Statement of Accounts and Annual Governance Statement 2017/2018

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Report of the Treasurer and Chief Executive 4
Statement of Responsibilities for the Statement of Accounts 20
Comprehensive Income and Expenditure Statement 21
Movement in Reserves Statement........ 22
Balance Sheet 23
Cash Flow Statement 24
Notes to the Accounts 25
1. Expenditure and Funding Analysis 25
2. Statement of Accounting Policies 27
3. Accounting Standards that have been issued but have not yet been adopted 44
4. Prior Period Reclassification of Net Service Expenditure 45
5. Critical judgements in applying Accounting Policies 45
6. Assumptions made about the future and other major sources of estimation uncertainty 47
7. Material items of Income and Expenditure 48
8. Events after the Reporting Period 48
9. Adjustments between accounting basis and funding basis under regulations 49
10. General Fund Balance, Schools and Earmarked Reserves........ 51
11. Notes to the Expenditure and Funding Analysis 52
12. Other Operating Expenditure 54
13. Financing and Investment Income and Expenditure 54
14. Taxation and Non Specific Grant Income 54
15. Expenditure and Income Analysed by Nature 55
16. Property Plant and Equipment (PPE) 56
17. Long Term Debtors........ 60
18. Financial Instruments 61
19. Creditors and Debtors 70
20. Provisions (Long Term Liabilities) 71
21. Cash and Cash Equivalents........ 72
22. Assets Held for Sale........ 72
23. Unusable Reserves 73
24. Other Long Term Liabilities........ 76
25. Cash Flow – Adjustments to the deficit on the Provision of Services for non-cash movements 76
26. Cash Flow – Adjustments to the deficit on the Provision of Services for investing and financing activities........ 76
27. Cash Flow - Operating Activities 77
28. Cash Flow - Investing Activities........ 77
29. Cash Flow - Financing Activities........ 77
30. Members’ Allowances........ 77
31. Audit Fees 78
32. Officers' Remuneration........ 79
33. Grant Income 81
34. Capital Expenditure and Capital Financing 84
35. Partnerships and Related Party Transactions........ 85
36. Private Finance Initiative and Similar Contracts........ 91
37. Leases and Contract Hire........ 97
38. Pensions 98
39. Contingent Liabilities 106
Glossary of Terms 108
Pension Fund Statement of Accounts 2017/18........117
Annual Governance Statement 2017/18........170

Report of the Treasurer and Chief Executive

Introduction

Welcome to the 2017/18 financial statements for Devon County Council. The financial statements have been prepared in accordance with the requirements of the Code of Practice on Local Authority Accounting (the Code) which is based on International Financial Reporting Standards (IFRS).

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

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

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

This report constitutes the Authority's "Narrative Statement" as required by Section 8 of the Accounts and Audit Regulations 2015 (the Regulations).

This year the Regulations have brought forward the timetable for the production and audit of the financial statements. Unaudited financial statements have to be published on the website for public inspection no later than 31 May 2018 (30 June 2017) and the audited statement of accounts has to be published by 31 July 2018 (30 September 2017).

Accounting policies

The accounting policies (Note 2, page 27) establish the principles on which the figures in the financial statements are based. This year there have not been any significant changes to the Code.

Summary of Financial statements

The financial statements and their purpose are summarised as follows:

Comprehensive Income and Expenditure Statement (page 21)

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 £75.7 millions in 2017/18 compared with a deficit of £26.9 millions in 2016/17. The net increase in the deficit is mainly due to technical adjustments which can be found in Note 9, pages 49 and 50, which has increased from £31.2 millions to £100.2 millions, a net change of £69.0 millions. The largest individual movement is the increase in asset disposals (mainly academy conversions) of £72.65 millions. The overall Pension deficit has reduced because of changes to actuarial assumptions, mainly the discount rate that is included in Other Comprehensive Income and Expenditure rather than Deficit on the Provision of Services.

Movement in Reserves Statement (page 22)

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 'unusable' 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 line shows the statutory General Fund Balance before any discretionary transfers to and from earmarked reserves undertaken by the Council as shown in Note 10.

The Total Authority Reserves at 31st March 2018 (compared with 31st March 2017) have increased by £77.8 millions with Usable Reserves increasing by £47.5 millions:

- Capital grants unapplied have increased by £21.4 millions
- Earmarked reserves have increased by £24.5 millions (Note 10), of which
    - £10.1 millions increase in non-schools budget carry forwards will be spent in 2018/19
    - £10.9 millions transfer to the Minimum Revenue Provision Risk Reserve as a result of the change to the MRP Policy, approved by Council in February. Future use of this reserve will be considered in 2018/19.
    - £2.4 millions transfer to the Business Rates Risk Management Reserve to help mitigate future business rate risk associated with backdated appeals and other issues.
- Capital Receipts reserve has increased by £1.6 millions

The Revenue and Capital Outturn 2017/18 was presented to Cabinet on 16th May and detailed the budget variances and movements to general balances and earmarked reserves.

Unusable Reserves increased by £30.3 millions (Note 23). The main reason for the movement in Unusable Reserves is the decrease in the pension deficit of £71.2 millions offset by the reduction in the Capital Adjustment Account of £45.3 millions. There are other movements in unusable reserves but these are the two most significant movements.

Balance Sheet (page 23)

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 2018 which means that the Authority's liabilities are £226 millions greater than its assets (£304 millions at 31st March 2017). Although it may appear that this is a concern it is not, as the Pension Liability of £1,101 millions (Note 24, Page 76) 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 Note 38 on page 98.

Cash Flow Statement (page 24)

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.

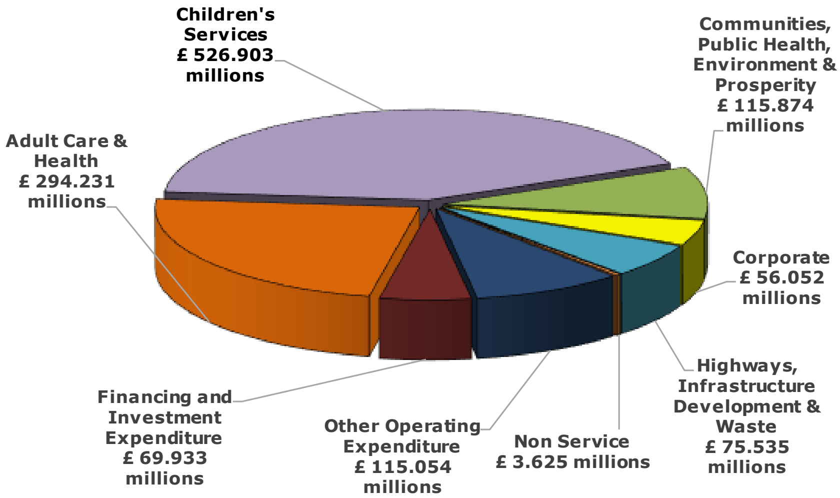
Economic context

Over the period 2011/12 to 2017/18 the Council has had to make savings of just over £230 millions. The authority's core funding from Government for 2017/18 was, compared to 2016/17, reduced by more than £23 millions (15.4%). This level of cut on top of those already experienced was, and continues to be, a significant challenge for the authority.

Financial performance

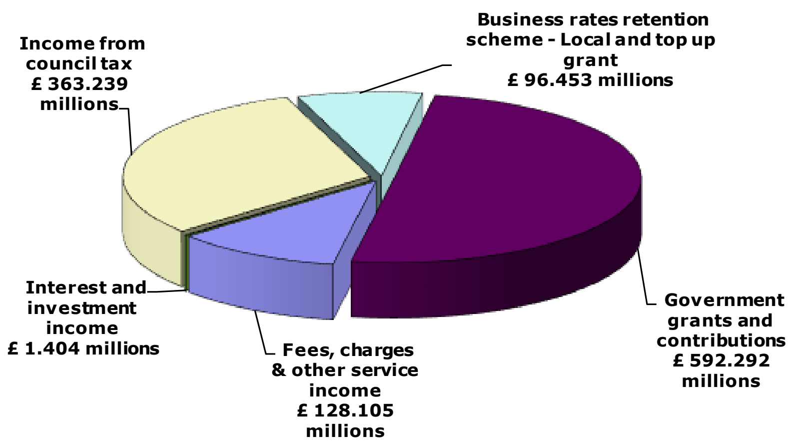
The Code requires that the Comprehensive Income and Expenditure Statement takes the format of how the Authority reports its own financial performance through budget monitoring during the year against the budget that was approved by Council in February 2017. Gross expenditure totalled just over £1,257 millions and Chart 1 highlights spending by type.

Chart 1: Gross Expenditure



Expenditure is funded from a number of sources, some within Devon and some from Central Government. Chart 2, that follows, highlights sources of revenue income for the Authority during the year. Total gross income of just over £1,181 millions was received during the year. Chart 2 shows how this is derived.

Chart 2: Gross Income



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.

Members have received regular budget monitoring reports throughout 2017/18 in which budget pressures and risks have been identified. The most significant of these related to Children's Services. The financial year has now ended and it is pleasing that the final position is a small underspending of £15,000 after transfers to Reserves.

Adult Care and Health

The outturn for Adult Care and Health Services shows an overall net underspend of £7.5 millions after taking into account grants and contributions carry forward and any other carry forward requests.

Adult Care operations and Health is showing an underspend of £6.7 millions. The underspend is the result of care packages for older people being 564 fewer than budgeted for and savings associated with contract negotiations and demand management. Disability Services are overspent with the number of care packages for the year ending 208 above budgeted levels.

Adult Commissioning and Health has underspent by £782,000. Vacancy management, contractual savings and an underspend on adult mental health services have contributed to this position.

Children's Services

The outturn position for Children's Services is a £2.6 millions overspend.

For Children's Social Work and Child protection the overspend is £2.3 millions. The most significant areas of overspend are residential and supported accommodation placements at £5.1 millions and Disabled Children's short-breaks services at £661,000. These overspends have been mitigated to some extent through lower numbers of looked after children than assumed in the budget and vacancy management across the service of £3.5 millions.

For Education and Learning General Fund the final position is an overspend of £260,000. The most significant adverse variance is within Schools Transport. The personalised transport budget has seen increased costs and higher numbers of children with Special Educational Needs requiring personalised transport.

Expenditure in Education and Learning relates to spending on schools which is funded from the Dedicated schools grant. The grant is shown as breakeven, this is following agreement with the Schools forum for the school's surplus balance of £20.92 millions and net High Needs deficit of £1.64 millions to be carried forward into 2018/19.

Communities, Public Health, Environment and Prosperity

The outturn for Communities, Public Health, Environment and Prosperity shows an overall underspend of £1.3 millions after taking into account grants and contributions carry forward and any other carry forward request.

Economy Enterprise and Skills is underspent by £234,000 the result of slippage on major development projects.

Planning, Transportation and Environment is showing an underspend of £821,000. This relates mainly to increased inspection and planning fees and reduced National Travel Scheme journey numbers.

Public Health underspent by £159,000 against the Public Health Grant, this has been added to the Public Health reserve.

Corporate Services

The outturn for Corporate Services shows an overall underspend of £1.1 millions after taking into account grants and contributions carry forward and any other carry forward requests.

Chief Executive, Legal and communications are £145,000 underspent. Higher income within the Registration Service has offset cost increases within Legal and Coroners service.

Digital Transformation and Business Support are showing an underspend of £1.3 millions. Scomis Group contribute £644,000 of the underspend, this is generated by the education sector and other commissioned work, vacancy management and underspends associated with facilities management offset other service pressures.

The County Treasurer is showing an underspend of £344,000 due to vacancy management and a reduction in the cost of unfunded pensions.

Highways, Infrastructure Development and Waste

The outturn position for Highways, Infrastructure Development and Waste is a £2.1 millions underspend.

The underspend relates to the release of the term maintenance contract contingency and mobilisation budget, reduced requirements for business as usual winter maintenance activities, vacancy management, higher than expected income and reductions in waste tonnages. This underspend has been partially offset by overspends within highways relating to increases in safety and emergency related expenditure, increases in street lighting energy costs and public rights of way works.

Other Items

A budget of £1.5 millions was set for the County Council elections; the outturn is an underspend of £249,000. A reduction in the insurance premium and claims resulted in a underspend of £787,000 on the amount needed to be contributed to the Insurance Provision.

After the council's budget for 2017/18 was set, the Government announced in its own budget additional funding for adult social care. The Council's share of this funding, the Improved Better Care Fund grant was £15 millions in 2017/18, of that sum £6.901 millions is unspent and is being carried forward into 2018/19.

Capital Financing costs are £279,000 less than budgeted due to slippage in the Capital Programme. Interest Receivable is £654,000 more than budgeted largely as a result of having a higher level of cash to invest than anticipated. The authority also achieved a higher average return on investments in banks and building societies than budgeted of 0.54% compared with the target of 0.4%.

In February County Council changed the Minimum Revenue Provision Policy for 2017/18 to allow for £10.916 millions of overprovision in earlier years to be placed into an Earmarked Reserve to offset the risk of increased costs in future years due to changes being proposed in a Central Government Consultation. The results of the Consultation are now known and the proposed change that would have seen an annual increased cost of approximately £2 millions to the authority has not been made; the future use of the Earmarked Reserve will be considered in 2018/19.

An infrastructure development budget of £250,000 was carried forward from 2016/17 to 2017/18 and £217,000 will be carried forward to support the remaining projects in 2018/19. £70,000 of the efficiency support budget is carried forward to enable the continuation of Chapter 8 training with Parish Councils.

£1.552 millions of the Dartington School budget will be carried forward to fund the ongoing revenue costs of the Dartington School rebuild.

The snow and storms in March resulted in additional costs of £904,000 and this has been set against the Bellwin Scheme Related Emergencies budget; this sum is below the threshold that would allow a claim to be made from Central Government.

Direct Revenue Support for Capital of £318,000 will be carried forward to 2018/19 in relation to flood relief schemes. The Outturn has contributed £1.060 millions to the Capital Programme, this is made up of £450,000 share capital in Exeter Science Park Limited, £186,000 commitment to the Libraries ICT project and £424,000 towards the A361 North Devon Link Road project.

Due to the net underspend on services and other budgets £12 millions has been added to the Budget Management Reserve to offset funding shortfalls in future years.

£1.370 millions is estimated to be received in relation to business rates pooling gain as well as a further £1.060 millions of additional Government grants to compensate the Council for lost income because of Government changes to business rates. As in previous years this has been set-aside in the earmarked reserve to help mitigate future business rate risk associated with backdated appeals and other losses

Better Care Fund

The Better Care Fund (BCF) for 2017/18 totals £77.828 millions and is reporting an underspend of £8.863 millions (11.4%); £6.828 millions grant, £1.962 millions revenue and £73,000 capital. This total will be carried forward in full by the Council to 2018/19, to continue with 2017/18 spending plans within the terms of the BCF framework agreement. The revenue underspending of £1.962 millions is mainly attributable to reduced spending within Adult Carers and Care Act services of £1.511 millions.

Based on the agreed risk share arrangement the distribution of the surplus means that the Council will receive £3.589 millions of the total carried forward sum in the 2018-19 financial year for BCF purposes. Further information on the Better Care Fund, is provided in Note 35, page 88.

General Balances

The working balance at 31st March 2017 was £14.679 millions. The review of the financial risk assessment prepared when the 2017/18 Budget was considered indicates that the Council should hold a working balance of about £14 millions. The outturn has enabled £15,000 to be added to the working balance.

Earmarked Reserves

At the beginning of the financial year, earmarked reserves (excluding schools and non-schools carry forwards) stood at £71.388 millions. During the year earmarked reserves have increased by a net £14.601 millions to £85.989 millions. Within this overall increase, the Transformation Reserve has increased by £304,000 which is the net effect of the planned contribution to the reserve of £2.0 millions and in year costs The Budget Management Reserve has increased by £400,000 as a result of the net effect of the planned transfer from the reserve of £11.6 millions and the transfer to the reserve of £12 millions set out earlier in Other Items.

Details of earmarked reserves are contained in Note 10 on page 51.

Capital Spending

The final capital programme for 2017/18 was £166.753 millions and actual capital expenditure was £126.206 millions. The table below summarises 2017/18 expenditure and approvals.

Capital Expenditure	Budget	Actual Spend	Variation
	£000	£000	£000
Adult Care and Health	10,386	7,160	3,226
Children's Services	6,929	4,699	2,230
Communities, Public Health, Environment and Prosperity	68,659	47,013	21,646
Corporate Services	8,524	4,800	3,724
Highways, Ifrastructure Development & Waste	72,255	62,534	9,721
Total	**166,753**	**126,206**	**40,547**

As set out in the table above, the Capital Programme outturn variance was £40.547 millions (this compares to £36.651 millions in 2016/17). Within this total £35.647 millions represents slippage across a range of schemes which will be carried forward to future years and £4.900 millions savings achieved in programme delivery.

Adult Care and Health

A significant part of the slippage relates to two projects:

- £1.000 million to support a future North Devon Community Facility; and
- £1.000 million to support Grants to Independent Sector providers to address market sufficiency issues for nursing care provision.

Children's Services

The main reasons for slippage are within Education & Learning and include:

- Higher than expected tenders for Kingsbridge Early Years facility resulting in delays to the project;
- The South West Company Capital provision; and
- Underspends on schools directly controlled projects.

Communities, Public Health, Environment and Prosperity

The Planning, Transportation and Environment capital programme included a number of large schemes and a summary of some of the main areas of slippage are outlined below:

- Works commenced in September on the Tiverton Eastern Urban Extension scheme but this will span financial years. The 2017/18 variance was £1.369 millions;
- For the South Devon highway for 2017/18, and has been agreed at a value lower than anticipated and the part one process will not result in any settlements in 2017/18, hence slippage of £2.840 millions;
- Tithebarn link road, phases 2a and b and the pedestrian and cycle bridge reported a 2017/18 variance of £1.3 millions; budgeted contingencies were not required and there was further developer funding;

- Marsh Barton station is on hold currently, resulting in slippage of £3.614 millions Discussions continue with Network Rail to discuss funding sources and less expensive design works in order for the project to progress and
- Slippage of £2.919 millions on the schools programme

Corporate Services

The largest single item of slippage relates to County Farms Programme of £1.305 millions which will be carried forward into 2018/19:

- Nitrate Vulnerable Zone compliant schemes where contracts have been let but contractors are unable to commence until 2018/19; and
- Upgrading existing farm dwellings to the Decent Homes Standards

Highways, Infrastructure Development and Waste

There are three areas that account for much of the slippage:

- Grant slippage of £4.3 millions on the Local Transport Plan (LTP) maintenance block funding and Pothole Action Fund (PAF) due to severe weather conditions
- Challenge Fund grant in August 2017, with match funding contributions the scheme total is £5 millions. The announcement was welcomed but later than expected and therefore delivery of resurfacing and drainage on the A361 between Gornhay Cross and the M5, will span financial years, hence the slippage of £2 millions.
- Challenge Fund Street Lighting – The £1.5 millions slippage is the remaining funding of a 3 year £13 millions scheme to upgrade street lighting on main roads to the first quarter of 2018/19.

Financing the Capital Programme

The following table 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.

Capital Financing	**2017/18 Final Budget**	**2017/18 Final Outturn**	**Capital Budgets Carried Forward**	**2017/18 Capital Budget Savings**
	£000	**£000**	**£000**	**£000**
Capital Receipts Applied	17,528	8,085	9,087	356
Borrowing	18,893	13,378	4,985	530
External Grants and Contributions	127,201	102,388	21,085	3,728
Revenue Budgets	3,131	2,355	490	286
Total	**166,753**	**126,206**	**35,647**	**4,900**

The total borrowing required to finance the capital programme in 2017/18 was £13.378 millions. The council was able to meet all borrowing requirements from internal cash resources so did not need to increase external borrowing, which remains at £511.3 millions. Accrued interest which was paid on the first working day of 2018/19 amounted to £11.2 millions.

Further detail is provided in Note 34, page 84.

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 £1,101 millions (Note 24 page 76) 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 £29 millions (Note 17 page 60) leaving a deficit (Pensions Reserve) of £1,072 millions (Note 23 page 73). The 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 2018. The liability at 31st March 2018 is £73 millions lower than as at 31st March 2017; this is due mainly to the changes in financial assumptions: future pension and salary increases will be 0.35% lower than previously assumed, offset by a small reduction in the discount rate of 0.15%. This 'snapshot' approach to valuing the deficit is very volatile; for instance the previous year saw a decrease in the discount rate of 0.9% and the overall increase of the liability of £233 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 38 on page 98 provides further information.

Performance Management

Introduction

Devon has an outstanding natural environment and a strong sense of community. Employment levels are high, schools are of high quality and crime is low. Many people choose to move to Devon to enjoy this high quality of life, with new towns such as Cranbrook and Sherford helping to accommodate growth.

However life is more difficult for some people and communities. Wages are low in some areas, whilst housing costs are high. Levels of homelessness and fuel poverty in Devon are higher than similar local authorities. Although the health of the population is very good on average, there are health inequalities and significant variations in life expectancy between different parts of the County.

The following sections describe performance in 2017/18 in relation to the nine broad purposes that the Council, together with its partners and communities, are working to meet.

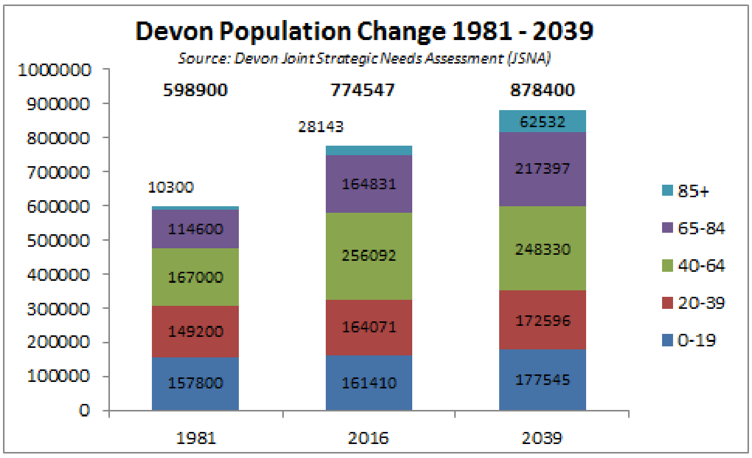
Become and remain independent

More of Devon County Council’s net budget is spent on supporting people aged 18-64 with adult social care needs than people aged over 65 despite our aged and ageing population. There are around 15,000 people with a learning disability in Devon, of which 2,494 receive social care services. There are over 7,500 people in Devon with autism, of which 773 receive services. About 1,500 people who are physically disabled and/or have sensory needs aged 18-64 years receive social care services.

We want more disabled people in Devon to be employed (paid or unpaid) by 2020. 7.5% of adults with a learning disability in Devon were in paid employment in 2016/17, ahead of the South West and National averages of 5.8 and 5.7% respectively. In 2016/17, 6.0% of people in contact with secondary mental health services were in paid employment, which is below both the England (7.0%) and South West (12.0%) comparators and reflective of increasing complexity of need. Our care is focused on supporting people to learn the skills they need to have a job whilst supporting employers to become Disability Confident.

Disabled people want to live as independently as possible. We are creating more opportunities for (unpaid) friendships and support in communities and are also making greater use of community resources, such as care and support delivered by carers in family homes. Other measures include making bus routes more accessible, ensuring bus drivers receive learning disability awareness training and providing people with accessible information to help them understand the different types of road crossings.

Support to carers is vital in promoting the independence and well being of the people they care for. In 2016/17, all carers in contact with Devon Carers received as a minimum, direct support in the form of information, advice, other universal services or signposting. Carers with assessed eligible needs had these met through the use of Direct Payments/Part Direct Payments which promoted individual choice and control. In 2016/17, Devon benchmarked ahead of regional and national comparators with regard to carers self-directed support and direct payments.



Devon has an ageing population and high inward migration of older people. The number aged 85 and over stood at 10,300 in 1981 (1.7% of the population), 28,143 in 2016 (3.6%) and is projected to rise to 62,532 by 2039 (7.1%).

Research suggests that, where possible, people prefer to stay in their own home rather than move into residential care. In Devon we have successfully reduced the proportion of older adults being accommodated in residential or nursing care homes from above to below the regional and national averages by better supporting people in their own homes. For 2016/17, 547 people aged 65 and over per 100,000 population were in permanent residential/nursing care placements compared to an England average of 611. Our Promoting Independence Policy has impacted positively with a continuing reduction in permanent placements and a rate of 501 people per 100,000 (65 and over population) reported at 31 March 2018.

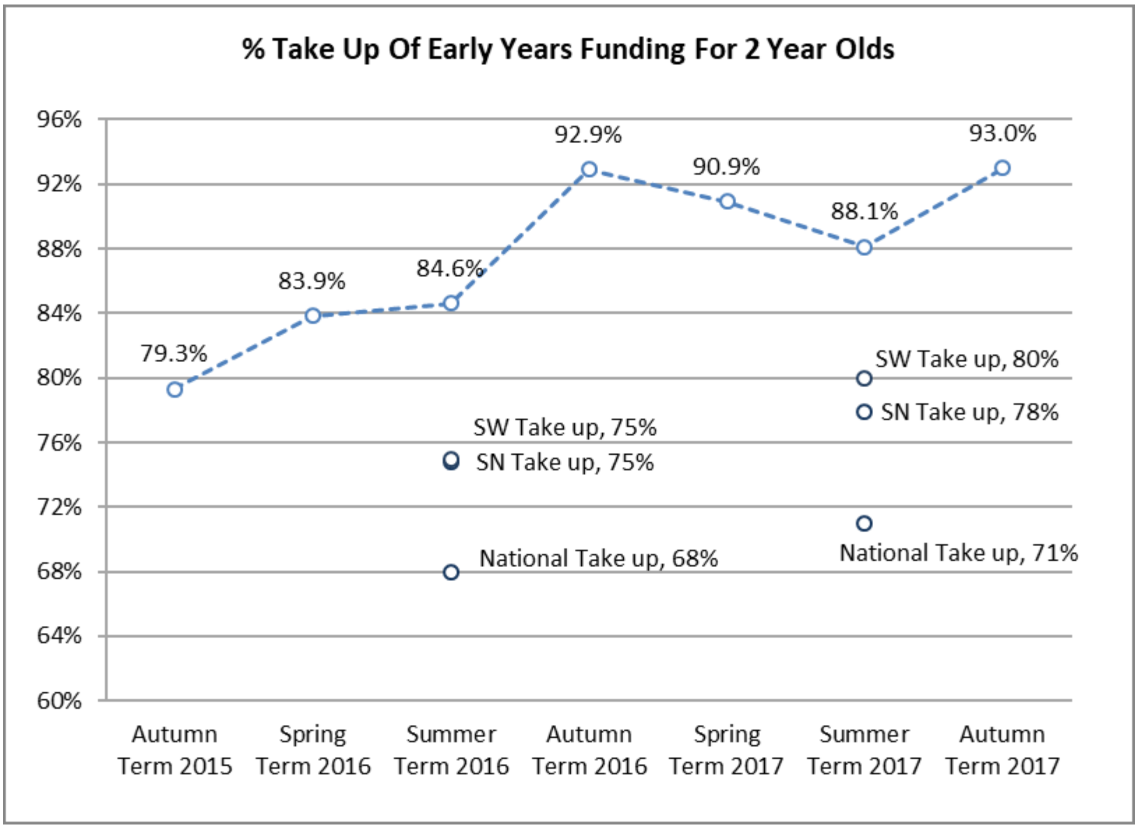
Where older people require a stay in hospital, it is important that they are able to return home or transfer to community care at the right time. Changes have been made to the way services are arranged and more people are now being cared for out of hospital, fewer are admitted to hospital and when they do, they stay for shorter periods of time. When they are ready to leave hospital, they do so sooner in a more timely fashion due to improved out of hospital care and rehabilitation: delayed transfer rates have significantly reduced due to a system wide action plan developed with providers and commissioners from both health and social care

Reablement is a service provided to people who have just been discharged from hospital or have otherwise experienced a crisis. By providing personal care and help with practical tasks for up to six weeks, reablement enables people to regain the confidence and skills to continue to live at home. The proportion people aged 65+ still at home 91 days after hospital discharge into reablement or rehabilitation was 86.8% (2016/17), above England and South West averages. More people are now being offered this service, but numbers remain below target.

The overall quality of social care in Devon compares well with the rest of the Country. In March 2018, 87% of social care providers were rated as either 'Outstanding' or 'Good' by the Care Quality Commission, compared to an England average of 80%.

Get the best start in life

Early experiences have a major impact on a child's health and future life chances. Our priority is to help address inequalities that can disadvantage some from the very beginning of their lives.



The take up of funding for two-year olds increased in the Autumn Term 2017 to 93%. This is in line with the take up for the same period last year (92.9%). Devon continues to perform significantly better than latest national (71%) and regional (80%) take up rates.

Take up of two-year-old places is a parental choice. Therefore, we would not expect all 2-year olds to be accessing a place, as some parents will prefer to wait until their child is older.

From September 2017, 3 and 4-year olds may be entitled to 30 hours free childcare a week, compared to 15 hours previously. Initial information released by the Department for Education indicates that the percentage of parents taking up the 30 funded hours in Devon is higher than nationally and regionally, at 97%.

The Early Years Foundation Stage sets standards for the learning, development and care of children from birth to 5 years old. In 2017 Devon's performance at Foundation Stage was 71%, a slight decline from 2016 but in line with the England average of 70.70%. The gap in attainment between children of different abilities is 26.9%, which is better than the national attainment gap of 31.7%.

Stay healthy

With increasing life expectancy and low rates of earlier than expected death, Devon's population can be described as ageing but reasonably healthy. By comparison with the rest of England, death rates for nearly all physical illnesses are lower than average. Smoking levels are now the lowest that they have been for decades, while consumption of at least five portions of fruit and vegetables a day and levels of physical activity compare well with national and regional rates.

For mental health, however, it is a very different picture. The more serious aspects of mental health do not compare as well with the rest of the country, for example suicide rates and admissions to hospital for deliberate self-harm in young people.

Improving the emotional health and wellbeing of the population of Devon is as important as improving physical health. Specific pieces of work include a range of suicide prevention training, delivered to a wide range of agencies across Devon and Torbay. This work is also supported by the Safer Devon Partnership who has hosted briefings in North Devon. There is a Suicide Prevention Strategy Steering Group which meets quarterly and has recently produced a Suicide Implementation Plan.

Although rates of physical activity compare well to the rest of the Country, over 25% of Devon adults achieve less than 30 minutes of physical activity a week. The County Council promotes Public Health England's new free Active 10 app which encourages adults to take one brisk ten minute walk a day. According to Public Health England research, this reduces the risk of early death by 15%, and contributes to their wider physical activity guidance of 150 minutes of moderate or vigorous exercise each week.

