

DEVON COUNTY COUNCIL
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1. Introduction

The accounts contained in this statement represent the County Council's financial performance for 2005-06 and comprise the following statements :-

Consolidated Revenue Account, which indicates the expenditure and income for the Council's day to day operations (page 22);

Consolidated Balance Sheet, specifying the assets and liabilities of the Council as at 31st March 2006, excluding Pension and Trust Fund transactions (page 34);

A Statement of Total Movement in Reserves, bringing together all movements in reserves during the year, distinguishing between capital and revenue items (page 51);

The Cash Flow Statement, summarising the inflows and outflows of cash arising from revenue and capital transactions (page 54);

Group Accounts, providing financial details of all operations such as companies in which the County Council has a material interest (page 57);

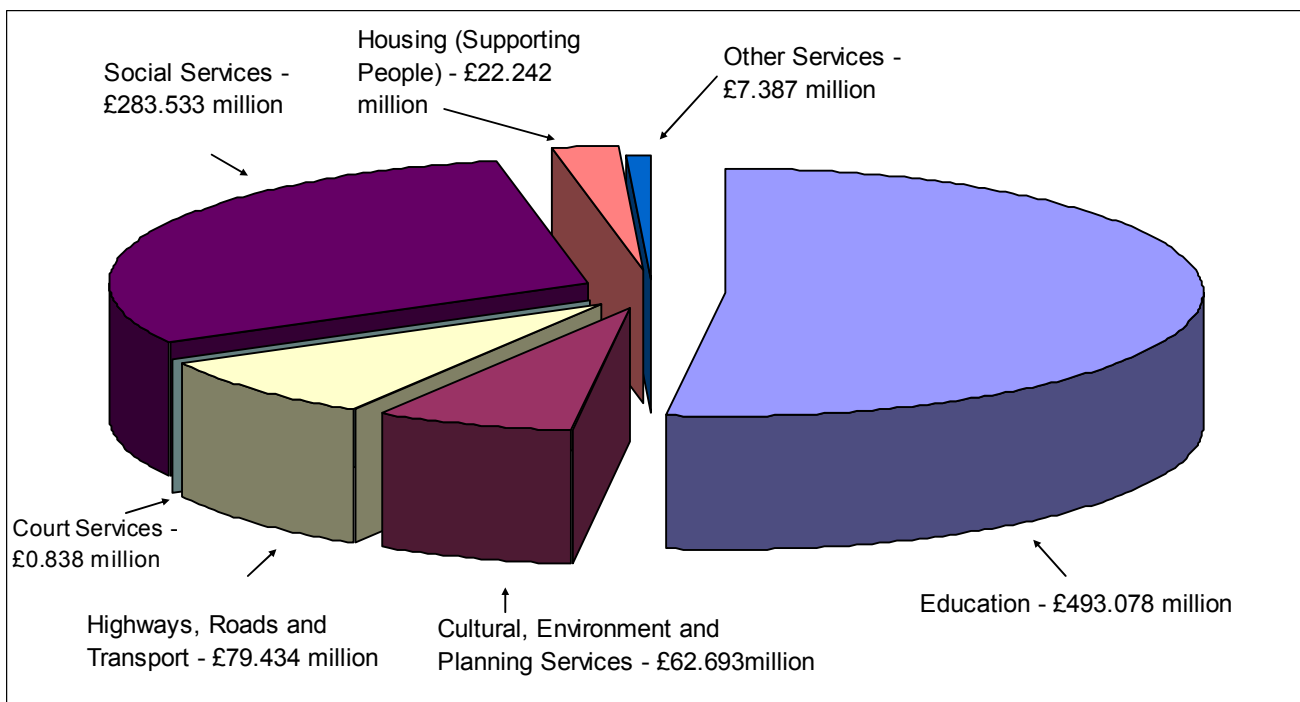
Devon Pension Fund Accounts, recording the Fund Account and Net Asset Statement for the Fund (page 72).

It is important to note that the accounts for the Devon Pension Fund are separate from the accounts of the County Council.

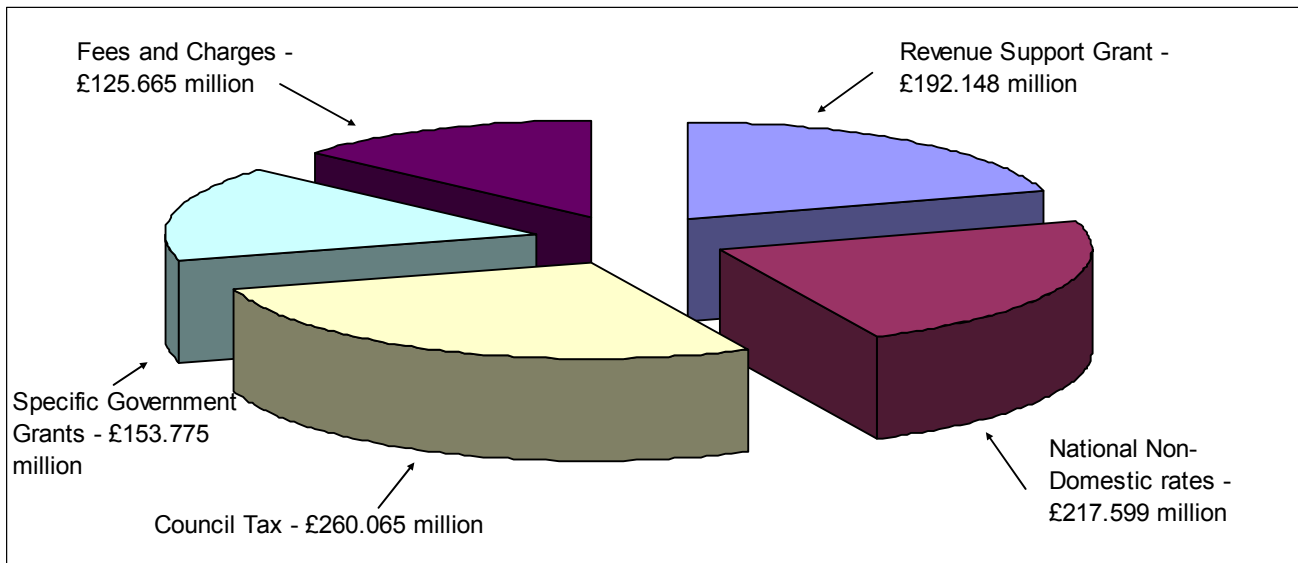
Throughout the Statement, comparative figures for last year are provided as appropriate.

2. Detailed Analysis

The Consolidated Revenue Account is produced in line with the Chartered Institute of Public Finance and Accountancy's (CIPFA) Best Value Accounting Code of Practice (BVACOP). This requires a standard analysis of service expenditure, to be shown at total cost, which includes charges for capital, apportionments of central costs, expenditure from funds and reserves and appropriate provision for pension costs. Gross expenditure totalled £949.205 million and the chart below highlights spending for each service.



The chart below highlights sources of revenue income for the County Council during the year.



Income from specific and general grants totalled £153.775 million and Revenue Support Grant from Government was £192.148 million. The Council's share of the National Non-Domestic Rate Pool was £217.599 million and income from fees and charges totalled £125.665 million. Council tax income amounted to £260.065 million.

Whilst the published Consolidated Revenue Account is based on the BVACOP analysis, the Council manages the revenue budget according to Directorate management responsibilities, as shown below.

3. Management of the Budget: Revenue Spending

Revenue expenditure and income provides finance for the provision of the County Council's daily operations. The major area of spending is in employee salaries, but also included are other areas of expenditure such as services provided under contract, the purchase of materials, supplies and property running expenses. Income is generated by charging users for some services, as well as receiving grants from Government and other organisations.

Processes for sound budget management are well established within the County Council, with regular reports to the Management Board and the Executive. Rules are in place, including provision to carry forward, in whole or in part, unspent budgets subject to the overall outturn position, which avoids unnecessary spending towards the end of the financial year. Budget management is a dynamic process, with the budget being subject to many varying pressures throughout the year. The year started with some potential forecast overspends but management action right across the Council, including the holding back of expenditure in Central Support Directorates, brought the budget back on track. Once again 2005-06 has seen sound financial management action by members and officers which has enabled spending to be contained within the overall budget and provision to be made to put aside or carry forward monies. The position for each Directorate budget was as follows :-

(a) Education, Arts, and Libraries Directorate:

Spending on delegated school budgets was £263.805 million against an approved budget of £274.740 million. Year-end net expenditure was therefore just under 4% less than the final approved budget. This will be carried-forward into 2006-07 in accordance with Government rules relating to Delegated school budgets.

The remainder of the Education, Arts and Libraries Directorate underspent its budget of £77.750 million by £7.185 million. Of this, £3.236 million relates to income received in relation to the Exeter Schools PFI Project. This funding has been transferred to a reserve to equalise the annual cost of the project. The other major area of underspend was against Standards Fund Grants, £1.772 million, and this is being carried forward into 2006-07. There were some modest savings from management action to constrain take-up of the Statemented Pupils budget and from a lower than anticipated take up of early years placements. Because of budget forecasts early in the financial year which showed pressure on the Pupil Contingency budget, independent special school fees and recoupment, strategic action was taken which produced savings on a range of different budget headings.

In accordance with accounting practice recommended by the Chartered Institute of Public Finance and Accountancy (CIPFA) the Council is required to recognise in its accounts a proportion of the value of those schemes constructed under the PFI financing mechanism. The Exeter Schools PFI contract is one such scheme whose asset value at the end of the 28 year contract will transfer to the Council. The notional value ascribed to this at the end of the 2005-06 financial year, calculated in accordance with recommended practice is £1.689 million.

(b) Environment Directorate:

Although waste tonnages are still growing, and overall the pattern in 2005-06 continues that shown since 2003-04, there has been some slow-down in the rate of growth.

This has led to an underspend on Waste Disposal contracts with consequential savings in Landfill Tax (£0.806 million). Tight control of vacancies, Service Level Agreements and computing costs have also produced a considerable saving against the Management and Support (£0.375million) and Local Service Group (£0.419million) budgets. There have been other savings on Countryside and Heritage (£0.208 million), Development Control (£0.338 million) and Engineering and Transport Services (£0.033 million) budgets, offset in part by additional costs of winter maintenance and emergencies (£0.457 million), and highways network maintenance (£0.427 million).

Carry forward into 2006-07 including the surplus on the statutory On-street Parking Account and some small items for Countryside and Heritage and Development Control. It is proposed to contribute £0.410 million to the Waste Management Fund to help the Council defray future costs of landfill diversion.

In accordance with practice recommended by CIPFA, the Council is required to place a notional value on the use of its Landfill Allowances, granted to the Council under the Landfill Allowances Trading Scheme (LATS). For this purpose a notional value has been included in the accounts for the use of these allowances (£3.419 million) and for the nominal value of the allowances for 2005-06 remaining at the year end (£0.968 million).

(c) Chief Executive's, Personnel & Performance and Finance & IT Directorates:

As a result of potential overspends identified in Adult and Children's Services budgets early in the financial year, steps were taken to limit expenditure by these three central Support Directorates. This action produced savings in each Directorate, as described below.

