Devon County Council

Statement of Accounts and Annual Governance Statement 2014/2015

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Devon County Council Statement of Accounts 2014/15

Explanatory Foreword

Introduction

Welcome to the 2014/15 financial statements for Devon County Council. The financial statements have been prepared in accordance with the requirements of the Code of Practice on Local Authority Accounting (the Code) which is based on International Financial Reporting Standards (IFRS).

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

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

Accounting policies and comparative information

The accounting policies (Note 1 page 20) establish the principles on which the figures in the financial statements are based.

In the Explanatory Foreword in 2013/14, there was reference to the ongoing discussion within Chartered Institute of Public Finance and Accountancy’s (CIPFA)/Local Authority (Scotland) Account Advisory Committee (LASAAC) over the appropriate treatment of publicly funded schools within the Local Authority group boundary.

In 2013/14 our accounting treatment had been not to recognise the assets of voluntary aided schools on the balance sheet but to recognise voluntary controlled schools, based on control over admissions. We removed foundation or trust schools from our balance sheet on the date that their legal status changed and the property transferred to the trust board.

In December 2014, CIPFA/ LASAAC issued guidance (Local Authority Accounting Practice Bulletin 101) to local authorities on how to approach the assessment of whether school assets should be included in their balance sheets.

For those voluntary aided or voluntary controlled schools which are owned by the Diocese of Exeter, we assessed whether there has been any local arrangements to transfer the beneficial rights of ownership from the trustees to the governing body of the school. We did not identify any such arrangements and concluded that the Authority should not recognise these assets on our balance sheet. This is a continuation of our approach to voluntary aided schools but represents a change of accounting policy for voluntary controlled schools.

For foundation schools, where the governing bodies control the assets, then the schools have been brought back onto the Authority's balance sheet. This represents a change of accounting policy.

The prior period comparative information has been restated to take account of Accounting Policy changes detailed in Note 2 as follows:

Voluntary Controlled Schools - The Authority has restated its accounts to remove voluntary controlled schools from the opening balance sheet of the comparative period (1st April 2013).

Foundation Schools - The Authority has restated its accounts to add foundation schools to the opening balance sheet of the comparative period (1st April 2013).

For both voluntary controlled schools and foundation schools adjustments have been made for capital expenditure and valuations in the comparative period 2013/14 This has resulted in restatements of the Comprehensive Income and Expenditure Statement, analysis of the cash flow statement and adjustments to the Movements in Reserves statement.

Land transferred to Academy Schools - Previously the Authority had included land transferred to academy schools in its balance sheet at the value when the school became an academy. The buildings were derecognised (removed) from the balance sheet. However, the lease agreements transferring the assets from local authority control are for 125 years. It is now considered more appropriate to treat these leases as finance leases in nature and not to recognise the land value (other than a nominal £1 in the asset register as the Authority still retains freehold title). The beneficial rights arising from ownership have been transferred to the academy schools.

The net impact of these changes on the balance sheet at 1 April 2013 for voluntary controlled schools, foundation schools and land transferred to academy schools is to increase the net book value of property plant and equipment by £113 millions. Note 2 provides more detail.

Unfunded Pension Liabilities - Each year the Authority has paid around £1 million through service expenditure for unfunded pension liabilities for a group of teachers. These liabilities are historic. The cumulative future liabilities should have been estimated and capitalised in the Authority's balance sheet. The administrator of the teachers' pensions, Capita, has provided the information and the actuary estimated that the total liability is £22.4 million at 31 March 2014. The balance sheet has been restated.

None of these restatements have had any impact on the usable reserves or balances of the Authority and there is no impact on future budgets.

Summary of Financial statements

The financial statements and their purpose are summarised as follows:

Movement in Reserves Statement (page 16)

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

The Total Authority Reserves at 31st March 2015 (compared with 31st March 2014) have decreased by £177 millions with Usable Reserves decreasing by £5.5 millions and Unusable Reserves decreasing by £171.3 millions. The main reason for the movement in Unusable Reserves is the increase in the pension deficit of £202 millions (Notes 20 and 37) offset by increases in the revaluation reserve and collection fund adjustment account. Note 20, page 62, provides detailed information of our Unusable Reserves and their movement during the year. Page 13 of this foreword and Note 37 on page 89 provides more information on the increase in the Pension Reserve of £202 millions.

Comprehensive Income and Expenditure Statement (page 17)

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

The Comprehensive Income and Expenditure Account shows a deficit of £29.5 millions in 2014/15 compared with a restated deficit of £27.9 millions in 2013/14. The previous year's deficit is restated from £118.5 millions mainly because of the impact of reversing the losses arising from the derecognition of foundation schools when they were transferred in 2013/14. The change of accounting policy has restated these losses as the assets are back on balance sheet.

Balance Sheet (page 18)

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

The Authority has a negative Balance Sheet as at 31st March 2015 which means that the Authority's liabilities are £185 millions greater than its assets (£8 millions restated at 31st March 2014). Although it may appear that this is a concern it is not as the Pension Liability of £1,018 millions does not represent an immediate call on the Authority's reserves and is a snap-shot valuation in time based on assumptions. The true value of the deficit is assessed on a triennial basis with contribution rates set to recover the balance over the longer-term. More information on Pensions is provided within this Foreword on page 13 and within Note 37 on page 89.

Other items of interest are, as explained above, the restatement of school assets (a net increase in the restatement of Property Plant and Equipment at 31 March 2014 of £219 millions (from £1,092 millions to £1,311 millions). The Exeter Energy from Waste facility became operational in 2014/15 and this increased the Authority's assets (and long term liabilities) by £47.9 millions. The plant was then subsequently revalued downwards to £27.9 millions at 31 March 2015. (Note 35 page 83 provides more details.)

Cash Flow Statement (page 19)

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

Economic context

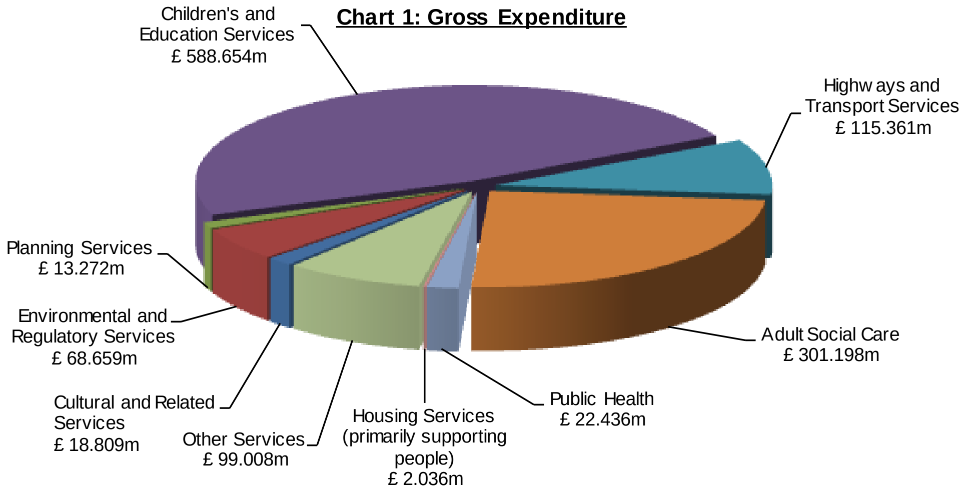
The Government's Comprehensive Spending Review announced in the Autumn of 2010 was made in response to the Country's economic crises and signalled the start of an era of austerity in public sector funding. It indicated that Local Authorities could expect a 28% reduction in funding over a four year period from 2011/12.

For 2014/15 the Secretary of State quoted a reduction in the Authority's 'spending power' of 1.6% against an average of 2.9% nationally. The way in which 'spending power' is calculated does not give a true indication of the way Government Grant has diminished because it includes some redirected NHS money and council tax revenues. As a result it understates the real level of grant reduction. A fairer underlying measure is how the formula grant component has reduced. On a like for like basis this has reduced by 9%. In order to accommodate this funding cut savings of £34 millions have been made.

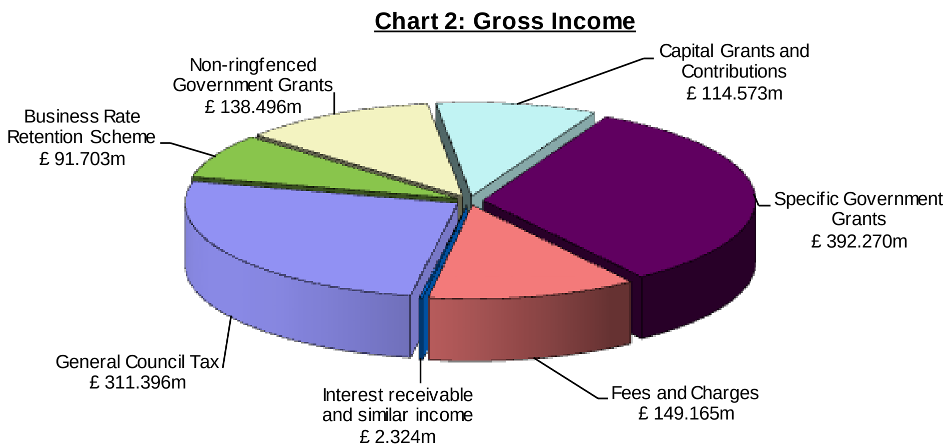
The Chancellor's Autumn Statement in December 2013 indicated that austerity was set to continue until at least the end of the decade. Although the economic recovery is gaining momentum this is unlikely to affect the downward trajectory of local government funding. Whilst not affecting the Authority's assessment of 'going concern' it is, and will continue to have, a significant impact on services.

Financial performance

The Comprehensive Income and Expenditure Statement is produced in line with the CIPFA Service Reporting Code of Practice (SERCOP) and the Code. This requires a standard analysis of service expenditure, to be shown at total cost, which includes charges for capital asset utilisation, apportionments of central costs, expenditure from funds and reserves and appropriate provision for pension costs. Gross expenditure totalled £1,229 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 Authority during the year. Total gross income of nearly £1,200 millions was received during the year. Chart 2 shows how this is derived.



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

Revenue Spending

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

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

Regular budget monitoring reports have throughout 2014/15 identified budget pressures and risks. There is more detail on variances in spending on page 7 - General Balances.

People Services

The services that comprise People show an overspend of £2.868 millions after taking into account carry forward requests

Members will be aware that Children's Social Work and Child Protection continued to experience great pressure in the year, finishing overspent by £3.1 millions. The pressure, although lower than in the previous year, was caused by higher costs for children placed in care and more children needing to be placed in care than had been budgeted. In addition it has not been possible to reduce staff costs as fast as planned. The Integrated Children's Service reported an overspend of £464,000.

Adult Social Care also faced great underlying pressures on spending, mitigated by careful attention to our statutory duties and eligibility criteria and by working closely with partners in the health service. Nonetheless the service reports an overspend of £418,000 for the year.

Spending in these and other areas was curtailed wherever possible and strict budget discipline enforced to limit the impact of the above overspends. As a result, Social Care Commissioning underspent its budget by £579,000, and Education and Learning by £553,000.

Carry forward proposals for grants and contributions received total £33.0 millions. The great majority of this value is in respect of Dedicated Schools Grant (£30.9 millions). Dedicated Schools Grant funds schools and education and is ring fenced to those purposes. If unspent it must be carried forward. Of this amount £20.9 millions is made up of sums carried forward by schools themselves, the remaining £10.0 millions is made up of sums carried forward for Early Years and High Needs provision, and for central provision including funding for Local Learning Communities, and an allowance for the requirement for new schools which will need to be covered over several years.

Apart from carry forwards required of grants and contributions received, other carry forwards approved total £420,000. It was decided in the year to dedicate £200,000 to capacity building in communities focused on provision for youth. £50,000 of this remains to be spent at the end of the year. £233,000 underspend in our section 256 agreement with the health service is requested to be carried forward and £137,000 of cost for the Devon Children Improvement Plan has been reprofiled into next year.

Place Services

The outturn for Place Services shows an overall net overspend of £1.171 millions after taking into account use of reserves and carry forward requests. This variation from budget mainly resulted from overspends due to increased Waste tonnages and costs arising the temporary relocation of Dartington School. These have been partially offset by underspends on Highways and an increase in planning inspection fees.

The Waste service has seen higher than budgeted growth in tonnages which has resulted in an overspend of £1.522 millions. This is offset to some extent by increased cost recovery within the Capital Development function of £244,000. Unbudgeted costs for the maintenance and temporary relocation of Dartington School of £1.601 millions are shown within the Place Service. There will be further revenue expenditure during 2015/16 in relation to temporary classrooms and other items. The Authority is seeking to recover all costs through legal action, but until confirmed cannot account for them within the outturn.

A mild winter and a focus on resourcing works funded by grant has resulted in an under spend for Highways and Traffic Management of £1.055 millions. Underspending of £670,000 within Planning, Transportation and Environment resulted from increased planning inspection fees, early management action to implement savings for 2015/16 and careful management of project budgets.

Other smaller variations with Place Services have occurred showing underspends on Public transport from procurement and route efficiencies; Trading Standards increased grant income; and reduced spending on projects within Services for Communities.

In addition to the carry forward of unspent grants and contributions of £3.677 millions, carry forwards totalling £1.024 millions were approved. These include £271,000 for Locality and Town and Parish funds, £195,000 for the Community Impact budget as per the cabinet report SC/14/11, £541,000 on match funding for various projects such as Broadband, slippage on flood scheme and the national scheme "Buy with Confidence".

Corporate Services

The outturn for Corporate Services represents a net underspend of £2.125 millions, after taking into account carry forward approvals.

Business Strategy and Support outturn represents a net underspend of £99,000 including staff vacancies and savings in premises costs. Carry forwards totalling £642,000 were approved in relation to facilities commitments, delayed premises costs in respect of property rationalisation projects, delayed corporate maintenance projects, delayed corporate infrastructure projects and costs relating to the implementation of the Public Services Network action plan.

County Solicitors show a net underspend of £729,000 as a result of delayed implementation of new legislation in the Coroners service (Medical Examiner), vacancy savings in Legal Services & Communications and Media, reduced Local Authority subscriptions, and increased income, reduced fees and other net savings for the Registration service.

For Human Resources the net underspend is £582,000 as a result of staff vacancies and savings in venue hire, external trainers and reduced training delivery for Workforce Development.

Treasurer's Service final outturn represents an underspend of £354,000, the majority of which relates to staff vacancies and additional income for finance services. In addition there were net savings in Authority-wide unfunded pensions of £361,000 resulting from an increase in mortality rates.

Public Health are showing a net underspend of £992,000 in respect of development funds, as a result of delayed projects, and reduced take-up of health checks. The Public Health service is funded by a ring-fenced grant and this underspend must therefore be carried forward for future service delivery. An earmarked reserve has been created for this purpose.

Other Items

Both Capital Financing and Interest Receivable have come in very close to budget with an over spend of £10,000 and additional income of £284,000 respectively. Several years ago a euro hedge was entered into in relation to the Plymouth Energy from Waste Plant contract; the pound is strong in relative terms and the hedge agreement has realised a one-off gain for the Authority of £1.187 millions.

£1.957 millions of the 2013/14 infrastructure development budget was carried forward to 2014/15. £582,000 was approved to be carried forward to support the remaining projects in 2015/16 and £89,000 of the efficiency support budget was carried forward to enable the continuation of Chapter 8 training with Parish Councils.

£250,000 of Direct Revenue Support for Capital was approved to be carried forward to 2015/16 in relation to flood relief schemes.

Local Service Support Grant, Adoption Reform and Special Education Needs Grant, Efficiency Support Grant and Other General Grants have been received in 2014/15; it was approved that £554,000 is carried forward to 2015/16.

£733,000 business rates pooling gain had been received; of this £94,000 was to off-set an adjustment to the 2013/14 notified figure, and £56,000 in relation to other adjustments notified by the Billing Authorities. It was approved that £583,000 be set-aside as an earmarked reserve to help mitigate future business rate risk associated with backdated appeals and other losses.

General Balances

The working balance at 31st March 2014 was £14.552 millions. The review of the financial risk assessment prepared when the 2014/15 Budget was considered indicates that the Council should hold a working balance of about £14 millions. The outturn has enabled £49,000 to be added to the working balance.

Earmarked Reserves

The budget for 2014/15 incorporated a transfer from the Budget Management Reserve of £653,000, due to the factors outlined above it was not necessary to draw upon this reserve.

At the beginning of the financial year, earmarked reserves (excluding schools and non-schools carry forwards) stood at £56.5 millions. During the year earmarked reserves have decreased by a net £9 millions to £47.5 millions. Of this decrease £11.9 millions relates to funding the costs of service transformation. The only additions to reserves this year are in relation to the Public Health and On Street Parking statutory reserves and to the Business Rate Risk Reserve as outlined above.

Details of earmarked reserves are contained in Note 8 on page 44.

Capital Spending

The original 2014/15 Capital Programme was approved at £140.304 millions. The programme was increased in year by £23.571 millions as a result of the previous year underspends and members had been asked to approve a further £23.678 millions for other adjustments.

The final capital programme for 2014/15 was £187.553 million and actual capital expenditure was £140.293 millions. The table below summarises 2014/15 expenditure and approvals.

	Budget £ 000	Actual Spend £ 000	Variation £ 000
Place	168,010	128,474	39,536
People	12,224	8,364	3,860
Corporate	7,319	3,455	3,864
Total	187,553	140,293	47,260

DCC delivered a very large programme of capital investment in 2014/15. There was significant achievement of the South Devon Link Road and spend against one off external grants that Devon successfully bid for.

The Capital Programme underspent by just under £47.3 millions at outturn. The table above provides broad details of the underspend.

Within this total, £42.2 millions represents slippage, to be carried forward to future years, with £5.1 millions savings achieved in programme delivery.

The section below shows where services want to carry forward their slippage and explains the variances between budget and spend.

Variation between the delivered Capital Programme and Budget

The 2014/15 net underspending totalled £47.260 million. It is recommended that £38.353 millions are carried forward into the 2015/16 Capital Programme, and £3.798 millions into 2016/17. An analysis of the underspending and the carry forward request is set out in the table below:-

	Variation	Carry Forward to 2015/16	Carry Forward to 2016/17
	£ 000	£ 000	£ 000
Place	39,536	33,153	2,264
People	3,860	2,519	385
Corporate	3,864	2,681	1,149
Total	47,260	38,353	3,798

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

Place

In 2014/15 the variation between budget and spend is split between slippage of £35.4 millions and underspend of £4.1millions.

Planning, Transportation and Environment (PT&E)

The exceptionally large PT&E 2014/15 capital programme has been delivered with priority given to spending externally funded, time-limited contributions. £17.5 millions of the slippage in the programme is due to construction delays on the South Devon Link Road and was the result of a relatively mild and wet winter. In addition difficulty has been experienced in completing land transactions and there has been a reduction in the anticipated cost of utility diversions.

Several schemes including Crediton Link Road (partly due to successful Local Pinchpoint Fund grant) and Exe Estuary (Turf Lock to Powderham) have produced savings of £400,000 and £1.2 millions respectively and slippage of £800,000 and will not require the level of corporate funding originally allocated. Tithebarn Link Road scheme has slipped by £1.5 millions.

Of the remainder, the majority of slippage has occurred on schemes involving external partners. Changes to Office of Rail Regulation signalling requirements and other delays have impacted on the delivery of both Newcourt (£800,000 slippage) and Cranbrook stations (£1 million slippage). In addition, the County Council received late notification about the need to divert a sewer at Cranbrook Station, which has significantly delayed the completion of the project.

Other transport programme slippage has been caused by a combination in delays obtaining land (including Wray Valley and Stop Line Way cycle routes) and the Integrated Transport Block of funding has held back £1.5 millions of budget to cover contingencies in scheme cost increases.

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

Within this Service in 2014/15, £4.7 millions slippage has occurred and £500,000 is underspend.

The award of the additional £9.1 millions Pothole Challenge Fund was successfully delivered and spent by 31/03/15 but it did mean that not all of the £34.8 millions Local Transport Plan (LTP) schemes could be delivered by March 2015. £1.4 millions has been carried forward to future financial years.

£1.7 millions of the variation between spend and budget in H, CD & WM were caused by delays in the delivery of the new recycling centre for Ivybridge.

People

Adult Social Care

£800,000 of budget savings on the Residential Care Homes programme is no longer required.

Social Care Commissioning

The current level of slippage is mainly due to the Extra Care Housing (ECH) programme which required a redesign of the invitation to tender to market. The ECH budgets have slipped by £900,000. Also there has been a revision to the timing of works on the Transforming Care and Investing in Community Capacity programmes. The £800,000 Transforming Care budgets and the £500,000 for Investing in Community Capacity have been slipped into 2015/16.

Corporate

County Farms

The current level of slippage is primarily caused by most NVZ compliant slurry store tenders coming in significantly above budget estimate. This programme of works is under review to identify opportunities to reduce costs and works are expected to progress in 2015/16. £2.3 millions budget is slipped into forward years.

Estates

Provisional work is underway at Barnstaple Library (to facilitate the transfer of staff from Barnstaple Civic Centre). The majority of building works are due to take place in summer/autumn 2015.

A large part of the Disability Discrimination Act budget is linked the Barnstaple Accommodation Improvement Programme and timescales will be dependant on this project. In addition, DDA reports commissioned at Great Moor House and County Hall in early 2015 will enable a further programme of works to be developed.

ICT

The variation between delivered Capital Programme and Budget was minor and due to service requirements and technical issues which delayed some small elements of priority projects (PSN compliance and Children's Social Care IT improvements).

Financing the Capital Programme

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

	2014/15 Final Budget	2014/15 Final Outturn	Capital Budgets Carried Forward	2014/15 Capital Budget Savings
	£ 000's	£ 000's	£ 000's	£ 000's
Capital Receipts Applied	12,800	5,707	6,873	220
Borrowing	39,479	20,916	15,545	3,018
External Grants and Contributions	131,313	110,067	19,375	1,870
Revenue Budgets	3,961	3,602	358	1
Total	187,553	140,292	42,151	5,109

The total borrowing required to finance the capital programme in 2014/15 was £20.916 millions. The council was able to meet all borrowing requirements from internal cash resources so did not need to increase external borrowing.

The Council had Capital Receipts unapplied of £24.320 millions at 1st April 2014. Net of the cost of sales, capital receipts of £7.235 millions were received in year from the sale of County land, building and other assets. Having applied £5.707 millions of capital receipts to finance spend, the closing balance for Capital Receipts is £25.848 millions. These movements are shown in the table below:

	General Receipts	Investing in Devon	Total
	£ 000's	£ 000's	£ 000's
Opening Balance 1st April 2014	11,043	13,277	24,320
Received in year	7,235	0	7,235
Applied to finance spend	(4,350)	(1,357)	(5,707)
Closing Balance 31st March 2015	13,928	11,920	25,848

Major Capital Investment

Place

Planning, Transportation and Environment – £68 millions outturn spend

2014/15 was one of the largest PT&E capital programmes for many years covering transport, education and flood works. This was driven by the County Council's success in securing substantial external funding and the tight funding timescales have placed significant pressure on the Design, Client and Finance teams.

Government funding was secured for four Local Pinchpoint Fund schemes at A39 Roundswell Roundabout, Crediton Link Road, Decoy Industrial Estate Link Road / cycle route, Newton Abbot and Tithebarn Lane Phase 1, Exeter. Roundswell and Crediton are complete with both the Decoy and Tithebarn Lane schemes expected to open by June 2015.

Construction work on the South Devon Link Road has also continued towards the planned opening date of December 2015.

Considerable investment has also been made in rail including the construction of Newcourt station (Exeter) which is due to be completed shortly. Major elements of the new Cranbrook station have also been completed including the car park and platform construction, with the remainder of the station due to be completed by the autumn.

The Planning, Transportation & Environment School Capital Programme has delivered replacement schools for Mill Water Community School and Dartmouth All-through Academy. Education expansion projects have also been completed in Bideford, Exmouth, Newton Abbot and Exeter where high demographic growth is being experienced.

Highways, Capital Development and Waste management - £54 million capital outturn spend

Investment on structural maintenance of the road network and bridges remains a significant theme. The successful award of an additional £9.1 millions within the Pothole Challenge fund in June enabled an extended programme of carriageway renewal works.

The Exeter Energy Recovery Facility became fully operational in July 2014 when it achieved 'Take-Over'. The South West Devon Waste Partnership (SWDWP) Plymouth Energy from waste facility started accepting waste from Devon on 30th April 2015 and it is anticipated will become fully operational from July 2015.

The schools capital maintenance programme has substantially been delivered on time and within budget. Eighty Seven school projects were completed with £7.2 millions of investment addressing the most urgent maintenance backlog issues within the schools estate.

Services for the Community

The flagship Exeter Library opened on 22nd May 2014 following its £4 millions redevelopment. It houses a range of facilities including the Fab Lab, the Business and Information Hub, Wi-Fi and free to use computing facilities. Since opening it has seen an increase in visitors of 15% and has been short-listed for the national Library of the Year award.

Economy and Enterprise

Good progress has been made at the Okehampton East Business Park during 2014/15. The site has been fully evaluated, public consultations carried out and substantial interest secured from the private sector. A planning application was submitted in July 2014 and was determined by West Devon Borough in February 2015.

People

Adult Social Care

The Care Homes Futures programme successfully renovated two homes at Mapleton and Woodland Vale, with a focus on the benefits to people with dementia. Significant enhancements to the Learning Disabled Facilities in Totnes, Tiverton and Tavistock are underway and expected to conclude in 2015/16.

Education and Learning

This year schools have had to implement the central government initiative to supply free school meals to all key stage 1 pupils. This was achieved on time.

Various improvement and expansion projects have been undertaken by schools including the expansions of Willand Primary School, Bidwell Brook School, Clawton Primary School and Woolacombe Primary School. Other school projects have involved remodelling rooms to enable them to become multi use and therefore make better use of facilities.

Corporate Services

Estates

Aligned to the authority’s Estates Strategy, during 2014/15 a number of key enabling projects have been undertaken to facilitate the release of buildings. Initial work has also commenced on key Strategic Centre projects with the remainder of the work anticipated to be completed in 2015/16.

ICT

Capital schemes have focussed around key objectives which have included the upgrade of DCC’s infrastructure to provide a fit for purpose, up to date and reliable day to day ICT service that also includes significant increases in storage capacity. This has enabled the migration to much larger email mailboxes and facilitated the introduction of new productivity tools such as Lync Unified Communications incorporating audio and video conferencing.

Funds for Capital and Other Commitments

The capital programme required finance of £140.3 millions. Borrowing was met from internal sources during 2014/15 and amounted to £20.9 millions. No new long term borrowing took place during the year. Other sources of finance were grants and contributions totalling £110.1 millions, capital receipts from the sale of assets contributed funding of £5.7 millions and direct revenue contributions provided £3.6 millions.

The Exeter Energy from Waste plant became operational during 2014/15 and the outstanding liability of £44.6 millions was added to the Authority's balance sheet at 31 March 2015. The costs of servicing this and the Private Finance Initiative for Exeter Schools are met annually from revenue budgets. The outstanding liabilities for Exeter Energy from Waste and Exeter Schools Private Finance initiative (£70.2 millions) will be written down as payments are made against the contracts over their remaining lives.

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 £511.5 millions.

