,293	268,692
Adjustments between accounting basis & funding basis under regulations (Note 9)	(80,717)		(10,550)	7,090	**(84,177)**	**84,177**	**0**
Net Increase/Decrease before Transfers to Earmarked Reserves	(6,318)	0	(10,550)	7,090	**(9,778)**	278,470	268,692
Transfers to/from Earmarked Reserves (Note 10)	5,657	(5,657)			**0**		**0**
(Increase)/Decrease in 2011/12	**(661)**	**(5,657)**	**(10,550)**	**7,090**	**(9,778)**	**278,470**	**268,692**
Balance at 31st March 2012 Carried Forward	**(29,895)**	**(78,026)**	**(18,137)**	**(36,227)**	**(162,285)**	**24,242**	**(138,043)**

Restated:

	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 2011	**(29,234)**	**(72,369)**	**(7,587)**	**(43,317)**	**(152,507)**	**(239,750)**	**(392,257)**
<u>Movement in reserves during 2011/12</u>							
Surplus/(deficit) on the provision of services	93,968				**93,968**		**93,968**
Other Comprehensive Income & (Expenditure)	0				**0**	**194,293**	**194,293**
Total Comprehensive Income & Expenditure	93,968	0	0	0	93,968	194,293	288,261
Adjustments between accounting basis & funding basis under regulations (Note 9)	(100,286)		(10,550)	7,090	**(103,746)**	**103,746**	**0**
Net Increase/Decrease before Transfers to Earmarked Reserves	(6,318)	0	(10,550)	7,090	**(9,778)**	298,039	288,261
Transfers to/from Earmarked Reserves (Note 10)	5,657	(5,657)			**0**		**0**
(Increase)/Decrease in 2011/12	**(661)**	**(5,657)**	**(10,550)**	**7,090**	**(9,778)**	**298,039**	**288,261**
Balance at 31st March 2012 Carried Forward	**(29,895)**	**(78,026)**	**(18,137)**	**(36,227)**	**(162,285)**	**58,289**	**(103,996)**

Comprehensive Income and Expenditure Statement

	Original			Restated		
	2011/12 Gross Expenditure	2011/12 Gross Income	2011/12 Net Expenditure	2011/12 Gross Expenditure	2011/12 Gross Income	2011/12 Net Expenditure
	£000	£000	£000	£000	£000	£000
General Fund continuing operations						
Children's and Education Services	615,667	(461,037)	154,630	615,305	(461,037)	154,268
Cost of Services	**1,066,972**	**(550,488)**	**516,484**	**1,066,610**	**(550,488)**	**516,122**
Other Operating Expenditure	119,422		119,422	136,077	0	136,077
Taxation and Non-specific Grant Income		(612,047)	(612,047)	0	(608,771)	(608,771)
Surplus or Deficit on Provision of Services	**1,238,853**	**(1,164,454)**	**74,399**	**1,255,146**	**(1,161,178)**	**93,968**
Total Comprehensive Expenditure & Income			**268,692**			**288,261**

Balance sheet

	Original 31st March 2012	Restated 31st March 2012
	£000	£000
Property, Plant & Equipment	1,357,497	1,323,450
Long Term Assets	1,388,586	1,354,539
Short Term Debtors	67,131	66,429
Cash and Cash Equivalents	93,015	92,725
Current Assets	209,666	208,674
Short Term Creditors	(111,720)	(110,728)
Current Liabilities	(130,787)	(129,795)
Net Assets	**138,043**	**103,996**
Unusable Reserves	24,242	58,289
Total Reserves	**(138,043)**	**(103,996)**

Cash Flow Statement

	Original 2011/12 £000	Restated 2011/12 £000
	74,399	**93,968**
Adjustments for -		
Non cash movements	(188,207)	(203,974)
	(107,493)	**(103,691)**
Investing activities	**68,045**	**64,533**
Net (increase)/decrease in cash and cash equivalents	**(37,377)**	**(37,087)**
Cash and cash equivalents at 1 April 2012	**93,015**	**92,725**

4. 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 being a going concern;
- Note 19 Financial Instruments details the authority's Investment Strategy and approach to managing risk. None of the authority's investments are impaired;
- The authority has relationships with several Companies, details are provided in note 40. The authority's interests have been assessed and judged to be associates and jointly controlled entities. Group Accounts have not been prepared on the grounds of materiality; and
- The authority's significant contracts have been reviewed and no embedded finance leases or service concessions found. The authority has one Private Finance Initiative contract for the provision of schools, note 41 provides detail

5. 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 2013 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 £1.924m and £11.460m respectively for every year that useful lives have to be reduced.
Provisions	The authority has made a provision of £12.962m in relation to self insurance liabilities and £0.444m in relation to the corporate restructure. These provisions are estimates 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% increase in the discount rate assumption would result in a decrease in the pension liability of £63.485m. However, the assumptions interact in complex ways. During 2012/13, the authority's actuaries advised that due to estimates being corrected (as a result of experience) the net pensions liability had increased by £62.211m and increased by £100.900m 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 43. 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 2013, the authority had a balance of sundry debtors of £77m. A review of significant balances suggested that an impairment of doubtful debts of £4.3m 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 £0.8m.

6. Material items of Income and Expenditure

The following material item is included within the Comprehensive Income and Expenditure Account:During 2012/13 property, plant and equipment assets specifically attributable to schools transferring to co-operative and academy trust status have been written off on disposal or sale and are recognised within 'Other Operating Expenditure' as a loss on disposal of £194.464m. These assets are derecognised in accordance with proper accounting practices with nil sale proceeds.

7. Exceptional item

Corporate Restructure
In October 2010 the Government published its Comprehensive Spending Review that set out its spending plans for the next four years. In real terms Central Government support for local authority spending is due to contract by 28%. As a consequence of the cuts the authority has carried out a restructure that has resulted in severance costs being incurred or provided for. £2.0 millions (2011/12 £5.3 millions) is included as an exceptional item. Note 37 provides more Termination Benefit information.

8. Events after the Balance Sheet Date

The following events are non-adjusting events.

Academy Schools
Since 1st April 2013 the following schools have become Academies:

- Ilfracombe Arts College
- St Michael's Church of England Primary School
- St Nicholas Catholic Primary School
- The Duchy School
- Uffculme Primary

Academies are independent and Devon County Council has ceased to be the maintaining authority from the date of transfer. 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 £7.313m per annum.

Devon County Council will continue to own Ilfracombe Arts College, The Duchy School and Uffculme Primary land and buildings and will grant a 125 year lease to the Academies to occupy the site. As the Building element of the lease meets the definition of a finance lease the buildings will no longer be included within the Council's Balance Sheet. The Net Book Value of the Buildings at 31st March 2013 was £12.665m.

St Nicholas Catholic Primary School and St Michael's C of E Primary School are owned by the Diocese and therefore DCC did not recognise the Land and Building within its balance sheet.

Equipment with a Net Book Value of £0.138m has also transferred to the Academy schools.

Co-operative Trust Schools
Since 1st April 2013 the following schools have become co-operative trust schools:

- Appledore Community Primary School
- Bassettts Farm Primary School

- Brixington Primary School
- Clyst Hydon Primary School
- Cullompton Community College
- Exeter Road Community Primary School
- Hartland Primary School
- Marpool Primary School
- Northam St George’s Church of England (Aided) Infant & Nursery School
- Pynes Infant School & Nursery
- St Andrew's Primary School
- St Margaret’s Church of England (Aided) Junior School
- St Mary's Church of England Primary School, Bideford
- Willowbank Primary School
- Woolsery Primary School
- Uplowman Church of England Primary School

Co-operative trust schools are maintained schools supported by a charitable foundation. Once set up the Trust is responsible for the land and buildings only. All revenue costs and income relating to these schools will continue to be part of the Council’s accounts, however as ownership of the buildings and Land is transferred to the Trustees these will no longer be included within the Council’s Balance Sheet. The Net Book Value of the Land and Buildings at 31st March 2013 was £33.129m.

Northam St George’s Church of England (Aided) Infant & Nursery School and St Margaret’s Church of England (Aided) Junior School are owned by the Diocese and therefore DCC did not recognise the Land and Building within its balance sheet.

Equipment with a Net Book Value of £0.384m has also transferred to the Co-operative Trust schools.

Public Health
On 1st April, 2013 the authority assumed responsibility for the provision of Public Health services. The service was previously provided by the Devon Primary Care Trust (PCT). Thirty staff have transferred to the authority from the PCT under TUPE arrangements. No assets or liabilities have transferred.

The service is fully funded by a ring-fenced grant from the Department of Health. The authority's Gross Expenditure and Gross Income will increase by approximately £20 millions per annum as a result of the transferred service.

9. 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.

2012/13	General Fund	Capital grants Unapplied	Capital Receipts Reserve	Movement in Unusable Reserves
	£000	£000	£000	£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	(66,978)			66,978
Revaluation Losses on Property Plant & Equipment	(15,371)			15,371
Amortisation of intangible assets	(255)			255
Capital grants and contributions	90,480	(90,480)		
Revenue expenditure funded from capital under statute	(10,049)			10,049
Amounts of non current assets written off on disposal or sale, as part of the gain/loss on disposal	(202,560)			202,560
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:				
Statutory provision for the financing of capital investment	31,562			(31,562)
Capital Expenditure charged to the General Fund Balance	1,424			(1,424)
Adjustments involving the Capital Receipts Reserve:				
Transfer of sale proceeds credited as part of the gain/loss on disposal	4,050		(4,050)	
Use of the Capital Receipts Reserve to finance new capital expenditure			9,589	(9,589)
Adjustments involving the Capital Grants Unapplied Reserve:				
Use of the Capital Grants Unapplied Reserve to finance new capital expenditure		90,434		(90,434)
Adjustments involving the Pensions Reserve:				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see note 43)	(53,035)			53,035
Employer's pensions contributions and direct payments to pensioners payable in the year	44,359			(44,359)
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	(47)			47
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.	775			(775)
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	536			(536)
Total Adjustments	**(175,109)**	**(46)**	**5,539**	**169,616**

2011/12 Restated	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	(58,769)			58,769
Revaluation Losses on Property Plant & Equipment	(10,238)			10,238
Amortisation of intangible assets	(270)			270
Capital grants and contributions	82,190	(82,190)		
Revenue expenditure funded from capital under statute	(14,816)			14,816
Amounts of non current assets written off on disposal or sale, as part of the gain/loss on disposal	(141,725)			141,725
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:				
Statutory provision for the financing of capital investment	30,747			(30,747)
Capital Expenditure charged to the General Fund Balance	1,446			(1,446)
Adjustments involving the Capital Receipts Reserve:				
Transfer of sale proceeds credited as part of the gain/loss on disposal	6,315		(6,315)	
Use of the Capital Receipts Reserve to finance new capital expenditure			13,405	(13,405)
Adjustments involving the Capital Grants Unapplied Reserve:				
Use of the Capital Grants Unapplied Reserve to finance new capital expenditure		71,640		(71,640)
Adjustments involving the Pensions Reserve:				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see note 43)	(41,112)			41,112
Employer's pensions contributions and direct payments to pensioners payable in the year	43,368			(43,368)
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	2			(2)
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.	747			(747)
Adjustment involving the Accumulating Compensated Absences				
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	1,829			(1,829)
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				0
Total Adjustments	**(100,286)**	**(10,550)**	**7,090**	**103,746**

10. 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 2011	Transfers out 2011/12	Transfers in/within 2011/12	**Balance at 31st March 2012**	Transfers out 2012/13	Transfers in/within 2012/13	**Balance at 31st March 2013**
	£000	£000	£000	**£000**	£000	£000	**£000**
Affordable Housing	**(685)**	114		**(571)**	28		**(543)**
Blighted Properties	**(200)**		200				
Budget Management			(9,500)	**(9,500)**			**(9,500)**
Building Maintenance	**(664)**	5		**(659)**	272	387	
Development Fund	**(510)**	510					
Devon Cleaning & Catering	**(135)**		135				
Energy & Water Efficiency	**(64)**			**(64)**		64	
European Matched Funding	**(1,422)**	327	(350)	**(1,445)**	316		**(1,129)**
Extra Care Housing	**(8,076)**			**(8,076)**	600	(2,500)	**(9,976)**
General	**(14,012)**	300	(1,464)	**(15,176)**			**(15,176)**
Insurance	**(990)**		990				
Lets Get Devon Moving	**(85)**	18	67				
Local Authority Business Grant	**(2,395)**	454	(67)	**(2,008)**	353		**(1,655)**
Local Initiatives	**(168)**	64		**(104)**	65	39	
LPSA2 Reward	**(2,988)**	1,340	1,648				
Modernisation Fund	**(2,722)**	77	2,645				
New Road & Street Works Act Fund	**(419)**		419				
On Street Parking	**(1,284)**		(526)	**(1,810)**		(130)	**(1,940)**
PFI Sinking Fund	**(2,381)**	725		**(1,656)**	1,656		
Procurement Initiative	**(68)**	23	45				
Redundancy	**(2,607)**	5,796	(7,229)	**(4,040)**	2,809	(1,714)	**(2,945)**
Reinstatement of Existing Landfill Site	**(58)**		58				
Roads Emergency	**(1,651)**		(2,000)	**(3,651)**	3,651		
Service Development	**(2,972)**	1,317	(7,182)	**(8,837)**	572	(2,119)	**(10,384)**
Systems Development Fund	**(255)**	69		**(186)**	130	56	
Waste Management Fund	**(838)**	91	(59)	**(806)**	122		**(684)**
Total before Carry Forwards	**(47,649)**	**11,230**	**(22,170)**	**(58,589)**	**10,574**	**(5,917)**	**(53,932)**
Directorate Budget Carry Forwards	**(24,720)**	24,720	(19,437)	**(19,437)**	19,437	(22,163)	**(22,163)**
Total excluding schools	**(72,369)**	35,950	(41,607)	**(78,026)**	30,011	(28,080)	**(76,095)**
School Carry Forwards (included within General Fund Balance) See Note 11	**(14,844)**	14,844	(15,425)	**(15,425)**	15,425	(16,865)	**(16,865)**

11. General Fund Balance

31st March 2012 £000		31st March 2013 £000
15,425	Schools Carry Forwards	16,865
14,470	Non Schools working balance	14,538
29,895	Total General Fund Balance	**31,403**

12. Other Operating Expenditure

2011/12 Restated £000		2012/13 £000
135,476	(Gains)/losses on the disposal of non current assets	198,498
601	Levies	641
136,077		**199,139**

13. Financing and Investment Income and Expenditure

2011/12 £000		2012/13 £000
33,293	Interest payable and similar charges	32,848
19,166	Pensions interest cost and expected return on pensions	24,211
(1,919)	Interest receivable and similar income	(1,766)
50,540		**55,293**

14. Taxation and Non Specific Grant Income

2011/12 Restated £000		2012/13 £000
(325,820)	Council tax income	(328,097)
(141,996)	Non domestic rates	(175,973)
(58,763)	Non-ringfenced government grants	(21,263)
(82,192)	Capital grants and contributions	(90,480)
(608,771)		**(615,813)**

15. Property Plant and Equipment

Movements in 2012/13:

	Other Land and Buildings £000	Vehicles, Plant, Furniture & Equipment £000	Infrastructure Assets £000	Surplus Assets £000	Assets Under Construction £000	**Total Property, Plant and Equipment £000**
Cost or Valuation						
At 1st April 2012	898,067	47,531	596,383	4,406	27,351	**1,573,738**
Additions	20,858	3,713	55,181		27,484	**107,236**
Donations						**0**
Revaluation increases/(decreases) recognsied in the Revaluation Reserve	3,981					**3,981**
Revaluation increases/(decreases) recognsied in the Surplus/Deficit on the provision of Services	(20,707)					**(20,707)**
Derecognition - Disposals				(648)		**(648)**
Derecognition - Other	(201,761)	(9,375)	(13)		(318)	**(211,467)**
Assets reclassified (to)/from Held for Sale	(1,442)					**(1,442)**
Other movements in cost or valuation	7,032		9,261	(137)	(16,156)	**0**
At 31st March 2013	**706,028**	**41,869**	**660,812**	**3,621**	**38,361**	**1,450,691**
Accumulated Depreciation and Impairment						
1st April 2012	(17,021)	(25,060)	(208,204)	(3)	0	**(250,288)**
Depreciation Charge	(21,996)	(6,867)	(38,115)			**(66,978)**
Depreciation written out to the Revaluation Reserve	9,739					**9,739**
Depreciation written out to the Surplus/Deficit on the provision of services	5,336					**5,336**
Derecognition - Disposals				3		**3**
Derecogntion - Other	5,823	5,728	2			**11,553**
At 31st March 2013	**(18,119)**	**(26,199)**	**(246,317)**	**0**	**0**	**(290,635)**
Net Book Value						
At 31st March 2013	**687,909**	**15,670**	**414,495**	**3,621**	**38,361**	**1,160,056**
At 31st March 2012	**881,046**	**22,471**	**388,179**	**4,403**	**27,351**	**1,323,450**

Movements in 2011/12:

	Other Land and Buildings £000	Vehicles, Plant, Furniture & Equipment £000	Infrastructure Assets £000	Surplus Assets £000	Assets Under Construction £000	**Total Property, Plant and Equipment £000**
Cost or Valuation						
At 1st April 2011 (Restated)	997,705	78,428	547,331	1,075	28,673	**1,653,212**
Additions	33,595	4,599	43,902	(3)	18,305	**100,398**
Revaluation increases/(decreases) recognsied in the Revaluation Reserve	(6,487)			581	0	**(5,906)**
Revaluation increases/(decreases) recognsied in the Surplus/Deficit on the provision of Services	(17,246)			(899)	0	**(18,145)**
Derecognition - Other	(120,980)	(35,553)			(975)	**(157,508)**
Assets reclassified (to)/from Held for Sale	(938)			2,625		**1,687**
Other movements in cost or valuation	12,418	57	5,150	1,027	(18,652)	**0**
At 31st March 2012	**898,067**	**47,531**	**596,383**	**4,406**	**27,351**	**1,573,738**
Accumulated Depreciation and Impairment						
1st April 2011	(13,974)	(48,774)	(182,592)	(3)		**(245,343)**
Depreciation Charge	(25,283)	(7,585)	(25,612)			**(58,480)**
Depreciation written out to the Revaluation Reserve	12,342					**12,342**
Depreciation written out to the Surplus/Deficit on the provision of services	7,906					**7,906**
Impairment losses/(reversals) recognised in the surplus/deficit on the provision of services	(289)					**(289)**
Derecogntion - Other	2,277	31,299				**33,576**
At 31st March 2012	**(17,021)**	**(25,060)**	**(208,204)**	**(3)**	**0**	**(250,288)**
Net Book Value						
At 31st March 2012	**881,046**	**22,471**	**388,179**	**4,403**	**27,351**	**1,323,450**
At 31st March 2011 (Restated)	**983,731**	**29,654**	**364,739**	**1,072**	**28,673**	**1,407,869**

Depreciation

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
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
Vehicles, Plant, Furniture	3 to 15 Years
Social Services	50 to 60 Years
Waste Disposal	50 Years

Capital Commitments

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

Contract Name	Project Purpose	2013/14 £000	2014/15 £000	2015/16 £000	Total Commitment 2013/14 Onwards £000
Chagford CoE Primary	Roof & Fenestration Improvements	237	4	0	241
Totnes The Mansion	Library Relocation	203	6	0	209
South Molton College	Roof & Fenestrations & Wet Heating Replacement	179	29	0	208
Exmouth Bassetts Farm Primary	Phased Expansion	927	15	0	942
Exmouth Withycombe Raleigh CoE Primary	Phase 1 Expansion	945	19	0	964
Exeter Exwick Heights Primary	Expansion	1,795	31	0	1,826
Exeter Central Library	Alterations	3,449	53	0	3,502
Exeter Haven Banks	Outdoor Educational Centre	1,208	63	0	1,271
Dartmouth Academy	Technical Advisors	6,251	777	112	7,140
Exe Estuary Trail - Lympstone To Topsham, Clyst Bridge	Exe Estuary Trail Improvement	1,511	26		1,537
A380 South Devon Link Road	Bypass for Kingskerswell	38,185	30,931	3,384	72,500
Dawlish The Strand	Regeneration of Dawlish Town Centre	209	8		217
Sidmouth Recycling Centre	Improved Recycling Facility	1,265	24	0	1,289
		56,364	**31,986**	**3,496**	**91,846**

Effects of Changes in Estimates

In 2012/13, the Authority made no material changes to its accounting estimates for Property, Plant and Equipment.

Componentisation policy

In accordance with the Authority's accounting policy for componentisation only building assets within the schools portfolio have been componentised.

Removal, dismantling and restoration costs

Leachate (liquid waste) extraction, gas management and environmental monitoring expenditure arising from the management of redundant landfill sites have been recognised within the comprehensive income and expenditure statement during 2012/13 in accordance with the Authority's property, plant and equipment accounting policy on page 26.

Revaluations
The Authority carries out a rolling programme that ensures that all Property, Plant and Equipment required to be measured at fair value is revalued at least every five years. The valuations are carried out by our qualified external valuer, John Penaligon FRICS, NPS South West Ltd. The basis for valuation is set out in the Statement of Accounting Policies. 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.