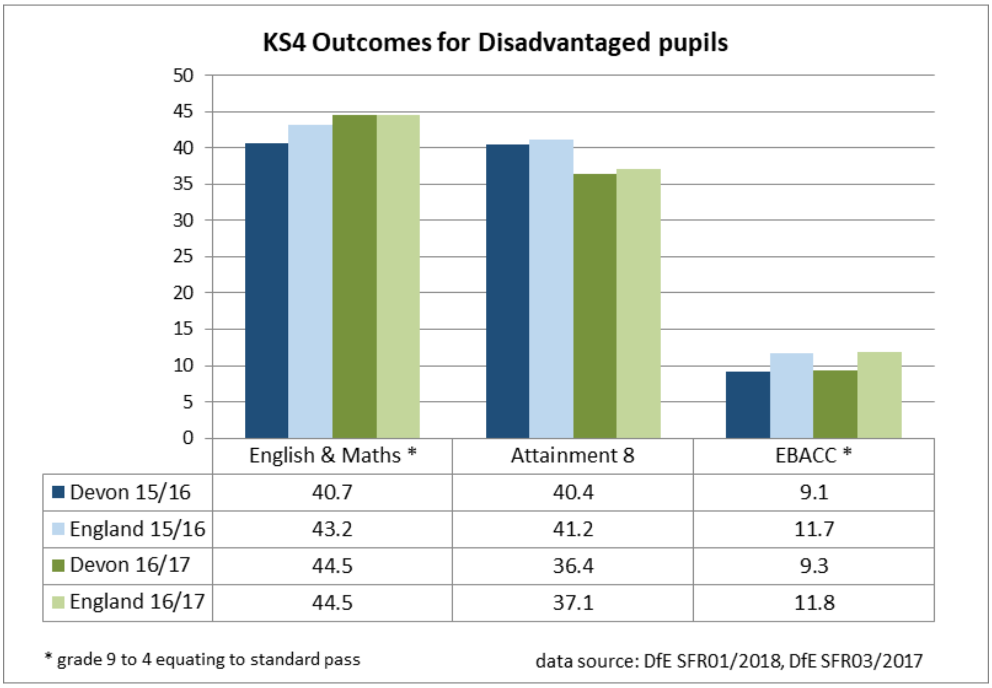
The Public Health Outcomes Framework Healthy lives, healthy people: Improving outcomes and supporting transparency sets out a vision for public health and helps understand how well public health is being improved and protected. Indicators provide information about factors that affect health and wellbeing, healthy lifestyles and health protection, enabling outcomes and priorities for Devon to be identified.

Learn

The overall percentage of Devon Primary, Secondary and Special Schools judged by Ofsted as Good or Outstanding has fallen slightly. However Devon continues to perform better than the national and regional picture, with 89.9% of Devon schools currently good or outstanding compared to 88.9% of schools nationally and 88.5% of schools regionally. 88.23% (82,362) of Devon pupils are attending schools that have been judged as Good or Outstanding.

The performance of Devon's disadvantaged pupils has significantly improved and in English and Maths, Devon is now in line nationally (44.5%). Performance has improved slightly in the English Baccalaureate measure, the combination of subjects that the government thinks is important for young people to study at GCSE. However Devon's disadvantaged pupils do not perform as well as nationally.

Devon is performing slightly below the National Average in the Attainment 8 measure, which measures average achievement across eight subjects. However this was expected following changes to the way that grades are calculated.



	English & Maths *	Attainment 8	EBACC *
Devon 15/16	40.7	40.4	9.1
England 15/16	43.2	41.2	11.7
Devon 16/17	44.5	36.4	9.3
England 16/17	44.5	37.1	11.8

* grade 9 to 4 equating to standard pass

data source: DfE SFR01/2018, DfE SFR03/2017

The attainment gap between Devon's disadvantaged pupils and their counterparts has improved in three key measures. The attainment gap in English and Maths has seen the greatest improvement, reducing down from 30.4 percentage points last year to 25.3 percentage points this year. Devon's attainment gap is now better than nationally in all three measures.

Devon pupils with Special Educational Needs (SEN) continue to perform better than nationally in both English & Maths and Attainment 8. The performance of SEN pupils who have Statements / Education, health and care plans and pupils with SEN Support has improved in English and Maths in the last year.

Devon's per pupil spend is low and achievement is high. We achieve excellent value for money. However there are very significant pressures in providing appropriate support for disabled pupils and students and those with special educational needs.

Keep my environment safe and looking good

One of Devon County Council's roles is to support the protection, management and enhancement of the County's rich and varied landscape, its unique wildlife and important historic and geological features.

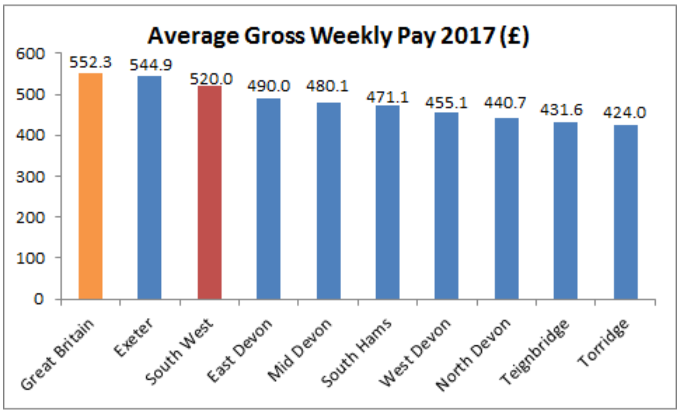
Ash dieback looks set to have a major impact on Devon's countryside. It is expected that the vast majority of ash trees will die as a result of the disease, with less than 5% likely to be resistant. Ash is one of our most common broadleaved species, accounting for more than 20% of all trees within hedges and other non-woodland situations. The Devon Ash Dieback Resilience Forum, with the active support of Devon County Council, is looking at the management of diseased trees, and encouraging planting of new trees to replace those that will be lost.

It is estimated that up to 13 million tonnes of plastic leak into the global marine environment every year, with adverse implications for wildlife, the economy and human health. Through its environmental partnerships, the County Council raises awareness of this issue. Each year the Exe Estuary Partnership organises a spring and autumn Exe Clean-Up, with the latest event attracting 111 volunteers who gathered almost 1700 pieces of litter. The North Devon Coastal Creatures Project has been running beach cleans on remote beaches and other groups have been established at Northam Burrows, Woolacombe, Croyde and Westward Ho! We have also reduced single-use plastic items and introduced the Recycle@Work scheme which is accessible to 90% of staff.

Devon residents produced less rubbish for disposal per household than in any other county. In 2016/17 Devon's households produced an average of 4.94kg of 'black bin or bag' waste each week, down from 5.94kg in 2012, a 20% decrease. Devon has also cemented its place as one of the top recycling counties in the country, with a recycling rate of 55.7%. This means Devon is now third highest recycling county in the country, the highest position since 2011.

Prosper

Devon's economy is diverse, spanning advanced manufacturing, aerospace, nuclear, marine and agri-tech businesses as well as established agricultural and tourism sectors. The Exeter area in particular is home to numerous new science, technology, medicine and engineering businesses.



Devon's employment rate is currently high at 80.8%, above the UK average at 78.1%. But although earnings have increased 14.7% since 2010, average wages in Devon are just 88% of the Great Britain average of £522. At £424 the average weekly wage in Torridge is much lower still. Gender pay gap remains a key challenge, with a £525/£434 male/female disparity.

Wage growth is also slow. After adjusting for inflation, average earnings are still substantially below pre-recession levels and are being squeezed by rising household inflation. Central forecasts from the Office for Budget Responsibility imply average earnings will still be lower than their 2007/08 level in 2021/22.

The Local Enterprise Partnership (LEP) is a partnership across the public and private sectors and covering Devon and Somerset. To make a difference to prosperity it has identified common priorities and attracted resources and investment to the area. A Productivity Strategy covers three elements: Leadership and Ideas; Housing Connectivity and Infrastructure; and Employment, Skills and Learning. Devon County Council is taking the lead on Employment, Skills and Learning, promoting skills and employment and social inclusion and engaging with all Further Education providers.

A major expansion of broadband rollout across Devon and Somerset will provide thousands more homes and businesses in Devon with access to a superfast connection. Private sector investment in Broadband is limited in some parts of Devon, requiring support from the public sector to make sure there is good coverage. The Government's Broadband Delivery UK (BDUK) agency has given the go-ahead for Connecting Devon and Somerset (CDS) to increase access to its planned ultrafast (up to 1,000Mbps) broadband with Gigaclear to over 3,000 more homes and businesses in hard to reach areas of Devon. Gigaclear is already building a new full fibre broadband network for over 41,000 homes and businesses initially. This work is due to be completed by December 2019.

Latest available information from Careers South West indicates that the percentage of young people who are not in Employment, Education or Training (NEET) in Devon is lower than the same period last year (2.6% compared to 3.1% in Dec 2016). Young people from vulnerable groups are significantly more likely to be NEET than young people overall. However, this year the majority of vulnerable groups have seen a decline in their NEET numbers compared to the same period last year.

Keep safe

Most people feel that Devon is a safe place. 90% of respondents to our 2016 Community Insight survey felt safe outside in their local area during daylight and 77% said they are treated with dignity and respect in the community. But some people live at risk of harm or abuse.

At the end of December 2017, children's social care services were working with 5,122 Children in Need. Children in Need are those identified by assessment to require advice and support. This includes those subject to a child protection plan, children in care and disabled children.

The number of children and young people who are the subject of a child protection plan has been reducing steadily since August 2017 and numbered 433 at the end of December (from 511 in August). The rate per 10,000 in Devon is currently 30.2/10000 which is below the national and statistical neighbour rates.

The number of children in care as at the end of December 2017 was 712 (a rate of 49.6/10,000). Identifying suitable placements within the County for some children and young people remains a challenge to the service.

We are improving outcomes for children leaving care. We have increased the percentage of care leavers with whom we remain in contact (to 82%). The proportion of care leavers in Education, Employment, or Training has increased to 46%. 87% of care leavers are now reported to be in suitable accommodation, compared to just 57% at the end of March 2017.

It is important that care and support services help vulnerable groups feel safe. Results of the 2016/17 Adult Social Care Survey indicated that 65.5% of care users in Devon felt "as safe as they want to", below the England average of 70.1%. However only 8% felt less than adequately safe.

Get from A to B

Following public consultation in 2016 a preferred option for improvements to the North Devon Link Road was reached and submitted to the Department for Transport (DfT) in the form of a Strategic Outline Business Case. The strategy was presented at public consultation in Summer 2017. The selected scheme, a combination of junction and link improvements between South Molton and Barnstaple, was approved by DCC Cabinet, and by the DfT in May 2018. The long term strategy includes upgrades to eight junctions along the A361 and A39, additional overtaking lanes on sections of the Link Road and an urban four lane road, with two lanes in each direction, between Portmore roundabout and Roundswell roundabout

Devon County Council is a long-standing supporter of ambitions to re-introduce regular train services to Okehampton. In that role, the Council presented a feasibility study to the Department for Transport and GWR to help inform their discussions as they look to try and re-introduce a regular service. The study identifies potential options for a parkway station and provides an initial assessment of the existing track and infrastructure. A substantial investment will be required and over the years the County Council has shown in its commitment in supporting the summer service and helping keep the line alive.

See good decisions are being made

Devon County Council has a strong governance framework in place that provides a system of checks and balances to ensure the best decisions are made for the people of Devon. The effectiveness of the Governance framework is reviewed annually in the Annual Governance Statement.

A series of standards against which the Council's actions can be judged is set out in the Constitution. This document is regularly reviewed in light of legislative changes and improved changes to working practices, for example changes to procedure rules and a revised Pay Policy Statement for 2018/19. In addition, work is progressing to review the scheme of delegation to ensure delegated decision making is robust and transparent.

A review into Ethical Governance (by Devon Audit Partnership in February 2018) confirmed that the ethical framework laid out in the Constitution was robust and effective. A 'high standard' was recorded.

In the last municipal year, the Cabinet will have made 39 key decisions, recommended 3 framework decisions to the Council and considered 22 other matters referred from Council or other Committees (for example Notices of Motion, Scrutiny Task Group recommendations and other Committee recommendations). The Cabinet have dealt with one call-in (with another call-in currently waiting to be considered).

The Council has a robust and effective Scrutiny function, ensuring the best decisions can be made by reviewing policy and holding the Cabinet to account.

By way of examples, the budget process saw Cabinet agree to greater investment in preventative drainage, a Task Group looked at the challenges facing the NHS in Devon, a Broadband & Mobile Connectivity Task Group to understand the impact of broadband / mobile phone connectivity on Devon's economy and visits to Children's Social Work offices to monitor the effectiveness of arrangements to safeguard Devon's children from harm.

By using robust questioning and examination, good Scrutiny drives decision makers to make better, more informed and accountable decisions. The Annual Report for Scrutiny asks, 'How have we improved things for the people of Devon?' and highlights the tangible changes in policy and practice that have taken place as a result of Scrutiny recommendation or direction.

Conclusion

Despite significant pressures in Children's Services the authority has achieved a small underspend overall. Careful budget management has allowed the authority to contribute £12 millions to the Budget Management Reserve and report an Outturn surplus of £15,000.

The level of earmarked reserves held by the authority is low compared with other County Councils. At 31st March 2017 Devon's reserves were 12th lowest out of 27 County Councils. The contribution to reserves of £12 millions is very welcome and will help to improve the authority's financial resilience and help to bridge the gap projected in the MTFS (Medium Term Financial Strategy) for 2019/20.

2019/20 is the last year of the current funding settlement from Government. The Council has no indication of the funding that it will receive from Government in 2020/21 and beyond. If history is repeated the Council may not know its level of funding for 2020/21 until late in the budget process for that year. This poses a significant financial risk to the Council and a reasonable level of reserves offers some protection against and softens the impact of a late, low settlement.

Mary Davis

County Treasurer

23rd July 2018

Phil Norrey

Chief Executive

23rd July 2018

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 2018 has been prepared in accordance with the Accounts and Audit (England) Regulations 2015 and that it gives a true and fair view of the financial position of the Authority as at 31st March 2018 and its income and expenditure for the year ended 31st March 2018.

Mary Davis

County Treasurer

23rd July 2018

Approval of the Statement of Accounts

I confirm that these accounts were approved by the Audit Committee at its meeting on 27th July 2018

Chairman of the Audit Committee
27th July 2018

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 both the Expenditure and Funding Analysis and the Movement in Reserves Statement.

2016/17 Gross Expenditure	2016/17 Gross Income	2016/17 Net Expenditure		Notes	2017/18 Gross Expenditure	2017/18 Gross Income	2017/18 Net Expenditure
£000	£000	£000			£000	£000	£000
			General Fund continuing operations				
283,333	(68,693)	214,640	Adult Care & Health		294,231	(70,959)	223,272
523,626	(361,335)	162,291	Children's Services		526,903	(350,905)	175,998
136,193	(51,010)	85,183	Communities, Public Health, Environment & Prosperity		115,874	(49,937)	65,937
53,159	(24,197)	28,962	Corporate		56,052	(25,442)	30,610
76,254	(18,254)	58,000	Highways, Infrastructure Development & Waste		75,535	(17,528)	58,007
4,736	(9,739)	(5,003)	Non Service		3,625	(1,602)	2,023
1,077,301	**(533,228)**	**544,073**	**Cost of Services**	1,15	**1,072,220**	**(516,373)**	**555,847**
48,333		48,333	Other Operating Expenditure	7,12	115,054		115,054
72,052	(1,294)	70,758	Financing and Investment Income and Expenditure	13	69,933	(1,533)	68,400
	(636,313)	(636,313)	Taxation and Non-specific Grant Income	14	0	(663,587)	(663,587)
1,197,686	**(1,170,835)**	**26,851**	**(Surplus) or Deficit on Provision of Services**		**1,257,207**	**(1,181,493)**	**75,714**
		(42,993)	(Surplus) or deficit on revaluation of Property, Plant and Equipment	23			(49,877)
		148	(Surplus) or deficit on revaluation of available for sale financial assets	18.2			(440)
		213,653	Remeasurements of the net defined benefit liability	38			(103,221)
		170,808	**Other Comprehensive Income & Expenditure**				**(153,538)**
		197,659	**Total Comprehensive Income & Expenditure**				**(77,824)**

Movement in Reserves Statement

This statement shows the movement from the start of the year to the end on the different 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 'unusable reserves'. The Movement in Reserves Statement shows how the movements in year of the authority's reserves are broken down between gains and losses incurred in accordance with generally accepted accounting practices and the statutory adjustments required to return to the amounts chargeable to council tax for the year. The Net Increase/Decrease line shows the movements of the statutory General Fund Balance (including earmarked reserves) in the year following those adjustments. The 'Net (increase)/decrease shows the movement on the statutory General Fund Balance including earmarked reserves. The statutory General Fund Balance also includes reserves held by schools (School carry forwards); details are included within Note 10.

	General Fund and Earmarked General Fund Balance £000	Capital Grants Unapplied £000	Capital Receipts Reserve £000	**Total Usable Reserves £000**	**Unusable Reserves £000**	**Total Authority Reserves £000**
Balance at 1st April 2016	**(111,596)**	**(10,941)**	**(21,298)**	**(143,835)**	**250,301**	**106,466**
Movement in reserves during 2016/17						
Total Comprehensive Income & Expenditure	26,851	0	0	**26,851**	170,808	197,659
Adjustments between accounting basis & funding basis under regulations (Note 9)	(31,212)	(5,405)	9,162	**(27,455)**	27,455	**0**
Net (Increase)/Decrease in 2016/17	**(4,361)**	**(5,405)**	**9,162**	**(604)**	**198,263**	**197,659**
Balance at 31st March 2017 Carried Forward	**(115,957)**	**(16,346)**	**(12,136)**	**(144,439)**	**448,564**	**304,125**
Movement in reserves during 2017/18						
Total Comprehensive Income & Expenditure	**75,714**			**75,714**	**(153,538)**	**(77,824)**
Adjustments between accounting basis & funding basis under regulations (Note 9)	(100,237)	(21,357)	(1,624)	**(123,218)**	123,218	**0**
Net (Increase)/Decrease in 2017/18	**(24,523)**	**(21,357)**	**(1,624)**	**(47,504)**	**(30,320)**	**(77,824)**
Balance at 31st March 2018 Carried Forward	**(140,480)**	**(37,703)**	**(13,760)**	**(191,943)**	**418,244**	**226,301**

Balance Sheet

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

31st March 2017		**Notes**	**31st March 2018**	
£000			**£000**	**£000**
1,463,962	Property, Plant & Equipment	16	1,414,492	
884	Intangible Assets		1,446	
2,487	Heritage Assets		2,487	
9,263	Long Term Investments	18	19,702	
1,678	Investments in Associates & Joint Ventures	18	2,128	
32,906	Long Term Debtors	17	33,748	
1,511,180	**Long Term Assets**			1,474,003
90,186	Short Term Investments	18	92,839	
1,498	Inventories		609	
83,834	Short Term Debtors	19.2	91,931	
12,960	Cash and Cash Equivalents	21	64,302	
9,583	Assets held for sale	22	11,240	
198,061	**Current Assets**			260,921
(5,459)	Provisions		(6,640)	
(283)	Short Term Borrowing	18	(11,194)	
(1,225)	Revenue Grants Receipts in Advance	33	(1,500)	
(107,360)	Short Term Creditors	19.1	(121,189)	
(114,327)	**Current Liabilities**			(140,523)
(15,431)	Provisions	20	(15,307)	
(511,318)	Long Term Borrowing	18	(511,247)	
(1,345,481)	Other Long Term Liabilities	24	(1,265,916)	
(4,404)	Revenue Grants Receipts in Advance	33	(5,000)	
(22,405)	Capital Grants Receipts in Advance	33	(23,232)	
(1,899,039)	**Long Term Liabilities**			(1,820,702)
(304,125)	**Net Assets/(Liabilities)**			**(226,301)**
(144,439)	Usable Reserves			(191,943)
448,564	Unusable Reserves	23		418,244
304,125	**Total Reserves**			**226,301**

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.

2016/17 £000		**Note**	**2017/18 £000**	**£000**
26,852	**(Surplus) or Deficit on the Provision of Services**			**75,714**
	Adjustments for -			
(127,885)	Non cash movements	25	(240,916)	
9,225	Investing and financing activities	26	8,867	
(118,660)				(232,049)
(91,808)	**Net cash flows from operating activities**	27		**(156,335)**
134,479	Investing activities	28		**100,449**
3,814	Financing activities	29		**4,544**
46,485	**Net (increase)/decrease in cash and cash equivalents**			**(51,342)**
59,445	Cash and cash equivalents opening balance			12,960
12,960	**Cash and cash equivalents at year end**	21		**64,302**

Notes to the Accounts

1. Expenditure and Funding Analysis

The objective of the Expenditure and Funding Analysis is to demonstrate to council tax payers how the funding available to the authority (i.e. government grants, council tax and business rates) for the year has been used in providing services in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices. The Expenditure and Funding Analysis also shows how this expenditure is allocated for decision making purposes between the Council's service segments. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

2017/18	Net Expenditure Chargeable to the General Fund (Outturn)	Adjustments between the funding and accounting basis	Net Expenditure in the Comprehensive Income and Expenditure Statement
	£000	**£000**	**£000**
Adult Care & Health	212,716	10,556	223,272
Children's Services	124,369	51,629	175,998
Communities, Public Health, Environment & Prosperity	32,446	33,491	65,937
Corporate	31,892	(1,282)	30,610
Highways, Infrastructure Development & Waste	56,763	1,244	58,007
Non Service	13,129	(11,106)	2,023
Net cost of services	471,315	84,532	555,847
Other Income and Expenditure	(495,838)	15,705	(480,133)
(Surplus) or Deficit	(24,523)	100,237	75,714
Opening General Fund Balance, schools and earmarked reserves at 1 April	**(115,957)**		
Add (Surplus) / Deficit on General Fund, Schools and Earmarked Reserves	(24,523)		
Closing General Fund Balance, schools and earmarked reserves at 31 March	**(140,480)**		

2016/17	Net Expenditure Chargeable to the General Fund (Outturn)	Adjustments between the funding and accounting basis	Net Expenditure in the Comprehensive Income and Expenditure Statement
	£000	**£000**	**£000**
Adult Care & Health	206,768	7,872	214,640
Children's Services	127,749	34,542	162,291
Communities, Public Health, Environment & Prosperity	32,887	52,296	85,183
Corporate	32,194	(3,232)	28,962
Highways, Infrastructure Development & Waste	57,517	483	58,000
Non Service	22,783	(27,786)	(5,003)
Net cost of services	479,898	64,175	544,073
Other Income and Expenditure	(484,259)	(32,963)	(517,222)
(Surplus) or Deficit	(4,361)	31,212	26,851
Opening General Fund Balance, schools and earmarked reserves at 1 April	**(111,596)**		
Add (Surplus) / Deficit on General Fund, Schools and Earmarked Reserves	(4,361)		
Closing General Fund Balance, schools and earmarked reserves at 31 March	**(115,957)**		

2.Statement of Accounting Policies

General Principles

The Statement of Accounts summarises the Authority's transactions for the 2017/18 financial year and its position at the year-end of 31st March 2018. The Authority is required to prepare an annual Statement of Accounts by the Accounts and Audit (England) Regulations 2015, which those regulations require to be prepared in accordance with proper accounting practices. These practices under Section 21 of the 2003 Local Government Act primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2017/18, supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under section 12 of the 2003 Local Government Act.

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

Policies

Accruals of Income and Expenditure

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

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

Accounting for Schools

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

Properties used by schools are recognised in accordance with the indicators of control identified under the requirements of the Code's adoption of IFRS 10, Consolidated Financial Statements. Where assets are owned by Devon County Council and used by community schools, voluntary aided and voluntary controlled schools then they are recognised in the Authority's balance sheet.

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

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

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

Cash and Cash Equivalents

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

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

Charges to Revenue for Non-Current Assets

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

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

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

Contingent 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.

Council Tax and Non Domestic Rates

The council tax and non domestic rate income included in the Comprehensive Income and Expenditure Statement is the authority’s share of accrued income for the year, collected by the District Councils (billing authorities). However, regulations determine the amount of council tax and NDR that must be included in the authority’s General Fund. Therefore, the difference between the income included in the Comprehensive Income and Expenditure Statement and the amount required by regulation to be credited to the General Fund is taken to the Collection Fund Adjustment Account and included as a reconciling item in the Movement in Reserves Statement.

The Balance Sheet includes the authority's share of the end of year balances in respect of council tax and NDR relating to arrears, impairment allowances for doubtful debts, overpayments and prepayments and appeals.

Employee Benefits

Benefits payable during employment

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

Termination Benefits

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

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

Post-Employment Benefits

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

- The Teachers' Pension Scheme, administered by Capita Teachers' Pensions on behalf of the Department of Education (DfE),
- The NHS Pension Scheme, administered by the NHS Business Services 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. Children's and Public Health services in the Comprehensive Income and Expenditure Statement are charged with the employer's contributions payable to teachers' and NHS 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 liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years - debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement;
- Net interest on the net defined benefit liability/(asset), i.e. net interest expense for the Authority – the change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement – this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability (asset) at the beginning of the period – taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments.
- Remeasurements comprising:
    - The net 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 transfers to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

Discretionary benefits

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

Events after the Reporting Period

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

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

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

Financial instruments

Financial liabilities

Financial liabilities are recognised on the balance sheet when the Authority becomes a party to the contractual provisions of a financial instrument. They are initially measured at fair value and are carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective interest rate for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

For most of the borrowings that the Authority has, this means that the amount presented in the balance sheet is the outstanding principal repayable (plus accrued interest) and interest charged to the Comprehensive Income and Expenditure
Statement is the amount payable for the year according to loan agreement.

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

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

Financial Assets

Financial assets are classified into two types:

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

Loans and receivables

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

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

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

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

Any gains and losses that arise on derecognition of assets are credited or debited to the comprehensive Income and Expenditure Statement.

Available for Sale assets

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

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

- Instruments with quoted market prices – the market price
- Other instruments with fixed and determinable payments – discounted cash flow analysis

- Equity shares with no quoted market price – independent appraisal of company valuations.

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

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

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

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

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

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

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

Government grants and contributions

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

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

Amounts recognised as due to the Authority are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations which specify that the future economic benefits or service potential embodied in the asset in the form of the grant or condition are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

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

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the general fund balance in the Movement of Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the capital grants unapplied reserve. Where it has been applied it is posted to the Capital Adjustment Account. Amounts in the capital grants unapplied reserve are transferred to the capital adjustment account once they have been applied to fund capital expenditure.

Heritage Assets

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

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

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

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

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

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

Intangible Assets

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

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

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

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

Inventories

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

Joint Operations

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

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

Leases

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

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

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

Finance leases (Authority as Lessor)

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

Finance leases (Authority as Lessee)

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

Overheads and Support Services

The costs of some support services are recharged to service segments in accordance with the Authority's arrangements for accountability and financial performance. There is no apportionment of overheads in the budget monitoring and reporting of service segments, which is consistent with the reporting of income and expenditure in the Comprehensive Income and Expenditure Statement.

Private Finance Initiative (PFI) and Similar Contracts

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

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

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

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

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

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

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

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

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

Property, Plant and Equipment

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

Recognition

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

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

Componentisation

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

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

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

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

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

More information on accounting for school assets is contained within the Report of the Treasurer and Chief Executive on page 4.

Measurement after recognition

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

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

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

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

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

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

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

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

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

Surplus Assets at Fair Value

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

Fair Value Hierarchy

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

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

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

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

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

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

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

Changes in valuation techniques

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

Unobservable inputs

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

Sensitivity of unobservable inputs

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

Highest and best use (HBU)

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

Impairment

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

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

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

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

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

Non-current assets-held-for-sale

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

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

Disposals

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

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

The written-off value of disposals is not a charge against council tax, as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

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

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

Depreciation

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

Depreciation is calculated on the following bases:

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

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

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

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

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

Provisions

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

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

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

Reserves

Usable Reserves

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

Unusable Reserves

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

Revenue Expenditure Funded from Capital under Statute (REFCUS)

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

Revenue Recognition

Council tax and Non Domestic rates

Revenue is recognised when the following conditions have been satisfied:

a) the amount of revenue can be measured reliably and

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

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

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

Value Added Tax (VAT)

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

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

The Council is required to disclose information relating to the impact of an accounting change that will be required by a new standard that has been issued but not yet adopted. This requirement applies to accounting standards that come into effect for the Code of Practice for Local Authority Accounting 2018/19.

IFRS 9 Financial Instruments

IFRS 9 was devised to correct weaknesses in accounting practices that contributed to the financial crisis. IFRS 9

- changes the default accounting treatment for investments from one where gains and losses in value are not recognised as income or expenditure until an investment is disposed of to one where income or expenditure is recognised as fair value gains and losses
- changes the model for impairment loss allowances for financial assets from one based on incurred losses to one based on expected losses

The first of these changes will mean that the Available for Sale investment of £10 millions in CCLA Local Authority Property Fund may have to be reclassified at 1 April 2018 as Fair Value through Profit or Loss. The accumulated revaluation loss of £298,000 on the Available for Sale Reserve may have to be debited to the General Fund Balance on 1 April 2018 and any fair value gains/losses arising after that date will be credited/debited to the Surplus/Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement (CIES) as they arise.

In 2015/16 when the CCLA investment was purchased there was an initial temporary reduction of £590,000 in the value of the investment, followed by a further reduction of £148,000 in 2016/17. However, in 2017/18 there has been an increase in value of the investment of £440,000, resulting in a cumulative reduction in value of £298,000. If the CCLA investment has to be designated as fair value through profit and loss then the market fluctuations each year would have a real impact on the General Fund balance and introduce more volatility into the Outturn position.

Other Available for Sale investments, £247,000 in Norse Property Services and investments in Exeter Science Park Ltd £1.881 millions are share-based assets covered by the statutory definition of capital expenditure, any debits and credits made against the General Fund Balance can be reversed out and dealt with through the capital financing system. There is no impact on the General Fund balance with fluctuations in the values of these shares.

The second change relating to impairment losses will require the Council to review the allowances it currently makes for credit risk on debtors and investments to include losses expected to arise in the future rather than just those incurred at the balance sheet date. It is currently estimated that there won't be any significant impact on the impairment loss allowances as the Council already recognises a loss where it is expected that a debt will not be collected.

IFRS 15 Revenue from Contracts with Customers

Adopted by the 2018/19 Accounting Code, with an application date of 1 April 2018, IFRS 15 introduces a new model for the recognition of contractual income, based on allocating the overall transaction price for the goods and/or services to be provided against the satisfaction of the various performance obligations in the contract. The new model has the potential to change the date at which revenue is recognised compared to the current accounting requirements. It is not expected that there will be any material impact on the revenue recognised in relation to the significant contracts entered into by the Council.

4. Prior Period Reclassification of Net Service Expenditure

The Code requires that authorities present expenditure and income on services on the basis of its reportable segments. These reportable segments are based on the Authority's internal management reporting structure and in 2017/18 the Authority changed it management and reporting structure.

This note shows how the service net expenditure in 2016/17 reported under the previous internal reporting structure of People, Place and Corporate is reclassified into the current five reporting segments.