Pensions Liability

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

The liability of £1,017 millions (Note 37 page 89) on the County Council's Balance Sheet is offset by pension costs to be reimbursed as they fall due from Plymouth City Council and Torbay Council of £32 millions (Note 14 page 51) leaving a net liability of £985 millions (Note 20 page 65). This net liability is the annual accounting valuation and is an assessment of the level of corporate bonds a corporate body would need to issue in order to cover the cost of the deficit over an assessed period. This approach was designed with the Private Sector in mind but has also been adopted by the Public Sector although of course in local government the true pension fund deficit is assessed through the Triennial Valuation and the deficit made good over the working life of the employees rather than by issuing Corporate Bonds.

The accounting valuation is based on the corporate bond yield as at 31st March 2015. The deficit at 31st March 2015 is £202 millions more than as at 31st March 2014; this is due mainly to the reduction in the corporate bond yield of 1.1% to 3.3% at that date. This 'snapshot' approach to valuing the deficit is very volatile; for instance at the end of May 2015, two months after the year end, the corporate bond yield has improved by 0.2%. This has the effect of reducing the estimated deficit by £74 millions.

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

Note 37 on page 89 provides further information.

Conclusion

As this is the fourth year of CSR2010 the cumulative effect of cuts reached nearly £128 millions in 2014/15. This, coupled with in year pressures and risks in relation to children's services and Dartington School, made the year a very challenging one for the authority. The Authority's usable reserves are at a very low level and careful management will be required in 2015/16 and beyond to ensure that they do not reduce below expected levels.

In spite of the economic recovery gaining momentum significant cuts to public expenditure, including local authority funding, is expected to continue to near the end of the decade.

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

11th September 2015

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 2015 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 2015 and its income and expenditure for the year ended 31st March 2015.

Mary Davis

County Treasurer

11th September 2015

Approval of the Statement of Accounts

I confirm that these accounts were approved by the Audit Committee at its meeting on 22nd September 2015

Chairman of the Audit Committee

22nd September 2015

Movement in Reserves Statement

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

	General Fund Balance Restated £000	Earmarked General Fund Reserves £000	Capital Grants Unapplied £000	Capital Receipts Reserve £000	**Total Usable Reserves £000**	**Unusable Reserves Restated £000**	**Total Authority Reserves £000**
Balance at 1st April 2013	**(31,403)**	**(76,095)**	**(18,183)**	**(30,688)**	**(156,369)**	**160,219**	**3,850**
Movement in reserves during 2013/14							
Recognition of the PFI liability with regard to VA school / St Peters & loans						20,480	**20,480**
(Surplus)/deficit on the provision of services	27,855				**27,855**		**27,855**
Other Comprehensive Income & (Expenditure)					**0**	(44,203)	**(44,203)**
Total Comprehensive Income & Expenditure	**27,855**	**0**	**0**	**0**	**27,855**	**(44,203)**	**(16,348)**
Adjustments between accounting basis & funding basis under regulations (Note 7)	(34,337)		1,156	6,369	**(26,812)**	**26,812**	**0**
Net (Increase)/Decrease before Transfers to Earmarked Reserves	**(6,482)**	**0**	**1,156**	**6,369**	**1,043**	**(17,391)**	**(16,348)**
Transfers to Earmarked Reserves (Note 8)	5,066	(5,066)			**0**		**0**
(Increase)/Decrease in 2013/14	**(1,416)**	**(5,066)**	**1,156**	**6,369**	**1,043**	**(17,391)**	**(16,348)**
Balance at 31st March 2014 Carried Forward	**(32,819)**	**(81,161)**	**(17,027)**	**(24,319)**	**(155,326)**	**163,308**	**7,982**
Movement in reserves during 2014/15							
(Surplus)/deficit on the provision of services	29,506				**29,506**		**29,506**
Other Comprehensive Income & (Expenditure)					**0**	147,386	**147,386**
Total Comprehensive Income & Expenditure	**29,506**	**0**	**0**	**0**	**29,506**	**147,386**	**176,892**
Adjustments between accounting basis & funding basis under regulations (Note 7)	(17,949)		(4,506)	(1,529)	**(23,984)**	23,984	**0**
Net (Increase)/Decrease before Transfers to Earmarked Reserves	**11,557**	**0**	**(4,506)**	**(1,529)**	**5,522**	**171,370**	**176,892**
Transfers from Earmarked Reserves (Note 8)	(14,270)	14,270			**0**		**0**
(Increase)/Decrease in 2014/15	**(2,713)**	**14,270**	**(4,506)**	**(1,529)**	**5,522**	**171,370**	**176,892**
Balance at 31st March 2015 Carried Forward	**(35,532)**	**(66,891)**	**(21,533)**	**(25,848)**	**(149,804)**	**334,678**	**184,874**

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.

2013/14 Gross Expenditure	2013/14 Gross Income	2013/14 Net Expenditure		Notes	2014/15 Gross Expenditure	2014/15 Gross Income	2014/15 Net Expenditure
Restated	**Restated**	**Restated**					
£000	£000	£000			£000	£000	£000
			General Fund continuing operations				
17,679	(2,889)	14,790	Cultural and Related Services		18,809	(2,921)	15,888
54,144	(5,466)	48,678	Environmental and Regulatory Services		68,659	(6,492)	62,167
13,221	(5,995)	7,226	Planning Services		13,272	(5,497)	7,775
604,592	(405,109)	199,483	Children's and Education Services		588,654	(402,675)	185,979
111,430	(13,978)	97,452	Highways and Transport Services		115,361	(17,842)	97,519
293,734	(72,158)	221,576	Adult Social Care		301,198	(80,854)	220,344
20,436	(21,476)	(1,040)	Public Health		22,436	(22,708)	(272)
2,663	(73)	2,590	Housing Services (primarily supporting people)		2,036	(61)	1,975
5,312	(349)	4,963	Corporate and Democratic Core		3,395	(224)	3,171
4,724	0	4,724	Non Distributed Costs		5,072	(85)	4,987
3,784	(1,922)	1,862	Central Services to the Public		3,923	(2,076)	1,847
		0	Exceptional items not included in costs of specific services				0
1,131,719	**(529,415)**	**602,304**	**Cost of Services**	22	**1,142,815**	**(541,435)**	**601,380**
29,072		29,072	Other Operating Expenditure	5, 10	16,429		16,429
66,367	(1,175)	65,192	Financing and Investment Income and Expenditure	11	70,189	(2,324)	67,865
	(668,713)	(668,713)	Taxation and Non-specific Grant Income	12		(656,168)	(656,168)
1,227,158	**(1,199,303)**	**27,855**	**Surplus or Deficit on Provision of Services**		**1,229,433**	**(1,199,927)**	**29,506**
		(30,193)	(Surplus) or deficit on revaluation of Property, Plant and Equipment				(28,082)
		(14,010)	Remeasurements of the net defined benefit liability	37			175,468
		(44,203)	**Other Comprehensive Expenditure & Income**				**147,386**
		(16,348)	**Total Comprehensive Expenditure & Income**				**176,892**

Balance Sheet

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

1st April 2013 restated	31st March 2014 restated		Notes	31st March 2015	
£000	£000			£000	£000
1,273,202	1,311,336	Property, Plant & Equipment	13	1,369,662	
440	1,011	Intangible Assets		1,318	
2,399	2,411	Heritage Assets		2,457	
5,000	0	Long Term Investments		0	
372	1,678	Investments in Associates & Joint Ventures	15	1,678	
28,221	33,668	Long Term Debtors	14	34,237	
1,309,634	1,350,104	**Long Term Assets**			1,409,352
57,405	50,190	Short Term Investments	15	50,244	
1,755	1,545	Inventories		1,893	
77,684	80,696	Short Term Debtors	16.2	85,139	
62,685	48,428	Cash and Cash Equivalents	18	64,247	
6,970	5,402	Assets held for sale	19	7,041	
206,499	186,261	**Current Assets**			208,564
(4,375)	(5,344)	Provisions		(8,057)	
(31,431)	(282)	Short Term Borrowing	15	(288)	
(880)	(647)	Revenue Grants Receipts in Advance	32	(714)	
(108,485)	(106,978)	Short Term Creditors	16.1	(113,473)	
(145,171)	(113,251)	**Current Liabilities**			(122,532)
(10,643)	(15,415)	Provisions	17	(15,511)	
(511,569)	(511,511)	Long Term Borrowing	15	(511,450)	
(833,714)	(885,064)	Other Long Term Liabilities	21	(1,132,491)	
(2,625)	(2,275)	Revenue Grants Receipts in Advance	32	(2,559)	
(16,261)	(16,831)	Capital Grants Receipts in Advance	32	(18,247)	
(1,374,812)	(1,431,096)	**Long Term Liabilities**			(1,680,258)
(3,850)	**(7,982)**	**Net Assets/(Liabilities)**			**(184,874)**
(156,369)	(155,326)	Usable Reserves			(149,804)
160,219	163,308	Unusable Reserves	20		334,678
3,850	**7,982**	**Total Reserves**			**184,874**

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.

2013/14 - Restated £000		Note	2014/15 £000	£000
27,854	**(Surplus) or Deficit on the Provision of Services**			**29,506**
	Adjustments for -			
(160,211)	Non cash movements	23	(177,584)	
3,736	Investing and financing activities	24	7,107	
(156,475)				(170,477)
(128,621)	**Net cash flows from operating activities**	25		**(140,971)**
122,602	Investing activities	26		**121,495**
20,275	Financing activities	27		**3,657**
14,256	**Net (increase)/decrease in cash and cash equivalents**			**(15,819)**
62,684	Cash and cash equivalents opening balance			48,428
48,428	**Cash and cash equivalents at year end**	18		**64,247**

1.Statement of Accounting Policies

General Principles

The Statement of Accounts summarises the Authority's transactions for the 2014/15 financial year and its position at the year-end of 31st March 2015. 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 2014/15 and the Service Reporting Code of Practice 2014/15, 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 Authority provides the relevant goods and services;
- The full cost of employees is charged to the accounts for the period within which the employees worked. Accruals are made for salaries and wages, holiday pay, flexi leave and time off in lieu earned but unpaid at the year-end;
- Supplies and services are recorded as expenditure when they are consumed or received. Where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the balance sheet;
- Interest payable on borrowings and receivable on investments is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by contract; and
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the balance sheet. Where it is doubtful that debts will be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

Accounting for Schools

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

Properties used by schools are recognised in accordance with the indicators of control identified under the requirements of the Code's adoption of IFRS 10, Consolidated

Financial Statements. Where assets are owned by Devon County Council and used by community schools, foundation schools, voluntary aided and voluntary controlled schools then they are recognised in the Authority's balance sheet.

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

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

Cash and Cash Equivalents

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

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

Charges to Revenue for Non-Current Assets

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

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

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

Contingent Assets

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

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

Contingent Liabilities

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

Employee Benefits

Benefits payable during employment

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

Termination Benefits

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

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

Post-Employment Benefits

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

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

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

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

The Local Government Pension Scheme

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

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

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

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

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

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

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

In relation to retirement benefits, statutory provisions require the General Fund Balance to be charged with the amount payable by the Authority to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

Discretionary benefits

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

Events after the Reporting Period

Events after the Balance Sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. Two types of events can be identified: 'those that provide evidence of conditions that existed at the end of the reporting period', where the Statement of Accounts is adjusted to reflect such events, and 'those that are indicative of conditions that arose after the reporting period', where the Statement of Accounts is not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect. Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

Financial instruments

Financial liabilities

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

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

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

Financial Guarantees

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

Financial Assets

Financial assets are classified into two types:

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

Loans and receivables

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

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

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

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

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

Available for Sale assets

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

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

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

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

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

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

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

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

Government grants and contributions

Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as due to the Authority when there is reasonable assurance that the Authority will comply with the conditions attached to the payments, and the grants or contributions will be received. Amounts recognised as due to the Authority are not credited to the comprehensive income and expenditure statement until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations which specify that the future economic benefits or service potential embodied in the asset in the form of the grant or condition are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

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

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

Heritage Assets

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

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

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

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

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

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

Intangible Assets

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

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

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

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

Inventories

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

Leases

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

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

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

Finance leases (Authority as Lessor)

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

Finance leases (Authority as Lessee)

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

Overheads and Support Services

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA Service

Reporting Code of Practice 2014/15(SeRCOP). The total absorption costing principle is used. The full cost of overheads and support services are shared between users in proportion to the benefits received with the exception of:

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

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

Private Finance Initiative (PFI) and Similar Contracts

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

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

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

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

- Fair value of the services received during the year – debited to the relevant service in the comprehensive income and expenditure statement;
- Finance cost – an interest charge 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 the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential is charged as an expense when it is incurred.

Expenditure below £50,000 for property and £12,000 for plant, vehicles and equipment is treated as revenue (de minimis) expenditure. Subsequent expenditure below these initial recognition amounts may be capitalised once the asset has been recorded on the fixed asset register. In the context of schools' plant, vehicle and equipment assets, a de-minimis test is not applied.

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. 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

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

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

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

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

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

More information on accounting for school assets is contained within the Explanatory Foreword on page 1.

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

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 have short useful life or low value (or both), depreciated historical cost basis is used as a proxy for fair value.

Assets included in the balance sheet at 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 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 impairment losses are identified, they are accounted for in the following way:

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

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

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

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

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

Disposals: Assets that are to be abandoned or scrapped are not reclassified as assets-held-for-sale. When an asset is disposed of, decommissioned or transferred to a third party, the carrying amount of the asset in the balance sheet is written-off to the 'Other Operating Expenditure' line in the comprehensive income and expenditure statement as part of the gain or loss on disposal. Receipts from disposals are credited to the comprehensive income and expenditure statement as part of the gain or loss on disposal. Any revaluation gains in the revaluation reserve are transferred to the capital adjustment account. Amounts in excess of £10,000 are categorised as capital receipts. The balance of receipts is required to be credited to the usable capital receipts reserve, and can then only be used for new capital investment or set aside to reduce the Authority's underlying need to borrow. Receipts are appropriated to the reserve from the general fund balance in the movement in reserves statement.

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

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

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

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

Depreciation is calculated on the following bases:

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

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

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

Provisions

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

Provisions are charged to the appropriate service line in the Comprehensive Income and Expenditure statement in the year that the Authority becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties. When payments are eventually made, they are charged to the provision set up in the balance sheet. Estimated settlements are reviewed at the end of each financial year. Where it becomes less than probable that a transfer of economic benefits will be required or a lower settlement than anticipated is made, the provision is reversed and credited back to the relevant service.

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

Reserves

Usable Reserves

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

Unusable Reserves

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

Revenue Expenditure Funded from Capital under Statute (REFCUS)

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

Revenue Recognition

Council tax and Non Domestic rates

Revenue is recognised when the following conditions have been satisfied:

a) the amount of revenue can be measured reliably and

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

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

The Collection Fund Adjustment Account records the differences arising from the recognition of council tax income in the Comprehensive Income and Expenditure Statement as it falls due from council tax payers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Funds administered by the Billing Authorities.

Value Added Tax (VAT)

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

Accounting Standards that have been issued but have not yet been adopted:

The following standards have been issued and will be introduced in the Code in 2015/16:

- IFRS 13 Fair Value Measurement (May 2011); This is a substantial new standard that requires local authorities to measure surplus assets at fair value, which is a change from the existing use valuation. CIPFA has concluded that exit value is not the best measurement for assets used in their operational capacity. Consequently the 2015/16 Code introduces the new concept of current value, which will be used to value operational property, plant and equipment. The Authority has yet to determine the impact on the value of surplus assets from this new standard but the value of surplus assets at 31 March 2015 was £13.4 millions (out of a total of £1.4 billion of total property, plant and equipment - Note 13 page 46).
- Annual Improvements to IFRSs (2011 – 2013 Cycle) – including setting the scope for exceptions for joint ventures
- IFRIC 21 Levies. This provides guidance on levies imposed by governments in the financial statements of entities paying the levy. The IFRIC relates to when to recognise a liability to pay a levy. It is not expected that this new standard will have a material impact on the Authority's financial statements.

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

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

2. Prior Year Adjustment

Change of Accounting Policy

IFRS10 and IAS16, Accounting for Schools (School Assets)

The 2014/15 Code of Practice implements IFRS 10 (Consolidated Financial Statements) and CIPFA has issued guidance (LAAP Bulletin 101) on how to apply IFRS 10 to accounting for schools. Note 1, Accounting Policies explains the Authority's approach.

The Authority has also changed its accounting policy in terms of no longer recognising 125 year leases of land with academy schools as operating leases. The rights associated with ownership have been reassigned to the respective academies.

Unfunded Pension Liabilities (Pensions)

Each year the Authority has paid around £1 million (£1.161 millions in 2013/14) through service expenditure for unfunded pension liabilities for a group of teachers. These liabilities are historic. The cumulative future liabilities should have been estimated and capitalised in the Authority's balance sheet. The administrator of the teachers' pensions, Capita, has provided the information and the actuary estimated that the total liability is £22.398 millions at 31 March 2014.

The following table shows the impact on the Comprehensive Income and Expenditure Statement and the Movement in Reserves Statement.

Comprehensive Income and Expenditure Statement	**2013/14 original**	**School Assets**	**Pensions**	**2013/14 restated**
	£000	**£000**	**£000**	**£000**
Children's and Education Services Gross expenditure	591,470	14,283	(1,161)	604,592
Gross Cost of Services	**1,118,597**	**14,283**	**(1,161)**	**1,131,719**
Other Operating Expenditure	133,670	(104,598)		29,072
Financing and Investment Expenditure	65,511		856	66,367
Deficit on provision of services	**118,475**	**(90,315)**	**(305)**	**27,855**

Movement in Reserves Statement - Adjustments Note 7	**2013/14 original**	**School Assets**	**Pensions**	**2013/14 restated**
	£000	**£000**	**£000**	**£000**
Depreciation	(65,716)	(6,387)		(72,103)
Revaluation losses	(18,115)	(10,731)		(28,846)
Revenue expenditure funded from capital under statutue	(22,030)	2,835		(19,195)
Amounts on non current assets written off on disposal or sale	(136,285)	104,598		(31,687)
Net movement on pensions - reversal of actuarial charges to CIES offset by employer's pension contribution and direct payments	(40,623)		305	(40,318)
		90,315	**305**	

The change to the deficit on the provision of services in the Comprehensive Income and Expenditure Statement for 2013/14 has been reversed out of the Movement in Reserves Statement. There is no change to usable reserves. The impact on the restated balance sheet at 31 March 2014 is disclosed in the following table.

Balance Sheet	31st March 2014 original	School Assets	Pensions	31st March 2014 restated
	£000	£000	£000	£000
Property Plant and Equipment	1,092,087	219,249		1,311,336
Other long term liabilties	(862,666)		(22,398)	(885,064)
Net Assets / (Liabilities)	**(204,833)**	**219,249**	**(22,398)**	**(7,982)**
Usable reserves	(155,326)			(155,326)
Unusable reserves	360,159			163,308
Total Reserves	**204,833**			**7,982**
Unusable reserves				
Revaluation reserve	(123,465)	(7,705)		(131,170)
Capital Adjustment Account	(296,224)	(211,544)		(507,768)
Pensions Reserve	760,331		22,398	782,729
		(219,249)	**22,398**	

Property, Plant and Equipment balances have been restated at 1 April 2013 (the beginning of the comparative period) for the accounting changes for school assets. The following table shows the movement from the original audited accounts at 1 April 2013 to the restated opening balance, analysed into:

- Schools recognised - mainly foundation schools brought back onto the balance sheet
- Schools derecognised - mainly voluntary controlled schools owned by the Diocese of Exeter that have been removed from the Authority's balance sheet
- Academy land derecognised - although the Authority still legally owns the land, the length of the asset leases of 125 years to academies mean that the rights associated with ownership no longer remain with Devon County Council

Property Plant and Equipment	1st April 2013 original	Schools Assets Recognised	School Assets Derecognised	Acadamy Land Derecognised	1st April 2013 restated
	£000	£000	£000	£000	£000
Cost or valuation	1,450,691	218,665	(75,032)	(42,130)	1,552,194
Accumulated Depreciation	(290,635)		11,643		(278,992)
Net book value	**1,160,056**	**218,665**	**(63,389)**	**(42,130)**	**1,273,202**

Restatement of Unfunded Pensions liability and Other Long Term Liabilities

1 April 2013 original £000	1 April 2013 restated £000		31 March 2014 original £000	31 March 2014 restated £000
(762,003)	(782,489)	Pensions Liability	(792,408)	(814,806)
(51,225)	(51,225)	Private Finance Initiative Liability	(70,160)	(70,160)
0	0	Financial Guarantee	(98)	(98)
(813,228)	**(833,714)**	**Other long term liabilities**	**(862,666)**	**(885,064)**
(654,857)	(654,857)	Net liability arising from defined benefit obligation - LGPS	(687,970)	(687,970)
(107,145)	(127,632)	Net liability arising from defined benefit obligation - unfunded - restated	(104,437)	(126,836)
(762,002)	**(782,489)**	**Pensions Liability (restated)**	**(792,407)**	**(814,806)**

There is no impact on the County Fund or usable reserves and there is no impact on future budgets because the Authority had budgeted for the payments each year and the County Fund is only affected by actual employer contributions.

3. Critical judgements in applying Accounting Policies

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

- These accounts have been prepared on a going concern basis. The concept of a going concern assumes that an authority, its functions and services will continue in operational existence for the foreseeable future. Although Central Government funding is being cut significantly this will have no effect on Devon County Council as a going concern;
- In cases where schools' land and buildings are owned by the Diocese of Exeter, the Authority has not identified any arrangements that transfer the rights arising from ownership of voluntary aided and voluntary controlled schools from the Trustees (religious organisations) to Devon County Council. Consequently, the Authority has not recognised these assets in its balance sheet. The Authority had not recognised voluntary aided schools in its balance sheet previously but this approach represents a change for voluntary controlled schools. Note 2 shows the impact on the Authority's financial statements from this change of accounting policy for voluntary controlled schools.
- There are eight voluntary controlled schools where the land and buildings are owned by the Authority. There are also 44 voluntary aided and voluntary controlled schools where the Authority owns the playing fields. The Authority consolidates these assets into its balance sheet.

- For Foundation schools the assets are owned or controlled by the governing body and those assets that were previously excluded from the Authority's financial statements have now been consolidated into its balance sheet. This follows the guidance of Local Authority Accounting Panel Bulletin 101 issued in December 2014. Note 2 provides more detail about the restatement of the prior period.
- Note 15 page 52 Financial Instruments details the authority's Investment Strategy and approach to managing risk. None of the Authority's investments have been impaired;
- The Authority has relationships with several Companies, details are provided in note 34 page 78. The Authority's interests in these companies (£1.7m investments in the balance sheet) have been assessed as not being material to the overall financial statements. Consequently, the Authority has not prepared Group Accounts. The value of the Authority's investments in associates and joint ventures is initially recognised at cost (cash investment in company shares) and then periodically revalued. The latest valuation of these shares was 31 March 2011. The Authority reviews the audited accounts of these companies and should there be an indication of a significant change in net assets and valuation (in aggregate), a professional valuation would be sought.
- 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. In 2014/15 the accounts show a new Public Private Partnership for the construction and operation of a waste incinerator in Exeter (Energy from Waste). Note 35 page 84 provides detail.
- The Authority's interests in finance leases both as a lessor and lessee are not material. Where the Council acts as lessor, the lease debtor is not recognised as it is not material and the assets remain on the balance sheet. Where the Authority acts as lessee, the present value of the lease payments are not material but the Authority's interest in the assets is included within non-current assets on the balance sheet. Note 36 page 86 provides more detail.
- The Authority is undergoing a major programme of service transformation affecting the use and ownership of a number of assets. Where it has been anticipated that properties would be transferred to other organisations or sold on the open market after the 31 March 2015 then the valuation has taken into account the estimated sale price or transfer value, although the legal transfer may not have taken place by the end of the financial year.
- Where it was anticipated at the 31st March 2015 that youth centres would be transferred to community and voluntary organisations in 2015/16 on a long lease at peppercorn rates then each of these assets have been valued at £1.
- The Authority's residential care homes, which were not operational at 31st March 2015 have been included in surplus assets and valued at market value.

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

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

The items in the Authority's Balance Sheet at 31st March 2015 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 £2.878m and £2.601m respectively for every year that useful lives have to be reduced.
Provisions	The Authority has made a provision of £13m (short and long term) in relation to self insurance liabilities and £2m 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% decrease in the discount rate assumption would result in an increase in the pension liability of £37.5 million. However, the assumptions interact in complex ways. During 2014/15, the Authority's actuaries advised that due to estimates being corrected (as a result of experience) the net pensions liability had increased by £2.4m and increased by £236.8m due to updating of the assumptions.
	Amounts charged to and income credited in the Comprehensive Income and Expenditure Statement and the valuation of the pension reserve in the Balance Sheet in respect of employee pension benefits are heavily influenced by the estimated future inflation and earnings on investments. The assumptions made in making these estimates are set out in note 37. The value of pension assets is estimated based upon information available at the Balance Sheet date, but these valuations may be earlier than the Balance Sheet date. The actual valuations at the Balance Sheet date, which may not be available until some time later, may give a different value of pension assets, but this difference is not considered to be material.	The impact is not expected to be material.
Debtors	At 31st March 2015, the Authority had a balance of sundry debtors of £85m which included an impairment for doubtful debts of £6m. A review of significant balances suggested that this was appropriate. However, in the current economic climate it is not certain that such an allowance will be sufficient.	If collection rates were to deteriorate, every 1% deterioration would require an additional impairment provision of £910,000.

5. Material items of Income and Expenditure

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

6. Events after the Balance Sheet Date

The following events are non-adjusting events.

Academy Schools

Since 1st April 2015 the following schools have become Academies:

- Umberleigh Primary School
- Brayford Primary School
- St Rumon's Church of England (VC) Infants School, Tavistock
- St Peter's Church of England (VA) Junior School, Tavistock
- St Andrew's Primary School, Cullompton
- Membury Community School
- All Saints Church of England Primary School (Marsh), Newton Abbot
- Brixington Primary School

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 £4,670,000 per annum.

Devon County Council will continue to own all the schools land and buildings above with the exception of St Rumon's Infant, St Peter's Junior and All Saint's (Marsh) 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 land and buildings at 31st March 2015 is £5,597,000.