The Chief Executive's Directorate spent £12.889 million against a budget of £13.612 million. Delayed property survey works and additional fee income secured an underspend of £459,000 by the Property and County Farms. Savings from vacant posts, County Council elections, delayed office strategy projects and increased use of Larkbeare for training contributed to the balance of the underspend.

There was an underspend against Partnership budgets of £194,000 because of delay of schemes. This provision has been carried forward to 2006-07.

The Personnel and Performance Directorate spent £2.645 million of its £2.842 million budget and this arose from vacant posts, delayed projects, increased turnover in respect of temporary staff and other services.

The Finance and IT Directorate produced an underspend of £2.34 million which centred around delayed IT Infrastructure development projects and hardware / software acquisitions and posts being held vacant.

(d) Social Services Directorate:

Being demand led, Social Services has been the most volatile of all budgets from a financial management perspective. The final overspend on operational budgets of £1.881 million was significantly less than the position forecast earlier in the financial year.

There were overspends on the budget for Children & Family Services (£1.539 million) because of an increased number of complex and high need placements, and because of increased costs of external residential and fostering services. Learning Disability Services also experienced increased demand for services and increased costs of placements (£1.892 million). Offsetting these overspends in part were savings on Older People and Disability Services budgets (£0.967 million), on Mental Health Services (£0.557 million) and on Strategic and Corporate Services budgets (£0.026 million).

Spending against the new Extra Care Housing budget was limited because of the time taken to develop proposals with partners. It is proposed to carry forward this unspent provision (£2.490 million) to meet the schemes already agreed.

(e) Other Budgets:

The inflation contingency produced a saving of £1.362 million at the year-end and was taken to reserves and balances. Active management of borrowing and cash flow, together with a premium from Plymouth University (explained in paragraph 6 (b)), produced an underspend of £1.412 million on a budget of £32.733 million for Capital Financing Charges.

(f) Movements in Reserves:

The Authority budgeted for contributions of £9.447 million to earmarked reserves. Further net contributions of £7.261 million were made to earmarked reserves from the outturn and from specific government grants.

(g) Overall:

The net budgetary impact of underspending and additional contributions to earmarked reserves is an underspending of £0.047 million and this has been added to the General Fund. At 31st March 2006, the General Fund balances stood at £14.048 million.

(h) Management of the Budget: Capital Spending

The 2005-06 Capital Programme represented a further major investment in the County Council's asset base. Success in attracting additional capital resources at the start of the year meant that it was possible to fund a new starts building programme of £91.46 million. Further resources were obtained during the year and the final programme totalled £137.357 million. Year-end accrued spending totalled £121.084 million, with the balance of provision being carried forward into 2006-07.

Capital Expenditure in 2005-06 resulted in a number of major improvements to the infrastructure of the County. Some of the major schemes undertaken were :-

- continued work on the Barnstaple Western By-pass
- the composting programme at Heathfield, Newton Abbot
- A380 Haldon Chalet junction
- New primary school at Walter Daw, Exeter
- Classroom block at Ivybridge Community College
- Chulmleigh Community College Sports Hall
- Social Services modernisation investments at Mapleton House, Birchen Lane home, Lydiate Lodge and Davey Court, Exmouth
- Grants in respect of adaptations to homes for disabled adults and children

4. Material Assets Acquired or Liabilities Incurred

(a) The Council entered into but did not complete before 31st March 2006, a number of Section 28 agreements with Health bodies. These provide for payments to the Council of £1.211 million and payments by the Council of £1.091 million.

(b) A number of major capital schemes were completed including those shown in paragraph 3 (h) above.

(c) The Council is also currently working on a scheme of Job Evaluation, the costs of which will not be certain until late 2006-07 financial year following negotiations with staff representatives and Trade Unions.

5. Pensions Liabilities / Assets and Changes to Accounting Policies

Based on actuarial valuations, the accounts reflect the benefits that have been accrued by members of the local government pension scheme, together with the assets available to meet those benefits. The estimated liabilities total £1,025.49 million (2004-05 - £905.66 million), against estimated assets of £716.50 million (2004-05 - £573.82 million). It must be emphasised that these estimates reflect the position as at 31st March 2006 and the conditions and actuarial assumptions prevailing at that time. The situation will change, for example, with changes in the financial performance of the Pension Fund investments and if government change the provisions of the Local Government Pension scheme, upon which it is consulting at present. Solvency (i.e. having sufficient cash available to pay pensions) is not an issue in the foreseeable future. The Pension Fund still receives more in contributions than it pays out (and will continue to do so for many years to come) and the Fund has agreed a long term strategy to reach full funding over a period of time.

6. Material or Unusual Charges or Income within the Accounts

(a) Charges

In accordance with recommended accounting practice by CIPFA, provision has been made in 2005-06 accounts for future liability for interest payments (£2.907 million) in respect of Stepped Interest Rate Loans.

(b) Income

Exceptionally, the County Council received £4.688 million from Government in respect of Performance Reward Grant related to the Public Service Agreement. In addition, a premium of £1.002 million is receivable from Plymouth University in respect of permitting the University to repay outstanding debt earlier than scheduled.

(c) Other

During the year, the Council agreed to the creation of an earmarked reserve to help manage the risk on the Adult Services budget. £2.344 million was transferred to this reserve at outturn, funded from savings on revenue produced by the use of the Local Public Service Agreement Reward Capital grant to fund some capital expenditure which would otherwise have been funded from the Education, Arts and Libraries and Environment Directorate revenue budgets.

(d) An internal audit review of contractual arrangements has identified a potential contingent asset. Negotiations are taking place with a supplier which may result in income accruing to the Authority in 2006-07.

7. Changes to Statutory Functions

The Council transferred its assets, liabilities and operation of employment services for people with disabilities to an Arms Length Local Authority Controlled Company, known as PLUSS, jointly owned by the County Council, Torbay Council and Plymouth City Council.

8. County Council Borrowing

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

The principal source of borrowings in excess of one year (i.e. classified as long-term borrowing) is via the Public Works Loan Board and for 2005-06 the authorised limit for external debt was set at £610.693 million.

At the year-end, long-term borrowing totalled £539.639 million. Short-term borrowing totalled £5.694 million, resulting in total borrowing of £545.333 million.

Because of very low rates of interest prevailing at the end of the 2005-06 financial year, advanced borrowing for 2006-07 of £40 million at an average rate of 3.96% was undertaken.

9. Funds for Capital and Other Commitments

The capital programme required finance of £120.301 millions. Credit Approvals (authority to borrow) comprised £68.903 millions, with grants and contributions totalling £41.926 millions. Capital receipts generated funding of £6.134 millions and direct revenue contributions / use of reserves provided £1.984 millions per note 9 to Consolidated Balance Sheet.

The County Council commenced using a number of schools through the Exeter PFI scheme at stages during the financial year. Wynstream, St Lukes, Isca and St James became operational at different stages from September 2005 and unitary charge payments have been made from appropriate dates of use. The remaining schools are due for completion in 2006-07 with consequent charges through that period.

10. Post Balance Sheet Events

(a) The Council has placed for sale the majority of its shareholding in Exeter International Airport, with the sale process due for completion by the end of 2006 calendar year.

(b) The Council has advertised its intention to modernise its residential care services for the elderly. This could result in a possible transfer of County Council assets to a private or public sector partner.

11. Conclusion

In line with recent years, 2005-06 presented a number of financial challenges to Members and officers alike. Financial pressures required active management throughout the year.

I would like to place on record my thanks to Members and Officers of the Council who have done much to manage the budget effectively and to secure the current financial health of the Authority.

John Mills
Director of Finance, IT and Trading
June 2006

DEVON COUNTY COUNCIL
Statement of Accounting Policies

1. General Concepts and Policies

The principles and practices of accounting require a prepared Statement of Accounts which “presents fairly” the financial position and transactions of Devon County Council and of group financial statements where Devon County Council have material interests in other organisations i.e. Exeter and Devon Airport Limited.

These statements are prepared with due regard to the following:

The Quality of the Information

- **Relevance** – providing financial information that is useful for assessing the stewardship of public funds.
- **Reliability** – providing financial information that properly represents what it purports to represent, is neutral, free from material error, is complete within the bounds of materiality and which has been prudently prepared.
- **Comparability** – is consistent and can be compared with the previous year’s activity.
- **Understandability** – allowing the reader to interpret the financial position of the Council.

Materiality

An item of information is material to the Financial Statements if its misstatement or omission might reasonably be expected to influence assessment of Devon County Council's stewardship, economic decisions or comparison with other organisations, based on those financial statements.

Overriding Accounting Concepts

- **Accruals** – Financial Statements other than the Cash Flow Statement are prepared on an accruals basis i.e. non cash effects of transactions are reflected in the accounting statements as at 31st March 2006 not simply in the period in which cash is received or paid.
- **Going Concern** – the accounts are prepared on the assumption that the authority will continue in operational existence into the foreseeable future i.e. there is no intention to significantly curtail the scale of the operation.
- **Legislative Requirements** – It is a fundamental principle that where specific legislative requirements and accounting principles conflict, legislative requirements shall apply.

The general principles in compiling these Accounts are those recommended by the Chartered Institute of Public Finance and Accountancy (CIPFA). The revised Code of Practice 2005 on Local Authority Accounting and the Best Value Accounting Code of Practice 2005 have been followed subject to the exceptions indicated below.

The accounting convention adopted in terms of assets is historical cost modified by revaluation of land and buildings. The industrial estates are valued on a commercial basis.

2. Extent of Compliance with the Relevant Codes of Practice and with the Applicable Accounting Standards

Exceptions to accruals compliance are:

(a) Accounting Code of Practice. Annual leasing payments are not accrued. Accrual would have necessitated creditor provisions of £0.272 million at 31 March 2005 and £0.225 million at 31 March 2006.

DEVON COUNTY COUNCIL
Statement of Accounting Policies

(b) SSAP 21 Accounting for Leases and Hire Purchase Transactions. The Council does not capitalise assets acquired under finance leases. The approximate value after depreciation of equipment acquired under finance leases is £150,600. Outstanding liabilities in relation to equipment acquired under lease finance total £65,100.

For more details of the Council's leasing transactions see Note 10 to the Consolidated Revenue Account on page 24.

3. Pension Fund

The Fund Accounts are prepared in accordance with the Local Government Pension Scheme (Management and Investment of Funds) Regulations 1999 and in accordance with the Statement of Recommended Practice for Pension Funds (SORP) issued by the Pensions Research Accountants Group (PRAG). (The Accounting Standards Board (ASB) has approved PRAG for the purposes of issuing recognised SORPS for pension schemes.)

Full details of accounting policies adopted for the Pension Fund are given on page 72.

4. Basis of Debtors and Creditors

The basis on which revenue debtors and creditors at 31 March are included in the accounts is as given below:-

- (i) Revenue transactions are recorded on an Income and Expenditure basis, with estimated creditors introduced into the Accounts to cover goods and services received but not paid for by 31 March.
- (ii) Employee costs are accrued and accounted for in the period to which they relate.
- (iii) Debtors are accrued on income to reflect the latest estimates of the amount due. Losses arising from un-collectable debts are normally borne by the Service which received the credit from the original income.
- (iv) The figure for debtors is adjusted by a provision for doubtful debts.
- (v) Interest on borrowing is accrued and accounted for in the period to which it relates.
- (vi) Capital expenditure and income are recorded on the accruals basis. The accounts have been produced in line with this policy and in accordance with the principles in (i) and (iii) above.