		2016/17 Net Expenditure reclassified into Authority's reporting segments					
2016/17 Net Expenditure		**Adult Care & Health**	**Children's Services**	**Communities, Public Health, Environment & Prosperity**	**Corporate**	**Highways, Infrastructure Development & Waste**	**Non Service**
£000		£000	£000	£000	£000	£000	£000
	General Fund continuing operations						
377,140	People	214,640	162,291	209	0		0
142,299	Place	0	0	84,299	0	58,000	0
29,637	Corporate	0	0	675	28,962		0
(5,003)	Non Service	0	0	0			(5,003)
544,073	**Cost of Services**	**214,640**	**162,291**	**85,183**	**28,962**	**58,000**	**(5,003)**

5. Critical judgements in applying Accounting Policies

In applying the accounting policies set out in Note 2 the authority has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are as follows:

- These accounts have been prepared on a going concern basis. The concept of a going concern assumes that an authority, its functions and services will continue in operational existence for the foreseeable future. Although Central Government funding is being cut significantly this will have no effect on Devon County Council as a going concern.
- In cases where schools' land and buildings are owned by the Diocese of Exeter, the Authority has not identified any arrangements that transfer the rights arising from ownership of voluntary aided and voluntary controlled schools from the Trustees (religious organisations) to Devon County Council. Consequently, the Authority has not recognised these assets in its balance sheet.
- There are 7 voluntary controlled schools where the land and buildings are owned by the Authority.
- For Foundation schools the assets are owned by the governing body but deemed to be controlled by the local authority. The Authority consolidates these assets into its balance sheet.
- Note 18, page 61 Financial Instruments details the authority's Investment Strategy and approach to managing risk. None of the Authority's investments have been impaired. Disclosures of fair values are not required when the carrying amount is a reasonable approximation of fair value. For investments of duration of less than 12 months (short term investments) then the Authority has used the carrying amount as a reasonable approximation of fair value.

- The Authority has relationships with several Companies, details are provided in Notes 18 and 35, pages 61 and 85. The Authority’s interests in these companies (£2.2 millions 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 undertaken 31 March 2011. The Authority reviews the audited accounts of these companies and should there be an indication of a significant change in net assets and valuation (in aggregate), a professional valuation would be sought.
- From 2015/16 a Better Care Fund was established between Devon County Council, North, East West Devon CCG and South Devon and Torbay CCG, funded and controlled jointly by the three partners. The County Council administers the scheme in that it makes most of the payments on behalf of the Fund. The arrangement has been accounted for as a joint operation - where each partner shows in its accounts its share of the expenditure, assets and liabilities of the Better Care Fund. Further details are disclosed in Note 35, Partnerships and Related Party Transactions.
- The Authority has a Private Finance Initiative (PFI) contract for the provision of schools. The Authority also has a Public Private Partnership for the construction and operation of an energy from waste facility in Exeter. Devon County Council, Plymouth City Council and Torbay Council form South West Devon Waste Partnership. The partner authorities have a PFI contract for the construction and operation of an energy from waste facility in Plymouth and each partner recognises its share of the asset in proportion to gate fees paid by each local authority. Note 36 page 91 provides further 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 37, page 97 provides more detail.
- Where an investment has no maturity date - i.e. there is no specific date that the money is due to be repaid to the Authority and it expects to realise the asset within 12 months after the reporting period, then that investment is classified as short term. All other investments are classified as long term. The Council expects to hold its investment (purchase price of £10 millions) in its property fund (CCLA) for more than 12 months after the reporting period and has classified it as long term. It is an available for sale asset and any fluctuation in bid price at the balance sheet date is recognised in the available for sale reserve.
- Minimum Revenue Provision (MRP) is charged based on the period of benefit of the capital investment. All supported capital expenditure and unsupported borrowing up to 1st April 2008 is charged on the period of benefit of the capital investment (on a 2% straight line basis).
- As approved by Council on 15th February 2018, the Authority reduced its MRP payment in 2017/18. This resulted in a revenue saving of £10.916 millions which has been moved to a specific MRP Risk Reserve. This reserve was created to mitigate the risk of increased charges to the General Fund in future years as a result of draft Government proposed changes to capital financing regulations. As a result of feedback from local authorities, the Government has withdrawn or mitigated its original proposals that would have resulted in additional costs for the Authority. Future use of this reserve will be considered in 2018/19.

6. 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 2018 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 £9.418 millions and £3.504 millions respectively for every year that useful lives have to be reduced.
Provisions	The Authority has made a provision of £14.4 millions (short and long term) in relation to self insurance liabilities. This provision is an estimate of the potential liability and the final costs may be more or less.	The difference between the amounts provided for and the final costs will be charged or credited to the cost of services when they are incurred.
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. Barnett Waddingham LLP, 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 £43.566 millions. However, the assumptions interact in complex ways. Although the discount rate has reduced by 0.15% in 2017/18, the actuary has assumed that future pension and salary increases will be 0.35% lower than previous assumptions contibuting to a net reduction in the pension liability of £73 millions.
	Amounts charged to and income credited to 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 38. 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 2018, the Authority had a balance of debtors receivable within 12 months of £92 millions which included an impairment for doubtful debts of £8.5 millions. 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 £1.05 millions.

7. Material items of Income and Expenditure

During 2017/18 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 £110.642 millions (£42.075 millions in 2016/17), recognised within 'Other Operating Expenditure'.

8. Events after the Reporting Period

The following events are non-adjusting events.

Academy Schools

Between 1st April 2018 and 23rd July 2018 the following schools became Academies:

- Sticklepath Community School
- Landkey Primary School
- Ashleigh Church of England (VC) Primary School
- Forches Cross Community Primary School

As of 31 March 2018, 27 schools have made applications to convert to academy status, of which 16 have had applications approved. However, the transfer dates have not been confirmed.

Academies are independent bodies and Devon County Council will cease to be the maintaining authority from the transfer date. All running costs and income relating to these schools will no longer be part of the Council's accounts. It is estimated that the Council's Gross Expenditure and Income will reduce by £3.835 millions per annum.

Devon County will grant a 125 year lease to the Academies to occupy the site where the Authority owns the freehold. The building element of the lease will meet the definition of a finance lease and will no longer be included within the Council's Balance Sheet. The net book value at 31st March 2018 of land and buildings for schools becoming new academies after this reporting period is £10.646 millions.

9. Adjustments between accounting basis and funding basis under regulations

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

2017/18	**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	(75,491)			75,491
Revaluation Losses on Property Plant & Equipment	11,336			(11,336)
Amortisation of intangible assets	(482)			482
Release of deferred income from Energy from Waste contract	1,844			(1,844)
Capital grants and contributions	124,666	(124,666)		0
Revenue expenditure funded from capital under statute	(28,827)			28,827
Recognition of academy loan	246			(246)
Amounts of non current assets written off on disposal or sale, as part of the gain/loss on disposal	(129,422)			129,422
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:				
Statutory provision for the financing of capital investment	7,366			(7,366)
Capital Expenditure charged to the General Fund Balance	2,355			(2,355)
Adjustments involving the Capital Receipts Reserve:				
Transfer of sale proceeds credited as part of the gain/loss on disposal	15,209		(9,709)	(5,500)
Use of the Capital Receipts Reserve to finance new capital expenditure			8,085	(8,085)
Adjustments involving the Capital Grants Unapplied Reserve:				
Use of the Capital Grants Unapplied Reserve to finance capital expenditure		103,309		(103,309)
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)	(75,884)			75,884
Employer's pensions contributions and direct payments to pensioners payable in the year	43,824			(43,824)
Adjustments involving the Collection Fund Adjustment Account:				
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	(1,380)			1,380
Amount by which business rate retention scheme income credited to the Comprehensive Income and Expenditure Statement is different from business rate retention scheme income calculated for the year in accordance with statutory requirements	2,463			(2,463)
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.	719			(719)
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	1,221			(1,221)
Total Adjustments	**(100,237)**	**(21,357)**	**(1,624)**	**123,218**

2016/17	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	(71,888)			71,888
Revaluation Losses on Property Plant & Equipment	2,218			(2,218)
Amortisation of intangible assets	(933)			933
Release of deferred income from Energy from Waste contract	1,844			(1,844)
Capital grants and contributions	106,359	(106,359)		
Revenue expenditure funded from capital under statute	(26,217)			26,217
Recognition of academy loan	54			(54)
Amounts of non current assets written off on disposal or sale, as part of the gain/loss on disposal	(56,772)			56,772
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:				
Statutory provision for the financing of capital investment	20,117			(20,117)
Capital Expenditure charged to the General Fund Balance	1,837			(1,837)
Adjustments involving the Capital Receipts Reserve:				
Transfer of sale proceeds credited as part of the gain/loss on disposal	9,223		(9,223)	
Use of the Capital Receipts Reserve to finance new capital expenditure			18,385	(18,385)
Adjustments involving the Capital Grants Unapplied Reserve:				
Use of the Capital Grants Unapplied Reserve to finance capital expenditure		100,954		(100,954)
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)	(61,398)			61,398
Employer's pensions contributions and direct payments to pensioners payable in the year	43,668			(43,668)
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	(874)			874
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	3,021			(3,021)
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.	716			(716)
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	(2,187)			2,187
Total Adjustments	**(31,212)**	**(5,405)**	**9,162**	**27,455**

10. General Fund Balance, Schools and 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. The note shows the movement on all revenue balances and reserves in the year.

	Balance at 31st March 2016 £000	Transfers out 2016/17 £000	Transfers in/within 2016/17 £000	**Balance at 31st March 2017 £000**	Transfers out 2017/18 £000	Transfers in/within 2017/18 £000	**Balance at 31st March 2018 £000**
Affordable Housing	**(339)**	137		**(202)**	20		**(182)**
Budget Management	**(24,026)**		(10,015)	**(34,041)**	11,600	(12,000)	**(34,441)**
Business Rate Risk Management	**(2,425)**		(1,315)	**(3,740)**		(2,430)	**(6,170)**
Emergency	**(15,000)**		(1,500)	**(16,500)**			**(16,500)**
Minimum Revenue Provision Risk Reserve						(10,916)	**(10,916)**
On Street Parking	**(4,747)**		(206)	**(4,953)**		(412)	**(5,365)**
Public Health	**(492)**	266		**(226)**		(159)	**(385)**
Service Transformation	**(9,103)**	2,622	(5,245)	**(11,726)**	1,696	(2,000)	**(12,030)**
Total before Carry Forwards	**(56,132)**	**3,025**	**(18,281)**	**(71,388)**	**13,316**	**(27,917)**	**(85,989)**
Non Schools Budget Carry Forwards	**(17,665)**	17,665	(11,502)	**(11,502)**	11,502	(21,655)	**(21,655)**
Total Earmarked excluding schools	**(73,797)**	20,690	(29,783)	**(82,890)**	24,818	(49,572)	**(107,644)**
School Carry Forwards	**(23,163)**	23,163	(18,388)	**(18,388)**	18,388	(18,142)	**(18,142)**
Total Earmarked including schools	**(96,960)**	43,853	(48,171)	**(101,278)**	43,206	(67,714)	**(125,786)**
General Fund (not earmarked)	**(14,636)**		(43)	**(14,679)**		(15)	**(14,694)**
Total General Fund, Schools and Earmarked Reserves	**(111,596)**	43,853	(48,214)	**(115,957)**	43,206	(67,729)	**(140,480)**

11. Notes to the Expenditure and Funding Analysis

This note explains the adjustments in the Expenditure and Funding Analysis and detailed in Note 9 to move from outturn in the General Fund to the figures in the Comprehensive Income and Expenditure Statement (using generally accepted accounting practice).

2017/18

Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement accounts	Adjustments for Capital Purposes £000	Net Change for Pensions Adjustments £000	Other Adjustments £000	Total Adjustments £000
Adult Care & Health	7,365	3,165	26	10,556
Children's Services	51,463	1,452	(1,286)	51,629
Communities, Public Health, Environment & Prosperity	33,147	340	4	33,491
Corporate	2,332	(3,640)	26	(1,282)
Highways, Infrastructure Development & Waste	97	1,137	10	1,244
Non Service	(9,209)	(1,897)	0	(11,106)
Net Cost of Services	85,195	557	(1,220)	84,532
Other income and expenditure from the Expenditure and Funding Analysis	(13,995)	31,503	(1,803)	15,705
Difference between General Fund surplus or deficit and CIES surplus or deficit on the Provision of Services - Note 9	71,200	32,060	(3,023)	100,237

2016/17

Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement accounts	Adjustments for Capital Purposes £000	Net Change for Pensions Adjustments £000	Other Adjustments £000	Total Adjustments £000
Adult Care & Health	6,801	1,127	(56)	7,872
Children's Services	33,730	(1,523)	2,335	34,542
Communities, Public Health, Environment & Prosperity	53,189	(875)	(18)	52,296
Corporate	5,854	(9,031)	(55)	(3,232)
Highways, Infrastructure Development & Waste	82	420	(19)	483
Non Service	(21,962)	(5,824)	0	(27,786)
Net Cost of Services	77,694	(15,706)	2,187	64,175
Other income and expenditure from the Expenditure and Funding Analysis	(63,536)	33,436	(2,863)	(32,963)
Difference between General Fund surplus or deficit and CIES surplus or deficit on the Provision of Services - Note 9	14,158	17,730	(676)	31,212

Adjustments for Capital Purposes

This column adds in depreciation and impairment and revaluation gains and losses in the services line, and for other income and expenditure:

- adjusts for capital disposals with a transfer of income on disposal of assets and the amounts written off for those assets.
- deducts the statutory charges for capital financing i.e. Minimum Revenue Provision
- adjusts for capital grants, where income is not recognised under generally accepted accounting practices. Revenue grants are adjusted from those receivable in the year to those receivable without conditions or for which conditions were satisfied throughout the year. The Taxation and Non-specific Grant Income and Expenditure line is credited with capital grants receivable in the year without conditions or for which conditions were satisfied in the year.

Net Change for the Pensions Adjustments

For services this represents the removal of the employer pension contributions made by the authority as allowed by statute and the replacement with current service costs and past service costs.

For Other Income and Expenditure (Financing and investment income and expenditure), the net interest on the defined benefit liability is charged to the CIES.

Other Adjustments

There are other adjustments between amounts debited/credited to the Comprehensive Income and Expenditure Statement and amounts payable/receivable to be recognised under statute:

- the General Fund is adjusted for the timing differences for premiums and discounts as disclosed in the Financial Instruments Adjustment Account (Note 23)
- adjusts for what is chargeable under statutory regulations for council tax and NDR (amounts that were projected to be received at the start of the year) and the income recognised under generally accepted accounting practices in the Code (what was actually received). This is a timing difference as any difference will be brought forward in future surpluses or deficits on the Collection Fund.

The following table shows the revenue transactions (external and internal) for each reporting segment. It does not include grant income. The Comprehensive Income and Expenditure Statement only includes income and expenditure with external organisations in accordance with proper accounting practice. Internal recharges between segments (other services) are excluded from the CIES.

2016/17 Revenue from External Customers	**2016/17** Revenue from Transactions with Other Services		**2017/18** Revenue from External Customers	**2017/18** Revenue from Transactions with Other Services
£000	**£000**		**£000**	**£000**
(48,436)	(38)	Adult Care & Health	(49,004)	(80)
(22,241)	(8,171)	Children's Services	(19,833)	(6,812)
(8,485)	(3,557)	Communities, Public Health, Environment & Prosperity	(8,101)	(2,391)
(13,121)	(18,028)	Corporate	(13,515)	(25,646)
(9,486)	(2,165)	Highways, Infrastructure Development & Waste	(9,722)	(2,617)
(101,769)	(31,959)		(100,175)	(37,546)

12. Other Operating Expenditure

2016/17 £000		2017/18 £000
47,549	(Gains)/losses on the disposal of non current assets	114,213
784	Levies	841
48,333		**115,054**

13. Financing and Investment Income and Expenditure

2016/17 £000		2017/18 £000
38,616	Interest payable and similar charges	38,301
33,436	Pensions interest cost and expected return on pensions	31,503
(1,294)	Interest receivable and similar income	(1,404)
70,758		**68,400**

14. Taxation and Non Specific Grant Income

2016/17 £000		2017/18 £000
(340,983)	Council tax income	(363,239)
(72,109)	Business Rates Retention Scheme Top-up	(75,320)
(25,423)	Business Rates Retention Scheme Local Element	(21,133)
(91,439)	Non-ringfenced government grants	(79,229)
(106,359)	Capital grants and contributions	(124,666)
(636,313)		**(663,587)**

15. Expenditure and Income Analysed by Nature

The Authority's expenditure and income is analysed as follows:

Expenditure and Income Analysed by Nature

	2016/17	2017/18
Expenditure	**£000**	**£000**
Employee expenses	371,467	366,753
Other service expenses	635,230	640,959
Precepts & levies	784	841
Depreciation, amortisation and impairment	70,604	64,637
Interest payable	25,898	25,882
Pensions Financing and Investment Income and Expenditure	33,436	31,503
PFI financing charges	12,718	12,419
Gain or Loss on Disposal of Non Current Assets	47,549	114,213
Total Expenditure	1,197,686	1,257,207
Income		
Fees, charges & other service income	(137,057)	(128,105)
Interest and investment income	(1,294)	(1,404)
Income from council tax	(340,983)	(363,239)
Business rates retention scheme - Local and top up grant	(97,531)	(96,453)
Government grants and contributions	(593,970)	(592,292)
Total Income	(1,170,835)	(1,181,493)
(Surplus) or deficit on the provision of services	26,851	75,714

16. Property Plant and Equipment (PPE)

Movements in 2017/18:	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 2017	797,563	47,993	1,022,064	2,487	25,305	17,044	**1,912,456**
Additions	8,462	4,958	68,291	407		13,763	**95,881**
Revaluation increases / (decreases) recognised in the Revaluation Reserve	15,062				3,003		**18,065**
Revaluation increases / (decreases) recognised in the Surplus / Deficit on the provision of Services	893				1,600		**2,493**
Derecognition - Disposals	(113,072)	(22,030)			(13,195)	(678)	**(148,975)**
Assets reclassified (to)/from Held for Sale	(349)				(3,698)		**(4,047)**
Other movements in cost or valuation	3,168		5,234	29	(98)	(8,333)	**0**
At 31st March 2018	**711,727**	**30,921**	**1,095,589**	**2,923**	**12,917**	**21,796**	**1,875,873**
Accumulated Depreciation and Impairment							
1st April 2016	(15,942)	(35,576)	(396,968)		(8)		**(448,494)**
Depreciation Charge	(38,627)	(3,620)	(33,213)		(30)		**(75,490)**
Depreciation written out to the Revaluation Reserve	31,812						**31,812**
Depreciation written out to the Surplus / Deficit on the provision of services	8,843						**8,843**
Derecognition - Disposals	1,012	20,936					**21,948**
At 31st March 2018	**(12,902)**	**(18,260)**	**(430,181)**	**0**	**(38)**	**0**	**(461,381)**
Net Book Value							
At 31st March 2018	**698,825**	**12,661**	**665,408**	**2,923**	**12,879**	**21,796**	**1,414,492**
At 1st April 2017	**781,621**	**12,417**	**625,096**	**2,487**	**25,297**	**17,044**	**1,463,962**

Movements in 2016/17:	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 2016	811,436	46,963	948,241	2,269	26,231	12,113	**1,847,253**
Additions	14,980	5,245	71,024	218		14,658	**106,125**
Revaluation increases / (decreases) recognised in the Revaluation Reserve	17,380				1,637		**19,017**
Revaluation increases / (decreases) recognised in the Surplus / Deficit on the provision of Services	(168)				(438)		**(606)**
Derecognition - Disposals	(46,889)	(4,215)	(536)		(1,821)	(1,033)	**(54,494)**
Assets reclassified (to)/from Held for Sale					(4,839)		**(4,839)**
Other movements in cost or valuation	824		3,335		4,535	(8,694)	**0**
At 31st March 2017	**797,563**	**47,993**	**1,022,064**	**2,487**	**25,305**	**17,044**	**1,912,456**
Accumulated Depreciation and Impairment							
1st April 2016	(9,711)	(35,787)	(362,661)		(3)		**(408,162)**
Depreciation Charge	(33,741)	(3,667)	(34,463)		(17)		**(71,888)**
Depreciation written out to the Revaluation Reserve	23,972				4		**23,976**
Depreciation written out to the Surplus / Deficit on the provision of services	2,816				8		**2,824**
Derecognition - Disposals	722	3,878	156				**4,756**
At 31st March 2017	**(15,942)**	**(35,576)**	**(396,968)**	**0**	**(8)**	**0**	**(448,494)**
Net Book Value							
At 31st March 2017	**781,621**	**12,417**	**625,096**	**2,487**	**25,297**	**17,044**	**1,463,962**
At 1st April 2016	**801,725**	**11,176**	**585,580**	**2,269**	**26,228**	**12,113**	**1,439,091**

Revaluations

The Authority maintains a rolling programme of revaluations that ensures all PPE required to be measured at fair value is revalued at least every five years. All valuations are carried out by our qualified external valuer, John Penaligon FRICS, NPS South West Ltd. All valuations were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors (RICS). The current value of PPE at 31 March 2018 is £1,414.492 millions.

The effective date for all valuations is 31 December 2017 for the financial year 2017/18 and the basis of valuation is explained in the Statement of Accounting Policies.

	Other Land and Buildings £000	Vehicles, Plant, Furniture & Equipment £000	Infrastructure Assets £000	Community Assets £000	Surplus Assets £000	Assets Under construction £000	Total £000
Valued at Historical Cost:		30,921	1,095,589	2,923		21,796	1,151,229
Valued at Current Value in:							
2017/18	629,011						629,011
2016/17	33,144				6,504		39,648
2015/16	23,449				6,413		29,862
2014/15	24,161						24,161
2013/14	1,962						1,962
Total	**711,727**	**30,921**	**1,095,589**	**2,923**	**12,917**	**21,796**	**1,875,873**

Removal, dismantling and restoration costs

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

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

Derecognitions and disposals

The Authority derecognised in 2017/18 property, plant and equipment assets with a carrying value of £129.422 millions, which are analysed as follows:

Derecognition category	Carrying value	Proportion
	£000	%
Transfers to academy and other school movements	110,642	85.5%
Disposals with proceeds	17,925	13.9%
Libraries Unlimited South West Mutualisation	684	0.5%
Other disposals	171	0.1%
Total	**129,422**	**100%**

Capital Commitments

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

		2018/19	2019/20	Total Commitment 2018/19 Onwards
Contract Name	**Project Purpose**	**£000**	**£000**	**£000**
Devon Surface Dressing Contract 2018/19	Design and Application of Carriageway Surface Dressing	4,392		4,392
Okehampton Primary	New Primary School	4,310	66	4,376
Brynsworthy Waste Transfer Station	Receiving facility for household waste	3,300		3,300
North Devon Link Road Challenge Fund	Resurfing, drainage, signal renewal	3,158		3,158
Devon Micro Asphalt Contract 2018/19	Carriageway surfacing treatment	1,230		1,230
Marland School	New Build & Refurbishment	964	57	1,021
Dawlish Westcliff Primary School	Expansion	877	22	899
Bodley House	Phase 2 works	738	13	751
DCC Footway Slurry Sealing Contract 2018/19	Footpath sealing treatment	392	320	712
Okehampton College	Re-roofing	474	13	487
Clyst St. Mary Primary School	Expansion	389	10	399
Loddiswell Primary	Replacement Primary School	367		367
Woolsery Lower Alminstone Farm	Provision of new NVZ slurry store	365		365
Blackhorse Link Road-South	New Link Road	284		284
Ilfracombe Junior School	Replacement of Blocks 08 & 09	207		207
		21,447	**501**	**21,948**

17. Long Term Debtors

31st March 2017 £000		31st March 2018 £000
12	Car Loans to Employees	2
69	Academy Schools	206
1,401	Skypark LLP	1,401
2	Housing Advances	2
4	Industrial Loans	4
62	Magistrates	36
31,276	Unfunded pensions	29,272
0	Deferred Capital Receipts	2,750
80	Devon Disability Collective	75
32,906		**33,748**

18. Financial Instruments

18.1 Financial instrument balances

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

31 March 2017			31 March 2018	
Long-Term	**Current**		**Long-Term**	**Current**
£000	£000		£000	£000
		Investments		
0	90,186	Loans and receivables	10,000	92,735
9,510	0	Available-for-sale financial assets	9,949	104
1,431	0	Unquoted equity investment at cost	1,881	
10,941	**90,186**	**Total Investments**	**21,830**	**92,839**
		Cash		
0	27,239	Cash flow investments (cash equivalents)		77,015
0	(14,279)	Cash (overdraft at bank)		(12,713)
0	**12,960**	**Total Cash**	**0**	**64,302**
		Debtors		
1,443	45,539	Loans and receivables	4,413	52,502
31,463	38,295	Debtors that are not financial instruments	29,335	39,429
32,906	**83,834**	**Total Debtors**	**33,748**	**91,931**
		Borrowings		
(436,349)	0	Financial liabilities at amortised cost - PWLB	(436,349)	(10,896)
		Financial liabilities at amortised cost - previous LOBO converted to fixed interest	(25,321)	(8)
(74,969)	(283)	Financial liabilities at amortised cost - LOBOs*	(49,577)	(290)
(511,318)	**(283)**	**Total Borrowings**	**(511,247)**	**(11,194)**
		Other Long Term Liabilities		
(127,995)	0	PFI Liability	(123,438)	
(1,831)	0	Financial Guarantee Liability	(1,831)	
(129,826)	0	Total included in Other Long Term Liabilities	(125,269)	0
(1,215,655)	0	Other Long Term Liabilities that are not financial instruments	(1,140,647)	
(1,345,481)	**0**	**Total Other Long Term Liabilities**	**(1,265,916)**	**0**
		Creditors (payable within 12 months)		
0	(74,916)	Financial liabilities at amortised cost		(89,512)
0	(4,676)	PFI Liability		(4,557)
0	(79,592)	Total included in Creditors		(94,069)
0	(27,768)	Creditors that are not financial instruments		(27,120)
0	**(107,360)**	**Total Creditors**	**0**	**(121,189)**

* 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. Interest accrued but unpaid at 31 March is added to the borrowings as current or short term - payable within 12 months

Note 39, Contingent Liabilities discloses the financial impact of guarantees that the Authority has entered into, including the one in relation to Exeter Science Park.

18.2 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:

2016/17				2017/18		
Financial Liabilities	**Financial Assets**			**Financial Liabilities**	**Financial Assets**	
Liabilities measured at amortised cost	Loans and receivables	Available for Sale		Liabilities measured at amortised cost	Loans and receivables	Available for Sale
£000	£000	£000		£000	£000	£000
38,616	0		Interest expense	38,301		
0	90		Impairment losses		1,161	
38,616	**90**	**0**	**Interest payable and similar charges**	**38,301**	**1,161**	**0**
0	(1,294)		Interest Income		(1,404)	
0	**(1,294)**	**0**	**Interest and investment income**	**0**	**(1,404)**	**0**
38,616	**(1,204)**	**0**	**Net (gain)/loss Provision of Services**	**38,301**	**(243)**	**0**
		148	(Surplus) or deficit on revaluation			(440)
38,616	**(1,204)**	**148**	**Net (gain) / loss - comprehensive income and expenditure**	**38,301**	**(243)**	**(440)**

18.3 Fair value assets and liabilities carried at amortised cost

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

- The fair values for Public Works Loans Board (PWLB) and PFI have been calculated by reference to the new borrowing rate at 31st March 2017 and 2018.
- Loans from other sources and investments have been valued by reference to the set of interest rates in force on 31st March 2017 and 2018.
- No early repayment is recognised.
- The increase in impairment in Table 18.2 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 2017 Carrying amount £000	31st March 2017 Fair value £000	Financial Liabilities	31st March 2018 Carrying amount £000	31st March 2018 Fair value £000
(436,349)	(656,240)	PWLB	(447,245)	(657,755)
(74,969)	(121,090)	LOBO's	(49,867)	(73,821)
		Market Debt, Fixed Rate	(25,329)	(43,968)
(132,671)	(252,442)	PFI and similar contracts	(127,995)	(234,443)
(643,989)	**(1,029,772)**		**(650,436)**	**(1,009,987)**

No new borrowing was taken out during 2017/18; the PWLB carrying amount has increased due to interest due at 31st March 2018 of £10.896 millions not being paid until the first working day of April. The fair values of the loans are higher than the carrying amounts. This is due to current loan rates being lower 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 compared with a loan taken out at today’s rates. 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 contracts.

Fair Value Hierarchy

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

Level 1

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

Level 2

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

Level 3

Unobservable inputs for the asset or liability.

The following table analyses the financial instruments into hierarchies

31st March 2017				31st March 2018		
Level 1	**Level 2**	**Level 3**		**Level 1**	**Level 2**	**Level 3**
£000	£000	£000		£000	£000	£000
			Investments			
90,186	0	0	Loans and receivables	102,735		0
0	9,510	0	Available-for-sale financial assets	104	9,702	247
0	0	1,431	Unquoted equity investment at cost	0	0	1,881
90,186	**9,510**	**1,431**	**Total Investments**	**102,839**	**9,702**	**2,128**
			Cash			
27,239	0	0	Cash flow investments (cash equivalents)	77,015	0	0
(14,279)	0	0	Cash (overdraft at bank)	(12,713)	0	0
12,960	**0**	**0**	**Total Investments**	**64,302**	**0**	**0**
			Debtors - Current and Long Term			
0	46,982	0	Loans and receivables	0	56,916	0
0	69,758	0	Debtors that are not financial instruments	0	68,763	0
0	**116,740**	**0**	**Total Debtors**	**0**	**125,679**	**0**
			Borrowings			
(436,349)	0	0	Financial liabilities at amortised cost - PWLB	(447,245)	0	0
			Financial liabilities at amortised cost - previous LOBO converted to fixed interest	(25,329)		
(75,252)	0	0	Financial liabilities at amortised cost - LOBOs	(49,867)	0	0
(511,601)	**0**	**0**	**Total Borrowings**	**(522,441)**	**0**	**0**
			Other Long Term Liabilities			
0	0	(127,995)	PFI Liability - See note 36	0	0	(123,438)
0	0	(1,831)	Financial Guarantee Liability	0	0	(1,831)
0	0	(129,826)	Total included in Other Long Term Liabilities	0	0	(125,269)
0	0	(1,215,655)	Other Long Term Liabilities that are not financial instruments	0	0	(1,140,647)
0	**0**	**(1,345,481)**	**Total Other Long Term Liabilities**	**0**	**0**	**(1,265,916)**
			Creditors (payable within 12 months)			
(74,916)	0	0	Financial liabilities at amortised cost	(89,512)	0	0
0	0	(4,676)	PFI Liability - See note 36	0	0	(4,557)
(74,916)	0	(4,676)	Total included in Ceditors	(89,512)	0	(4,557)
0	(27,768)	0	Creditors that are not financial instruments	0	(27,120)	0
(74,916)	**(27,768)**	**(4,676)**	**Total Creditors**	**(89,512)**	**(27,120)**	**(4,557)**

18.4 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 current Treasury Management Policy Statement together with the Statement of Treasury Management Practices (TMPs) was formally adopted by the County Council on 15th February 2018. TMPs set out the manner in which the Authority will seek to achieve its treasury management policies and objectives and how it will manage and control those activities. The County Council will receive reports on its treasury management policies, practices and activities including, as a minimum, an annual strategy and plan in advance of the year, a mid-year review and an annual report after its close, in the form prescribed in the TMPs.