St Rumon's Church of England (VC) Infants school, St Peter's Church of England (VA) Junior School and All Saints Church of England School (Marsh), 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 £76,000 has also transferred to the Academy schools

7. Adjustments between accounting basis and funding basis under regulations

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

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

2013/14 (Restated)	General Fund Restated £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	(72,103)			72,103
Revaluation Losses on Property Plant & Equipment	(28,846)			28,846
Amortisation of intangible assets	(174)			174
Capital grants and contributions	120,397	(120,397)		
Revenue expenditure funded from capital under statute	(19,195)			19,195
Amounts of non current assets written off on disposal or sale, as part of the gain/loss on disposal	(31,687)			31,687
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:				
Statutory provision for the financing of capital investment	28,832			(28,832)
Capital Expenditure charged to the General Fund Balance	2,903			(2,903)
Adjustments involving the Capital Receipts Reserve:				
Transfer of sale proceeds credited as part of the gain/loss on disposal	3,858		(3,858)	
Use of the Capital Receipts Reserve to finance new capital expenditure			10,227	(10,227)
Adjustments involving the Deferred Capital Receipts Reserve:				
Transfer of movement in deferred proceeds credited/debited as part of the gain/loss on disposal	(578)			578
Adjustments involving the Capital Grants Unapplied Reserve:				
Use of the Capital Grants Unapplied Reserve to finance capital expenditure		121,553		(121,553)
Adjustments involving the Pensions Reserve:				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see note 37)	(80,679)			80,679
Employer's pensions contributions and direct payments to pensioners payable in the year	40,361			(40,361)
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	2,654			(2,654)
Amount by which business rate retention scheme income credited to the Comprehensive Income and Expenditure Statement is different from business rate retention scheme income calculated for the year in accordance with statutory requirements	(1,158)			1,158
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.	766			(766)
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	312			(312)
Total Adjustments	**(34,337)**	**1,156**	**6,369**	**26,812**

8. Transfers (to)/from Earmarked Reserves

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

	Balance at 31st March 2013	Transfers out 2013/14	Transfers in/within 2013/14	**Balance at 31st March 2014**	Transfers out 2014/15	Transfers in/within 2014/15	**Balance at 31st March 2015**
	£000	£000	£000	**£000**	£000	£000	**£000**
Affordable Housing	**(543)**	8	10	**(525)**	99		**(426)**
Budget Management	**(9,500)**		(2,030)	**(11,530)**			**(11,530)**
Business Rate Risk Management			(1,451)	**(1,451)**		(583)	**(2,034)**
Emergency			(15,000)	**(15,000)**			**(15,000)**
European Matched Funding	**(1,129)**	323	806				
Extra Care Housing	**(9,975)**		9,975				
General	**(15,176)**		15,176				
Local Authority Business Grant	**(1,655)**	134	1,521				
On Street Parking	**(1,941)**	(572)		**(2,513)**		(1,469)	**(3,982)**
Public Health			(1,125)	**(1,125)**		(992)	**(2,117)**
Redundancy	**(2,944)**	1,308	1,636				
Service Development	**(10,385)**	772	9,613				
Service Transformation			(24,330)	**(24,330)**	11,881		**(12,449)**
Waste Management Fund	**(684)**	90	594				
Total before Carry Forwards	**(53,932)**	**2,063**	**(4,605)**	**(56,474)**	**11,980**	**(3,044)**	**(47,538)**
Directorate Budget Carry Forwards	**(22,163)**	22,163	(24,687)	**(24,687)**	24,687	(19,353)	**(19,353)**
Total excluding schools	**(76,095)**	24,226	(29,292)	**(81,161)**	36,667	(22,397)	**(66,891)**
School Carry Forwards (included within General Fund Balance) See Note 9	**(16,865)**	16,865	(18,267)	**(18,267)**	18,267	(20,931)	**(20,931)**

9. General Fund Balance

31st March 2014 £000		**31st March 2015 £000**
(18,267)	Schools Carry Forwards	(20,931)
(14,552)	Non Schools working balance	(14,601)
(32,819)	Total General Fund Balance	(35,532)

10. Other Operating Expenditure

2013/14 restated £000		2014/15 £000
28,385	(Gains)/losses on the disposal of non current assets	15,716
687	Levies	713
29,072		**16,429**

11. Financing and Investment Income and Expenditure

2013/14 restated £000		2014/15 £000
32,664	Interest payable and similar charges	34,891
33,703	Pensions interest cost and expected return on pensions	35,298
(1,175)	Interest receivable and similar income	(2,324)
65,192		**67,865**

12. Taxation and Non Specific Grant Income

2013/14 £000		2014/15 £000
(298,555)	Council tax income	(311,396)
(89,790)	Business Rates Retention Scheme	(91,703)
(159,972)	Non-ringfenced government grants	(138,496)
(120,396)	Capital grants and contributions	(114,573)
(668,713)		**(656,168)**

13. Property Plant and Equipment

Movements in 2014/15:

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

Movements in 2013/14:

	Other Land and Buildings Reatated £000	Vehicles, Plant, Furniture & Equipment Restated £000	Infrastructure Assets £000	Community Assets £000	Surplus Assets £000	Assets Under Construction Restated £000	**Total Property, Plant and Equipment Restated £000**
Cost or Valuation							
At 1st April 2013	807,104	42,296	660,812		3,621	38,361	**1,552,194**
Additions	28,614	3,785	50,420	1,802		54,390	**139,011**
Revaluation increases / (decreases) recognised in the Revaluation Reserve	9,844						**9,844**
Revaluation increases / (decreases) recognised in the Surplus / Deficit on the provision of Services	(35,055)						**(35,055)**
Derecognition - Disposals	(30,652)	(2,954)				(590)	**(34,196)**
Derecognition - Other							**0**
Assets reclassified (to) / from Held for Sale	(670)						**(670)**
Other movements in cost or valuation	3,609		299	135	4,601	(8,644)	**0**
At 31st March 2014	**782,794**	**43,127**	**711,531**	**1,937**	**8,222**	**83,517**	**1,631,128**
Accumulated Depreciation and Impairment							
1st April 2013	(6,476)	(26,199)	(246,317)				**(278,992)**
Depreciation Charge	(24,477)	(6,081)	(40,403)				**(70,961)**
Depreciation written out to the Revaluation Reserve	20,348						**20,348**
Depreciation written out to the Surplus / Deficit on the provision of services	6,208						**6,208**
Impairment losses / (reversals) recognised in the surplus / deficit on the provision of services	(1,142)						**(1,142)**
Derecognition - Disposals	2,109	2,638					**4,747**
At 31st March 2014	**(3,430)**	**(29,642)**	**(286,720)**	**0**	**0**	**0**	**(319,792)**
Net Book Value							
At 31st March 2014	**779,364**	**13,485**	**424,811**	**1,937**	**8,222**	**83,517**	**1,311,336**
At 1st April 2013	**800,628**	**16,097**	**414,495**	**0**	**3,621**	**38,361**	**1,273,202**

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
Energy from Waste facilities	30 Years
Farm Buildings	50 to 60 Years
Farm Land	Indefinite
Heritage Assets	Indefinite
Highways Depots	50 Years
Infrastructure	10 to 40 Years
Intangible Assets	3 to 5 Years
Libraries	30 to 60 Years
Offices	50 to 60 Years
Social Services	50 to 60 Years
Vehicles, Plant, Furniture	3 to 15 Years
Waste Disposal sites	50 Years

Capital Commitments

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

Contract Name	Project Purpose	2015/16 £000	2016/17 £000	Total Commitment 2015/16 Onwards £000
Tiverton Heathcoat Primary School	Replacement of roof and atrium windows	197	5	202
Axe Valley Community College	3G artifical sports pitch	248		248
Kingkerswell Primary School	New hall and staff accomodation - Phase 1	547	14	561
Exeter St Leonards Church of England Primary School	Phase 2 - six classroom extensions	990	22	1,012
South Tawton Primary School	Replacement of blocks 03,04,05, & 06	1,069	20	1,089
Barnstaple The Park Community School	Re-roof sports hall	302	8	310
New Honiton Mill Water School	New sports hall	409	21	430
A380 South Devon Link Road including Decoy Industrial Estate Link Road	Bypass for Kingskerswell / access to Decoy Industrial Estate	18,560		18,560
Tithebarn Link Road	New highway linking Cumberland Way to Science Park	1,515		1,515
Newcourt Station	New rail station between Topsham and Digby/Sowton	605		605
M5 Junction 28 Improvements	Increase to junction capacity	525		525
A38 Crossing at Heathfield	Cycleway / footway bridge crossing over A38	447		447
		25,414	**90**	**25,504**

Effects of Changes in Estimates

In 2014/15, 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

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

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

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 2015 for the financial year 2014/15.

	Other Land and Buildings £000	Vehicles, Plant, Furniture & Equipment £000	Infrastructure Assets £000	Community Assets £000	Surplus Assets £000	Assets Under construction £000	Total £000
Valued at Historical Cost:		47,469	780,104	2,003		110,178	939,754
Valued at Current Value in:							
2014/15	710,942				8,061		719,003
2013/14	38,559				5,320		43,879
2012/13	7,163						7,163
2011/12	24,214						24,214
2010/11							0
Total	**780,878**	**47,469**	**780,104**	**2,003**	**13,381**	**110,178**	**1,734,013**

Derecognitions and disposals

The Authority derecognised in 2014/15 property, plant and equipment assets with a carrying value of £22.964 million, which are analysed as follows:

Derecognition category	Carrying value £000	Proportion %
Transfers to academy school status	13,431	58%
Disposals with proceeds	9,533	42%
Total	**22,964**	**100%**

14. Long Term Debtors

31st March 2014 £000		31st March 2015 £000
95	Car Loans to Employees	55
49	Skills Funding Agency	33
121	Academy Schools	86
796	Skypark LLP	1,093
3	Housing Advances	3
4	Industrial Loans	4
257	Magistrates	202
226	PLUSS	187
32,076	Unfunded pensions	32,535
41	Probation	39
33,668		**34,237**

15. Financial Instruments

15.1 Financial instrument balances

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

Long-Term 31/03/2014 £000	Current 31/03/2014 Restated £000		Long-Term 31/03/2015 £000	Current 31/03/2015 £000
		Investments		
0	50,190	Loans and receivables	0	50,244
247	0	Available-for-sale financial assets	247	0
1,431	0	Unquoted equity investment at cost	1,431	0
1,678	**50,190**	**Total Investments**	**1,678**	**50,244**
		Cash		
0	72,396	Cash flow investments (cash equivalents)	0	80,764
0	(23,968)	Cash (overdraft at bank)	0	(16,517)
0	**48,428**	**Total Investments**	**0**	**64,247**
		Debtors		
774	54,630	Loans and receivables	660	49,889
32,894	26,066	Debtors that are not financial instruments	33,577	35,250
33,668	**80,696**	**Total Debtors**	**34,237**	**85,139**
		Borrowings		
(436,349)	0	Financial liabilities at amortised cost - PWLB	(436,349)	0
(75,162)	(282)	Financial liabilities at amortised cost - LOBOs*	(75,101)	(288)
(511,511)	**(282)**	**Total Borrowings**	**(511,450)**	**(288)**
		Other Long Term Liabilities		
(70,160)	0	PFI Liability	(111,030)	0
(98)	0	Financial Guarantee Liability	(769)	0
(70,258)	0	Total included in Other Long Term Liabilities	(111,799)	0
(814,806)	0	Other Long Term Liabilities that are not financial instruments	(1,020,692)	0
(885,064)	**0**	**Total Other Long Term Liabilities**	**(1,132,491)**	**0**
		Creditors (payable within 12 months)		
0	(87,637)	Financial liabilities at amortised cost	0	(99,345)
0	(3,719)	PFI Liability	0	(3,740)
0	(91,356)	Total included in Ceditors	0	(103,085)
0	(15,622)	Ceditors that are not financial instruments	0	(10,388)
0	**(106,978)**	**Total Creditors**	**0**	**(113,473)**

* Lender's Option Borrower's Option

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

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

15.2 Financial instruments gains and losses

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

2013/14			2014/15	
Financial Liabilities	**Financial Assets**		**Financial Liabilities**	**Financial Assets**
Liabilities measured at amortised cost	Loans and receivables		Liabilities measured at amortised cost	Loans and receivables
£000	£000		£000	£000
32,664	0	Interest expense	34,891	0
0	1,210	Impairment losses	0	0
32,664	**1,210**	**Interest payable and similar charges**	**34,891**	**0**
0	0	Decrease in Impairment	0	(533)
0	(1,175)	Interest Income	0	(2,324)
0	**(1,175)**	**Interest and investment income**	**0**	**(2,857)**
32,664	**35**	**Net gain/(loss) for the year**	**34,891**	**(2,857)**

15.3 Fair value assets and liabilities carried at amortised cost

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

- The fair values for Public Works Loans Board (PWLB) and PFI have been calculated by reference to the ‘premature repayment’ set of rates in force on 31st March 2014 and 2015.
- Loans from other sources and investments have been valued by reference to the set of interest rates in force on 31st March 2014 and 2015.
- No early repayment is recognised.
- The decrease in impairment in Table 15.2 relates to movement in the bad debt provision.
- Where an instrument will mature in the next 12 months, carrying amount is assumed to approximate to fair value.
- The fair value of short term debtors/creditors is the invoiced or billed amount.

The fair values calculated are as follows:

31st March 2014		Financial Liabilities	31st March 2015	
Carrying amount	Fair value		Carrying amount	Fair value
£000	£000		£000	£000
(436,349)	(565,304)	PWLB	(436,349)	(704,663)
(75,162)	(87,985)	LOBO's	(75,101)	(108,518)
(73,880)	(115,473)	PFI	(114,770)	(186,084)
(585,391)	**(768,762)**		**(626,220)**	**(999,265)**

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

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

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

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

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

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

The annual Treasury Management Strategy and Prudential Indicators were approved by Authority on 20 February 2014. The Authorised Limit for external debt for 2014/15 was initially set at £744.3 millions for borrowing and other long term liabilities. Actual external debt for 2014/15 was £622.6 millions.

Credit and Counterparty Risk

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

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

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

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

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

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

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

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

	Amount at 31/03/15	**Historic experience of default**	**Historic experience adjusted for market conditions at 31/03/15**	**Estimated maximum exposure to default and uncollectability**
	£000	%	%	£000
Deposits with banks and financial institutions	114,491	0.00%	0.0366%	42
Loans and receivables - Debtors	50,549	0.36%	1.3828%	699
				741

Loans and Receivables - Debtors	**2013/14 Restated**	**2014/15**
	£000	£000
Less than three months	44,782	36,128
Three to six months	1,892	4,426
Six months to one year	2,766	4,103
More than one year	6,422	5,931
	55,862	50,588
Provision for bad debts - Impairment	(1,232)	(699)
Long Term Debtors not yet due	774	660
	55,404	50,549

Liquidity Risk

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

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

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

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

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

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

The maturity analysis of borrowing is as follows:

	£000
Less than one year	(288)
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	(44,571)
Between twenty and twenty-five years	(68,013)
Between twenty-five and thirty years	(50,403)
Between thirty and thirty-five years	(8,903)
Between thirty-five and forty years	(153,685)
Between forty and forty-five years	(142,664)
Between forty-five and fifty years	0
	(508,137)

Short term creditors (£113.5 millions) are due to be paid in less than one year.

Interest Rate Risk

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

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

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

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

The Prudential Indicators for 2014/15 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

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

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

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

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

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

The PFI Liability and most of the Authority's loans and investments are fixed rate. Consequently, the impact of say a 1% increase in interest rates would have an impact only on variable rate investments by increasing interest receivable by £807,640 if the investments were held for a year.

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

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

Exchange Rate Risk

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

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

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

Devon County Council is working in partnership with Plymouth City Council and Torbay Council in the South West Devon Waste Partnership, which involves the construction and operation of a waste incineration plant. The construction costs were priced in Euros and there was a forward exchange contract to protect the partnership from a reduction in Sterling. This arrangement was no longer needed after 31 March 2015 as the construction phase had ended.

Inflation Risk

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

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

Market Risk

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

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, valued at £247,000 and has an equity investment in Science Park Ltd valued at £1,430,354. These shares are recognised in the balance sheet at £1,677,604. Price is therefore not a significant risk for the Authority.

16. Creditors and Debtors

16.1 Creditors

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

31st March 2014 £000		31st March 2015 £000
(7,103)	Central Government	(6,772)
(4,511)	Other Local Authorities	(8,338)
(2,820)	NHS Bodies	(4,369)
(30)	Public Corporations & Trading Funds	(824)
(92,514)	Other Entities & Individuals	(93,170)
(106,978)		**(113,473)**

16.2 Debtors

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

31st March 2014 £000		31st March 2015 £000
26,771	Central Government	1,954
8,015	Other Local Authorities	14,961
4,928	NHS Bodies	5,784
333	Public Corporations & Trading Funds	594
40,649	Other Entities & Individuals	61,846
80,696		**85,139**

17. Provisions (Long Term Liabilities)

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

Provisions estimated to be utilised after more than one year	As at 31/03/13 £000	Amounts released £000	Amounts utilised £000	Provided in year £000	**As at 31/03/14 £000**	Amounts released £000	Amounts utilised £000	Provided in year £000	**As at 31/03/15 £000**
Insurance Fund prior to 01/04/98	(376)		376	(75)	**(75)**	75	-	-	-
Insurance Fund from 01/04/98	(10,266)		1,583	(356)	**(9,039)**	-	-	(421)	(9,460)
Landfill aftercare				(6,301)	**(6,301)**	250	-	-	(6,051)
Total	**(10,642)**	**0**	**1,959**	**(6,732)**	**(15,415)**	**325**	**0**	**(421)**	**(15,511)**

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

Insurance provisions

The Council's Insurance provision enables it to carry some of its insurable risks in-house, achieving significant savings in external premiums. It covers Public Liability, Professional Indemnity, Employers Liability and vehicles, but excludes theft and accidental damage. The value of the provision has not been discounted because the significant majority of payments are expected to be made in the next 5 years. The provision is reviewed annually and is assessed on a triennial basis by Marsh Ltd. The balance at 31 March 2015 is considered sufficient to meet claims registered on that date. An estimate of the payment profile has been provided by Marsh and applied to the Authority's insurance provision at 31 March 2015:

payable within	**£000**
1 to 2 years	(2,868)
3 to 5 years	(5,701)
6 to 9 years	(855)
more than 9 years	(36)
Total	**(9,460)**

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

Landfill aftercare

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

payable within	**£000**
1-2 years	(269)
3-5 years	(758)
6-10 years	(1,120)
>10 years	(3,904)
Total	**(6,051)**

18. Cash and Cash Equivalents

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

31st March 2014 £000		**31st March 2015 £000**
(23,968)	Bank Current Accounts	(16,517)
72,396	Investments less than 90 days	80,764
48,428		**64,247**

19. Assets Held for Sale

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

2013/14 £000		2014/15 £000
6,970	**Balance outstanding at start of year**	5,402
	Assets newly classified as held for sale:	3,210
670	Property, Plant and Equipment	
	Assets declassified as held for sale:	
	Property, Plant and Equipment	
(2,238)	Assets sold	(1,571)
5,402	**Balance outstanding at year-end**	**7,041**

20. Unusable Reserves

1st April 2013 restated £000	31st March 2014 restated £000		31st March 2015 £000
(108,355)	(131,170)	Revaluation Reserve (restated)	(146,466)
(163)	(163)	Available for sale FI reserve	(163)
(509,359)	(507,768)	Capital Adjustment Account (restated)	(516,266)
17,787	17,021	Financial Instruments Adj Account	16,297
756,421	782,729	Pensions Reserve (restated)	985,042
(3,628)	(5,124)	Collection Fund Adjustment Account	(10,098)
8,566	8,254	Accumulated Absences Account	6,803
(1,050)	(471)	Deferred Capital Receipts Reserve	(471)
160,219	**163,308**		**334,678**

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.

2013/14 Original £000	2013/14 restated £000		2014/15 £000
(122,982)	**(108,355)**	**Balance at 1st April**	**(131,170)**
(24,499)	(38,570)	Upward revaluation of assets	(36,780)
10,098	8,377	Downward Revaluation of assets and impairment losses not charged to the Surplus/Deficit on the provision of services	8,698
(137,383)	(138,548)	Surplus or deficit on revaluation of non-curent assets not posted to the Surplus or Deficit on the Provision of Services	(159,252)
2,926	3,077	Difference between fair value depreciation and historical cost depreciation	4,659
10,992	4,301	Accumulated gains on assets sold or scrapped	8,127
13,918	7,378	Amount written off to the Capital Adjustment Account	12,786
(123,465)	**(131,170)**	**Balance at 31st March**	**(146,466)**

Capital Adjustment Account

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

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

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

2013/14 original £000	2013/14 restated £000		2014/15 £000
(381,591)	**(509,360)**	**Balance 1st April**	**(507,768)**
		Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:	
20,680	20,680	Recognition of the PFI liability with regard to VA school / St Peters	
(200)	(200)	Adjustment to opening position - loan to academy schools	
(361,111)	**(488,880)**	**Adjusted opening position**	
65,716	72,103	- Charges for depreciation and impairment of non-current assets	71,154
18,115	28,846	- Revaluation losses on Property Plant and Equipment	51,896
174	174	- Amortisation	363
		Release of deferred income from Energy from Waste	(72)
22,030	19,195	- Revenue expenditure funded from capital under statute	9,600
136,285	31,687	- 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	22,964
242,320	152,005		155,905
(13,918)	(7,378)	Adjusting amounts written out of the Revaluation Reserve	(12,786)
228,402	144,627	Net written out amount of the cost of non-current assets consumed in the year	143,119
		Recognition of loan to Skypark	(298)
		Recognition of loan to Academy schools on transfer	(28)
			(326)
		Capital financing applied in the year:	
(10,227)	(10,227)	- Use of the Capital Receipts Reserve to finance new capital expenditure	(5,707)
(121,553)	(121,553)	- Application of grants to capital financing from the Capital Grants Unapplied Account	(110,067)
(28,832)	(28,832)	- Statutory provision for the financing of capital investment charged against the General Fund	(31,915)
(2,903)	(2,903)	- Capital expenditure charged against the General Fund	(3,602)
(163,515)	(163,515)		(151,291)
(296,224)	**(507,768)**	**Balance 31st March**	**(516,266)**

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.

2013/14 £000		2014/15 £000
17,787	**Balance 1st April**	**17,021**
(690)	Proportion of premiums incurred in previous financial years to be charged against the General Fund Balance in accordance with statutory requirements	(648)
(76)	Adjustments to softloans given by the Authority	(76)
(766)	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.	(724)
17,021	**Balance 31st March**	**16,297**

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.

2013/14 original £000	2013/14 restated £000		2014/15 £000
735,934	**756,421**	**Balance 1st April**	**782,729**
(16,226)	(14,010)	Actuarial gains or (losses) on pensions assets and liabilities	175,468
91,189	80,679	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	71,006
(50,566)	(40,361)	Employer's Pensions contributions and direct payments to pensioners payable in the year	(44,161)
760,331	**782,729**	**Balance 31st March**	**985,042**

21. Other Long Term Liabilities

1st April 2013 restated £000	31st March 2014 restated £000		31st March 2015 £000
(782,489)	(814,806)	Pensions Liability (restated)	(1,017,577)
(51,225)	(70,160)	Private Finance Initiative Liability - schools	(66,691)
		Exeter Energy from Waste	(44,339)
		Deferred income - Energy from Waste	(3,115)
0	(98)	Financial Guarantee	(769)
(833,714)	**(885,064)**		**(1,132,491)**

22. Amounts Reported for Resource Allocation Decisions

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

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

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

2013/14
Service Income and Expenditure

	People £000	Place £000	Corporate £000	Other £000	**Total £000**
Employees	338,674	32,237	48,015	2,267	**421,193**
Premises-related expenditure	25,772	5,910	7,350	-	**39,032**
Transport-related expenditure	28,101	11,578	607	-	**40,286**
Supplies and services	71,401	72,315	29,022	-	**172,738**
Third party payments	269,358	20,046	18,052	-	**307,456**
Transfer payments	33,459	98	-	-	**33,557**
Support services	26,170	6,856	3,452	-	**36,478**
Income	(437,693)	(34,669)	(64,171)	-	**(536,533)**
Service totals	355,242	114,371	42,327	2,267	**514,207**

2014/15
Service Income and Expenditure

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

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.

	2013/14 restated £000	**2014/15 £000**
Net expenditure in the Directorate Analysis	514,207	506,131
Net service expenditure not included in the analysis	2,142	8,164
Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the Analysis	157,221	157,046
	673,570	671,341
Amounts included in the Analysis not included in Cost of Services in the Comprehensive Income and Expenditure Statement	(71,266)	(69,961)
Cost of Services in the Comprehensive Income and Expenditure Statement	**602,304**	**601,380**

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.

2013/14 Reconciliation of Subjective Analysis to Net cost of services and Net surplus (restated)	Service analysis £000	Items not in analysis £000	Not reported to mngmnt £000	Not included in CoS £000	Allocn of recharges £000	**Net cost of services £000**	Corporate items £000	**Net surplus £000**
Employee expenses	421,193	755	36,808	(33,263)		**425,493**		**425,493**
Other service expenses	593,069	2,728	14,043	(4,737)		**605,103**		**605,103**
Support Services	36,478	94	5,247	(1,418)	(40,401)	**-**		**-**
Precepts & levies						**-**	687	**687**
Depreciation, amortisation and impairment			101,123			**101,123**		**101,123**
Interest payable						**-**	26,264	**26,264**
Pensions Financing and Investment Income and Expenditure						**-**	33,703	**33,703**
PFI financing charges						**-**	6,400	**6,400**
Gain or Loss on Disposal of Non-Current Assets						**-**	28,385	**28,385**
Total operating expenses	1,050,740	3,577	157,221	(39,418)	(40,401)	**1,131,719**	95,439	**1,227,158**
Fees, charges & other service income	(174,883)	(1,435)		1,945	40,401	**(133,972)**		**(133,972)**
Interest and investment income						**-**	(1,175)	**(1,175)**
Income from council tax						**-**	(298,555)	**(298,555)**
Business rates retention scheme - tax element						**-**	(20,958)	**(20,958)**
Government grants and contributions	(361,650)			(33,793)		**(395,443)**	(349,200)	**(744,643)**
Total Income	(536,533)	(1,435)	-	(31,848)	40,401	**(529,415)**	(669,888)	**(1,199,303)**
Surplus or deficit on the provision of services	514,207	2,142	157,221	(71,266)	-	**602,304**	(574,449)	**27,855**

2014/15

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

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

2013/14 - Restated £000		**2014/15 £000**
(70,962)	Depreciation	(71,154)
(1,142)	Impairment	
(28,846)	Revaluation Losses	(51,896)
(174)	Amortisation	(363)
	Release of deferred income	72
13,872	(Increase)/Decrease in creditors	(6,182)
8,814	Increase/(Decrease) in debtors	4,738
(211)	Increase/(Decrease) in inventories	348
(46,326)	(Increase)/Decrease in pension liability	(27,303)
(5,743)	(Increase)/Decrease in provisions	(2,809)
(31,687)	Net Book Value of disposals	(22,964)
2,194	Other non-cash items within the provision of services	(71)
(160,211)		(177,584)

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

2013/14 £000		2014/15 £000
	Proceeds from sale of long-term and short-term investments	
3,736	Proceeds from sale of non current assets	7,107
3,736		7,107

25. Cash Flow - Operating activities

2013/14 £000		2014/15 £000
490,835	Cost of services	484,209
687	Other Operating Expenditure	713
42,458	Financing and Investment Income and Expenditure	32,631
(662,601)	Taxation and Non-specific Grant Income	(658,524)
(128,621)	**Net cash flows from operating activities**	(140,971)

26. Cash Flow - Investing Activities

2013/14 £000		2014/15 £000
137,050	Purchase of property, plant and equipment, intangible and heritage assets	128,571
1,306	Purchase of long term investments	
96,900	Purchase of short term investments	157,958
(3,754)	Sale of property, plant and equipment	(7,076)
(108,900)	Sale of short term investments	(157,958)
122,602	**Net cash flows from investing activities**	121,495

27. Cash Flow - Financing Activities

2013/14 £000		2014/15 £000
20,000	Repayment of long term borrowing	
447	Payments applied in reducing finance lease and PFI liabilities	3,843
(172)	External contribution to repayment of debt	(186)
20,275	**Net cash flows from financing activities**	3,657

28. Schemes under the Transport Act 2000

Devon County Council did not operate any schemes under this act in 2014/15 or in 2013/14.

29. Members' Allowances

The authority pays its elected members basic allowances, special responsibility allowances and travel and subsistence. During 2014/15 £1,028,869 was paid (£1,031,289 in 2013/14).

30. Audit Fees

In 2014/15 the County Council incurred the following fees relating to the external audit and inspection:

2013/14 £000		2014/15 £000
146	Accounts & value for money conclusion	140
(19)	Audit fee rebates	(15)
2	Grant claims certification	4
0	Other services	6
129		**135**

The fee for other services relates to assurance work on Government returns not prescribed by the Audit Commission. The Authority also paid the Audit Commission £4,000 to participate in the National Fraud Initiative.