Planning
It is assumed that all buildings and/or sites have either been constructed or are used in accordance with valid Town Planning Consents and Building Regulations Approval, and that they comply with all relevant statutory and any other requirements in connection with the properties and their present use.

De Minimis Assets
In accordance with the Conditions of Engagement, valuations have not been carried out in cases where the Valuer considers that the value is less than £50,000 such properties having been entered accordingly on the schedule of valuations at a nominal amount of £1.

Valuation Assumptions
It is assumed that no high alumina cement concrete, calcium or chloride additive or any other deleterious material is present in the buildings.

No regard has been taken of any possible contamination, and the effect of the Environment Protection Act 1990 and the Environment Act 1995, or any subsequent environment legalisation so far as it relates to any asset, as no information has been made available within the context of these valuations.

It is assumed that the properties and their values are unaffected by any matters which would be revealed by a local search or inspection of a register and that the use and occupation is lawful.

Tenure
Title Deeds have not been inspected and freehold interests have been deemed unencumbered and free from unduly onerous or unusual restrictions or conditions materially affecting value.

Taxation
The valuations have not taken into account any liability for taxation which may arise upon disposal of any assets. Value Added Tax on construction costs has not been included in DRC valuations.

Measurement Bases
Assets are initially measured at cost, comprising all expenditure that is directly attributable to bringing the asset into working condition for its intended use. Assets are then carried in the balance sheet using the following measurement bases:

- Assets surplus to requirements – lower of net current replacement cost or net realisable value
- Other land and buildings, vehicles, plant and equipment – lower of net current replacement cost and net realisable value in existing use
- Infrastructure assets and community assets – depreciated historical cost

Net current replacement cost is assessed as follows:

- Non-specialised operational properties - existing value in use (EUV)
- Specialised operational properties – depreciated replacement cost (DRC)

- Investment properties and surplus assets – market value (MV)

The effective date for all valuations is 31 March 2013 for the financial year 2012/13.

	Other Land and Buildings £000	Vehicles, Plant, Furniture & Equipment £000	Infrastructure Assets £000	Surplus Assets £000	Assets Under construction £000	Total £000
Valued at Historical Cost:		41,870	660,812		38,361	741,043
Valued at Current Value in:						
2012/13	333,214			1,334		334,548
2011/12	154,616			2,000		156,616
2010/11	93,900			287		94,187
2009/10	59,905					59,905
2008/09	64,394					64,394
Total	**706,029**	**41,870**	**660,812**	**3,621**	**38,361**	**1,450,693**

Derecognitions and disposals

The Authority derecognised in 2012/13 property, plant and equipment assets with a carrying value of £200.559m, which are analysed as follows:

Derecognition category	Carrying value £000	Proportion %
Transfers to Co-operative Trust status	181,832	90.66%
Transfers to Academy school status	12,632	6.30%
Other disposals	6,095	3.04%
Total	**200,559**	**100.00%**

16. Intangible Assets

The Authority accounts for its software as Intangible Assets to the extent that the software is not an integral part of a particular IT system and accounted for as part of the hardware item of Property, Plant and Equipment. The intangible assets are purchased licences only as the authority does not internally generate software.

All software is given a finite useful life, based on assessments of the period over which the software is expected to be of use to the Authority. The useful lives assigned to the major software suites used by the Authority range from 3 to 5 years.

The carrying amount of intangible assets is amortised on a straight-line basis.

Intangible assets are to be carried on the balance sheet at revalued amounts, but only where fair value can be determined by reference to an active market. No revaluations have taken place during 2012/13.

The movement on Intangible Asset balances during the year is as follows:

2011/12 Software £000	2011/12 Goodwill £000	2011/12 Total £000		2012/13 Software £000	2012/13 Goodwill £000	2012/13 Total £000
			Balance at start of year:			
1,034	0	1,034	Gross carrying amounts	1,074	0	1,074
(207)	0	(207)	Accumulated amortisation	(477)	0	(477)
827	0	827	Net carrying amount at start of year	597	0	597
40	0	40	Additions (purchases)	98	0	98
0	2,000	2,000	Other changes	0	0	0
(270)	0	(270)	Amortisation for the period	(255)	0	(255)
0	(2,000)	(2,000)	Disposals	0	0	0
597	**0**	**597**	**Net carrying amount at end of year**	**440**	**0**	**440**
			Comprising:			
1,074	0	1,074	Gross carrying amounts	1,172	0	1,172
(477)	0	(477)	Accumulated amortisation	(732)	0	(732)

17. Heritage Assets

Heritage assets are assets 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. Only assets above a de minimis limit of £12,000 are recognised.

The Authority's heritage asset collection is relatively static and acquisitions and donations are rare. The carrying amounts of heritage assets are reviewed annually where there is evidence of impairment. No revaluations, disposals or impairments have taken place during 2012/13.

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

The most significant collection held by the Authority is the Addington Collection which contains a unique collection of over 9,000 papers detailing correspondence between the then Prime Minister, Henry Addington, 1st Viscount Sidmouth, and prominent political figures.

The movement on Heritage Assets balances during the year is as follows:

Reconciliation of the Carrying Value of Heritage Assets Held by the Authority

	Tangible Heritage Assets				Intangible Heritage Assets		
	Historic Documents £000	Historic Publications £000	Art Collection £000	**Total Tangible Heritage Assets £000**	Digitised Historical Documents and Maps £000	**Total Intangible Heritage Assets £000**	**Total Heritage Assets £000**
Cost or Valuation							
At 1st April 2011	1,582	757	20	2,359	0	0	2,359
Additions	4	0	0	4	18	18	22
31 March 2012	**1,586**	**757**	**20**	**2,363**	**18**	**18**	**2,381**
Cost or Valuation							
At 1st April 2012	1,586	757	20	2,363	18	18	2,381
Additions	0	0	0	0	18	18	18
31 March 2013	**1,586**	**757**	**20**	**2,363**	**36**	**36**	**2,399**

18. Long Term Debtors

31st March 2012 £000		**31st March 2013 £000**
84	Car Loans to Employees	79
82	Skills Funding Agency	65
0	Regional City Airports Ltd *	1,049
325	Skypark LLP	325
4	Housing Advances	3
4	Industrial Loans	4
418	Magistrates	319
301	PLUSS	265
26,382	Plymouth & Torbay Unfunded pensions	26,069
264	Probation	43
27,864		**28,221**

* Within Short Term Debtors at 31st March 2012.

19. Financial Instruments

19.1 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		Current	
	31/03/2012	31/03/2013	31/03/2012 Restated	31/03/2013
	£000	£000	£000	£000
Loans and receivables	0	5,000	40,314	57,405
Cash flow investments (cash equivalents)	0	0	90,565	83,300
Available-for-sale financial assets	247	372	0	0
Cash	0	0	2,160	(20,615)
Total Investments	**247**	**5,372**	**133,039**	**120,090**
Debtors	718	676	45,479	55,104
Total Debtors	**718**	**676**	**45,479**	**55,104**
Financial liabilities at amortised cost:				
PWLB	(436,349)	(436,349)	(10,896)	(10,896)
Other Sources	(95,275)	(75,220)	(519)	(20,535)
Total Borrowings	**(531,624)**	**(511,569)**	**(11,415)**	**(31,431)**
Creditors	0	0	(94,798)	(93,178)
Total Creditors	**0**	**0**	**(94,798)**	**(93,178)**

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.

Some of the borrowings from other sources are at stepped rates of interest whereby they typically start at a low rate and at a predetermined point the rate increases to an agreed higher rate. There have been no new loans of this type taken out this year, but a loan of £20 millions is due for repayment during 2013/14 and has been shown under Current Borrowing.

The decrease in Current Investments reflects the use of internal resources to finance capital expenditure.

On 1st April 2007, the Council entered into a joint venture agreement with NPS South West Ltd - a company owned jointly by NPS Property Consultants Ltd and Devon County Council (80%:20%). The company has been set up to deliver property management services as specified in a provision of services agreement. The shareholding of two £1 shares has been independently valued at 31st March 2011 at a Fair Value of £247,000 and included above as available for sale financial assets.

During 2010/11 the Council made an equity investment of £83,600 in Exeter Science Park Ltd. The Council has a forty-nine percent interest. The Science Park Company operates under 'de minimis' State Aid regulations with the intention of promoting Exeter Science Park. The Council’s shareholding has been independently valued at 31st March 2011 at a Fair Value of £nil. The Council made an additional equity investment of £124,750 during 2012/13.

19.2 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:

2012/13	**Financial Liabilities** Liabilities measured at amortised cost	**Financial Assets** Loans and receivables	Cash flow investments (cash equivalents)	Total
	£000	£000	£000	£000
Interest expense	27,072	0	0	0
Impairment losses	0	809	0	809
Interest payable and similar charges	**27,072**	**809**	**0**	**809**
Interest Income	0	(1,297)	(469)	(1,766)
Interest and investment income	**0**	**(1,297)**	**(469)**	**(1,766)**
Net gain/(loss) for the year	**27,072**	**(488)**	**(469)**	**(957)**

2011/12	**Financial Liabilities** Liabilities measured at amortised cost	**Financial Assets** Loans and receivables	Cash flow investments (cash equivalents)	Total
	£000	£000	£000	£000
Interest expense	27,293	0	0	0
Impairment losses	0	695	0	695
Interest payable and similar charges	**27,293**	**695**	**0**	**695**
Interest Income	0	(1,317)	(602)	(1,919)
Interest and investment income	**0**	**(1,317)**	**(602)**	**(1,919)**
Net gain/(loss) for the year	**27,293**	**(622)**	**(602)**	**(1,224)**

19.3 Fair value assets and liabilities carried at amortised cost

Financial liabilities and financial assets represented by loans and receivables 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 Public Works Loans Board (PWLB) figures have been calculated by reference to the 'premature repayment' set of rates in force on 31st March 2012 and 2013.
- Loans from other sources and investments have been valued by reference to the set of interest rates in force on 31st March 2012 and 2013.
- No early repayment or impairment is recognised.

- Where an instrument will mature in the next 12 months, carrying amount is assumed to approximate to fair value.
- The fair value of short term debtors/creditors is the invoiced or billed amount.

The fair values calculated are as follows:

	31st March 2012		31st March 2013	
	Carrying amount	Fair value	Carrying amount	Fair value
	£000	£000	£000	£000
Financial Liabilities				
PWLB	(436,349)	(596,948)	(436,349)	(603,755)
Other Loans	(95,275)	(112,793)	(75,220)	(93,334)

	31st March 2012		31st March 2013	
	Carrying amount	Fair value	Carrying amount	Fair value
	£000	£000	£000	£000
Loans and Receivables				
Long Term Investments	0	0	5,000	5,078

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.

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

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

Risk management is carried out by 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 Council 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.

Investment Strategy 2013/14 – 2015/16

The County Council adopts a very prudent approach to its cash investments. Events since 2008/09 have proved the value of this approach. It must be borne in mind that as the current low interest environment is largely outside the Council's control, this will impact on both borrowing and investment receipts budgets. The Treasury Management Strategy will continue to be set to ensure a prudent and secure approach.

The full County Council is required under the guidance in the CIPFA Treasury Management Code of Practice to approve an Annual Investment Strategy.

The overall aims of the Council's strategy continue to be to:

- Limit the risk to the loss of capital;
- Ensure that funds are always available to meet cash flow requirements;
- Maximise investment returns, consistent with the first two aims; 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 overriding objective will be to invest prudently, with priority being given to security and liquidity before yield.

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 whom we are prepared to deposit funds. In preparing the list, a number of criteria will be 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.

Banks are expected to have a high credit rating. The Council uses the ratings issued by all three of the major credit rating agencies, Fitch, Moody's and Standard & Poor's, made available to the Council through its external Treasury Advisors – Sector. These are monitored daily. The lowest rating published by any of the agencies is used to decide whether an institution is eligible for inclusion. This rating also determines the maximum amount which can be loaned to an individual counterparty. Additionally, any bank in which the UK Government has in excess of a 30% shareholding will be considered to be a safer investment. Non-Eurozone overseas banks that meet the criteria are included from countries with a high sovereign rating

Money Market Funds must have an 'AAA' rating, but are not currently being used. Other public sector bodies are principally arms of Government, or other local authorities, and although not rated are deemed suitable counterparties because of their inherent low risk.

The 'Approved List of Counterparties' specifies individual institutions, and is formally reviewed at least monthly. Notification of credit rating downgrades (or other market

intelligence) is acted upon immediately, resulting in any further lending being suspended.

The table below 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

The credit ratings shown in the table for banks and building societies allow for greater sensitivity in recognising counterparty risk. Liquidity in investments is the second key factor in determining our strategy. 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 Council 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 Council 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 loans outstanding at any time or £30m whichever is the lower.

For the period 2013/14 – 2015/16 it has been assumed that the interest rate earned on short-term lending will be 1.0% p.a. throughout the three years. The addition of overseas counterparties to the list has provided greater flexibility, but the rates offered by a number of banks have reduced over the last year. The target we have set is thought to be one that is achievable.

Performance Targets

The primary targets of the Treasury Management Strategy are to minimise interest payments and maximise interest receipts over the long term whilst achieving annual budgets, without taking undue risk. Where there are comparative statistics available for individual aspects of the Strategy (e.g. the CIPFA Treasury Management Statistics) these will be used to monitor performance.

Prudential Indicators

These indicators seek to reduce the risks associated with fixed and variable interest rate loans and with borrowing for different loan periods.

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 Council's policy has been to borrow at fixed rates of interest when rates are considered attractive.

The Prudential Indicators for 2012/13 and beyond are set out in the table below:

	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

The limits have been set taking into account the CIPFA Code of Practice which requires that the maturity date for LOBO loans is assumed to be the next call date, rather than the total term of the loan. This will apply to the Council's Money Market loans.

Limits to Debt

The Authorised Limit represents the level at which the Council is able to borrow and enter into other long term liabilities. Additional borrowing beyond this level is prohibited unless the limit is revised by the Council. The table below details the recommended Authorised Limits for 2012/13-2016/17.

	2012/13 Estimate £'000	2013/14 Estimate £'000	2014/15 Estimate £'000	2015/16 Estimate £'000	2016/17 Estimate £'000
Authorised Limits for Borrowing	687,098	668,672	656,059	635,917	609,018
Authorised Limit for other Long- Term Liabilities	53,647	51,225	93,736	90,908	88,772
Authorised limit for External Debt	**740,745**	**719,897**	**749,795**	**726,825**	**697,790**

The Operational Boundary is based on the anticipated level of external debt during the year. Variations in cash flow may lead to occasional, short term breaches of the Operational Boundary that are acceptable. Sustained breaches would be an indication that there may be a danger of exceeding the Authorised Limits. The table below details the recommended Operational Boundaries for 2012/13 and following years.

	2012/13 Estimate £'000	2013/14 Estimate £'000	2014/15 Estimate £'000	2015/16 Estimate £'000	2016/17 Estimate £'000
Operational Limits for Borrowing	662,098	643,672	631,059	610,917	584,018
Operational Limit for other Long- Term Liabilities	53,647	51,225	93,736	90,908	88,772
Operational limit for External Debt	**715,745**	**694,897**	**724,795**	**701,825**	**672,790**

The forecast opening balance for External Borrowing at 1 April 2012 is £527.85 millions. The forecast closing balance for External Borrowing at 31 March 2013 is £527.85 millions. The Council also needs to understand the difference between its gross debt and its net debt, i.e. the gross debt less investments. The table below details the upper limits on net debt.

	2012/13 Estimate £'000	2013/14 Estimate £'000	2014/15 Estimate £'000	2015/16 Estimate £'000	2016/17 Estimate £'000
Operational Limits for Net Borrowing	612,098	593,672	581,059	560,917	534,018
Operational Limit for other Long- Term Liabilities	53,647	51,225	93,736	90,908	88,772
Upper Limits for Net Debt	**665,745**	**644,897**	**674,795**	**651,825**	**622,790**

The debt management strategy and borrowing limits for the period 2012/13 to 2016/17 have been set to ensure that over the medium term net borrowing will only be for capital purposes.

Monitoring the Indicators

It is important to monitor performance against forward looking indicators and the requirement that borrowing should only be for capital purposes. The total level of borrowing will be monitored daily against both the operational boundary and the authorised limit. If monitoring indicates that the authorised limit will be breached, a report will be brought to the Cabinet outlining what action would be necessary to prevent borrowing exceeding the limit and the impact on the revenue budget of breaching the limit. It will be for the Cabinet to make recommendations to the County Council to raise the limit if it is felt appropriate to do so. The indicators for capital expenditure, capital financing requirement, capital financing costs and the treasury management indicators will be monitored monthly. Any significant variations against these indicators will be reported to the Cabinet.

Liquidity Risk

The Council 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 Council, 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.

Balances that are identified as not being for immediate use, say within the next few months may be invested for longer periods.

The maturity analysis of borrowing is as follows:

	£000
Less than one year	31,431
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	8,903
Between twenty and twenty-five years	103,681
Between twenty-five and thirty years	50,403
Between thirty and thirty-five years	8,903
Between thirty-five and forty years	84,574
Between forty and forty-five years	113,624
Between forty-five and fifty years	98,151
	539,280

Short term creditors (£108.485 millions) are due to be paid in less than one year.

Interest Rate Risk

The Council manages its exposure to fluctuations in interest rates with a view to containing its net interest costs, or achieving its interest revenues, as set out in the Revenue Budget.

It achieves these objectives 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 interest rates.

The level of exposure to Interest Rate Risk depends on the balance of fixed to variable monies. Here the risk is twofold. Being locked in to fixed funding when rates are falling, or failing to take advantage at a time when rates are perceived as low, or are forecast to rise; conversely, being locked into investments when rates are rising, and being unable to take advantage of this situation.

The Council has had, for a number of years, the policy of borrowing the fixed rate long-term element of its loans portfolio with loans 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.

Interest Rate Risk is not increased by this policy as it is still possible to manage by switching existing loans from fixed to variable or vice versa, or re-scheduling existing debt, i.e. repaying existing debt, and re-borrowing over a shorter, or perhaps longer period. However, the existing arrangements operated by the Board of different rates for repaying loans as to those applied to new advances, mean that such changes are often uneconomic. Regard must always be had of the potential costs of any re-scheduling, as often they will attract a premium payable to the lender. This point is also referred to later under 'Re-financing Risk.'

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 Council 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 this type of risk. 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 account 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 account or the statement of total recognised gains and losses. However, changes in interest receivable on variable rate investments will be posted to the income and expenditure account and affect the general fund balance.

As the PFI Deferred Liability and most of the authority's loans and investments are fixed rate the impact of say a 1% increase in interest rates would have an impact only on variable rate investments by increasing interest receivable by £550,000 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 Council 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 above is subject at all times to the consideration and, if required, Council approval of any policy or budgetary implications.

The risk from fluctuating exchange rates is not material as far as the Council 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 will be considered by the Council 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.

Credit and Counterparty Risk

The Council 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 Council may be varied as part of the regular review of lending policy and counterparties.

Lending to other Local Authorities, and Public Bodies is allowed, with differing credit limits according to the type of institution.

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.

Approved institutions are placed on the lending list, deposits may not be made to any institution, which does not conform to the requirements of the Lending List, nor is any transaction allowed to be entered into through any money broker not featuring on the approved list. 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 the credit risk is minimised.

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

Credit Risk

	Amount at 31/03/13	Historic experience of default	Historic experience adjusted for market conditions at 31/03/13	Estimated maximum exposure to default and uncollectability
	£000	%	%	£000
Deposits with banks and financial institutions	120,090	0	0.1034%	124
Bonds	0	0	0	0
Customers	104,334	0.14%	4.0850%	4,262
				4,386

	£000
Less than three months	61,999
Three to six months	11,107
Six months to one year	3,305
More than one year	5,537
	81,948
Provision for bad debts	(4,262)
Long Term Debtors not yet due	28,222
	105,908

Refinancing Risk

The Council ensures that its borrowing arrangements are structured, and managed with a view to obtaining offer terms for renewal or refinancing, if required, which are competitive and as favourable to the organisation as can reasonably be achieved in the light of market conditions prevailing at the time.

It actively manages its relationships with its counterparties in these transactions in such a manner as to secure this objective, and avoids over-reliance on any one source of funding if this might jeopardise its achievement.

External long term funding is arranged by the Treasury staff in accordance with the Treasury Strategy, which is adopted by the Council's members before the start of each financial year. All borrowings are with either the Public Works Loan Board or a major bank as lender.

Loans are offered by the Board over periods of one to fifty years and can be either at fixed or variable rates. There are also three methods of repaying loans; Maturity, by Equal Instalments of Principal (EIP), or as Annuity loans. The Council currently uses only the first type, and pays interest half-yearly in September and March. These payments are made by Direct Debit.

PWLB loans are fairly flexible; variable loans can be converted to fixed loans and vice versa, debt can be re-scheduled over different periods. Re-scheduling existing fixed rate debt however introduces an element of refinancing risk, which is increased in re-scheduling loans with long maturity profiles. The penalty (or premium) payable is dependent on the relationship between the loan rate and the current repayment rate for loans of a period equal to the unexpired term. As PWLB rates are reviewed daily, the timing of the rescheduling exercise is important if the costs of any penalties are not to cause problems to budgeted expenditure levels.

Market Risk

The Council 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.