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

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

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

The annual Treasury Management Strategy and Prudential Indicators were approved by the Authority on 16th February 2017. The Authorised Limit for external debt for 2017/18 was initially set at £881.934 millions for borrowing and other long term liabilities. Actual external debt for 2017/18 was £635.845 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 Authority looks for the highest rating from banks and sets lending limits against each one. Banks and UK Building Societies that do not attract these ratings are not considered at all. The actual ratings sought by the Authority may be varied as part of the regular review of lending policy and counterparties.

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

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

Counterparty Type		Fitch	Moody's	Standard & Poor's	Credit Limit
UK Banks					
	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	£30 million
CCLA Property Fund					£30 million

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

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

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

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

	Amount at 31 March 2018	Historic experience of default	Historic experience adjusted for market conditions at 31 March 2018	Estimated maximum exposure to default and uncollectability
	£000	%	%	£000
Deposits with banks and financial institutions	134,750	0.00%	0.03%	39
Deposits with local authorities	45,000	0.00%	0.00%	0
Loans and receivables - Debtors	54,737	0.36%	4.08%	2,235
				2,274

Loans and Receivables - Debtors	**31 March 2017**	**31 March 2018**
	£000	£000
Less than three months	30,139	39,602
Three to six months	4,440	3,322
Six months to one year	5,063	4,007
More than one year	6,971	7,806
	46,613	54,737
Provision for bad debts - Impairment	(1,074)	(2,235)
Long Term Debtors not yet due	1,443	4,413
	46,982	56,915

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 millions. 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 £30 millions whichever is the lower.

The maturity analysis of borrowing is as follows:

31st March 2017 £000		31st March 2018 £000
(283)	Less than one year	(11,194)
0	Between one and two years	
0	Between two and five years	
0	Between five and ten years	(39,610)
(39,610)	Between ten and fifteen years	(8,903)
(65,366)	Between fifteen and twenty years	(103,681)
(97,621)	Between twenty and twenty-five years	(50,403)
0	Between twenty-five and thirty years	(8,903)
(57,867)	Between thirty and thirty-five years	(84,574)
(140,332)	Between thirty-five and forty years	(113,625)
(107,053)	Between forty and forty-five years	(98,151)
(508,132)		**(519,044)**

In 2016/17 and in previous years, PWLB requested payment of the interest on the last working day of 2016/17 and thus there would not be any PWLB interest outstanding at 31 March 2017. However, for six monthly interest due in 2017/18 PWLB requested payment on the first working day of 2018/19. This PWLB six month interest accrual accounts for £10.896 millions of the borrowing classified "less than one year." It does not represent any additional new borrowing.

Short term creditors of £121.189 millions (£107.36 millions in 2016/17) 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 2017/18 and beyond are set out in the following table:

	Upper Limit %	Lower Limit %
Limits on borrowing at fixed interest rates	100	70
Limits on borrowing at variable interest rates	30	0
Percentage of Fixed Rate Debt maturing in:		
Under 12 months	20	0
12 Months to within 24 months	25	0
24 Months to within 5 Years	30	0
5 years and within 10 Years	35	0
10 years and within 20 years	45	0
20 years and within 35 years	60	0
35 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. One of the lenders has waived its right to this option. 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 £570,000 if the investments were held for a year.

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

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

Exchange Rate Risk

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

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

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

Inflation Risk

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

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

Market Risk

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

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

Price Risk

The Authority does not generally invest in equity shares but does have two £1 shares in NPS (SW) Ltd, valued at £247,000 and has an increased equity investment in Exeter Science Park Ltd to £1.881 millions (£1.431 millions 31/3/17). These shares are recognised in the balance sheet at £2.128 millions (£1.678 millions 31/3/17).

In 2015/16, the Authority invested £10 millions in the Local Authorities' Property Fund (CCLA). Changes in market value are recognised in the available for sale reserve and do not affect the General Fund. Only when the investment is disposed of, is any revaluation balance recognised in the General Fund.

Variations in price are not a significant risk for the Authority.

19. Creditors and Debtors

19.1 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 2017 £000		31st March 2018 £000
(9,674)	Central Government	(19,970)
(15,802)	Other Local Authorities	(14,406)
(3,668)	NHS Bodies	(2,593)
(459)	Public Corporations & Trading Funds	0
(77,757)	Other Entities & Individuals	(84,220)
(107,360)		**(121,189)**

19.2 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 2017 £000		31st March 2018 £000
10,506	Central Government	3,418
13,061	Other Local Authorities	16,558
4,767	NHS Bodies	4,274
7	Public Corporations & Trading Funds	7
55,493	Other Entities & Individuals	67,674
83,834		**91,931**

20. 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 31/03/16 £000**	Amounts released **£000**	Provided in year **£000**	**As at 31/03/17 £000**	Amounts released **£000**	Amounts utilised **£000**	Provided in year **£000**	**As at 31/03/18 £000**
Insurance Fund from 01/04/98	(9,667)	0	(247)	**(9,914)**	0	0	-	(9,914)
Landfill aftercare	(5,785)	268	0	**(5,517)**	124	0	0	(5,393)
Total	**(15,452)**	**268**	**(247)**	**(15,431)**	**124**	**0**	**0**	**(15,307)**

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. The balance at 31 March 2018 is considered sufficient to meet claims registered on that date. An estimate of the payment profile has been applied to the Authority's insurance provision at 31 March 2018:

Payable within	**£000**
1 to 2 years	(5,526)
3 to 5 years	(3,666)
6 to 9 years	(722)
Total	**(9,914)**

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

Landfill aftercare

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

Payable within	**£000**
1 to 2 years	(244)
3 to 5 years	(905)
6 to 10 years	(987)
more than 10 years	(3,257)
Total	**(5,393)**

21. Cash and Cash Equivalents

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

31st March 2017 £000		**31st March 2018 £000**
(14,279)	Bank Current Accounts	(12,713)
27,239	Investments less than 90 days	77,015
12,960		**64,302**

22. Assets Held for Sale

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

2016/17 £000		**2017/18 £000**
11,778	**Balance outstanding at start of year**	9,583
	Assets newly classified as held for sale:	
4,839	Property, Plant and Equipment	4,047
(7,034)	Assets sold	(2,390)
9,583	**Balance outstanding at year-end**	**11,240**

23. Unusable Reserves

31st March 2017		31st March 2018
£000		£000
(191,889)	Revaluation Reserve	(187,426)
575	Available for sale FI reserve	135
(514,983)	Capital Adjustment Account	(469,642)
14,829	Financial Instruments Adj Account	14,110
1,143,341	Pensions Reserve	1,072,180
(10,856)	Collection Fund Adjustment Account	(11,939)
8,018	Accumulated Absences Account	6,797
(471)	Deferred Capital Receipts Reserve	(5,971)
448,564		**418,244**

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.

2016/17		2017/18
£000		£000
(174,199)	**Balance at 1st April**	**(191,889)**
(46,373)	Upward revaluation of assets	(53,192)
3,380	Downward Revaluation of assets not charged to the Surplus/Deficit on the provision of services	3,315
(217,192)	Surplus or deficit on revaluation of non-curent assets not posted to the Surplus or Deficit on the Provision of Services	(241,766)
10,496	Difference between fair value depreciation and historical cost depreciation	16,064
14,807	Accumulated gains on assets sold or scrapped	38,276
25,303	Amount written off to the Capital Adjustment Account	54,340
(191,889)	**Balance at 31st March**	**(187,426)**

Capital Adjustment Account

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

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

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

2016/17 £000		**2017/18 £000**
(500,081)	**Balance 1st April**	**(514,983)**
71,888	Charges for depreciation and impairment of non-current assets	75,491
(2,218)	Revaluation losses on Property Plant and Equipment	(11,336)
933	Amortisation	482
(1,844)	Release of deferred income from Energy from Waste	(1,844)
26,217	Revenue expenditure funded from capital under statute	28,827
56,772	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	129,422
151,748		221,042
(25,303)	Adjusting amounts written out of the Revaluation Reserve	(54,340)
126,445	Net written out amount of the cost of non-current assets consumed in the year	166,702
(54)	Recognition of loan to Academy schools on transfer	(246)
(54)		(246)
	Capital financing applied in the year:	
(18,385)	Use of the Capital Receipts Reserve to finance new capital expenditure	(8,085)
(100,954)	Application of grants to capital financing from the Capital Grants Unapplied Account	(103,309)
(20,117)	Statutory provision for the financing of capital investment charged against the General Fund	(7,366)
(1,837)	Capital expenditure charged against the General Fund	(2,355)
(141,293)		(121,115)
(514,983)	**Balance 31st March**	**(469,642)**

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.

2016/17 £000		2017/18 £000
15,545	**Balance 1st April**	**14,829**
(648)	Proportion of premiums incurred in previous financial years to be charged against the General Fund Balance in accordance with statutory requirements	(648)
(68)	Adjusting for effective interest rates	(71)
(716)	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.	(719)
14,829	**Balance 31st March**	**14,110**

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 are financed as the Authority makes employer's contributions to pension funds or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a shortfall in the resources the Authority has set aside to meet future pension benefits, earned by past and current employees. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

2016/17 £000		2017/18 £000
911,958	**Balance 1st April**	**1,143,341**
213,653	Actuarial gains or (losses) on pensions assets and liabilities	(103,221)
61,398	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	75,884
(43,668)	Employer's Pensions contributions and direct payments to pensioners payable in the year	(43,824)
1,143,341	**Balance 31st March**	**1,072,180**

24. Other Long Term Liabilities

31st March 2017 £000		31st March 2018 £000
(1,174,616)	Pensions Liability	(1,101,452)
(59,100)	Private Finance Initiative Liability - schools	(55,300)
(43,609)	Liability Exeter Energy from Waste	(43,134)
(25,286)	Private Finance Initiative Liability - Plymouth Energy from Waste	(25,004)
(2,799)	Deferred income - Exeter Energy from Waste	(2,693)
(38,240)	Deferred income - Plymouth Energy from Waste	(36,502)
(1,831)	Financial Guarantee	(1,831)
(1,345,481)		**(1,265,916)**

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

2016/17 £000		2017/18 £000
(71,888)	Depreciation	(75,491)
2,218	Revaluation Losses	11,336
(933)	Amortisation	(482)
1,844	Release of deferred income	1,844
12,349	(Increase)/Decrease in creditors	(12,795)
2,821	Increase/(Decrease) in debtors	1,091
(157)	Increase/(Decrease) in inventories	(890)
(19,339)	(Increase)/Decrease in pension liability	(30,057)
2,934	(Increase)/Decrease in provisions	(1,058)
(56,772)	Net Book Value of disposals	(129,422)
(962)	Other non-cash items within the provision of services	(4,992)
(127,885)		**(240,916)**

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

2016/17 £000		2017/18 £000
9,225	Proceeds from sale of non current assets	8,867
9,225		**8,867**

27. Cash Flow - Operating Activities

2016/17 £000		2017/18 £000
508,212	Cost of services	484,672
784	Other Operating Expenditure	841
	Financing and Investment Income and Expenditure	
25,969	Interest paid and similar expenditure	15,042
12,718	Interest element of PFI	12,419
(1,418)	Interest received and similar income	(1,377)
(639,208)	Taxation and Non-specific Grant Income	(667,932)
(92,943)	**Net cash flows from operating activities**	**(156,335)**

28. Cash Flow - Investing Activities

2016/17 £000		2017/18 £000
	Purchase of property, plant and equipment, intangible and	96,786
98,647	heritage assets	0
0	Purchase of long term investments	10,450
130,000	Purchase of short term investments	731,000
(9,168)	Sale of property, plant and equipment	(9,287)
(85,000)	Sale of short term investments	(728,500)
134,479	**Net cash flows from investing activities**	**100,449**

29. Cash Flow - Financing Activities

2016/17 £000		2017/18 £000
4,024	Payments applied in reducing finance lease and PFI liabilities	4,676
(210)	External contribution to repayment of debt	(132)
3,814	**Net cash flows from financing activities**	**4,544**

30. Members' Allowances

The authority pays its elected members basic allowances, special responsibility allowances and travel and subsistence. During 2017/18 £973,000 was paid (£1.017 millions in 2016/17).

31. Audit Fees

In 2017/18 the County Council incurred the following fees relating to the external audit:

2016/17 £000		2017/18 £000
128	Fees as appointed auditor	118
12	Other services	8
140		**126**

External audit work not prescribed by the Audit Code of Practice, such as certification of grant claims, is classified as other services.

32. Officers' Remuneration

32.1 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	Pension contributions	**Total**
			£	£	£	**£**
Chief Executive		2017/18	149,995		22,649	**172,644**
		2016/17	149,995		28,199	**178,194**
Chief Officer for Adult Care and Health		2017/18	132,608		20,024	**152,632**
		2016/17	131,716		24,763	**156,479**
County Solicitor	1	2017/18	112,291		16,174	**128,465**
		2016/17	106,050		19,937	**125,987**
County Treasurer		2017/18	107,110		16,174	**123,284**
		2016/17	106,050		19,937	**125,987**
Chief Officer for Communities, Public Health, Environment and Prosperity		2017/18	158,753	7	22,702	**181,462**
		2016/17	157,179	135	22,477	**179,791**
Chief Officer for Highways, Infrastructure Development and Waste	2	2017/18	98,886		14,932	**113,818**
		2016/17	0		0	**0**
Head of Organisational Development	3	2017/18	90,361		13,644	**104,005**
		2016/17	40,363		7,608	**47,971**
Head of Digital Transformation and Business Support		2017/18	88,443		13,355	**101,798**
		2016/17	87,567		16,463	**104,030**
Chief Officer for Childrens Services	4	2017/18	65,948		9,958	**75,906**
		2016/17	0		0	**0**

Notes:

1) The County Solicitors remuneration includes a one of payment in May 2017 in relation to election duties.

2) Chief Officer for Highways, Infrastructure Development and Waste commenced this role 1st April 2018.

3) Head of Organisational Development commenced this role on 1st November 2016 and left Devon County Council employment on 28th February 2018.

4) Chief Officer for Children's Services commenced this role on 2nd October 2017

5) The Interim Chief Officer for Children's Services left this role on 1st October 2018. Figures are not given for this post as the post holder is not directly employed by the Council and does not fall within the criteria. The post holders services were obtained through IPeople Solutions Ltd at a cost of £150,716 for the period 1st April 2017 until 1st October 2017.

32.2 Officers Remuneration

The Authority's employees receiving more than £50,000 remuneration for the year (excluding employer's pension contributions) is set out in the following table. This table includes those Officers disclosed in note 32.1

2016/17				Emoluments	2017/18			
Schools Staff	Other Staff	**Total**	**Left in Year**	**£**	Schools Staff	Other Staff	**Total**	**Left in Year**
86	39	**125**	**6**	**50,000 - 54,999**	82	51	**133**	**4**
62	34	**96**	**7**	**55,000 - 59,999**	51	30	**81**	**3**
51	7	**58**	**1**	**60,000 - 64,999**	38	9	**47**	**1**
15	9	**24**		**65,000 - 69,999**	24	9	**33**	**1**
9		**9**		**70,000 - 74,999**	9	3	**12**	**2**
5	4	**9**	**1**	**75,000 - 79,999**	2	6	**8**	**1**
4	5	**9**	**1**	**80,000 - 84,999**	6	2	**8**	
3	4	**7**		**85,000 - 89,999**	6	1	**7**	**1**
1	2	**3**	**1**	**90,000 - 94,999**	1	1	**2**	
3	4	**7**	**1**	**95,000 - 99,999**	2	6	**8**	**1**
	1	**1**		**100,000 - 104,999**		1	**1**	
1	3	**4**	**1**	**105,000 - 109,999**	1	1	**2**	
1	1	**2**	**1**	**110,000 - 114,999**		1	**1**	
				115,000 - 119,999				
				120,000 - 124,999				
				125,000 - 129,999				
	1	**1**		**130,000 - 134,999**		1	**1**	
	1	**1**	**1**	**135,000 - 139,999**				
				140,000 - 144,999				
	1	**1**		**145,000 - 149,999**		1	**1**	
				150,000 - 154,999				
	1	**1**		**155,000 - 159,999**		1	**1**	
	1	**1**	**1**	**160,000 - 164,999**				
				165,000 - 169,999				
				170,000 -174,999				
				175,000 - 179,999				
				180,000-184,999				
				185,000-189,999				

32.3 Exit Packages

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

	Number of compulsory redundancies		**Number of other departures agreed**		**Total number of exit packages by cost band**		**Total cost of exit packages in each band**	
	2016/17	**2017/18**	**2016/17**	**2017/18**	**2016/17**	**2017/18**	**2016/17**	**2017/18**
	No.	**No.**	**No.**	**No.**	**No.**	**No.**	**£000**	**£000**
£0 - £20,000	117	89	94	70	211	159	1,084	931
£20,001 - £40,000	13	16	12	14	25	30	713	854
£40,001 - £60,000	5	3	4	2	9	5	441	264
£60,001 - £80,000	2	2	4		6	2	405	132
£80,001 - £100,000	1		3		4		352	
£100,001 - £150,000	1		3		4		452	
£150,001 - £200,000			1	1	1	1	171	151
£200,001 - £250,000								
	139	**110**	**121**	**87**	**260**	**197**	**3,618**	**2,332**

33. 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

2016/17		2017/18
£000		**£000**
	UK Government Revenue Grants:	
(57,700)	Revenue Support Grant	(32,446)
0	Improved Better Care Fund	(15,363)
(5,588)	New Homes Bonus	(4,891)
(514)	Local Service Support Grant	(545)
(4,727)	Private Finance Initiative - Interest	(3,542)
(488)	Adoption Reform Grant	(961)
0	Adult Social Care Support Grant	(3,592)
(5,929)	Education Services Grant	(1,560)
(2,888)	Independent Living Fund	(2,793)
(303)	School Improvement Grant	(471)
(13)	Transparency Code Set Up	(13)
(1)	Property Searches	0
(7,409)	Rural Service Delivery Grant	(5,983)
(2,823)	Transition Grant	(2,811)
0	Lead Local Authority Flood Relief	(84)
(289)	High Needs strategic planning fund	0
0	Commons Pioneer Authority	(4)
(1,347)	Business Cap Compensation	(1,460)
(1,420)	Small Business & Empty Property Rate Relief	(2,710)
(91,439)		**(79,229)**
	Capital Grants:	
(48,255)	Department for Transport - Local Transport Plan	(51,969)
(3,894)	Department for Transport - Street Lighting	(4,043)
0	Department for Transport - Tithebarn	(2,088)
0	Department for Transport - Challenge Fund	(2,489)
(9,795)	Schools Basic Needs - DfE grant	(23,783)
(8,152)	Growth Deal One Grant - MHCLG / HotSW LEP grant	(3,414)
(6,778)	Better Care Fund - DfG grant	(13,591)
(6,722)	Schools Capital Maintenance - DfE grant	(6,363)
(1,949)	Tithebarn Link Road Phase 2 - HE Co Ltd grant	(362)
(1,590)	Devolved Formula Capital - DfE grant	(1,546)
(19,224)	Other	(15,018)
(106,359)		**(124,666)**
(197,798)		**(203,895)**

Credited to Services

2016/17 £000		2017/18 £000
(971)	Active Devon	(575)
(316)	Adoption Inter-agency Fees Grant	0
(295)	Areas of outstanding Natural Beauty	(334)
(607)	Asylum Seekers (HO)	(823)
(1,146)	Bus Services Operators Grant	(1,145)
(293)	Cycling Projects Grant	(282)
(305,039)	Dedicated Schools Grant	(298,734)
0	Deprivation of Liberty Grant (DoH)	0
(210)	Environment Projects	(218)
(489)	Local Reform Community Voices	(496)
(993)	Music Education Grant	(924)
(139)	Other Communities Government Grants	0
(5)	Other Economy Government Grants	(327)
(500)	Local Sustainable Transport Fund	(500)
(244)	Nat Coll of Teaching & Leadership (DfE)	(102)
(891)	North Devon Link Road – Feasibility Study (DfI	0
(2,071)	PE and Sports Grant (DfE)	(3,037)
(562)	Post-Adoption Support Fund (DfE)	(646)
(2,211)	Private Finance Initiative	(3,395)
0	Provision of Social Care in Prisons	(309)
(15,756)	Pupil Premium	(14,226)
(28,952)	Public Health	(28,238)
0	Regional Adoption Agency Grant	0
(3,060)	Adult and Community Learning	(3,007)
(160)	Staying Put (DfE)	(164)
(280)	Syrian Refugees (HO)	(707)
(2,063)	Troubled Families Programme	(1,547)
(6,107)	Universal Infant Free School Meals (DfE)	(5,744)
0	War Pensions Scheme Grant (DoH)	(473)
(96)	Youth Justice Board - Youth Offending	(101)
(5,360)	YPLA Post 16 Funding	(3,628)
(714)	Government Grants below £150,000	(863)
(379,530)	**Total UK Government Grants**	**(370,545)**
(165)	**Total EU Grants**	**(301)**
(1,860)	Exeter Diocesan Board PFI contribution	(1,877)
(1,678)	Contributions from other local authorities	(1,685)
(1,211)	S106 contributions paid by developers	(1,775)
(16,475)	Better Care Fund	(17,551)
(4,056)	Other contributions to services	(4,207)
(25,280)	**Total Contributions from Other Sources**	**(27,095)**
(404,975)	**Total Grant Income Credited to Services**	**(397,941)**

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:

2016/17 £000		2017/18 £000
	Revenue Grants (Included within Revenue Grants Receipts in Advance - Long Term Liabilities):	
(4,404)	S106 Developer Contributions	**(5,000)**
	Revenue Grants (Included within Revenue Grants Receipts in Advance - Current Liabilities)	
(1,225)		**(1,500)**
	Capital Grants (Included within Capital Grants Receipts in Advance - Long Term Liabilities):	
(1,468)	Schools Devolved Formula Capital	(1,297)
(668)	Department for Transport	(5,439)
(280)	Growth Deal One Grant (MHCLG / HotSW LEP)	(218)
(17,915)	S106 Developer Contributions	(15,546)
(2,074)	Other	(732)
(22,405)		**(23,232)**

33.1 Details of the deployment of DSG receivable

The Authority's expenditure on schools is funded primarily by grant monies provided by the Education and Skills Funding Agency, the Dedicated Schools Grant (DSG). DSG is ringfenced and can only be applied to meet expenditure properly included in the Schools Budget, as defined in the School Finance and Early Years (England) Regulations 2017. The Schools Budget includes elements for a range of educational services provided on an authority-wide basis and for the Individual Schools Budget, which is divided into a budget share for each maintained school.

Details of the deployment of DSG receivable for 2017/18 are as follows:

2016/17 Central Expenditure £000	2016/17 ISB £000	2016/17 Total £000		2017/18 Central Expenditure £000	2017/18 ISB £000	2017/18 Total £000
		470,998	Final DSG before Academy recoupment			487,922
		(160,877)	Academy figure recouped			(181,855)
		310,121	Total DSG after Academy recoupment			306,067
		5,964	Brought forward from previous year			2,164
			Carry forward agreed in advance			
85,818	230,267	316,085	Agreed initial budgeted distribution	94,328	213,903	308,231
(41,279)	36,197	(5,082)	In year adjustments	(43,695)	36,362	(7,333)
44,539	266,464	311,003	Final budgeted distribution	50,633	250,265	300,898
(43,799)		(43,799)	Less Actual central expenditure	(49,497)		(49,497)
	(266,464)	(266,464)	Less Actual ISB deployed to schools		(250,265)	(250,265)
1,424		1,424	Plus Local authority contribution			
2,164	**0**	**2,164**	**Carry forward agreed in advance**	**1,136**	**0**	**1,136**

34. 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

2016/17 £000		2017/18 £000
732,815	**Opening Capital Financing Requirement**	724,104
732,815		724,104
	Capital Investment	
106,125	Property, Plant and Equipment	95,881
15	Heritage Assets	0
158	Intangible Assets	1,048
26,217	Revenue Expenditure Funded from Capital under Statute	28,827
0	Share Capital	450
	Sources of Finance	
(18,385)	Capital Receipts	(8,085)
(100,954)	Government Grants and other contributions	(103,308)
	Sums set aside from revenue:	
(1,837)	Direct revenue contributions	(2,355)
(20,318)	Statutory provision for the financing of capital investment	(7,496)
	Capital provision	
6,026	Creation of Long Term Provision	5,758
(5,758)	Provision remaining at year end	(5,498)
724,104	**Closing Capital Financing Requirement**	**729,326**
	Explanation of Movements in Year	
14,678	Increase in underlying need to Borrow (unsupported by government financial assistance)	13,378
268	Decrease in Capital Provision	260
(1,870)	(Reduction)/ Increase in PFI liability	(640)
(21,787)	Increase in the provision for repayment of debt	(7,776)
(8,711)	**Increase/(decrease) in Capital Financing Requirement**	**5,222**

As approved by Council on 15th February 2018, Devon County Council reduced its minimum revenue provision (MRP) payment in 2017/18. This resulted in a revenue saving of £10.9 millions which has been moved to the Minimum Revenue Provision Risk Reserve. Future use of this reserve will be considered in 2018/19.

35. 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 a significant proportion 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 33.

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. A member's partner is a foster carer and has received payment of £31,000 (2016/17 £43,000). A member, as a part time carer, received £1,000 in 2017/18 from a recipient of funding from Devon County Council. A member belongs to the Totnes Rural Area Youth Engagement Project which received £2,000 from the Council in 2017/18. 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. In 2017/18 there are no transactions that require disclosure.

35.1 Local Levies

The following levies were paid during the year:

2016/17		**2017/18**
£000		**£000**
457	Environment Agency	503
326	DSIFCA	338

All levies were due and paid during the year.

The Council's County Treasurer acts as the Chief Finance Officer for the Devon and Severn Inshore Fisheries and Conservation Authority (DSIFCA). There were no outstanding sums due to or from the DSIFCA at the year end. The Council received payments of £14,000 (2016/17 £16,000).

35.2 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 £89.297 millions in 2017/18 (2016/17 £96.079 millions) of which £20.784 millions (2016/17 £19.344 millions) is included in the Comprehensive Income and Expenditure Account. The Authority made payments of £18.678 millions (2016/17 £18.195 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 £6.826 millions (2016/17 £6.762 millions) from the organisations combined and owed it £1.104 millions (2016/17 £2.289 millions).

The Council provides legal services and the Monitoring Officer function for Exmoor National Park Authority. A county council member of the Cabinet is also the Deputy Chairman of Exmoor National Park Authority.

The Council received payments from these bodies for finance and legal services provided as follows:

2016/17 £000		2017/18 £000
79	Dartmoor National Park	57
60	Exmoor National Park	65

The Council gave grants to Dartmoor National Park Authority of £53,000 (2016/17 £68,000) principally for the maintenance of footpaths, bridleways and footbridges and received grants of £13,000 (2016/17 £7,000) mainly for the support of public rights of way.

The Council also made payments to Exmoor of £34,000 (2016/17 £27,000) mainly for Moor to Enjoy and public rights of way.

35.3 Transaction with the Pension Fund

The Council charged the Fund £2.489 millions (2016/17 £2.529 millions) for expenses incurred in administering the fund, of which £2.674 millions was due to the Council at 31 March 2018 (31 March 2017 £2.387 millions).

Devon County Council is one of ten administering authorities which each owns 10% of Brunel Pension Partnership Limited (Company Number10429110). The investments in this company are made from the Devon Pension Fund. The County Council has not transacted with Brunel.

35.4 Assisted Organisations

The Council has provided significant contributions to the following bodies:

- Seven District Councils in Devon have received a total of £299,000 (2016/17 £355,000) 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 £601,000 (2016/17 - £602,000) and the Council for Voluntary Services £77,000 (2016/17 - £116,000) from the Council conditional on long term agreements for the provision of services.
- The Community Council of Devon has received grants of £140,000 (2016/17 £113,000) and Healthwatch £410,000 (2016/17 - £720,000), conditional on long term agreements for the provision of services.
- Local Council Tax Schemes have received assistance valued at £38,000 (2016/17 £197,000).
- Devon Disability Collective – is a Social Enterprise that provides quality employment and training to people with disabilities and those furthest from the labour market. In 2017/18 Devon Disability Collective received £15,000 from the County Council (2016/17 £17,000)

Devon County Council has the following transactions with these organisations:

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

	2016/17 £000	2017/18 £000
Income	(11)	(6)
Expenditure	394	457
Debtors	0	0
Creditors	0	0

Libraries Unlimited – an independent charitable trust - took over management of Devon Library Services on 1 April 2016. Though Libraries Unlimited operates as an independent organisation, it has a contract with Devon County Council who also provides a pensions guarantee.

	2016/17 £000	2017/18 £000
Income	(625)	(511)
Expenditure	5,547	7,411
Debtors	115	69
Creditors	(205)	(43)

DYS Space Ltd – was established from 1 February 2017 to manage youth services in Devon. The existing staff team from Devon Youth Services set up a Public Sector Mutual organisation, and secured a 3-year contract from Devon County Council.

	2016/17 £000	2017/18 £000
Income	(52)	(121)
Expenditure	776	1,751
Debtors	35	7
Creditors	(54)	(94)

35.5 Partnerships

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

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

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

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

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

Better Care Fund 2017/18	South Devon & Torbay CCG	NEW Devon CCG	Devon County Council		TOTAL
			Revenue	Capital	
	2017/18	2017/18	2017/18	2017/18	2017/18
Income	£000	£000	£000	£000	£000
Contributions	(10,297)	(41,361)	(19,885)	(6,285)	(77,828)
less carry forwards / refunds due	0	0	8,790	73	8,863
Income	**(10,297)**	**(41,361)**	**(11,095)**	**(6,212)**	**(68,965)**
Expenditure	£000	£000	£000	£000	£000
Disabled Facilities Grants	0	0	0	6,212	6,212
Improved Better Care Fund Grant	0	0	8,535	0	8,535
Enabling Schemes	324	2,164	14	0	2,502
Enhanced Carers Offer/ Care Implementation Act	600	2,399	566	0	3,565
Enhanced Community Equipment Service	1,027	4,109	2,014	0	7,150
Frailty and Community Care Services, Support to Social Services	6,550	25,177	36	0	31,763
Rapid Response Services	408	2,600	295	0	3,303
Step Up Step Down Care Services	778	2,829	(205)	0	3,402
Other	610	2,083	(160)	0	2,533
Total Expenditure	**10,297**	**41,361**	**11,095**	**6,212**	**68,965**

Better Care Fund 2016/17	South Devon & Torbay CCG	NEW Devon CCG	Devon County Council		TOTAL
			Revenue	Capital	
	2016/17	2016/17	2016/17	2016/17	2016/17
Income	£000	£000	£000	£000	£000
Contributions	(10,153)	(40,805)	(4,074)	(5,737)	(60,769)
add prior year carry forwards				(1,091)	(1,091)
less carry forwards / refunds due	311	1,244	1,556	50	3,161
Income	**(9,842)**	**(39,561)**	**(2,518)**	**(6,778)**	**(58,699)**
Expenditure	£000	£000	£000	£000	£000
Disabled Facilities Grants	0	0	0	5,687	5,687
Enabling Schemes	318	2,034	(24)	1,091	3,419
Enhanced Carers Offer/ Care Implementation Act	552	2,209	1,513	0	4,274
Enhanced Community Equipment Service	863	3,451	881	0	5,195
Frailty and Community Care Services, Support to Social Services	6,350	24,383	31	0	30,764
Rapid Response Services	408	2,600	295	0	3,303
Step Up Step Down Care Services	828	2,855	(169)	0	3,514
Other	523	2,029	(9)	0	2,543
Total Expenditure	**9,842**	**39,561**	**2,518**	**6,778**	**58,699**

The value of community equipment held as stock amounts to £800,000 of which the County Council's share included in the balance sheet is £400,000.