31. Officers' Remuneration

31.1 Senior Officers Remuneration

The County Council is required to:

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

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

	Note		Salary, Fees and Allowances £	Expenses Allowances £	Compensation for loss of office £	Pension contributions £	**Total £**
Chief Executive		2014/15	149,995			28,199	**178,194**
		2013/14	149,995			27,449	**177,444**
Strategic Director - Place		2014/15	129,995			24,439	**154,434**
		2013/14	129,995			23,789	**153,784**
Strategic Director - People		2014/15	129,995			24,439	**154,434**
		2013/14	129,995			23,789	**153,784**
County Solicitor		2014/15	105,000			19,740	**124,740**
		2013/14	105,394			19,287	**124,681**
County Treasurer		2014/15	105,000			19,740	**124,740**
		2013/14	105,394			19,287	**124,681**
Head of Human Resources	1	2014/15	47,500		60,123	8,930	**116,553**
		2013/14	95,357			17,450	**112,807**
Head of Business Strategy & Support		2014/15	75,375			14,171	**89,546**
		2013/14	75,000			13,725	**88,725**
Director of Public Health		2014/15	154,624	198		21,647	**176,469**
		2013/14	155,506	189		21,771	**177,466**

Notes:

1) Head of Human Resources left Devon County Council on 30th September 2014

31.2 Officers Remuneration

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

2013/14				**Emoluments**	**2014/15**			
Schools Staff	Other Staff	**Total**	**Left in Year**	**£**	Schools Staff	Other Staff	**Total**	**Left in Year**
114	24	**138**	1	**50,000 - 54,999**	96	38	**134**	11
64	25	**89**	3	**55,000 - 59,999**	66	42	**108**	13
36	6	**42**		**60,000 - 64,999**	43	10	**53**	5
17	5	**22**	4	**65,000 - 69,999**	14	7	**21**	5
15	6	**21**	3	**70,000 - 74,999**	12	3	**15**	3
5	5	**10**	1	**75,000 - 79,999**	6	4	**10**	1
2	3	**5**		**80,000 - 84,999**	1	3	**4**	
				85,000 - 89,999	3	1	**4**	1
6	2	**8**		**90,000 - 94,999**	3		**3**	1
	3	**3**		**95,000 - 99,999**	2	4	**6**	
	1	**1**		**100,000 - 104,999**		2	**2**	1
3	2	**5**		**105,000 - 109,999**	3	3	**6**	1
				110,000 - 114,999				
				115,000 - 119,999				
	1	**1**	1	**120,000 - 124,999**				
	2	**2**		**125,000 - 129,999**		2	**2**	
				130,000 - 134,999				
				135,000 - 139,999				
				140,000 - 144,999				
	1	**1**		**145,000 - 149,999**		1	**1**	
				150,000 - 154,999		1	**1**	
	1	**1**		**155,000 - 159,999**				
1		**1**	1	**160,000 - 164,999**				
				165,000 - 169,999				
				170,000 -174,999				
				175,000 - 179,999				
				180,000-184,999				
	1	**1**	1	**185,000-189,999**				

31.3 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**	
	2013/14	**2014/15**	**2013/14**	**2014/15**	**2013/14**	**2014/15**	**2013/14**	**2014/15**
	No.	**No.**	**No.**	**No.**	**No.**	**No.**	**£000**	**£000**
£0 - £20,000	81	488	69	199	150	687	770	4,863
£20,001 - £40,000	8	73	15	43	23	116	671	3,190
£40,001 - £60,000	3	12	4	12	7	24	329	1,171
£60,001 - £80,000	1	9		4	1	13	74	863
£80,001 - £100,000	3	2	1		4	2	363	173
£100,001 - £150,000		1	3	1	3	2	388	227
£150,001 - £200,000	1				1		181	
£200,001 - £250,000								
	97	**585**	**92**	**259**	**189**	**844**	**2,776**	**10,487**

32. Grant Income

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

Credited to Taxation and Non Specific Grant Income

2013/14		2014/15
£000		**£000**
	UK Government Revenue Grants:	
(136,264)	Revenue Support Grant	(116,515)
(2,293)	New Homes Bonus	(3,134)
(1,326)	Local Service Support Grant	(915)
(3,301)	Council Tax Freeze Grant	0
(4,254)	Private Finance Initiative - Interest	(4,164)
(1,258)	Adoption Reform Grant	(2,133)
(9,187)	Education Services Grant	(8,828)
(336)	Council Tax Support Transition	0
(4)	Commons Pioneer Authority	(4)
(9)	Community Voice	(9)
0	Care Bill Implementatation	(125)
0	Transparency Code Set Up	(10)
0	Business Rates Flood	(18)
(999)	Small Business & Empty Property Rate Relief	(2,457)
(741)	Efficiency Support for Sparse Areas	(184)
(159,972)		**(138,496)**
	Capital Grants:	
(46,385)	Local Transport Plan - DfT grant	(40,851)
(39,219)	South Devon Link Road - DfT grant	(21,180)
0	Pothole Challenge Fund - DfT grant	(9,130)
(9,239)	Schools Capital Maintenance - DfE grant	(8,858)
(1,995)	Local Infrastructure Fund - DCLG grant	(5,905)
(5,201)	Schools Basic Needs - DfE grant	(5,201)
0	Dartmoor Granite and Gears - DfT	(3,952)
0	Local Pinch Point - DfT	(3,850)
(2,922)	Devolved Formula Capital - DfE grant	(2,403)
(5,942)	Dartmouth Academy - DfE grant	(1,257)
(9,493)	Other	(11,986)
(120,396)		**(114,573)**
(280,368)		**(253,069)**

Credited to Services

2013/14 £000		2014/15 £000
(955)	Active Devon	(1,007)
(238)	Adoption Reform Grant	0
0	Armed Forces Community Covenant	(195)
(690)	Bellwin Claim Grant	(50)
(315)	Areas of outstanding Natural Beauty	(291)
(448)	Bus Services Operators Grant	(1,146)
(253)	Cycling Projects Grant	(315)
(328,485)	Dedicated Schools Grant	(321,763)
0	District Heating HNDU (DECC)	(184)
(2,231)	Education Funding Agency	(757)
(32)	Flood Resilience Community (DEFRA)	(456)
(4,422)	Highways Maintenance - Severe Weather	0
0	Learning Disability Health Reform	(230)
(631)	Local Reform Community Voices	(646)
(336)	Other Communities Government Grants	(293)
(1,087)	Local Sustainable Transport Fund	(1,037)
(46)	Nat Coll of Teaching & Leadership (DfE)	(152)
(108)	PE and Sports Grant (DfE)	(2,275)
(2,683)	Private Finance Initiative	(2,774)
(13,219)	Pupil Premium	(17,373)
(20,748)	Public Health	(22,060)
(528)	SCITT Teacher Training	0
(3,952)	Adult and Community Learning	(3,361)
(1,365)	Discretionary Social Fund	(1,345)
(176)	South West Coast Path and Country Parks	(145)
0	Lead Local Flood Authority–surface water drainage proposals advice	(170)
0	Total Transport Pilot Grant (DfT)	(300)
(2,458)	Troubled Families Programme	(1,185)
0	Universal Infant Free School Meals (DfE)	(4,381)
(237)	Youth Justice Board - Youth Offending	(271)
(7,476)	YPLA Post 16 Funding	(6,769)
(1,024)	Government Grants below £150,000	(729)
(394,143)	Total UK Government Grants	**(391,660)**
(1,487)	Total EU Grants	**(610)**
(1,825)	Exeter Diocesan Board PFI contribution	(1,842)
(3,226)	Contributions from other local authorities	(4,679)
(1,424)	S106 contributions paid by developers	(1,160)
(2,893)	Other contributions to services	(4,764)
(9,368)	Total Contributions from Other Sources	**(12,445)**
(404,998)	Total Grant Income Credited to Services	**(404,715)**

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:

2013/14 £000		2014/15 £000
	Revenue Grants (Included within Revenue Grants Receipts in Advance - Long Term Liabilities):	
(2,275)	S106 Developer Contributions	**(2,559)**
	Revenue Grants (Included within Revenue Grants Receipts in Advance - Current Liabilities):	
(647)		**(714)**
	Capital Grants (Included within Capital Grants Receipts in Advance - Long Term Liabilities):	
(2,694)	Devolved Formula Capital	(1,972)
0	Local Pinch Point Fund - DFT	(1,836)
(1,641)	Targetted Capital Fund	(1,477)
(2,312)	Crediton Link Road	0
(10,184)	Other	(12,962)
(16,831)		**(18,247)**

32.1 Details of the deployment of DSG receivable for 2014/15 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 2014/15 are as follows:

2013/14 Central Expenditure £000	2013/14 ISB £000	2013/14 Total £000		2014/15 Central Expenditure £000	2014/15 ISB £000	2014/15 Total £000
		442,222	Final DSG before Academy recoupment			445,848
		(113,135)	Academy figure recouped			(122,077)
		329,087	Total DSG after Academy recoupment			323,771
		4,428	Brought forward from previous year			9,894
		0	Carry forward agreed in advance			0
75,587	257,928	333,515	Agreed initial budgeted distribution	82,255	251,410	333,665
(17,179)	16,253	(926)	In year adjustments	(33,873)	31,873	(2,000)
58,408	274,181	332,589	Final budgeted distribution	48,382	283,283	331,665
(48,514)		(48,514)	Less Actual central expenditure	(38,390)		(38,390)
	(274,181)	(274,181)	Less Actual ISB deployed to schools		(283,283)	(283,283)
		0	Plus Local authority contribution			0
9,894	0	9,894	Carry forward agreed in advance	9,992	0	9,992

33. Capital Expenditure and Capital Financing

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

Summary of Capital Expenditure and Sources of Finance

2013/14 Restated £000			**2014/15 £000**
666,457	**Opening Capital Financing Requirement**		677,135
20,680	Recognition of the PFI liability with regard to VA school / St Peters		0
687,137			
	Capital Investment		
132,133	Property, Plant and Equipment		129,977
0	Exeter Energy from Waste Plant (Note 35)		
	Initial recognition of asset	47,921	
	less deferred credit	(3,187)	
			44,734
12	Heritage Assets		46
1,306	Financial Assets		0
746	Intangible Assets		669
19,195	Revenue Expenditure Funded from Capital under Statute (REFCUS)		9,600
	Sources of Finance		
(10,227)	Capital Receipts		(5,707)
(121,553)	Government Grants and other contributions		(110,067)
	Sums set aside from revenue:		
(2,903)	Direct revenue contributions		(3,602)
(29,004)	Statutory provision for the financing of capital investment		(32,101)
	Capital provision		
6,879	Creation of Long Term Provision		6,586
(6,586)	Provision remaining at year end		(6,301)
677,135	**Closing Capital Financing Requirement**		**710,969**
603,256	Borrowing		596,199
73,879	Other Long Term Liabilities		114,770
677,135	**Underlying Debt Requirement**		**710,969**
	Explanation of Movements in Year		
19,040	Increase in underlying need to Borrow (unsupported by government financial assistance)		20,916
293	Decrease in Capital Provision		285
20,233	(Reduction)/ Increase in PFI liability		40,890
(28,888)	Increase in the provision for repayment of debt		(28,257)
10,678	**Increase/(decrease) in Capital Financing Requirement**		**33,834**

34. Partnerships and Related Party Transactions

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

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

Members of the Council have direct control over the Council’s financial and operating policies. The Council’s constitution requires members to declare their interests in related parties in a register of interests. In addition members are asked to declare separately any transactions with the Authority. Transactions which require disclosure are in respect of the following: 1 - A member's partner is a foster carer and has received payment of £46,000 (2013/14 £43,000). 2 - A member's partner is the Director of Social Matters Ltd which has received payments of £64,000 in 2014/15 (2013/14 £50,000) These transactions were entered into in full compliance with the County Council’s Financial Regulations and Code of Business Conduct.

Officers are bound by the Council’s Code of Business Conduct which seeks to prevent related parties exerting undue influence over the Authority. Directors are required to declare any transactions with the Authority. There is only one transaction that requires disclosure. A strategic director’s partner is the Chairman of The Parkview Society which received a total of £564,000 (2013/14 £618,000) from Devon County Council. The Parkview Society, a voluntary organisation, is a provider of residential care and supported living in the community.

34.1 Local Levies

The following levies were paid during the year:

2013/14 £000		**2014/15 £000**
341	Environment Agency	383
347	IFCA	330

All levies were due and paid during the year.

For the financial year 2014/15, 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 2014/15 the Council’s HR department provided help and support to the IFCA. There were no outstanding sums due to or from the IFCA at the year end. The Council received payments from these bodies for services provided as follows:

2013/14 £000		**2014/15 £000**
40	Dartmoor National Park	121
12	IFCA	14

The increase in payments from Dartmoor relate to charges for seconded staff. The Council gave grants to Dartmoor National Park Authority of £70,000 (2013/14 £50,000) principally for the maintenance of footpaths, bridleways and footbridges and received grants of £7,900 (2013/14 £6,700) mainly for the support of public rights of way.

34.2 Other public sector bodies

Devon County Council received income from the NHS Commissioning Board and two Clinical Commissioning Groups (CCGs) - North, East and West Devon CCG and South Devon and Torbay CCG, of £78.389 millions in 2014/15 (2013/14 £51.585 millions) of which £30.185 millions (£26.242 millions in 2013/14) is included in the Comprehensive Income and Expenditure Account. The Authority made payments of £10.416 millions (2013/14 £8.596 millions) during the year to the CCGs. The income is primarily for funded nursing care payments, which are administered by the County Council on behalf of the combined organisations and therefore not included within the Comprehensive Income and Expenditure Statement, and other healthcare partnership agreements. The payments to the CCGs is primarily in respect of joint staffing arrangements. At the year end the Authority was due £4.066 millions (2013/14 £4.196 millions) from the organisations combined and owed it £ 2.456 millions (2013/14 £1.207 millions).

34.3 Transaction with the Pension Fund

The Council charged the fund £1.838 million (2013/14 £2.395 million) for expenses incurred in administering the fund. The whole of this sum was due at 31st March and settled in 2014/15.

34.4 Assisted Organisations

The Council has provided significant contributions to the following bodies:

- Seven District Councils in Devon have received a total of £359,000 (2013/14 £373,000) conditional on long term agreements for the daytime use of pools and dual use sports halls by schools, without charge.
- Citizens Advice Bureaux in Devon have received £346,000 (2013/14 £199,000) and the Council for Voluntary Services £345,000 (2013/14 £306,000) from the Council conditional on long term agreements for the provision of services.
- The Community Council of Devon has received grants of £1.089millions (2013/14 £846,000). Conditional on long term agreements for the provision of services.
- Local Council Tax Schemes have received assistance valued at £252,000 (2013/14 £30,000).

34.5 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		2013/14 Income - other partners £000	2013/14 Council's Contribution £000	2013/14 Total Expenditure £000	2014/15 Income - other partners £000	2014/15 Council's Contribution £000	2014/15 Total Expenditure £000
	Health - Section 75 partnerships						
a	Joint Equipment Store	(4,810)	(1,055)	5,865	(4,942)	(830)	5,772
b	Integrated Health and Social Care	(164)	(1,015)	1,179	(172)	(1,962)	2,134
c	Rapid Response (New in 2014/15)	n/a	n/a	n/a	(2,269)	(153)	2,422
d	Carers Service (New in 2014/15)	n/a	n/a	n/a	(1,492)	(1,938)	3,430
	Other partnerships						
e	Devon Audit Partnership	(1,020)	(465)	1,485	(998)	(426)	1,424
f	Devon Partnership Trust	(1,100)	(796)	1,896	(1,100)	(1,299)	2,399
g	South West Devon Waste Partnership	0	(90)	90	0	(119)	119
h	Safety Camera Partnership	0	(220)	220	0	(198)	198
i	Youth Offending Team	(1,070)	(521)	1,591	(1,062)	(299)	1,361
j	Devon Children's Safeguarding Board	(67)	(187)	254	(174)	(258)	432

a) The Council operates a pooled budget in conjunction with Northern, Eastern, and Western Devon Clinical Commissioning Group (NEW Devon CCG), South Devon & Torbay Clinical Commissioning Group (SD&T CCG), 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 Service. The Council's share (40%) 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, NEW Devon CCG, South Devon & Torbay CCG or North Devon Healthcare Trust, and agreed proportions of the cost of these staff are shared with other partners to the arrangement.

c) The Rapid Response Service operates with a new pooled budget under a Section 75 agreement administered by NEW Devon CCG.

d) The Council operates a countywide service to support carers in partnership with NEW Devon CCG and South Devon & Torbay CCG under a s75 agreement established in 2014/15.

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

f) 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 Clinical Commission Groups (CCG's) operating in Devon.

g) 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.

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

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

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

34.6 Associated Companies and joint ventures

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

	2013/14 £000	2014/15 £000
Income	(6)	(76)
Expenditure	727	1,562
Debtors	6	0
Creditors	(53)	(268)

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

	2013/14 £000	2014/15 £000
Income	(9)	(116)
Expenditure	1,739	4,121
Debtors	14	24
Creditors	(373)	(93)

The **PLUSS organisation** is a company limited by guarantee and provides employment and work-related services for people with disabilities. Devon County Council has equal voting rights with Plymouth City Council, Torbay Council and Somerset County Council. A loan arrangement with the Company is disclosed in Note 14.

	2013/14 restated £000	2014/15 £000
Income	(947)	(830)
Expenditure	6,539	6,854
Debtors	44	153
Creditors	(526)	(506)

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

	2013/14 restated £000	2014/15 £000
Income	(16)	0
Expenditure	2,862	2,294
Debtors	0	0
Creditors	0	(96)

Associated Companies and joint ventures (continued)

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

	2013/14	2014/15
	£000	£000
Income	(309)	(407)
Expenditure	7,073	5,528
Debtors	429	70
Creditors	(529)	(1,047)

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

	2013/14	2014/15
	£000	£000
Income	(44)	(17)
Expenditure	7,663	9,633
Debtors	9	70
Creditors	(392)	(713)

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

	2013/14	2014/15
	£000	£000
Income	(1,134)	(961)
Expenditure	15,179	14,030
Debtors	252	195
Creditors	(79)	(43)

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

	2013/14	2014/15
	£000	£000
Income	(9)	(32)
Expenditure	1,739	1,591
Debtors	25	414
Creditors	(23)	(285)

Exeter Skypark - dormant and has never been used.

35. Private Finance Initiative and Similar Contracts

Exeter Schools - PFI Scheme

2014/15 was the tenth 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.

The Authority recognises the assets held under the PFI contract in accordance with the CIPFA Code. The value of PFI schools assets recognised at 31 March 2015 has increased following the 2013/14 prior period adjustment. This change results from the recognition of assets where resources are deemed to be controlled by the Authority and rights over the flow of future economic benefits.

Value of Assets held under PFI contracts

2013/14 Original £000	2013/14 restated £000		2014/15 £000
		Property Plant & Equipment	
49,221	48,851	Opening Net Book Value	37,887
5	4	Additions	1
(2,014)	(2,159)	Depreciation	(1,959)
	(8,809)	Revaluations	1,995
(28,445)		Disposals	0
18,767	**37,887**	**Closing Net Book Value**	**37,924**

The PFI liability is carried on the Balance Sheet at amortised cost. The fair value is assessed by calculating the present value of the cash flows over the remaining term of the agreement. This has been calculated based on the Public Works Loan Board (PWLB) premature repayment set of rates in force on 31/03/14 and 31/03/15.

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

Value of Liabilities held under PFI contracts

2013/14 £000		2014/15 £000
(53,647)	Opening Liability	(73,880)
(20,680)	Recognition of the PFI liability with regard to VA school / St Peters	0
447	Repayment of Liability	3,719
(73,880)	**Closing Liability**	**(70,161)**
(115,473)	**Fair Value**	**(121,036)**

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

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

	Repayments of Liability £000	Interest Charges £000	Service Charges £000	Other Cash Charges £000	Total Payments £000
Within 1 year	3,469	5,775	2,752	1,089	**13,085**
Within 2 - 5 years	14,766	20,104	11,809	5,248	**51,927**
Within 6 - 10 years	20,418	18,006	16,753	8,342	**63,519**
Within 11 - 15 years	17,208	10,103	19,303	14,176	**60,790**
Within 16 - 20 years	14,300	3,220	17,527	11,599	**46,646**
	70,161	**57,208**	**68,144**	**40,454**	**235,967**

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, £73 millions will be met from delegated school budgets and the remainder (£25 millions) will be financed by the county council.

The un-discharged liability to Devon County Council under the contract is £9.863 millions of which the maximum in any year is £1.7 millions. This is based upon an assumed inflation rate of 2.5%. If inflation is greater than 2.5% then the maximum payment in any year will increase. In 2014/15, Devon County Council's contribution was £1.9 millions. We currently assume that inflation will be 2.5% as per the Bank of England target. If inflation is 1% greater than this then Devon County Council's undischarged liability will increase by £5.0 millions to £14.9millons.

Exeter Energy from Waste

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

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

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

Value of Assets held under Service Concession contracts

2013/14 £000		2014/15 £000
	Property Plant & Equipment	
	Opening Net Book Value	0
	Initial recognition	47,921
	Additions	3,762
	Depreciation	0
	Revaluations	(23,826)
	Disposals	0
0	**Closing Net Book Value**	**27,857**

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

Value of Deferred Credit held under Service Concession contracts

2013/14 £000		2014/15 £000
	Initial recognition of EEFW deferred credit	(3,187)
	Receipt of third party income	72
0	**Closing Liability**	**(3,115)**

Value of Liabilities held under Service Concession contracts

2013/14 £000		2014/15 £000
	Initial recognition of EEFW liability	(44,734)
	Repayment of Liability	125
0	**Closing Liability**	**(44,609)**
0	**Fair Value**	**(65,048)**

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

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

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

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

	Repayments of Liability	Interest Charges	Service Charges	Total Payments
	£000	£000	£000	£000
Within 1 year	270	4,497	3,283	**8,050**
Within 2 - 5 years	1,662	18,886	13,716	**34,264**
Within 6 - 10 years	2,790	25,448	19,636	**47,874**
Within 11 - 15 years	4,219	27,315	22,631	**54,165**
Within 16 - 20 years	7,272	29,006	25,005	**61,283**
Within 21 - 25 years	12,096	29,471	27,769	**69,336**
Within 26 - 30 years	16,300	23,753	26,164	**66,217**
	44,609	**158,376**	**138,204**	**341,189**

Payments under the contract commenced in 2014/15. Based upon an assumed inflation rate of 2.5% the total payments under the contract will amount to £346 millions. This is the total amount that will be met by DCC via a 'gate-fee' over the life of the agreement.

The un-discharged liability to the authority under the contract is £341 millions of which the maximum in any year is £16 millions although that is not until 2043/44. In 2014/15, the authority paid £5 million under the contract.

If inflation is greater than 2.5% then the un-discharged liability and maximum payment in any year will increase. If inflation is 1% greater than this then the undischarged liability will increase by £57 millions to £403 millions.

36. Leases and Contract Hire

Finance leases (Council as Lessor)

Land and buildings: The Council has 52 assets that are leased to tenants that meet the definition of a finance lease. The present value at 31 March 2015 of the rental payments due to the Council is not material. The lease debtor is not included within the balance sheet as the sum is not material. The annual lease income is accounted for within the comprehensive income and expenditure statement as it falls due.

Finance leases (Council as Lessee)

Land and buildings: The Council has 24 assets that are held on finance leases. The Council's interest in the assets is included within non-current assets on the balance sheet. The present value of lease payments to be made over the term is estimated to be £1.968m. 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:

2013/14	Property £000	Equipment £000	Contract Hire £000	**Total £000**
Not later than 1 year	1,224	543	42	**1,809**
Later than 1 year but not later than 5 years	3,154	1,075	13	**4,242**
Later than 5 years	7,176	23		**7,199**
	11,554	**1,641**	**55**	**13,250**

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

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

2013/14	Property £000	Equipment £000	Contract Hire £000	**Total £000**
Minimum lease payments	963	566	42	**1,571**
	963	**566**	**42**	**1,571**

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

Operating leases (Council as Lessor)

The rental received for operating property leased to third parties for the year is £1.733 millions of which £887,000 relates to smallholdings. The gross value of smallholdings at 31 March 2015 is £13.804m. 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:

2013/14 £000		2014/15 £000
1,659	Not later than 1 year	1,733
3,156	Later than 1 year but not later than 5 years	3,067
3,470	Later than 5 years	3,645
8,285		**8,445**

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

2013/14 £000		2014/15 £000
891	Minimum lease payments	903
891		**903**

37. Pensions

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

The County Council participates in three different pension schemes:

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

Unfunded Benefits

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

37.1 Defined Benefit Pensions Schemes

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

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

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

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

The Local Government Pension Regulations 2013 were laid in Parliament in September 2013 and the new scheme commenced on 1 April 2014 for all future LGPS membership.

Existing pensioner and deferred members did not see any change to their benefits.

Employees with membership in the current final salary scheme retained the link to final salary for all membership built up before 1st April 2014 and the Normal Pension Age as under the previous rules for membership up to that date.

Previously agreed protection continued, including the provisions for those members who were protected against the removal of the Rule of 85 in 2006. There is also additional protection for members within 10 years of age 65 as at 1st April 2012.

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

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

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

See page 111 for information on the regulatory framework of the LGPS and the Authority’s role as an Administrating Authority.

Transactions relating to Retirement Benefits

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

Local Government Pension Scheme and Unfunded Benefit Arrangements - Liabilities

Comprehensive Income and Expenditure Statement	2013/14 Restated £000	2014/15 £000
Cost of Services:		
Service cost comprising:		
Current service cost	44,472	41,414
Past service costs, including curtailments	813	2,534
(Gain)/loss from settlements	10,377	(5,115)
Pre 01/04/98 unfunded benefits actuarial gains/losses)	(8,686)	(3,125)
Financing and Investment Income and Expenditure:		
Net interest expense	33,157	34,724
Administration expense	546	574
Total Post-employment Benefits charged to the Surplus or Deficit on the Provision of Services	**80,679**	**71,006**
Other Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement:		
Remeasurement of the net defined benefit liability comprising:		
Return on plan assets (excluding the amount included in the net interest expense)	(3,374)	(63,697)
Actuarial gains and losses arising on changes in demographic assumptions	9,237	0
Actuarial gains and losses arising on changes in financial assumptions	35,102	236,768
Experience loss/(gain) on defined benefit obligation	(78,687)	2,397
Other actuarial gains/(losses)	23,712	0
Remeasurement of the net defined benefit liability	(14,010)	175,468
Total Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement	**66,669**	**246,474**
Movement in Reserves Statement		
Reversal of net charges made to the Surplus or Deficit on the Provision of Services for post employment benefits in accordance with the Code (Note 7)	**80,679**	**71,006**

	Funded Liabilities 2013/14	Funded Liabilities 2014/15	Unfunded Liabilities 2013/14 Restated	Unfunded Liabilities 2014/15	Total Liabilities 2013/14 Restated	Total Liabilities 2014/15
	£000	£000	£000	£000	£000	£000
Actual amount charged against the General Fund Balance for pensions in the year:						
Employers contributions payable to scheme	33,183	36,956	0	0	33,183	36,956
Retirement benefits payable to pensioners	0	0	9,856	9,872	9,856	9,872
Contribution to pre 01/04/98 unfunded benefits	0	0	(2,678)	(2,666)	(2,678)	(2,666)
	33,183	**36,956**	**7,178**	**7,206**	**40,361**	**44,162**

The capitalised cost of curtailments arising as a result of the payment of unreduced pensions to former employees on early retirement to the Authority is £2.568 millions (£813,000 2013/14).