5. Stocks and Work in Progress

All such items appear in the Consolidated Balance Sheet at historical cost except the following:-

- (i) Goods for Sale at Sheltered Workshops are valued at sale price.
- (ii) Trading Account stocks are valued at current cost.
- (iii) Salt stocks are held by South West Highways pending use and are included in the accounts at cost price.

DEVON COUNTY COUNCIL
Statement of Accounting Policies

6. Funds, Provisions and Reserves

County Fund

The County Council holds working balances to cushion the impact of unexpected events or emergencies. Risk assessment has indicated that general balances should be approximately £14.0million. The balance as at 31st March 2006 is £14.048 million. These reserves allow the County Council to manage the many operational risks which it faces, reduce the impact of uneven cash flows and to avoid unnecessary temporary borrowing.

Provisions

The Council sets aside provisions for any liabilities or losses which are likely to be incurred or will be incurred, but where the amounts or dates on which they will arise is uncertain. Provisions are maintained for bad debts, insurance claims and other future commitments as required by Financial Reporting Standard (FRS) 12. Details are provided on page 45.

Reserves

Any amounts set aside that are not provisions should be considered to be Reserves. All transfers to and from them are distinguished from service expenditure disclosed in the Statement of Accounts. No expenditure is charged to Reserves. A full explanation of Devon County Councils Reserves is detailed in Note 23 on page 47.

Earmarked reserves represent funds set aside for specific planned developments. The total level of earmarked reserves was £53.343 million as at 31st March 2006 (£37.823 million as at 31st March 2005). Details of earmarked reserves are provided on page 48.

School balances are controlled by school governors and are by law earmarked to individual schools. School balances totalled £10.935 at 31st March 2006 (£10.108 million at 31st March 2005).

Capital Reserves are not available for revenue purposes and certain of them can only be used for specific statutory purposes.

7. Contingent Liabilities and Contingent Assets

A number of contingent liabilities and a contingent asset exist for the Authority and these are specified on pages 44 & 45.

8. Basis of Provisions for the Redemption of Debt

External borrowings are generally repaid at maturity. In accordance with Local Government Act 2003 a Minimum Revenue Provision calculated at 4% of the Capital Finance Requirement is set aside annually in order to repay borrowing.

Interest is charged in the accounts at an average rate of 5.91% on the borrowing outstanding at April 1st 2005.

9. Repurchase of Borrowing

Any gains or losses arising on the repurchase or early settlement of borrowing are recognised in the Consolidated Revenue Account in the year in which they were made. When repurchasing of borrowing is coupled with refinancing or restructuring of borrowing, the gains or losses are recognised over the life of the replacement borrowing and shown as a deferred liability or asset on the face of the Consolidated Balance Sheet.

DEVON COUNTY COUNCIL
Statement of Accounting Policies

10. Fixed Assets – Tangible and Intangible

Recognition

Intangible

Purchased intangible assets (e.g. software licences) are capitalised as assets. Internally developed assets are only capitalised where there is a readily ascertainable market value. There are no Intangible Assets recognised in 2005-06.

Tangible

All expenditure on the acquisition, creation or enhancement of fixed assets is capitalised on an accruals basis. Expenditure below £12,000 on plant and equipment is treated as de minimis, it is not capitalised and is charged to service revenue accounts in the year that it is incurred.

Measurement

Intangible

A purchased Intangible Asset is capitalised at cost.

Tangible

Infrastructure and plant, vehicles and equipment are shown in the Consolidated Balance Sheet at historical cost, net of depreciation where appropriate.

Operational land and properties plus other operational assets are included in the Consolidated Balance Sheet at open market value for existing use, or where no market exists, at depreciated replacement cost.

Non operational assets - Surplus Assets held for Disposal have been valued at open market value.

Non operational Assets under Construction are capitalised at cost.

Revaluations

Intangible

There is no requirement to revalue intangible assets

Tangible

Assets are re-valued on a five year rolling programme. Adjustments in valuations will be reflected in the Fixed Assets Restatement Account.

Disposals

The income from the sale of fixed assets (both Intangible and Tangible) is credited to the Usable Capital Receipts Reserve on an accruals basis. Upon disposal the Net Book Value of the Fixed Asset is written off against the Fixed Asset Restatement Account.

Depreciation and Amortisation

Depreciation is provided for all Tangible Fixed Assets with a finite useful life. Depreciation is charged on a straight line basis over the life of the asset. This is in accordance with Financial Reporting Standard (FRS) 15.

Intangible Assets are amortised over their economic lives.

Charges to Revenue

All relevant service revenue accounts are charged for the use of capital for both tangible and intangible assets. This is applied at specific interest rates, plus depreciation where appropriate. Opposite entries are made in the Asset Management Revenue Account within the Consolidated Revenue Account.

DEVON COUNTY COUNCIL
Statement of Accounting Policies

Interest payable, Written Out Deferred Charges and provisions for depreciation are charged to the Asset Management Revenue Account. Amounts set aside to repay external loans and to finance capital expenditure are disclosed separately on the face of the Consolidated Revenue Account, below Net Operating Expenditure.

Impairment

County Council operational buildings, bridges, highway infrastructure and vehicles and plant are reviewed for impairment. Other assets have not been reviewed.

11. Valuation of Investments

Investments are shown at cost with profits or losses only taken into account when actually realised. In the Pension Fund Financial Statement, investments are shown at market value.

12. Central Overheads

Charges for operational support are agreed with service departments annually as formal service level agreements (SLAs). For some specialist advice on professional issues and services outside of SLAs (which are organised to meet both corporate and service needs at the same time), the costs are apportioned in accordance with the Best Value Accounting Code of Practice.

13. Consolidated Balance Sheet

This includes all County Council Directorates and Trading Accounts. It excludes Trust Funds and the Pension Fund. The Magistrates Courts function transferred to the Devon & Cornwall Joint Committee on 1st April 1999 and all Magistrates Courts expenditure occurring after the date of transfer is excluded. Assets acquired prior to the date of transfer have now been written out of the County Council balance sheet.

14. Related Companies and Group Accounts

The County Council's interests in, and financial relationships with, related companies are explained in detail in note 18 to the Consolidated Balance Sheet on page 44.

15. Government Grants

Specific grants are received in aid of specified services, and are credited to the service revenue accounts concerned, the amounts involved being shown in the separate 'Specific Grants' column of the County Council's Consolidated Revenue Account (see page 22).

Revenue Support Grant (the Government Block Grant) along with income from the distribution of business rates is paid directly to the Council.

Government grants received for capital purposes are credited to the Government Grants and Contributions unapplied account until the associated expenditure has taken place. At this point, a transfer is made to the Government Grant and Contributions Deferred account (see note 2 to the Statement of Total Movement on Reserves on page 52).

The Government Grant and Contributions Deferred account is used to offset the charge for depreciation for grant-funded assets that would otherwise fall on the revenue account. The balance on this account as at 31st March 2006 is £141.104 million (see note 10 page 39).

DEVON COUNTY COUNCIL
Statement of Accounting Policies

16. European Monetary Union (the EURO)

The Council continues to work with other authorities assessing the implication of any changes which European Monetary Union might bring. To date no financial commitments have been entered into or expenditure incurred to meet any future payments. Detailed estimates of likely cost have not yet been undertaken.

17. Pensions

The County Council participates in pension schemes for its employees. Each provides members with defined benefits related to pay and service. The schemes are as follows:

Teachers Pensions Scheme – this is an unfunded scheme administered by the Department for Education and Skills. The pensions cost charged to the accounts is the contribution rate set by the Government Actuary.

Local Government Pension Scheme – the cost of providing pensions to employees within the Local Government Pension Scheme is funded according to statutory requirements governing the scheme. Pension scheme contribution rates must be set to ensure that, over a period of time, assets meet 100% of the overall liabilities of the fund. The fund was only 61% of this level at the time of the last valuation.

Implementation of Financial Reporting Standard 17 (FRS17) – Retirement Benefits

The treatment of pension costs in these accounts complies with the Code of Practice on Local Authority Accounting for 2005 which requires full adoption of FRS17 'Retirement Benefits' subject to statutory requirements and a variation of the discount rate for determining scheme liabilities.

Classification of Schemes

The Accounting Code of Practice 2005 specifies accounting treatment of the schemes in which the County Council participates as follows.

Teachers Pension Scheme – accounting treatment as if defined contribution scheme.

Local Government Pension Scheme – accounting treatment as defined benefit scheme.

Unfunded Discretionary Benefits – accounting treatment as defined benefit scheme.

Defined Benefit Schemes

The objectives of FRS17 are to ensure that for defined benefit schemes:-

- (a) financial statements reflect at fair value the assets and liabilities arising from an employer's retirement benefit obligations and any related funding;
- (b) the operating costs of providing retirement benefits to employees are recognised in the accounting period(s) in which the benefits are earned by the employees, and the related finance costs and any other changes in value of the assets and liabilities are recognised in the accounting periods in which they arise; and
- (c) The financial statements contain adequate disclosure of the cost of providing retirement benefits and the related gains, losses, assets and liabilities.

Defined Contribution Schemes

The Code of Practice requires the teacher's pension scheme to be accounted for as a defined contribution scheme. For this scheme the pensions cost reported for the year is equal to contributions payable to the scheme for the accounting period.

DEVON COUNTY COUNCIL
Statement of Accounting Policies

Pensions Reserve and Impact on Council Tax

It is a statutory requirement that the cost of pension's benefits to be funded by taxation are those cash payments made in accordance with the scheme requirements. These payments do not match the change in the County Council's pension assets or liabilities for the same period including the real cost of retirement benefits earned during the year by County Council employees. The difference between the cost charged against taxation and the real cost of retirement benefits is represented by an appropriation to the pensions reserve, which equals the net change in the pensions liability recognised in the Consolidated Revenue Account. Details are provided in note 15 (page 25) to the Consolidated Revenue Account.

18. Exceptional Items, Extraordinary Items , Prior Period Adjustments and Events after the Balance Sheet Date.

An Exceptional Item occurs when within the normal business of the Council an event occurs that has a degree of prominence that makes it necessary to reflect it on the face of the Consolidated Revenue Account to give a fair presentation.

An Extraordinary Item occurs when an event occurs outside of the normal business of the Council but which is shown on the face of the Consolidated Revenue Account after ordinary activities of the Council.

Material Prior Period adjustments arising from changes in accounting policies or from correction of material errors are accounted for by restating the comparative figures from the preceding period in the statement of accounts.

Events occurring after the 28th June 2006 are not recognised in the 2005-06 accounts. The Statement of Accounts is authorised for issue from that day and this authorisation is given by the Chair of the Audit Committee.

19. Estimation Techniques

A deminimis of £ 50,000 is applied when considering whether value has been added to Fixed Assets on land and buildings. Capital Investment which adds value over £ 50,000 increases the Asset Value. Capital Investment under £ 50,000 is written out to the Fixed Asset Restatement Account. As all Assets are revalued on a five year rolling programme basis, any material effect of Capital Investment under £ 50,000 will be incorporated at the next revaluation. The decision as to whether Capital Investment has Added Value to the Fixed Asset in year is taken in conjunction with Estates and Valuation Manager – Devon Property.