Reference - see below	Health - Section 75 partnerships	2016/17 Contribution - other partners £000	2016/17 Council's Contribution £000	2016/17 Total Expenditure £000	2017/18 Contribution - other partners £000	2017/18 Council's Contribution £000	2017/18 Total Expenditure £000
a	Integrated Health and Social Care	(1,142)	(1,107)	2,249	(735)	(871)	1,606
b	Mental Health Services - Devon Partnership NHS Trust	(220)	(1,245)	1,465	0	(1,429)	1,429
c	Integrated Care Exeter (ICE)	(598)	0	598	(392)	53	339
	Other partnerships						
d	Devon Audit Partnership	(981)	(302)	1,283	(980)	(343)	1,323
e	South West Devon Waste Partnership	(2,537)	(2,497)	5,034	(2,545)	(2,476)	5,021
f	Safety Camera Partnership	0	(126)	126		(101)	101
g	Youth Offending Team	(1,018)	(299)	1,317	(947)	(299)	1,246
h	Devon Children and Families Partnership (DCFP)	(161)	(338)	499	(162)	(284)	446

a) The integrated health and social care management structure is a partnership arrangement under the terms of section 75 of the Health Act 2006, but is not a pooled budget. Staff are employed either by Devon County Council, NEW Devon CCG, South Devon & Torbay CCG, or North Devon Healthcare NHS Trust, and agreed proportions of the cost of these staff are shared with other partners to the arrangement. The expenditure figure above represents the cost of the partnership and the net expenditure is the cost to DCC.

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

c) Integrated Care Exeter is a Partnership of Devon County Council, NEW Devon CCG, the Royal Devon & Exeter Hospital, Exeter City Council, and a number of 3rd sector organisations, which has the objective of transforming the way in which health and social care is delivered in the Exeter area. Devon County Council is the accountable body for the partnership, the activity of which is funded by a Transformation Challenge Award grant from the MHCLG. In 2017/18 there was an unspent balance of £53,000 that will be carried forward into 2018/19.

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

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

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

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

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

35.6 Associated Companies and Joint Ventures

Devon County Council has the following transactions with these organisations:

Subsidiary and Associated Companies

		2016/17	2017/18
		£000	£000
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.	Income	0	0
	Expenditure	0	54
	Debtors	0	0
	Creditors	0	(65)

		2016/17	2017/18
		£000	£000
Exeter Science Park. The Council holds a 46.02% 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.	Income	(357)	(501)
	Expenditure	57	701
	Debtors	189	34
	Creditors	0	0

		2016/17	2017/18
		£000	£000
CSW Ltd (formerly **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.	Income	(5)	(7)
	Expenditure	2,097	2,106
	Debtors	0	0
	Creditors	(21)	(6)

		2016/17	2017/18
		£000	£000
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.	Income	(290)	(68)
	Expenditure	5,538	5,259
	Debtors	63	145
	Creditors	(192)	(317)

		2016/17	2017/18
		£000	£000
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.	Income	(159)	(228)
	Expenditure	8,842	7,930
	Debtors	226	1
	Creditors	(470)	(269)

Associated Companies and Joint Ventures (continued)

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.

	2016/17	2017/18
	£000	£000
Income	(469)	(280)
Expenditure	13,717	12,539
Debtors	113	38
Creditors	(96)	(268)

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 39.

	2016/17	2017/18
	£000	£000
Income	(18)	(16)
Expenditure	1,007	754
Debtors	6	0
Creditors	(13)	(8)

Exeter Skypark - dormant and has never been used.

36. Private Finance Initiative and Similar Contracts

Exeter Schools - PFI Scheme

2017/18 was the thirteenth 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.

Value of Assets held under PFI contracts

2016/17 £000		2017/18 £000
	Property Plant & Equipment	
38,147	Opening Net Book Value	24,091
8	Additions	
(1,948)	Depreciation	(2,274)
2,516	Revaluations	2,574
(14,632)	Disposals	(18,827)
24,091	**Closing Net Book Value**	**5,564**

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 31st March 2017 and 31st March 2018.

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.

5 of the 6 Schools have transferred to Academy status since commencement of the contract, therefore the asset value for those Schools have been removed from the balance sheet as required under accounting standards. The liability for the PFI contract remains with the County, however there is no additional financial burden for the County.

Value of Liabilities held under PFI contracts

2016/17 £000		2017/18 £000
(66,692)	Opening Liability	(63,135)
3,557	Repayment of Liability	4,035
(63,135)	**Closing Liability**	**(59,100)**
(100,767)	**Fair Value**	**(89,722)**

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.

	Repayments of Liability £000	Interest Charges £000	Service Charges £000	Other Cash Charges £000	Total Payments £000
Within 1 year	3,800	4,865	2,992	1,300	**12,957**
Within 2 - 5 years	15,658	16,400	12,845	6,386	**51,289**
Within 6 - 10 years	18,736	13,136	18,236	11,969	**62,077**
Within 11 - 15 years	16,333	5,969	21,020	16,077	**59,399**
Within 16 - 20 years	4,573	376	4,560	1,493	**11,002**
	59,100	**40,746**	**59,653**	**37,225**	**196,724**

Payments under the contract commenced in 2005/06. For both the on balance sheet schools and the off balance sheet schools the total payments under the contract amount to £349 millions. Set against this is a grant of £248 millions that will be received from central government. Of the balance, £76 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 £4.6 millions of which the maximum in any year is £1.6 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 2017/18, Devon County Council's contribution was £1.6 millions. We currently assume that inflation will be 2.5%. If inflation is 1% greater than this then Devon County Council's undischarged liability will increase by £600,000 to £5.2 millions.

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

2016/17 £000		2017/18 £000
	Property Plant & Equipment	
26,928	Opening Net Book Value	26,000
	Initial recognition	
	Additions	
(928)	Depreciation	(958)
	Revaluations	3,221
	Disposals	
26,000	**Closing Net Book Value**	**28,263**

In addition to recognising the asset, the authority also recognises the liability for funding. The liability consists of a gate fee element from which DCC funds 93% from the revenue budget, and the remaining 7% is assumed to be funded from external third party revenues, and is shown in the authority's accounts as a deferred credit.

Value of Deferred Credit held under Service Concession contracts

2016/17 £000		2017/18 £000
(3,009)	Opening deferred credit	(2,903)
106	Release of deferred income	105
(2,903)	**Closing Liability**	**(2,798)**

Value of Liabilities held under Service Concession contracts

2016/17 £000		2017/18 £000
(44,339)	Opening liability	(44,041)
	Initial recognition of EEFW liability	
298	Repayment of Liability	431
(44,041)	**Closing Liability**	**(43,610)**
(96,836)	**Fair Value**	**(92,697)**

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 31st March 2018.

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

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

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

	Repayments of Liability £000	Interest Charges £000	Service Charges £000	Total Payments £000
Within 1 year	475	4,717	3,392	**8,584**
Within 2 - 5 years	2,176	19,677	14,686	**36,539**
Within 6 - 10 years	3,754	26,419	20,879	**51,052**
Within 11 - 15 years	5,714	28,081	23,966	**57,761**
Within 16 - 20 years	9,561	28,914	26,877	**65,352**
Within 21 - 25 years	16,408	28,316	29,215	**73,939**
Within 26 - 30 years	5,522	6,646	7,949	**20,117**
	43,610	**142,770**	**126,964**	**313,344**

Payments under the contract commenced in 2014/15. Based upon an assumed inflation rate of 1.5% the total payments under the contract will amount to £343 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 £313 millions of which the maximum in any year is £16 millions although that is not until 2043/44. In 2017/18, the authority paid £8 millions 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 £50 millions to £364 millions.

Plymouth Energy from Waste

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

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

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

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

Value of Assets held under PFI contract

2016/17 £000		2017/18 £000
	Property Plant & Equipment	
65,941	Initial recognition	63,155
	Additions	
(2,786)	Depreciation	(2,857)
	Revaluations	6,200
	Disposals	
63,155	**Closing Net Book Value**	**66,498**

In addition to recognising the asset, the authority also recognises the liability for funding. The liability consists of a gate fee element from which DCC funds partly from the revenue budget, and partly funded from revenues from third parties (including the sale of heat and electricity), and is shown in the authority's accounts as a deferred credit.

Value of Deferred Credit held under PFI

2016/17 £000		2017/18 £000
(41,717)	Opening deferred credit	(39,979)
1,738	Release of deferred income	1,738
(39,979)	**Closing Liability**	**(38,241)**

Value of Liabilities held under PFI contract

2016/17 £000		2017/18 £000
(25,664)	Initial recognition	(25,495)
169	Repayment of Liability	210
(25,495)	**Closing Liability**	**(25,285)**
(54,838)	**Fair Value**	**(52,024)**

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 31st March 2018.

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

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

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

	Repayments of Liability £000	Interest Charges £000	Service Charges £000	Total Payments £000
Within 1 year	283	2,528	2,730	**5,541**
Within 2 - 5 years	1,148	9,439	12,076	**22,663**
Within 6 - 10 years	2,662	9,635	17,278	**29,575**
Within 11 - 15 years	5,819	6,909	18,129	**30,857**
Within 16 - 20 years	10,355	1,387	21,469	**33,211**
Within 21 - 25 years	5,018	(1,330)	7,845	**11,533**
	25,285	**28,568**	**79,527**	**133,380**

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

The un-discharged liability to the authority under the contract is £133.4 millions of which the maximum in any year is £6.9 millions although that is not until 2038/39. In 2017/18, the authority paid £5.4 millions 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 £16.4 millions to £149.8 millions.

37. Leases and Contract Hire

Finance leases (Council as Lessor)

Land and buildings: The Council has 87 assets that are leased to tenants that meet the definition of a finance lease. The present value at 31 March 2018 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 19 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 £1.626 millions. 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:

2016/17	Property £000	Equipment £000	Contract Hire £000	**Total £000**
Not later than 1 year	1,190	434	20	**1,644**
Later than 1 year but not later than 5 years	3,255	590		**3,845**
Later than 5 years	6,371			**6,371**
	10,816	**1,024**	**20**	**11,860**

2017/18	Property £000	Equipment £000	Contract Hire £000	**Total £000**
Not later than 1 year	1,098	399	21	**1,518**
Later than 1 year but not later than 5 years	3,329	568	36	**3,933**
Later than 5 years	1,425	10		**1,435**
	5,852	**977**	**57**	**6,886**

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

2016/17	Property £000	Equipment £000	Contract Hire £000	**Total £000**
Minimum lease payments	1,190	486	20	**1,696**
	1,190	**486**	**20**	**1,696**

2017/18	Property £000	Equipment £000	Contract Hire £000	**Total £000**
Minimum lease payments	1,098	547	21	**1,666**
	1,098	**547**	**21**	**1,666**

Operating leases (Council as Lessor)

The rental received for operating property leased to third parties for the year is £1.767 millions of which £1.022 millions relates to smallholdings. The gross value of smallholdings at 31 March 2018 is £14.570 millions. Property leases are often for parts of assets for which individual valuations are not maintained and therefore an exact valuation is not provided.

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

2016/17 £000		2017/18 £000
1,909	Not later than 1 year	3,453
3,103	Later than 1 year but not later than 5 years	4,874
3,804	Later than 5 years	752
8,816		**9,079**

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

2016/17 £000		2017/18 £000
1,909	Minimum lease payments	3,453
1,909		**3,453**

38. Pensions

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

The County Council participates in three different pension schemes:

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

Unfunded Benefits

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

38.1 Defined Benefit Pensions Schemes

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

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

S2P. The Pensions Act 2014 introduces a new State Pension for people reaching State Pension age on or after 6 April 2017. The new scheme will replace the existing basic and additional State Pension and end contracting-out and the National Insurance rebate.

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

- A guaranteed pension calculated as 1/60th of the member's final salary multiplied by the amount of service between April 2008 and March 2014
- A guaranteed pension calculated as 1/80th of the member's final salary multiplied by the amount of service up to April 2008
- A Tax free lump sum upon retirement calculated using the formula 3/80ths of the member's final salary multiplied by the amount of service up to April 2008. 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 salary multiplied by 3
- Widow’s/widower’s/civil partner’s/co habiting partner pension payable for life
- Children’s pension
- Benefits rise in line with inflation

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

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

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

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

Page 117 Pension Fund Accounts provides more 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:

	2016/17	2017/18
Comprehensive Income and Expenditure Statement	**£000**	**£000**
Cost of Services:		
Service cost comprising:		
Current service cost	43,624	64,080
Past service costs, including curtailments	1,659	1,285
(Gain)/loss from settlements	(13,271)	(20,639)
Pre 01/04/98 unfunded benefits actuarial (gains)/losses	(4,050)	(345)
Financing and Investment Income and Expenditure:		
Net interest expense	32,742	30,830
Administration expense	694	673
Total Post-employment Benefits charged to the Surplus or Deficit on the Provision of Services	**61,398**	**75,884**
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)	(163,794)	(17,721)
Actuarial gains and (losses) arising on changes in demographic assumptions	(24,055)	0
Actuarial gains and losses arising on changes in financial assumptions	461,150	(85,500)
Experience loss/(gain) on defined benefit obligation	(78,796)	0
Other actuarial gains/(losses)	19,148	0
Remeasurement of the net defined benefit liability	213,653	(103,221)
Total Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement	**275,051**	**(27,337)**
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 8)	**61,398**	**75,884**

	Funded Liabilities 2016/17	Funded Liabilities 2017/18	Unfunded Liabilities 2016/17	Unfunded Liabilities 2017/18	Total Liabilities 2016/17	Total Liabilities 2017/18
	£000	**£000**	**£000**	**£000**	**£000**	**£000**
Actual amount charged against the General Fund Balance for pensions in the year:						
Employers contributions payable to scheme	36,576	36,811	0		36,576	36,811
Retirement benefits payable to pensioners	0	0	9,533	9,361	9,533	9,361
Contribution to pre 01/04/98 unfunded benefits	0	0	(2,441)	(2,348)	(2,441)	(2,348)
	36,576	**36,811**	**7,092**	**7,013**	**43,668**	**43,824**

The estimated duration of the liabilities is 18 years.

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 £1.302 millions (£1.727 millions 2016/17).

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 £20.639 millions (£13.271 millions gain 2016/17).

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	
	2016/17	2017/18	2016/17	2017/18	2016/17	2017/18
	£000	£000	£000	£000	£000	£000
Present value of the defined benefit obligation	(2,300,689)	(2,261,967)	(128,613)	(120,367)	(2,429,302)	(2,382,334)
Fair value of plan assets	1,254,686	1,280,882			1,254,686	1,280,882
Net liability arising from defined benefit obligation	**(1,046,003)**	**(981,085)**	**(128,613)**	**(120,367)**	**(1,174,616)**	**(1,101,452)**

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

Local Government Pension Scheme and Unfunded Benefit Arrangements

	2016/17	2017/18
	£000	£000
Opening fair value of scheme assets	1,100,939	1,254,686
Interest income	38,908	33,523
Administration Expenses	(694)	(673)
Remeasurement gain/(loss):		
The return on plan assets, excluding the amount included in the net interest expense	163,794	17,721
Other Actuarial gains/(losses)	(19,148)	0
Employer contributions	46,109	46,172
Contributions by scheme participants	12,575	12,118
Settlement prices received/paid	(14,857)	(7,627)
Benefits paid	(72,940)	(75,038)
Total Assets	**1,254,686**	**1,280,882**

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

Local Governement Pension Scheme and Unfunded Benefits - Liabilities

	2016/17	2017/18
	£000	£000
Opening balance	(2,042,564)	(2,429,302)
Current Service Cost	(43,624)	(64,080)
Interest Cost	(71,650)	(64,353)
Contributions from scheme participants	(12,575)	(12,118)
Remeasurement gains/(losses):		
Actuarial gains and losses arising on changes in demographic assumptions	24,055	0
Actuarial gains and losses arising on changes in financial assumptions	(461,149)	85,500
Experience (loss)/gains on defined benefit obligation	78,796	0
Past service costs, including curtailments	(1,659)	(1,285)
Liabilities assumed/(extinguished) on settlements	28,128	28,266
Benefits paid	72,940	75,038
Total (Liability)	**(2,429,302)**	**(2,382,334)**

Local Government Pension Scheme assets comprised:

Fair Value of Scheme Assets	**31 March 2017**		**31 March 2018**	
	£000	**%**	**£000**	**%**
Gilts	37,451	3%	40,233	3%
UK Equities	301,708	24%	274,609	21%
Overseas Equities	436,305	34%	474,055	37%
Property	109,779	9%	119,184	9%
Infrastructure	48,827	4%	45,939	4%
Target Return Portfolio	186,286	15%	191,289	15%
Cash	33,497	3%	31,283	3%
Other Bonds	32,067	3%	26,183	2%
Alternative assets	68,766	5%	69,579	5%
Private equity			8,528	1%
Net Asset / (Liability)	**1,254,686**	**100%**	**1,280,882**	**100%**

Fair Value of Scheme Assets	**31 March 2018**			
	£000	**% Quoted**	**£000**	**% Unquoted**
Fixed interest government secutities				
UK	1,281	0.1%	0	0.0%
Overseas	39,707	3.1%	0	0.0%
Corporate bonds				
UK	0	0.0%	0	0.0%
Overseas	25,618	2.0%	0	0.0%
Equities				
UK	265,143	20.7%	8,966	0.7%
Overseas	412,444	32.2%	61,482	4.8%
Property				
All	0	0.0%	119,122	9.3%
Others	0			
Absolute return portfolio	190,851	14.9%	0	0.0%
Private Equity	0	0.0%	8,966	0.7%
Infrastructure	0	0.0%	46,112	3.6%
Multi sector credit fund	69,168	5.4%	0	0.0%
Cash/Temporary investments	0	0.0%	30,741	2.4%
Net current assets				
Debtors	0	0.0%	1,281	0.1%
Creditors	0	0.0%	0	0.0%
	1,004,212	**78.4%**	**276,670**	**21.6%**

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 31st March 2016.

The significant assumptions used by the actuary have been:

	Funded		Unfunded	
	2016/17	2017/18	2016/17	2017/18
Long-term expected rate of return on assets in the scheme:				
Discount rate	2.70%	2.55%		
Mortality Assumptions:				
Life Expectancy from age 65 (years) - Retiring today:				
Men	23.4	23.5	23.4	23.5
Women	25.5	25.6	25.5	25.6
Life Expectancy from age 65 (years) - Retiring in 20 years:				
Men	25.6	25.7	25.6	25.7
Women	27.8	27.9	27.8	27.9
Rate of Inflation RPI	3.60%	3.35%		
CPI	2.70%	2.35%		
Rate of increase in salaries	4.20%	3.85%		
Rate of increase in pensions	2.70%	2.35%		
Rate of discounting scheme liabilities	2.70%	2.55%		

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 2018	
Sensitivity Analysis	**£000**	**£000**	**£000**
Adjustment to discount rate	+0.1%	0.0%	-0.1%
Present value of total obligation	2,340,343	2,382,334	2,425,120
Projected service cost	59,058	60,479	61,935
Adjustment to long term salary increase	+0.1%	0.0%	-0.1%
Present value of total obligation	2,385,374	2,382,334	2,379,311
Projected service cost	60,479	60,479	60,479
Adjustment to pension increases and deferred revaluation	+0.1%	0.0%	-0.1%
Present value of total obligation	2,422,122	2,382,334	2,343,244
Projected service cost	61,937	60,479	59,054
Adjustment to mortality age rating assumption	+ 1 Year	0.0%	- 1 Year
Present value of total obligation	2,475,102	2,382,334	2,293,149
Projected service cost	62,408	60,479	58,609

Impact on the Authority’s Cash Flows

The most recent triennial valuation at 31st March 2016 set the authority's contributions for the subsequent 3 years beginning 2017/18. 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 22 years to March 2040. Funding levels are monitored on an annual basis. The next triennial valuation is due to be completed as at 31 March 2019.

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 £37.514 millions (£36.520 millions paid in 2017/18).

38.2 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 2017/18, the authority paid £17.328 millons (£18.929 millons in 2016/17) to Teachers' Pensions in respect of teachers' retirement benefits, representing 16.48% of pensionable pay. There were no contributions remaining payable at the year-end. The contributions due to be paid in the next financial year are estimated to be £16.259 millions.

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

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

NHS Pensions Scheme

Members of staff previously employed by the NHS, who transferred to the authority as part of public health services and activities, remained members of the NHS Pension Scheme, administered by the NHS Business Services 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 2017/18, the Authority paid £145,000 (£159,000 in 2016/17) to NHS Pensions in respect of members' retirement benefits, representing 14.3% (14.3% in 2016/17) of pensionable pay. Contributions of £12,000 (£12,000 in 2016/17) remaining payable at the year-end. The employers contributions due to be paid in the next financial year are estimated to be £145,000.

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

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

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

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

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

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

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

39. 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 £2.466 millions at 31 March 2018 (£2.238 millions at 31 March 2017).

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 South West of England Regional Development Agency (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.

Babcock LDP LLP

From 1 April 2012 a joint venture called Babcock LDP LLP between Devon County Council and Babcock International took effect. In order to limit risks to the joint venture, cost sharing arrangements are in place for pension costs should certain trigger points be reached. Pension costs are subject to a cap and collar arrangement where, should the employer's contribution rate move upwards or downwards by more than 4%, a financial adjustment will be made. The expectation is that the Authority would either incur additional cost if the rate increases or benefit if it decreases around the 4% threshold. Babcock's contribution changed from 15.4% in March 2017, to 16.1% from April 2017. There is no additional liability to the Authority as the rate moved within the 4% threshold set. This will next be reviewed and changed from April 2020.

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 Ltd from the Local Enterprise Partnership. The Authority has provided for a liability of £1.831 millions at 31 March 2018 (£1.831 millions at 31 March 2017).
- 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.
- CSW Group Ltd (formerly Careers South West Ltd and Connexions Devon and Cornwall Ltd) became a public sector controlled company at 1 April 2008. Details of the pension guarantee are provided in Note 35.6.

- The Authority has given guarantees to foster carers and children’s placement providers for uninsurable losses in relation to fire damage to their properties. The guarantees extend to two properties with an estimated value of £943,000 (three properties with estimated value of £1.4 millions in 2016/17).
- The Authority remains responsible for the historic pension liabilities of former staff who transferred to Libraries Unlimited on 1 April 2016. These liabilities are not separately identified by the actuary but are included in the Authority’s overall pension fund balance in Note 38. Libraries Unlimited is responsible for meeting the current employers’ contributions as determined by the actuary to the Devon Pension Fund.
- The Authority has provided a pension bond up to £600,000 for DYS Space Ltd, which is a public sector mutual established by former staff to provide Youth Services in Devon, for which the Authority received £18,000 in 2017/18 (£18,000 in 2016/17).

Breach of Data Protection Act

The Authority reported two breaches of the Data Protection Act to the Information Commissioner’s Office (ICO) in 2017/18. The Information Commissioner is still investigating one of these incidents but has decided to take no enforcement action against the Council in relation to the other. The ICO may issue a monetary penalty of up to £500,000 where it considers there to have been a serious contravention of the Act, likely to cause substantial damage or distress. It is not known what, if any, enforcement action may be taken against the Council in relation to the incident still outstanding with the ICO.

South Devon Link Road

The Authority has received claims from residents, living near to the South Devon Link Road regarding noise levels. The potential costs of these claims are included in the Authority's future capital programme for retention costs.

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 2.

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

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

CONTINGENT LIABILITIES

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

CONTRIBUTIONS

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

CREDITORS

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

CURRENT ASSETS/LIABILITIES

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

CURRENT VALUE

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

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

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

DEBTORS

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

DEPRECIATION

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

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.

EXPENDITURE AND FUNDING ANALYSIS

The Expenditure and Funding Analysis shows how annual expenditure is used and funded from resources (fees and charges, government grants, council tax and business rates) as reported in the budget book and outturn report - used for decision making. It compares with those resources consumed or earned in accordance with generally accepted accounting practices (i.e. the Comprehensive Income and Expenditure Statement).

FAIR VALUE

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

FINANCIAL GUARANTEES

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

FINANCIAL INSTRUMENTS ADJUSTMENT ACCOUNT

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

GENERAL FUND

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

GOVERNMENT GRANTS

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

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

CSPN	= County Sports Partnership Network
CWDC	= Children's Workforce Development Council
DBERR	= Department for Business, Enterprise and Regulatory Reform
DCMS	= Department for Culture, Media & Sport
DEFRA	= Department for Environment, Food & Rural Affairs
DfE	= Department for Education
DfT	= Department for Transport
DHSC	= Department of Health and Social Care, formerly DH - Department of Health, now with Social Care responsibilities
DIUS	= Department for Innovation, Universities and Skills
DTI	= Department of Trade & Industry
DWP	= Department for Work & Pensions
ESFA	= Education and Skills Funding Agency - combination of EFA - Education Funding Agency and SFA Skills Funding Agency
EU	= European Union
HEFCE	= Higher Education Funding Council for England
HLF	= Heritage Lottery Fund
HO	= Home Office
MHCLG	= Ministry of Housing, Communities and Local Government, replaced DCLG from January 2018
MoD	= Ministry of Defence
NE	= Natural England
P4S	= Partnership for Schools
PSA	= Public Service Agreement
SCITT	= School Centred Initial Teacher Training
SDF	= Sustainable Development Fund
TDA	= Training and Development Agency
YJB	= Youth Justice Board

HERITAGE ASSETS

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

IMPAIRMENT

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

INFRASTRUCTURE ASSETS

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

INTANGIBLE ASSETS

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

INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

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

JOINT OPERATION

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

JOINT VENTURE

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

LEASES

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

LENDER OPTION BORROWER OPTION LOAN (LOBO)

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

MINIMUM REVENUE PROVISION (MRP)

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

MOVEMENT IN RESERVES STATEMENT

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

NET BOOK VALUE/NET CARRYING AMOUNT

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

OUTTURN

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

PRECEPTS & LEVIES

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

PRIVATE FINANCE INITIATIVE (PFI)

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

PRIOR PERIOD ADJUSTMENTS

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

PROPERTY, PLANT AND EQUIPMENT

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

Surplus assets are valued at fair value.

PROVISIONS

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

PUBLIC WORKS LOAN BOARD

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

RELATED PARTIES

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

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

REVALUATION RESERVE

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

REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE (REFCUS)

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

SECTION 151 OFFICER

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

SUBSIDIARY

A subsidiary is an entity which is under the control of the authority. This means that investment by the authority is such that it has decisive power over the entity, has the ability to direct all its substantial activities and enjoys rights (or suffers exposure) to variable returns.

Investment takes account of contractual connections, participation in governance and executive interchange as well as the level of financial investment.

UNUSABLE RESERVES

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

USABLE RESERVES

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

VALUATION

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

Pension Fund Statement of Accounts 2017/18

Report of the County Treasurer

Over the course of the 2017/18 year, the value of the Devon Pension Fund increased to above £4 billions for the first time. The value of the fund went up from £3.929 billions (as at 31 March 2017) to £4.086 billions as at 31 March 2018, an increase of around £160 millions. The Devon Pension Fund's investment return for the year, net of fees, was +4.3%, marginally below the Fund's bespoke strategic benchmark target of +4.5%. However, initial figures for the LGPS Universe show the Devon Fund's return in the top third of LGPS funds over the year. The Fund's maturing cashflow profile saw a shortfall between the contributions received during the year and the benefit payments and management costs paid out of £22.6 millions.

Work has continued towards the pooling of the Fund's investment assets with those of nine other LGPS funds through the Brunel Pension Partnership Ltd to reduce investment costs and improve risk management. Brunel received regulatory approval from the Financial Conduct Authority to manage investment assets in March, and the first investment assets are expected to transfer to Brunel in May/June 2018. The Fund's assets will transfer across to Brunel on a phased basis over a two-year transition period. The Devon Pension Fund will continue to be responsible for deciding the strategic allocation between different asset classes to meet local investment objectives, but the Brunel Pension Partnership will be responsible for selection and monitoring of the external investment managers who will manage the investments.

Pension administration continues to be a challenging area, with high volumes of work required to be processed within strict timescales. The proposed changes to LGPS regulations concerning Freedom and Choice rules covering AVC benefits have been abandoned and a further consultation regarding Fair Deal will now take place during 2018. The overall performance of the team has continued to improve, both in response time and a reduction in the number of cases outstanding. Peninsula Pensions will be subject to a staffing restructure during 2018/19 with the aim of further improving processes and performance.

Investment Performance

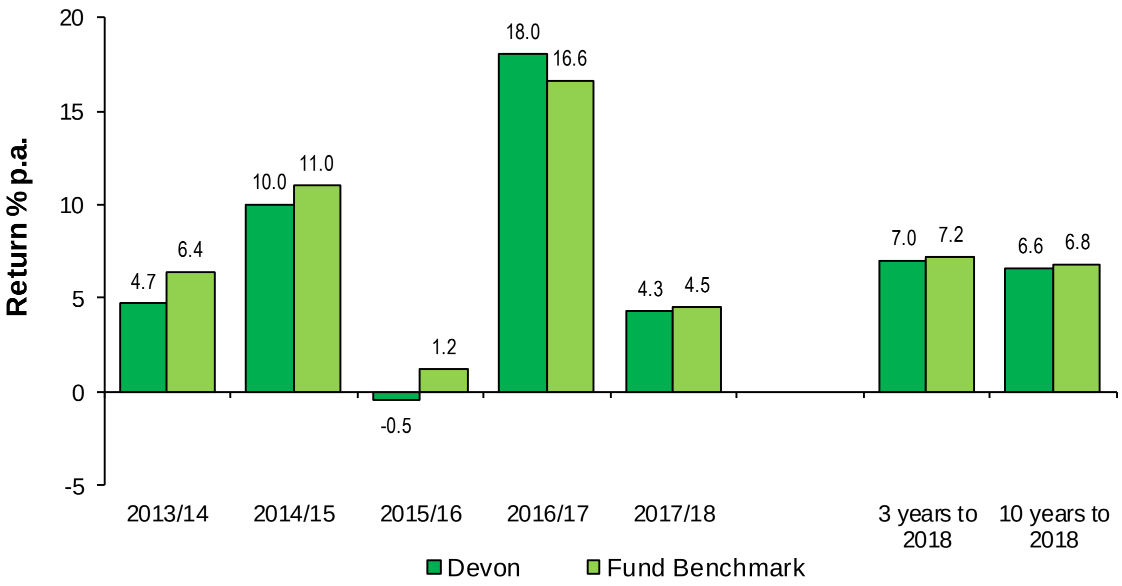
As indicated above, the asset value of the Fund at the end of the 2017/18 financial year was £4.086 billions. This represents a positive investment return of +4.3% net of fees, just below the Fund's internally set benchmark target of +4.5%. After a positive 2017 that saw an investment return for the year to date of +7.4% by the end of December, the return for the financial year was reduced by a negative final quarter, which saw a small correction in investment markets.