As a result of some members transferring to/from another employer over the year liabilities have been settled at a cost different to the IAS19 reserve. The capitalised gain of this settlement is £5.115 millions (£10.377 millions loss 2013/14).

Pensions Assets and Liabilities Recognised in the Balance Sheet

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

	Local Government Pension Scheme		Unfunded Liabilities		Total	
	2013/14	2014/15	2013/14 Restated	2014/15	2013/14 Restated	2014/15
	£000	£000	£000	£000	£000	£000
Present value of the defined benefit obligation	(1,709,721)	(2,001,341)	(126,836)	(133,307)	(1,836,557)	(2,134,648)
Fair value of plan assets	1,021,751	1,117,071	0	0	1,021,751	1,117,071
Net liability arising from defined benefit obligation	**(687,970)**	**(884,270)**	**(126,836)**	**(133,307)**	**(814,806)**	**(1,017,577)**

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

Local Government Pension Scheme and Unfunded Benefit Arrangements

	2013/14 Restated	2014/15
	£000	£000
Opening fair value of scheme assets	972,595	1,021,751
Interest income	42,638	44,687
Administration Expenses	(546)	(574)
Remeasurement gain/(loss):		
The return on plan assets, excluding the amount included in the net interest expense	3,374	63,697
Other Actuarial gains/(losses)	(23,712)	0
Employer contributions	43,039	46,828
Contributions by scheme participants	12,145	12,472
Settlement prices received/paid	36,219	(3,087)
Benefits paid	(64,001)	(68,703)
Total Assets	**1,021,751**	**1,117,071**

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

Local Governement Pension Scheme and Unfunded Benefits - Liabilities

	2013/14 Restated £000	2014/15 £000
Opening balance	(1,755,084)	(1,836,557)
Current Service Cost	(44,472)	(41,414)
Interest Cost	(75,795)	(79,411)
Contributions from scheme participants	(12,145)	(12,472)
Remeasurement gains/(losses):		
Actuarial gains and losses arising on changes in demographic assumptions	(9,237)	0
Actuarial gains and losses arising on changes in financial assumptions	(35,102)	(236,768)
Experience (loss)/gains on defined benefit obligation	78,686	(2,397)
Past service costs, including curtailments	(813)	(2,534)
Liabilities assumed/(extinguished) on settlements	(46,596)	8,202
Benefits paid	64,001	68,703
Total (Liability)	**(1,836,557)**	**(2,134,648)**

Local Government Pension Scheme assets comprised:

Fair Value of Scheme Assets	31 March 2014 £000	%	31 March 2015 £000	%
Gilts	71,523	7%	71,063	6%
UK Equities	265,655	26%	275,366	25%
Overseas Equities	347,395	34%	385,331	34%
Property	91,957	9%	111,666	10%
Infrastructure	20,435	2%	30,960	3%
Target Return Portfolio	153,263	15%	164,725	15%
Cash	20,435	2%	19,255	2%
Other Bonds	51,088	5%	38,840	3%
Alternatice assets	0	0%	19,865	2%
Net Asset / (Liability)	**1,021,751**	**100%**	**1,117,071**	**100%**

Fair Value of Scheme Assets

	31 March 2015			
	£000	**% Quoted**	**£000**	**% Unquoted**
Fixed interest government secutities				
UK	5,585	0.5%	0	0.0%
Overseas	65,907	5.9%	0	0.0%
Index linked government securities				
UK	0	0.0%	0	0.0%
Overseas	0	0.0%	0	0.0%
Corporate bonds				
UK	5,585	0.5%	0	0.0%
Overseas	33,512	3.0%	0	0.0%
Equities				
UK	261,395	23.4%	14,522	1.3%
Overseas	328,420	29.4%	56,971	5.1%
Property				
All	0	0.0%	110,590	9.9%
Others				
Absolute return portfolio	164,209	14.7%	0	0.0%
Infrastructure	0	0.0%	31,278	2.8%
Multi sector credit fund	20,107	1.8%	0	0.0%
Cash/Temporary investments	0	0.0%	20,107	1.8%
Net current assets				
Debtors	0	0.0%	14,522	1.3%
Creditors	0	0.0%	(15,639)	(1.4%)
	884,720	**79.2%**	**232,351**	**20.8%**

Basis for Estimating Assets and Liabilities

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

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

The significant assumptions used by the actuary have been:

	Funded		Unfunded	
	2013/14	2014/15	2013/14	2014/15
Long-term expected rate of return on assets in the scheme:				
Discount rate	4.4%	3.3%		
Mortality Assumptions:				
Life Expectancy from age 65 (years) - Retiring today:				
Men	22.7	22.8	22.7	22.8
Women	26.0	26.1	26.0	26.1
Life Expectancy from age 65 (years) - Retiring in 20 years:				
Men	24.9	25.1	24.9	25.1
Women	28.3	28.4	28.3	28.4
Rate of Inflation	2.8%	2.4%		
Rate of increase in salaries	4.6%	4.2%		
Rate of increase in pensions	2.8%	2.4%		
Rate of discounting scheme liabilities	4.4%	3.3%		
Take-up of option to convert annual pension into retirement lump sum	10.0%	10.0%		

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

	31 March 2015		
Sensitivity Analysis	**£000**	**£000**	**£000**
Adjustment to discount rate	+0.1%	0.0%	-0.1%
Present value of total obligation	2,097,822	2,134,647	2,172,155
Projected service cost	45,540	46,601	47,688
Adjustment to long term salary increase	+0.1%	0.0%	-0.1%
Present value of total obligation	2,139,222	2,134,647	2,130,100
Projected service cost	46,623	46,601	46,579
Adjustment to pension increases and deferred revaluation	+0.1%	0.0%	-0.1%
Present value of total obligation	2,167,875	2,134,647	2,102,012
Projected service cost	47,674	46,601	45,552
Adjustment to mortality age rating assumption	+ 1 Year	0.0%	- 1 Year
Present value of total obligation	2,059,860	2,134,647	2,210,107
Projected service cost	45,019	46,601	48,197

Impact on the Authority's Cash Flows

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

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

The contributions due to be paid in the next financial year are estimated to be £33.305 millions (£35.249 millions paid in 2014/15).

37.2 Pensions Schemes Accounted for as Defined Contribution Schemes

Teachers' Pensions Scheme

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

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

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

In 2014/15, the authority paid £17.956 millons to Teachers' Pensions in respect of teachers' retirement benefits, representing 14.1% of pensionable pay. The figures for 2013/14 were 18.504 millons and 14.1%. There were no contributions remaining payable at the year-end. From 1st of September 2015 the employers contribution rate will change from 14.1% to 16.48%. The contributions due to be paid in the next financial year are estimated to be £19.080 millions.

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

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

NHS Pensions Scheme

Members of staff previously employed by the NHS, who transferred to the authority as part of public health services and activities, remained members of the NHS Pension Scheme, administered by the NHS Business Service Authority. The scheme provides members with specified benefits upon their retirement, and the Authority contributes towards the costs by making contributions based on a percentage of members' pensionable salaries.

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

In 2014/15, the Authority paid £185,000 to NHS Pensions in respect of members' retirement benefits, representing 14% of pensionable pay. The figures for 2013/14 were £185,000 and 14%. There were no contributions remaining payable at the year-end. From 1st of April 2015 the contribution rate will change from 14 % to 14.3%. The employers contributions due to be paid in the next financial year are estimated to be £176,000.

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

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

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

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

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

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

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

38. Contingent Liabilities

New Street Works

No provision is made for accrued interest on New Street Works Advance Payments Deposits and S38 agreements. The capital value for this was approximately £2.463 millions at 31 March 2015 (£1.843 millions at 31 March 2014).

Legal Challenge to Procurement

The Authority sought tenders for the provision of Devon Independent Living Integrated Service (DILIS) and announced the winning company. One of the unsuccessful companies has challenged the Authority's decision. The legal challenge is progressing and is expected to be resolved. The Authority has not made a provision in its accounts.

Exeter and Devon Airport Limited

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

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

Breach of Data Protection Act

The Authority has reported three breaches of the Data Protection Act to the Information Commissioner's Office. The Information Commissioner is still investigating two of these incidents but has issued a decision on one, stating that no further action is required. It is not known whether the Authority will be fined for either of the two open cases, 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.

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. Pension costs are subject to a cap and collar arrangement where, should the employer's contribution rate move upwards or downwards by more than 4 per cent, a financial adjustment will be made. The expectation is that the County

Council would either incur additional cost if the rate increases or benefit if it decreases around the 4 per cent threshold. The pension rate will be reviewed as at 1 April 2016 with the outcome being published early in 2017.

Guarantees

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

- In 2013/14, the Authority guaranteed 50% of a loan of £5.304 millions made to Exeter Science Park from the Local Enterprise Partnership. The Authority has provided for a liability of £769,000 at 31 March 2015.
- A guarantee has been provided to NPS (SW) Ltd. to meet obligations in relation to rent of premises. Should the company fail to meet its obligations under the terms of the lease it will be assigned to the County Council. The premises will be available for sub-letting.
- The Authority together with 14 other authorities in the South West has given a guarantee to the Avon Pension Fund in respect of employer liabilities of South West Grid for Learning Trust.
- Careers South West Ltd (formerly Connexions Devon and Cornwall Ltd) became a public sector controlled company at 1 April 2008. A guarantee in relation to pension liabilities has been provided on 31 March 2008.
- The Authority has given guarantees to foster carers 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.

39. Contingent Assets

Dartington School

A new primary school for Dartington was commissioned in 2008. Shortly after it was completed and occupied in December 2010, evidence of water ingress became apparent and subsequent investigations found evidence of wet/dry rot in the floor structure. Technical specialists have been commissioned to undertake an investigation into the reasons behind the water ingress and to provide a thorough review of costed remedial solutions.

Letters of claim have been issued to the original designer White Design Architects as well as the original contractor Interserve, for the recovery of costs associated with the remedial building work, the temporary relocation of the school and associated costs and expenses. These two claims are in excess of £8 millions. Currently neither party is accepting responsibility for the acknowledged defects. Given the complexity of the legal process it is unlikely that the financial claim will be resolved until at least 2016.

Glossary of Terms

ACCOUNTING POLICIES

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

ACCRUALS

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

ACTUARY

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

AMORTISATION

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

APPROPRIATION

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

ASSOCIATE

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

AVAILABLE FOR SALE FINANCIAL INSTRUMENTS RESERVE

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

BALANCE SHEET

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

BUDGET

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

CAPITAL ADJUSTMENT ACCOUNT

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

CAPITAL CHARGES

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

CAPITAL EXPENDITURE

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

CAPITAL RECEIPTS

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

CASH FLOW STATEMENT

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

CIPFA

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

COMPONENTISATION

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

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

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

CONTINGENT LIABILITIES

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

CONTRIBUTIONS

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

CREDITORS

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

CURRENT ASSETS/LIABILITIES

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

DEBTORS

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

DEPRECIATION

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

DONATED ASSETS

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

ENTITY

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

FINANCIAL INSTRUMENTS ADJUSTMENT ACCOUNT

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

GENERAL FUND

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

GOVERNMENT GRANTS

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

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

- 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 OPERATION

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

JOINT VENTURE

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

LEASES

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

LENDER OPTION BORROWER OPTION LOAN (LOBO)

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

MINIMUM REVENUE PROVISION (MRP)

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

MOVEMENT IN RESERVES STATEMENT

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

NET BOOK VALUE/NET CARRYING AMOUNT

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

OUTTURN

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

PRECEPTS & LEVIES

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

PRIVATE FINANCE INITIATIVE (PFI)

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

PRIOR PERIOD ADJUSTMENTS

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

PROPERTY, PLANT AND EQUIPMENT

Assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and that are expected to be used during more than one financial year are included in the balance sheet under the heading of property, plant and equipment. Such assets are carried at 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 grouped or offset, and a revaluation deficit is appropriated to capital adjustment account.

REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE (REFCUS)

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

SECTION 151 OFFICER

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

SUBSIDIARY

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

UNUSABLE RESERVES

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

USABLE RESERVES

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

VALUATION

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

Pension Fund Statement of Accounts 2014/15

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 2015 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 2015 and its income and expenditure for the year ended 31 March 2015.

Mary Davis

County Treasurer

11th September 2015

Approval of the Statement of Accounts

I confirm that these accounts were approved by the Audit Committee at its meeting on 22nd September 2015

Chairman of the Audit Committee
22nd September 2015

Summary of Scheme and its Management

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

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

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

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

As at 31st March 2015, the net assets of the Devon Pension Fund were valued at £3,374 million. The fund currently has 39,469 actively contributing members, employed by 193 employers of various descriptions (Unitary, District, Town & Parish Councils, Education Establishments and Admitted Bodies).

Scheduled Body - An employer explicitly defined in the Regulations. As listed on page 153.	**Admitted Body - As listed on page 154.**
No employing body discretion on membership.	Employing body discretion on membership
No employer discretion on who can join.	Employer discretion on who can join
Restricted to geographical area of fund.	May operate outside geographical area of fund, and potentially participate in more than one fund (separate admission agreement required).
No parent guarantee or bond.	May require an indemnity or bond

Pensions are paid to 28,964 pensioners (and/or dependants) every month. There are currently 37,642 members with rights to deferred benefits, frozen memberships pending refunds and those undecided pending resolution.

The Local Government Pension Scheme regulations changed with effect from 1st April 2014, and from that date moved to a Career Average Revalued Earnings (CARE) scheme. Changes have been implemented to various factors including employee contribution rates (ranging from 5.5% to 12.5% of pensionable pay), accrual rates and normal pension age, with the aim of ensuring a more equitable cost base between employees, employers and council tax payers.

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

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

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

Management Structure

Administering Authority	Devon County Council County Hall Exeter EX2 4QD	

Your Pension Fund Representatives

Investment and Pension Fund Committee (at 31 March 2015)

Representing Devon County Council	Councillor Rufus Gilbert	(Chairman)
	Councillor Ray Radford	
	Councillor Jerry Brook	
	Councillor Gaston Dezart	
	Councillor Richard Edgell	
	Councillor Brian Greenslade	
	Councillor Des Hannon	
	Councillor Richard Hosking	
	Councillor Roy Hill	
	Councillor Sara Randall Johnson	
	Councillor Margaret Squires	
	Councillor Claire Wright	
Representing Devon Unitary & District Councils	Councillor Peter Edwards	(Devon Districts Councils)
	Councillor Lorraine Parker Delaz Ajete	(Plymouth)
	Councillor David Stark	(Plymouth)
	Councillor John Thomas	(Torbay)
Observers		
Representing the Contributors	Roberto Franceschini	
	Jo Rimron	
Representing the Beneficiaries	Colin Lomax	
Adviser	Steve Tyson	(AllenbridgeEpic)
Investment Managers	Devon County Council Investment Team	
	Aberdeen Asset Managers Ltd	
	Aviva Investors Global Services Ltd	
	Baillie Gifford and Co.	
	Baring Asset Management Ltd	
	Lazard Asset Management LLC	
	State Street Global Advisors Ltd	
	UBS Global Asset Management (UK) Ltd	
	Wellington Management International Ltd	
County Council Officers	Phil Norrey	Chief Executive
	Mary Davis	County Treasurer
	Chris Phillips	Deputy County Treasurer
	Mark Gayler	Assistant County Treasurer
	Charlotte Thompson	Head of Peninsula Pensions
Fund Actuary	Barnett Waddingham LLP	

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

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

Financial Statements

Background

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

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

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

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

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

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

The Accounts are set out in the following order:

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

Fund Account

2013/14 £'000		Notes	2014/15 £'000
	Dealings with members, employers and others directly involved in the fund		
	Contributions		
(113,917)	Employers	7	(115,057)
(35,099)	Members	7 & 9	(35,845)
	Transfers in from other pension funds:		
0	Group Transfers		(1,994)
(7,446)	Individual Transfers		(3,692)
(156,462)			(156,588)
	Benefits		
120,983	Pensions	8	126,148
26,204	Commutation and lump sum retirement benefits	8	28,757
3,248	Lump sum death benefits	8	3,431
	Payments to and on account of leavers		
18	Refunds to members leaving service		191
	Payments for members joining state scheme		
0	Group Transfers	a	63,144
6,233	Individual Transfers		5,407
156,686			227,078
224	**Net Withdrawals from dealings with fund members**		**70,490**
10,074	Management expenses	11	12,481
	Returns on investments		
	Investment Income:		
	Fixed Interest		
(364)	U.K. Public Sector Bonds		(321)
(7,229)	Overseas Government Bonds		(5,967)
(733)	UK Corporate Bonds		(827)
(5,802)	Overseas Corporate Bonds		(4,328)
	Equities (Quoted)		
(2,637)	U.K.		(1,727)
(10,127)	Overseas		(8,442)
(2,033)	Pooled Investments		(4,074)
(10,815)	Pooled Property Investments		(11,004)
(618)	Interest on Cash and Short Term Deposits		(763)
	Taxes on income:		
24	Withholding Tax - Fixed Interest securities		154
709	Withholding Tax - Equities		670
	Profit and losses on disposal of investments and changes in market value of investments:		
(66,862)	Realised (profit)/loss		(66,845)
(37,020)	Unrealised (profit)/loss		(214,030)
(143,507)	**Net Returns on Investments**		**(317,504)**
(133,209)	Net (increase)/decrease in the net assets available for benefits during the year		(234,533)
(3,006,684)	Opening Net Assets of the Fund at 1 April		(3,139,893)
(3,139,893)	**Net Assets of the Fund at 31 March**		**(3,374,426)**

a) The Group Transfer out of the Fund relates to the transfer of the Devon and Cornwall Probation Trust to the Greater Manchester Pension Fund on 1st June 2014.

Net Asset Statement

31 March 2014 Restated £'000		Notes	31 March 2015 £'000
	INVESTMENTS AT MARKET VALUE	15 &16	
	Investment Assets		
	Fixed Interest		
10,959	U.K. Public Sector Bonds		15,362
205,791	Overseas Government Bonds		177,602
20,184	UK Corporate Bonds		16,644
142,478	Overseas Corporate Bonds		122,222
	Equities (Quoted)		
45,924	U.K.		33,346
379,345	Overseas		264,294
1,963,965	Pooled Investments	17	2,340,286
297,414	Pooled Property Investments	17	334,997
	Derivative Assets	20	
60	Futures - Overseas Fixed Interest		69
0	UK Bond Forwards		1,265
24	Overseas Bond Forwards		1,000
1,356	Forward Currency Contracts		4,244
	Cash deposits		
6,363	Foreign Currency		5,257
5,750	Short Term Deposits		0
29,221	Cash Equivalents		30,258
30,907	Cash & Bank Deposits		22,686
8,615	Investment income due		4,862
3,771	Amounts receivable for sales		38,446
	Investment Liabilities		
	Derivatives	20	
(78)	Futures - Overseas Fixed Interest		(56)
0	UK Bond Forwards		(632)
(5)	Overseas Bond Forwards		(1,162)
(2,057)	Forward Currency Contracts		(2,844)
(22,257)	Amounts payable for purchases		(45,794)
3,127,730	**Net investment assets**		3,362,352
	Non current Assets and Liabilities	22	
9,590	Non current Assets		8,190
(10,528)	Non current Liabilities		(9,024)
	Current Assets and Liabilities	21	
18,219	Current Assets		19,678
(5,118)	Current Liabilities		(6,770)
3,139,893	**Net assets of the fund available to fund benefits at 31 March**		**3,374,426**

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 2015 on pages 155 and 156.

Notes to the Accounts

1. Accounting Policies

The Statement of Accounts summarises the fund's transactions for the 2014/15 financial year and its position at year-end as at 31 March 2015. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector.

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

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

Devon County Council is the designated Administering Authority. The Investment and Pension Fund Committee comprising of County Councillors together with representatives of the Unitary and District Councils (with observers representing the staff and retired members) control the investments with advice from specialists. Employing body details are shown on pages 153 and 154.

Fund account – revenue recognition

Contribution income

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

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

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

Transfers to and from other schemes

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

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

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

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

Investment income

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

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

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

Fund account – expense items

Benefits payable

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

Taxation

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

Management expenses

The Code does not require any breakdown of pension fund administrative expenses. However, in the interests of greater transparency, the Authority discloses its pension fund management expenses in accordance with the CIPFA guidance Accounting for Local Government Pension Scheme Management Costs (Note 11).

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

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

Net assets statement

Financial assets

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

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

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

Foreign currency transactions

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

Derivatives

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

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

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

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

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

Cash and cash equivalents

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

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

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

Financial liabilities

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

Actuarial present value of promised retirement benefits

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

As permitted under the Code, the fund has opted to disclose the actuarial present value of promised retirement benefits by way of a note to the net assets statement (Note 23).

Additional voluntary contributions

The Additional Voluntary Contributions Investments are not included in the Pension Fund Accounts in accordance with regulation 5(2)(c) of the Pension Scheme (Management and Investment of Funds) Regulations 2009, but are instead disclosed within the notes to the accounts (Note 10). The fund has two appointed AVC providers; Equitable Life and Prudential.

Contingent assets

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

Events after the Reporting Date

Events after the reporting date have been considered up to the time the Pension Fund Accounts were authorised for issue on 25 June 2015.

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

Financial Instruments

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

- Financial assets and liabilities at fair value through profit or loss:
    - The Pension Fund classifies financial instruments that are 'held for trading' as at fair value through profit or loss when the financial instrument is:
        - Acquired or incurred principally for the purpose of selling or repurchasing it in the near term, or
        - Part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit taking, or
        - A derivative.

- Financial assets and liabilities at fair value through profit or loss are initially recognised at fair value excluding transaction costs and carried at fair value without any deduction for transaction costs that would be incurred on sale or disposal.

- Loans and receivables:
    - Financial Instruments have been classified as loans and receivables when they have fixed or determinable payments and are not quoted in an active market.
    - Loans and receivables are initially recognised at Fair Value and carried at historic cost as they are all short term with the exception of capital payment due from the Devon & Cornwall Magistrates Courts Service (see note 22 - Non-Current Assets and Liabilities).
- Financial liabilities:
    - The liabilities of the Pension Fund consist of creditors and derivative liabilities. Derivative liabilities are classified as financial liabilities at fair value through profit or loss and carried at fair value.

Value Added Tax (VAT)

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

2. Critical judgements in applying Accounting Policies

In applying the accounting policies set out in Note 1 the authority has had to make certain judgements about complex transactions or those involving uncertainty about future events.

The critical judgements made in the Statement of Accounts are:

- These accounts have been prepared on a going concern basis. The concept of a going concern assumes that the Pension Fund will continue in operational existence for the foreseeable future.

Note 26 Additional Financial Risk Management Disclosures details the Fund's investment strategy and approach to managing risk. None of the Authority's investments are impaired.

- The Fund's significant contracts have been reviewed and no embedded finance leases or service concessions found.

3. Restatement

During 2013/14 some pooled property investments were included within UK equities. The 2013/14 pooled property investments and UK equities have been restated to take account of this.

	2013/14 Transactions £'000	Restatement £'000	2013/14 Transactions Restated £'000
Purchases			
Pooled Property Investments*	80,988	22,340	103,328
UK Equities	31,964	(22,340)	9,624
Sales			
Pooled Property Investments*	(47,909)	(491)	(48,400)
UK Equities	(12,953)	491	(12,462)
Change in Market value			
Pooled Property Investments*	15,528	638	16,166
UK Equities	(1,635)	(638)	(2,273)

	Balances as at 31 March 2014 £'000	Restatement £'000	Balances as at 31 March 2014 Restated £'000
Balances as at 31 March			
Pooled Property Investments*	274,926	22,488	297,414
UK Equities	68,412	(22,488)	45,924

* Included within Pooled Funds in 2013/14

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. Investments are valued using quoted prices in active markets or by reference to markets which are not considered to be active but are valued based on quoted market prices, dealer quotations or alternative pricing sources supported by observable inputs with the exception of the UBS International Infrastructure Fund LLP (£30.025m as at 31 March 2015) and the Hermes GPE Infrastructure Fund LLP (£25.752m as at 31 March 2015). While market values are not estimates, the method of valuation does mean that future values may fluctuate (see note 6).	For every 1% increase in Market Value the value of the Fund will increase by £33.624 millions 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 £110.271 millions In the year to 31 March 2015 the Funded Obligation increased by £819.251 millions due to updating of the financial assumptions

5. Estimates

The Devon Fund is a limited partner in both the UBS International Infrastructure Fund LLP and the Hermes GPE Infrastructure Fund LLP. UBS and Hermes (the fund managers to the partnerships) provide the Pension Fund with quarterly financial statements indicating the value of these investments. These statements are audited annually. For all other investments market values are available from an active market and as such no assumptions have been made in their valuation.

Where actual costs were not known or could not be calculated, year-end debtors and creditors are based on the last received payment or invoice.

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 subject to a number of appeal processes yet to be concluded. The potential value to the pension fund is not quantifiable at this time.

7. Contributions receivable

By authority

2013/14 £'000		2014/15 £'000
(137,959)	Scheduled bodies	(141,493)
(466)	Admitted bodies	(341)
(5,394)	Community admission body	(3,613)
(4,526)	Transferee admission body	(4,773)
(671)	Resolution body	(682)
(149,016)		**(150,902)**

By type

2013/14 £'000		2014/15 £'000
(35,099)	Employees' normal contributions	(35,845)
(92,026)	Employers' normal contributions	(84,651)
(21,868)	Employers' deficit recovery contributions	(30,406)
(23)	Employers' augmentation contributions	0
(149,016)		**(150,902)**

8. Benefits Payable

By authority

2013/14 £'000		2014/15 £'000
145,152	Scheduled bodies	151,432
515	Admitted bodies	762
2,706	Community admission body	3,528
1,489	Transferee admission body	2,174
573	Resolution body	440
150,435		**158,336**

9. Contribution Rates

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

Whole Time Pay Rate 2013/14	Member contribution rate	Whole Time Pay Rate 2014/15	Member contribution rate
£0 to £13,700	5.5%	£0 to £13,500	5.5%
£13,701 to £16,100	5.8%	£13,501 to £21,000	5.8%
£16,101 to £20,800	5.9%	£21,001 to £34,000	6.5%
£20,801 to £34,700	6.5%	£34,001 to £43,000	6.8%
£34,701 to £46,500	6.8%	£43,001 to £60,000	8.5%
£46,501 to £87,100	7.2%	£60,001 to £85,000	9.9%
More than £87,100	7.5%	£85,001 to £100,000	10.5%
		£100,001 to £150,000	11.4%
		£150,001 or more	12.5%

10. Additional Voluntary Contributions (AVC) Investments

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

31/03/2014	Contributions	Investment Return	Paid Out	31/03/2015
£000	£000	£000	£000	£000
5,898	703	467	(538)	6,530

These amounts are not included in the Pension Fund Accounts in accordance with regulation 5(2)(c) of the Pension Scheme (Management and Investment of Funds) Regulations 2009.