All lending is in the form of cash deposits. There are no investments whose capital value may fluctuate, for example Gilts or Certificates of Deposit (CDs).

If Gilts were to be used, it would be on the basis of holding them to maturity so as not to introduce any element of risk

Price Risk

The authority does not generally invest in equity shares but does have two £1 shares in NPS (SW) Ltd and has an £208,350 equity investment in Science Park Ltd. These shares have a fair value of £372,000. Price is therefore not a significant risk for the authority.

20. Provisions (Current 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 within one year	As at 01/04/11 **£000**	Amounts released **£000**	Amount utilised **£000**	Provided in year **£000**	**As at 31/03/12** **£000**	Amounts released **£000**	Amounts utilised **£000**	Provided in year **£000**	**As at 31/03/13** **£000**
Insurance Fund prior to 01/04/98					**0**			**(80)**	**(80)**
Insurance Fund from 01/04/98	(2,550)		3,482	(3,767)	**(2,835)**	1,667	2,795	(3,867)	**(2,240)**
Out of date cheques	(207)		15	(45)	**(237)**	48	11	(34)	**(212)**
ACC Pensions	(90)	90			**0**				**0**
Job Evaluation Single Status	(2,723)	100	2,822	(199)	**0**				**0**
Corporate Restructure	(2,117)	33	1,886	(1,286)	**(1,484)**	176	1,308	(444)	**(444)**
Social Care & Community	(766)		50	(200)	**(916)**	81	308	(396)	**(923)**
Property Related	(67)	44	8		**(15)**			(39)	**(54)**
Waste Management	(726)	325		(192)	**(593)**	593			**0**
Carbon Reduction Commitment	0			(409)	**(409)**		409	(421)	**(421)**
Trading Accounts	(60)		60		**0**				**0**
Prior Year Tax Liability	(7)		7	(250)	**(250)**	250			**0**
Total	**(9,313)**	**592**	**8,330**	**(6,348)**	**(6,739)**	**2,815**	**4,831**	**(5,281)**	**(4,374)**

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. Separate provision has been made for the period prior to 1 April 1998 which covers events prior to local government reorganisation on that date. The amounts shown above represent payments estimated to be made within twelve months.

Out of Date Cheques

Cheques unpresented after six months are provided for while enquiries proceed and resolution reached. Periodic reviews are carried out where items remain unresolved after more than one year although none is considered as a long term item.

Corporate Restructure

A number of staffing restructures had commenced in 2012/13 but as at 31 March 2013 had not been completed. Where the plans were developed sufficiently to have raised an expectation in individuals that they would be compensated for loss of office, the cost is provided for.

Social Care and Community

A further tranche of claims under the Mental Health Act 1983, section 117 has been received in connection with charges made by the Council for social care for which provision is considered appropriate. Provision is also made concerning a care home contractor in connection with a disputed fee basis.

Property related

Provision is made for the estimated cost of remedying dilapidations to leasehold properties on termination of the lease.

Carbon Reduction Commitment

Provision is made for a charge to be levied by central government on energy usage by the Authority during 201/13

21. Creditors and Debtors

21.1 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 2012 Restated £000		31st March 2013 £000
(9,077)	Central Government	(7,062)
(10,347)	Other Local Authorities	(3,426)
(3,893)	NHS Bodies	(1,490)
(152)	Public Corporations & Trading Funds	(28)
(87,259)	Other Entities & Individuals	(96,479)
(110,728)	**Total**	**(108,485)**

21.2 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 2012 Restated £000		31st March 2013 £000
13,897	Central Government	23,533
6,609	Other Local Authorities	3,549
3,873	NHS Bodies	624
204	Public Corporations & Trading Funds	16
41,846	Other Entities & Individuals	49,963
66,429	**Total**	**77,685**

22. 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 01/04/11 £000	Amounts released £000	Amount utilised £000	Provided in year £000	**As at 31/03/12 £000**	Amounts released £000	Amounts utilised £000	Provided in year £000	**As at 31/03/13 £000**
Insurance Fund prior to 01/04/98	(552)		55	(14)	**(511)**	55	80		**(376)**
Insurance Fund from 01/04/98	(8,759)	160			**(8,599)**			(1,667)	**(10,266)**
Waste Management	0				**0**				**0**
Total	**(9,311)**	**160**	**55**	**(14)**	**(9,110)**	**55**	**80**	**(1,667)**	**(10,642)**

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. A separate provision has been created for the period prior to 1 April 1998 which covers events prior to local government reorganisation on that date. Both provisions, taken together are currently sufficient to meet registered claims as at 31 March 2013. The timing of the settlement of the provisions above is uncertain but could occur over many years. The value of the provision has not been discounted but is reviewed annually and assessed on a triennial basis by Marsh Ltd

23. Cash and Cash Equivalents

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

31st March 2012 Restated £000		**31st March 2013 £000**
2,160	Bank Current Accounts	(20,615)
90,565	Investments less than 90 days	83,300
92,725		**62,685**

24. Assets Held for Sale

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

2011/12 £000		2012/13 £000
12,080	**Balance outstanding at start of year**	7,542
	Assets newly classified as held for sale:	
938	Property, Plant and Equipment	1,442
	Assets declassified as held for sale:	
(2,625)	Property, Plant and Equipment	
(2,851)	Assets sold	(2,014)
7,542	**Balance outstanding at year-end**	**6,970**

25. Unusable Reserves

2011/12 Restated £000		2012/13 £000
(127,568)	Revaluation Reserve	(122,982)
(163)	Available for sale FI reserve	(163)
(525,489)	Capital Adjustment Account	(381,591)
18,562	Financial Instruments Adj Account	17,787
688,569	Pensions Reserve	735,934
(3,675)	Collection Fund Adjustment Account	(3,628)
9,102	Accumulated Absences Account	8,566
(1,049)	Deferred Capital Receipts Reserve	(1,049)
58,289		**252,874**

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.

2011/12 Restated £000		2012/13 £000
(134,493)	**Balance at 1st April**	**(127,568)**
(11,775)	Upward revaluation of assets	
5,339	Downward Revaluation of assets and impairment losses not charged to the Surplus/Deficit on the provision of services	(13,720)
(140,929)	Surplus or deficit on revaluation of non-curent assets not posted to the Surplus or Deficit on the Provision of Services	(141,288)
2,637	Difference between fair value depreciation and historical cost depreciation	2,642
10,724	Accumulated gains on assets sold or scrapped	15,664
13,361	Amount written off to the Capital Adjustment Account	18,306
(127,568)	**Balance at 31st March**	**(122,982)**

Available for sale Financial Instruments Reserve

The Available for Sale Financial Instruments Reserve contains the gains made by the Authority arising from increases in the value of its investments that have quoted market prices or otherwise do not have fixed or determinable payments. The balance is reduced when investments with accumulated gains are:

- Revalued downwards or impaired and the gains are lost
- Disposed of and the gains are realised.

2011/12 £000		2012/13 £000
(163)	**Balance at 1st April**	**(163)**
(163)	**Balance at 31st March**	**(163)**

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

2011/12 Restated £000			2012/13 £000
(620,708)	**Balance 1st April**		**(525,489)**
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
58,769	-	Charges for depreciation and impairment of non-current assets	66,978
10,238	-	Revaluation losses on Property Plant and Equipment	15,371
270	-	Amortisation of intangible assets	255
14,816	-	Revenue expenditure funded from capital under	10,049
141,725	-	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	202,560
225,818			295,213
(13,361)	Adjusting amounts written out of the Revaluation Reserve		(18,306)
212,457	Net written out amount of the cost of non-current assets consumed in the year		276,907
	Capital financing applied in the year:		
(13,405)	-	Use of the Capital Receipts Reserve to finance new capital expenditure	(9,589)
(71,640)	-	Application of grants to capital financing from the Capital Grants Unapplied Account	(90,434)
(30,747)	-	Statutory provision for the financing of capital investment charged against the General Fund	(31,562)
(1,446)	-	Capital expenditure charged against the General Fund	(1,424)
(117,238)			(133,009)
(525,489)	**Balance 31st March**		**(381,591)**

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.

2011/12 £000		2012/13 £000
19,309	**Balance 1st April**	**18,562**
(702)	Proportion of premiums incurred in previous financial years to be charged against the General Fund Balance in accordance with statutory requirements	(702)
(45)	Adjustments to softloans given by the Authority	(73)
(747)	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.	(775)
18,562	**Balance 31st March**	**17,787**

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 substantial shortfall in the benefits earned by past and current employees and the resources the Authority has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

2011/12 £000		2012/13 £000
490,096	**Balance 1st April**	**688,569**
200,729	Actuarial gains or (losses) on pensions assets and liabilities	38,689
41,112	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	53,035
(43,368)	Employer's Pensions contributions and direct payments to pensioners payable in the year	(44,359)
688,569	**Balance 31st March**	**735,934**

Collection Fund Adjustment Account

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.

2011/12 £000		2012/13 £000
(3,673)	**Balance 1st April**	**(3,675)**
(2)	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	47
(3,675)	**Balance 31st March**	**(3,628)**

Accumulated Absences Account

The Accumulated Absences Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year, e.g. annual leave entitlement carried forward at 31st March. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

2011/12 £000		2012/13 £000
10,931	**Balance 1st April**	**9,102**
(10,931)	Settlement or cancellation of accrual made at the end of the preceding year	(9,102)
9,102	Amounts accrued at the end of the current year	8,566
(1,829)	Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(536)
9,102	**Balance 31st March**	**8,566**

Deferred Capital Receipts Reserve

The Deferred Capital Receipts Reserve holds the gains recognised on the disposal of non current assets but for which cash settlement has yet to take place. Under statutory arrangements, the Authority does not treat these gains as usable for financing new capital expenditure until they are backed by cash receipts. When the deferred cash settlement eventually takes place, amounts are transferred to the Capital Receipts Reserve.

There has been no movement in this Reserve.

26. Other Long Term Liabilities

2011/12 £000		2012/13 £000
(714,951)	Pensions Liability	(762,003)
(53,647)	Private Finance Initiative Liability	(51,225)
(768,598)		**(813,228)**

27. Amounts Reported for Resource Allocation Decisions

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the Service Reporting Code of Practice. However, decisions about resource allocation are taken by the Authority's 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 is 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 directorates.

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

2011/12
Service Income and Expenditure

	People £000	Place £000	Corporate £000	**Total £000**
Employees	375,370	32,733	46,830	**454,933**
Premises-related expenditure	27,780	5,432	9,505	**42,717**
Transport-related expenditure	27,922	11,916	681	**40,519**
Supplies and services	58,784	76,891	24,244	**159,919**
Third party payments	239,329	14,830	260	**254,419**
Transfer payments	23,523	2,337	38	**25,898**
Support services	40,011	7,270	2,207	**49,488**
Income	(517,672)	(30,420)	(38,288)	**(586,380)**
Service totals	275,047	120,989	45,477	**441,513**

2012/13
Service Income and Expenditure

	People £000	Place £000	Corporate £000	**Total £000**
Employees	340,622	31,620	45,762	**418,004**
Premises-related expenditure	26,435	6,365	8,623	**41,423**
Transport-related expenditure	27,658	11,503	597	**39,758**
Supplies and services	69,055	87,125	25,634	**181,814**
Third party payments	255,586	16,427	321	**272,334**
Transfer payments	30,181	-	-	**30,181**
Support services	25,749	5,972	2,084	**33,805**
Income	(491,709)	(37,293)	(42,264)	**(571,266)**
Service totals	283,577	121,719	40,757	**446,053**

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.

	2011/12 Restated £000	**2012/13 £000**
Net expenditure in the Directorate Analysis	441,513	446,053
Net service expenditure not included in the Analysis	11,527	11,758
Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the Analysis	102,184	108,526
	555,224	566,337
Amounts included in the Analysis not included in the Comprehensive Income and Expenditure Statement	(39,102)	(29,424)
Cost of Services in the Comprehensive Income and Expenditure Statement	**516,122**	**536,913**

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.

2011/12 Restated

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 I&E £000	Allocn of recharges £000	**Net cost of services £000**	Corporate items £000	**Net surplus £000**
Employee expenses	454,933	7,036	18,004	(41,334)	8,614	**447,253**		**447,253**
Other service expenses	523,472	3,124	14,667	(2,005)	10,586	**549,844**		**549,844**
Support Services	49,488	641			(50,129)	**-**		**-**
Precepts & levies						**-**	601	**601**
Depreciation, amortisation and impairment			69,513			**69,513**		**69,513**
Interest payable						**-**	27,293	**27,293**
Pension Interest and expected return on assets						**-**	19,166	**19,166**
PFI financing charges						**-**	6,000	**6,000**
Gain or Loss on Disposal of Fixed Assets						**-**	135,476	**135,476**
Total operating expenses	1,027,893	10,801	102,184	(43,339)	(30,929)	**1,066,610**	**188,536**	**1,255,146**
Fees, charges & other service income	(172,838)	726		4,237	30,929	**(136,946)**		**(136,946)**
Interest and investment income						**-**	(1,919)	**(1,919)**
Income from council tax						**-**	(325,820)	**(325,820)**
Government grants and contributions	(413,542)					**(413,542)**	(282,951)	**(696,493)**
Total Income	(586,380)	726	-	4,237	30,929	**(550,488)**	(610,690)	**(1,161,178)**
Surplus or deficit on the provision of services	441,513	11,527	102,184	(39,102)	-	**516,122**	(422,154)	**93,968**

2012/13 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 I&E £000	Allocn of recharges £000	**Net cost of services £000**	Corporate items £000	**Net surplus £000**
Employee expenses	418,004	4,687	15,622	(34,088)		**404,225**		**404,225**
Other service expenses	565,510	339	10,987	(432)		**576,404**		**576,404**
Support Services	33,805	130	24,240	103	(58,278)	**-**		**-**
Precepts & levies						**-**	640	**640**
Depreciation, amortisation and impairment			82,604			**82,604**		**82,604**
Interest payable						**-**	27,072	**27,072**
Pension Interest and expected return on assets						**-**	24,211	**24,211**
PFI financing charges						**-**	5,776	**5,776**
Gain or Loss on Disposal of Fixed Assets						**-**	198,499	**198,499**
Total operating expenses	1,017,319	5,156	133,453	(34,417)	(58,278)	**1,063,233**	256,198	**1,319,431**
Fees, charges & other service income	(172,540)	6,602	(24,927)	4,993	58,278	**(127,594)**		**(127,594)**
Interest and investment income						**-**	(1,766)	**(1,766)**
Income from council tax						**-**	(328,097)	**(328,097)**
Government grants and contributions	(398,726)					**(398,726)**	(287,716)	**(686,442)**
Total Income	(571,266)	6,602	(24,927)	4,993	58,278	**(526,320)**	(617,579)	**(1,143,899)**
Surplus or deficit on the provision of services	446,053	11,758	108,526	(29,424)	-	**536,913**	(361,381)	**175,532**

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

Restated 2011/12 £000		2012/13 £000
(58,480)	Depreciation	(66,978)
(10,527)	Impairment and downward valuations	(15,371)
(270)	Amortisation	(255)
23,515	Increase/(Decrease) in creditors	3,182
(15,759)	(Increase)/Decrease in debtors	6,349
21	(Increase)/Decrease in stock	92
5,127	Increase/(Decrease) in pension liability	(8,362)
(147,601)	Other non-cash items within the provision of services	(194,275)
(203,974)		(275,618)

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

2011/12 £000		2012/13 £000
-	Proceeds from sale of long-term and short-term investments	-
6,315	Proceeds from sale of non current assets	4,050
-	Other items giving rise to investing or financing cash flows	-
6,315		4,050

30. Cash Flow - Operating activities

2011/12 £000		2012/13 £000
480,397	Cost of services	480,529
666	Other Operating Expenditure	641
23,546	Financing and Investment Income and Expenditure	31,361
(608,300)	Taxation and Non-specific Grant Income	(608,567)
(103,691)	**Net cash flows from operating activities**	(96,036)

31. Cash Flow - Investing Activities

Restated 2011/12 £000		2012/13 £000
99,579	Purchase of property, plant and equipment, intangible and heritage assets	105,741
-	Purchase of long term investments	5,125
156,850	Purchase of short term investments	127,000
-	Other payments	-
(9,892)	Sale of property, plant and equipment	(3,703)
(181,850)	Sale of short term investments	(110,000)
(154)	Other receipts	(47)
64,533	**Net cash flows from investing activities**	124,116

32. Cash Flow - Financing Activities

2011/12 £000		2012/13 £000
2,178	Payments applied in reducing finance lease and PFI liabilities	2,379
(107)	External contribution to repayment of debt	(418)
2,071	**Net cash flows from financing activities**	1,961

33. Schemes under the Transport Act 2000

Devon County Council did not operate any schemes under this act in 2012/13.

34. Landfill Allowances Trading Scheme

As a Waste Disposal Authority (WDA) the County Council is required to comply with the Landfill Allowance Trading Scheme (LATS) which commenced operation on 1 April 2005.

LATS is a 'Cap and Trade' Scheme whereby Landfill Vintage Allowances are allocated free of charge to authorities. These allowances can then be traded with other WDA's depending on the needs of each authority. The County Council undertook no trading of allowances in 2012/13.The County Council is required to account for the use made of the LATS allowance in 2012/13, based on a notional allowance value. This value is subject to evaluation by individual local authorities. The value assigned at the balance sheet date is £0 per tonne as local experience indicates that, in practice, the allowances have no value. No transactions or balances relating to LATS are included within these accounts.

35. Members' Allowances

The authority pays its elected members basic allowances, special responsibility allowances and travel and subsistence. During 2012/13 £988,690 was paid (£1,007,130 in 2011/12).

36. Audit Fees

In 2012/13 the County Council incurred the following fees relating to the external audit and inspection:

2011/12 £000		2012/13 £000
221	External audit	140
(6)	Audit fee rebates	(12)
9	Grant claims certification	19
0	Other services	4
224		**151**

37. Officers' Remuneration

37.1 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	Benefits in Kind (e.g Car Allowances)	Compensation for loss of office	Pension contributions	**Total**
			£	£	£	£	£	**£**
Head Teacher	1	2012/13	13,980	0	523	52,005	4,939	**71,447**
(S Maddern)		2011/12	154,431	0	6,068	0	21,775	**182,274**
Chief Executive		2012/13	149,995	0	0	0	27,449	**177,444**
		2011/12	149,995	0	0	0	27,449	**177,444**
Strategic Director - Place		2012/13	137,574	0	0	0	25,176	**162,750**
		2011/12	137,574	0	0	0	25,176	**162,750**
Strategic Director - People		2012/13	129,995	0	0	0	23,789	**153,784**
		2011/12	129,950	302	0	0	23,781	**154,033**
County Solicitor		2012/13	107,573	0	0	0	19,686	**127,259**
		2011/12	107,573	0	0	0	19,686	**127,259**
County Treasurer		2012/13	107,573	0	0	0	19,686	**127,259**
		2011/12	107,573	0	0	0	19,686	**127,259**
Head of Human Resources		2012/13	97,328	0	0	0	17,811	**115,139**
		2011/12	97,328	0	0	0	17,811	**115,139**
Head of Business Strategy & Support		2012/13	75,000	0	0	0	13,725	**88,725**
		2011/12	74,561	0	0	0	13,645	**88,206**

Notes:

1) Mr Maddern left the authority on 30th April 2012. The sum shown above as compensation for loss of office is equivalent to pay in lieu of notice.