A deminimis limit of £5,000 has been applied to capital accruals, except on grant-earning projects on which no lower limit is applied.

The approach to the recognition and measurement of fixed assets is described in note 10 to the Statement of Accounting Policies (page 10) and in note 6 to the Consolidated Balance Sheet (page 37).

The FRS 17 disclosures have been prepared by a qualified actuary. The actuarial assessment is based on the most recent triennial valuation undertaken as at 31 March 2004 updated to recognise the fair value of assets as at 31 March 2005, pension contributions paid in 2004-05 and the most appropriate financial assumptions relating to inflation and discount rates. Full details of financial assumptions are provided in note 24 to the Consolidated Balance Sheet (page 49).

20. Deferred Charges

All Deferred Charges are written out in year.

DEVON COUNTY COUNCIL
Statement of Responsibilities

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 Director of Finance, IT and Trading;
- to manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- to approve the Statement of Accounts.

Responsibilities of the Director of Finance, IT and Trading

The Director of Finance, IT and Trading is responsible for the preparation of the Authority's Statement of Accounts which, in terms of the CIPFA / LASAAC Code of Practice on Local Authority Accounting in Great Britain ('the Code of Practice'), is required to present fairly the financial position of the Authority at the accounting date and its income and expenditure for the year ended 31st March 2006.

In preparing this Statement of Accounts, the Director of Finance, IT and Trading 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.

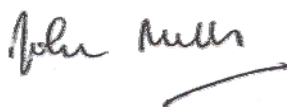
The Director of Finance, IT and Trading has also :

- 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 Director of Finance, IT and Trading

I hereby certify that this Statement of Accounts for the year ended 31 March 2006 has been prepared in accordance with the Accounts and Audit Regulations 2003 and that it presents fairly the financial position of the authority as at 31st March 2006 and its income and expenditure for the year ended 31st March 2006.

John Mills, Director of Finance, IT and Trading



Date 26th June 2006

APPROVAL OF THE STATEMENT OF ACCOUNTS

I confirm that these accounts were approved by the Audit Committee at its meeting held on 28th June 2006 and authorised for issue.

Signed on behalf of Devon County Council

Chairman of Audit Committee



Date 28th June 2006

DEVON COUNTY COUNCIL
Statement of Internal Control

1. 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 and properly accounted for and used economically, efficiently and effectively. Devon County Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, Devon County Council is also responsible for ensuring that there is a sound system of internal control which facilitates the effective exercise of Devon County Council's functions and which includes arrangements for the management of risk.

2. The Purpose of the System of Internal Control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of Devon County Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The system of internal control has been in place at Devon County Council for the year ended 31st March 2006 and up to the date of approval of the annual report and accounts and, except for the details of significant internal control issues at section 5, accords with proper practice.

3. The Internal Control Environment

Devon County Council's internal control environment comprises the following :-

- The County Council's Constitution which 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. Some of these processes are prescribed by the law, others are matters for the Council's discretion. The Constitution is divided into 16 articles setting out the basic rules governing the Council's business together with more detailed procedures and codes of practice which are set out in the document.
- Member management of the County Council's Strategic Plans and Policies is achieved through the Committee structure. All Councillors meet together as the Council. Meetings of the Council are normally open to the public. Here Councillors decide the Council's overall policies and set the budget each year. The Council appoints the Executive, the Overview/Scrutiny Committees, the Standards Committee and all other committees. It 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 Executive is the part of the Council responsible for most day-to-day decisions. For 2005/06 it was comprised of a Leader and six other members (Executive Members), all appointed by the County Council from amongst its membership. When major decisions are to be discussed or made, these are published in the Executive's Forward Plan in so far as they can be foreseen.
- In 2005/06 the County Council had four Overview/Scrutiny Committees. These support the work of the Executive 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 Executive and the Council on its policies, budget and service provision.

DEVON COUNTY COUNCIL
Statement of Internal Control

- Overview/Scrutiny Committees also monitor the Executive's decisions. They can "call in" a decision which has been made by the Executive but not yet implemented. This enables them to consider whether the decision is appropriate and they may recommend that the Executive reconsiders it.
- They may also be consulted by the Executive or the Council on forthcoming decisions and the development of policy.
- From 1 January 2003, the Council has had a new power to scrutinise the work of the National Health Service in the County.
- Agendas and minutes of all County Council meetings and committees are published on the Authority's internet website and committee meetings are also broadcast through this medium.
- Officer input to internal control is achieved through the Management Board. This is headed by the Chief Executive and for 2005/06 comprises the Director of Finance and IT, Director of Personnel and Performance, Director of Education, Arts and Libraries, Director of Social Services and County Environment Director.
- The Chief Executive is the Head of the Paid Service, the Director of Finance and IT is the Section 151 Officer and the County Solicitor fulfils the role of Monitoring Officer.
- Financial management via a programme of bi-monthly officer review at service level of outturn forecasts, bi-monthly reporting to Executive Members of budget monitoring forecasts and outturn reports to Members highlighting relevant issues.
- The County Council's Best Value Performance Plan and related performance indicators outline the intended actions for the Authority. Continual monitoring against these take place throughout the year and annual plans are produced which reflect outcomes against forecasts.
- Internal Audit reports annually to the Audit Committee its findings from the previous year. Other evidence is produced from external audit reports and compliance with legal / statutory requirements.
- The County Council has a Risk Management Strategy, with an annual report of progress taken to Executive for ratification. A Corporate Risk Group, which includes a Member Champion, met periodically throughout the year to consider progress.
- The Audit Committee, during the Spring cycle, receives a checklist of key controls from all Directorates and approves recommendations related to further action required to improve weaknesses.
- Key controls have been developed for all main financial systems which are evidenced and monitored annually by officers.
- Major system implementation such as e-government initiatives and the new payroll / personnel system are subject to review by internal audit.
- Major activity areas which have created budget issues in recent years such as the management of expenditure on Mental Health Services in partnership with the relevant Health bodies have been subject to specific review and action to improve internal financial control.
- A performance management system has been introduced to manage the production of related information such as performance indicators and benchmark data for all Directorates.

DEVON COUNTY COUNCIL
Statement of Internal Control

4. Review of Effectiveness

Devon County Council has responsibility for conducting, at least annually, a review of the effectiveness of the system of internal control. The review of the effectiveness of the system of internal control is informed by the work of the internal auditors and the executive managers within the Authority who have responsibility for the development and maintenance of the internal control environment, and also by comments made by the external auditors in their annual audit letter.

We have been advised on the implications of the result of the review of the effectiveness of the system of internal control by the risk management group and reports from Internal Audit, and a plan to address weaknesses and ensure continuous improvement of the system is in place.

5. Significant Internal Control Issues

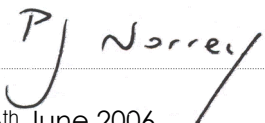
In terms of the Statement on Internal Control, it is important to note that during the forthcoming year, action will be required or is taking place in terms of the following items :-

- Further developments related to the use of the Council's Performance Management System
- Implementation of a Revised Risk Management strategy
- Strengthening procurement and contract management arrangements

- Continued improvement of the timeliness and quality of grant claim processes in order to minimise the risk of loss or clawback of grant

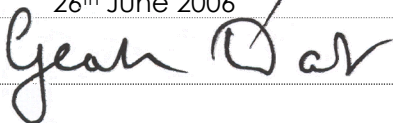
Chief Executive

(Dated)


26th June 2006

Chair of the Audit Committee

(Dated)


28th June 2006

DEVON COUNTY COUNCIL
Auditors' Opinion

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF DEVON COUNTY COUNCIL

Opinion on the Financial Statements - We have audited the financial statements and pension fund accounts of Devon County Council and its Group for the year ended 31 March 2006 under the Audit Commission Act 1998. The financial statements comprise the Consolidated Revenue Account, the Consolidated Balance Sheet, the Statement of Total Movements in Reserves, the Cash Flow Statement, the Group Accounts and the related notes. The pension fund accounts comprise the Fund Account, the Net Assets Statement, and the related notes. The financial statements and pension fund accounts have been prepared under the accounting policies set out within them.

This report is made solely to Devon County Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 36 of the Statement of Responsibilities of Auditors and of Audited Bodies prepared by the Audit Commission.

Respective Responsibilities of The Chief Finance Officer and Auditors - The Chief Finance Officer's responsibilities for preparing the financial statements, including the pension fund accounts, in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2005 are set out in the Statement of Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements and the pension fund accounts present fairly, in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2005:

- the financial position of the Authority and its income and expenditure for the year; and
- the financial transactions of its pension fund during the year and the amount and disposition of the fund's assets and liabilities, other than liabilities to pay pensions and other benefits after the end of the scheme year.

We review whether the statement on internal control reflects compliance with CIPFA's guidance 'The Statement on Internal Control in Local Government: Meeting the Requirements of the Accounts and Audit Regulations 2003'. We report if it does not comply with proper practices specified by CIPFA or if the statement is misleading or inconsistent with other information we are aware of from our audit of the financial statements. We are not required to consider, nor have we considered, whether the statement on internal control covers all risks and controls. We are also not required to form an opinion on the effectiveness of the Authority's corporate governance procedures or its risk and control procedures.

We read other information published with the financial statements and consider whether it is consistent with the audited financial statements. This other information comprises only the Explanatory Foreword. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of Audit Opinion - We conducted our audit in accordance with the Audit Commission Act 1998, the Code of Audit Practice issued by the Audit Commission and International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the Authority in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Authority's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that

DEVON COUNTY COUNCIL
Auditors' Opinion

the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion on the Authority's accounts

In our opinion:

- The financial statements present fairly, in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2005, the financial position of the Authority and its Group as at 31 March 2006 and its income and expenditure for the year then ended; and

- The pension fund accounts present fairly, in accordance with the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2005, the financial transactions of the Pension Fund during the year ended 31 March 2006, and the amount and disposition of the fund's assets and liabilities as at 31 March 2006, other than liabilities to pay pensions and other benefits after the end of the scheme year.

Signature	
Auditor	P Lawrence
Address	Audit Commission, 3-6 Blenheim Court Matford Business Park Lustleigh Close Exeter EX2 8PW
Date	29 th September 2006

DEVON COUNTY COUNCIL
Auditors' Opinion

CONCLUSION ON ARRANGEMENTS FOR SECURING ECONOMY, EFFICIENCY AND EFFECTIVENESS IN THE USE OF RESOURCES

Authority's Responsibilities - The authority is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to regularly review the adequacy and effectiveness of these arrangements.