11. Management Expenses

2013/14		2014/15
£000		£000
1,997	**Administrative costs**	1,366
1,997		**1,366**
	Investment management expenses	
7,066	Management fees (a)	10,162
174	Custody fees	209
412	Transaction costs (b)	263
(124)	Stock Lending Income & Commission Recapture	(97)
30	Other Investment management expenses	25
7,558		**10,562**
	Oversight and governance costs	
22	External Audit Fees (c)	26
497	Other Oversight and governance costs	527
519		**553**
10,074		**12,481**

a) Current managers' fees are on a fixed fee basis, calculated using the market value of the portfolio. The cost of external fund management varies with the value of investments under management.

b) Transaction costs in the year amounted to £0.263m (£0.412m in 2013/14) and can be split into acquisition costs of £0.058m (£0.210m in 2013/14) and disposal costs of £0.205m (£0.202m in 2013/14).

c) Audit fees include an amount of £28,603 (£28,000 in 2013/14) in relation to Grant Thornton UK LLP, the auditors appointed by the Audit Commission for external audit services under the Code of Audit Practice as well as an audit fee rebate of £2,940 (£6,000 in 2013/14).

12. Related Party Transactions

The Devon Pension Fund is administered by Devon County Council. During the reporting period, the council incurred costs of £1.838m (2013/14: £2.395m) in relation to the administration of the fund and was subsequently reimbursed by the fund for these expenses. Devon County Council and its employees contributed £45.835m to the fund in 2014/15 (2013/14: £42.246m). In 2014/15 £5,190m was owed to the fund (2013/14: £3.670m) and £1.917m was due from the fund (2013/14: £2.766m).

The Investment and Pensions Fund Committee is the decision making body for the fund and Devon County Council nominates 12 of the 16 committee members.

Each member of the pension fund committee is required to declare their interests at each meeting.

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

No members of the Investment & Pension Fund Committee receive pension benefits from the Fund.

No senior officers responsible for the administration of the Fund have entered into any contract, other than their contract of employment with the Council, for the supply of goods or services to the Fund.

13. 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 72 of the main accounts of Devon County Council.

14. Stock Lending

The Local Government Pension Scheme (Management & Investment of Funds) Regulations 2009 allow the Fund to lend stock provided that the total value of the securities to be transferred does not exceed 25% of the total fund value. JP Morgan Worldwide Securities Services acted as custodian for the Fund up to 31 August 2014, and the Northern Trust Company has acted as custodian for the Fund since 1 September 2014. Both were authorised to lend both UK and Overseas stocks. A summary of the stock on loan as at 31 March 2015 is shown below.

31 March 2014 £'000	% of Fund %		31 March 2015 £'000	% of Fund %
32,951	1.1	**Stock on Loan**	**33,531**	1.0
		Collateral		
6,490		Cash	1,367	
28,772		Securities	33,946	
35,262			**35,313**	

Northern Trust is authorised to invest and reinvest all or substantially all cash collateral. The cash collateral shown in the above table reflects its fair value as at the 31st March. It is not the policy of Northern Trust or the Devon Pension Fund to sell or repledge collateral held in the form of securities. Such securities are shown in the above table at fair value as at 31st March. In the event of default by the borrower Northern Trust will liquidate the non-cash collateral and will repurchase the original lent securities. If this is not possible (due to liquidation issues), Northern Trust will arrange an acceptable solution with the Devon Pension Fund

15. Investment Management Arrangements

The Pension Fund is currently managed by 8 external managers (9 in 2013/14) and the in-house Investment Team in the following proportions:

31 March 2014 £'000	%	Manager	Mandate	31 March 2015 £'000	%
165,797	5.3	Aberdeen Asset Managers Ltd	Global Equity	183,017	5.4
159,985	5.1	Sarasin and Partners LLP	Global Equity	0	0.0
127,937	4.1	Aberdeen Asset Managers Ltd	Global Emerging	146,004	4.3
639,329	20.4	State Street Global Advisors Ltd	Passive Equities	841,488	25.1
596,307	19.1	UBS Global Asset Management (UK) Ltd	Passive Equities	635,852	18.9
186,586	6.0	Lazard Asset Management LLC	Global Fixed Interest	203,446	6.0
181,989	5.8	Wellington Management International Ltd	Global Fixed Interest	192,308	5.7
229,950	7.4	Baillie Gifford & Co	Diversified Growth Fund	250,031	7.4
224,679	7.2	Baring Asset Management Ltd	Diversified Growth Fund	246,004	7.3
319,951	10.2	Aviva Investors Global Services Ltd	Property	345,548	10.3
295,220	9.4	DCC Investment Team	Specialist Funds	318,654	9.6
3,127,730	**100**			**3,362,352**	**100**

16. Investment Movements and Transactions

The change in market value of investments during the year comprises all increases and decreases in the market value of investments held at any time during the year, including profits and losses realised on sales of investments during the year.

	Value at 31 March 2014 Restated £000	Purchases at cost & Derivative Payments £000	Sale proceeds & Derivative Receipts £000	Change in Market Value £000	Value at 31 March 2015 £000
Fixed Interest					
U.K. Public Sector Bonds	10,959	23,924	(20,996)	1,475	15,362
Overseas Government Bonds	205,791	618,049	(652,825)	6,587	177,602
Overseas Government Index Linked Bonds	0	25,652	(25,619)	(33)	0
UK Corporate Bonds	20,184	3,535	(7,230)	155	16,644
Overseas Corporate Bonds	142,478	55,222	(80,386)	4,908	122,222
Equities (Listed)					0
U.K.	45,924	7,655	(16,357)	(3,876)	33,346
Overseas	379,345	53,902	(198,938)	29,985	264,294
Pooled investments	1,963,965	303,194	(130,053)	203,180	2,340,286
Pooled property investments	297,414	25,050	(25,384)	37,917	334,997
Derivative contracts					0
Futures	(18)	2,254	(1,487)	(736)	13
Purchased/written options	0	7	(5)	(2)	0
Forward currency contracts	(701)	34,740	(34,680)	2,041	1,400
Bond Forwards	19	68,966	(68,216)	(298)	471
Foreign Currency	6,363	14,745	(15,469)	(382)	5,257
Amount receivable for sales of investments	3,771	0	34,307	368	38,446
Amounts payable for purchases of investments	(22,257)	(23,123)	0	(414)	(45,794)
	3,053,237	**1,213,772**	**(1,243,338)**	**280,875**	**3,304,546**
Other investment balances					
Short Term Deposits	5,750				0
Cash Equivalents	29,221				30,258
Cash & Bank Deposits	30,907				22,686
Investment income due	8,615				4,862
Net investment assets	**3,127,730**				**3,362,352**

	Value at 31 March 2013	Reclassification	Purchases at cost & Derivative Payments Restated	Sale proceeds & Derivative Receipts Restated	Change in Market Value Restated	Value at 31 March 2014 Restated
	£000	£000	£000	£000	£000	£000
Investment Assets						
Fixed Interest						
U.K. Public Sector Bonds	9,031	0	64,694	(62,065)	(701)	10,959
Overseas Government Bonds	217,110	5,096	622,489	(614,853)	(24,051)	205,791
Overseas Government Index Linked Bonds	0	0	2,318	(2,318)	0	0
UK Corporate Bonds	17,167	0	15,010	(11,970)	(23)	20,184
Overseas Corporate Bonds	152,580	(5,096)	72,204	(61,041)	(16,169)	142,478
Equities (Listed)						
U.K.	64,409	(13,374)	9,624	(12,462)	(2,273)	45,924
Overseas	420,704	0	98,105	(122,104)	(17,360)	379,345
Pooled investments	1,811,340	0	102,412	(98,816)	149,029	1,963,965
Pooled property investments	212,946	13,374	103,328	(48,400)	16,166	297,414
Derivative contracts						
Futures	(283)	0	7,328	(6,669)	(394)	(18)
Purchased/written options	13	0	14	(1)	(26)	0
Forward currency contracts	(470)	0	50,522	(50,351)	(402)	(701)
Bond Forwards	(9)	0	1,076	(816)	(232)	19
Foreign Currency	17,249	0	1,971	(11,237)	(1,620)	6,363
Amount receivable for sales of investments	2,191	0	0	(397)	1,977	3,771
Amounts payable for purchases of investments	(14,151)	0	(8,067)	0	(39)	(22,257)
	2,909,827	**0**	**1,143,028**	**(1,103,500)**	**103,882**	**3,053,237**
Other investment balances						
Short Term Deposits	24,750					5,750
Cash Equivalents	31,500					29,221
Cash & Bank Deposits	21,682					30,907
Investment income due	8,529					8,615
Net investment assets	**2,996,288**					**3,127,730**

17. Analysis of Pooled Funds

2013/14 £'000		2014/15 £'000
	UK	
475,545	Unit Trusts	541,307
273,864	Property Funds	294,271
596,307	Unitised Insurance Policies	635,852
162,449	Other Managed Funds (Equities)	148,896
	Overseas	
150,110	Unit Trusts	143,199
23,550	Property Funds	40,726
579,554	Other Managed Funds (Equities)	811,212
0	Other Managed Funds (Fixed Interest)	59,820
2,261,379	**Total Pooled Funds**	2,675,283

18. Analysis of Fund Assets

The following analysis is provided to comply with CIPFA guidance on preparing the annual report, to provide a consistent analysis across LGPS funds to assist in the production of the scheme annual report compiled by the LGPS scheme advisory board.

2014/15

	UK £'000	Non UK £'000	Global £'000	Total £'000
Equities	835,816	963,907	188,957	1,988,680
Bonds	32,006	299,824	59,820	391,650
Property (direct holdings)	0	0	0	0
Alternatives	320,022	40,726	69,524	430,272
Cash and cash equivalents	50,458	5,257	0	55,715
Other	0	0	496,035	496,035
Total	**1,238,302**	**1,309,714**	**814,336**	**3,362,352**

2013/14

	UK £'000	Non UK £'000	Global £'000	Total £'000
Equities	823,934	1,050,435	1,663	1,876,032
Bonds	31,143	348,269	0	379,412
Property (direct holdings)	0	0	0	0
Alternatives	261,516	35,898	57,873	355,287
Cash and cash equivalents	56,007	6,363	0	62,370
Other	0	0	454,629	454,629
Total	**1,172,600**	**1,440,965**	**514,165**	**3,127,730**

19. Analysis of Investment Income

The following analysis is provided to comply with CIPFA guidance on preparing the annual report, to provide a consistent analysis across LGPS funds to assist in the production of the scheme annual report compiled by the LGPS scheme advisory board.

2014/15

	UK £'000	Non UK £'000	Global £'000	Total £'000
Equities	1,727	8,370	36	10,133
Bonds	1,148	10,141	0	11,289
Property (direct holdings)	0	0	0	0
Alternatives	10,761	661	3,022	14,444
Cash and cash equivalents	763	0	0	763
Other	0	0	0	0
Total	**14,399**	**19,172**	**3,058**	**36,629**

2013/14

	UK £'000	Non UK £'000	Global £'000	Total £'000
Equities	1,910	9,694	35	11,639
Bonds	1,097	13,007	0	14,104
Property (direct holdings)	0	0	0	0
Alternatives	10,704	838	1,722	13,264
Cash and cash equivalents	618	0	0	618
Other	0	0	0	0
Total	**14,329**	**23,539**	**1,757**	**39,625**

20. 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.

Futures

Position at 31 March 2014				Position at 31 March 2015	
Economic exposure £'000	**Market value £'000**		**Expiration Period**	**Economic exposure £'000**	**Market value £'000**
		INVESTMENT ASSETS			
		Futures			
3,067	1	UK Fixed Interest	< 1 Year	0	0
31,617	59	Overseas Fixed Interest	< 1 Year	14,507	69
34,684	60	**Total Assets**		14,507	69
		INVESTMENT LIABILITIES			
		Futures			
0	0	UK Fixed Interest	< 1 Year	(604)	0
(65,481)	(78)	Overseas Fixed Interest	< 1 Year	(17,461)	(56)
(65,481)	(78)	**Total Liabilities**		(18,065)	(56)
(30,797)	**(18)**	**Futures Total**		**(3,558)**	**13**

Notes:

a) Futures. A futures contract is a standardised contract between two parties to buy or sell a specified asset of standardised quantity and quality at a specified future date at a price agreed on a given day (the futures price). The contracts are traded on a futures exchange. The economic exposure values futures on a 'gross basis' showing the total exposure to the underlying asset class that the future affects as if the change in asset allocation in the underlying asset class has taken place.

Bond Forwards

Position at 31 March 2014 Market value £'000		Expiration Period	Position at 31 March 2015 Market value £'000
	INVESTMENT ASSETS		
	Bond Forwards		
0	UK Bond Forwards	< 1 Year	1,265
24	Overseas Bond Forwards	< 1 Year	1,000
24	**Total Assets**		2,265
	INVESTMENT LIABILITIES		
	Bond Forwards		
0	UK Bond Forwards	< 1 Year	(632)
(5)	Overseas Bond Forwards	< 1 Year	(1,162)
(5)	**Total Liabilities**		(1,794)
19	**Total Bond Forwards**		**471**

Notes:

a) Bond Forwards. A bond forward is an agreement whereby a counterparty agrees to trade a specified amount of a bond at a specified price on a future date.

Forward Currency Contracts

Settlements	Currency bought	Local value £'000	Currency sold	Local value £'000	Asset value £'000	Liability value £'000
Up to one month	AUD	2,058	USD	(1,595)	1	(18)
Up to one month	BRL	875	USD	(280)	0	(5)
Up to one month	CAD	1,025	USD	(818)	0	(6)
Up to one month	CHF	902	USD	(935)	0	(4)
Up to one month	CLP	83,500	USD	(134)	0	0
Up to one month	CNY	276	USD	(44)	0	0
Up to one month	COP	126,600	USD	(50)	0	(1)
Up to one month	EUR	1,504	USD	(1,625)	0	(6)
Up to one month	GBP	10,121	EUR	(13,182)	581	0
Up to one month	GBP	31,587	USD	(47,817)	0	(628)
Up to one month	HUF	2,700	USD	(10)	0	0
Up to one month	ILS	815	USD	(208)	0	(2)
Up to one month	INR	36,025	USD	(574)	0	0
Up to one month	JPY	1,685,903	USD	(14,107)	0	(29)
Up to one month	KRW	734,000	USD	(663)	0	(1)
Up to one month	MXN	4,697	USD	(312)	0	(3)
Up to one month	MYR	680	USD	(183)	0	0
Up to one month	NOK	1,764	USD	(224)	0	(4)
Up to one month	NZD	706	USD	(536)	0	(5)
Up to one month	PEN	350	USD	(114)	0	(1)
Up to one month	PLN	2,728	USD	(725)	0	(4)
Up to one month	RUB	18,050	USD	(308)	0	(1)
Up to one month	SEK	17,000	USD	(2,002)	0	(20)
Up to one month	SGD	197	USD	(144)	0	0
Up to one month	THB	1,490	USD	(46)	0	0
Up to one month	TRY	4,519	USD	(1,904)	0	(115)
Up to one month	TWD	1,555	USD	(50)	0	0
Up to one month	USD	3,445	AUD	(4,394)	64	(1)
Up to one month	USD	282	BRL	(875)	7	(1)
Up to one month	USD	2,753	CHF	(2,636)	25	0
Up to one month	USD	14	CLP	(8,617)	0	0
Up to one month	USD	296	CNY	(1,844)	0	(2)
Up to one month	USD	99	COP	(253,300)	1	0
Up to one month	USD	118	DKK	(805)	2	0
Up to one month	USD	13,437	EUR	(12,239)	194	0
Up to one month	USD	9,610	GBP	(6,459)	17	(1)
Up to one month	USD	49	HUF	(13,600)	0	0
Up to one month	USD	69	ILS	(270)	1	0
Up to one month	USD	73	INR	(4,640)	0	0
Up to one month	USD	767	JPY	(91,356)	3	0
Up to one month	USD	2,049	KRW	(2,259,905)	8	0
Up to one month	USD	294	MXN	(4,421)	3	0
Up to one month	USD	109	MYR	(400)	1	0
Up to one month	USD	100	NZD	(133)	0	0
Up to one month	USD	3,616	PEN	(11,089)	38	(2)
Up to one month	USD	459	PLN	(1,726)	3	0
Up to one month	USD	290	SEK	(2,462)	3	0
Up to one month	USD	361	SGD	(494)	1	0
Up to one month	USD	272	THB	(8,870)	0	0
Up to one month	USD	1,423	TRY	(3,779)	1	(19)
Up to one month	ZAR	919	USD	(77)	0	(1)
One to six months	AUD	2,163	USD	(1,679)	0	(21)
One to six months	CAD	1,777	GBP	(919)	26	0
One to six months	CHF	7,034	EUR	(5,869)	642	0

One to six months	DKK	29,283	EUR	(3,939)	0	(10)
One to six months	EUR	39,301	GBP	(28,974)	0	(513)
One to six months	EUR	10,515	USD	(11,273)	18	0
One to six months	GBP	8,904	AUD	(17,563)	0	(113)
One to six months	GBP	9,993	CAD	(19,001)	0	(111)
One to six months	GBP	1,464	CZK	(54,394)	34	0
One to six months	GBP	717	DKK	(7,212)	17	0
One to six months	GBP	8,885	MXN	(206,209)	0	(206)
One to six months	GBP	9,017	NOK	(104,938)	255	0
One to six months	GBP	9,244	NZD	(19,094)	0	(359)
One to six months	GBP	3,537	PLN	(20,173)	0	(43)
One to six months	GBP	802	SEK	(10,378)	0	(9)
One to six months	GBP	3,814	SGD	(7,825)	0	(25)
One to six months	GBP	13,063	USD	(19,798)	26	(304)
One to six months	JPY	4,587,202	GBP	(25,037)	755	0
One to six months	JPY	489,465	USD	(4,069)	10	0
One to six months	KRW	2,140,504	USD	(1,925)	3	0
One to six months	MXN	41,041	GBP	(1,748)	62	0
One to six months	MXN	52,125	USD	(3,473)	0	(42)
One to six months	NOK	12,580	SEK	(13,199)	17	0
One to six months	USD	131	BRL	(420)	0	0
One to six months	USD	7,830	CHF	(7,034)	383	0
One to six months	USD	3,065	CNH	(19,476)	0	(41)
One to six months	USD	3,063	COP	(7,456,443)	154	0
One to six months	USD	10,046	EUR	(9,407)	43	(86)
One to six months	USD	38,055	GBP	(24,931)	733	(20)
One to six months	USD	2,998	JPY	(362,783)	0	(20)
One to six months	USD	5,019	MYR	(18,367)	61	0
One to six months	USD	5,870	NOK	(47,260)	45	(36)
One to six months	USD	10,862	PHP	(487,031)	6	(5)
Open forward currency contracts at 31 March 2015					**4,244**	**(2,844)**
Net forward currency contracts at 31 March 2015						**1,400**
Prior year comparative:						
Open forward currency contracts at 31 March 2014					**1,356**	**(2,057)**
Net forward currency contracts at 31 March 2014						**(701)**

Notes:

a) 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.

21. Current Assets and Liabilities

The Analysis of Current Assets and Liabilities does not include purchases and sales of investments not yet due for settlement or investment income due. They are included within net investment assets and liabilities. Current assets and liabilities are valued at the fair value approximation of historical cost. Current assets and liabilities are all short term and there is no active market in which they are traded.

a) Analysis by nature of asset or liability

31 March 2014 £000		31 March 2015 £000
	Current Assets	
	Debtors and Prepayments	
	Contributions Receivable	
10,072	Employers	10,234
	Current portion of non current assets	
3,008	(Employers contributions)	3,008
2,819	Employees	2,828
102	Interest on Cash & Bank Deposits	0
2,218	Other debtors	3,608
18,219		**19,678**
	Current Liabilities	
	Creditors and Receipts in Advance	
(2,766)	Devon County Council	(1,917)
(2,352)	Other creditors	(4,853)
(5,118)		**(6,770)**

b) Analysis by type of debtor or creditor

31 March 2014 £000		31 March 2015 £000
	Current Debtors	
4,721	Central Government Bodies	4,599
11,495	Other Local Authorities	12,912
46	NHS Bodies	25
2	Public Corporations and Trading Funds	1
1,955	Bodies external to general Government	2,141
18,219		**19,678**
	Current Creditors	
(1)	Central Government Bodies	(1,492)
(3,064)	Other Local Authorities	(2,029)
0	NHS Bodies	0
0	Public Corporations and Trading Funds	0
(2,053)	Bodies external to general Government	(3,249)
(5,118)		**(6,770)**

22. Non-Current Assets and Liabilities

At 31 March 2005 all staff employed by the Devon & Cornwall Magistrates Courts Service who were members of the Devon (LGPS) Fund transferred to the Principal Civil Service Pension Scheme (PCSPS). No further contributions were received from that employer. All affected staff subsequently had 12 months to elect whether to leave their accrued pension entitlement with the Devon Fund (as a deferred benefit) or transfer their 'pension pot' to the PCSPS. Under the transfer protocol issued by the Department for Constitutional Affairs the total capital payment of £15.09 millions due to the Devon Pension Fund would be repaid in ten annual instalments of £1.509 millions. The first instalment was received during 2011/12. The 2014/15 instalment was received in April 2014 and is included within current assets (Other debtors). The next instalment is disclosed as part of current assets with the remaining 5 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 2014 £000		31 March 2015 £000
	Non Current Assets	
	Debtors and Prepayments	
9,590	Contributions Receivable - Employers	8,190
9,590		**8,190**
	Non Current Liabilities	
	Creditors and Receipts in Advance	
(10,528)	Deferred Income	(9,024)
(10,528)		**(9,024)**

b) Analysis by type of debtor or creditor

31 March 2014 £000		31 March 2015 £000
	Non current Debtors	
9,025	Central Government Bodies	7,520
497	Other Local Authorities	515
0	NHS Bodies	0
0	Public Corporations and Trading Funds	0
68	Bodies external to general Government	155
9,590		**8,190**
	Non current Creditors	
(10,528)	Central Government Bodies	(9,024)
0	Other Local Authorities	0
0	NHS Bodies	0
0	Public Corporations and Trading Funds	0
0	Bodies external to general Government	0
(10,528)		**(9,024)**

23. Funded Obligation

The actuarial present value of promised retirement benefits (the Funded Obligation) amounts to £5,965 millions as at 31 March 2015 (£5,004 millions as at 31 March 2014). The Funded Obligation consists of £5,220 millions (£4,375 millions as at 31 March 2014) in respect of Vested Obligation and £745 millions (£629 millions as at 31 March 2014), 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

Valuation Approach

To assess the value of the Employers' liabilities at 31 March 2015, the Actuary has rolled forward the value of the Employers' liabilities calculated for the funding valuation as at 31 March 2013, using financial assumptions that comply with IAS19.

The full actuarial valuation involved projecting future cashflows to be paid from the Fund and placing a value on them. These cashflows include pensions currently being paid to members of the Fund as well as pensions (and lump sums) that may be payable in future to members of the Fund or their dependants. These pensions are linked to inflation and will normally be payable on retirement for the life of the member or a dependant following a member's death.

It is not possible to assess the accuracy of the estimated liability as at 31 March 2015 without completing a full valuation. However, the Actuary is satisfied that the approach of rolling forward the previous valuation data to 31 March 2015 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 the Actuary has received there appears to be no evidence that this approach is inappropriate.

Demographic/Statistical Assumptions

The Actuary has adopted a set of demographic assumptions that are consistent with those used for the funding valuation as at 31 March 2013. The post retirement mortality tables adopted are the S1PA tables with a multiplier of 100% for males and 90% for females. These base tables are then projected using the CMI 2012 Model, allowing for a long term rate of improvement of 1.5% per annum.

The assumed life expectations from age 65 are:

Life Expectancy from 65 (years)	31 March 2014	31 March 2015
Retiring Today		
Males	22.7	22.8
Females	26.0	26.1
Retiring in 20 years		
Males	24.9	25.1
Females	28.3	28.4

The Actuary has also made the following assumptions:

- Members will exchange half of their commutable pension for cash at retirement;
- Members will retire at one retirement age for all tranches of benefit, which will be the pension weighted average tranche retirement age
- 10% of active members will take up the option under the new LGPS to pay 50% of contributions for 50% of benefits.

Financial Assumptions

The financial assumptions used for the purposes of the calculations are as follows:

Assumptions as at	31 March 2015		31 March 2014		31 March 2013	
	% p.a	Real*	% p.a	Real*	% p.a	Real*
RPI Increases	3.2%	0.0%	3.6%	0.0%	3.4%	0.0%
CPI Increases	2.4%	-0.8%	2.7%	-0.9%	2.6%	-0.8%
Salary Increases	4.2%	1.0%	4.6%	1.0%	4.8%	1.4%
Pension Increases	2.4%	-0.8%	2.8%	-0.8%	2.6%	-0.8%
Discount rate	3.3%	0.1%	4.5%	0.9%	4.5%	1.1%

* Relative to RPI

These assumptions are set with reference to market conditions at 31 March 2015.

The Actuary's estimate of the duration of the Fund's liabilities is 19 years. The duration is the average time to payment of the benefits, weighted by the value of each payment.

The discount rate is the annualised yield at the 19 year point on the Merrill Lynch AA rated corporate bond curve which has been chosen to meet the requirements of IAS19 and with consideration of the duration of the Fund's liabilities. This is consistent with the approach used at the last accounting date.

The 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 19 year point on the BoE spot inflation curve. This is consistent with the approach used at the last accounting date.

The Retail Prices Index (RPI) increase assumption is set based on the difference between conventional gilt yields and index-linked gilt yields at the accounting date using data published by the Bank of England (BoE), specifically the 19 year point on the BoE market implied inflation curve. The RPI assumption is therefore 3.2% p.a. This is consistent with the approach used at the last accounting date.

As future pension increases are expected to be based on the Consumer Prices Index (CPI) rather than RPI, the Actuary has made a further assumption about CPI which is that it will be 0.8% p.a. below RPI i.e. 2.4% p.a. The Actuary believes that this is a reasonable estimate for the future differences in the indices, based on the different calculation methods.

Salaries have then been assumed to increase at 1.8% p.a. above CPI in addition to a promotional scale.

Past Service Costs/Gains
As a result of members of Devon and Cornwall Probation Service transferring to the Greater Manchester Pension Fund, the liabilities in respect of these members have been settled at a cost different to the accounting reserve. The capitalised gain of this settlement is £41,223,000.

Expected Return on Assets
The return on the Fund (on a bid value to bid value basis) for the year to 31 March 2015 is estimated to be 11%. The actual return on Fund assets over the year may be different.

24. 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.

25. Financial Instrument Disclosures

The Net Assets of the Fund disclosed in the Net Asset Statement are made up of the following categories of financial instruments:

Fair value through profit and loss	Loans and receivables	Financial liabilities at amortised cost		Fair value through profit and loss	Loans and receivables	Financial liabilities at amortised cost
	2013/14				2014/15	
£'000	£'000	£'000		£'000	£'000	£'000
			Financial assets			
379,412			Fixed Interest	331,830		
425,269			Equities (Listed)	297,640		
1,963,965			Pooled investments	2,340,286		
297,414			Pooled property investments	334,997		
			Private equity/infrastructure			
1,440			Derivative contracts	6,578		
	72,241		Cash		58,201	
12,386			Other investment balances	43,308		
	27,809		Debtors		27,868	
3,079,886	**100,050**	**0**		**3,354,639**	**86,069**	**0**
			Financial Liabilities			
(2,140)			Derivative contracts	(4,694)		
		(22,257)	Other investment balances			(45,794)
		(15,646)	Creditors			(15,794)
(2,140)	**0**	**(37,903)**		**(4,694)**	**0**	**(61,588)**
3,077,746	**100,050**	**(37,903)**		**3,349,945**	**86,069**	**(61,588)**

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:

31 March 2014		31 March 2015
£000		£000
	Financial assets	
174,107	Fair value through profit and loss	324,830
977	Loans and receivables	749
175,084		**325,579**
	Financial liabilities	
(31,538)	Fair value through profit and loss	(7,660)
(39)	Loans and receivables	(415)
(31,577)		**(8,075)**

The total changes in fair value represent unrealised profit or loss. The difference in unrealised profit / (loss) figures between 2013/14 and 2014/15 reflects the prevailing economic conditions during each of the two years and the impact on the specific assets held by the Fund.