37.2 Officers Remuneration

The Authority's employees receiving more than £50,000 remuneration for the year (excluding employer's pension contributions) is set out below. This table includes those Officers disclosed in 35.1

2011/12				Emoluments	2012/13			
Schools Staff	Other Staff	Total	Left in Year	£	Schools Staff	Other Staff	Total	Left in Year
122	53	**175**	13	**50,000 - 54,999**	114	32	**146**	6
62	39	**101**	10	**55,000 - 59,999**	74	24	**98**	7
34	16	**50**	11	**60,000 - 64,999**	31	5	**36**	2
18	17	**35**	14	**65,000 - 69,999**	17	2	**19**	1
14	14	**28**	10	**70,000 - 74,999**	9	5	**14**	1
7	4	**11**	4	**75,000 - 79,999**	6	9	**15**	3
3	2	**5**	1	**80,000 - 84,999**	4	2	**6**	
6	1	**7**	1	**85,000 - 89,999**	4	2	**6**	1
1	3	**4**	1	**90,000 - 94,999**	2		**2**	
1	2	**3**		**95,000 - 99,999**	1	4	**5**	
3	1	**4**		**100,000 - 104,999**	2	1	**3**	
	3	**3**		**105,000 - 109,999**	1	2	**3**	
				110,000 - 114,999				
				115,000 - 119,999				
				120,000 - 124,999				
				125,000 - 129,999		2	**2**	1
	1	**1**		**130,000 - 134,999**				
	1	**1**		**135,000 - 139,999**		1	**1**	
				140,000 - 144,999				
	1	**1**		**145,000 - 149,999**		1	**1**	
				150,000 - 154,999				
				155,000 - 159,999				
1	1	**2**	1	**160,000 - 164,999**				
	1	**1**	1	**205,000-209,999**				

37.3 Exit Packages

The table below 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	
	2011/12	2012/13	2011/12	2012/13	2011/12	2012/13	2011/12	2012/13
	No.	No.	No.	No.	No.	No.	£000	£000
£0 - £20,000	214	95	151	77	365	172	1,770	1,082
£20,001 - £40,000	14	17	33	18	47	35	1,281	1,024
£40,001 - £60,000	10	3	21	8	31	11	1,495	511
£60,001 - £80,000	8		18	3	26	3	1,766	212
£80,001 - £100,000	1		4	2	5	2	446	175
£100,001 - £150,000	2			1	2	1	277	124
£150,001 - £200,000			3	1	3	1	518	168
£200,001 - £250,000			2		2		474	
	249	**115**	**232**	**110**	**481**	**225**	**8,027**	**3,296**

38. 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

2011/12 Restated £000		2012/13 £000
	UK Government Revenue Grants:	
(43,891)	Revenue Support Grant	(5,275)
(141,996)	Non Domestic Rates	(175,973)
(761)	New Homes Bonus	(1,446)
(1,771)	Local Service Support Grant	(2,030)
(8,102)	Council Tax Freeze Grant	(8,155)
(4,238)	Private Finance Initiative - Interest	(4,357)
(200,759)		**(197,236)**
	Capital Grants:	
(40,715)	Local Transport Plan - DFT grant	(39,503)
0	South Devon Link Road - DFT grant	(15,991)
(13,598)	Schools Capital Maintenance - DFE grant	(9,794)
(6,307)	East of Exeter - DFT grant	(3,830)
(8,409)	Schools Basic Needs - DFE grant	(7,216)
(3,113)	Devolved Formula Capital - DFE grant	(4,920)
(1,848)	Invest in Community Capacity - DoH grant	(2,044)
(8,202)	Other	(7,182)
(82,192)		**(90,480)**
(282,951)		**(287,716)**

Credited to Services

2011/12 Restated £000		2012/13 £000
(1,293)	Active Devon	(1,422)
(268)	Additional Grants for Schools	(151)
	Bellwin Claim Grant	(3,073)
(459)	Areas of oputstanding Natural Beauty	(335)
(168)	Bus Services Operators Grant	(152)
(260)	Construction Framework South West	
	Cycling Projects Grant	(253)
(342,796)	Dedicated Schools Grant	(324,303)
(22,790)	Early Intervention Grant	(25,366)
(286)	Future Jobs Fund	
(357)	Golden Hello	(154)
(9,406)	Learning Disability Health Reform	(9,701)
(675)	Local Sustainable Transport Fund	(887)
(794)	Music Education Grant	(996)
(4,509)	Private Finance Initiative	(2,580)
(4,537)	Pupil Premium	(8,974)
(298)	SCITT Teacher Training	(315)
(3,941)	Skills Funding Agency/Young Persons Learning Agency	(3,756)
(881)	Social Care Reform	
(258)	South West Coast Path and Country Parks	(374)
(75)	Special Education Needs Disability Pathfinder	(165)
(325)	Substance misuse	(324)
(425)	Supporting Community Transport Grant	
(340)	Total Place	
	Troubled Families Programme	(975)
(224)	Warm Homes Healthy People	
(266)	Youth Justice Board - Youth Offending	(266)
(13,541)	YPLA Post 16 Funding	(12,170)
(3,524)	Government Grants below £0.150m	(1,039)
(412,696)	Total UK Government Grants	**(397,731)**
(846)	Total EU grants	**(995)**
(1,808)	Exeter Diocesan Board PFI contribution	(1,809)
(665)	Contributions from other local authorities	(741)
(520)	S106 contributions paid by developers	(512)
(1,275)	Other contributions to services	(628)
(4,268)	Total Grants from Other Sources	**(3,690)**
(417,810)	**Total Grant Income Credited to Services**	**(402,416)**

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:

2011/12 £000		2012/13 £000
	Revenue Grants (Included within Revenue Grants Receipts in Advance - Long Term Liabilities):	
(2,607)	S106 Developer Contributions	**(2,624)**
	Revenue Grants (Included within Revenue Grants Receipts in Advance - Current Liabilities):	
(913)		**(880)**
	Capital Grants (Included within Capital Grants Receipts in Advance - Long Term Liabilities):	
(7,125)	Devolved Formula Capital	(3,924)
(2,176)	Targetted Capital Fund	(1,679)
0	Dartmouth Academy	(1,142)
(1,466)	Contributions from Royal Naval Stores site developments	(1,485)
0	Langage Energy Centre	(730)
(6,716)	Other	(7,301)
(17,483)		**(16,261)**

38.1 Details of the deployment of DSG receivable for 2012/13 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 2012/13 are as follows:

	Central Expenditure £000	ISB £000	Total £000
Final DSG for 2012/13 before Academy recoupment			430,221
Academy figure recouped for 2012/13			(106,026)
Total DSG after Academy recoupment for 2012/13			324,195
Brought forward from 2011/12			4,463
Carry forward to 2013/14 agreed in advance			0
Agreed initial budgeted distribution in 2012/13	57,867	270,791	328,658
In year adjustments	(7,619)	7,727	108
Final budgeted distribution for 2012/13	50,248	278,518	328,766
Less Actual central expenditure	(45,820)		
Less Actual ISB deployed to schools		(278,518)	
Plus Local authority contribution for 2012/13			0
Carry forward to 2013/14	4,428	0	4,428

39. 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

2011/12 £000		2012/13 £000
686,277	**Opening Capital Financing Requirement**	682,371
0	Adjustment to opening position	
686,277		682,371
	Capital Investment	
103,908	Property, Plant and Equipment	107,236
22	Heritage Assets	18
0	Financial Assets	125
40	Intangible Assets	99
14,580	Revenue Expenditure Funded from Capital under Statute (REFCUS)	10,049
(1,624)	Revenue Expenditure Funded from Capital under Statute (REFCUS) previously financed	
(88)	Capital expenditure previously recognised (abortive costs)	(13)
	Sources of Finance	
(13,405)	Capital Receipts	(9,589)
(74,916)	Government Grants and other contributions	(90,434)
	Sums set aside from revenue:	
(1,446)	Direct revenue contributions	(1,424)
(30,977)	Statutory provision for the financing of capital investment	(31,981)
682,371	**Closing Capital Financing Requirement**	**666,457**
626,346	Borrowing	612,810
56,025	Other Long Term Liabilities	53,647
682,371	**Underlying Debt Requirement**	**666,457**
	Explanation of Movements in Year	
5,586	Increase in underlying need to Borrow (supported by government financial assistance)	0
21,484	Increase in underlying need to Borrow (unsupported by government financial assistance)	16,064
0	Assets acquired under finance leases	0
(2,178)	Reduction of PFI liability	(2,378)
(28,798)	Increase in the provision for repayment of debt	(29,600)
(3,906)	**Increase/(decrease) in Capital Financing Requirement**	**(15,914)**

40. 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 Note38.

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 £36,000, 2- A member has purchased some surplus furniture prior to auction, the value of the furniture was estimated by an independent valuer and £900 was paid. 3- A member's son received £300 from the councillor community budget towards football kit for the Heavitree community football team. 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 director's partner is a Trustee of The Parkview Society who received a total of £84,083 from Devon County Council. The Parkview Society, a voluntary organisation, is a provider of residential care and supported living in the community.

40.1 Local Levies

The following levies were paid during the year:

2011/12 £000		**2012/13 £000**
254	Environment Agency	281
347	IFCA	360

All levies were due and paid during the year.

For the financial year 2012/13, 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 2012/13 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 but Dartmoor National Park owed £1,000 for HR services. The Council received payments from these bodies for services provided as follows:

2011/12 £000		**2012/13 £000**
55	Dartmoor National Park	42
20	IFCA	12

The Council gave grants to Dartmoor National Park Authority of £97,000 (2011/12 £53,000) principally for the maintenance of footpaths, bridleways and footbridges and received grants of £6,700 (2011/12 £1,700) mainly for the support of public rights of way.

40.2 Other public sector bodies

Devon Primary Care Trust has provided £85.357 millions (2011/12 £65.443 millions) of income to the County Council of which £32.532 millions (2011/12 £24.883 millions) is included in the Comprehensive Income and Expenditure Statement and received payments of £6.746 millions (2011/12 £9.671 millions) during the year. The income is primarily for funded nursing care payments, that are administered by the County Council on behalf of the Trust and are therefore not included within the Comprehensive Income and Expenditure Statement, and other healthcare partnership agreements. The expenditure is primarily in respect of joint staffing arrangements and a one off transfer back in relation to integrated health and social care funding. At the year end the authority was due £5.966 millions (2011/12 £11.973 millions) from the Primary Care Trust and owed it £5.968 millions (2011/12 £4.585 millions).

40.3 Transaction with the Pension Fund

The Council charged the fund £2.018 millions (2011/12 £1.607 million) for expenses incurred in administering the fund. The whole of this sum was due at 31st March and settled in 2013/14.

40.4 Assisted Organisations

The Council has provided significant contributions to the following bodies:

- Seven District Councils in Devon have received a total of £0.362 millions (2011/12 £0.568 millions) 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 £0.369 millions (2011/12 £0.499 millions) and the Council for Voluntary Services £0.577 millions (2011/12 £0.725 millions) from the Council conditional on long term agreements for the provision of services.
- The Community Council of Devon has received grants of £0.443 million (2011/12 £0.974millions).
- Local Council Tax Schemes have received assistance valued at £0.098 million (No assistance was provided in 2011/12).
- South Hams District Council Affordable Housing has received £0.028 million (No assistance was assistance in 2011/12).

40.5 Partnerships

There are a number of partnerships in which the County Council participates. The most significant of these are shown in the table below.

Reference - see below		2011/12 Income £000	2011/12 Expenditure £000	2011/12 Net Expenditure £000	2012/13 Income £000	2012/13 Expenditure £000	2012/13 Net Expenditure £000
	Health - Section 75 partnerships						
a	Joint Equipment Store	(2,521)	3,636	1,115	(3,014)	4,129	1,115
b	Integrated Health and Social Care	(99)	1,069	970	(88)	1,059	971
	Other partnerships						
c	Devon Audit Partnership	(1,680)	1,674	(6)	(1,652)	1,596	(56)
d	Devon Partnership Trust	(204)	1,677	1,473	(154)	1,539	1,385
e	Safer Devon Partnership	(587)	500	(87)	(275)	241	(34)
f	South West Devon Waste Partnership	0	66	66	(86)	86	0
g	Speed Camera Partnership	0	237	237	0	237	237
h	Youth Offending Team	(1,020)	1,596	576	(1,193)	1,714	521
i	Devon Children's Safeguarding Board	(40)	188	148	(65)	250	185

a) The Council operates a pooled budget in conjunction with Devon Primary Care Trust and North Devon Health Care Trust under the terms of Section 75 of the Health Act 2006, which covers the provision of a Joint Community Equipment Store. Gross expenditure is £4.129 millions (£3.636 millions in 2011/12). The Council’s net contribution to the pool is £1.115 million (£1.115 million in 2011/12). The Council’s share (50%) of the stock and liabilities are held on the Council’s balance sheet.

b) 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 CC, Devon PCT or North Devon Healthcare Trust, and agreed proportions of the cost of these staff are shared with other partners to the arrangement.

c) 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.

d) The Devon Health & Social Care Partnership Trust manages the provision of services for people with learning difficulties and mental health needs on behalf of the County Council and the Primary Care Trusts operating in Devon. The spending shown above represents the County Council’s contribution to the joint working arrangement.

e) The Safer Devon Partnership comprises the County Council, Devon and Cornwall Police Authority, Devon & Somerset Fire & Rescue Authority, and Devon Primary Care Trust. Funding is received from the Local Service Support Grant. Funding is allocated to projects selected by the Safer Devon Partnership to deal with local and county-wide crime and disorder issues.

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

g) The Speed 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.

h) The Youth Offending Team is a statutory partnership funded by contributions from the County Council, Devon & Cornwall Police Authority, Devon Primary Care Trust and the National Probation Service, as well as a combination of government grant. The initiative provides programmes to reduce youth re-offending and youth crime prevention programmes to reduce first time offending.

i) The Devon Children's Safeguarding Board has responsibility for co-ordinatoring 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 Authority, National Probation Service, NHS Devon, North Devon Healthcare Trust, Devon Partnership Trust and Careers South West Ltd (Connexions).

40.6 Subsidiary and Associated Companies and joint ventures

The PLUSS Organisation Ltd. [registered company no. 05171613]

The company is limited by guarantee, with no share capital. The principal activity of the company is the provision of employment and work-related services for people with disabilities. The four local authority members, Devon County Council, Plymouth City Council, Torbay Council and Somerset County Council have equal voting rights. The members of the Company have no right to share in the net assets of the Company should it be dissolved. Profits and losses are retained by the company. The Company's performance during 2012/13 is as follows:

2011/12		2012/13
£000		£000
664	Operating profit/(loss) for the year	(173)
270	Net assets at the balance sheet date	344
5,020	Net transactions with the Council during the year	6,614

A loan arrangement with the Company is disclosed in Note 18 and a guarantee for pension liabilities is disclosed at Note 44.

At the year end PLUSS owed the authority £0.046 million (2011/12 £0.170 millions) and the authority owed PLUSS £0.808 million (2011/12 £0.706 millions).

Copies of the Company's accounts can be obtained from the PLUSS Organisation Limited, 22 Marsh Green Road, Exeter, Devon, EX2 8PQ.

NPS South West Ltd [registered company no. 06078903]

The Company was established on 1 April 2007 to provide property management services. The Council has a 20% equity holding in the Company and appoints two members to its Board that comprises six members in total. Pre-tax profits are shared equally between the Council and NPS (SW) Ltd, the Council's share being used to discount the payments it makes to the company for property management services provided to it. The Company's performance during 2012/13 is as follows:

2011/12		2012/13
£000		£000
252	Operating profit for the year	267
830	Net assets at the balance sheet date	946
6,503	Net transactions with the Council during the year	8,846

A guarantee for premises liabilities is disclosed at Note 44.

At the year end NPS South West Ltd owed the authority £0.111 million (2011/12 £0.013 millions) and the authority owed NPS South West Ltd £1.255 million (2011/12 £1.170 millions).

Copies of the Company's accounts can be obtained from the NPS South West Ltd, County Hall, Martineau Lane, Norwich, Norfolk NR1 2DH.

Careers South West Ltd [registered company no. 3029947]
On 1 April 2008 the Company became a local authority controlled company limited by guarantee. The principal object of the Company is to develop, co-ordinate and ensure provision of support services for young people and to provide careers advice, information and guidance services to people of all ages. The council is one of four members of the Company. The members have guaranteed the Cornwall Pension Scheme, such that in the event of the Company being wound up, any outstanding pension liabilities relating to Company employees, will be met by the members, 45% of the liability will be met by Devon County Council. The Company's performance during 2012/13 is as follows:

2011/12 Restated £000		2012/13 £000
926	Surplus for the year	347
(3,872)	Net liabilities at the balance sheet date	(6,725)
3,474	Net transactions with the Council during the year	94

A guarantee for pension liabilities is disclosed at Note 44.

There were no outstanding sums due to (2011/12 £0.012 millions) or from (2011/12 £0.011 millions) Careers South West Ltd at the year end.

Copies of the Company's accounts can be obtained from Careers South West Ltd, Head Office, Tamar Business Park, Pennygillam Industrial Estate, Launceston, Cornwall PL15 7ED.

Exeter Skypark Ltd [registered company no. 02021631]
The company was set up on 21 May 1986 to develop the Skypark site as a business and industrial site. However it has never been used and is currently dormant.

There were no outstanding sums due to or from the Exeter Skypark Ltd at the year end.

Skypark Development Partnership LLP [registered company no. OC343583]
The company was set up on 24 February 2009. The company is a limited liability partnership of which the Council has a fifty percent interest. The purpose of the partnership is to develop a business park which will offer high quality employment opportunities. The company's registered office is Sir Stanley Clarke House, 7 Ridgeway, Quinton Business Park, Birmingham, B32 1AF. The Company's performance during 2012/13 is as follows:

2011/12 Restated £000		2012/13 £000
(57)	Loss for the year	(34)
856	Net assets at the balance sheet date	918
0	Net transactions with the Council during the year	0
325	Loan from Council to Skypark LLP	325

There were no outstanding sums due to or from the Skypark Development Partnership LLP at the year end or at the 2011/12 year end.

Exeter Science Park Ltd [registered company no. 06828415]
The company was set up on 24th February 2009. The Council has a 49.3% interest. The Science Park Company operates under 'de minimis' State Aid regulations with the intention of promoting Exeter Science Park. The company's registered office is Exeter Science Park Limited, The Innovation Centre, Rennes Drive, Exeter, Devon, EX4 4RN. The Company's performance during 2012/13 is as follows:

2011/12 Restated £000		2012/13 £000
(88)	Loss for the year	(184)
67	Net assets at the balance sheet date	877
60	Net transactions with the Council during the year	131

There were no outstanding sums due to (2011/12 £6,000) or from Exeter Science Park Ltd at the year end.

Devon Norse Ltd [registered company no. 07553812]
The company was set up on 7th March 2011 to provide cleaning and catering services. The Council has a 20% equity holding in the Company. The company's registered office is Devon Norse Limited, 280 Fifers Lane, Norwich, Norfolk, NR6 6QE. The Company's performance during 2012/13 is as follows:

2011/12 Restated £000		2012/13 £000
21	Profit for the year	101
48	Net assets at the balance sheet date	122
722	Net transactions with the Council during the year	10,718

At the year end Devon Norse Ltd owed the authority £0.046 millions (2011/12 £0.033 millions) and the authority owed Devon Norse Ltd £0.522 millions (2011/12 £0.739 millions).

Babcock LDP LLP [registered company no. OC377058]
The company was set up on 1st April 2012. Babcock LDP LLP is joint venture between Devon County Council and Babcock Training Ltd and the Council has a 19.9% holding in the Company. Education and inclusion services previously delivered by the Learning Development Partnership as a Council service have been transferred to Babcock LDP LLP. The company's registered office is Babcock LDP LLP, 33 Wigmore Street, London W1U 1QX. The Company's performance during 2012/13 is as follows:

2011/12 £000		2012/13 £000
0	Profit for the year	477
0	Net assets at the balance sheet date	2,477
0	Net transactions with the Council during the year	17,922

At the year end Babcock LDP LLP owed the authority £0.171millions and the authority owed Babcock LDP LLP £0.606 millions.

South West Grid for Learning Trust [registered company no. 5589479].
The company is limited by guarantee. 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 44.

At the year end South West Grid for Learning Trust owed the authority £6,000 (2011/12 £4,000).

40.7 Combined interest

The combined interest in these companies is not material and therefore group accounts have not been prepared.

41. Private Finance Initiative

Exeter Schools - PFI Scheme

2012/2013 was the eighth 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.

Up to and including the financial year 2008/09, it was only the land associated with the PFI scheme that was included within the figures on the balance sheet. From 2009/10 onwards, due to a change in accounting policy, the land and buildings of the non Voluntary Aided PFI schools in Exeter are included within the fixed assets on the balance sheet. The corresponding liabilities are included within short and long term liabilities on the balance sheet.

Value of Assets held under PFI contracts

2011/12 £000		2012/13 £000
53,189	Opening Net Book Value	51,643
58	Additions	
(2,359)	Depreciation	(2,422)
755	Revaluations	
51,643	**Closing Net Book Value**	**49,221**

Value of Liabilities held under PFI contracts

2011/12 £000		2012/13 £000
(58,204)	Opening Liability	(56,025)
2,179	Repayment of Liability	2,378
(56,025)	**Closing Liability**	**(53,647)**

The assets and liabilities associated with the Voluntary Aided school within the Exeter Schools PFI scheme, St Peters, are not included in the financial statements. When St James became a trust school in 2010/11 the school asset was removed from the balance sheet though the liabilities remain.

Payments due to be made under the PFI Contract for Liabilities held on Balance Sheet include a service element for the schools' premises costs and capital financing payments that relate to the reduction of liability and an amount for interest. 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 £000	Interest Charges £000	Service Charges £000	Other Cash Charges £000	Total Payments £000
Within 1 year	2,422	5,531	2,152	426	**10,531**
Within 2 - 5 years	9,789	19,675	9,231	3,268	**41,963**
Within 6 - 10 years	13,827	18,719	13,092	6,107	**51,745**
Within 11 - 15 years	13,262	11,542	15,077	10,023	**49,904**
Within 16 - 20 years	12,795	5,091	17,372	12,585	**47,843**
Within 21 - 25 years	1,552	160	1,567	525	**3,804**
	53,647	**60,718**	**58,491**	**32,934**	**205,790**

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 £347 millions. Set against this is a grant of £249 millions that will be received from central government. Of the balance, £75 millions will be met from delegated school budgets and the remainder (£24 millions) will be financed by the county council. The un-discharged liability to Devon County Council under the contract is £10.734 millions of which the maximum in any year is £2.0 millions. In 2012/13, Devon County Council's contribution was £2.0 millions.