Under the Local Government Act 1999, the authority is required to prepare and publish a best value performance plan summarising the authority's assessment of its performance and position in relation to its statutory duty to make arrangements to ensure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

Auditor's Responsibilities - We are required by the Audit Commission Act 1998 to be satisfied that proper arrangements have been made by the authority for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires us to report to you our conclusion in relation to proper arrangements, having regard to relevant criteria specified by the Audit Commission for principal local authorities. We report if significant matters have come to our attention which prevent us from concluding that the authority has made such proper arrangements. We are not required to consider, nor have we considered, whether all aspects of the authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

We are required by section 7 of the Local Government Act 1999 to carry out an audit of the authority's best value performance plan and issue a report:

- certifying that we have done so;
- stating whether we believe that the plan has been prepared and published in accordance with statutory requirements set out in section 6 of the Local Government Act 1999 and statutory guidance; and
- where relevant, making any recommendations under section 7 of the Local Government Act 1999.

Conclusion - We have undertaken our audit in accordance with the Code of Audit Practice and we are satisfied that, having regard to the criteria for principal local authorities specified by the Audit Commission and published in July 2005, in all significant respects, Devon County Council made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March.

Best Value Performance Plan - We issued our statutory report on the audit of the authority's best value performance plan for the financial year 2005-06 on 23 December 2005. We did not identify any matters to be reported to the authority and did not make any recommendations on procedures in relation to the plan.

Certificate - We certify that we have completed the audit of the accounts in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission. The audit cannot be formally concluded and audit certificate issued until an outstanding legal issue has been resolved. We are satisfied that this issue will not have a material effect on the statement of accounts.

Signature



Auditor

P Lawrence

Address

Audit Commission, 3-6 Blenheim Court
Matford Business Park
Exeter EX2 8PW

Date

29th September 2006

DEVON COUNTY COUNCIL
CONSOLIDATED REVENUE ACCOUNT for the year ended 31 March 2006

2004-05 Before Adjustment £'000	2004-05 Restated £'000		N o t e	2005-06 GROSS EXP'RE £'000	2005-06 SPECIFIC GOVT. GRANTS £'000	2005-06 OTHER INCOME £'000	2005-06 NET EXP'RE £'000
SERVICE EXPENDITURE ANALYSIS							
43,574	43,574	Cultural, Environmental and Planning Services		62,693	(10,492)	(6,225)	45,976
359,797	359,797	Education Services		493,078	(79,773)	(36,617)	376,688
63,652	63,652	Highways, Roads and Transport		79,434	(3,895)	(7,157)	68,382
1,293	1,293	Court Services	7	838			838
167,979	167,979	Social Services		283,533	(34,582)	(66,268)	182,683
278	278	Housing Services (primarily supporting people)	5	22,242	(20,919)	(31)	1,292
3,288	3,288	Corporate and Democratic Core	4	3,769		(50)	3,719
3,859	3,859	Non Distributed Costs	4	5,139			5,139
725	725	Central Services to the Public		2,672	(161)	(1,176)	1,335
(602)	0	Exceptional Items					0
0	1,539	Deferred Charges		2,971			2,971
643,843	645,984	TOTAL NET COST OF SERVICES		956,369	(149,822)	(117,524)	689,023
1,266	1,266	Precepts and Levies		489			489
240	240	Trading Accounts (Surplus) / Deficit	19	829			829
(34,093)	(35,632)	Asset Management Revenue Account	9	(36,239)			(36,239)
(5,435)	(5,435)	Interest and Investment Income				(5,451)	(5,451)
12,380	12,380	Pensions interest cost and expected return on pension assets	15	14,030			14,030
(2,150)	(2,150)	Extraordinary Items	13				0
616,051	616,653	TOTAL NET OPERATING EXPENDITURE		935,478	(149,822)	(122,975)	662,681
(770)	(770)	Contributions to or (from) Revenue Reserves					
12,713	12,713	- Schools		827			827
106	106	- Other	21	12,276	(1,465)	(18)	10,793
10,190	10,190	Direct Revenue Financing of Capital Expenditure	23	563			563
(1,539)	(1,539)	Repayment of Debt	11	12,497		(2,672)	9,825
0	0	Deferred Charges written out		(2,971)			(2,971)
0	0	Mvmnt on Landfill Allowance Trading Reserve	6	968			968
0	0	Mvmnt on Exeter School Project Valuation Reserve	12	1,689			1,689
(9,950)	(9,950)	Mvmnt on Pension Reserve	15	(12,122)			(12,122)
626,801	627,403	AMOUNT TO BE MET FROM GENERAL GOVERNMENT GRANTS AND LOCAL TAXPAYERS		949,205	(151,287)	(125,665)	672,253
(199,305)	(199,305)	Financed by:					
(179,241)	(179,241)	Revenue Support Grant	2				(192,148)
(249,330)	(249,330)	National Non-Domestic Rates	2				(217,599)
0	(602)	Council Tax					(260,065)
0	0	LPSA Reward Grant					(1,742)
		Local Authority Business Grant					(746)
(1,075)	(1,075)	Surplus for year transferred to General Fund					(47)
(12,926)	(12,926)	Balance at beginning of year					(14,001)
(14,001)	(14,001)	BALANCE AT END OF YEAR					(14,048)

DEVON COUNTY COUNCIL

Notes to the Consolidated Revenue Account

NOTES TO THE CONSOLIDATED REVENUE ACCOUNT

1. General

The County Council's accounts have been prepared in accordance with the Best Value Accounting Code of Practice. Expenditure and income is shown at total cost which includes the cost of support services, capital charges for use of assets and pension costs according to FRS 17. Specific grants are those provided by central government towards the cost of running the services indicated. Other income represents fees and charges levied by the Authority on users of the services it provides.

2. Government Grants

The Government contributed £409.8 million (£378.5 million in 2004-05) towards revenue spending by way of Revenue Support Grant and redistributed Non-Domestic rates. This figure includes an adjustment of £0.006m resulting from a retrospective amendment of grant allocated for 2003-04. In addition, £2.5 million was received in 2005-06 as other general Government "reward" grants.

Government grants totalling £151.3 million (£138.8 million in 2004-05) were received in aid of specific services: the amounts paid to each Service are shown in a separate column in the Consolidated Revenue Account.

3. Other Income

This relates to charges to the users of certain services and reimbursements by Central Government and other Local Authorities for services rendered on their behalf. In 2005-06 other income of £122.8 million financed 13.0% of gross expenditure (2004-05 = £133.8 million / 14.9% of gross spending).

4. Central Overheads

Central overheads are apportioned according to the policy contained on page 12. The Best Value Accounting Code of Practice requires that certain costs and overheads be excluded from the cost of Services and be shown separately. This treatment results in £3.7million of cost being attributable to the Corporate and Democratic Core and £5.1million (pension related costs and unused assets) against Non Distributed Costs.

5. Housing Services

2004-05			2005-06		Net £'000
Expenditure £'000	Income £'000		Expenditure £'000	Income £'000	
153	(22)	Gypsy Sites	110	(23)	87
20,909	(21,018)	Supporting People	20,959	(20,927)	32
256	0	Affordable Housing	1,173	0	1,173
21,318	(21,040)	Total	22,242	(20,950)	1,292

6. Effect of Landfill Allowances Trading Scheme

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

LATS is a 'Cap and trade' Scheme whereby landfill Vintage allowances are allocated free of charge to authorities. These allowances can then be traded with other WDA's depending on the needs of each authority. The County Council undertook no trading of allowances in 2005-06.

DEVON COUNTY COUNCIL

Notes to the Consolidated Revenue Account

The County Council is required to account for the use made of the LATS allowance in 2005/06, based on a notional allowance value specified nationally.

	2005-06	Weighted Average value per allowance £20.20 £'000
Allowances Allocated	217,183	4,387
Expected Use	169,242	3,419
Surplus for Year	47,941	968

7. Court Services

Court Services covers the Coroners' Court Services.

8. Agency Expenditure and Income

Devon County Council ceased to be the Agent of the Highways Agency from 1 April 1998. It still provides some services under a Continuing Services Agreement (£7,172 in 2005-06), with the associated costs and income shown within the Cultural Environmental and Planning Services.

9. Asset Management Revenue Account

2004-05 £000	2005-06 £000
(56,610) Reversal of Capital Charges & Impairment Loss	(63,269)
23,481 External interest paid	28,399
(1,061) Income from other bodies	(1,010)
(4,066) Income from Acquiring Authorities (Interest)	(3,871)
16,921 Depreciation & Impairment	18,769
(14,297) Government Grants written down	(15,257)
(35,632)	(36,239)

10. Lease and Contract Hire Rental Payments

The Consolidated Revenue Account incurred charges totalling £1.420 million (£1.775 million in 2004-05) in lease rentals for plant, vehicles and equipment and £0.345 million in respect of contract hire. It is estimated that the outstanding liability, in future years, for leasing charges amounts to £1.966 million and £0.579 million for contract hire.

11. External Debt

This heading represents the net contribution to capital reserves arising from (i) the statutory minimum amount that must be charged to the revenue account to repay external borrowings (Minimum Revenue Provision) and (ii) total depreciation already charged to the asset management revenue account. **Minimum Revenue Provision:** This is defined as 4% of the Authority's Capital Finance Requirement as calculated by formula as part of the new Prudential regime.

DEVON COUNTY COUNCIL

Notes to the Consolidated Revenue Account

2004-05	2005-06
£000	£000
17,266 Minimum Revenue Provision	18,011
Less	
Income from other bodies and (1,661) internal loans pool	(2,002)
15,605	16,009
(16,921) Depreciation and Impairment	(18,769)
14,297 Government Grants written down	15,257
12,981	12,497
(2,791) Income from Acquiring Authorities (Principal)	(2,672)
10,190	9,825

12. Exeter School Private Finance Initiative

The Exeter School Private Finance Initiative began in 2005-06. The undischarged liability arising from the Private Finance Initiative is £33.17 million.

The school buildings constructed as part of this initiative become County Council assets at the end of the 28 year contract. A debtor of £1.689 million p.a is being created on a straight line basis over the period of the contract, to reflect the value of the assets that will be transferred to the County Council. The corresponding credit is held on the balance sheet in the Exeter Schools Project Valuation Reserve: at the end of the contract, this will represent the residual value of the Exeter PFI Assets. The estimate for the residual value will be reviewed every five years. At the end of the contract, the Exeter School Project Valuation Reserve will be applied to the Capital Financing Account, which ensures that the PFI scheme will not affect the Council's borrowing or its formal Capital Finance Requirement.

13. Extraordinary Items

There were no extraordinary items in 2005-06.

14. Local Authorities (Goods and Services) Act 1970

A number of trading units provided services to other local authorities. For the majority of units the level of income was not significant in relation to their turnover. The only significant area of income from other Local Authorities was Devon Procurement income of £6.427 million (£8.193 million in 2004-05) which covered the costs of services provided.

15. Pension Costs

As part of the terms and conditions of employment of its officers and other employees, the County Council offers retirement benefits. Although these benefits will not actually be payable until employees retire, the County Council has a commitment to make the payments. This needs to be disclosed at the time that employees earn their future entitlement. Full details of the accounting policies adopted for the disclosure of expenditure on retirement benefits are given in note 17 of the Statement of Accounting Policies.

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

DEVON COUNTY COUNCIL

Notes to the Consolidated Revenue Account

Local Government Pension Scheme

The County Council recognises the cost of retirement benefits in the Net Cost of Services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge required to be made against the Council Tax is based on the cash payable in the year, so the real cost of retirement benefit is reversed out of the Consolidated Revenue Account (CRA) after Net Operating Expenditure by a movement on the pension reserve.