26. 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 2014/15 reporting period:

Asset Class	**Percentage Change 2013/14**	**Percentage Change 2014/15**
Equities	11.77%	9.14%
Bonds	6.26%	6.93%
Cash	0.02%	0.01%
Pooled Property Investments	2.61%	3.00%
Infrastructure	13.20%	12.61%
Pooled Multi Asset	4.45%	3.95%

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:

Asset Class	**Value £'000**	**Percentage Change**	**Increase £'000**	**Decrease £'000**
Equities	1,988,680	9.14%	181,765	(181,765)
Bonds	391,650	6.93%	27,141	(27,141)
Cash	57,599	0.01%	6	(6)
Pooled Property Investments	334,997	3.00%	10,050	(10,050)
Infrastructure	93,391	12.61%	11,777	(11,777)
Pooled Multi Asset	496,035	3.95%	19,593	(19,593)
Total	**3,362,352**		**250,332**	**(250,332)**

As at 31 March 2014

Asset Class	**Value £'000**	**Percentage Change**	**Increase £'000**	**Decrease £'000**
Equities	1,876,031	11.77%	220,809	(220,809)
Bonds	379,413	6.26%	23,751	(23,751)
Cash	61,670	0.02%	12	(12)
Pooled Property Investments	297,414	2.61%	7,763	(7,763)
Infrastructure	58,573	13.20%	7,732	(7,732)
Pooled Multi Asset	454,629	4.45%	20,231	(20,231)
Total	**3,127,730**		**280,298**	**(280,298)**

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 2014 and 2015 are provided below. These disclosures present interest rate risk based on underlying financial assets (at fair value).

	As at 31 March 2014 £'000	**As at 31 March 2015 £'000**
Cash and cash equivalents	60,128	52,944
Short term Deposits	5,750	-
Fixed Interest	379,412	331,830
Total	**445,290**	**384,774**

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.

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 2015	**Carrying value at 31 March 2015**	**Effect on Asset Values**	
		+1%	**-1%**
	£'000	**£'000**	**£'000**
Cash and cash equivalents	52,944	-	-
Short term Deposits	-	-	-
Fixed Interest	331,830	3,318	(3,318)
Total	**384,774**	**3,318**	**(3,318)**

As at 31 March 2014	**Carrying value at 31 March 2014**	**Effect on Asset Values**	
		+1%	**-1%**
	£'000	**£'000**	**£'000**
Cash and cash equivalents	60,128	-	-
Short term Deposits	5,750	-	-
Fixed Interest	379,412	3,794	(3,794)
Total	**445,290**	**3,794**	**(3,794)**

As at 31 March 2015	**Amount receivable in year ending 31 March 2015**	**Effect on Income Values**	
		+1%	**-1%**
	£'000	**£'000**	**£'000**
Cash and cash equivalents	726	7	(7)
Short term Deposits	37	-	-
Fixed Interest	11,443	-	-
Total	**12,206**	**7**	**(7)**

As at 31 March 2014	**Amount receivable in year ending 31 March 2014**	**Effect on Income Values**	
		+1%	**-1%**
	£'000	**£'000**	**£'000**
Cash and cash equivalents	522	5	(5)
Short term Deposits	96	1	(1)
Fixed Interest	14,128	-	-
Total	**14,746**	**6**	**(6)**

This analysis demonstrates that a 1% increase in interest rates will not affect the interest received on fixed interest assets but will reduce their fair value, and vice versa. Changes in interest rates do not impact on the value of cash/cash equivalent or short term deposit balances but they will affect the interest income received on those balances. Changes to both the fair value of assets and the income received from investments impact on the net assets available to pay benefits.

Currency Risk and Sensitivity Analysis

Currency risk represents the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Fund is exposed to currency risk on financial instruments that are denominated in a currency other than the functional currency (Pound Sterling) of the Fund. The Fund holds both monetary and non-monetary assets denominated in currencies other than Pounds Sterling.

The following table summarises:

(a) The Fund's exposure at 31 March 2015 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 2015 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 2015.

		As at 31 March 2015	Assets held at fair value	FX Contracts	Total	Percentage Change	Change for the year in net assets available to pay benefits + 1 Standard Deviation	- 1 Standard Deviation
			£'000	£'000	£'000		£'000	£'000
AUD	AUD*	Australian Dollar	14,270	(151)	14,119	8.87%	1,253	(1,253)
BRL	BRL	Brazilian Real	8,007	(4)	8,003	11.70%	936	(936)
CAD	CAD*	Canadian Dollar	25,135	(90)	25,045	6.65%	1,666	(1,666)
CHF	CHF	Swiss Franc	22,130	638	22,768	9.34%	2,127	(2,127)
CNH/CNY	CNH/CNY	Chinese Yuan	6,091	0	6,091	7.73%	471	(471)
COP	COP	Colombian Peso	1,877	(1)	1,876	8.69%	163	(163)
CZK	CZK	Czech Republic Koruna	2,150	34	2,184	7.51%	164	(164)
DKK	DKK	Danish Krona	1,750	7	1,757	6.20%	109	(109)
EUR	EUR*	Euro	142,598	80	142,678	6.15%	8,774	(8,774)
HKD	HKD	Hong Kong Dollar	26,965	0	26,965	7.74%	2,087	(2,087)
HUF	HUF	Hungarian Forint	1,677	0	1,677	10.02%	168	(168)
IDR	IDR	Indonesian Rupiah	4,465	0	4,465	11.65%	520	(520)
ILS	ILS	Israeli Shekel	157	(2)	155	7.10%	11	(11)
JPY	JPY*	Japanese Yen	26,572	736	27,308	11.03%	3,011	(3,011)
KRW	KRW	South Korean Won	11,359	2	11,361	6.62%	752	(752)
MXN	MXN	Mexican Peso	12,727	(189)	12,538	9.42%	1,181	(1,181)
MYR	MYR	Malaysian Ringit	6,558	0	6,558	7.32%	480	(480)
NOK	NOK	Norwegian Krone	12,915	268	13,183	8.64%	1,139	(1,139)
NZD	NZD	New Zealand Dollar	12,016	(365)	11,651	9.20%	1,072	(1,072)
PEN	PEN	Peruvian Sol	4,171	(1)	4,170	6.98%	291	(291)
PHP	PHP	Philipines Peso	13,532	0	13,532	7.85%	1,062	(1,062)
PLN	PLN	Polish Zloty New	6,825	(47)	6,778	8.39%	569	(569)
SEK	SEK	Swedish Krone	11,801	(29)	11,772	7.31%	860	(860)
SGD	SGD	Singapore Dollars	5,964	(26)	5,938	5.89%	350	(350)
THB	THB	Thailand Baht	8,385	0	8,385	8.09%	678	(678)
TRY	TRY	New Turkish Lira	6,437	(115)	6,322	9.85%	623	(623)
TWD	TWD	New Taiwan Dollar	8,083	0	8,083	6.62%	535	(535)
USD	USD*	US Dollars	369,525	655	370,180	7.78%	28,800	(28,800)
ZAR	ZAR	South African Rand	12,199	(1)	12,198	10.72%	1,308	(1,308)
Total	**Total**		**786,341**	**1,399**	**787,740**		**61,160**	**(61,160)**

		As at 31 March 2014	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
AUD	AUD*	Australian Dollar	16,990	17	17,007	9.80%	1,667	(1,667)
BRL	BRL	Brazilian Real	8,812	20	8,832	12.69%	1,121	(1,121)
CAD	CAD*	Canadian Dollar	21,795	22	21,817	6.04%	1,318	(1,318)
CHF	CHF	Swiss Franc	25,117	15	25,132	7.42%	1,865	(1,865)
CLP	CLP	Chilean Peso	0	30	30	10.00%	3	(3)
CNH/CNY	CNH/CNY	Chinese Yuan	5,268	(7)	5,261	7.98%	420	(420)
COP	COP	Colombian Peso	1,203	2	1,205	8.55%	103	(103)
CZK	CZK	Czech Republic Koruna	2,046	0	2,046	8.75%	179	(179)
DKK	DKK	Danish Krona	5,718	0	5,718	6.26%	358	(358)
EUR	EUR*	Euro	196,761	99	196,860	6.31%	12,422	(12,422)
HKD	HKD	Hong Kong Dollar	25,823	0	25,823	7.98%	2,061	(2,061)
HUF	HUF	Hungarian Forint	1,867	0	1,867	12.59%	235	(235)
IDR	IDR	Indonesian Rupiah	3,525	0	3,525	11.04%	389	(389)
INR	INR	Indian Rupee	0	1	1	0.00%	0	0
ILS	ILS	Israeli Shekel	3,927	(1)	3,926	6.93%	272	(272)
JPY	JPY*	Japanese Yen	36,358	(330)	36,028	11.54%	4,158	(4,158)
KRW	KRW	South Korean Won	11,790	0	11,790	6.56%	773	(773)
MXN	MXN	Mexican Peso	14,270	24	14,294	10.03%	1,434	(1,434)
MYR	MYR	Malaysian Ringit	2,950	1	2,951	7.01%	207	(207)
NOK	NOK	Norwegian Krone	12,946	1	12,947	8.79%	1,138	(1,138)
NZD	NZD	New Zealand Dollar	11,115	1	11,116	10.01%	1,113	(1,113)
PEN	PEN	Peruvian Sol	1,436	0	1,436	7.24%	104	(104)
PHP	PHP	Philipines Peso	6,298	0	6,298	6.70%	422	(422)
PLN	PLN	Polish Zloty New	9,594	0	9,594	10.58%	1,015	(1,015)
RUB	RUB	Russian Rouble	0	0	0	0.00%	0	0
SEK	SEK	Swedish Krone	11,618	2	11,620	7.03%	817	(817)
SGD	SGD	Singapore Dollars	2,857	0	2,857	5.71%	163	(163)
THB	THB	Thailand Baht	6,822	0	6,822	7.40%	505	(505)
TRY	TRY	New Turkish Lira	5,842	16	5,858	9.63%	564	(564)
TWD	TWD	New Taiwan Dollar	6,205	0	6,205	5.62%	349	(349)
USD	USD*	US Dollars	461,189	(310)	460,879	8.07%	37,193	(37,193)
ZAR	ZAR	South African Rand	12,117	5	12,122	11.31%	1,371	(1,371)
Total	**Total**		**932,259**	**(392)**	**931,867**		**73,739**	**(73,739)**

Credit Risk

Credit risk represents the risk that the counterparty to the financial instrument will fail to discharge an obligation and cause the Pension Fund to incur a financial loss. Market prices generally incorporate credit assessments into valuations and risk of loss is implicitly provided for in the carrying value of the financial assets and liabilities as they are marked to market.

The net market value of financial assets represents the Fund's exposure to credit risk in relation to those assets. For derivative positions the credit risk is equal to the net market value of positive (asset) derivative positions.

	As at 31 March 2014 £'000	As at 31 March 2015 £'000
Fixed Interest	379,412	331,830
UK Equities - Quoted	45,924	33,346
Overseas Equities - Quoted	379,345	264,294
Pooled investments	1,963,965	2,340,286
Pooled property investments	297,414	334,997
Derivatives (net)	(700)	1,884
Foreign currency	6,363	5,257
Short term deposits	5,750	0
Cash and cash equivalents	60,128	52,944
Settlements and dividends receivable	12,386	43,308
Total of investments held	**3,149,987**	**3,408,146**

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 2015 is the carrying amount of the financial assets.

The Pension Fund believes it has managed its exposure to credit risk, and has had no experience of default or uncollectable deposits over the past five financial years. The Fund’s cash holding (short term deposits and cash equivalents) under its treasury management arrangements at 31 March 2015 was £30.258 millions (31 March 2014: £34.971 millions). This was held with the following institutions:

	Credit Rating at 31 March 2015			Balances as at 31 March 2014 £'000	Balances as at 31 March 2015 £'000
	Fitch	Moody's	Standard & Poor's		
Banks and Building Societies					
Barclays Bank	A	A2	A	29,221	30,000
Lloyds TSB	A	A1	A	5,750	0
Handelsbanken	AA-	A1	A+	0	258
				34,971	**30,258**

Liquidity Risk

Liquidity risk represents the risk that the Fund will not be able to meet its financial obligations as they fall due. In assessing each individual investment, a key consideration is to ensure that the liability of the Fund is limited to the amount of the investment in the asset.

The liquidity risks associated with the need to pay members' benefits are mitigated by maintaining a pool of cash. As this pool reduces other strategies will be developed to eliminate this risk. In the first instance, income from investments, now held and reinvested by fund managers, will be used to meet liquidity shortfall.

All the Fund's financial liabilities fall due within 12 months with the exception of the payments due from the Principal Civil Service Pension Scheme (PCSPS) (see note 22). 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. The 2014/15 instalment was received in April 2015 and is included within current assets. The next instalment is disclosed as part of current assets with the remaining 5 instalments disclosed as part of long term assets.

Fair Value Hierarchy

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

Level 1

Financial instruments at Level 1 are those where the fair values are derived from unadjusted quoted prices in active markets for identical assets or liabilities. Products classified as level 1 comprise quoted equities, quoted fixed securities, quoted index linked securities and unit trusts.

Listed investments are shown at bid prices. The bid value of the investment is based on the bid market quotation of the relevant stock exchange.

Level 2

Financial instruments at Level 2 are those where quoted market prices are not available; for example, where an instrument is traded in a market that is not considered to be active, or where valuation techniques are used to determine fair value and where these techniques use inputs that are based significantly on observable market data.

Level 3

Financial instruments at Level 3 are those where at least one input that could have a significant effect on the instrument's valuation is not based on observable market data.

The UBS International Infrastructure Fund LLP and the Hermes GPE Infrastructure Fund LLP in 2014/15 and the UBS International Infrastructure Fund LLP in 2013/14, have been classified as level 3 financial instruments.

The following table provides an analysis of the financial assets and liabilities of the pension fund grouped into Levels 1 to 3, based on the level at which the fair value is observable.

	Quoted market price Level 1 £'000	Using observable inputs Level 2 £'000	With Significant unobservable inputs Level 3 £'000	Total £'000
Investment Assets				
Fixed Interest				
U.K. Public Sector Bonds	15,362	-	-	15,362
Overseas Government Bonds	177,602	-	-	177,602
UK Corporate Bonds	16,644	-	-	16,644
Overseas Corporate Bonds	122,222	-	-	122,222
Equities (Listed)				
U.K.	33,346	-	-	33,346
Overseas	264,294	-	-	264,294
Pooled investments	684,506	1,655,780	-	2,340,286
Pooled property investments	-	279,220	55,777	334,997
Derivative Assets				
Futures - UK Fixed Interest	-	-	-	-
Futures - Overseas Fixed Interest	-	69	-	69
UK Bond Forwards	-	1,265	-	1,265
Overseas Bond Forwards	-	1,000	-	1,000
Options	-	-	-	-
Forward Currency Contracts	-	4,244	-	4,244
Cash Deposits				
Foreign Currency	-	5,257	-	5,257
Short Term Deposits	-	-	-	-
Cash Equivalents	-	30,258		30,258
Cash & Bank Deposits	22,686	-	-	22,686
Investment income due	4,862	-	-	4,862
Amounts receivable for sales	38,446	-	-	38,446
Investment Liabilities		-	-	-
Derivatives	-	-	-	-
Futures - UK Fixed Interest	-	-	-	-
Futures - Overseas Fixed Interest	-	(56)	-	(56)
UK Bond Forwards	-	(632)	-	(632)
Overseas Bond Forwards	-	(1,162)	-	(1,162)
Forward Currency Contracts	-	(2,844)	-	(2,844)
Amounts payable for purchases	(45,794)	-	-	(45,794)
Assets and Liabilities		-	-	-
Non current Assets	8,190	-	-	8,190
Non current Liabilities	(9,024)	-	-	(9,024)
Current Assets	19,678	-	-	19,678
Current Liabilities	(6,770)	-	-	(6,770)
Net Assets of the Fund at 31 March 2015	**1,346,250**	**1,972,399**	**55,777**	**3,374,426**

At 31 March 2014

	Quoted market price - Restated Level 1 £'000	Using observable inputs - Restated Level 2 £'000	With Significant unobservable inputs Level 3 £'000	Total £'000
Investment Assets				
Fixed Interest				
U.K. Public Sector Bonds	10,959	-	-	10,959
Overseas Government Bonds	205,791	-	-	205,791
UK Corporate Bonds	20,184	-	-	20,184
Overseas Corporate Bonds	142,478	-	-	142,478
Equities (Listed)	-			
U.K.	45,924	-	-	45,924
Overseas	379,345	-	-	379,345
Pooled investments	625,655	1,338,310	-	1,963,965
Pooled property investments	-	263,386	34,028	297,414
Derivative Assets				
Futures - UK Fixed Interest	-	-	-	-
Futures - Overseas Fixed Interest	-	60	-	60
UK Bond Forwards	-	-	-	-
Overseas Bond Forwards	-	24	-	24
Options	-	-		-
Forward Currency Contracts	-	1,356	-	1,356
Cash Deposits				
Foreign Currency	-	6,363	-	6,363
Short Term Deposits	-	5,750	-	5,750
Cash Equivalents	-	29,221	-	29,221
Cash & Bank Deposits	30,907	-	-	30,907
Investment income due	8,615	-	-	8,615
Amounts receivable for sales	3,771	-	-	3,771
Investment Liabilities				-
Derivatives				
Futures - UK Fixed Interest	-	-	-	-
Futures - Overseas Fixed Interest	-	(78)	-	(78)
UK Bond Forwards	-	-	-	-
Overseas Bond Forwards	-	(5)	-	(5)
Forward Currency Contracts	-	(2,057)	-	(2,057)
Amounts payable for purchases	(22,257)	-	-	(22,257)
Assets and Liabilities		-	-	-
Non current Assets	9,590	-	-	9,590
Non current Liabilities	(10,528)	-	-	(10,528)
Current Assets	18,219	-	-	18,219
Current Liabilities	(5,118)	-	-	(5,118)
Net Assets of the Fund at 31 March 2014	**1,463,535**	**1,642,330**	**34,028**	**3,139,893**

During the year ended 31 March 2015 there were no transfers between levels 1, 2 or 3 of the fair value hierarchy.

27. Funding Arrangements

In line with the Local Government Pension Scheme (Administration) Regulations 2013, the fund's actuary undertakes a funding valuation every three years for the purpose of setting employer contribution rates for the forthcoming triennial period. The last such valuation took place as at 31 March 2013. The next valuation will take place as at 31 March 2016.

The key elements of the funding policy are:

- to ensure the long-term solvency of the fund, ie that sufficient funds are available to meet all pension liabilities as they fall due for payment
- to ensure that employer contribution rates are as stable as possible
- to minimise the long-term cost of the scheme by recognising the link between assets and liabilities and adopting an investment strategy that balances risk and return
- to reflect the different characteristics of employing bodies in determining contribution rates where the administering authority considers it reasonable to do so
- to use reasonable measures to reduce the risk to other employers and ultimately to the council tax payer from an employer defaulting on its pension obligations.

The aim is to achieve 100% solvency over a period of 25 years and to provide stability in employer contribution rates by spreading any increases in rates over a short period of time, normally three years.

Solvency is achieved when the funds held, plus future expected investment returns and future contributions, are sufficient to meet expected future pension benefits payable.

At the 2013 actuarial valuation, the fund was assessed as 83% funded (81% at the March 2010 valuation). This corresponded to a deficit of £603 millions (2010 valuation: £530 millions) at that time.

The common contribution rate (ie the rate which all employers in the fund pay) over the three year period ending 31 March 2015 is 18.8% of payroll.

Individual employers' rates will vary from the common contribution rate depending on the demographic and actuarial factors particular to each employer. Full details of the contribution rates payable can be found in the 2013 actuarial valuation report (http://www.peninsulapensions.org.uk/wp-content/uploads/2013/10/Devon-Valuation-Report-31-March-2013.pdf) and the funding strategy statement (http://www.peninsulapensions.org.uk/wp-content/uploads/2013/08/devon-funding-strategy-statement.pdf).

The valuation of the fund has been undertaken using the projected unit method under which the salary increase for each member is assumed to increase until they leave active service by death, retirement or withdrawal from service. The principal assumptions were:

Financial Assumptions

Assumptions	**Rate**
Investment return (discount rate)	6.1%
Price inflation	3.5%
Salary increases	4.5%
Pension increases in line with CPI – Assumed to be 0.5% less than RPI	2.7%

Mortality assumptions

Mortality assumptions at age 65	**Male**	**Female**
Current pensioners	22.7 years	26.0 years
Future pensioners (assumed current age 45)	24.9 years	28.3 years

Historic mortality assumptions

Life expectancy for the year ended 31 March 2013 are based on S1PA tables with a multiplier of 100% for males and 90% for females. The allowances for future life expectancy are based on the 2012 CMI Model with a long term rate of improvement of 1.5% per annum.

Commutation assumption

It is assumed that at retirement 50% of members will opt to increase their lump sum to the maximum allowed.

Statistical Summary

Financial Summary

	2010/11 £'000	2011/12 £'000	2012/13 £'000	2013/14 £'000	2014/15 £'000
Contributions and Benefits					
Contributions	(150,329)	(152,657)	(146,603)	(149,016)	(150,902)
Transfers in from other pension funds	(11,375)	(9,868)	(8,647)	(7,446)	(5,686)
	(161,704)	(162,525)	(155,250)	(156,462)	(156,588)
Benefits Paid	124,947	143,382	145,497	150,435	158,336
Payments to and on account of leavers	21,676	5,933	5,636	6,251	68,742
	146,623	149,315	151,133	156,686	227,078
Net (Additions) Withdrawals from Dealings with Fund members	**(15,081)**	**(13,210)**	**(4,117)**	**224**	**70,490**
Management Expenses	**4,910**	**4,878**	**8,579**	**10,074**	**12,481**
Returns on Investments					
Investment Income	(41,161)	(47,438)	(41,840)	(39,625)	(36,629)
(Increase)/decrease in Market Value of Investments during the Year	(152,254)	(21,062)	(285,575)	(103,882)	(280,875)
Net Returns on Investments	**(193,415)**	**(68,500)**	**(327,415)**	**(143,507)**	**(317,504)**
Net Assets of the Fund at 31 March	**(2,606,899)**	**(2,683,731)**	**(3,006,684)**	**(3,139,893)**	**(3,374,426)**

Members Summary

Membership Summary

	2010/11 No.	2011/12 No.	2012/13 No.	2013/14 No.	2014/15 No.
Devon County Council					
Contributors	14,157	12,527	11,747	13,033	13,849
Pensioners and Dependants	10,937	11,408	11,824	12,175	12,649
Deferred Pensioners*	13,262	12,001	12,622	14,163	15,648
	38,356	**35,936**	**36,193**	**39,371**	**42,146**
Other Employers					
Contributors	23,160	22,760	23,653	24,196	25,620
Pensioners and Dependants	13,609	14,446	15,225	15,951	16,315
Deferred Pensioners*	13,544	17,247	18,392	20,200	21,994
	50,313	**54,453**	**57,270**	**60,347**	**63,929**

* Deferred pensioners include frozen memberships pending refunds and those undecided pending resolution

Employing Bodies

	Active £'000	Ceased £'000	Total £'000
Scheduled body	141	12	153
Admitted body	52	23	75
Total	**193**	**35**	**228**

There are currently 193 employers who have active members in the Fund.

Administering Authority
Devon County Council

Scheduled Bodies
All Saints Babbacombe
All Saints Cofe Academy
Ashburton Town Council
Barnstaple Town Council
Barton Hill Academy
Bickleigh Academy
Bicton College
Bideford Town Council
Bishopsteignton Parish Council
Bovey Tracey Town Council
Bradworthy Primary Academy
Braunton Parish Council
Braunton School
Brixham Academy
Brixham Town Council
Broadclyst Primary Academy
Buckland Monachorum Parish Council
Central Employees
Chudleigh Town Council
Chumleigh Academy Trust
Churston Academy
City College Plymouth
Clyst Vale Academy
Cockington Primary
Colyton Grammar School Academy
Combe Martin Parish Council
Combe Pafford Academy
Coombe Dean School
Crediton Town Council
Cullompton Town Council
Curledge Street Academy
Dartmoor National Park
Dartmouth Academy
Dartmouth Town Council
Dawlish Town Council
Devon & Cornwall Police
Devon & Cornwall Probation Trust
Devon & Severn IFCA
Devon & Somerset Fire and Rescue Service
Devon Studio School
Devonport Boys Academy
Devonport High School for Girls
East Devon District Council
Eden Park Academy
Eggbuckland Community College Academy Trus
Elburton Primary Academy
Ellacombe School
Exeter City Council
Exeter College
Exeter Mathematics School
Exmouth CC
Exmouth Town Council
First Federation
Fremington Parish Council
Great Torrington Academy
Great Torrington Town Council
Hayes School
Hele's Academy
Holsworthy Community College
Home Care Support
Honiton CC Academy
Honiton Town Council
Hooe Primary Academy Trust
Ilfracombe Town Council
Ilsham primary School
Isca College of Media Arts
Ivybridge Academy Trust
Ivybridge Town Council
Kings Ash Primary School
Kingsbridge Academy
Kingsbridge Town Council
Kingsteignton Town Council
Lipson Academy
Littletown Academy
Lynton & Lynmouth Town Council
Marine Academy Plymouth
Mayflower Academy
Mid Devon District Council
Newport Academy
Newton Abbot Academy Trust
Newton Abbot Town Council
North Devon Council
North Devon Crematorium Committee
Office of the Police & Crime Commissoner
Okehampton Town Council
Old Priory Junior Academy
Oreston Community Academy
Paignton College & Sports Academy
PETROC
Pilton Academy
Pilton Bluecoat Primary School
Plymouth CAST
Plymouth City Council
Plymouth Citybus
Plymouth College of Art
Plymouth School of Creative Arts
Plymouth University
Plymouth UTC Ltd
Plymstock School
Primaries Academies Trust
Prospects Academies Trust
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
Sparkwell Primary Academy
St Margarets Academy
St.Boniface R.C. Boys College
St Christopher's Secondary
St George's Cofe Primary Academy
St Marychurch
St Michaels Cofe Primary School
Steiner Academy Exeter
Stockland Academy
Stoke Damerel Academy
Stowford School
Tavistock Town Council
Tedburn St Mary Parish Council
Teignbridge District Council
Teignmouth 3-11 & 11-19
Templar Academy Schools Trust
The King's School
Torbay Council
Torbay Economic Development Company
Tor Bridge Academy Trust
Torquay Boys Trust
Torquay Girls Academy
Torre Academy
Torridge District Council
Totnes Town Council
Uffculme Academy Trust
Ugborough Parish Council
West Devon Borough Council
Widewell Primary Academy
Woodbury Parish Council

Admitted Bodies
Access Plymouth
Action for Children
Amey Services Ltd
Aspens Services Ltd
Babcock
Barnardo's
Bournemouth Churches Housing Association
Call 24 Hour Ltd
Carillion JM Ltd
Churchill Services
Churchill Services - Ellen Tinkham School
Cormac Solutions Ltd
Dame Hannah Rogers School
Devon Norse Catering
Devon Norse Cleaning
Devon Norse FM
English Riviera Tourism Company
Exeter Community Initiatives
Exeter Council for Voluntary Services
Exeter Royal Academy for Deaf Education
Healthwatch
Initial Catering Services Plymouth
Initial Catering Services Torbay
Innovate Ltd
Interserve Project Services Ltd
Leisure East Devon Ltd
Mama Bear's Day Nursery Ltd
Millfields Trust
North Devon Homes Ltd
Open College Network South West Region
Peninsula Dental Social Enterprise
Pluss
Plymouth Citizen's Advice Bureau
Plymouth Community Homes
Quadron Services Ltd
SLM Ltd
Tarka Housing Ltd
Teign Housing
The Children's Society
The Human Support Group
Tone Leisure (South Hams Ltd)
Tor 2 Ltd Asset Management
Tor 2 Ltd Streetscene
Tor 2 Ltd Waste & Recycling
Tor Homes
Torbay Coast & Countryside Trust
Torquay Museum Trust
UCSPL
Valuation Tribunal Service
Virgin Care Ltd
West Devon Homes Ltd
Wolseley Development Trust

Statement of the Actuary for the year ended 31 March 2015

Introduction

The last full triennial valuation of the Devon County Council Pension Fund was carried as at 31 March 2013 in accordance with the Funding Strategy Statement of the Fund. The results were published in the triennial valuation report dated March 2014.