42. Leases and Contract Hire

Finance leases (Council as Lessor)

Land and Buildings – the Council has 40 assets that are leased to tenants that meet the definition of a Finance Lease. Three of these assets are included within Non Current Assets on the Balance Sheet. The value of the assets at 31st March 2013 is £0.296m. The present value at 31st March 2013 of the rental payments due to the Council is £0.4m. 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 18 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 value of the assets at 31st March 2013 is £10.1m. The present value of lease payments to be made over the term is estimated to be £0.2m. 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:

2011/12	Property £000	Equipment £000	Contract Hire £000	**Total £000**
Not later than 1 year	912	650	135	**1,697**
Later than 1 year but not later than 5 years	3,274	1,441	97	**4,812**
Later than 5 years	5,247	49	0	**5,296**
	9,433	**2,140**	**232**	**11,805**

2012/13	Property £000	Equipment £000	Contract Hire £000	**Total £000**
Not later than 1 year	865	602	68	**1,535**
Later than 1 year but not later than 5 years	2,430	1,339	38	**3,807**
Later than 5 years	5,246	41	0	**5,287**
	8,541	**1,982**	**106**	**10,629**

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

2011/12	Property £000	Equipment £000	Contract Hire £000	**Total £000**
Minimum lease payments	1,073	753	135	**1,961**
	1,073	**753**	**135**	**1,961**

2012/13	Property £000	Equipment £000	Contract Hire £000	**Total £000**
Minimum lease payments	890	610	68	**1,568**
	890	**610**	**68**	**1,568**

Operating leases (Council as Lessor)
The rental received for operating property leased to third parties for the year is £945,000 of which £898,000 relates to smallholdings. The gross value of smallholdings at 31 March 2013 is £16.119 millions. 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:

2011/12		**2012/13**
£000		£000
944	Not later than 1 year	943
2,891	Later than 1 year but not later than 5 year	2,973
7,970	Later than 5 years	7,889
11,805		**11,805**

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

2011/12		**2012/13**
£000		£000
1,116	Minimum lease payments	945
1,116		**945**

43. Pensions

As part of the terms and conditions of employment of its officers and other employees, the County Council offers retirement benefits. Although these benefits will not actually be payable until employees retire, the County Council has a commitment to make the payments that needs to be disclosed at the time that employees earn their future entitlement.

The County Council participates in two different pension schemes: the Local Government Pension Scheme and the Teachers Pension Scheme. Both schemes provide members with defined benefits related to pay and service

43.1 Local Government Pension Scheme

The Local Government Pension Scheme, for employees other than teachers, administered locally by Devon County Council – this is a funded defined benefit final salary scheme, meaning that the County Council and employees pay contributions into a fund, calculated at a level intended to balance the pension liabilities with investment assets.

43.2 Transactions relating to Retirement Benefits

The County Council recognises the cost of retirement benefits in the net cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge required to be made against the council tax is based on the cash payable in the year, so the real cost of retirement benefit is reversed out in the Movement in Reserves Statement.

The following transactions have been made in the Comprehensive Income and Expenditure Statement and Movement in Reserves Statement during the year:

Local Government Pension Scheme	**Total Liabilities**	
	2011/12	2012/13
Income and Expenditure Account	£000	£000
Net Cost of Services:		
Current service cost	32,630	37,824
Past service cost	0	0
Curtailments/settlements	(13,555)	(11,177)
Net Operating Expenditure:		
Interest cost	75,547	71,363
Expected return on assets in the scheme	(56,381)	(47,152)
Contribution to pre 1/4/98 unfunded benefits	2,871	2,176
Net Charge to Income and Expenditure Statement	**41,112**	**53,034**
Movement in Reserves Statement		
reversal of net charges made for retirement benefits in accordance with IAS 19 (Note 9)	**(41,112)**	**(53,034)**

In addition to the recognised gains and losses included in the Comprehensive Income and Expenditure Statement, actuarial losses of £38.689 millions (£200.729 millions actuarial losses 2011/12) were included within other comprehensive expenditure and income within the Comprehensive Income and expenditure statement. The cumulative amount of actuarial gains and losses recognised within other comprehensive expenditure and income within the Comprehensive Income and expenditure statement is a loss of £352,410 millions.

43.3 Assets and Liabilities in relation to Retirement Benefits

Reconciliation of present value of the scheme liabilities:

Local Government Pension Scheme	**Total Liabilities**	
	2011/12	2012/13
	£000	£000
1st April	(1,405,502)	(1,612,071)
Current Service Cost	(32,630)	(37,824)
Interest Cost	(75,547)	(71,363)
Contributions by scheme participants	(10,567)	(9,771)
Curtailments and settlements	24,692	33,990
Actuarial gains/(losses)	(172,203)	(100,900)
Benefits paid	59,686	63,342
Total (Liability)	**(1,612,071)**	**(1,734,597)**

	Unfunded Liabilities	
	2011/12	2012/13
	£000	£000
Present Value of Unfunded Obligation included above	(108,431)	(107,145)
	(108,431)	**(107,145)**

Reconciliation of fair value of the scheme assets:

Local Government Pension Scheme	**Assets** 2011/12 £000	**Assets** 2012/13 £000
1st April	886,153	897,120
Expected rate of return	56,381	47,152
Actuarial gains/(losses)	(28,526)	62,211
Employer contributions	34,971	33,871
Contributions by scheme participants	10,567	9,771
Settlements	(11,137)	(22,813)
Benefits paid	(51,289)	(54,717)
Total Assets	**897,120**	**972,595**

The expected return on assets is based on the long-term future expected investment return for each asset class as at the beginning of the period (i.e. as at 1 April 2012 for the year to 31 March 2013). The return on gilts and other bonds are assumed to be the gilt yield and corporate bond yield (with an adjustment to reflect default risk) respectively at the relevant date. The return on equities and property is then assumed to be a margin above gilt yields.

The assumed rate of return on each asset class is set out within this note. The overall expected rate of return on assets is then derived by aggregating the expected return for each asset class over the actual asset allocation for the Fund at 31 March 2013.

The actual return on scheme assets in the year was £109.363 millions (2011/12: £27.856 millions).

43.4 Scheme History

	2008/09 £000 As Restated	2009/10 £000	2010/11 £000	2011/12 £000	2012/13 £000
Present value of Liabilities					
Funded Liabilities	(1,085,830)	(1,583,762)	(1,286,039)	(1,503,640)	(1,627,452)
Unfunded Liabilities	(115,920)	(132,671)	(119,463)	(108,431)	(107,145)
	(1,201,750)	(1,716,433)	(1,405,502)	(1,612,071)	(1,734,597)
Fair value of assets	615,530	822,736	886,153	897,120	972,595
Surplus / (deficit) in the scheme	(586,220)	(893,697)	(519,349)	(714,951)	(762,002)

The liabilities show the underlying commitments that the authority has in the long run to pay retirement benefits. The net liability of £762 millions has a substantial impact on the net worth of the authority as recorded in the Balance Sheet.

However, statutory arrangements for funding the deficit mean that the financial position of the authority remains healthy. The deficit on the local government scheme will be made good by increased contributions over the remaining working life of employees, as assessed by the scheme actuary.

The pension fund deficit at 31 March 2013 has increased by £47 millions from 31 March 2012. This is due to changes in mortality assumptions and a reduction in the discount rate.

The regular contributions to the Fund for the accounting period to 31 March 2014 are estimated to be £39.987 millions.

43.5 Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. Barnett Waddingham LLP assessed the value of the County Council Fund liabilities as at 31 March 2013, by rolling forward the value of the liabilities calculated for the Triennial valuation as at 31 March 2010 allowing for the different financial assumptions required under IAS19. A similar roll-forward approach was taken for the report as at 31 March 2012.

The main assumptions used for the purposes of IAS 19 are as follows:

	Funded		Unfunded	
	2011/12	**2012/13**	**2011/12**	**2012/13**
Long-term expected rate of return on assets in the scheme:				
Equities	6.3%			
Gilts	3.3%			
Other Bonds	4.6%			
Property	4.3%			
Cash	3.0%			
Target Return Portfolio	4.7%			
Total expected rate of return on assets in the scheme		5.4%		
Mortality Assumptions:				
Life Expectancy from age 65 (years) - Retiring today:				
Men	20.5	20.6	20.5	20.6
Women	24.5	24.6	24.5	24.6
Life Expectancy from age 65 (years) - Retiring in 20 years:				
Men	22.5	22.6	22.5	22.6
Women	26.4	26.5	26.4	26.5
Rate of Inflation	2.5%	2.5%		
Rate of increase in salaries	4.7%	4.7%		
Rate of increase in pensions	2.5%	2.5%		
Rate of discounting scheme liabilities	4.6%	4.3%		

The Local Government Pension Scheme's assets consist of the following categories, by proportion of the total assets held:

43.6 History of experience Gains and Losses

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

	2008/09 £m	2008/09 %	2009/10 £m	2009/10 %	2010/11 £m	2010/11 %	2011/12 £m	2011/12 %	2012/13 £m	2012/13 %
Difference between expected and actual return on assets	(209.13)	(33.98)	166.71	20.26	(0.94)	(0.11)	(28.53)	(3.18)	62.21	6.94
Experience gains (losses) on liabilities	(8.55)	(0.79)	0.00	0.00	47.72	3.71	15.54	1.03	0.00	0.00

43.7 Teachers Pension Scheme

Teachers employed by the Authority are members of the Teachers' Pension Scheme, administered by the Department for Children, Schools and Families. It provides teachers with defined benefits upon their retirement, and the Authority contributes towards the costs by making contributions based on a percentage of members' pensionable salaries.

In 2012/13, the County Council paid £19.185m (£20.995m in 2011/12) to Capita Hartshead on behalf of the Teachers Pensions Agency, in respect of Teacher's pension costs. For 2012/13 this represented 14.1% (14.1% in 2011/12) of teachers' pensionable pay.

The Scheme is a defined benefit scheme. Although the scheme is unfunded, Teachers' Pensions use a notional fund as the basis for calculating the employers' contribution rate paid by local education authorities. However, it is not possible for the Authority to identify a share of the underlying liabilities in the scheme attributable to its own employees. For the purposes of this Statement of Accounts, it is therefore accounted for on the same basis as a defined contribution scheme.

The Authority is responsible for the costs of any additional benefits awarded upon early retirement outside of the terms of the teachers' scheme. These benefits are fully accrued in the pension liability described in this note. No new enhanced lump sum payments or additional annual enhanced payments were made during 2012/13 and will not be made in future either.

44. 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 £1.597 million at 31 March 2013 (£1.712 million at 31 March 2012).

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,
- claims under commercial warranties which total more than £500,000 for either a single claim, or a series of related claims. The time limit on these claims is the second anniversary of completion for those commercial warranties which do not relate to taxation, and the seventh anniversary for those that do,
- losses in connection with claims under the SWERDA agreement (relating to the Flybe hanger development) in excess of £1,920,000,

- 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.

Highways – Road Traffic Incidents

There has been a serious incident that has given rise to a claim against the authority involving a cyclist. The maximum charge to the authority's accounts will be an insurance excess of £350,000.

Breach of Data Protection Act

Six breaches of the Data Protection Act have been reported to the Information Commissioner's Office. The incidents, involving the disclosure of personal information, are being investigated by the Information Commission. It is not known whether the authority will be fined, but similar incidents reported by other organisations have realised fines of between £60,000 and £100,000 per incident. The maximum fine is £500,000 per incident.

Planning Inquiry Whitecleaves Quarry

The authority is involved in a planning inquiry relating to a decision to refuse permission for bottom ash to be disposed of at Whitecleaves Quarry. If the authority is found to have acted unreasonably then costs could be payable.

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 and redundancy costs should certain trigger points be reached. Redundancy costs will be shared on a diminishing basis for the first 3 years of the contract where, as a result of action by the County Council, the contract value falls by more than 5 per cent in any year. 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 2013 with the outcome being published early in 2014.

Guarantees

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

- 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 Council 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 Council has provided guarantees to the Devon Pension Fund in respect of a share of employer liabilities of the PLUSS organisation. These employer liabilities could result in the County Council making payments in relation to pension enhancements costs, redundancy costs and any actuarial deficit in the event of the insolvency of PLUSS.
- The Council has given guarantees to foster carers for uninsurable losses in relation to fire damage to their properties. The guarantees extend to eight properties with an estimated value of £3.4 millions.

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 in which the authority has a participating interest and over which it is able to exercise significant influence but not control (which would create a subsidiary). The degree of influence is measured according to the substance of the relationship and takes account of contractual considerations, management input and the level of 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 ACCOUNT

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.

CREDITORS
Creditors are financial liabilities arising from good or services that have been received but for which payment has not been made as at the balance sheet date.

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.

DEBTORS
Debtors are amounts owed to the authority at the balance sheet date where services have been delivered but payment has not been received.

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.

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 by the government, inter-government agencies and similar bodies, whether local, national or international, in return for past or future compliance with certain conditions relating to 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 following abbreviations refer to awarding bodies in the analysis of government grants:

- CLG = (Department of) Communities & Local Government
- CSPN = County Sports Partnership Network
- CWDC = Children's Workforce Development Council
- 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 VENTURES
A joint venture is a contractual or binding arrangement under which two or more parties are committed to undertake an activity that is subject to joint control. The arrangement typically sets out the nature of the activity and its duration, its governing and reporting structure, and each venturer's share of inputs and outputs. Where their interests are considered to be material, Venturers report their participation in joint ventures in group accounts under the equity basis of accounting. Otherwise, joint ventures are regarded as investments and are reported under the financial instruments regulations applying to assets available for sale.

LANDFILL ALLOWANCES TRADING SCHEME (LATS)
LATS is accounted for as a 'cap and trade' scheme whereby an initial allowance (or 'cap') on the amount of biodegradable municipal waste (BMW) which the authority may dispose of in landfill without penalty is included as a government grant represented by current asset at fair value. Usage is then recorded as a current liability and settled by offset against the current asset or, if that is exceeded, either by penalty payment or offset against additional allowances purchased from other waste disposal authorities (WDAs). If, conversely, an asset remains, this may either be carried forward or traded with other WDAs. No value is currently attached to these assets.

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 fair 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 fair value (because of the specialist nature of an asset), depreciated replacement cost is used as an estimate of fair 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.

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 not 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.

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 2012/13

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 2013 has been prepared in accordance with the Accounts and Audit Regulations 2011 and that it presents a true and fair view of the financial position of the Pension Fund as at 31 March 2013 and its income and expenditure for the year ended 31 March 2013.

Mary Davis

County Treasurer

13th September 2013

Approval of the Statement of Accounts

I confirm that these accounts were approved by the Audit Committee at its meeting on 23rd September 2013.

Councillor Richard Edgell

Chairman of the Audit Committee

23rd September 2013

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. There are about 4.6 million members of 89 regional pension funds spread across England and Wales, roughly 75% of the local government workforce.

The LGPS is managed by administering authorities in accordance with regulations approved by Parliament. In Devon's case this is Devon County Council. 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).

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.devonpensions.org for further information.

As of 31st March 2013, the net assets of the Devon County Council Pension Fund were valued at £2,684 million. The fund itself currently has 35,400 actively contributing members, employed by 168 employers of various descriptions (Unitary, District, Town & Parish Councils, Education Establishments and Admitted Bodies). Pensions are paid to 27,049 pensioners (and/or dependants) every month. There are currently 28,040 members with rights to deferred benefits.

The LGPS is contracted-out of the State Second Pension (S2P) and must, in general, provide benefits at least as good as most members would have received had they been members of the State Second Pension.

Management Structure

Management Structure

Administering Authority	Devon County Council County Hall Exeter EX2 4QD	

Your Pension Fund Representatives

Investment and Pension Fund Committee (at 31 March 2013)

Representing Devon County Council	Councillor Barry Parsons	(Chairman)
	Councillor Andrew Moulding	(V.Chairman)
	Councillor Philip Brock	
	Councillor Jerry Brook	
	Councillor Rodney Cann	
	Councillor Richard Edgell	
	Councillor Des Hannon	
	Councillor Chris Haywood	
	Councillor Trevor Pennington	
	Councillor Ray Radford	
	Councillor Philip Sanders	
	Councillor Richard Westlake MBE	
Representing Devon Unitary & District Councils	Councillor Peter Edwards	(Devon Districts Councils)
	Councillor Peter Smith	(Plymouth)
	Councillor David Stark	(Plymouth)
	Councillor John Thomas	(Torbay)

Observers

Representing the Contributors	Roberto Franceschini Lorraine Parker
Representing the Beneficiaries	Colin Lomax
Adviser	John Harrison
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 Sarasin and Partners LLP 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	Assistant County Treasurer
	Richard Bettley	Assistant County Treasurer
	Charlotte Thompson	Head of Pension Services
Fund Actuary	Barnett Waddingham LLP	

Copies of the full Annual Report, Statutory Published Statements and abridged Members Leaflet can be found on-line at: www.devonpensions.org/fund-and-investment-news

Requests for information about the accounts or investments should be made in writing to Mark Gayler, Acting 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 members of two 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).

Both schemes provide defined benefits to members earned as employees. The arrangements for the teachers' scheme mean that liabilities for these benefits fall on the DFE 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 2010 and was signed by the Actuary on 30 March 2011.

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.

Statement of Accounts

Fund Account

2011/12 £'000		Notes	2012/13 £'000
	Dealings with members, employers and others directly involved in the fund		
	Contributions		
116,380	Employers	7 & 9	111,900
36,277	Employees		34,703
	Transfers in from other schemes:		
9,868	Individual Transfers		8,647
162,525			155,250
	Benefits	7	
(104,282)	Pensions		(114,737)
(35,991)	Commutation of pensions and lump sum retirement benefits		(27,389)
(3,103)	Death Benefits		(3,356)
(6)	Refunds		(15)
	Payments to and on account of leavers		
(5,933)	Individual Transfers		(5,636)
(1,282)	Administration expenses	10	(1,689)
(150,597)			(152,822)
11,928	**Net additions from dealings with members**		**2,428**
	Returns on investments		
	Investment Income:		
	Fixed Interest		
1,791	U.K. Public Sector Bonds		556
279	U.K. Public Sector Index Linked Bonds		53
9,123	Overseas Government Bonds		8,226
1	Overseas Government Index Linked Bonds		0
716	UK Corporate Bonds		1,126
5,936	Overseas Corporate Bonds		5,986
	Equities (Listed)		
6,321	U.K.		3,201
11,941	Overseas		10,777
9,961	Pooled Funds		10,666
0	Derivatives		
529	Interest on Cash Deposits		1,760
1,675	Interest on Short term Deposits		0
0	Underwriting Commission		0
	Taxes on income		
3	Withholding Tax - Fixed Interest securities		(3)
(691)	Withholding Tax - Equities		(508)
(3,600)	Investment Management expenses	12	(6,890)
	Profit and losses on disposal of investments and changes in market value of investments:		
36,648	Realised profit/(loss)		35,041
(15,729)	Unrealised profit/(loss)		250,534
64,904	**Net Returns on Investments**		**320,525**
76,832	Net increase/(decrease) in the net assets available for benefits during the year		322,953
2,606,899	Opening Net Assets of the Fund at 1 April		2,683,731
2,683,731	**Net Assets of the Fund at 31 March**		**3,006,684**

Net Asset Statement

2011/12 £'000		Notes	2012/13 £'000
	INVESTMENTS AT MARKET VALUE	13	
	Investment Assets		
	Fixed Interest		
52,207	U.K. Public Sector Bonds		9,031
20,298	U.K. Public Sector Index Linked Bonds		0
257,337	Overseas Government Bonds		217,110
0	Overseas Government Index Linked Bonds		0
26,519	UK Corporate Bonds		17,167
130,658	Overseas Corporate Bonds		152,580
	Equities (Listed)		
168,353	U.K.		64,410
499,571	Overseas		420,704
1,079,085	Managed Funds	15	1,284,612
288,880	Pooled Funds	15	739,673
	Derivative Assets	16	
156	Futures - Overseas Fixed Interest		321
2	UK Bond Forwards		0
29	Overseas Bond Forwards		18
10	Options		13
2,258	Forward Currency Contracts		2,976
9,318	Foreign Currency		17,249
94,800	Short Term Deposits		24,750
29,915	Cash Equivalents		31,500
22,313	Cash & Bank Deposits		21,682
	Investment Liabilities		
	Derivatives	17	
(22)	Futures - UK Fixed Interest		(450)
(75)	Futures - Overseas Fixed Interest		(155)
0	UK Bond Forwards		(11)
(33)	Overseas Bond Forwards		(16)
(4,737)	Forward Currency Contracts		(3,445)
2,676,842	**Total of investments held**		2,999,719
	Non current Assets and Liabilities	17	
13,040	Non current Assets		10,761
(13,536)	Non current Liabilities		(12,032)
	Current Assets and Liabilities	17	
42,035	Current Assets		28,098
(34,650)	Current Liabilities		(19,862)
2,683,731	**Net Assets of the fund available to fund benefits at 31 March**		**3,006,684**

Notes to the Net Asset Statement

a. The financial statements above 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.

b. The actuarial position of the scheme, which does take account of such obligations, is summarised in the Statement of the Actuary for the year ended 31 March 2013 on pages 146 and 147.

Notes to the Accounts

1. Accounting Concepts and Policies

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 (with observers representing the staff and retired members) control the investments with advice from specialists. Employing body details are shown on pages 146 and 147.

1.1 General Concepts

Introduction
The principles and practices of accounting require a Statement of Accounts to be prepared which give a true and fair view of the financial position and financial performance.