The following transactions have been made in the CRA during the year:

	Local Government Pension Scheme	
	2004-05 £000	2005-06 £000
Net Cost of Services:		
Current service cost	28,630	31,170
Past service cost	3,030	3,620
Curtailments/settlements	0	(80)
Net Operating Expenditure:		
Interest cost	47,890	54,010
Expected return on assets in the scheme	<u>(35,510)</u>	<u>(39,980)</u>
	12,380	14,030
Amounts to be met from Government Grants and Local Taxation:		
Appropriation (to)/from pension reserve	(9,950)	(12,122)
	34,090	36,618
Actual amount charged against council tax for pensions in the year:		
Employers contributions payable to scheme	27,207	30,020
Retirement benefits payable to pensioners (net)	6,883	6,598
	34,090	36,618

Other disclosure requirements in accordance with FRS 17 are provided in note 24 to the Consolidated Balance Sheet, it contains details of the assumptions made in estimating the above figures. In addition to this, note 26 to the Statement on Total Movements in Reserves details the costs that have arisen through the year.

Teachers Pension Scheme

In 2005-06, the County Council paid £23.382 million (£22.422 million in 2004-05) to Capita Hartshead on behalf of the Teachers Pensions Agency, in respect of Teacher's pension costs. This represented 13.5% (13.5% also in 2004-05) of teachers' pensionable pay.

There were no payments awarded during the year by the authority in respect of added years' lump sum enhancements for the pension scheme administered by the Department for Education and Employment.

16. Memorandum Publicity Account

The memorandum publicity account is required by Section 5 of the Local Government Act, 1986, as amended. The expenditure figure is included in the Consolidated Revenue Account for the services concerned. In 2005-06 £28,061 of expenditure on the waste minimisation campaign was funded by grant from the Government's Waste & Resources Action Programme.

DEVON COUNTY COUNCIL

Notes to the Consolidated Revenue Account

2004-05 £'000	2005-06 £'000
126 Press and Publicity Office	131
0 Promotion	12
52 Devon's Online Roving Information Service	69
26 'Devon Link' Magazine	32
61 County Council Exhibit at the Devon County Show	44
299 Waste Minimisation Campaign - other funding	341
2,137 General Publicity	2,364
2,701 Total Net Publicity Expenditure	2,993

17. Members Allowances

The authority is required to report total allowances paid to Members of the County Council. These comprise special responsibility allowances, basic allowances and travel and subsistence. No payments were made in respect of Carers or Co-optees Allowance.

2004-05 £'000	2005-06 £'000
723 Members Allowances	922

Part of the increase shown relates to the increase in the size of the Council from 54 to 62 Members. The other part relates to a modest increase in Members Allowances to bring these closer to the recommendation made by the Independent Panel in 2003.

18. Employees' Remuneration

2004-05				Emoluments £	2005-06			
Schools Staff	Other Staff	Total	Left During the Year		Schools Staff	Other Staff	Total	Left During the Year
38	14	52		50,000 - 59,999	49	15	64	
11	6	17		60,000 - 69,999	20	11	31	
3	3	6		70,000 - 79,999	3	5	8	
5	2	7		80,000 - 89,999	3	2	5	
1	2	3		90,000 - 99,999	2	3	5	
1	1	2		100,000 - 109,999		1	1	
				110,000 - 119,999		1	1	
	1	1		120,000 - 129,999	1		1	
				130,000 - 139,999				
				140,000 - 149,999				
				150,000 - 159,999		1	1	1

The number of employees whose remuneration exceeds £50,000, excluding pension contributions, is set out in the table above. Redundancy and early retirement payments which fall on the revenue account are included in the definition of remuneration.

DEVON COUNTY COUNCIL

Notes to the Consolidated Revenue Account

19. Analysis of Trading Activities

The County Council has a number of trading units where the service manager is expected to balance their budget by generating income from other parts of the authority or other organisations. Details of those units which trade with the public or who provide services in an internal market are given below. These surpluses / (deficits) have been calculated in accordance with the Best Value Accounting Code of Practice and include adjustments for non-operational costs (e.g. FRS17 adjustments, capital and central charges etc).

2004-05		2005-06		
£'000s			£'000s	£'000s
129	Supply Zone is the procurement trading unit for the Authority	Turnover Expenditure (Surplus) / Deficit	(10,166) 10,117	(49)
209	Devon Direct Services provide cleaning, caretaking and catering services	Turnover Expenditure (Surplus) / Deficit	(16,344) 17,222	878
(98)	Other: Unused provisions in respect of trading activities no longer operating	(Surplus) / Deficit		0
240	Net (Surplus) / Deficit on trading accounts			829

During 2005-06, Devon Supply Zone operated independently of the Corporate Procurement Unit.

Also during 2005-06, the Catering division of Devon Direct Services continued towards significant operational change to counter reducing meal numbers and deliver on the Council's new healthy-eating policy. Both factors had a considerable adverse effect on the trading account.

20. Industrial Estates

Industrial Estates have units, which are let and sublet to stimulate employment creation. In 2005-06 its turnover was £210,600 (£202,600 in 2004-05) and it made an operational deficit of £59,900 (£38,600 deficit in 2004-05). This expenditure is part of the Cultural, Environmental and Planning Services heading in the Consolidated Revenue Account.

21. Contributions to or from Earmarked Reserves

Contribution To/From Earmarked Reserves			
	To	From	Net
	£'000	£'000	Movement
			£'000
Specific Contingency Reserves	3,913	(963)	2,950
Reserves Held for Planned Developments	21,905	(7,928)	13,977
Reserves of Operational and Training Units	268	(487)	(219)
Budget Management Reserves	3,714	(4,902)	(1,188)
Total Non Schools Specific Reserves	29,800	(14,280)	15,520
Reserves Funded from Provision			(3,244)
Gross Expenditure on Non Schools Specific Reserves			12,276

DEVON COUNTY COUNCIL

Notes to the Consolidated Revenue Account

22. Related Party Transactions

The Council is required to disclose material transactions with related parties – bodies or 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 of the accounts 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 considerable amount 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 a note to the Cash Flow Statement.

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. The only material transactions disclosed are in respect of two members that have relatives who are in receipt of social care services from the authority. These transactions were entered into in full compliance with the Council's procedures for social care, the County Council's Financial Regulations and Code of Business Conduct.

Officers of the Council are bound by the Council's Code of Business Conduct which seeks to prevent related parties exerting undue influence over the authority. Senior Officers are required to declare any transactions with the authority. No transactions have been disclosed.

Pension Fund

The Council charged the fund £1,205,662 for its administration.

Other public bodies

The following levies were paid during the year:

	£000
Environment Agency	208
Devon Sea Fisheries	281
	<u>489</u>

The County Council's Director of Finance & IT was the Chief Finance Officer for Devon Fire and Rescue Authority, Dartmoor National Park, and Devon Sea Fisheries for the 2005-06 financial year. The County Council received payments from these bodies for services provided as follows;

	£
Devon Fire & Rescue Authority	93,116
Dartmoor National Park	21,450
Devon Sea Fisheries	5,200
	<u>119,766</u>

During the financial year, the Devon Fire Authority had an average balance of £5.019 million of surplus cash deposited with the Council. The Council paid a total for interest of £0.226 million on these deposits.

DEVON COUNTY COUNCIL

Notes to the Consolidated Revenue Account

Assisted Organisations

The County Council paid the 8 district councils in Devon a total of £529,400 for use of leisure facilities. Long term agreements exist for the daytime use of pools and dual use sports halls.

The County Council allocated the following amounts by way of grant funding during 2005-06. Whilst these grants are not material to the County Council, the grants could be considered as material to those organisations. In some cases, the financial assistance provided by the County Council represents a significant proportion of their overall funding: this may give the County Council effective influence over the financial policies of these organisations.

Total allocated	Number of recipients	Type of activity supported
£402,500	11	Citizen' Advice Bureaux
£144,700	1	Community Council
£21,233	7	Environmental management projects
£125,000	81	Social care-related projects
£277,600	20	Voluntary / community service
£21,700	3	Other

Associated & subsidiary companies

The County Council has one subsidiary company (Exeter & Devon Airport Limited), and – with effect from 1st August 2005 - one associated company (The PLUSS Organisation Limited). Further details of the County Council's relationship with these companies are set out in note 18 to the balance sheet and in the group accounts.

During 2005-06 the County Council supplied management & support services to the Playlines Trust to the value of £407,761. Although the objectives of the Trust are complementary to the County Council's own work with young children, the Trust is independent of the County Council, and there is no group relationship. The County Council appoints just one of the eight trustees (although a second trustee is a County Council employee serving in a private capacity), and has no powers to set Trust policy. The Trust is funded predominantly by grants from central Government and the national lottery.

Partnerships

	Income £'000	Expenditure £'000	Net Expenditure £'000
<u>Section 31 partnerships</u>			
Joint Equipment Store	(1,291)	2,219	928
<u>Other partnerships</u>			
a Against Domestic Violence & Abuse	(337)	614	277
b Devon Composting Partnership	(443)	443	0
c Devon Partnership Trust	0	1,061	1,061
d Drug Action Team	(764)	862	98
e Local Area Agreement – Safer & Stronger Communities Fund	(1,036)	1,036	0
f Supporting People	(20,927)	20,959	32
g The Valley Regeneration Scheme	(335)	335	0
h Youth Offending Team	(881)	1,382	501
i Smaller partnerships (aggregate)	(469)	852	383

DEVON COUNTY COUNCIL

Notes to the Consolidated Revenue Account

Section 31 partnerships

The County Council operates a pooled budget in conjunction with NHS Primary Care Trusts under the terms of section 31 of the Health Act 1999, which covers the provision of a Joint Community Equipment Store. The contributors to the pooled budget are:

- Devon County Council
- North Devon Primary Care Trust
- Mid Devon Primary Care Trust
- East Devon Primary Care Trust
- Exeter Primary Care Trust
- Teignbridge Primary Care Trust
- South Hams & West Devon Primary Care Trust.

The table above shows the gross expenditure of the pooled budget (2004-05 = £2.451 million). The net expenditure figure shown represents the County Council's contribution to the pool (2004-05 = £0.916 million). 50% of the stock held by the partnership is recorded on the County Council's balance sheet.

Other partnerships

- a. The Against Domestic Violence & Abuse Partnership includes the County Council, Devon & Cornwall Police Authority, the Probation Service, five Primary Care Trusts, the Safer Devon Trust and the Workforce Confederation. Additional funding is allocated from the Local Area Agreement (see item e. below), by Government Office South West and the Home Office.
- b. The Devon Composting Partnership (which comprises Devon County Council, Teignbridge, South Hams and Mid Devon District Councils, Viridor Waste Management, and Devon Waste Management Limited) provides large-scale composting facilities in order to reduce the volume of waste disposed of via landfill. The expenditure included in the main table above relates to items in the Consolidated Revenue Account only. The partnership incurred total expenditure in 2005-06 as follows:
 - Capital expenditure: £1.963 million, financed by a £1.462 million grant from the Department of Environment & Rural Affairs, and a further £0.501 million from the County Council.
 - Revenue expenditure: £0.443 million, wholly financed by a grant from the Department of Environment & Rural Affairs

The County Council also received a separate grant of £152,000 from the Waste & Resources Action Programme, which was spent on publicising the changes to waste management arrangements resulting from the Devon Composting Partnership. This sum was allocated as follows:

- £23,000 was spent by Teignbridge District Council
- £56,000 was spent by South Hams District Council
- £29,000 was spent by Mid Devon District Council
- £44,000 was spent by Devon County Council

Grant-funding for this project ceases in 2005-06.