2013 Valuation Results

The 2013 valuation certified a common contribution rate of 18.8% of pensionable pay to be paid by each employing body participating in the Devon County Council Pension Fund. In addition to this, each employing body has to pay an individual adjustment to reflect its own particular circumstances and funding position within the Fund. Details of each employer's contribution rate are contained in the Rates and Adjustment Certificate in the triennial valuation report.

Contribution Rates

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

- The annual accrual of benefits allowing for future pay increases and increases to pensions in payment when these fall due;
- plus an amount to reflect each participating employer's notional share of the Fund's assets compared with 100% of their liabilities in the Fund, in respect of service to the valuation date.

Asset Value and Funding Level

The smoothed market value of the Fund's assets as at 31 March 2013 for valuation purposes was £2,985m which represented 83% of the Fund's accrued liabilities at that date, allowing for future increases in pay and pensions in payment.

At 31 March 2015, the smoothed assets had increased to an estimated £3,364m and the corresponding deficit was £651m. Therefore the estimated updated funding position at 31 March 2015 was 84% which is a slight improvement on the position at 31 March 2013.

Assumptions

Assumption	31 March 2013	31 March 2015
Discount rate	6.1% p.a.	5.5% p.a.
Pension increases	2.7% p.a.	2.5% p.a.
Salary increases	2.7% p.a. until 31 March 2015 and 4.5% p.a. thereafter	4.3% p.a.
Mortality	S1PA tables with a multiplier of 100% for males and 90% for females, with projected improvements in line with the 2012 CMI model allowing for a long term rate of improvement of 1.5% p.a.	
Retirement	Each member retires at a single age, weighted based on when each part of their pension is payable unreduced.	
Commutation	Members will convert 50% of the maximum possible amount of pension into cash.	

Updated position since the 2013 Valuation

Since March 2013, investment returns have been higher than assumed at the 2013 triennial valuation. The liabilities will have increased slightly due to the accrual of new benefits and due to the decrease in the real discount rate underlying the valuation funding model. Overall, we expect that the funding level should be slightly improved compare to the results at 31 March 2013.

The next actuarial valuation is due as at 31 March 2016 and the resulting contribution rates required by the employers will take effect from 1 April 2017. We will continue to monitor the financial position of the Fund on a regular basis.

Melanie Stephenson FIA

Actuary, Barnett Waddingham LLP

20 May 2015

Glossary

Actuarial Terms

Actuary

An independent consultant who advises on the financial position of the fund. Every three years the actuary reviews the assets and liabilities of the fund and reports to the County Council on the financial position and the recommended employers' contribution rates. This is known as the Actuarial Valuation.

BoE spot inflation curve

A fixed-interest gilt and an otherwise identical index-linked gilt of the same time to maturity will have a different price or yield. This difference in yields indicates the market's expectation of future inflation, or spot inflation, for that particular term. The Bank of England produces an inflation curve which is essentially a best fit of the difference in fixed interest gilts and index linked gilts for terms to maturity of up to 25 years

Deferred Pension

The pension benefit payable from normal retirement age to a member of the fund who has ceased to contribute as a result of leaving employment or opting out of the pension scheme before state retirement age.

Merrill Lynch AA rated corporate bond curve

Corporate bonds are given a credit rating by a credit rating agency which indicates the creditworthiness of the company that has issued the bond. Merrill Lynch produces a yield curve which shows the relationship between the yields on bonds with AA credit ratings against the time to maturity of these bonds.

Non-Vested obligations

If active members remain active rather than become deferred then their liabilities will be higher due to assumed salary increases until retirement. These additional liabilities make up the non-vested obligation.

Promotional scale

This takes into consideration the possibility of promotion during the course of an employees working life.

Retirement age assumption

Active members will retire one year later than they are first able to do so without reduction – One year after minimum retirement age

Solvency Test

An actuarial calculation to determine whether the assets of an occupational pension scheme are sufficient to meet its benefit obligations.

S1PA tables

The S1PA tables are published by the Actuarial Profession's Continuous Mortality Investigation ("CMI"). These tables are based on studies of mortality for members of large self-administered pension schemes over the period 2000 to 2006.

Vested obligations

Vested obligations are liabilities in respect of deferred and pensioner members. It also includes part of the liability for active members. This part is calculated by assuming that active members become deferred immediately and as such does not take into account future salary increases.

Derivatives

Financial contracts whose value is tied to an underlying asset. Derivatives include futures, options and swaps.

Emerging Markets

Stock Markets in developing countries (as defined by the World Bank).

Equities

Ordinary shares in UK and overseas companies traded on a recognised stock exchange. Shareholders have an interest in the profits of the company and are normally entitled to vote at shareholders' meetings.

Fixed Interest Securities

Investments, mainly in government stocks, which guarantee a fixed rate of interest. The securities represent loans which are repayable at a stated future date but which can be traded on a recognised Stock Exchange in the meantime.

Index Future

An obligation to make or take delivery of a specified quantity of an underlying Stock/Index at a particular time in the future, at a price agreed when the contract is taken out.

Index (Stock Market)

The movements in a Stock Market are monitored continuously by means of an Index made up of the current prices of a representative sample of stocks.

Indexation

Also known as Index Matching or Index Tracking. Indexation is a statistical technique used to construct a portfolio of shares that will consistently move in line with a particular Index.

Managed Fund

A multi-asset pooled fund under which an insurance company offers participation in one or more pooled funds.

Market Value

The price at which an investment can be sold at a given date.

Performance Services

WM Performance services are an independent company used to measure the investment performance of the Fund. They also measure 84 Local Authority sector funds calculating, every quarter, the average returns for the median of all the funds and constituent funds (the weighted average).

Pooled Funds

A fund managed by an external Fund Manager in which a number of investors buy units. The total fund is then invested in a particular market or region.

Portfolio

A collective term for all the investments held in a fund, market or sector.

Property Unit Trust

A pooled investment vehicle that enables investors to hold a stake in a diversified portfolio of properties.

Return

The total gain from holding an investment over a given period, including income and increase (decrease) in market value.

Transfers to/from Other Schemes

These are sums paid to or received from other pension schemes and relate to the current value of past contributions which transfer with a member when changing employment.

Unrealised Increase/(Decrease) in Market Value

The increase/ (decrease) in market value, since the previous year, of those investments still held at the year end.

Unit Trust

A Pooled Fund in which investors hold units, and where the fund offers new units and is prepared to redeem existing units from holders on a regular basis.

Annual Governance Statement 2014/15

Scope of Responsibility

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

In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs so as to facilitate the effective exercise of its functions and manage risk.

The County Council has approved and adopted a code of corporate governance which is consistent with the principles of the CIPFA/SOLACE Framework Delivering Good Governance in Local Government.

A copy of these codes can be obtained from the County Treasurer. This statement explains how the Council has complied with the code and also meets the requirements of the Accounts and Audit Regulations 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.

The governance framework has been in place at the Council for the year ended 31 March 2015 and up to the date of approval of the Statement of Accounts.

Satisfactory controls to support statements made in this Annual Governance Statement are essential and in endorsing it the Council's officers confirm that input to systems and processing of transactions is complete for the financial year ended 31 March 2015 and that there were no material or significant delays or backlogs of either input or processes that would result in financial or other records being incomplete.

The Council's financial management arrangements also conform with the CIPFA/Solace guidance on the role of the Chief Financial Officer in Local Government (2010), enabling the County Treasurer to operate in line with the 5 principles set out in the 'Application Note Delivering Good Governance in Local Government: A Framework' to operate effectively and perform her core duties demonstrating commitment to good practice in governance and financial management.

The Governance Framework – The Council's Constitution

The Constitution is fundamental to the working of the County Council, transcending the six core principles of corporate governance in the CIPFA/SOLACE Framework which form the basis of the response set out in the attached schedule.

The Constitution is the Council's Code of Corporate Governance. Framed in accordance with statute and Government guidance and evolved in the light of experience and subsequent legislation, it sets out how the Council operates, how decisions are made and the procedures which are followed to ensure that these are efficient, transparent and accountable to local people.

The Constitution is the guarantor of the continuing openness, accountability and integrity of the Council's decision-making processes and sets a series of exacting standards against which the Council's actions can be judged and, if necessary, challenged.

The Constitution is at the heart of the Council's business:

- it allocates power and responsibility within the Council and between it and partner organisations;
- it delegates authority for specific issues to act to the Leader, Committees, Cabinet Members and officers;
- it enables the people of Devon to ask questions at certain meetings and to have them answered or submit petitions;
- it sets down the procedures by which the people of Devon may give their views on the key decisions which the Council's Cabinet is to take;
- it regulates the behaviour of individuals and groups through codes of conduct, protocols and standing orders.

The Constitution comprises 16 Articles setting out the basic rules governing all aspects of the working of the Council (Part 2) and is then divided up into:

- the elements which define the Council's internal organisation, standing orders, financial regulations, schemes of delegation and terms of reference, procedures covering Cabinet and Scrutiny, Risk Management and Codes of Conduct (Parts 3–9);
- working practices which supplement these formal rules (Part 10);
- documents which focus on the Council's external operation through service delivery, community engagement and partnership working (Part 11).

In formulating its Constitution in 2002, the Council adhered closely throughout to the framework presented in Government's Modular Constitutions for English Local Authorities, enabling it to produce a constitution which was logical, integrated and accessible to members, officers, citizens and others interested in the way a local authority makes decisions and governs itself and its area. Then and subsequently, wherever legislation permitted local choice, the Council has framed its Constitution to take advantage of the most open and inclusive of the available options.

The Constitution is designed to meet all the necessary statutory requirements for instruments of governance and to include matters traditionally covered by local authority standing orders, financial regulations, schemes of delegation and terms of reference. It also contains the elements necessary to describe the Council's executive arrangements in a single, coherent document which can be used as a comprehensive point of reference by individuals and organisations inside and outside the Council. All the familiar elements can be found in the Constitution and the Council has sought to use the model format to create a genuinely accessible, meaningful instrument of governance.

The Council is committed to involving the community in setting its priorities, enabling citizens to raise matters with and convey their concerns to the Council and to considering the needs of all groups in the community and promoting democratic understanding and participation. The Council's Constitution provides that framework.

Review of Effectiveness

The County Council's Constitution has been in force since 2002 and is regularly reviewed having been substantially amended in 2012/13 reflecting the requirements of the Localism Act and revised Standards arrangements. Minor changes were made in 2014/15 to reflect new regulations affecting, inter alia, the issuing of summonses at Council meetings electronically, dismissal of statutory chief officers and recording of officer decisions and also to the Council's public participation scheme

The Constitution is published on the County Council's website at http://www.devon.gov.uk/constitution.htm and is also available for Inspection at the Council's offices.

The County Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including systems of internal control. This review of effectiveness is informed by the work of managers within the authority who have a responsibility for the development and maintenance of the governance environment, the Head of Internal Audit's annual report, and also by comments made by the external auditors and other review agencies and inspectorates.

Details of processes applied in maintaining and reviewing the effectiveness of the governance framework are summarised below.

The Constitution

The roles and responsibilities of the Council, its Cabinet and non-Cabinet Members are set out more fully in Articles 6 and 7 of the Constitution and in Part 3 (Responsibility for Functions). These have been regularly reviewed and revised since the County Council elections in 2009 and are themselves balanced by the Codes of Personal Conduct set out at Part 6 of the Constitution.

The Council currently comprises 62 councillors[1], 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 Act 2011 for its governance framework, including the new power of

1 The Local Government Boundary Commission is currently reviewing the County Council's electoral boundaries upon which recommendations are expected to be published in May 2015. The Council's views on the review may be seen at:

https://new.devon.gov.uk/democracy/elections-and-voting/electoral-review-of-devon-county-council/

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.

The Scrutiny Function

Scrutiny Committees support the work of the Cabinet and the Council as a whole. They look at the effectiveness of the Council's own policies and inquire into matters of local concern. These investigations lead to reports and recommendations which advise the Cabinet and the Council on its policies, budget and service provision. Scrutiny Committees also monitor the Cabinet's decisions. They may "call in" a decision which has been made by the Cabinet but not implemented. This enables them to consider whether the decision is appropriate and they may recommend that the Cabinet reconsiders it. They may also be consulted by the Cabinet or the Council on forthcoming decisions and the development of policy. An Annual Scrutiny Report is also prepared for and considered by the County Council.

The Health & Wellbeing Scrutiny Committee also monitors the function and activity of the Devon Health & Wellbeing Board and its statutory responsibility for the Joint Health and Wellbeing Strategy, the Joint Strategic Needs Assessment and the Pharmaceutical Needs Assessment.

Scrutiny Committees aim to operate in a non-partisan way which it is believed has served both the electorate and the Council well in line with the Constitution and the Council's protocol governing relationships between the Cabinet and Scrutiny Committees. Members of the Council may place items on the agenda of any Scrutiny Committee, a right which has always effectively existed in the Constitution since it was first adopted in 2002, reflecting the requirements of the Local Government & Public Involvement in Health Act and its definition of 'any local government matter'.

It is widely acknowledged that, in order to be effective, call-ins must be used only in exceptional circumstances, sparingly and appropriately. In the year in question there were only two instances as summarised below and while these may not have resulted in any significant changes to decisions they reinforce the independence and value of scrutiny in applying an 'external' view on decisions.

During 2014/15 there were two instances of decisions of the Cabinet or Cabinet Member being 'called-in' as indicated in the Scrutiny Annual Report (https://new.devon.gov.uk/democracy/committee-meetings/scrutiny-committees/scrutiny-annual-reports/) which contains in more detail the work of scrutiny at the County Council in 2014/15.

In responding to the LGA Peer Group Review, referred to elsewhere in this report, the People's Scrutiny Committee looked afresh at its ways of working to ensure sufficient focus is routinely placed on safeguarding issues, while acknowledging that the Peer Group reviews were looking primarily at children's safeguarding. Members welcomed the acknowledgement that scrutiny was recognised as being effective, with Members regularly demonstrating their willingness to challenge and act as a critical friend, although it needed to demonstrate its impact even more and continue to identify trends and themes and ask even more awkward questions.

It is pertinent to note that the Safeguarding Children Task Group (People's Scrutiny) undertook a review into Child Sexual Exploitation following the publication of the Alexis Jay report on failings in Rotherham. The Task Group sought to understand the scale of the issue in Devon and the work of the County Council and partners to combat the threat. It published an interim report on 8 January 2015, where members identified the need for the County Council to take the lead in developing a smarter approach to intelligence gathering and data mapping on child sexual exploitation as a matter of great urgency. People's Scrutiny continues to review this major cultural and societal issue. The People's Scrutiny Committee also undertook a significant piece of work relating to pupil performance referred to more fully later in this report but which identified a number of key issues to be addressed.

The Cabinet and Corporate Leadership Team remain appreciative of the work undertaken by the Scrutiny Committees and acknowledge that it has made a major contribution to the work of the Council, especially in areas where detailed objective research and analysis needed to be done.

More detailed information on the work of the County Council's scrutiny committees may be found in the various scrutiny annual reports available at [http://new.devon.gov.uk/democracy/committee-meetings/scrutiny-committees/scrutiny-annual-reports/.](http://new.devon.gov.uk/democracy/committee-meetings/scrutiny-committees/scrutiny-annual-reports/)

Organisational Performance

The continuing impact of the Government's Comprehensive Spending Review, the Council's financial settlement for 2015/16 and beyond, and the general direction of travel indicated by Government for the reform of the public realm services has influenced the Authority's current and future performance. It is likely that a more flexible organisational structure to respond to those challenges and better equip and position the Council to focus on its future strategic commissioning responsibilities will be required, as Government policy decisions impact on the Council.

As part of the budget setting process for 2015/16, Scrutiny Committees highlighted the need for a fairer financial settlement for Devon and expressed concern that the ability of the Council to plan for the future was severely restricted as a result of no indication by Government of funding levels for future years. The Council, having already reduced budgets by £100 million over the last six years, has to produce further budget reductions of at least £110 million over the next three years to set balanced budgets due to cuts in Government funding. These cuts will inevitably lead to changes to the way in which services are delivered in the future.

The County Council had previously received an inadequate judgement from Ofsted following an unannounced inspection under section 136 of the Education and Inspections Act 2006 on the overall effectiveness of the arrangements in Devon to protect children. As part of its response to that judgement and subsequent actions the Council invited the LGA to undertake two Corporate Peer Challenges on Devon's child protection arrangements in October 2014 and

February 2015, both of which indicated a positive response to and improvement in the way in which the Council was working. Following these visits, on 25 February 2015 Ofsted undertook a month long unannounced inspection of the County Council's children's services. This included child protection, fostering and adoption, Integrated Children's Services (ICS) and the Devon Safeguarding Children Board (DSCB).2

The Council also agreed to the following changes which will impact on future performance:

a) to consider the establishment of a new independent organisation to deliver a new Devon Library Service;

b) to explore the potential similarly to establish a new Devon Youth Service.

The Council agreed the following measures as part of its continuing commitment to managing waste efficiently and promoting renewable energy:

to support the underlying aim of the Energy Bill Revolution campaign to further improve the energy efficiency of UK homes and so help to reduce the proportion of households affected by fuel poverty;

a) support the Cosy Devon branded ECO Delivery Partnership as a practical approach to addressing fuel poverty issues across Devon;

b) adoption of the Devon Waste Plan.

and also adopted:

c) Devon Flood Risk Management Plan;

d) A revised Strategic Plan for 2014-2020.

The County Council's Adoption Team which had recently been named as the 'Local Authority Adoption Team of the Year' for 2014 by the British Association of Adoption and Fostering (BAAF).

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 2014/15 the Committee inter alia considered,

e) the Local Government Ombudsman Annual Report for 2013/14 and Ombudsman's Annual Review Letter on the outcome of complaints lodged and/or determined during 2013/14; Members welcomed the fact that none of the complaints received had resulted in any finding of maladministration against the County Council or any question of probity raised by a complainant, nor had the Ombudsman raised any significant areas of concern in relation to the handling of cases;

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2 The outcome of the inspection was published in May 2015, and will be included in the 2015/16 AGS.

f) the Local Government Ombudsman's review of complaints about adult social care; members again welcomed the fact that there were no issues raised within this report in terms of the Council's performance;

g) the outcomes of the second ethical governance audit and self-assessment survey of County Councillors and Officers;

h) the second annual feedback report covering both corporate and social care services, relating to compliments, representations and complaints received and handled by the Council in 2013/14;

i) the Standards Committee Annual Report for 2014/15 may be found at:

https://new.devon.gov.uk/democracy/councillor/committee/standards/

The Audit Committee / Devon Audit Partnership

The Devon Audit Partnership was established by the Council in conjunction with Plymouth City and Torbay Councils in 2009 to provide shared internal audit services (as a means of improving services through joint working and maximising efficiencies and economies of scale) reporting to the new Devon Audit Partnership. The Devon Audit Partnership currently undertakes audit work for a number of District Councils, Devon and Somerset Fire and Rescue Service, Devon and Cornwall Police, the University of Plymouth and many other public authorities and planned to continue expanding on their work with external partners. The Partnership and democratic arrangements are working well and will continue to be reviewed.

The 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 External Auditor 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.

In the 2013/14 Annual Audit letter of the Council's external auditors, it was confirmed that there was an unqualified opinion on the Council's 2013/14 financial statements, an unqualified opinion on the Pension Fund financial statements and a qualified value for money conclusion 2013/14 due to, in the external auditors view, to insufficient progress having been made in addressing the issues raised by Ofsted in 2013 relating to children's services.

The external auditors reported that the Council is addressing the major financial challenge of significantly reduced financial resources which will require changes to many services over the next few years. Plans are developed for the financial year 2015/16 and beyond, but there remain some significant areas of review to identify budget reductions. Transformation of the way that key services are being provided is underway but will take time to deliver the necessary change. There remain risks to the Council's future financial position until these transformational projects are delivered and the savings are realised.

The Investment and Pension Fund Committee

Accounting arrangements require separate accounts to be prepared for the County Council and the Devon Pension Fund. Recognising the need for clear governance arrangements for managing these Accounts the Council's Investment & Pension Fund Committee undertakes the role of reviewing and approving the Pension Fund Annual Report, which incorporates the Statement of Accounts. The Devon County Council Audit Committee undertakes the role to review and approve the accounts of the Devon Pension Fund to ensure appropriate accounting policies were introduced in the same way as it is responsible for monitoring and approving the Council's main accounts.

Engagement and Participation

The County Council has always prided itself on the work it does, over and above statutory consultations, to encourage individuals from all sections of the community to engage with, contribute to and participate in the work of the Council. Examples of this are the Council's Communications Strategy, the Devon Voice (Residents Panel), Parent Carers Voice, and the Tough Choices events held by the Leader of the Council across the County as part of a wider exercise by the County Council to consult and involve local people in determining the Council's priorities.

Education

The County Council is committed to improving the life-chances of all Devon's children and young people, especially the most vulnerable. Local authorities have a democratic mandate to champion the interests of their local communities and ensure that services work effectively for children, young people and families, regardless of whether they attended local authority-maintained schools and settings or others, such as academies, free schools and independent specialist settings. The County Council acts as Corporate Parent for all children in care and therefore has a particular interest in the progress and attainment and hence achievement of all looked-after children.

The County Council's ambition is that no Devon child, regardless of their circumstances, is allowed to underachieve or their progress fall behind. For this reason, the County Council is committed to on-going commissioning of robust challenge and effective support for schools. Devon schools must enable vulnerable children and young people to achieve better by securing and sustaining improved standards of achievement for all children at all levels of ability and maximising outcomes at Key Stages 4 and 5. As well as developing a broader range of strategies to expand schools' universal offer especially for the most vulnerable and challenged children.

The County Council robustly challenges any underperformance and statutory non-compliance with an emphasis on vulnerable groups. An Academies Protocol is used to open a dialogue about underperformance in relation to state-funded independent schools such as academies and free schools. The protocol sets out the responsibilities for both Academy Schools and the County Council so that both parties share the same understanding of their respective roles in enabling the children and young people attending Devon schools achieve their potential. There is also an increased focus in monitoring children placed in independent specialist provision to ensure sharper accountability of these settings for the achievement of children.

As mentioned above, the People's Scrutiny Committee undertook a major piece of work on pupil performance and made a number of recommendations which were subsequently endorsed and actioned by Cabinet aimed to improve the academic achievement of vulnerable children in Devon and in particular the under-performance of children in care. These included:

- work to restructure the Virtual School;
- strengthening the role of the corporate parent in terms of monitoring the educational progress and fostering arrangements of Children in Care;
- that good practice in the effective use of pupil premium is shared across schools and key practitioners;

- placement stability for Children in Care being given an even higher priority and every effort being made to reduce the number of changes a young person has of foster carer, social worker and school;
- further work and reporting is undertaken to ensure that vulnerable children are not disadvantaged through school absence, part-time schooling and children being outside of mainstream schooling.

More information on the County Council's role and support to schools may be found at:

http://www.devon.gov.uk/learningschools

Significant Governance Issues

One of the biggest issues addressed by the Council in 2014/15 was perhaps the setting of the budget for 2015/16 and in making sure that appropriate steps were taken and measures put in place to ensure that services delivered or commissioned by the County Council remained accountable and properly managed.

The impact of the next Government's spending plan on future financial settlements will also be a key issue for the Council to address in 2016/17 and beyond. Moreover and in addressing the findings of the 2015 Ofsted inspection, the Council will need to focus on its future strategic responsibilities.

Additionally and in the move towards a commissioning authority, scrutiny needs to continue to exercise influence through asking questions about delivery mechanisms, quality, monitoring, safety and responsiveness as an appreciative inquiry where problems are analysed and understood as a precursor to improvement and change rather than punitive action.

Other significant issues which have and will continue to impact on the Council are:

j) The challenge of extending superfast broadband across Devon as part of the Devon and Somerset Partnership (Cabinet Minute 222*);

k) The operation of the new Devon Pension Board which had to be established by 1 April 2015 to oversee the activities of the Council's Investment & Pensions Committee.

The County Council continues to adopt a very prudent approach to its treasury management practices. The Council's strategy is soundly based on the principle that when balancing risk and return the security and liquidity of an investment is given a higher priority than the yield.

Throughout the year, the Council has been active in managing investment and interest rate risk. Active treasury management and the maintenance of levels of liquidity aim to avoid the need for short term borrowing. However, a temporary shortfall in available cash meant that short-term borrowing was required for a brief period during mid-October (a sum of £15m was borrowed for a period of 30 days, but was not required for the whole period and the surplus funds were invested at a higher rate resulting in a small net gain to the authority). No long term borrowing was undertaken during the financial year with any borrowing required to finance capital expenditure being met from internal cash balances.

The Council also regularly reviews and updates its Investment Strategy and its Treasury Management Policy and Practices to ensure that they reflect best practice guidance as issued by the Chartered Institute of Public Finance and Accountancy (CIPFA). In line with that guidance, the policies were first scrutinised - as indicated above - by the Council's Policy & Resources Scrutiny prior to consideration by the Council's Cabinet.

The Treasury Management Stewardship Annual Report for 2014/15 had not identified any significant issues to highlight, confirming that there had been: no long term borrowing requirements at that stage; that investment income targets would be achieved and all lending had been carried out in accordance with the Council's Treasury Management Strategy.

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 2015/16 and beyond – a degree of uncertainty remains over the impact upon the Council's governance framework of the Government's intentions for and direction of travel of public realm services post general election 2015. The CSR published in October 2010 outlined real terms cuts of 28% in local authority expenditure over four years to 2014/15. The Spending Review in June 2013 and the Chancellor's Autumn Statement in December 2013 continue to indicate significant reductions in public expenditure into the medium term.

The Council formally places on record and expresses its appreciation to its entire staff for their continuing commitment to the delivery of high quality services for the people of Devon throughout this period.

Certification

We have been advised on the result of the review of the effectiveness of the governance framework undertaken by the Cabinet, the Standards Committee, the Audit Committee, the Investment & Pension Fund Committee and by Scrutiny Committees and the plans, as summarised above, to address weaknesses and ensure continuous improvement of systems is in place.

We will over the coming year continue to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

Signed…………R C Edgell……………………………………………………………………..

Chairman of the Audit Committee, on behalf of Devon County Council

Signed…………P J Norrey……………………………………………………………………..

Chief Executive, on behalf of Devon County Council

30 June 2015