Following the sharp reduction in the value of Sterling following the EU Referendum result in 2016, the decision was made to increase the level of currency hedging on the Fund's passive equity investments in North America, Europe and Japan. The aim of this was to reduce the risk of the Fund's overseas assets losing value if their currencies weakened against Sterling. During 2017/18 this had a positive impact on the Fund's returns on North America and Japan, as Sterling recovered to some extent against the Dollar and the Yen. This helped the Fund perform better than the average LGPS Fund over the year, albeit below the Fund's strategic benchmark which takes into account the level of hedging in place.

The main reason for the Fund's below benchmark performance was the underperformance of the emerging market equities mandate. Property and active global equities outperformed their benchmarks with a particularly strong performance from the specialist equity funds. The fixed interest portfolios also marginally outperformed their benchmarks.

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

Investment Performance



Fund Solvency

The Fund is required to have an actuarial valuation conducted every three years. The most recent triennial valuation, as at 31 March 2016, carried out by the Fund Actuary, Barnett Waddingham, determined that the Devon Pension Fund had a funding level of 84%.

The Fund Actuary has re-assessed the position as at 31 March 2018, using the approach of rolling forward the data from the 2016 valuation, and updating it for subsequent investment returns, pension and salary increases. While it is not possible to assess the accuracy of the estimated liability as at 31 March 2018 without completing a full valuation, the results will be indicative of the underlying position. Both the assets and liabilities have increased, although the assets have increased at a faster rate than the liabilities and there has therefore been an improvement in the funding level over the period. The Actuary has estimated a funding level of 92% as at 31 March 2018, compared with the 84% funding level at the last triennial valuation.

Summary of Financial Statements

The financial statements and their purpose are summarised as follows:

- Fund Account – The Fund Account sets out the Pension Fund's income and expenditure for the year to 31 March 2018. The first section sets out the income received in contributions from employers and employees, and the expenditure on pension benefit payments. In the past income from contributions has exceeded the annual expenditure on benefit payments, resulting in a significant surplus to invest. This has not been the case over the last few years, and the gap between contributions received and benefits paid out will continue to grow. The second section of the Fund Account shows the income received from the Fund's investments and the cost of managing those investments. The majority of investment income is retained by the external investment managers for re-investment, but income from property and infrastructure is returned as cash, and can be used to offset any shortfall between contributions and benefit payments. The growing gap between contributions and pension benefit payments means that a larger proportion of investment income will now need to be used to meet the shortfall, rather than being reinvested. The Fund Account also shows that there has been an increase in the capital values of the Fund's investment assets of £135.4 millions over the last year.

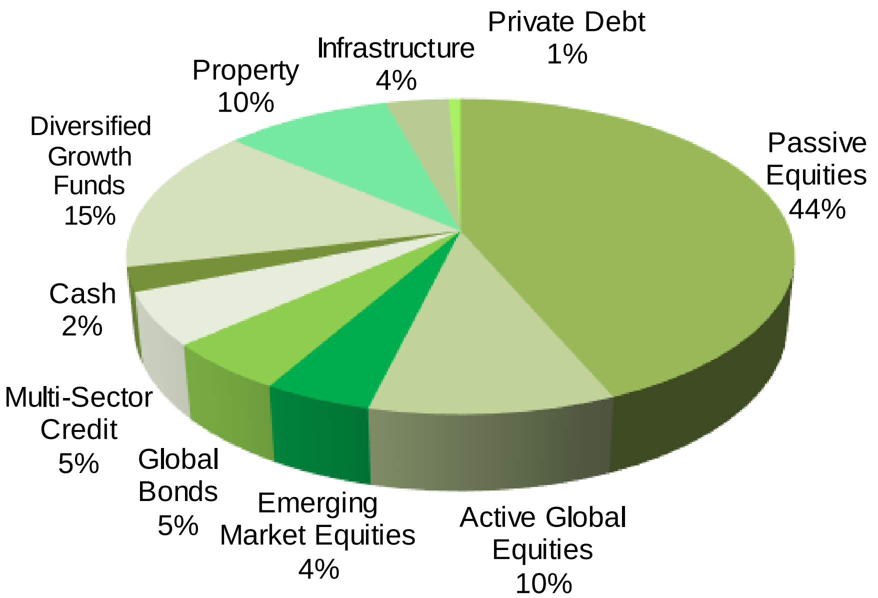
- Net Asset Statement – The Net Asset Statement sets out the net assets of the Fund, in line with the IFRS Based Code of Practice on Local Authority Accounting in the United Kingdom (the Code) and the latest Statement of Recommended Practice (SORP). Pooled investments include pooled Equity, Fixed Interest, Property, Infrastructure and Private Debt Funds and they are incorporated into those categories in reviewing the Asset Allocation of the Fund in the following section of my report. As reported above, the value of the Fund's assets is now £4.086 billions.

Asset Allocation

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

In February 2017 the Committee approved a new Investment Strategy Statement, following a review of the Fund's strategic asset allocation undertaken by Mercer investment consultants. The Investment Strategy Statement set out revised asset allocation targets for 2017/18. It also set out a medium-term plan to revise targets further to improve risk management and set a direction of travel as the Fund moves towards pooling its investment assets via the Brunel Pension Partnership. As a result, the target allocation to equities was increased to 58% for 2017/18, with the fixed interest allocation reducing to 13%. The Committee also agreed to investigate opportunities to collaborate with other Brunel LGPS funds to make a small allocation to private debt, with a view to achieving a medium-term allocation of 3% of the Fund. As a result, in June 2017, the Fund agreed new commitments to two private debt funds.

The Fund's actual asset allocation as at 31 March 2018 is shown below:



A comparison of the actual allocation as at 31 March 2018 with the Fund's target allocation for 2017/18 is shown in the following table:

Actual Asset Allocation Compared to Target

	Target allocation %	Fund asset allocation at 31.03.18 %	Variation from Target %
Global Bonds	6.0	5.2	
Multi-Sector Credit	6.0	5.4	
Cash	1.0	2.4	
Total Fixed Interest	**13.0**	**13.0**	**+0.0**
Passive Equities	43.0	43.6	
Active Global Equities	10.0	10.2	
Active Emerging Markets Equities	5.0	4.5	
Total Equities	**58.0**	**58.3**	**+0.3**
Diversified Growth Funds	15.0	14.9	
Property	10.0	9.5	
Infrastructure	4.0	3.6	
Private Debt	0.0	0.7	
Total Alternatives/Other	**29.0**	**28.7**	**-0.3**

Within the large allocation to passive equities there is a significant bias towards UK equities. This has the potential to expose the fund to significant risk if UK markets perform poorly, particularly as the UK market contains sectoral biases towards the mining and financial sectors of the economy and an under-exposure to the high performing technology sector. The Fund has therefore begun to reallocate its equity investments on a gradual phased basis from the UK to global equity markets in order to gain greater diversification and reduce risk.

Conclusion

While the investment return of +4.3% in 2017/18 was significantly less than the +18% achieved in 2016/17, this was reflective of market conditions over the year. The combined return over the two years since the 2016 actuarial valuation remains well above the 5.5% per annum return assumed by the Fund Actuary at the 2016 Valuation, resulting in an improved funding level.

The next two years will be a period of significant transition for the Devon Fund as we begin to transfer our assets across to the Brunel Pension Partnership. This will result in short term costs, but should provide opportunities for improved investment performance and reduced costs in future years. The Committee will have a renewed focus on its strategic asset allocation to ensure the Fund can achieve its funding targets and continue to meet its liabilities to pay pensions over the medium to longer term. The Fund remains committed to ensuring that it provides an excellent service to pension fund members and value for money for both pension fund members and local taxpayers.

Mary Davis

County Treasurer

23rd July 2018

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 2018 has been prepared in accordance with the Accounts and Audit Regulations 2015 and that it presents a true and fair view of the financial position of the Pension Fund as at 31 March 2018 and its income and expenditure for the year ended 31 March 2018.

Mary Davis

County Treasurer

23rd July 2018

Approval of the Statement of Accounts

I confirm that these accounts were approved by the Audit Committee at its meeting on 27th July 2018

Chairman of the Audit Committee
27th July 2018

Summary of the 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 2016.

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 2018, the net assets of the Devon Pension Fund were valued at £4,086 millions. The fund currently has 39,212 actively contributing members, employed by 209 employers of various descriptions (Unitary, District, Town & Parish Councils, Education Establishments and Admitted Bodies). Different rules apply in relation to membership of the fund for the different categories of employer, as set out in the following table:

Scheduled Body - An employer explicitly defined in the Regulations. As listed on pages 163 and 164.	Admitted Body - As listed on page 164.
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 33,093 pensioners (and/or dependants) every month. There are currently 50,219 members with rights to deferred benefits, frozen memberships pending refunds and those undecided pending resolution.

Further contributions are made by Fund employers, which are set based on triennial actuarial funding valuations. The contributions for 2017/18 were set by the valuation as at 31 March 2016. Employer contributions comprise a primary rate, which represents the employers' share of the cost of future benefits, and a secondary rate to meet any shortfall on past service liabilities. Currently, employer future service rates range from 10.6% to 28.5% of pensionable pay. The deficit contribution is expressed as a cash sum, and ranges from £0 to £14.0 millions.

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. The benefits payable are summarised in the following table:

	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	
Investment and Pension Fund Committee (at 31 March 2018)		
Representing Devon County Council	Councillor Rufus Gilbert Councillor Christine Channon Councillor Yvonne Atkinson Councillor Alan Connett Councillor Richard Edgell Councillor Richard Hosking	(Chairman) (Vice-Chairman)
Representing Devon Unitary & District Councils	Councillor Peter Edwards Councillor Lorraine Parker Delaz Ajete Councillor James O'Dwyer	(Devon Districts Councils) (Plymouth) (Torbay)
Representing Other Employers	Donna Healy	(Dartmoor National Park Authority)
Observers		
Representing the Contributors	Roberto Franceschini Jo Rimron	
Representing the Beneficiaries	Colin Lomax	
Adviser	Steve Tyson	(AllenbridgeEpic)
Devon Pension Board (at 31 March 2018)		
Representing Fund Employers	Councillor Brian Greenslade Councillor Sara Randall Johnson Carl Hearn Graham Smith	(Devon County Council) (Chairman (Devon County Council) (Tavistock Town Council) (Devon and Cornwall Police)
Representing Fund Members	Andrew Bowman Heather Keightley Paul Phillips Colin Shipp	
Independent Member	William Nicholls	
Investment Managers	Devon County Council Investment Team Aberdeen Asset Managers Ltd Aviva Investors Global Services Ltd Baillie Gifford and Co. Baring Asset Management Ltd Lazard Asset Management LLC State Street Global Advisors Ltd UBS Global Asset Management (UK) Ltd Wellington Management International Ltd	
County Council Officers	Phil Norrey Mary Davis Angie Sinclair Mark Gayler Martin Oram Charlotte Thompson	Chief Executive County Treasurer Deputy County Treasurer Assistant County Treasurer Assistant County Treasurer Head of Peninsula Pensions
Fund Actuary	Barnett Waddingham LLP	

For More Information

Copies of the full Annual Report, Statutory Published Statements and abridged Members Leaflet can be found on-line at:

http://www.peninsulapensions.org.uk/lgps/pension-fund-investments/devon-county-council-investments/devon-fund-key-documents/

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

Financial Statements

Background

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

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

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

The accounts of the Fund are set out in line with the IFRS Based CIPFA 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 2016 and was signed by the Actuary on 31 March 2017.

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

2016/17 £'000		Notes	2017/18 £'000
	Dealings with members, employers and others directly involved in the fund		
	Contributions		
(123,164)	Employers	5	(131,149)
(36,709)	Members	5 & 7	(37,659)
	Transfers in from other pension funds:		
(8,205)	Individual Transfers		(6,481)
(168,078)			(175,289)
	Benefits		
136,549	Pensions	6	142,191
27,716	Commutation and lump sum retirement benefits	6	28,224
3,751	Lump sum death benefits	6	3,357
	Payments to and on account of leavers	6	
494	Refunds to members leaving service		394
225	Payments for members joining state scheme		51
5,684	Individual Transfers		5,410
174,419			179,627
6,341	**Net (additions)/withdrawals from dealings with members**		**4,338**
12,286	Management expenses	9	18,084
18,627	**Net (additions)/withdrawals including fund management expenses**		**22,422**
	Returns on investments		
	Investment Income:		
	Income from Bonds		
(23)	U.K. Public Sector Bonds		(38)
(5,229)	Overseas Government Bonds		(5,249)
(30)	Overseas Government Index Linked Bonds		0
(320)	UK Corporate Bonds		(167)
(2,868)	Overseas Corporate Bonds		(2,164)
	Income from Equities (Listed)		
(925)	U.K.		(1,254)
(7,871)	Overseas		(8,306)
(8,814)	Pooled Investments - Unit Trusts and Other Managed Funds		(12,589)
(14,550)	Pooled Property Investments		(15,257)
(396)	Interest on Cash and Short Term Deposits		(709)
	Taxes on income:		
369	Withholding Tax - Fixed Interest securities		319
805	Withholding Tax - Equities		836
	Profit and losses on disposal of investments and changes in market value of investments:		
(166,764)	Realised (profit)/loss		(129,783)
(404,990)	Unrealised (profit)/loss		(5,599)
(611,606)	**Net Returns on Investments**		**(179,960)**
(592,979)	Net (increase)/decrease in the net assets available for benefits during the year		(157,538)
(3,335,915)	Opening Net Assets of the Scheme		(3,928,894)
(3,928,894)	**Net Assets of the Scheme**		**(4,086,432)**

Net Asset Statement

31 March 2017 £'000		Notes	31 March 2018 £'000
	INVESTMENTS AT MARKET VALUE	14 & 15	
0	Long Term Investments		840
	Investment Assets		
	Bonds		
1,572	U.K. Public Sector Bonds		2,362
141,928	Overseas Government Bonds		154,228
0	Overseas Index Linked Bonds		0
5,150	UK Corporate Bonds		1,853
68,242	Overseas Corporate Bonds		52,918
	Equities (Listed)		
38,140	U.K.		39,970
321,015	Overseas		326,205
2,945,420	Pooled Investments - Unit Trusts and Other Managed Funds	16	3,027,451
306,140	Pooled Property Investments	16	375,292
	Derivative Assets	19	
2,777	Forward Currency Contracts		2,190
	Cash deposits		
2,812	Foreign Currency		11,990
50,116	Short Term Deposits		49,819
0	Cash Equivalents		0
31,776	Cash & Bank Deposits		25,527
5,054	Investment income due		6,197
202	Amounts receivable for sales		0
	Investment Liabilities		
	Derivatives	19	
(2,564)	Forward Currency Contracts		(4,360)
0	Amounts payable for purchases		0
3,917,780	**Total Net Investments**		4,072,482
	Non Current Assets and Liabilities	21	
5,154	Non Current Assets		3,335
(6,016)	Non Current Liabilities		(4,512)
	Current Assets and Liabilities	20	
18,984	Current Assets		22,242
(7,008)	Current Liabilities		(7,115)
3,928,894	**Net assets of the fund available to fund benefits at 31 March**		**4,086,432**

Notes to the Net Asset Statement

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

Notes to the Accounts

1. Accounting Policies

The Statement of Accounts summarises the fund's transactions for the 2017/18 financial year and its position at year-end as at 31 March 2018. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2017/18 which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector.

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

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

Devon County Council is the designated Administering Authority. The Investment and Pension Fund Committee comprising of County Councillors together with representatives of the Unitary and District Councils and other employers (with observers representing the staff and retired members) control the investments with advice from specialists. Employing body details are shown on pages 163 and 164.

Fund account – revenue recognition

Contribution income

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

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

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

Transfers to and from other schemes

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

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

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

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

Investment income

- Interest income is recognised in the fund account as it accrues
- Dividend income is recognised on the date the shares are quoted ex-dividend.

- Distributions from pooled funds are recognised at the date of issue.

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

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

Fund account – expense items

Benefits payable

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

Taxation

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

Management expenses

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

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

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

Net assets statement

Financial assets

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

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

- Market-quoted investments. The value of an investment for which there is a readily available market price is determined by the bid market price ruling on the final day of the accounting period.
- Fixed interest securities are recorded at net market value based on their current yields.
- Unquoted investments. The fair value of investments for which market quotations are not readily available is determined as follows:
    - Investments in unquoted property and infrastructure pooled funds are valued at the net asset value or a single price advised by the fund manager.

- Investments in private equity funds and unquoted limited partnerships are valued based on the fund’s share of the net assets in the private equity fund or limited partnership using the latest financial statements published by the respective fund managers in accordance with the guidelines set out by the British Venture Capital Association.
- Limited partnerships. Fair value is based on the net asset value ascertained from periodic valuations provided by those controlling the partnership.
- Pooled investment vehicles are valued at closing bid price if both bid and offer prices are published; or if single priced, at the closing single price. In the case of pooled investment vehicles that are accumulation funds, change in market value also includes income which is reinvested in the fund, net of applicable withholding tax.

Foreign currency transactions

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

Derivatives

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

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

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

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

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

Cash and cash equivalents

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

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

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

Financial liabilities

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

Actuarial present value of promised retirement benefits

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

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

Additional voluntary contributions

The Additional Voluntary Contributions Investments are not included in the Pension Fund Accounts in accordance with regulation 4(1)(b) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016, but are instead disclosed within the notes to the accounts (Note 8). The fund has two appointed AVC providers; Equitable Life and Prudential.

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.

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

Financial Instruments

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

- Financial assets and liabilities at fair value through profit or loss:
    - The Pension Fund classifies financial instruments that are 'held for trading' as at fair value through profit or loss when the financial instrument is:
        - Acquired or incurred principally for the purpose of selling or repurchasing it in the near term, or
        - Part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit taking, or
        - A derivative.
    - Financial assets and liabilities at fair value through profit or loss are initially recognised at fair value excluding transaction costs and carried at fair value without any deduction for transaction costs that would be incurred on sale or disposal.
- Loans and receivables:
    - Financial Instruments have been classified as loans and receivables when they have fixed or determinable payments and are not quoted in an active market.

Loans and receivables are initially recognised at Fair Value and carried at historic cost as they are all short term with the exception of capital payment due from the Devon & Cornwall Magistrates Courts Service (see note 21 - Non-Current Assets and Liabilities).

- Financial liabilities:
    - The liabilities of the Pension Fund consist of creditors and derivative liabilities. Derivative liabilities are classified as financial liabilities at fair value through profit or loss and carried at fair value.

Value Added Tax (VAT)

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

2. Critical judgements in applying Accounting Policies

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

The critical judgements made in the Statement of Accounts are:

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

Pension fund liability. The net pension fund liability is recalculated every three years by the appointed actuary, with annual updates in the intervening years. The methodology used is in line with accepted guidelines. This estimate is subject to significant variances based on changes to the underlying assumptions which are agreed with the actuary and have been summarised in Note 22. These actuarial revaluations are used to set future contribution rates and underpin the fund's most significant investment management policies, for example in terms of the balance struck between longer term investment growth and short-term yield/return.

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

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

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

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

Item	Uncertainties	Effect if actual results differ from assumptions
Market Value of investments	The Fund's investments are revalued on a monthly basis. Investments are valued using quoted prices in active markets or by reference to markets which are not considered to be active but are valued based on quoted market prices, dealer quotations or alternative pricing sources supported by observable inputs with the exception of the Archmore (UBS) International Infrastructure Fund LLP £25.444 millions (£31.116 millions as at 31 March 2017), the Hermes GPE Infrastructure Fund LLP 33.093 millions (£37.060 millions as at 31 March 2017), Aviva Investors Infrastructure Fund 19.279 millions (£20.383 millions as at 31 March 2017), Golub Capital Partners International Fund 11 LLP £16.039 millions and Bluebay Senior Loan Fund 1 LLP £11.098 millions. While market values are not estimates, the method of valuation does mean that future values may fluctuate (see note 4).	For every 1% increase in Market Value the value of the Fund will increase by £40.725 millions with a decrease having the opposite effect.
Actuarial present value of promised retirement benefits (Note 22)	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 £136.347 millions • a 0.1% increase in assumed earnings inflation would increase the value of liabilities by approximately £12.830 millions • a one-year increase in assumed life expectancy would increase the liability by approximately £270.668 millions

4. Estimates

The Devon Pension Fund is a limited partner in the Archmore (UBS) International Infrastructure Fund LLP, the Hermes GPE Infrastructure Fund LLP, Aviva Investors Infrastructure Fund, Golub Capital Partners International Fund 11 LLP and the Bluebay Senior Loan Fund 1 LLP. UBS, Hermes, Aviva, Golub and Bluebay (the fund managers to the partnerships) provide the Pension Fund with quarterly financial statements indicating the value of these investments. These statements are audited annually. For all other investments market values are available from an active market and as such no assumptions have been made in their valuation.

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

5. Contributions receivable

By authority

2016/17 £'000		2017/18 £'000
(46,474)	Administering Authority	(47,682)
(102,610)	Scheduled bodies	(109,508)
(298)	Admitted bodies	(595)
(2,950)	Community admission body	(3,063)
(6,649)	Transferee admission body	(6,893)
(892)	Resolution body	(1,067)
(159,873)		**(168,808)**

By type

2016/17 £'000		2017/18 £'000
(36,709)	Employees’ normal contributions	(37,659)
(89,870)	Employers’ normal contributions	(93,073)
(33,294)	Employers’ deficit recovery contributions	(38,076)
(159,873)		**(168,808)**

6. Benefits Payable

By authority

2016/17 £'000		2017/18 £'000
62,679	Administering Authority	63,125
97,173	Scheduled bodies	101,547
309	Admitted bodies	289
4,209	Community admission body	4,257
3,234	Transferee admission body	3,956
412	Resolution body	598
168,016		**173,772**

7. Contribution Rates

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

Whole Time Pay Rate 2016/17	Member contribution rate	Whole Time Pay Rate 2017/18	Member contribution rate
£0 to £13,600	5.5%	£0 to £13,700	5.5%
£13,601 to £21,200	5.8%	£13,701 to £21,400	5.8%
£21,201 to £34,400	6.5%	£21,401 to £34,700	6.5%
£34,401 to £43,500	6.8%	£34,701 to £43,900	6.8%
£43,501 to £60,700	8.5%	£43,901 to £61,300	8.5%
£60,701 to £86,000	9.9%	£61,301 to £86,800	9.9%
£86,001 to £101,200	10.5%	£86,801 to £102,200	10.5%
£101,201 to £151,800	11.4%	£102,201 to £153,300	11.4%
£151,801 or more	12.5%	£153,301 or more	12.5%

8. Additional Voluntary Contributions (AVC) Investments

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

Value at 31 March 2017	Contributions	Investment Return	Paid Out	Value at 31 March 2018
£000	**£000**	**£000**	**£000**	**£000**
6,813	765	327	(1,092)	6,812

Value at 31 March 2016	Contributions	Investment Return	Paid Out	Value at 31 March 2017
£000	**£000**	**£000**	**£000**	**£000**
6,245	796	732	(959)	6,813

The Additional Voluntary Contributions Investments are not included in the Pension Fund Accounts in accordance with regulation 4(1)(b) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016.

9. Management Expenses

2016/17		2017/18
£'000		**£'000**
2,059	**Administrative costs**	2,037
2,059		**2,037**
	Investment management expenses	
9,097	Management fees (a)	11,315
1,428	Performance fees (a)	2,625
107	Custody fees	160
1,370	Transaction costs (b)	1,510
(2,471)	Reversal of accrual estimate	0
(109)	Stock Lending Income & Commission Recapture	(77)
50	Other Investment management expenses	30
9,472		**15,563**
	Oversight and governance costs	
29	Audit Fees (c)	29
726	Other Oversight and governance costs	455
755		**484**
12,286		**18,084**

i) The majority of current managers' fees are on a fixed fee basis, calculated using the market value of the portfolio. The cost of external fund management varies with the value of investments under management. A small proportion of the current managers' fees is based on performance and will be paid where the manager outperforms an agreed target level of return.

The fund's investment in pooled property funds is via a fund of funds arrangement managed by Aviva. In addition, the diversified growth funds managed by Baillie Gifford and Barings will also invest in underlying funds. The Devon Pension Fund does not have day to day involvement over the investment decisions made by Aviva, Baillie Gifford or Barings, and therefore the investment costs incurred by the underlying funds are not included in the management costs disclosed.

j) In addition to these costs, indirect costs are incurred through the bid-offer spread on investments sales and purchases. These are reflected in the cost of investment acquisitions and in the proceeds from the sales of investments (see Note 15).

k) Audit fees include an amount of £28,603 (£28,603 in 2016/17) in relation to Grant Thornton UK LLP, the auditors appointed by the Public Sector Audit Appointments Ltd for external audit services.

10. Agency Services

The Pension Fund pays discretionary awards to the former employees of other bodies. The amounts paid are not included within the Fund Account but are provided as a service and fully reclaimed from the employer bodies. The sums are disclosed in the following table.

31 March 2017		31 March 2018
£'000	**Payments on behalf of:**	**£'000**
8,258	Devon County Council	7,777
1,053	Plymouth City Council	939
601	Torbay Council	578
375	Teignbridge District Council	349
340	University Of Plymouth	303
273	Exeter City Council	234
240	North Devon District Council	225
195	South Hams District Council	185
207	Dorset, Devon and Cornwall Rehabilitation Service	159
103	Torridge District Council	90
558	Payments of less than £100,000 on behalf of other bodies	327
12,203		**11,166**

11. Related Party Transactions

The Devon Pension Fund is administered by Devon County Council. During the reporting period, the council incurred costs of £2.489 millions (2016/17: £2.529 millions) 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 £47.591 millions to the fund in 2017/18 (2016/17: £46.389 millions). In 2017/18 £4.237 millions was owed to the fund (2016/17: £4.373 millions) and £2.674 millions was due from the fund (2016/17: £2.387 millions).

The Investment and Pensions Fund Committee is the decision making body for the fund and Devon County Council nominates 6 of the 10 voting committee members.

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

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

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

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

The Pension Fund has transactions with the following organisation:

Brunel Pension Partnership Ltd (Company number 10429110)

Brunel Pensions Partnership Ltd (BPP Ltd) was formed on the 14th October 2016 and will oversee the investment of pension fund assets for Avon, Buckinghamshire. Cornwall, Devon, Dorset, Environment Agency, Gloucestershire, Oxfordshire, Somerset, and Wiltshire Funds.

Each of the 10 local authorities, including Devon County council own 10% of BPP Ltd. Pension Fund transactions with BPP Ltd are as follows:

	2016/17	2017/18
	£'000	**£'000**
Income	0	0
Expenditure	0	840
Debtors	0	202
Creditors	0	0

12. Key Management personnel

The Key Management Personnel of the Fund are those persons having the authority and responsibility for planning, directing and controlling the activities of the fund, including the oversight of these activities. The Key Management Personnel of the Fund are the County Council Treasurer, the Deputy County Treasurer, the Assistant County Treasurers and the Head of Pension Services. A percentage of the Key Management Personnel total remuneration payable is set out below:

2016/17 £'000		2017/18 £'000
274	Remuneration	276
274	**Total**	**276**

13. Stock Lending

The Devon Pension Fund permits holdings in its segregated portfolios to be lent out to market participants. Northern Trust Company acted as custodian for the Fund from 1 September 2014 to 31 March 2018 and were authorised to lend both UK and Overseas stocks. State Street Bank and Trust Company were appointed as the Fund's custodian bank with effect from 1 April 2018. As a consequence of the appointment of the new custodian all stock on loan was recalled prior to 31 March to facilitate transition of the Fund's assets. This is reflected in the summary of the stock on loan as at 31 March 18 shown below.

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

31 March 2017 £'000	% of Fund %		31 March 2018 £'000	% of Fund %
36,835	0.9	**Stock on Loan**	**0**	0.0
		Collateral		
3,088		Cash	0	
35,954		Securities	0	
39,042			**0**	

14. Investment Management Arrangements

The Pension Fund is currently managed by 8 external managers (8 in 2016/17) and the in-house Investment Team in the following proportions:

31 March 2017 £'000	%	Manager	Mandate	31 March 2018 £'000	%
225,362	5.8	Aberdeen Asset Managers Ltd	Global Equity	228,607	5.6
181,795	4.6	Aberdeen Asset Managers Ltd	Global Emerging	185,688	4.6
625,987	16.0	State Street Global Advisors Ltd	Passive Equities	673,379	16.5
1,087,130	27.7	UBS Global Asset Management (UK) Ltd	Passive Equities	1,106,821	27.2
222,975	5.7	Lazard Asset Management LLC	Global Fixed Interest	220,072	5.4
212,820	5.4	Wellington Management International Ltd	Global Fixed Interest	221,425	5.4
295,710	7.5	Baillie Gifford & Co	Diversified Growth Fund	311,512	7.6
285,493	7.3	Baring Asset Management Ltd	Diversified Growth Fund	297,240	7.3
363,040	9.3	Aviva Investors Global Services Ltd	Property	389,164	9.6
417,468	10.7	DCC Investment Team	Specialist Funds	438,574	10.8
3,917,780	**100**			**4,072,482**	**100**

15. Investment Movements and Transactions

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

	Value at 31 March 2017	Reclassification	Purchases at cost & Derivative Payments	Sale proceeds & Derivative Receipts	Change in Market Value	Value at 31 March 2018
	£'000	£'000	£'000	£'000	£'000	£'000
Investment Assets						
Bonds						
U.K. Public Sector Bonds	1,572	0	2,630	(1,845)	5	2,362
Overseas Government Bonds	141,928	0	74,034	(49,531)	(12,203)	154,228
UK Corporate Bonds	5,150	0	750	(3,907)	(140)	1,853
Overseas Corporate Bonds	68,242	0	13,518	(22,399)	(6,443)	52,918
Equities (Listed)						
U.K.	38,140	0	13,925	(10,946)	(1,149)	39,970
Overseas	321,015	0	59,231	(51,396)	(2,645)	326,205
Pooled investments	2,945,420	(33,343)	107,620	(116,442)	124,196	3,027,451
Pooled property investments	306,140	33,343	21,007	(12,491)	27,293	375,292
Derivative contracts						
Forward currency contracts	213	0	21,043	(30,791)	7,365	(2,170)
Foreign Currency	2,812	0	12,813	(2,737)	(898)	11,990
Amount receivable for sales of investments	202	0	0	(203)	1	0
	3,830,834	**0**	**326,571**	**(302,688)**	**135,382**	**3,990,099**
Other Investment Balances						
Short Term Deposits	50,116					49,819
Cash & Bank Deposits	31,776					25,527
Long Term Investments	0					840
Investment income due	5,054					6,197
Net investment assets	**3,917,780**				**135,382**	**4,072,482**

	Value at 31 March 2016	Reclassification	Purchases at cost & Derivative Payments	Sale proceeds & Derivative Receipts	Change in Market Value	Value at 31 March 2017
	£'000	£'000	£'000	£'000	£'000	£'000
Investment Assets						
Bonds						
U.K. Public Sector Bonds	1,981	0	1,572	(1,999)	18	1,572
Overseas Government Bonds	129,023	(1,140)	63,282	(60,955)	11,718	141,928
Overseas Government Index Linked Bonds	2,028	0	0	(2,088)	60	0
UK Corporate Bonds	7,067	0	0	(1,862)	(55)	5,150
Overseas Corporate Bonds	66,531	1,140	13,850	(21,462)	8,183	68,242
Equities (Listed)						
U.K.	28,085	0	11,542	(8,086)	6,599	38,140
Overseas	253,669	0	32,321	(38,060)	73,085	321,015
Pooled investments	2,438,204	0	116,996	(97,638)	487,858	2,945,420
Pooled property investments	358,863	0	47,653	(104,146)	3,770	306,140
Derivative contracts						
Forward currency contracts	(3,542)	0	43,753	(20,630)	(19,368)	213
Bond Forwards	0	0	0	0	0	0
Foreign Currency	2,156	0	2,192	(1,426)	(110)	2,812
Amount receivable for sales of investments	880	0	0	(668)	(10)	202
Amounts payable for purchases of investments	(475)	0	470	0	5	0
	3,284,470	**0**	**333,631**	**(359,020)**	**571,753**	**3,830,834**
Other Investment Balances						
Short Term Deposits	0					50,116
Cash Equivalents	21,296					0
Cash & Bank Deposits	12,168					31,776
Investment income due	4,518					5,054
Net investment assets	**3,322,452**				**571,753**	**3,917,780**

16. Analysis of Pooled Funds

2016/17 £'000		2017/18 £'000
	UK	
740,575	Unit Trusts	680,457
263,792	Property Funds	321,135
740,961	Unitised Insurance Policies	754,990
183,226	Other Managed Funds (Equities)	86,570
	Overseas	
116,936	Unit Trusts	177,403
42,348	Property Funds	54,157
346,170	Unitised Insurance Policies	351,831
604,732	Other Managed Funds (Equities)	727,635
212,820	Other Managed Funds (Fixed Interest)	248,565
3,251,560	**Total Pooled Funds**	**3,402,743**

17. Analysis of Fund Assets

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

2017/18

	UK £'000	Non UK £'000	Global £'000	Total £'000
Equities	880,282	1,155,444	353,919	2,389,645
Bonds	4,215	207,146	221,427	432,788
Alternatives	411,566	51,470	84,728	547,764
Cash and cash equivalents	81,543	11,990	0	93,533
Other	0	0	608,752	608,752
Total	**1,377,606**	**1,426,050**	**1,268,826**	**4,072,482**

2016/17

	UK £'000	Non UK £'000	Global £'000	Total £'000
Equities	952,907	1,015,364	348,235	2,316,506
Bonds	6,722	210,170	212,820	429,712
Alternatives	383,715	35,848	80,835	500,398
Cash and cash equivalents	87,148	2,812	0	89,960
Other	0	0	581,204	581,204
Total	**1,430,492**	**1,264,194**	**1,223,094**	**3,917,780**

18. Analysis of Investment Income

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

2017/18

	UK £'000	Non UK £'000	Global £'000	Total £'000
Equities	1,254	8,884	19	10,157
Bonds	205	7,094	0	7,299
Alternatives	15,664	2,554	8,195	26,413
Cash and cash equivalents	709	0	0	709
Total	**17,832**	**18,532**	**8,214**	**44,578**

2016/17

	UK £'000	Non UK £'000	Global £'000	Total £'000
Equities	925	7,646	0	8,571
Bonds	343	8,092	0	8,435
Alternatives	16,813	1,097	4,540	22,450
Cash and cash equivalents	396	0	0	396
Total	**18,477**	**16,835**	**4,540**	**39,852**

19. Derivative Contracts

Derivative receipts and payments represent the realised gains and losses on futures contracts. The scheme's objective is to decrease the risk in the portfolio by entering into future positions to match current assets that are already held in the portfolio without disturbing the underlying assets.