- c. The Devon Health & Social Care Partnership Trust manages the provision of services for people with learning difficulties and mental health needs on behalf of the County Council and the Primary Care Trusts operating in Devon. The spending shown above represents the County Council's contribution to the joint working arrangement.
- d. The Drug Action Team is a partnership between the local authorities and primary care trusts operating in Devon, together with the police authority, the probation service and the prison service. Further assistance is provided by the Home Office and the National Treatment Agency. The team jointly commissions services related to substance misuse education, access to information and development of services for vulnerable people.
- e. The Stronger & Safer Communities element of the Local Area Agreement is funded by a grant from the Home Office. The funding is allocated to projects selected by local Crime & Disorder partnerships, and to county-wide projects – including the Against Domestic Violence & Abuse

DEVON COUNTY COUNCIL

Notes to the Consolidated Revenue Account

partnership referred to in item a above. The other projects were undertaken by organisations other than the County Council, and so falls outside the statement of accounts. The total 2005-06 grant-funded Local Area Agreement spending was as follows:

Locality	Net expenditure £'000	Issue addressed	Net expenditure £'000
East Devon	118	Acquisitive Crime	64
Exeter	168	Anti-Social Behaviour	267
Mid-Devon	100	Domestic Violence	173
North Devon & Torridge	200	Drug & Alcohol Crime	300
South Hams	89	Volume Crime	45
Teignbridge	121	Young People	43
West Devon	76	Other Crime	46
County-wide	164	Running costs	98
	1,036		1,036

Not all county-wide projects were undertaken via the County Council.

- f. The County Council administers the funding for the "Supporting People" initiative on behalf of a joint Commissioning Body, comprising senior representatives of the County Council, the district councils, the primary care trusts and the probation service in Devon. This funding provides a variety of housing-related support services.
- g. The County Council is the accountable body for The Valley Regeneration Scheme, which receives funding from the regional Single Regeneration Budget towards the cost of a variety of schemes in the Wonford (Priory Ward) area of Exeter.
- h. The Youth Offending Team is funded by a combination of Government grants, and contributions from the County Council, Devon & Cornwall Police Authority, the six Primary Care Trusts operating in Devon and the national probation service. The YOT identifies the needs of each young offender and the specific problems that make the young person offend as well as measuring the risk they pose to others. This leads to the identification of suitable programmes to address the needs of the young person, with the intention of preventing further offending. The figures shown here represent the core funding for the Youth Offending Team partnership.
- i. The County Council is also involved in a number of smaller partnerships with a collective gross revenue expenditure of just over £0.8 million. These partnerships typically provide services related to social care and the protection of children. Figures relating to partnerships where the County Council is the sole source of funding have been excluded.
- j. The Industrial Services Group partnership with Plymouth City Council and Torbay Council was replaced by a separate company (the PLUSS Organisation Limited) with effect from 1st August 2005. Further information about this new company is disclosed in the group accounts. The part-year activity for the first months of 2005-06 undertaken via the Industrial Services Group has been excluded from the table above, as it is not directly comparable with the cost of partnerships that ran for a full year. The part-year gross turnover of the Industrial Services Group was £3.3 million, and required a net subsidy from the County Council of £0.6 million.

DEVON COUNTY COUNCIL

Notes to the Consolidated Revenue Account

23. Direct Revenue Financing of Capital Expenditure

Direct Revenue Financing of capital expenditure represents contributions from the 2005-06 revenue account towards capital expenditure. In addition to the £563,000 contribution from service revenue budgets and revenue funds (£106,000 in 2004-05), schools contributed £1,345,000 from their delegated budgets (£1,025,000 in 2004-05) and this has, in accordance with the Best Value Accounting Code of Practice, been included within Education spending. £38,000 of capital expenditure was met from the European Fund in 2005-06 (£12,000 in 2004-05).

24. Audit Fees

2004-05 £'000	Fees Payable to the Audit Commission	2005-06 £'000
210	With regard to the external services carried out by the appointed auditor under the Audit Commissions Code of Audit Practice in Accordance with section 5 of Audit Commission Act 1998.	215
27	In respect of statutory inspection under section 10 of the Local Government Act 1999	10
22	For the certification of grant claims and returns by the appointed auditor under section 28 of the Audit Commission Act 1998.	37
259		262

DEVON COUNTY COUNCIL
Consolidated Balance Sheet as at 31 March 2006

2004-05 £000 Before adj	2004-05 £000 Restated		2005-06 £000	2005-06 £000	Note No
FIXED ASSETS					
<u>Operational Assets</u>					
948,035	948,033	Land and Buildings	974,079		5
205,773	205,773	Infrastructure assets	253,896		5
9,747	9,748	Vehicles, plant, furniture and equipment	17,303		5
<u>Non Operational Assets</u>					
13,153	13,152	Surplus Assets held for Disposal	12,512		5
18,077	18,077	Assets under Construction	10,461		5
1,194,785	1,194,783			1,268,251	
9,695	9,695	Investments in Companies	9,695		4
109,284	109,284	Long Term Debtors	106,985		11
1,313,764	1,313,762	Total Long Term Assets		1,384,931	
CURRENT ASSETS					
3,372	3,372	Stocks and Work in Progress	2,307		3
50,268	50,268	Sundry Debtors	65,546		2
(1,235)	(1,235)	Less Provision for Bad Debts	(1,262)		-
5,188	6,364	Cash Balance including Cash In Transit	8,565		14
<u>Investments and Loans</u>					
101,583	101,583	Short Term Investments	144,664		4
0	0	Vintage Landfill usage allowance	4,387		
159,176	160,352	Total Current Assets		224,207	
1,472,940	1,474,114	Total Assets		1,609,138	
LESS CURRENT LIABILITIES					
(4,430)	(4,430)	Borrowing repayable on demand or within 12 months	(5,694)		-
(87,197)	(71,615)	Sundry Creditors	(72,890)		2
	(12,671)	Cash Overdrawn	(12,442)		14
(91,627)	(88,716)	Total Current Liabilities		(91,026)	
1,381,313	1,385,398	Total Assets Less Current Liabilities		1,518,112	
(449,639)	(449,639)	Borrowing repayable within a period in excess of 12 months	(539,639)		13
22,558	22,558	Less Deferred Liabilities	21,856		12
(440,230)	(440,230)	Pensions Liability	(423,630)		24
0	0	BMW Liability for Usage (LATS)	(3,419)		
(13,797)	(13,797)	Provisions	(15,117)		21
(881,108)	(881,108)	Total Long Term Liabilities		(959,949)	
500,205	504,290	Total Assets Less Liabilities		558,163	
FINANCED BY					
885	885	Usable Capital Receipts Reserve	655		25
7,848	11,936	Government Grants & Conts - Unapplied	9,722		
112,188	112,188	Government Grants & Conts - Deferred	138,858		10
428,077	428,074	Fixed Asset Restatement Account	404,167		25
300,765	300,765	Capital Financing Account	317,827		25
(411,490)	(411,490)	Pensions Reserve	(394,049)		25
0	0	Landfill Allowance Trading Scheme Reserve	968		
0	0	Exeter Schools Project Valuation Reserve	1,689		
<u>Fund Balances and Reserves</u>					
37,823	37,823	Earmarked Reserves	53,343		23
14,001	14,001	Working Balances - County Fund	14,048		-
10,108	10,108	Held by Schools under Delegated Management	10,935		-
500,205	504,290	Total Financing		558,163	

DEVON COUNTY COUNCIL
Notes to the Consolidated Balance Sheet

1. General

The Consolidated Balance Sheet summarises the County Council's financial position as at 31 March. It identifies the value of the Authority's Fixed Assets, Current Assets and Current Liabilities to produce the net position and provides details of total financing sources.

Figures relating to the Pension Fund are excluded as are the Trust Fund balances. The summarised accounts for both of these are set out on pages 72 to 77 and 46 respectively.

2. Sundry Creditors and Debtors

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.

Debtors

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

Provision is made for debts, which may prove to be un-collectable and are deducted from Sundry Debtors. For 2005-06 the figure amounted to £1.262m (£1.235m in 2004-05).

2004-05		2005-06	
Creditors £'000	Debtors £'000	Creditors £'000	Debtors £'000
Revenue Activities			
(19,186)	224 Employees	(19,388)	327
(30,628)	4,792 Other Operating Costs	(39,354)	5,741
0	0 Precept & Levies	(47)	0
(431)	19 Interest related	(165)	1,347
(8,160)	4,646 Grants related	(3,694)	6,331
(8,893)	37,605 Other Income	(7,287)	47,520
<u>(67,298)</u>	<u>47,286</u>	<u>(69,935)</u>	<u>61,266</u>
Capital Activities			
(4,317)	0 Purchase of Fixed Assets	(2,213)	
0	0 Other Capital payments	(742)	
0	126 Sale of Fixed Assets		
0	2,001 Capital Grants & Contributions		1,000
0	855 Other Capital income		3,280
<u>(4,317)</u>	<u>2,982</u>	<u>(2,955)</u>	<u>4,280</u>
<u>(71,615)</u>	<u>50,268</u>	<u>(72,890)</u>	<u>65,546</u>
Total			

DEVON COUNTY COUNCIL
Notes to the Consolidated Balance Sheet

3. Stocks and Work in Progress

2004-05 £'000		2005-06 £'000
0	Education, Arts and Libraries	0
1,086	Social Services	302
541	Environment	656
1,745	Other	1,349
3,372	Total Stocks and Work in Progress	2,307

The figure shown for Social Services stocks reflects the reduction in stock due to the creation of PLUSS and an adjustment to the Joint Equipment Store Stock to reflect the split of the pooled budget arrangement operated in conjunction with Primary Care Trusts (see note 22 to the Consolidated Revenue Account for more details of this arrangement).