Overriding Accounting Concepts

- **Accruals** – Financial Statements are prepared on an accruals basis.
- **Going Concern** – The accounts are prepared on the assumption that the Pension Fund will continue in operational existence into the foreseeable future i.e. there is no intention to significantly curtail the scale of the operation.
- **Legislative Requirements** – It is a fundamental principle that where specific legislative requirements and accounting principles conflict, legislative requirements take precedence.

General Principles
The general principles in compiling these accounts are those recommended by CIPFA. The accounts of the Fund have been prepared in accordance with The IFRS Based Code of Practice on Local Authority Accounting in the United Kingdom (the Code) and the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009.

The accounting convention adopted is fair value and investments are included in the accounts on a fair value basis.

1.2 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:

- Contributions, benefits and investment income are included on an accruals basis.
- All settlements for buying and selling of investments are accrued on the day of trading.
- Transfer values received and paid out have been accounted for on a cash basis.
- Interest on deposits is accrued if not received by the end of the financial year.

- Administration and Investment 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.
- Where income and expenditure has been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Net Asset Statement.
- Some additional payments are made to beneficiaries on behalf of certain employers. These payments are subsequently reimbursed by those employers. The figures contained in the accounts are shown exclusive of both payments and reimbursements.

Actuarial present value of promised benefits
The actuarial present value of promised retirement benefits (the Funded Obligation) is disclosed only in the notes to the accounts and not within the Net Asset Statement as per IAS 26.

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 withing the notes not the accounts.

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 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.

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 29 June 2013.

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:

a. Acquired or incurred principally for the purpose of selling or repurchasing it in the near term, or

b. 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

c. 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 17 - Debtors/Creditors)..
- 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.

Foreign Currency Transactions
The Pension Fund has significant investments overseas. The value of these investments in the Net Asset Statement is converted into sterling at the exchange rate prevailing on 31 March 2013 as supplied by JP Morgan Worldwide Securities Services. Income receipts are normally converted into sterling at or about the date of each transaction, and are accounted for using the actual exchange rate received. Purchases and sales of overseas stocks are normally converted into sterling at the exchange rate applicable on the day of trading. Exchange rate gains or losses will be reported where the rate fluctuates between the day of trading and settlement.

Value Added Tax (VAT)
Income and expenditure excludes any amounts relating to VAT except to the extent that it is irrecoverable.

2. Valuation Basis

Cost of Investments

The cost shown in the Accounts excludes direct costs of purchasing investments.

Market Value of Investments
The market values of investments referred to in this report are provided by JP Morgan Worldwide Securities Services. JP Morgan are the custodians of the Fund. Derivatives are valued on a fair value basis. Investments are also valued at their fair value and where there is an active market the bid price is usually the appropriate quoted market price. However, in some cases in relation to property assets, NAV (Net Asset Value) pricing will be used where it reflects the dealing of the fund better than a single bid or ask price. As all investments are disclosed at fair value, carrying value and fair value are the same.

Derivatives
Futures are disclosed in the accounts at fair value, which is the exchange price for closing out of the contract at the Net Asset Statement date. This represents the unrealised profit or loss on the contract.

Forward foreign exchange contracts are disclosed in the accounts at fair value which is the gain or loss that would arise from closing out the contract at the Net Asset Statement date by entering into an equal and opposite contract at that date.

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.

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:

- 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 21 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.

4. 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. Although market values are available from an active market, with the exception of the UBS International Infrastructure Fund LLP (See Note 10), and market values are not estimates, it does mean that future values may fluctuate.	For every 1% increase in Market Value the value of the Fund will increase by £30.067m 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 £108.553m. In the year to 31 March 2013 the Funded Obligation increased by £215.067m due to updating of the assumptions. Note 18 contains further information on the funded obligation.

5. Estimates

The Devon Fund is a limited partner in the UBS International Infrastructure Fund LLP. UBS (the fund manager to the partnership) provides the Pension Fund with quarterly financial statements indicating the value of this investment. 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.

6. Contingent Asset

Consequent upon rulings given in the European Court of Justice, the Devon Fund, along with a number of other local authority pension funds, is pursuing the recovery of tax paid on certain dividends. If successful this will be of material benefit to the Fund. The case is complex and the potential value to the pension fund is not quantifiable at this time.

7. Contributions

2011/12 £'000		2012/13 £'000
	Contributions Analysed by	
(45,623)	Administering authority	(43,666)
(97,689)	Scheduled bodies	(92,864)
(9,345)	Admitted bodies	(10,073)
(152,657)		**(146,603)**
	Benefits Analysed by	
53,378	Administering authority	54,588
4,369	Scheduled bodies	5,589
85,635	Admitted bodies	85,320
143,382		**145,497**

The Water Boards were part of the LGPS until privatisation in 1989. Active members transferred to the then National Rivers Authority though deferred members and pensioner liabilities remained in the fund. In 1996 the National Rivers Authority transferred to the Environment Agency Pension Scheme. Annual pensions increases for the Pensioner members of the historic Water Boards who remained in the Devon Fund were recharged to the Environment Agency annually. During 2011/12 the fund received a one off payment of £0.786m (included within scheduled bodies in the table above) from the Environment Agency to cover all future pension increases due which will replace the annual recharge exercise.

8. Contribution Rates

Scheme members (employees) paid variable percentages of their total pensionable pay into the fund as set out below.

Whole Time Pay Rate 2011/12	Whole Time Pay Rate 2012/13	Member contribution rate
Up to £12,900	£0 to £13,500	5.5%
£12,901 to £15,100	£12,501 to £15,800	5.8%
£15,101 to £19,400	£15,801 to £20,400	5.9%
£19,401 to £32,400	£20,401 to £34,000	6.5%
£32,401 to £43,300	£34,001 to £45,500	6.8%
£43,301 to £81,000	£45,501 to £85,300	7.2%
More than £81,000	More than £85,300	7.5%

9. Additional Voluntary Contributions (AVC) Investments

The Fund has two AVC providers; Equitable Life and Prudential. The value of employees' AVC investments is shown below.

31/03/2012	Contributions	Investment Return	Paid Out	31/03/2013
£000	£000	£000	£000	£000
5,126	697	213	(950)	5,086

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.

10. Administration Expenses and Related Party Transactions

In accordance with IAS 24 'Related Party Disclosures' material transactions with related parties not disclosed elsewhere are detailed below:

Under legislation, introduced in 2003/04, Councillors are entitled to join the Scheme. 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.

The Devon Fund is a limited partner in the UBS International Infrastructure Fund LLP. The total investment commitment made was $50m at 31 March 2013 and $45.1m had been drawn down for investment. At 31 March 2013 the value of the Fund's investment was £34.0m.

Devon County Council is the administering authority for the purpose of the Fund, and included within the investment management expenses are charges for investment management, accounting and administration expenses. These have been incurred for the internal cost of providing the services. The expenses are detailed below:

2011/12 £000		2012/13 £000
	Administration Expenses	
1,225	Pensions Administration (a)	1,641
31	Actuarial Services	34
26	Audit Fees (b)	14
1,282		**1,689**
	Investment Management Expenses	
484	Investment Management & Accounting (a)	464
2,185	External Investment Management (c)	6,003
148	Custodian	197
(206)	Stock Lending Income & Commission Recapture	(167)
959	Transaction costs (d)	379
26	Audit Fees (b)	14
3,596		**6,890**
4,878		**8,579**

d. Included within the Investment Management expenses are charges amounting to £0.464m (£0.484m in 2011/12) for Investment Management and Accounting and in Administration expenses £1.641m (£1.225m in 2011/12) for Pensions Administration expenses. These have been incurred for the internal cost of providing these services.

e. Audit fees include an amount of £21,000 (£33,000 in 2010/11) in relation to Grant Thornton UK LLP, the auditors appointed by the Audit Commission for external audit services under the Code of Audit Practice. This amount is allocated equally between administration and investment management expenses. The only other item included under audit fees relates to internal audit charges.

f. Current managers' fees are on a fixed fee basis, calculated using the market value of the portfolio. Performance fees, based on performance against an agreed benchmark, are no longer applicable. However the total level of fees for 2011/12 was reduced by a large refund of a performance fee paid in a previous year. Three new managers have been appointed since February 2012, with a consequent change to the fee structure. The cost of external fund management varies with the value of investments under management..

g. Transaction costs in the year amounted to £0.379m (£0. 959m in 2011/12) and can be split into acquisition costs of £0.166m (£0. 624m in 2011/12) and disposal costs of £0.213m (£0. 335m in 2011/12).

11. 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(2)-(4) of the Accounts and Audit (England) Regulations 2011 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(2)-(4) of the Accounts and Audit (England) Regulations can be found on page 74 of the main accounts of Devon County Council.

12. 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 act as custodian for the Fund, and have been authorised to lend both UK and Overseas stocks. A summary of the stock on loan as at 31 March 2013 is shown below.

31 March 2012 £'000	% of Fund %		31 March 2013 £'000	% of Fund %
81,690	3.0	**Stock on Loan**	**7,050**	0.2
		Collateral		
3,231		Cash	2,467	
84,268		Securities	4,905	
87,499			**7,372**	

JP Morgan are 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 JP Morgan 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 JP Morgan will liquidate the non-cash collateral and will repurchase the original lent securities. If this is not possible (due to liquidation issues), JP Morgan will arrange an acceptable solution with the Devon Pension Fund.

13. Investment Management Arrangements

The Pension Fund is currently managed by nine external managers (ten mandates) and the in-house Investment Team in the following proportions:

31 March 2012 £'000	%	Manager	Mandate	31 March 2013 £'000	%
423,581	15.8	UBS Global Asset Management (UK) Ltd	Multi Asset	0	0.0
138,224	5.2	Aberdeen Asset Managers Ltd	Global Equity	162,984	5.4
126,025	4.7	Sarasin and Partners LLP	Global Equity	151,641	5.0
158,286	5.9	Aberdeen Asset Managers Ltd	Global Emerging	188,206	6.3
493,931	18.4	State Street Global Advisors Ltd	Passive Equities	575,128	19.2
469,259	17.5	UBS Global Asset Management (UK) Ltd	Passive Equities	544,828	18.1
188,182	7.0	Lazard Asset Management LLC	Global Fixed Interest	202,637	6.7
183,546	6.8	Wellington Management International Ltd	Global Fixed Interest	196,732	6.5
0	0.0	Baillie Gifford & Co	Diversified Growth Fund	226,016	7.5
0	0.0	Baring Asset Management Ltd	Diversified Growth Fund	221,510	7.4
164,415	6.1	Aviva Investors Global Services Ltd	Property	239,893	8.0
338,282	12.6	DCC Investment Team	Specialist Funds	297,109	9.9
2,683,731	**100**			**3,006,684**	**100**

During 2012/13 investments were made in the Baillie Gifford and Barings Asset Management diversified growth funds. These were funded by the termination on the multi-asset mandate previously managed by UBS. The new diversified growth fund mandates commenced on 1 July 2012.

14. Investment Movements and Transactions

	Value at 31 March 2012	Reclassification	Purchases at cost & Derivative Payments	Sale proceeds & Derivative Receipts	Change in Market Value	Value at 31 March 2013
	£000	£000	£000	£000	£000	£000
Investment Assets						
Fixed Interest						
U.K. Public Sector Bonds	52,207	0	101,530	(146,028)	1,322	9,031
U.K. Public Sector Index Linked Bonds	20,298	0	650	(21,070)	122	0
Overseas Government Bonds	257,337	3,674	386,679	(441,008)	10,428	217,110
Overseas Government Index Linked Bonds	0	0	0	0	0	0
UK Corporate Bonds	26,519	0	13,967	(23,671)	352	17,167
Overseas Corporate Bonds	130,658	(3,674)	94,000	(77,236)	8,832	152,580
Equities (Listed)						
U.K.	168,353	0	28,596	(130,888)	(1,651)	64,410
Overseas	499,571	0	62,645	(193,447)	51,935	420,704
Managed Funds	1,079,085	0	79,128	(37,717)	164,116	1,284,612
Pooled Funds	288,880	0	422,869	(29,540)	57,464	739,673
Derivatives	(2,412)	0	62,626	(53,333)	(7,630)	(749)
Foreign Currency	9,318	0	10,251	(2,990)	670	17,249
Short Term Deposits	94,800	0	0	(70,050)	0	24,750
Cash Equivalents	29,915	0	1,585	0	0	31,500
Cash & Bank Deposits	22,313	0	0	(631)	0	21,682
Total Of Investments Held	**2,676,842**	**0**	**1,264,526**	**(1,227,609)**	**285,960**	**2,999,719**
Non current Assets	13,040	0	0	(2,279)	0	10,761
Non current Liabilities	(13,536)	0	1,504	0	0	(12,032)
Current Assets	42,035	0	0	(13,539)	(398)	28,098
Current Liabilities	(34,650)	0	14,775	0	13	(19,862)
Net Assets of the Fund at 31 March	**2,683,731**	**0**	**1,280,805**	**(1,243,427)**	**285,575**	**3,006,684**

	Value at 31 March 2011	Reclassification	Purchases at cost & Derivative Payments	Sale proceeds & Derivative Receipts	Change in Market Value	Value at 31 March 2012 Restated
	£000	£000	£000	£000	£000	£000
Investment Assets						
Fixed Interest						
U.K. Public Sector Bonds	46,317		87,159	(86,209)	4,940	52,207
U.K. Public Sector Index Linked Bonds	20,980		10,531	(14,855)	3,642	20,298
Overseas Government Bonds	208,937		572,337	(529,603)	5,666	257,337
Overseas Government Index Linked Bonds	570		1,133	(1,704)	1	0
UK Corporate Bonds	12,081		16,511	(2,100)	27	26,519
Overseas Corporate Bonds	132,494		72,639	(77,066)	2,591	130,658
Equities (Listed)						
U.K.	158,205		60,162	(47,332)	(2,682)	168,353
Overseas	483,057		291,726	(278,324)	3,112	499,571
Managed Funds	1,067,666		23,104	(16,447)	4,762	1,079,085
Pooled Funds	277,757		9,233	3,730	(1,840)	288,880
Derivatives	(2,059)		45,980	(46,871)	538	(2,412)
Foreign Currency	10,746		34	(7,753)	6,291	9,318
Short Term Deposits	117,925		0	(23,125)	0	94,800
Cash Equivalents	42,305		0	(12,390)	0	29,915
Cash & Bank Deposits	32,150		0	(9,837)	0	22,313
Total Of Investments Held	**2,609,131**	**0**	**1,190,549**	**(1,149,886)**	**27,048**	**2,676,842**
Non current Assets	0		13,040	0	0	13,040
Non current Liabilities	0		0	(13,536)	0	(13,536)
Current Assets	32,899		15,497	0	(6,361)	42,035
Current Liabilities	(35,131)		106	0	375	(34,650)
Net Assets of the Fund at 31 March	**2,606,899**	**0**	**1,219,192**	**(1,163,422)**	**21,062**	**2,683,731**

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.

Additional information about derivatives is contained in the derivatives disclosure note 16

15. Analysis of Managed and Pooled Funds

15 (a) Managed Funds

	UBS	SSGA	Aviva	Other Managers	Total 31 March 2013
	£'000	£'000	£'000	£'000	£'000
UK Property			80,151	0	80,151
Overseas Property			14,284		14,284
UK Other	544,828	132,655		49,320	726,803
North America		249,901			249,901
Europe		158,287			158,287
Japan		34,285			34,285
Global				20,901	20,901
	544,828	**575,128**	**94,435**	**70,221**	**1,284,612**
31 March 2012	469,259	493,930	31,283	84,613	1,079,085

15(b) Pooled Funds (Unit Trusts)

	Baillie Gifford	Barings	Aviva	Other Managers	Total 31 March 2013
	£'000	£'000	£'000	£'000	£'000
UK Quoted Property			118,511		118,511
UK Unquoted Funds				51,310	51,310
Overseas Unquoted				122,326	122,326
Diversified Growth Funds	226,016	221,510			447,526
	226,016	**221,510**	**118,511**	**173,636**	**739,673**
31 March 2012	-	-	119,184	169,696	288,880

16. 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.

Position at 31 March 2012					Position at 31 March 2013	
Economic exposure £'000	**Market value £'000**		**Expiration Period**	**Notes**	**Economic exposure £'000**	**Market value £'000**
		INVESTMENT ASSETS				
		Futures		a		
0	0	UK Fixed Interest	< 1 Year		0	0
27,417	156	Overseas Fixed Interest	< 1 Year		39,932	321
27,417	156				39,932	321
		Bond Forwards		b		
0	2	UK Bond Forwards	< 1 Year		1,030	0
2,657	29	Overseas Bond Forwards	< 1 Year		2,330	18
2,657	31				3,360	18
		Options		c		
10	10	Overseas Exchange Traded Options	< 1 Year		13	13
275,529	2,258	**Forward foreign exchange contracts**		d	305,766	2,976
305,613	**2,455**	**Total Derivative Assets**			**349,071**	**3,328**
		INVESTMENT LIABILITIES				
		Futures		a		
(4,580)	(22)	UK Fixed Interest	< 1 Year		(26,369)	(450)
(31,292)	(75)	Overseas Fixed Interest	< 1 Year		(27,716)	(155)
(35,872)	(97)				(54,085)	(605)
		Bond Forwards		b		
(2,117)	0	UK Bond Forwards	< 1 Year		(4,410)	(11)
(2,575)	(33)	Overseas Bond Forwards	< 1 Year		(4,021)	(16)
(4,692)	(33)				(8,431)	(27)
(275,529)	(4,737)	**Forward foreign exchange contracts**		d	(305,677)	(3,445)
(316,093)	**(4,867)**	**Total Derivative Liabilities**			**(368,193)**	**(4,077)**

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.

Notes:

h. Futures. A futures contract is a standardized contract between two parties to buy or sell a specified asset of standardized quantity and quality at a specified future date at a price agreed today (the futures price). The contracts are traded on a futures exchange.

i. 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.

j. Options. An option is an agreement whereby a counterparty has the right, but not the obligation, to trade an underlying asset at a specified price on a future date.

k. 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.

17. Debtors/Creditors

Debtors and Creditors include purchases and sales of investments not yet due for settlement. These large amounts due to or from the Pension Fund are paid within a few days of the year-end and have been included on a gross basis. Current assets and liabilities are valued at the fair value approximation of historical cost. Current assets and liabilities (with the exception of the Capital payment from the Devon & Cornwall Magistrates Courts Service) are all short term and there is no active market in which they are traded.

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 £15.09m due to the Devon Pension Fund would be repaid in ten annual instalments of £1.509m. The first instalment was received during 2011/12 and the second in 2012/13. The next instalment is disclosed as part of current assets with the remaining 7 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 2012 £000		31 March 2013 £000
	Non Current Assets	
	Debtors and Prepayments	
13,040	Contributions Receivable - Employers	10,761
13,040		**10,761**
	Non Current Liabilities	
	Creditors and Receipts in Advance	
(13,536)	Deferred Income	(12,032)
(13,536)		**(12,032)**
	Current Assets	
	Debtors and Prepayments	
	Contributions Receivable	
8,698	Employers	10,346
	Current portion of non current assets	
1,504	(Employers contributions)	1,504
2,869	Employees	2,711
711	Interest on Cash & Bank Deposits	754
9,679	Dividends receivable	8,529
15,822	Settlements receivable	2,191
2,752	Other debtors	2,063
42,035		**28,098**
	Current Liabilities	
	Creditors and Receipts in Advance	
(1,853)	Devon County Council	(2,344)
(29,032)	Settlements payable	(14,151)
(3,765)	Other creditors	(3,367)
(34,650)		**(19,862)**

b) Analysis by type of debtor or creditor

31 March 2012 £000		31 March 2013 £000
	Non current Debtors	
12,127	Central Government Bodies	10,621
871	Other Local Authorities	140
0	NHS Bodies	0
0	Public Corporations and Trading Funds	0
42	Bodies external to general Government	0
13,040		**10,761**
	Non current Creditors	
(13,536)	Central Government Bodies	(12,032)
0	Other Local Authorities	0
0	NHS Bodies	0
0	Public Corporations and Trading Funds	0
0	Bodies external to general Government	0
(13,536)		**(12,032)**
	Current Debtors	
3,115	Central Government Bodies	3,118
11,298	Other Local Authorities	11,859
59	NHS Bodies	59
2	Public Corporations and Trading Funds	2
27,561	Bodies external to general Government	13,060
42,035		**28,098**
	Current Creditors	
(1,175)	Central Government Bodies	(1,296)
(1,928)	Other Local Authorities	(2,447)
(1)	NHS Bodies	0
0	Public Corporations and Trading Funds	0
(31,546)	Bodies external to general Government	(16,119)
(34,650)		**(19,862)**

18. Funded Obligation

The actuarial present value of promised retirement benefits (the Funded Obligation) amounts to £4,922m as at 31 March 2013 (£4,481m as at 31 March 2012). The Funded Obligation consists of £3,967m (£3,663m as at 31 March 2012) in respect of Vested Obligation and £956m (£818m as at 31 March 2012), of Non-Vested Obligation. These figures have been prepared by the Fund Actuary (Barnett Waddingham LLP) in accordance with IAS 26. In calculating the disclosed numbers the Actuary has adopted methods and assumptions that are consistent with IAS 19.