Forward Currency Contracts

Settlements	Currency bought	Local value '000	Currency sold	Local value '000	Asset value £'000	Liability value £'000
Up to one month	EUR	12,474	GBP	(10,945)	0	(3)
Up to one month	GBP	26,990	EUR	(30,310)	406	0
Up to one month	GBP	3,285	RON	(17,604)	0	(23)
Up to one month	GBP	77,050	USD	(107,672)	351	0
Up to one month	JPY	3,232,504	GBP	(21,723)	0	(48)
Up to one month	USD	1,301	JPY	(137,995)	1	0
Up to one month	USD	4,110	PHP	(207,673)	97	0
One to six months	CHF	926	GBP	(715)	0	(24)
One to six months	EUR	6,078	USD	(7,534)	0	(23)
One to six months	GBP	12,428	AUD	(22,105)	365	0
One to six months	GBP	14,111	CAD	(24,892)	363	0
One to six months	GBP	6,485	CZK	(185,199)	84	0
One to six months	GBP	137,267	EUR	(160,000)	0	(3,640)
One to six months	GBP	1,782	HUF	(628,919)	14	0
One to six months	GBP	5,552	MXN	(146,920)	0	(130)
One to six months	GBP	6,729	NOK	(73,780)	33	0
One to six months	GBP	10,707	NZD	(20,408)	235	0
One to six months	GBP	6,426	PLN	(30,254)	137	0
One to six months	GBP	7,385	SGD	(13,637)	0	(22)
One to six months	GBP	4,006	USD	(5,600)	22	0
One to six months	JPY	465,509	USD	(4,462)	0	(51)
One to six months	KRW	1,934,497	USD	(1,816)	5	0
One to six months	MXN	42,655	USD	(2,318)	1	0
One to six months	PLN	10,006	USD	(2,942)	0	(13)
One to six months	SEK	29,915	GBP	(2,651)	0	(101)
One to six months	SGD	1,869	GBP	(1,006)	9	0
One to six months	USD	6,072	CLP	(3,857,843)	0	(230)
One to six months	USD	6,373	EUR	(5,205)	0	(36)
One to six months	USD	1,534	GBP	(1,092)	0	(1)
One to six months	USD	2,513	IDR	(34,962,438)	0	(15)
One to six months	USD	4,538	INR	(291,868)	49	0
One to six months	USD	882	JPY	(93,109)	3	0
One to six months	USD	2,942	SEK	(24,368)	15	0
Open forward currency contracts at 31 March 2018					**2,190**	**(4,360)**
Net forward currency contracts at 31 March 2018						**(2,170)**
Prior year comparative:						
Open forward currency contracts at 31 March 2017					**2,777**	**(2,564)**
Net forward currency contracts at 31 March 2017						**213**

Notes:

Forward Currency Contract. A forward contract (or simply a forward) is a non-standardized contract between two parties to buy or sell an asset at a specified future time at a price agreed today.

Key to Currency Codes

AUD	Australian Dollar	HUF	Hungarian Forint	NZD	New Zealand Dollar
CAD	Canadian Dollar	IDR	Indonesian Rupiah	PHP	Philipines Peso
CHF	Swiss Franc	INR	Indian Rupee	PLN	Polish Zloty New
CLP	Chilean Peso	JPY	Japanese Yen	RON	Romanian Leu
CZK	Czech Republic Koruna	KRW	South Korean Won	SEK	Swedish Krona
EUR	Euro	MXN	Mexican Peso	SGD	Singapore Dollars
GBP	British Pound	NOK	Norwegian Krone	USD	US Dollars

20. Current Assets and Liabilities

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

a) Analysis by nature of asset or liability

31 March 2017 £'000		**31 March 2018 £'000**
	Current Assets	
	Debtors and Prepayments	
	Contributions Receivable	
11,110	Employers	13,219
	Current portion of non current assets	
3,008	(Employers contributions)	3,008
2,865	Employees	3,015
2,001	Other debtors	3,000
18,984		**22,242**
	Current Liabilities	
	Creditors and Receipts in Advance	
(2,387)	Devon County Council	(2,674)
(4,621)	Other creditors	(4,441)
(7,008)		**(7,115)**

b) Analysis by type of debtor or creditor

31 March 2017 £'000		**31 March 2018 £'000**
	Current Debtors	
4,758	Central Government Bodies	5,287
11,862	Other Local Authorities	13,933
22	NHS Bodies	13
2,342	Other entities and individuals	3,009
18,984		**22,242**
	Current Creditors	
(1,543)	Central Government Bodies	(1,596)
(2,643)	Other Local Authorities	(2,839)
(2)	NHS Bodies	(98)
(2,820)	Other entities and individuals	(2,582)
(7,008)		**(7,115)**

21. Non-Current Assets and Liabilities

At 31 March 2005 all staff employed by the Devon & Cornwall Magistrates Courts Service who were members of the Devon (LGPS) Fund transferred to the Principal Civil Service Pension Scheme (PCSPS). No further contributions were received from that employer. All affected staff subsequently had 12 months to elect whether to leave their accrued pension entitlement with the Devon Fund (as a deferred benefit) or transfer their 'pension pot' to the PCSPS. Under the transfer protocol issued by the Department for Constitutional Affairs the total capital payment of £15.04 millions due to the Devon Pension Fund would be repaid in ten annual instalments of £1.504 millions. The first instalment was received during 2011/12. The 2017/18 instalment was received in April 2018 and is included within current assets (Other debtors). The next instalment is disclosed as part of current assets with the remaining 2 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 2017 £'000		31 March 2018 £'000
	Non Current Assets	
	Debtors and Prepayments	
5,154	Contributions Receivable - Employers	3,335
5,154		**3,335**
	Non Current Liabilities	
	Creditors and Receipts in Advance	
(6,016)	Deferred Income	(4,512)
(6,016)		**(4,512)**

b) Analysis by type of debtor or creditor

31 March 2017 £'000		31 March 2018 £'000
	Non current Debtors	
4,538	Central Government Bodies	3,014
575	Other Local Authorities	254
41	Other Entities and Individuals	67
5,154		**3,335**
	Non current Creditors	
(6,016)	Central Government Bodies	(4,512)
(6,016)		**(4,512)**

22. Funded Obligation

The actuarial present value of promised retirement benefits (the Funded Obligation) amounts to £7,202 millions as at 31 March 2018 (£7,118 millions as at 31 March 2017). The Funded Obligation consists of £6,974 millions (£6,864 millions as at 31 March 2017) in respect of Vested Obligation and £228 millions (£254 millions as at 31 March 2017), of Non-Vested Obligation.

These figures have been prepared by the Fund Actuary (Barnett Waddingham LLP) in accordance with their understanding of IAS 26. In calculating the disclosed numbers the Actuary has adopted methods and assumptions that are consistent with IAS 19.

Actuarial Methods and Assumptions

Valuation Approach
To assess the value of the Fund's liabilities at 31 March 2018, the actuary has rolled forward the value of Fund's liabilities calculated for the funding valuation as at 31 March 2016, 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 2018 without completing a full valuation. However, we are satisfied that the approach of rolling forward the previous valuation data to 31 March 2018 should not introduce any material distortions in the results provided that the actual experience of the Fund has been broadly in line with the underlying assumptions, and that the structure of the liabilities is substantially the same as at the latest formal valuation. From the information we have received there appears to be no evidence that this approach is inappropriate.

Demographic/Statistical Assumptions
The Actuary has adopted a set of demographic assumptions that are consistent with those used for the funding valuation as at 31 March 2016. The post retirement mortality tables adopted are the S2PA tables with a multiplier of 90%. These base tables are then projected using the CMI 2015 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 2017	31 March 2018
Retiring Today		
Males	23.4	23.5
Females	25.5	25.6
Retiring in 20 years		
Males	25.6	25.7
Females	27.8	27.9

The Actuary has also assumed that:

- 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; and
- The proportion of the of the membership that had taken up the 50:50 option at the previous valuation date will remain the same.

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

Assumptions as at	31 March 2018 % p.a	31 March 2017 % p.a	31 March 2016 % p.a
Discount rate	2.6%	2.8%	3.7%
Pension Increases	2.3%	2.7%	2.4%
Salary Increases	3.8%	4.2%	4.2%

These assumptions are set with reference to market conditions at 31 March 2018.

The Actuary's estimate of the duration of the Fund’s liabilities is 20 years.

An estimate of the Fund's future cashflows is made using notional cashflows based on the estimated duration above. The estimated cashflows are then used to derive a Single Equivalent Discount Rate (SEDR). The discount rate derived is such that the net present value of the notional cashflows, discounted at this single rate, equates to the net present value of the cashflows, discounted using the annualised Merrill Lynch AA rated corporate bond yield curve (where the spot curve is assumed to be flat beyond the 30 year point). The approach has changed from the 'spot rate' approach adopted at the previous accounting date to reflect national auditor preferences.

Similar to the approach used to derive the discount rate, the Retail Prices Index (RPI) increase assumption is set using a Single Equivalent Inflation Rate (SEIR) approach, using the notional cashflows as described above. The single inflation rate derived is that which gives the same net present value of the cashflows, discounted using the annualised Merrill Lynch AA rated corporate bond yield curve, as applying the Bank of England (BoE) implied inflation curve. As above, the Merrill Lynch AA rated corporate bond yield spot curve is assumed to be flat beyond the 30 year point and the BoE implied inflation spot curve is assumed to be flat beyond the 40 year point. The approach has changed from the 'spot rate' approach adopted at the previous accounting date to reflect national auditor preferences.

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 1.0% p.a. below RPI i.e. 2.3% p.a. The Actuary believes that this is a reasonable estimate for the future differences in the indices, based on the different calculation methods and recent independent forecasts. This is a slightly higher deduction than at the last accounting date where the Actuary assumed that CPI was 0.9% lower than RPI.

Salaries are assumed to increase at 1.5% p.a. above CPI in addition to a promotional scale. However, the Actuary has allowed for a short-term overlay from 31 March 2016 to 31 March 2020 for salaries to rise in line with CPI.

23. Taxation

Value Added Tax The Fund is reimbursed by H.M.Revenue & Customs, and the accounts are shown exclusive of this tax.

Income Tax The Pension Fund is an exempt fund, and where permitted U.K tax on interest and dividends is recovered from H.M.Revenue & Customs. The Pension Fund cannot reclaim the 10% tax credit attached to U.K. company dividends which are included net of the tax credit.

Withholding Tax This is payable on income from overseas investments. This tax is recovered wherever local tax law permits.

24. Financial Instrument Disclosures

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

Fair value through profit and loss	Loans and receivables	Financial liabilities at amortised cost		Fair value through profit and loss	Loans and receivables	Financial liabilities at amortised cost
	2016/17				2017/18	
£'000	£'000	£'000		£'000	£'000	£'000
0	0	0	Long Term investments	840	0	0
			Financial assets			
216,892	0	0	Bonds	211,361	0	0
359,155	0	0	Equities (Listed)	366,175	0	0
2,945,420	0	0	Pooled investments	3,027,451	0	0
306,140	0	0	Pooled property investments	375,292	0	0
2,777	0	0	Derivative contracts	2,190	0	0
0	84,704	0	Cash	0	87,336	0
5,256	0	0	Other investment balances	6,197	0	0
0	24,138	0	Debtors	0	25,577	0
3,835,640	**108,842**	**0**		**3,988,666**	**112,913**	**0**
			Financial Liabilities			
(2,564)	0	0	Derivative contracts	(4,360)	0	0
0	0	(13,024)	Creditors	0	0	(11,627)
(2,564)	**0**	**(13,024)**		**(4,360)**	**0**	**(11,627)**
3,833,076	**108,842**	**(13,024)**		**3,985,146**	**112,913**	**(11,627)**

As all investments are disclosed at fair value, carrying value and fair value are therefore the same.

The gains and losses recognised in the Fund Account in relation to financial instruments are made up as follows:

31 March 2017		31 March 2018
£'000		£'000
	Financial assets	
608,928	Designated at Fair value through profit and loss	172,194
276	Loans and receivables	(188)
609,204		**172,006**
	Financial liabilities	
2,397	Fair value through profit and loss	7,952
5	Loans and receivables	0
2,402		**7,952**

The total changes in fair value represent unrealised profit or loss. The difference in unrealised profit / (loss) figures between 2016/17 and 2017/18 reflects the prevailing economic conditions during each of the two years and the impact on the specific assets held by the Fund.

25. Fair Value – Basis of Valuation

The basis of the valuation of each class of investment asset is set out below. There has been no change in the valuation techniques used during the year. All assets have been valued using fair value techniques which represent the highest and best price available at the reporting date.

Description of Asset	Fair Value Hierarchy	Basis of Valuation	Observable and unobservable inputs	Key sensitivities affecting the valuations provided
Market quoted investments	Level 1	Published bid market price ruling on the final day of the accounting period	Not required	Not required
Quoted bonds	Level 1	Fixed interest securities are valued at a market value based on current yields	Not required	Not required
Pooled investments – Quoted UK and overseas unit trusts	Level 1	Published bid market price ruling on the final day of the accounting period	Not required	Not required
Pooled investments - UK and overseas property funds, unitised insurance policies and other managed funds	Level 2	* Closing bid price where bid and offer prices are published * Closing single price where single price published	NAV-based pricing set on a forward pricing basis	Not required
Forward Currency Contracts	Level 2	Market forward exchange rates at the year-end	Exchange rate risk	Not required
UK and Overseas Unit Trusts (Venture Capital and Partnerships)	Level 3	Based on cash flow analysis and comparable transaction multiples in accordance with the International Private Equity and Venture Capital Valuation Guidelines	* Market conditions * Company business plans * Financial projections * Economic outlook * Performance of the investments * Business analysis	Valuations could be affected by material events occurring between the date of the financial statements provided and the pension fund's own reporting date, by changes to expected cashflows and interest rates that are inputs to the valuation models, such as the discounted cash flow models used in the valuation of unlisted investments.

Sensitivity of assets valued at level 3

Having analysed historical data and current market trends, and consulted with independent investment advisors, the fund has determined that the valuation methods described above are likely to be accurate to within the following ranges, and has set out below the consequent potential impact on the closing value of investments held at 31 March.

As at 31 March 2018	Assessed valuation range (+/-)	Value at 31 March 2018 £'000	Value on increase £'000	Value on decrease £'000
Investment Assets				
UK Unit Trusts (Venture Capital and Partnerships)	5.90%	52,372	55,462	49,282
Overseas Unit Trusts (Venture Capital and Partnerships)	5.90%	25,444	26,945	23,943
Overseas Other Managed Funds	4.82%	27,137	28,445	25,829
Total		**104,953**	**110,852**	**99,054**

As at 31 March 2017	Assessed valuation range (+/-)	Value at 31 March 2017 £'000	Value on increase £'000	Value on decrease £'000
Investment Assets				
UK Unit Trusts (Venture Capital and Partnerships)	6.05%	57,443	60,918	53,968
Overseas Unit Trusts (Venture Capital and Partnerships)	6.05%	31,116	32,999	29,233
Total		**88,559**	**93,917**	**83,201**

Fair Value Hierarchy

Asset and liability valuations have been classified into three levels, according to the quality and reliability of information used to determine fair values. Transfers between levels are recognised in the year in which they occur.

Level 1

Assets and liabilities 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 interest securities, quoted index linked securities and unit trusts.

Level 2

Assets and liabilities 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.

Level 3

Assets and liabilities 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 Archmore (UBS) International Infrastructure Fund LLP, the Hermes GPE Infrastructure Fund LLP, Aviva Investors Infrastructure Fund, Golub Capital partners international Fund 11 LLP and Bluebay Senior Loan Fund 1 LLP have been classified as level 3 financial instruments.

The values of the investments in infrastructure funds are based on valuations provided by the fund managers. These valuations are prepared in accordance with the International Private Equity and Venture Capital Valuation Guidelines, which follow the valuation principles of IFRS and US GAAP. Valuations are usually undertaken annually at the end of December. Cash flow adjustments are used to roll forward the valuations to 31 March as appropriate.

The total amount of the change in fair value calculated based on these valuations that was recognised in the Fund Account is detailed below:

	2016/17 £'000	2017/18 £'000
Archmore (UBS) International Infrastructure Fund LLP	3,203	(2,924)
Aviva Infrastructure Income Fund	574	(1,006)
Bluebay Senior Loan Fund I	-	75
Golub Capital Partners International Fund 11	-	(904)
Hermes GPE Infrastructure Fund LLP	1,176	115
	4,953	(4,644)

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

At 31 March 2018

	Quoted market price	Using observable inputs	With Significant unobservable inputs	
	Level 1	**Level 2**	**Level 3**	**Total**
	£'000	**£'000**	**£'000**	**£'000**
Long Term Investments	-	-	840	840
Investment Assets				
Fixed Interest				
U.K. Public Sector Bonds	2,362	-	-	2,362
Overseas Government Bonds	154,228	-	-	154,228
UK Corporate Bonds	1,853	-	-	1,853
Overseas Corporate Bonds	52,918	-	-	52,918
Equities (Listed)				
U.K.	39,970	-	-	39,970
Overseas	326,205	-	-	326,205
Pooled investments	760,712	2,161,786	104,953	3,027,451
Pooled property investments	-	375,292	-	375,292
Derivative Assets				
Forward Currency Contracts	-	2,190	-	2,190
Cash Deposits				
Foreign Currency	11,990		-	11,990
Short Term Deposits	49,819		-	49,819
Cash & Bank Deposits	25,527	-	-	25,527
Investment income due	6,197	-	-	6,197
Amounts receivable for sales	-	-	-	-
Investment Liabilities				
Derivatives				
Forward Currency Contracts	-	(4,360)	-	(4,360)
Assets and Liabilities				
Non current Assets	3,335	-	-	3,335
Non current Liabilities	(4,512)	-	-	(4,512)
Current Assets	22,242	-	-	22,242
Current Liabilities	(7,115)	-	-	(7,115)
Net Assets of the Fund at 31 March 2018	**1,445,731**	**2,534,908**	**105,793**	**4,086,432**

The Pension Fund has reclassified the fair value hierarchical classification of foreign currency and short term deposits from Level 2 to Level 1. The values of these assets are based on quoted prices in an active market which suggests that Level 1 is more appropriate, rather than the previous level 2 classification.

At 31 March 2017

	Quoted market price - Restated	Using observable inputs - Restated	With Significant unobservable inputs	
	Level 1 £'000	**Level 2 £'000**	**Level 3 £'000**	**Total £'000**
Investment Assets				
Fixed Interest				
U.K. Public Sector Bonds	1,572	-	-	1,572
Overseas Government Bonds	141,928	-	-	141,928
UK Corporate Bonds	5,150	-	-	5,150
Overseas Corporate Bonds	68,242	-	-	68,242
Equities (Listed)				
U.K.	38,140	-	-	38,140
Overseas	321,015	-	-	321,015
Pooled investments	837,677	2,019,184	88,559	2,945,420
Pooled property investments	-	306,140	-	306,140
Derivative Assets				
Forward Currency Contracts	-	2,777	-	2,777
Cash Deposits				
Foreign Currency	-	2,812	-	2,812
Short Term Deposits	-	50,116	-	50,116
Cash & Bank Deposits	31,776	-	-	31,776
Investment income due	5,054	-	-	5,054
Amounts receivable for sales	202	-	-	202
Investment Liabilities				-
Derivatives				
Forward Currency Contracts	-	(2,564)	-	(2,564)
Assets and Liabilities		-	-	-
Non current Assets	5,154	-	-	5,154
Non current Liabilities	(6,016)	-	-	(6,016)
Current Assets	18,984	-	-	18,984
Current Liabilities	(7,008)	-	-	(7,008)
Net Assets of the Fund at 31 March 2017	**1,461,870**	**2,378,465**	**88,559**	**3,928,894**

Reconciliation of Fair Value Measurements within Level 3

	Value at 31 March 2017	Purchase during the year and derivative payments	Sales during the year and derivative receipts	Unrealised gains/(losses)	Value at 31 March 2018
	£'000	**£'000**	**£'000**	**£'000**	**£'000**
Investment Assets					
UK Unit Trusts (Venture Capital and Partnerships)	57,443	878	(5,057)	(892)	52,372
Overseas Unit Trusts (Venture Capital and Partnerships)	31,116		(2,748)	(2,924)	25,444
Overseas Other Managed Funds	0	29,653	(1,687)	(829)	27,137
	88,559	**30,531**	**(9,492)**	**(4,645)**	**104,953**

	Value at 31 March 2016	Purchase during the year and derivative payments	Sales during the year and derivative receipts	Unrealised gains/(losses)	Value at 31 March 2017
	£'000	£'000	£'000	£'000	£'000
Investment Assets					
UK Unit Trusts (Venture Capital and Partnerships)	48,576	8,504	(1,387)	1,750	57,443
Overseas Unit Trusts (Venture Capital and Partnerships)	27,913	0	0	3,203	31,116
	76,489	**8,504**	**(1,387)**	**4,953**	**88,559**

Unrealised and realised gains and losses are recognised in the profit and losses on disposal and changes in the market value of investments line of the fund account.

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 by the Northern Trust Company, it has been determined that the following movements in market price risk were reasonably possible for the reporting period:

Asset Class	Percentage Change 2016/17	Percentage Change 2017/18
Equities	9.66%	9.20%
Bonds	5.98%	4.82%
Cash	0.22%	0.48%
Pooled Property Investments	2.46%	1.76%
Infrastructure	6.05%	5.90%
Pooled Multi Asset	4.71%	4.53%

A price change disclosed above is broadly consistent with a one-standard deviation movement in the value of the assets based on movements over the previous 3 years. This analysis assumes that all other variables, in particular foreign currency exchange rates, and interest rates remain constant.

An increase or decrease in the market price of the investments of the Fund by the percentages given at 31 March would have increased or decreased the net assets available to pay benefits by the amount shown below:

As at 31 March 2018

Asset Class	Value £'000	Percentage Change	Increase £'000	Decrease £'000
Equities	2,389,645	9.20%	219,847	(219,847)
Bonds	432,788	4.82%	20,860	(20,860)
Cash	91,363	0.48%	439	(439)
Pooled Property Investments	375,292	1.76%	6,605	(6,605)
Infrastructure	174,642	5.90%	10,304	(10,304)
Pooled Multi Asset	608,752	4.53%	27,576	(27,576)
Total	**4,072,482**		**285,631**	**(285,631)**

As at 31 March 2017

Asset Class	Value £'000	Percentage Change	Increase £'000	Decrease £'000
Equities	2,316,506	9.66%	223,774	(223,774)
Bonds	429,712	5.98%	25,697	(25,697)
Cash	90,173	0.22%	198	(198)
Pooled Property Investments	306,140	2.46%	7,531	(7,531)
Infrastructure	194,045	6.05%	11,740	(11,740)
Pooled Multi Asset	581,204	4.71%	27,375	(27,375)
Total	**3,917,780**		**296,315**	**(296,315)**

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 2017 and 2018 are provided below. These disclosures present interest rate risk based on underlying financial assets (at fair value).

	As at 31 March 2017 £'000	As at 31 March 2018 £'000
Cash and cash equivalents	31,776	25,527
Short term Deposits	50,116	49,819
Fixed Interest	429,712	432,788
Total	**511,604**	**508,134**

Interest Rate Risk - Sensitivity Analysis

Interest rates vary and can impact on the value of the net assets available to pay benefits to scheme members. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

The sensitivity of bond prices to interest rate changes depends upon both the maturity of the fixed interest security and the size and frequency of its coupon payments. Duration is used to measure interest rate risk and is the weighted average maturity of a bond, where the weights are the relative discounted cash flows in each period. Duration can then be adapted with reference to the yield of a bond to calculate modified duration, which is the percentage change in a bond's price for a 1% change in yields. Modified duration can be calculated for a portfolio of bonds, and modified duration figures have been provided by the Devon Pension Fund's two bond managers (Lazard and Wellington) for the portfolios that they manage. A weighted average has been used in the tables below.

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 2018	**Carrying value at 31 March 2018**	**Modified Duration of Portfolio**	**Effect on Asset Values**	
			+1%	**-1%**
	£'000	**£'000**	**£'000**	**£'000**
Cash and cash equivalents	25,527	-	-	-
Short term Deposits	49,819	-	-	-
Fixed Interest	432,788	5.43%	(23,504)	23,504
Total	**508,134**	**5.43%**	**(23,504)**	**23,504**

As at 31 March 2017	**Carrying value at 31 March 2017**	**Modified Duration of Portfolio**	**Effect on Asset Values - Restated**	
			+1%	**-1%**
	£'000	**£'000**	**£'000**	**£'000**
Cash and cash equivalents	31,776	-	-	-
Short term Deposits	50,116	-	-	-
Fixed Interest	429,712	3.33%	(14,331)	14,331
Total	**511,604**	**3.33%**	**(14,331)**	**14,331**

As at 31 March 2018	Amount receivable in year ending 31 March 2017	Effect on Income Values	
		+1%	-1%
	£'000	£'000	£'000
Cash and cash equivalents	623	6	(6)
Short term Deposits	86	1	(1)
Fixed Interest	7,618	-	-
Total	**8,327**	**7**	**(7)**

As at 31 March 2017	Amount receivable in year ending 31 March 2017	Effect on Income Values	
		+1%	-1%
	£'000	£'000	£'000
Cash and cash equivalents	352	4	(4)
Short term Deposits	44	0	(0)
Fixed Interest	8,470	-	-
Total	**8,866**	**4**	**(4)**

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 2018 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 State Street Global Advisors) 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 2018 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 2017.