The figures presented are prepared only for the purposes of IAS 19. In particular, they are not relevant for calculations undertaken for funding purposes or for other statutory purposes under UK pensions legislation.

Actuarial Methods and Assumptions

Roll-Forward Approach

To assess the value of the Fund's liabilities as at 31 March 2013, Barnett Waddingham have rolled forward the value of the Fund's liabilities calculated for the Triennial valuation as 31 March 2010 allowing for the different financial assumptions required under IAS26.

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 Scheme 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 Consumer Price Index (CPI) 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 2013 without completing a full valuation. However, we are satisfied that the approach of rolling forward the previous valuation results to 31 March 2013 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 no evidence that this approach is inappropriate.

Demographic/Statistical Assumptions
Barnett Waddingham has adopted a set of demographic assumptions that are consistent with those used for the formal funding valuation as at 31 March 2010. The post retirement mortality tables adopted were the S1PA Heavy series with a 85% multiplier, making allowance for future improvements factors in line with the medium cohort projection with an underpin of 1%.

The assumed life expectations from age 65 are:

Life Expectancy from 65 (years)	31 March 2012	31 March 2013
Retiring Today		
Males	20.5	20.6
Females	24.5	24.6
Retiring in 20 years		
Males	22.5	22.6
Females	26.4	26.5

We have also made the following assumptions:

•Members will exchange half of their commutable pension for cash at retirement

•Active members will retire one year later than they are first able to do so without reduction

Financial Assumptions
The financial assumptions used for the purposes of the calculations are as follows.

Assumptions as at	31 March 2013		31 March 2012		31 March 2011	
	% p.a	Real	% p.a	Real	% p.a	Real
RPI Increases	3.4%	-	3.3%	-	3.5%	-
CPI Increases	2.6%	-0.8%	2.5%	-0.8%	2.7%	-0.8%
Salary Increases	4.8%	1.4%	4.7%	1.4%	5.0%	1.5%
Pension Increases	2.6%	-0.8%	2.5%	-0.8%	2.7%	-0.8%
Discount rate	4.5%	1.1%	4.6%	1.3%	5.5%	1.9%

These assumptions are set with reference to market conditions at 31 March 2013.

Our estimate of the duration of the Fund's liabilities is 22 years.

The discount rate is the annualised yield at the 22 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 approach has been updated from previous disclosures when the yield on the iBoxx AA rated over 15 year corporate bond index was used.

The 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, specifically the 22 year point on the BoE spot inflation curve. Previously the 20 year point was used and so this has been updated to better reflect the duration of the Fund's liabilities.

This measure has historically overestimated future increases in the RPI and so we have made a deduction of 0.25% to get the RPI assumption of 3.4%. As future pension increases are expected to be based on CPI rather than RPI, we have made a further assumption about CPI which is that it will be 0.8% below RPI i.e. 2.6%. We believe that this is a reasonable estimate for the future differences in the indices, based on the different calculation methods.

Salary increases are then assumed to be 1.4% above RPI in addition to a promotional scale.

Expected Return on Assets

For accounting years beginning on or after 1 January 2013, the expected return and the interest cost will be replaced with a single net interest cost, which will effectively set the expected return equal to the IAS19 discount rate.

Therefore Barnett Waddingham is not required to disclose an expected return assumption for the year to 31 March 2014.

For the year to 31 March 2013, the expected return was 5.4% per annum.

19. 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.

20. 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:

	Long-Term		Current	
	31/03/2012	31/03/2013	31/03/2012	31/03/2013
	£000	£000	£000	£000
Financial Assets				
Loans and receivables	13,040	10,761	136,835	52,848
Financial Assets at fair value through profit or loss	0	0	2,525,362	2,908,615
Cash and cash equivalents	0	0	61,546	70,431
Total Financial Assets	**13,040**	**10,761**	**2,723,743**	**3,031,894**

	Long-Term		Current	
	31/03/2012	**31/03/2013**	**31/03/2012**	**31/03/2013**
	£000	**£000**	**£000**	**£000**
Financial Liabilities				
Financial liabilities at amortised cost - Payables	13,536	12,032	34,650	19,862
Financial Liabilities at fair value through profit or loss	0	0	4,866	4,077
Total Financial Liabilities	**13,536**	**12,032**	**39,516**	**23,939**

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 follow:

2012/13	**Financial Assets**			**Financial Liabilities**		
	Loans and receivables	**Financial Assets at fair value through profit or loss**	**Cash and cash equivalents**	**Financial Liabilities at fair value through profit or loss**	**Financial liabilities at amortised cost - Payables**	**Total**
	£000	**£000**	**£000**	**£000**	**£000**	**£000**
Losses on derecognition	(2,946)	(41,166)	(513)	(20,462)	0	(65,087)
Reductions in Fair Value	(155)	(94,712)	(66)	(3,734)	(56)	(98,723)
Interest payable and similar charges	**(3,101)**	**(135,878)**	**(579)**	**(24,196)**	**(56)**	**(163,810)**
Interest Income	0	15,947	1,760	0	0	17,707
Dividend Income	0	24,133	0	0	0	24,133
Gains on derecognition	2,640	96,317	1,228	0	0	100,185
Increases in Fair Value	64	348,613	20	434	69	349,200
Interest and investment income	**2,704**	**485,010**	**3,008**	**434**	**69**	**491,225**
Net gain/(loss) for the year	**(397)**	**349,132**	**2,429**	**(23,762)**	**13**	**327,415**

2011/12	Financial Assets			Financial Liabilities		
	Loans and receivables	Financial Assets at fair value through profit or loss	Cash and cash equivalents	Financial Liabilities at fair value through profit or loss	Financial liabilities at amortised cost - Payables	Total
	£000	£000	£000	£000	£000	£000
Losses on derecognition	(11,735)	(41,845)	(838)	(9,420)	0	(63,838)
Reductions in Fair Value	(65)	(131,211)	(116)	(4,299)	0	(135,691)
Interest payable and similar charges	**(11,800)**	**(173,056)**	**(954)**	**(13,719)**	**0**	**(199,529)**
Interest Income	1,675	17,849	519	0	0	20,043
Dividend Income	0	27,532	0	0	0	27,532
Gains on derecognition	5,426	87,829	7,231	0	0	100,486
Increases in Fair Value	15	119,246	13	313	375	119,962
Interest and investment income	**7,116**	**252,456**	**7,763**	**313**	**375**	**268,023**
Net gain/(loss) for the year	**(4,684)**	**79,400**	**6,809**	**(13,406)**	**375**	**68,494**

The total changes in fair value represent unrealised profit or loss. The difference in unrealised profit / (loss) figures between 2011/12 and 2012/13 reflects the prevailing economic conditions during each of the two years and the impact on the specific assets held by the Fund.

21. 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 2012/13 reporting period:

Manager	Percentage Change 2011/12	Percentage Change 2012/13
UBS Global Asset Management (UK) Ltd - Multi Asset	11.78%	-
Aberdeen Asset Managers Ltd - Global Equity	13.39%	11.07%
Sarasin and Partners LLP - Global Equity	14.54%	12.17%
Aberdeen Asset Managers Ltd - Global Emerging	17.71%	14.13%
State Street Global Advisors Ltd - Passive Equities	15.09%	12.98%
UBS Global Asset Management (UK) Ltd - Passive Equities	15.42%	12.99%
Lazard Asset Management LLC - Global Fixed Interest	6.70%	5.26%
Wellington Mgt International Ltd - Global Fixed Interest	7.32%	5.96%
Baillie Gifford & Co - Diversified Growth Fund	-	4.50%
Baring Asset Management Ltd - Diversified Growth Fund	-	4.50%
Aviva Investors Global Services Ltd - Property	5.14%	1.80%
DCC Investment Team - Specialist Funds	5.25%	5.62%

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 2013

Manager	Value £'000	Percentage Change	Increase £'000	Decrease £'000
Aberdeen Asset Managers Ltd - Global Equity	162,984	11.07%	18,042	(18,042)
Sarasin and Partners LLP - Global Equity	151,641	12.17%	18,455	(18,455)
Aberdeen Asset Managers Ltd - Global Emerging	188,206	14.13%	26,594	(26,594)
State Street Global Advisors Ltd - Passive Equities	575,128	12.98%	74,652	(74,652)
UBS Global Asset Management (UK) Ltd - Passive Equities	544,828	12.99%	70,773	(70,773)
Lazard Asset Management LLC - Global Fixed Interest	202,637	5.26%	10,659	(10,659)
Wellington Mgt International Ltd - Global Fixed Interest	196,732	5.96%	11,725	(11,725)
Baillie Gifford & Co - Diversified Growth Fund	226,016	4.50%	10,171	(10,171)
Baring Asset Management Ltd - Diversified Growth Fund	221,510	4.50%	9,968	(9,968)
Aviva Investors Global Services Ltd - Property	239,893	1.80%	4,318	(4,318)
DCC Investment Team - Specialist Funds	297,109	5.62%	16,698	(16,698)
Total	**3,006,684**		**272,055**	**(272,055)**

As at 31 March 2012

Manager	Value £'000	Percentage Change	Increase £'000	Decrease £'000
UBS Global Asset Management (UK) Ltd - Multi Asset	423,581	11.78%	49,881	(49,881)
Aberdeen Asset Managers Ltd - Global Equity	138,224	13.39%	18,504	(18,504)
Sarasin and Partners LLP - Global Equity	126,025	14.54%	18,328	(18,328)
Aberdeen Asset Managers Ltd - Global Emerging	158,286	17.71%	28,036	(28,036)
State Street Global Advisors Ltd - Passive Equities	493,931	15.09%	74,514	(74,514)
UBS Global Asset Management (UK) Ltd - Passive Equitie	469,259	15.42%	72,341	(72,341)
Lazard Asset Management LLC - Global Fixed Interest	188,182	6.70%	12,612	(12,612)
Wellington Mgt International Ltd - Global Fixed Interest	183,546	7.32%	13,441	(13,441)
Aviva Investors Global Services Ltd - Property	164,415	5.14%	8,451	(8,451)
DCC Investment Team - Specialist Funds	338,282	5.25%	17,756	(17,756)
Total	**2,683,731**		**313,864**	**(313,864)**

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 2012 and 2013 are provided below. These disclosures present interest rate risk based on underlying financial assets (at fair value).

	As at 31 March 2012 £'000	As at 31 March 2013 £'000
Cash and cash equivalents	52,228	53,182
Fixed Interest	487,019	395,888
Short term Deposits	94,800	24,750
Total	**634,047**	**473,820**

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 analysis is performed on the same basis for the year ended 31 March 2012.

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 2013	Value	Change for the year in net assets available to pay benefits	
		+1%	-1%
	£'000	£'000	£'000
Cash and cash equivalents	53,182	532	(532)
Fixed Interest	395,888	3,959	(3,959)
Short term Deposits	24,750	248	(248)
Total	**473,820**	**4,738**	**(4,738)**

As at 31 March 2012	Value	Change for the year in net assets available to pay benefits	
		+1%	-1%
	£'000	£'000	£'000
Cash and cash equivalents	52,228	522	(522)
Fixed Interest	487,019	4,870	(4,870)
Short term Deposits	94,800	948	(948)
Total	**634,047**	**6,340**	**(6,340)**

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 2013 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 2013 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 2012.

As at 31 March 2013	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	16,752	7	16,759	9.95%	1,667	(1,667)
Brazilian Real	17,357	(26)	17,331	11.62%	2,014	(2,014)
Canadian Dollar	22,861	68	22,929	5.61%	1,286	(1,286)
Swiss Franc	25,427	(2)	25,425	9.36%	2,380	(2,380)
Chilean Peso	3,035	0	3,035	9.92%	301	(301)
Chinese Yuan	8,412	1	8,413	8.54%	719	(719)
Colombian Peso	0	0	0	7.76%	0	0
Czech Republic Koruna	0	(2)	(2)	9.97%	(0)	0
Danish Krona	5,030	(25)	5,005	7.73%	387	(387)
Euro	128,800	(255)	128,545	7.80%	10,026	(10,026)
Hong Kong Dollar	33,055	0	33,055	8.54%	2,823	(2,823)
Hungarian Forint	2,399	(0)	2,399	14.96%	359	(359)
Indonesian Rupiah	6,511	0	6,511	7.07%	460	(460)
Indian Rupee	0	1	1	9.29%	0	(0)
Israeli Shekel	145	2	147	8.71%	13	(13)
Japanese Yen	44,665	1,021	45,686	11.77%	5,377	(5,377)
South Korean Won	13,089	(5)	13,084	7.55%	988	(988)
Mexican Peso	21,535	6	21,541	9.30%	2,003	(2,003)
Malaysian Ringit	5,794	2	5,796	6.35%	368	(368)
Norwegian Krone	12,728	(53)	12,675	9.04%	1,146	(1,146)
New Zealand Dollar	11,373	5	11,378	9.53%	1,084	(1,084)
Peruvian Sol	4,421	0	4,421	7.56%	334	(334)
Philipines Peso	9,126	0	9,126	5.99%	546	(546)
Polish Zloty New	11,068	(4)	11,064	12.34%	1,365	(1,365)
Russian Rouble	2,951	50	3,001	5.32%	160	(160)
Swedish Krone	12,541	(5)	12,536	8.13%	1,019	(1,019)
Singapore Dollars	3,426	2	3,428	5.80%	199	(199)
Thailand Baht	11,125	0	11,125	7.91%	880	(880)
New Turkish Lira	14,029	2	14,031	8.77%	1,230	(1,230)
New Taiwan Dollar	9,348	0	9,348	7.16%	669	(669)
US Dollars	497,615	273	497,888	8.74%	43,515	(43,515)
South African Rand	14,513	10	14,523	11.95%	1,736	(1,736)
	969,131	**1,073**	**970,204**		**85,054**	**(85,054)**

As at 31 March 2012	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	21,648	(45)	21,603	10.49%	2,267	(2,267)
Brazilian Real	14,389	5	14,394	12.83%	1,847	(1,847)
Canadian Dollar	30,560	0	30,560	9.63%	2,942	(2,942)
Swiss Franc	27,760	7	27,767	10.25%	2,846	(2,846)
Chilean Peso	2,668	5	2,673	11.18%	299	(299)
Chinese Yuan	1,356	(14)	1,342	9.60%	129	(129)
Colombian Peso	5,620	(36)	5,584	11.77%	657	(657)
Danish Krona	5,443	(79)	5,364	8.31%	446	(446)
Euro	180,832	8	180,840	8.36%	15,119	(15,119)
Hong Kong Dollar	34,152	(43)	34,109	9.60%	3,273	(3,273)
Hungarian Forint	2,763	0	2,763	14.21%	393	(393)
Indonesian Rupiah	8,182	1	8,183	8.99%	736	(736)
Indian Rupee	0	3	3	9.31%	0	(0)
Japanese Yen	74,553	(2,799)	71,754	13.29%	9,539	(9,539)
South Korean Won	17,395	4	17,399	10.27%	1,787	(1,787)
Mexican Peso	9,319	(106)	9,213	8.89%	819	(819)
Malaysian Ringit	5,092	1	5,093	8.26%	421	(421)
Norwegian Krone	14,715	14	14,729	10.52%	1,549	(1,549)
New Zealand Dollar	7,671	0	7,671	10.79%	828	(828)
Peruvian Sol	1,837	1	1,838	9.88%	182	(182)
Philipines Peso	5,405	0	5,405	8.48%	457	(457)
Polish Zloty New	12,102	7	12,109	13.38%	1,620	(1,620)
Swedish Krone	14,109	9	14,118	10.22%	1,443	(1,443)
Singapore Dollars	2,756	(4)	2,752	7.49%	206	(206)
Thailand Baht	9,117	-	9,117	8.90%	812	(812)
New Turkish Lira	7,161	1	7,162	9.74%	697	(697)
New Taiwan Dollar	7,457	0	7,457	8.97%	669	(669)
US Dollars	493,443	(298)	493,145	9.75%	48,094	(48,094)
South African Rand	14,422	-	14,422	13.59%	1,960	(1,960)
	1,031,927	**(3,358)**	**1,028,569**		**102,037**	**(102,037)**

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.

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 2013 is the carrying amount of the financial assets.

	As at 31 March 2012 £'000	As at 31 March 2013 £'000
Fixed Interest	487,019	395,888
UK Equities - Quoted	168,353	64,410
Overseas Equities - Quoted	499,571	420,704
Pooled Investment Vehicles (Managed and Pooled Funds)	1,367,965	2,024,285
Derivatives (net)	(2,412)	(749)
Foreign currency	9,318	17,249
Short term deposits	94,800	24,750
Cash and cash equivalents	52,228	53,182
Settlements and dividends receivable	25,501	10,720
Total of investments held	**2,702,343**	**3,010,439**

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 2013 was £56.250m (31 March 2012: £124.715m). This was held with the following institutions

		Credit Rating at 31 March 2013 Fitch	Moody's	Standard & Poor's	Balances as at 31 March 2013 £'000	Balances as at 31 March 2012 £'000
	Banks and Building Societies					
BARCLAYS BANK	Barclays Bank	A	A2	A+	30,000	15,000
LLOYDS TSB	Lloyds TSB	A	A2	A	24,750	25,000
RB OF SCOTLAND - CALL	Royal Bank of Scotland	A	A3	A	0	24,940
SANTANDER UK	Santander UK	A	A2	A	0	25,000
SKANDINAVISKA ENS BANKEN	Skandinaviska Enskilda Banken	A+	A1	A+	1,500	0
LEEDS BUILDING SOCIETY	Leeds Building Society	A-	A3		0	10,000
NATIONWIDE BS	Nationwide Building Society	A+	A2	A+	0	19,800
	Local Authorities					
CALERDALE MBC	Calderdale Metropolitan Borough Council		Not Applicable		0	1,500
	Central Government					
DMADF	Debt Management Office		Not Applicable		0	3,475
					56,250	**124,715**

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 shortages 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 17). 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 £1.509m. The first instalment was received during 2011/12 and the second in 2012/13. The next instalment is disclosed as part of current assets with the remaining 7 instalments disclosed as part of long term assets.

Fair Value Hierarchy

IFRS 7 requires the Fund to classify fair value measurements using a fair value hierarchy that reflects the subjectivity of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1)
- inputs other than quoted prices included within level 1 that are observable for the asset or liability (level 2)
- inputs for the asset or liability that are not based on observable market data (that is, unobservable) (level 3)

The level in the fair value hierarchy within which the fair value measurement is categorised is determined on the basis of the lowest level input that is significant to the fair value measurement. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a level 3 measurement. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgement, considering factors specific to the asset or liability.

The determination of what constitutes 'observable' requires significant judgement. Observable data is considered to be that market data which is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market.

The following sets out the Fund's financial assets and liabilities (by class) measured at fair value according to the fair value hierarchy.

At 31 March 2013

	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total
Fixed Interest				-
U.K. Public Sector Bonds	9,031	-	-	9,031
U.K. Public Sector Index Linked Bonds	-	-	-	-
Overseas Government Bonds	217,110	-	-	217,110
Overseas Government Index Linked Bonds	-	-	-	-
UK Corporate Bonds	17,167	-	-	17,167
Overseas Corporate Bonds	152,580	-	-	152,580
Equities (Listed)				
U.K.	64,410	-	-	64,410
Overseas	420,704	-	-	420,704
Managed Funds	-	1,284,612	-	1,284,612
Pooled Funds	587,134	118,511	34,028	739,673
Derivative Assets				
Futures - Overseas Fixed Interest	-	321	-	321
UK Bond Forwards	-	-	-	-
Overseas Bond Forwards	-	18	-	18
Options	-	13		13
Forward Currency Contracts	-	2,976	-	2,976
Foreign Currency	-	17,249	-	17,249
Short Term Deposits	-	24,750	-	24,750
Cash Equivalents	-	31,500		31,500
Cash & Bank Deposits	21,682	-	-	21,682
Investment Liabilities				-
Derivatives				
Futures - UK Fixed Interest		(450)	-	(450)
Futures - Overseas Fixed Interest		(155)	-	(155)
UK Bond Forwards		(11)	-	(11)
Overseas Bond Forwards		(16)	-	(16)
Forward Currency Contracts		(3,445)	-	(3,445)
Non current Assets	10,761	-	-	10,761
Non current Liabilities	(12,032)	-	-	(12,032)
Current Assets	28,098	-	-	28,098
Current Liabilities	(19,862)	-	-	(19,862)
Net Assets of the Fund at 31 March 2013	**1,496,783**	**1,475,873**	**34,028**	**3,006,684**

At 31 March 2012

	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total
Fixed Interest				-
U.K. Public Sector Bonds	52,207	-	-	52,207
U.K. Public Sector Index Linked Bonds	20,298	-	-	20,298
Overseas Government Bonds	257,337	-	-	257,337
Overseas Government Index Linked Bonds	-	-	-	-
UK Corporate Bonds	26,519	-	-	26,519
Overseas Corporate Bonds	130,658	-	-	130,658
Equities (Listed)	-			
U.K.	168,353	-	-	168,353
Overseas	499,571	-	-	499,571
Managed Funds	-	1,079,085	-	1,079,085
Pooled Funds	139,673	119,184	30,023	288,880
Derivative Assets				
Futures - Overseas Fixed Interest	-	156	-	156
UK Bond Forwards	-	2	-	2
Overseas Bond Forwards	-	29	-	29
Options	-	10		10
Forward Currency Contracts	-	2,258	-	2,258
Foreign Currency	-	9,318	-	9,318
Short Term Deposits	-	94,800	-	94,800
Cash Equivalents	-	29,915	-	29,915
Cash & Bank Deposits	22,313	-	-	22,313
Investment Liabilities				-
Derivatives				
Futures - UK Fixed Interest	-	(22)	-	(22)
Futures - Overseas Fixed Interest	-	(75)	-	(75)
UK Bond Forwards	-	-	-	-
Overseas Bond Forwards	-	(33)	-	(33)
Forward Currency Contracts	-	(4,737)	-	(4,737)
Non current Assets	13,040	-	-	13,040
Non current Liabilities	(13,536)	-	-	(13,536)
Current Assets	42,035	-	-	42,035
Current Liabilities	(34,650)	-	-	(34,650)
Net Assets of the Fund at 31 March 2012	**1,323,818**	**1,329,890**	**30,023**	**2,683,731**

Investments whose values are based on quoted market prices in active markets, are therefore classified within level 1.