As at 31 March 2018	Assets held at fair value	FX Contracts	Total	Percentage Change	Change for the year in net assets available to pay benefits	
					+ 1 Standard Deviation	- 1 Standard Deviation
	£'000	**£'000**	**£'000**		**£'000**	**£'000**
Australian Dollar	13,428	365	13,793	11.82%	1,630	(1,630)
Brazilian Real	13,357	0	13,357	17.66%	2,359	(2,359)
Canadian Dollar	19,803	363	20,166	10.01%	2,019	(2,019)
Swiss Franc	15,366	(24)	15,342	10.08%	1,546	(1,546)
Chilean Peso	6,353	0	6,353	13.27%	843	(843)
Czech Republic Koruna	6,496	84	6,580	8.81%	579	(579)
Euro	229,503	(3,261)	226,242	8.90%	20,136	(20,136)
Hong Kong Dollar	37,894	0	37,894	9.48%	3,591	(3,591)
Hungarian Forint	3,613	14	3,627	10.41%	378	(378)
Indonesian Rupiah	10,099	0	10,099	11.55%	1,166	(1,166)
Indian Rupee	4,152	0	4,152	9.93%	412	(412)
Japanese Yen	50,396	(98)	50,298	14.61%	7,349	(7,349)
South Korean Won	17,642	5	17,647	11.51%	2,032	(2,032)
Mexican Peso	11,656	(130)	11,526	13.75%	1,585	(1,585)
Malaysian Ringgit	2,008	0	2,008	12.61%	253	(253)
Norwegian Krone	6,583	33	6,616	10.80%	715	(715)
New Zealand Dollar	10,497	235	10,732	13.42%	1,440	(1,440)
Philipines Peso	9,321	0	9,321	10.17%	948	(948)
Polish Zloty New	8,304	124	8,428	11.16%	940	(940)
Romanian Leu	4,203	(23)	4,180	9.08%	380	(380)
Swedish Krona	4,415	(101)	4,314	9.66%	417	(417)
Singapore Dollars	8,972	(13)	8,959	9.15%	819	(819)
Thailand Baht	10,632	0	10,632	9.84%	1,047	(1,047)
New Turkish Lira	4,865	0	4,865	15.42%	750	(750)
New Taiwan Dollar	9,094	0	9,094	9.07%	825	(825)
US Dollars	395,911	257	396,168	9.49%	37,597	(37,597)
South African Rand	9,906	0	9,906	17.23%	1,707	(1,707)
	924,469	**(2,170)**	**922,299**		**93,463**	**(93,463)**

As at 31 March 2017	Assets held at fair value	FX Contracts	Total	Percentage Change	Change for the year in net assets available to pay benefits	
					+ 1 Standard Deviation	- 1 Standard Deviation
	£'000	£'000	£'000		£'000	£'000
Australian Dollar	19,515	118	19,633	11.82%	2,320	(2,320)
Brazilian Real	13,386	0	13,386	17.82%	2,385	(2,385)
Canadian Dollar	16,747	234	16,981	9.41%	1,598	(1,598)
Swiss Franc	20,609	(1)	20,608	10.72%	2,209	(2,209)
Chilean Peso	4,866	0	4,866	11.92%	580	(580)
Czech Republic Koruna	0	(5)	(5)	8.91%	0	0
Danish Krona	0	4	4	8.24%	0	0
Euro	241,461	(520)	240,941	8.13%	19,580	(19,580)
Hong Kong Dollar	28,262	0	28,262	8.83%	2,495	(2,495)
Hungarian Forint	6,434	0	6,434	9.88%	635	(635)
Indonesian Rupiah	9,061	0	9,061	13.54%	1,227	(1,227)
Indian Rupee	3,560	0	3,560	11.01%	392	(392)
Japanese Yen	38,211	135	38,346	14.35%	5,503	(5,503)
South Korean Won	14,250	61	14,311	10.03%	1,435	(1,435)
Mexican Peso	11,388	(299)	11,089	12.28%	1,362	(1,362)
Malaysian Ringit	1,632	0	1,632	11.84%	193	(193)
Norwegian Krone	6,868	177	7,045	10.66%	751	(751)
New Zealand Dollar	10,105	198	10,303	12.77%	1,316	(1,316)
Philipines Peso	9,683	0	9,683	9.40%	910	(910)
Polish Zloty New	9,146	(127)	9,019	10.18%	918	(918)
Polish Zloty New	3,338	0	3,338	6.61%	221	(221)
Swedish Krone	4,081	(24)	4,057	8.39%	340	(340)
Singapore Dollars	10,136	(146)	9,990	8.57%	857	(857)
Thailand Baht	11,589	0	11,589	9.74%	1,129	(1,129)
New Turkish Lira	6,759	0	6,759	13.92%	941	(941)
New Taiwan Dollar	9,436	0	9,436	8.51%	803	(803)
US Dollars	444,438	380	444,818	8.85%	39,360	(39,360)
South African Rand	9,823	28	9,851	15.59%	1,536	(1,536)
	964,784	**213**	**964,997**		**90,996**	**(90,996)**

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 2017 £'000	As at 31 March 2018 £'000
Fixed Interest	216,892	211,361
UK Equities - Quoted	38,140	39,970
Overseas Equities - Quoted	321,015	326,205
Pooled investments	2,945,420	3,027,451
Pooled property investments	306,140	375,292
Derivatives (net)	213	(2,170)
Foreign currency	2,812	11,990
Short term deposits	50,116	49,819
Cash and cash equivalents	31,776	25,527
Settlements and dividends receivable	5,256	6,197
Long Term Investment	0	840
Total of investments held	**3,917,780**	**4,072,482**

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 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 2018 was £49.819 millions (31 March 2017: £50.116 millions). This was held with the following institutions:

Credit Rating at 31 March 2018	**Fitch**	**Moody's**	**Standard & Poor's**	**Balances as at 31 March 2017 £'000**	**Balances as at 31 March 2018 £'000**
Banks and Building Societies					
Handelsbanken	AA	Aa2	AA-	0	10,000
Lloyds	A+	A1	A	20,000	0
Goldman Sachs International	A	A1	A+	10,000	20,000
Money Market Funds					
Standard Life Money Market Fund	AAA	Aaa	AAA	10,116	9,819
Local Government					
Wirral Metropolitan Borough Council				10,000	0
Midlothian Council					5,000
London Borough of Newham					5,000
				50,116	**49,819**

Liquidity Risk

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

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

All the Fund's financial liabilities fall due within 12 months with the exception of the payments due from the Principal Civil Service Pension Scheme (PCSPS) (see note 21). Under the transfer protocol issued by the Department for Constitutional Affairs the capital payments due to the Pension Fund will be repaid in ten annual instalments of £1.504 millions. The first instalment was received during 2011/12. The 2017/18 instalment was received in April 2018 and is included within current assets. The next instalment is disclosed as part of current assets with the remaining 2 instalments disclosed as part of long term assets.

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 2016. The next valuation will take place as at 31 March 2019.

The key elements of the funding policy are:

- Establish a clear and transparent fund-specific strategy that will identify how employers' pension liabilities are best met going forward;
- Support the desirability of maintaining as nearly constant a primary contribution rate as possible, as defined in Regulation 62(5) of the Regulations;
- Ensure that the regulatory requirements to set contributions to meet the future liability to provide scheme member benefits in a way that ensures the solvency and long-term cost efficiency of the fund are met; and
- Take a prudent longer-term view of funding those liabilities.

The aim is to achieve 100% solvency over a period of 22 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 2016 actuarial valuation, the fund was assessed as 84% funded (83% at the March 2013 valuation). This corresponded to a deficit of £628 millions (2010 valuation: £603 millions) at that time.

The primary rate (previously known as the future service rate) over the three year period ending 31 March 2018 is 14.9% of payroll. The secondary rate (the deficit recovery rate) totals £38.777 millions across all the Fund's employers, equivalent to an average of 6.0% of payroll.

Individual employers' rates will vary from the primary and secondary rates above depending on the demographic and actuarial factors particular to each employer. Full details of the contribution rates payable can be found in the 2016 actuarial valuation report (https://www.peninsulapensions.org.uk/wp-content/uploads/2013/10/DEVN-March-2016-Valuation-report.pdf) and the funding strategy statement (https://www.peninsulapensions.org.uk/pension-fund-investments/devon-county-council-investments/devon-fund-key-documents/).

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)	5.5%
Price inflation	3.3%
Salary increases	3.9%
Pension increases in line with CPI – Assumed to be 0.9% less than RPI	2.4%

Mortality assumptions

Life Expectancy from 65 (years)	31 March 2016
Retiring Today	
Males	23.3
Females	25.4
Retiring in 20 years	
Males	25.5
Females	27.7

Historic mortality assumptions

Life expectancy for the year ended 31 March 2016 are based on S2PA tables with a multiplier of 90%. The allowances for future life expectancy are based on the 2015 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

Financial Summary

	2013/14 £'000	2014/15 £'000	2015/16 £'000	2016/17 £'000	2017/18 £'000
Contributions and Benefits					
Contributions	(149,016)	(150,902)	(153,280)	(159,873)	(168,808)
Transfers in from other pension funds	(7,446)	(5,686)	(4,766)	(8,205)	(6,481)
	(156,462)	(156,588)	(158,046)	(168,078)	(175,289)
Benefits Paid	150,435	158,336	166,247	168,016	173,772
Payments to and on account of leavers	6,251	68,742	7,429	6,403	5,855
	156,686	227,078	173,676	174,419	179,627
Net (Additions) Withdrawals from Dealings with Fund members	**224**	**70,490**	**15,630**	**6,341**	**4,338**
Management Expenses	**10,074**	**12,481**	**13,945**	**12,286**	**18,084**
Returns on Investments					
Investment Income	(39,625)	(36,629)	(35,743)	(39,852)	(44,578)
Increase / (decrease) in Market Value of Investments during the Year	(103,882)	(280,875)	44,679	(571,754)	(135,382)
Net Returns on Investments	**(143,507)**	**(317,504)**	**8,936**	**(611,606)**	**(179,960)**
Net Assets of the Fund at 31 March	**(3,139,893)**	**(3,374,426)**	**(3,335,915)**	**(3,928,894)**	**(4,086,432)**

Members Summary

Membership Summary

	2013/14 No.	2014/15 No.	2015/16 No.	2016/17 No.	2017/18 No.
Devon County Council					
Contributors	13,033	13,849	13,154	12,455	11,484
Pensioners and Dependants	12,175	12,649	12,720	13,737	14,117
Deferred Pensioners	11,576	15,648	16,171	18,923	20,080
Other Employers					
Contributors	24,196	25,620	24,525	26,051	27,728
Pensioners and Dependants	15,951	16,315	16,415	18,050	18,976
Deferred Pensioners	18,234	21,994	23,081	28,217	30,139

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

Employing Bodies

	Active	Ceased	Total
Scheduled body	147	19	166
Admitted body	57	36	93
Total	**204**	**55**	**259**

There are currently 204 employers who have active members in the Fund.

Administering Authority

Devon County Council

Scheduled Bodies

Academy for Character and Excellence
Ace Schools (Plymouth)
Acorn Multi Academy Trust
An Daras MAT
Ashburton Town Council
Axe Valley Academy
Barnstaple Town Council
Barton Hill Academy
Bay Education Trust
Bicton College
Bideford College
Bideford Town Council
Bovey Tracey Town Council
Bradninch Town Council
Bradworthy Primary Academy
Braunton Parish Council
Braunton School And Community College
Brixham College
Brixham Town Council
Broadclyst Community Primary School
Broadclyst Parish Council
Buckland Monachorum Parish Council
Budleigh Salterton Town Council
Catch 22
Catered Limited
Chudleigh Town Council
Chulmleigh Community College
Churston Ferrers Grammar School Academy
City College Plymouth
Clyst Vale Community College
Coast Academies
Colyton Grammar School Academy
Combe Martin Parish Council
Connect Academy Trust
Coombe Pafford School
Cranbrook Town Council
Crediton Town Council
Cullompton Town Council
Dartmoor National Park
Dartmouth Town Council
Dawlish Town Council
Devon & Cornwall Police & Crime Commissioner
Devon & Severn IFCA
Devon & Somerset Fire & Rescue
Devonport High School For Boys
Devonport High School For Girls
Discovery MAT
East Devon District Council
Education South West
Eggbuckland Community College
Exeter City Council
Exeter College
Exeter Learning Trust
Exeter Mathematics School
Exmouth Community College
Exmouth Town Council
First Federation
Fremington Parish Council
Great Torrington Academy
Great Torrington Town Council
Hayes Road Academy
Honiton Community College
Honiton Town Council
Horizon MAT
Ilfracombe Arts College
Ilfracombe Town Council
Inspiring Schools Partnership
Ivybridge Town Council
Kings Academy
Kingsbridge Town Council
Kingsteignton Town Council
Learning Academy MAT
Learning Academy Partnership
Lipson Academy
Littletown Primary Academy And Nursery
Lynton & Lynmouth Town Council
Marine Academy Plymouth
Mayflower Academy
Mid Devon District Council
Moretonhampstead Parish Council
Newport Community School Primary Academy
Newton Abbot College
Newton Abbot Town Council
North Devon District Council
North Devon Joint Crematorium
Okehampton Town Council
Petroc
Pilton Community College
Plymouth Academy Trust
Plymouth Cast
Plymouth City Bus
Plymouth City Council
Plymouth College Of Art & Design
Plymouth Learning Partnership
Plymouth School Of Creative Arts
Plymouth Studio School
Plymouth University
Plympton Academy
Queen Elizabeth's Academy Trust
Reach South Academy Trust
Red One Ltd
Riviera Education Trust
Route 39 Academy
Schools Company
Seaton Town Council
Shiphay Learning Academy
Sidmouth Town Council
South Brent Parish Council

Scheduled Bodies Continued

South Dartmoor Academy
South Devon College
South Devon UTC
South Hams District Council
South Molton Town Council
Sparkwell Primary Academy
St Christophers MAT
St Margaret's Academy
Steiner Academy
Stockland Cofe Primary School
Stokenham Parish Council
Tavistock Town Council
Team Multi Academy Trust
Ted Wragg MAT
Tedburn St Mary Parish Council
Teignbridge District Council
Teignmouth Learning Trust
Teignmouth Town Council
The All Saints Church Of England Academy
The Dartmoor Trust
The Inspire Mat
The Link Academy MAT
Tor Bridge High
Torbay Council
Torbay Economic Development Agnecy
Torquay Boys' Grammar School
Torquay Girls Grammar School
Torre Primary School
Torridge District Council
Totnes Town Council
Uffculme Academy
Ugborough Parish Council
United School Trust
UTC Limited
Ventrus
West Devon Borough Council
Westcountry Schools Trust
Witheridge Parish Council

Admitted Bodies

Access Plymouth
Action for Children
Aspens Services Ltd
Babcock
Barnardo's
Bournemouth Churches Housing Association
Burton Art Gallery
Churchill Services
Compass Group UK
Cormac Solutions Ltd
Dame Hannah Rogers School
DCC South West Heritage Trust
Delt Shared Services Ltd
Devon Norse Catering
Devon Norse Cleaning
Devon Norse Facilities Management
DYS Space Ltd
Exeter CVS
Exeter Royal Academy For Deaf Education
Fresha
Fusion Lifestyle
Healthwatch
Human Support Group Ltd
Industrial Medical and Safety Services Ltd (IMASS)
Initial Plymouth Catering Services
Innovate
Interserve Projects Ltd
ISS
LED Leisure Management Ltd
Lex Leisure
Libraries Unlimited
Livewell South West
Mama Bears Day Nursery
Millfields Community Economic Development Trust
Mitie Plc (Devon)
North Devon Homes
On Course South West
Peninsula Dental Social Enterprise
Plymouth Citizen's Advice Bureau
Plymouth Community Homes
Quadron
Sanctuary Housing
SLM Community Leisure
Sodexo
South West Highways
Strata
Teign Housing
The Childrens Society
Tor2Ltd
Torbay Coast & Countryside Trust
Torbay Community Development Trust
University Commercial Services Plymouth Ltd
Virgin Care
Viridor
Well Connected
Westward Housing Group Ltd
Wolseley Community Economic Development Trust

Statement of the Actuary for the year ended 31 March 2018

Introduction

The last full triennial valuation of the Devon County Council Pension Fund was carried out as at 31 March 2016 as required under Regulation 62 of the Local Government Pension Scheme Regulations 2013 (the Regulations) and in accordance with the Funding Strategy Statement of the Fund. The results were published in the triennial valuation report dated 31 March 2017.

2016 Valuation Results

Asset value and funding level

The results for the Fund at 31 March 2016 were as follows:

- The smoothed market value of the Fund's assets as at 31 March 2016 for valuation purposes was £3,311 millions;
- The Fund had a funding level of 84% i.e. the assets were 84% of the value that they would have needed to be to pay for the benefits accrued to that date, based on the assumptions used. This corresponded to a deficit of £628 millions.

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.

The primary rate of contribution on a whole Fund level was 14.9% of payroll p.a. The primary rate as defined by Regulation 62(5) is the employer's share of the cost of benefits accruing in each of the three years beginning 1 April 2017.

In addition each employer pays a secondary contribution as required under Regulation 62(7) that when combined with the primary rate results in the minimum total contributions. This secondary rate is based on their particular circumstances and so individual adjustments are made for each employer.

Details of each employer's primary and secondary rates are contained in the Rates and Adjustment Certificate in the triennial valuation report.

Assumptions

The assumptions used to value the liabilities at 31 March 2016 are summarised below, alongside the assumptions updated for market conditions as at 31 March 2018:

Assumption	31 March 2016	31 March 2018
Discount rate	5.5% p.a.	5.6% p.a.
Pension increases (CPI)	2.4% p.a.	2.7% p.a.
Salary increases	In line with CPI until 31 March 2020 and 3.9% p.a. thereafter	In line with CPI until 31 March 2020 and 4.2% p.a. thereafter
Pension increases on GMP	Funds will pay limited increases for members that have reached SPA by 6 April 2016, with the Government providing the remainder of the inflationary increase. For members that reach SPA after this date, we have assumed that Funds will be required to pay the entire inflationary increases.	
Mortality	The post retirement mortality assumptions adopted are as follows: • For members, the S2PA series with a multiplier of 90%, making allowance for CMI 2015 projected improvements and a long term rate of improvement of 1.5% p.a. • For dependants, 115% of the S2PMA tables for male dependants and 80% of the S2DFA tables for female dependants, making allowance for CMI 2015 projected improvements and 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	

Further details of these assumptions can be found in the relevant actuarial valuation report.

Updated position since the 2016 Valuation

Since 31 March 2016, investment returns have been higher than assumed at the 2016 triennial valuation. The value placed on the liabilities have also increased due to the accrual of new benefits as well as a decrease in the real discount rate underlying the valuation funding model.

The estimated results for the Fund as at 31 March 2018 are as follows:

- The smoothed market value of the Fund's assets as at 31 March 2018 for valuation purposes is £4,136 millions.
- The funding level has increased from 84% to 92% i.e. as at 31 March 2018 the assets were 92% of the value that they would have needed to be to pay for the benefits accrued to that date, based on the assumptions used. This corresponds to a deficit of £357 millions.
- The primary rate of contribution on a whole Fund level has increased from 14.9% of payroll p.a. to 16.1% of payroll p.a.

The next formal valuation will be carried out as at 31 March 2019 with new contribution rates set from 1 April 2020.

Graeme Muir FFA

Partner, Barnett Waddingham LLP

17 May 2018

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 2017/18

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. The 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 County Council is responsible for putting in place proper arrangements for the governance of its affairs 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 (2016). The Annual Governance Statement explains how the Council has complied with the code and also meets the requirements of the Accounts and Audit Regulations 2015.

Purpose of the Governance Framework

The governance framework comprises the systems, processes, culture and values by which the Council is directed and controlled, and the activities through which it accounts to, engages with and leads the community. It enables the Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.

The system of internal control is a significant part of the framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing achievement of the Council's policies, aims and objectives, to evaluate the likelihood of those risks not being realised - and the impact should they be realised - and to manage them efficiently, effectively and economically.

Satisfactory controls to support statements made in this Annual Governance Statement are essential and in endorsing it the Council's officers confirm that input to systems and processing of transactions is complete for the financial year ended 31 March 2018 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 and transcends the core principles and sub principles of corporate governance in the CIPFA/SOLACE Framework which form the basis of the attached schedule. Many of the structures and processes referred to here are readily available either through the Constitution or in the Council's website.

The Constitution is the Council's Code of Corporate Governance. Framed in accordance with statute and Government guidance, it has 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 access information and ask questions or make representations or submit petitions at certain meetings;
- 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 and identifies standards for the behaviour of individuals and groups through codes of conduct (including interests, conflicts of interest and whistleblowing), 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 Business and Personal Conduct – for Members and Officers (parts 3-9);
- working practices which supplement these formal rules (Part 10);
- The Framework of Corporate Guidance, which includes other Devon County Council strategies and plans (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 document 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 both 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 and 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 and is underpinned by relevant policies and practices through the Council's website (e.g. consultations, feedback, and public participation).

Review of Effectiveness

The County Council’s Constitution has been in force since 2002 and is regularly reviewed (by the Council’s Procedures and Standards Committees, as appropriate). The Constitution is published on the County Council’s website at and is also available for inspection at the Council's offices.

In May 2017, the Council added amendments to the existing Constitution.

The Procedures Committee agreed numerous amendments to the Constitution. These included a change of practice that any Motions brought to the Council, that were not the responsibility of the Cabinet, be referred to the appropriate Committee, the introduction of a Scrutiny Voting Scheme, clarification on the process for motions and amendments and also changes to Cabinet, Council and Scrutiny Procedure Rules were also agreed. It was further resolved by Council in February 2018 that the Constitution be amended to reflect the revised Pay Policy Statement for 2018/19.

The County Council must, at least annually, review 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 by comments made by the external auditors and other review agencies and inspectorates.

The Council

The Council currently comprises of 60 members, 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 and Deputy 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 roles and responsibilities of the Council, as well as its Cabinet and non-Cabinet Members are set out more fully in Articles 2 and 4 of the Constitution and in Part 3 (Responsibility for Functions). These have been regularly reviewed and revised since the County Council elections in 2017 and are themselves balanced by the Codes of Personal Conduct set out at Part 6 of the Constitution.

The Cabinet

The Cabinet is the part of the Council responsible for most day-to-day decisions. It is made up of a Leader (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 in line with the Council’s Access to Information Rules (Part 4 of the Constitution). 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 or an Officer but not implemented. This enables them to consider whether the decision is appropriate and they may recommend that the Cabinet/Officer reconsiders it. They may also be consulted by the Cabinet or the Council on forthcoming decisions and the development of policy or service delivery.

Following the May 2017 Elections, it was resolved that three Scrutiny Committees (Children's / Health & Adult Care / Corporate, Infrastructure and Regulatory Services) would replace the former Place / People's / Health & Wellbeing / Corporate Services Scrutiny Committees. The Scrutiny Budget process was also reviewed and the Council agreed that the Joint Budget Scrutiny Meeting be no longer held, but the Corporate Infrastructure and Regulatory Services Scrutiny Committee undertaking its overview function in this regard.

The Health & Adult Care Scrutiny Committee also monitors the function and activity of the Devon Health & Wellbeing Board and its statutory responsibilities for the Joint Health & 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, to be effective, call-ins must be used only in exceptional circumstances, sparingly and appropriately. In the year in question there was one instance – Health and Care Integration in Devon - called-in through the Health & Adult Care Scrutiny Committee - while this may not have resulted in any significant changes to decisions, it reinforces the independence and value of Scrutiny in applying an 'external' view on decisions.

Reflecting the Council's approach to the commissioning of services, Scrutiny continues 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. To strengthen Scrutiny engagement in commissioning processes and commissioned services, the Scrutiny Commissioning Liaison Members continue to review planned commissioning activity on a biannual basis, reporting back to Scrutiny Committees to inform their work programme.

The Cabinet and 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. A summary of the work of Scrutiny Committees during the year is presented to the County Council yearly in an Annual Scrutiny Report.

Organisational Performance

The impact of the Government's reform of the public realm and local government finances continues to influence the Council's current and future performance.

In October 2017, Council expressed its considerable disappointment at the Government's recently announced proposals which notionally leave Devon Schoolchildren with a funding gap of £268 per pupil below the national average. The Council will continue the campaign for fair and adequate funding for all Devon children (including school funding, high needs funding for those with SEN and additional needs and early years pupils).

In July 2016 the County Council endorsed the Leaders approach to devolution and agreed to sign up to the principle of creating a Combined Authority for the Heart of the South West, as set out in the Prospectus for Productivity, as the basis for negotiation with Government towards a Devolution Deal for the area. Approval was given in December 2017 to form a Heart of the South West Joint Committee.

The Council has embarked upon a 'purposeful systems' transformation approach, Doing What Matters. The Council's External Auditors Grant Thornton fully support the purposeful systems approach the County Council had adopted.

The Council also agreed the following significant actions, specific policy changes or revised strategic objectives during 2017/18 which will impact on future performance:

- the Treasury Management Strategy for 2018/19;
- the inclusion of Torbay Council in the Devon, Somerset and Torbay Trading Standards;
- that from April 2019 the Council's Children's Services be the provider of the 0-19 Public Health Nursing Service. When the Council is satisfied that the Public Health Nursing Service is achieving the objectives that the Council has set, the Council will explore alternative delivery models;
- approval of a new contract to start from April 2019 that involves the joint commissioning of Occupational Therapy (OT) and child and adolescent mental health services (CAMHS) as part of the Community Health and Care Services with NEW Devon CCG acting as lead commissioner;
- the Admission & Education Transport Policies for 2018-19 and 2019-20;
- the Medium Term Financial Strategy (MTFS) to 2021/22;
- approval of the 2018/19 Flood Risk Management Action Plan;
- the introduction of 'Promoting Independence in Devon'.

The Standards Committee

The Standards Committee continued to exercise its role in monitoring complaints and standards. The Committee met 4 times in 2017/18 and its work during 2017/18 is set out more fully in its Annual Report. A total of 8 complaints were received under the Members Code of Conduct. There were 2 cases where a formal investigation was required. For the first case, allegations were not proven. The second case is ongoing and has not formally reported yet.

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.

Co-opted Members of the Committee continue to attend other meetings of the Council, Cabinet and other Committees, selected at random, to monitor and observe compliance with the Council's Governance Framework and behaviours, reporting back to the Standards Committee. There were no reports of any specific actions or behaviours that might be felt to have resulted in a potential breach of the Code or warranted further action.

One of the main issue for 2017/18 was ensuring that the new Council was conversant with the Council's governance framework, it's interpretation and application of the Code of Conduct and the Council's own working practices to ensure compliance. A number of training and induction events were held covering these matters.

In March 2018, the Committee considered the Review on Standards in Public Life. Members noted that the report made recommendations meaning that all those across public life must work together to address the problem of intimidation and harassment. There needs to be greater action from social media companies, political parties, Parliament, the police, broadcast and print media, and from MPs and Parliamentary candidates themselves. This in turn means leadership by the largest political parties, which, as the report highlights, is all the more important in the light of recent allegations of sexual harassment and bullying in Parliament which will have shaken public confidence.

The Audit Committee / Devon Audit Partnership

The Council's Audit Committee monitors the Council's arrangements to secure economy, efficiency and effectiveness in its use of resources including the work of the Council's Internal Audit team and the External Auditor and the application of the Council's Risk Management policy.

The Audit Committee continues to review separately, 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. It also reviews the Council's Risk Management Strategy and Registers on a regular basis.

The Annual Audit Letter (for the year ended 31 March 2017) from the Council's external auditors, confirmed that the accounts had been produced to a good standard with an excellent level of support provided by the Council's Finance Team.

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). Mid Devon District Council and Torridge District Council have subsequently joined the 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 plans to continue expanding on their work with external partners. The Partnership and democratic arrangements are functioning well and will continue to be reviewed.

The Ethics Review carried out by Devon Audit Partnership in February 2018 confirmed that the Council has a robust ethical framework in place which is set out in the Code of Corporate Governance (Constitution). There was found to be clear dissemination, delivery, monitoring and maintenance of the ethical standards throughout. Areas of strength identified were the monitoring being carried out by the Standards Committee of compliance with the Ethical Governance Framework, and Member induction training.

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.

Devon Pension Board

The Pension Board, which was established in 2015/16, is required to ensure that the Devon Pension Fund is managed and administered effectively and efficiently and to ensure that it complies with the code of practice on the governance and administration of public service pension schemes issued by the Pension Regulator. The Devon Pension Board (comprising employer and fund representatives with an independent member) has met six times in total and twice in the past financial year. The operation of the Board will be kept under review.

A summary of the Board's activities and deliberations over the period in question had been included in the Devon Pension Fund's Annual Report and Accounts 2016/17 (and the action taken by the Fund/Fund Manager as a consequence) in scrutinising and satisfying itself with the operation and management of the Fund during that period.

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 budgets and priorities.

The Have your say consultation pages allow views to be gathered on service specific proposals and provide opportunity for local people to shape their local services.

Public Participation

Those who live and work in Devon have a number of direct opportunities to participate in the Council's decision-making process which are explained in more detail in the Access to Information Procedure Rules in Part 4 of the Council's Constitution and in addition to being available to attend meetings and lobby Councillors in the normal way may also ask questions at meetings of the County Council or the Cabinet and make representations at the County Council and a number of other Committees of the Council.

Governance Issues

One of the biggest issues addressed by the Council in 2017/18 was the setting of the Revenue Budget for 2018/19 and the Medium Term Financial Strategy to 2021/2022 given the continued cuts to local government funding.

The challenging financial situation justifies the continuing focus on treasury management practices. The County Council's treasury management practices are soundly based on the principle that when balancing risk and return the security and liquidity of an investment is given a higher priority than the yield.

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 CIPFA. The Treasury Management Stewardship Annual Report for 2016/17 had not identified any issues to highlight. No new long-term borrowing was undertaken during 2017/18 and it was not envisaged that any new long-term borrowing will be required over the next three-year period but this will be reviewed annually. The report confirmed that investment income targets had been achieved and all lending had been carried out in accordance with the Council's Treasury Management Strategy.

Conclusion

The preparation of the budget for 2018/19 had been set by the detailed assessment of the risks associated with each budget and the goals and objectives of the Council. The Cabinet was assured that the Budget was an effective and balanced budget which could be commended to the Council. A 6.1% increase in spending on Adult Care and Health and a 5.5% increase on Children's Services were highlighted in the budget.

New powers were introduced in 2016/17 that allowed authorities with Adult Social Care responsibilities to increase Council Tax by 2% each year between 2016/17 and 2019/20. The Government changed these regulations to allow authorities to increase the Adult Social Care precept to a maximum of 3% each year over the period 2017/18 to 2019/20 as long as the total increase over the three years did not exceed 6%. The Adult Social Care precept is in addition to the general increase permitted before a referendum is required, which had been 2% in 2017/18 and this was increased to 3% by Government for 2018/19.The New Homes Bonus Scheme for 2018/19 remains largely unchanged from 2017/18.

Devon's bid for the Business Rates Pilot has been successful. Although final figures will not be known until May 2019, the pilot bid submitted in October 2017 estimated a benefit of approximately £17 million across Devon including £10 million to the County Council. District Councils (the Billing Authorities) which operate the business rates system have provided updated estimates at the end of January 2018, which indicate that the gain to geographic Devon will increase and the benefit to this Authority could increase to an estimated £16.6 millions.

The impact of the next Government's spending plan on future financial settlements will also be a key issue for the Cabinet and the Council to address in 2018/19 and beyond. Revenue Support Grant from Government in its current form would be phased out by 2020.

The Medium Term Financial Strategy (MTFS) to 2021/22 was agreed by Council in February 2018. The MTFS has been prepared with the best information available but the uncertainties around Brexit, the Business Rates Pilot, and the Improved Better Care Fund make it impossible to plan with any certainty. The MTFS contains as much information as available at this time but may need updating if more information becomes available from Government that has a significant impact on the Authority.

The Council's Leadership Team (Chief Officers and Heads of Service) has confirmed that the organisational, financial, compliance and operational key controls referred to in the Annual Governance Statement and the accompanying schedule continue to be appropriate and that statements of internal control supported the content of this Statement; having operated, effectively, during the financial year. Sundry issues identified in the AGS will be relevant and actioned as appropriate over the coming year. All necessary monitoring and/or implementation of key issues identified in the previous AGS have or are continuing to be addressed.

The Council is satisfied that the governance arrangements can and do provide a high level of assurance, that the arrangements continue to be regarded as fit for purpose and that its governance structures reflecting the core and sub-principles of the Statement.

The Council formally places on record and expresses its appreciation to all staff and partners for their continuing commitment to the delivery of high quality services for the people of Devon throughout this period. The spirit and ethos of good governance cannot be achieved by rules and procedures alone. It is vital that shared values that are integrated into the culture of an organisation and are reflected in behaviour and policy, as a hallmark of good governance.

Certification

In light of the aforementioned and the reviews of the effectiveness of the governance framework undertaken by the Cabinet, the Standards Committee, the Audit Committee, the Investment & Pension Fund Committee and by Scrutiny Committees and the plans, as summarised above, to address weaknesses and ensure continuous improvement of systems is in place. We will over the coming year continue to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

Signed…………………………………………………………………………..

Chairman of the Audit Committee, on behalf of Devon County Council

Signed……………………………………………………………………………..

Chief Executive, on behalf of Devon County Council