Financial instruments that trade in 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 are classified within level 2. As level 2 investments include positions that are not traded in active markets and / or are subject to transfer restrictions, valuation may be adjusted to reflect illiquidity and / or non - transferability, which are generally based on available market information.

Investments classified within level 3 have significant unobservable inputs, as they are infrequently traded. As observable prices are not available for these securities, the responsible entity has used valuation techniques to derive fair value.

During the year ended 31 March 2013 there were no transfers between levels 1, 2 or 3 of the fair value hierarchy.

22. Funding Arrangements

In line with the Local Government Pension Scheme (Administration) Regulations 2008, 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 2010. The next valuation will take place as at 31 March 2013.

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 30 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 2010 actuarial valuation, the fund was assessed as 81% funded (80% at the March 2007 valuation). This corresponded to a deficit of £530m (2007 valuation: £554m) 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 2014 is 18.3% 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 2010 actuarial valuation report (http://www.devonpensions.org/wp-content/uploads/2011/07/devon-valuation-report-anonymised-version-310310.pdf) and the funding strategy statement (http://www.devonpensions.org/wp-content/uploads/2011/07/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

Investment return (discount rate)	**Rate**
Investment return (discount rate)	6.8%
Price inflation	3.5%
Salary increases	5.0%
Pension increases in line with CPI - Assumed to be 0.5% less than RPI	3%

Mortality assumptions

Future life expectancy from the age of 65 based on the actuary's fund-specific mortality review was:

Mortality assumption at age 65	Male	Female
Current pensioners	20.2 years	24.3 years
Future pensioners (assumed current age 45)	22.3 years	26.2 years

Historic mortality assumptions

Life expectancy for the year ended 31 March 2010 are based on S1PA Heavy tables with an 85% multiplier for both current and prospective pensioners. The allowances for future life expectancy are: Year of birth, medium cohort and 1% per annum minimum improvement from 2010.

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

	2008/09 £'000	2009/10 £'000	2010/11 £'000	2011/12 £'000	2012/13 £'000
Contributions and Benefits					
Contributions	144,255	154,374	150,329	152,657	146,603
Transfers from Other Schemes	12,523	20,110	11,375	9,868	8,647
	156,778	174,484	161,704	162,525	155,250
Benefits Paid	(107,117)	(119,844)	(124,947)	(143,382)	(145,497)
Transfers to Other Schemes	(6,847)	(23,534)	(21,676)	(5,933)	(5,636)
Administration Expenses	(1,342)	(1,325)	(1,266)	(1,282)	(1,689)
	(115,306)	(144,703)	(147,889)	(150,597)	(152,822)
Net Additions (Withdrawals) from Dealings with Fund members	**41,472**	**29,781**	**13,815**	**11,928**	**2,428**
Returns on Investments					
Investment Income	39,176	31,813	41,161	47,438	41,840
Investment Management Expenses	(781)	(5,262)	(3,644)	(3,596)	(6,890)
Increase / (decrease) in Market Value of Investments during the Year	(453,072)	564,399	152,254	21,062	285,575
Net Returns on Investments	**(414,677)**	**590,950**	**189,771**	**64,904**	**320,525**
Net Assets of the Fund at 31 March	**1,782,582**	**2,403,313**	**2,606,899**	**2,683,731**	**3,006,684**

Membership Summary

	2008/09 No.	2009/10 No.	2010/11 No.	2011/12 No.	2012/13 No.
Devon County Council					
Contributors	13,104	13,077	14,157	12,527	11,747
Pensioners and Dependents	9,643	10,133	10,937	11,408	11,824
Deferred Pensioners	10,051	10,450	11,635	10,480	11,113
Other Employers					
Contributors	25,200	25,588	23,160	22,760	23,653
Pensioners and Dependents	12,528	13,259	13,609	14,446	15,225
Deferred Pensioners	10,191	11,547	11,775	15,780	16,927

Employing Bodies

There are currently 168 employers who have active members in the Fund.

Administering Authority
Devon County Council

Scheduled Bodies
All Saints Cofe Academy
Ashburton Town Council
Austin Farm Primary School
Barnstaple Town Council
Barton Hill Academy
Bickleigh Academy
Bicton College
Bideford Town Council
Bovey Tracey Town Council
Bradworthy Academy
Braunton Academy
Brixham College
Brixham Town Council
Broadclyst Academy
Buckland Monachorum Parish Council
Children's Federation
Chudleigh Town Council
Chumleigh Academy Trust
Churston Academy
City College Plymouth
Clyst Vale Academy
College Road Primary School
Colyton Grammar School Academy
Combe Martin Parish Council
Coombe Dean School
Crediton Town Council
Cullompton Town Council
Curledge Street Academy
Dartmoor National Park Authority
Dartmouth Academy
Dartmouth Town Council
Dawlish Town Council
Devon & Cornwall Police Authority
Devon & Cornwall Probation Trust
Devon & Severn Inshore Fisheries & Conservation Authorities
Devon & Somerset Fire and Rescue Service
Devonport Boys Academy
Devonport High School for Girls
Drake Primary School
East Devon District Council
Eden Park Academy
Eggbuckland Vale Primary School
Elburton Primary Academy
Ellacombe School
Exeter City Council
Exeter College
Exeter Community Initiatives
Exeter Council for Voluntary Services
Exmouth CC
Exmouth Town Council
Fremington Parish Council
Great Torrington Academy
Great Torrington Town Council
Hayes School
Hele's Academy
Honiton Academy
Honiton Town Council
Ilfracombe Town Council
Ilsham primary School
Inverteign Primary School & Teignmouth CC
Ivybridge Academy Trust
Ivybridge Town Council
Kings Ash Primary School
Kingsbridge Academy
Kingsbridge Town Council
Kingsteignton Town Council
Lady Seawards Cofe Primary School
Leigham Primary School
Lipson Community Academy Trust
Littletown Academy
Lynton & Lynmouth Town Council
Manadan Vale Primary School
Marine Academy Plymouth
Marlborough Primary School
Mid Devon District Council
Morice Town Primary School
Mount Street Primary School
Mount Wise Primary School
Newport Community School Primary Academy
Newton Abbot Academy Trust
Newton Abbot Town Council
North Devon Council
Okehampton Town Council
Old Priory Junior School
Oreston Community Academy
Paignton College & Sports Academy
PETROC
Pilgrim Primary School
Pilton Academy
Pilton Bluecoat Primary School
Plymouth City Council
Plymouth Citybus
Plymouth College of Art
Plymstock School
Queen Elizabeth Academy Trust
Ridgeway School
Shiphay Learning Academy
Sidmouth Town Council
South Brent Parish Council
South Dartmoor Academy
South Devon College
South Hams District Council
South Molton Town Council
St Margarets Academy
St.Boniface R.C. Boys College
Stockland Primary Academy
Stoke Damerel Academy
Stowford Primary Academy
Tavistock Town Council
Tedburn St Mary Parish Council
Teignbridge District Council
Templar Academy School
The King's School
Thornbury Primary School
Torbay Council
Torbay Economic Development Company
TorBridge Academy
Torquay Boys Academy
Torquay Girls Grammar School
Torridge District Council
Totnes Town Council
Uffculme Academy
Ugborough Parish Council
University of Plymouth
West Devon Borough Council
Widewell Primary School
Widey Court Primary School
Woodbury Parish Council

Admitted Bodies
Access Plymouth
Action for Children
Amey Services
Babcock
Barnardo's
Bournemouth Churches Housing Association
Call 24 Hour
Carillion JM Ltd
Churchill Services
Dame Hannah Rogers School
English Riviera Tourism Company
Exeter Royal Academy for Deaf Education
Initial Catering Services Plymouth
Initial Catering Services Torquay
Innovate (Honiton) Ltd
Interserve Project Services Ltd
Leisure East Devon
Mama Bear's Day Nursery Ltd
Millfield Economic Development Trust
Norse Catering
Norse Cleaning
North Devon Homes
North Devon Crematorium Committee
Open College Network South West Region
Pluss
Plymouth Citizen's Advice Bureau
Plymouth Community Homes
Quadron Services Ltd
Tarka Housing
Teign Housing
Tone Leisure
Tor 2 Ltd Asset Management
Tor 2 Ltd Streetscene
Tor 2 Ltd Waste & Recycling
Tor Homes
Torbay Coast & Countryside Trust
Torquay Museum Trust
Valuation Tribunal Service
West Devon Homes
Wolseley Community Economic Development

Statement of the Actuary for the year ended 31 March 2013

Introduction
The last full triennial valuation of the Devon County Council Pension fund was carried as at 31 March 2010 in accordance with the Funding Strategy Statement of the fund. The results were published in the report dated March 2011.

2010 Valuation Results
The results of the valuation were as follows

- The Devon County Council Pension fund had a funding level of 81%, i.e. the assets amounted to 81% of the assessed value of the liabilities as at 31 March 2010. This corresponded to a deficit of £530m at that time.
- The overall contribution rate was set at 18.3% of payroll assuming the funding level was to be restored over a 30 year period.
- The common contribution rate was set at 14.3% of payroll and individual employers paid additional contributions reflecting their own experience in the fund.
- The funding level of the fund is broadly similar to the position at the 2007 triennial valuation.

Valuation method
The contribution rates were calculated using the Projected Unit Method or the Attained Age Method. Employers remaining open to new entrants being valued on the Projected Unit Method, whereas the employers who did not allow new entrants to join were valued using the Attained Age method.

Contribution Rates
The contributions rates, in addition to those paid by the members of the Fund, are set to be sufficient to meet

- The additional annual accrual of benefits allowing for future pay increases and increases to pension in payment when these fall due; plus
- An amount to reflect each participating employer’s funding deficit.

Key Financial Assumptions
The liabilities were valued allowing for expected future investment returns and increases to benefits as determined by market levels at the valuation date as follows;

Rate of return on investments	6.8% per annum
Rate of increases in pay	5.0% per annum
Rate of Increases to pensions in payment	3.0% per annum

Asset valuation
Assets were valued at smoothed market value, centred at the date of valuation.

Developments since 2010 and the 2013 valuation
Since March 2010 investment returns have overall been higher than assumed at the 2010 valuation but market changes will also have increased the value of the liabilities.

The next actuarial valuation is as at 31 March 2013; the preliminary results will be available in late 2013 and the resulting contribution rates required by the employers will take effect from 1 April 2014.

As part of the valuation, the actuarial assumptions used to value the liabilities will be fully reviewed. It is likely that a greater allowance for future mortality improvements will be made at the 2013 valuation which will give a lower funding level than the assumptions used in 2010 but this may be offset by other changes such as allowing for changes made to the inflation indices by the Office for National Statistics. It is also likely that other changes to the assumptions and methodology will be made after discussions with the Fund.

The funding level at 31 March 2013 will therefore depend on the outcome of the above review and discussions but we do not currently expect there to be a significant difference compared to the 2010 position.

Mark Norquay FFA

Associate

28 May 2013

Glossary

Actuarial Terms

85% S1PA Heavy tables
The S1PA Heavy series are published by the CMI (Continuous Mortality Investigation) – these are the most up to date mortality tables available and are officially adopted by the Actuarial Profession.

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.

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.

iBoxx AA
The discount rate used is the yield on the iBoxx AA rated over 15 year corporate bond index which has been chosen to meet the prescriptive requirements of IAS19.

Medium cohort projection
The medium cohort projection is related to the observed phenomenon that people born in the U.K. between 1925 and 1945 (centred on the generation born in 1931) have experienced more rapid improvement in mortality than generations born either side of this period. The mortality assumptions adopted incorporate the improved experience of this cohort relative to people outside this group.

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.

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 2012/13

Annual Governance Statement 2012/13

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.

This statement and accompanying schedule explains how the Council has complied with the code and also meets the requirements of the Accounts and Audit Regulations 2011.

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.

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 2013 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 to act to the Leader, Committees 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.

Significant amendments were made in 2012/13 reflecting the requirements of the Localism Act and revised arrangements for Standards required by Government and in preparation for assumption of new public health duties. Alterations to the constitution were made in relation to the Members' Code of conduct, declaration of interests and arrangements for Standards Committees consequent upon implementation of the provisions of the Localism Act 2011.

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, together with the most recent Annual Review (also at http://new.devon.gov.uk/annualreview/your-achievements) and the Statement of Accounts for 2011/12 (also at http://www.devon.gov.uk/statement-of-accounts1112.pdf)

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 Council had previously anticipated the potential impact of the provisions of the Localism Bill Act 2011 for its governance framework, including the new power of general competence for local authorities, governance arrangements, the abolition of the standards regime, enhanced community empowerment and availability of local referenda, community involvement in provision of services and potential acquisition of assets and reformation of the planning system including more localised neighbourhood plans and has made appropriate revisions as elements of that Act were brought into force.

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.

From 1 April 2013 the Devon Health and Wellbeing Board will replace the Shadow Board. The County Council has agreed that the Board will have the same membership as before (with HealthWatch Devon replacing the Local Involvement Network). The Devon Health and Wellbeing Board will bring together locally elected representatives with those responsible for health services and social care, including members of the new Clinical

Commissioning Groups, in order to support joint working and coordinate commissioning of services, social care and health improvement.

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 Council's Scrutiny Committees continue to be Chaired by members of the opposition groups with Vice-Chairmen drawn from the party of the administration. These Committees 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'.

Having previously acknowledged the need to review the roles and remits of the then Overview and Scrutiny Committees, the composition and terms of reference of the Council's Scrutiny Committee within the life of this Council was amended to create 4 separate Scrutiny Committees responsible for discrete service areas of the Council and has also got a new role in the last year in scrutinising the Police and Crime Panel. The County Council will commence its proposed scrutiny activity in the field of community safety with the Panel to avoid duplication and complement the Panel's work, (with District and County Council representation) including review of progress and outcomes arising from the Police and Crime Commissioner's draft Plan.

The Corporate Resources Scrutiny Committee was empowered, in line with the revised CIPFA Code of Practice, to examine and comment upon the Council's Treasury Management Strategy prior to it being adopted by the Council as part of its annual budget considerations. Progress reports are presented at half yearly intervals.

The Health and Wellbeing Scrutiny Committee has had an important role looking at the work of the Shadow Devon Health and Wellbeing Board before it comes into effect proper on 1 April 2013.

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 were needed to be done.

Organisational Performance

The continuing impact of the Government's Comprehensive Spending Review, the Council's financial settlement for 2013/14 and beyond, the general direction of travel indicated by Government for the reform of the public realm services, the need for 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 have been implemented and are working well.

The Council also agreed:

l. to a County Deal approach for Devon, which aggregates a number of service areas and opportunities to create new and innovative funding mechanisms, including Tax Incremental Funding and discounts on business rates to unlock growth and improve the quality of life for residents;

m. to adopt Peninsula Community Safety Priorities;

n. to award the contract, jointly with NHS Devon, for the provision of Integrated Children's Services to Virgin Care Ltd;

o. to support the required investment plan for the proposed Exeter Flood Alleviation Scheme with an addition to the Capital Programme of £3,000,000, together with revenue contributions in 2012/13 and/or 2013/14 through the existing Flood Risk Management budget to facilitate early progression of the scheme preparation;

p. to the Resource and Waste Management Strategy for Devon Review with other Devon Councils (including Plymouth and Torbay);

q. to work with district councils on Council Tax Support and Local Welfare Support to include approval to funding from the Department of Work and Pensions Discretionary Social Fund being passed to District Councils through a Partnership Agreement to administer a Local Welfare Support Service.

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.

During the course of 2012/13, the way in which complaints that a councillor may have breached the Code of Conduct were to be dealt with changed again in line with the provisions of the Localism Act 2011. The Localism Act 2011 required the introduction (from July 2012) of new Standards arrangements which ultimately required all Councils:

- to have a Code of Conduct established in line with the Nolan Principles;
- to require members to register and disclose pecuniary and non pecuniary interests;
- to put in place a system to deal with allegations that members had breached the Code; and
- to appoint one or more Independent Persons through a transparent process who must be consulted by Councils before reaching a decision regarding any allegation.

The County Council put in place appropriate mechanisms and processes which can be seen on its website at:

http://www.devon.gov.uk/index/councildemocracy/county_councillors/councillorcomplaints.htm

On the advice of the Standards Committee the County Council was instrumental in developing a Devonwide Code of Conduct which was also adopted by a majority of District Councils in Devon and by a number of statutory public bodies such as the Somerset & Devon Fire Authority and National Park Authorities.

At the same time the Council agreed to appoint a separate Standards Committee with the same wider role of securing and maintaining high standards of conduct among members and officers throughout the organisation and adopted appropriate procedures for seeking and recording Members' Interests and granting dispensations where appropriate. The County Council also appointed 2 persons to act as the newly created 'Independent Person' who must be consulted on all complaints in line the Localism Act and the above arrangements.

The Standards Committee Annual Report for 2012/13 may be viewed at: http://www.devon.gov.uk/annual-report-201214.pdf

The Audit Committee/ Devon Audit Partnership

The Audit Committee remains vigilant in monitoring 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 Audit Commission's appointed auditors and the application of the Council's Risk Management policy.

The Audit Committee will also review separately, and 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.

A review was undertaken this year by the County Treasurer on the effectiveness of Internal Audit especially in relation to its structure, the resources available to the Internal Audit function, the performance of Internal Audit and the need to keep pace with the changes happening at the County Council and remain effective during a period of planned budget reductions. The County Treasurer found that the Internal Audit procedures were effective and the service is continuing to operate effectively and is compliant with the main areas of best practice. However, there is a need to be vigilant to ensure that the Internal Audit service keeps pace with the changes happening at the County Council and that it continues to remain effective in the face of planned budget reductions.

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 Devon Audit Partnership. The Partnership and democratic arrangements are working well but will continue to be monitored.

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 continues to undertake that role to review, and approve, the accounts of the Devon Pension Fund to ensure appropriate accounting policies were introduced in the same way as the Audit Committee was responsible for monitoring and approving the Council's main accounts.

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, Devon Voice (Residents Panel), Parent Carers Voice, and the "Your Community Your Choice" roadshows 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.

Significant Governance Issues

The continuing impact of the unprecedented turmoil in the financial markets over the previous years justifies the continuing focus on treasury management practices. The

County Council’s treasury management practices are 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 risk. Levels of liquidity and active treasury management have meant that no short term borrowing was required. Similarly, no long term borrowing was undertaken during this financial year with all capital expenditure having been funded by revenue balances.

The Council also regularly reviews and updates its Investment Strategy and its Treasury Management Policy and Practices to ensure that they reflected 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 Policy & Resources Scrutiny prior to consideration by the Council’s Cabinet.

At the time this Annual Statement was in preparation – and over and above the impact upon the organisation and services of the Comprehensive Spending Review (CSR) and financial settlements for 2013/14 and beyond – a great deal of uncertainty remains over the impact upon the Council’s local authority’s governance framework of the Government’s intentions for and direction of travel of public realm services. The CSR published in October 2010 had outlined real terms cuts of 28% in local authority expenditure over four years and the Secretary of State's earlier announcements on the settlement had been for the third year of that CSR period. However, the Chancellor’s Autumn Statement published in December 2012 had also confirmed that further budget reductions were anticipated for at least three years beyond the current CSR period, up to and including 2017/18; further reducing Government funding for 2014/15 by 3%.

The Cabinet and the Council’s Scrutiny Committees had previously acknowledged that the uncertainties caused by the fundamental changes to the grant regime were far greater than would normally be the case, particularly in relation to the ability of District Councils to determine council tax bases and the proportion of the business rate yield that would accrue to the County Council. Moreover, the impact on District Councils of the transfer to them of the administration of local Council Tax Support schemes had also been acknowledged.

The County Council has formulated and put in place new Standards arrangements adopting a common format with the Devon District Councils.

While a large amount of preparatory work has been undertaken in 2012/13, there remain significant challenges from the implications of reorganising the NHS including:

- the transfer of local health improvement functions to local councils;
- the role of local councils in leading joint strategic needs assessments;
- the establishment by councils of Health and Wellbeing Boards and enhanced Scrutiny functions;
- transferring responsibility for funding and contracting of the new local Healthwatch (replacing LINk);
- the abolishment of the Strategic Health Authority and development of replacement agencies;
- increased joint commissioning and pooled budgets.

The Council formally places on record and express 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**

28 June 2013