4. Investments and Loans

2004-05 £'000		2005-06 £'000
Long Term Investments		
9,695	EDAL Share Capital	9,695
9,695	Total	9,695
Short Term Investments		
101,583	Short Term Investments	144,664
101,583		144,664
111,278	Total Investments and Loans	154,359

DEVON COUNTY COUNCIL
Notes to the Consolidated Balance Sheet

5. Movement of Fixed Assets

	Land & Buildings £000	Infrastructure Assets £000	Vehicles Plant Furniture & Equipment £000	Surplus Assets £000	Assets Under Construction £000	Community Assets £000	Total £000
Gross Book Value at 1 April 2005	964,221	237,843	23,690	13,152	18,077	0	1,256,983
Additions	41,145	54,145	10,251	142	10,461	0	116,144
Disposals	0	0	0	(3,935)	0	0	(3,935)
Impairment	0	0	0	0	0	0	0
Revaluations	32,555	0	0	(254)	0	0	32,301
Written Off	(48,898)	0	0	(7,353)	0	0	(56,251)
Internal Transfers	7,317	0	0	10,760	(18,077)	0	0
Gross Book Value 31 March 2006	996,340	291,988	33,941	12,512	10,461	0	1,345,242
Depreciation to 31 March 2005	(16,188)	(32,070)	(13,942)	0	0	0	(62,200)
Depreciation In Year	(10,051)	(6,022)	(2,696)	0	0	0	(18,769)
Written Off	3,978	0	0	0	0	0	3,978
Total depreciation to 31 March 2006	(22,261)	(38,092)	(16,638)	0	0	0	(76,991)
Net Book Value 31 March 2006	974,079	253,896	17,303	12,512	10,461	0	1,268,251
Net Book Value 31 March 2005	948,033	205,773	9,748	13,152	18,077	0	1,194,783

6. Valuation of Fixed Assets

The County Council's land and buildings were initially valued over a twelve month period from 1st April 1994 to 31st March 1995. Revaluations are undertaken on a rolling programme so that all assets are re-valued within five years. This programme is currently up to date and in year 1 of the new five year cycle. For 2005-06 the revaluations covered 20% of each services assets. This approach ensures that any material change in valuation to a particular type of asset can be analysed and then should it be necessary the whole asset type can be reviewed to ensure that there are no material misstatements to the balance sheet. The basis for valuation is set out the statement of accounting policies.

The County Council funds education provided at four Foundation schools. These premises are held by the Foundation Governors in accordance with the School Standards and Framework Act. These schools are not included in the County Council's fixed assets.

In 2005-06 the Exeter Schools PFI contract commenced (in part). The following Exeter PFI Schools are now operational, ISCA, St James, St Lukes and Wynstream. The previous building assets of £28.2 million have been demolished and written off leaving only land values in the balance sheet.

In 2005-06 Magistrates assets were written out of the balance sheet in line with Magistrates becoming an independent authority.

The County Council has identified the following Community Assets: Loxdown Layby Picnic Site; Parracombe Picnic Site; Hollacombe Tip; Ivybridge Railway Station; National Cycle Network (Millenium Route); Rooksbridge Picnic Site; The Tamar Valley Mining Heritage Project. These assets are held at zero value.

DEVON COUNTY COUNCIL
Notes to the Consolidated Balance Sheet

The management of property valuations was undertaken by the County Council's in-house Property Service and managed by a member of staff who is a Fellow of the Royal Institution of Chartered Surveyors.

	Land & Buildings £000	Infrastructure Assets £000	Vehicles Plant Furniture & Equipment £000	Surplus Assets £000	Assets Under Construction £000	Community Assets £000	Total £000
Valued at Historical Cost	0	291,988	33,941	0	0	0	325,929
Valued at current value in:							
current year	187,231	0	0	1,415	10,461	0	199,107
previous years	809,109	0	0	11,097	0	0	820,206
Gross Book Value 31 March 2006	996,340	291,988	33,941	12,512	10,461	0	1,345,242

The County Council is not aware of any material changes to asset valuations between the valuation dates and the 31st March 2006.

7. Depreciation and Asset Lives

The method used for depreciation is described in the Statements on Accounting Policies. The remaining useful lives of assets used for depreciation purposes are as follows :

Asset	Typical life
Buildings	50 - 100 years
Infrastructure	10 - 60 years
Plant, Vehicles etc	5 years
Non-operational buildings & assets under construction	Not depreciated

8. Impairment of Fixed Assets

The balance sheet values of the County Council's assets have been reviewed for impairment by the County Council's Chartered Surveyors, the Bridge Engineers, Highways Maintenance Technicians and Client Fleet Engineer. No material impairment of assets has been identified at 31st March 2006.

DEVON COUNTY COUNCIL
Notes to the Consolidated Balance Sheet

9. Analysis of Capital Finance

2004-05 £'000		2005-06 £'000
96,939	Additions - Fixed Assets	116,144
1,539	Additions - Deferred Charges	2,971
1,727	Last year capital creditors	1,186
100,205		120,301
55,259	Borrowing	68,903
36,011	Grants and External Contributions	41,927
6,605	Usable Capital Receipts	6,134
1,143	Direct Revenue Financing	1,984
1,187	Capital Creditors	1,353
100,205		120,301
Direct Revenue Financing includes £1.946m from Revenue budgets and £0.038m from European Fund.		

10. Government Grants and Contributions - Deferred

2004-05 £'000		2005-06 £'000
90,474	Balance at 1 April	112,188
	Applied in year	
36,011	To capital spend	41,927
(14,297)	Offset against depreciation	(15,257)
21,714		26,670
112,188	Balance at 31 March	138,858

The government grants and contributions - deferred account contains all external contributions which are used to finance capital expenditure. It will be used to offset the charge for depreciation against assets which will fall on the revenue account.

DEVON COUNTY COUNCIL
Notes to the Consolidated Balance Sheet

11. Long Term Debtors

2004-05 £'000		2005-06 £'000
267	Car Loans to Employees	194
212	East Devon College *	196
8,021	Exeter and Devon Airport (EDAL)	9,104
100	EDAL interest free loan	100
60	Foster Carer loans	60
8	Housing Advances	8
5	Industrial Loans	4
948	Magistrates *	882
66,806	Plymouth & Torbay Councils *	64,241
28,740	Plymouth & Torbay Unfunded pensions	29,581
3,703	Plymouth University *	0
414	Probation *	392
0	Exeter Schools Project - Val. Fund	1,689
0	PLUSS	534
109,284		106,985
	* Long term debtors for transferred debt	

Plymouth University agreed to clear their debt of £ 3.703 million with Devon County Council in 2005-06.

12. Deferred Liabilities

Premiums resulting from debt rescheduling which have taken place will be written back over the period of new loans taken out.

2004-05 £'000		2005-06 £'000
23,260	Balance brought forward	22,558
(702)	Allocated in year	(702)
22,558	Balance at year end	21,856

DEVON COUNTY COUNCIL
Notes to the Consolidated Balance Sheet

13. Borrowing Repayable Within a Period in Excess of 12 Months

This note contains an analysis of the medium and long term loans taken by the Council, detailing the Lender and length of period for repayment.

2004-05 £'000		2005-06 £'000
358,139	Public Works Loans Board	448,139
91,500	Other Lenders	91,500
449,639		539,639
-	Payable in 1 to 2 years	-
-	Payable in 2 to 5 years	-
20,000	Payable in 5 to 10 years	20,000
429,639	Payable in over 10 years	519,639
449,639		539,639

14. Cash Balance

This statement provides a "snapshot" of the cash position for the Council as at 31 March.

2004-05 £'000		2005-06 £'000
6,364	Cash in hand & In Transit	8,565
(12,671)	Cash Overdrawn	(12,442)
(6,307)		(3,877)
These figures included the following amounts for cheques and BAC's which have been drawn but not presented by 31st March;		
11,495	BAC's	10,121
2,231	General Payments	2,469
44	Salaries and Wages	22
13,770		12,612

15. Significant commitments under Capital Contracts as at 31 March 2006

Details	£'000
Expenditure approved and contracted	
Barnstaple Western Bypass	8,867
A379 Devon Hotel to Peamore	333
A383 Ashburton Road: Coombeshead Rd to Dyrons Roundabout	227
Cathedral Yard, Exeter	345
Monkerton Link	2,675
Barnstaple Lampard Vachell Community School – Tutorial-Science Accommodation	289
Cullompton St Andrews Junior School – Additional Classrooms	484
Ivybridge Community College – 12 Class Teaching Block	1,016
Exeter Walter Daw Primary School – New Primary	2,074
Exeter Alphin House – Relocation of Day Centre	239
Various Schemes under £200,000	1,211
Total Commitments	17,760

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

DEVON COUNTY COUNCIL
Notes to the Consolidated Balance Sheet

16. Statement of Net Assets Employed in the Current Year

	2004-05 £'000	2005-06 £'000
Devon County Council	1,194,777	1,267,869
Devon and Cornwall Magistrates	(394)	0
Devon Direct Services	402	382
	1,194,785	1,268,251

17. Statement of Physical Assets

2004-05		2005-06
Hectares	Land	Hectares
55	Industrial Estates	53
4,191	County Farms	4,199
Number	Buildings	Number
108	Administrative	97
65	Day Care facilities	62
38	Residential Care	36
39	Adult, Comm. Soc. Cent's	46
62	Redevelopment Properties	63
13	Workshops & Stores	13
15	Tourist Parking / Park & Rides	15
1	Nursery Schools	4
6	Field Centres	5
31	Highway Depots	31
51	Libraries	51
320	Primary Schools**	318
37	Secondary Schools**	34
16	Special Schools*	19
3	Teachers Centres	3
7	Magistrates' Courts	0
8	Other Res. Accom.	7
30	Small Indust. Units	30

The above figures represent assets used by the County Council but which are not all owned by the Authority and excludes assets used jointly with PCT's. * includes Pupil Referral Units with some Key Stage 3 units. ** Reduction due to PFI schools coming on stream.

DEVON COUNTY COUNCIL
Notes to the Consolidated Balance Sheet

2004-05	2005-06
Number Vehicles, Plant, Etc.	Number
726 Light Vehicles & Plant including Pool Fleet*	760
106 Heavy Vehicles & Plant	92
24 Antique Items	23
£ Million Insured Value of Council Assets	£ Million
978 Buildings	1,047
108 General Contents of Buildings	110
16 Library Stocks	16
Km Infrastructure	Km
977 Principal Roads (Carriageways)	977
11,467 Other County Roads	11,478
365 Green Lanes	365
12,809 Total Roads	12,820
2,511 (of which urban roads are)	2,522

* The increase is due to Light Contract Vehicles

DEVON COUNTY COUNCIL
Notes to the Consolidated Balance Sheet

18. Related Companies

Exeter and Devon Airport Limited

The Airport Company issued its entire share capital valued at £9,695,000 to the County Council in 1987 at which time a long-term interest free loan of £100,000 was also arranged. Further background information is available in the Group Accounts.

The latest available set of unaudited accounts covers the year to 31st March 2006 and the appropriate figures relating to this period are included in the Consolidated Group Accounts. A full set of accounts may be obtained (once they are published) from Exeter & Devon Airport Ltd, Exeter International Airport, Exeter, EX5 2RD.

Group Accounts

The consolidation is shown on pages 57 – 71. Details of the net assets of Exeter and Devon Airport Limited are provided together with profits for year ending 31 March 2006 and accumulated reserves as at that date.

19. Contingent Liabilities

- a) No provision is made for the contingent liability arising from accrued interest on New Street Works Advance Payments Deposits and S38 agreements. This was approximately £2,565,346 at 31 March 2006 (£268,664 at 31 March 2005).
- b) A reserve of £593,000 has been made for uninsurable costs arising from environmental impairment liabilities on redundant waste disposal sites. It is not certain if any liabilities will arise and it is not therefore possible to quantify them. The potential costs could be considerable if an untoward sequence of events occurred.
- c) Exeter and Devon Airport Ltd have received guarantees of £320,000 to cover payment and overdraft facilities.
- d) Devon County Council self insures certain risks and created a fund of £7.6 million to pay for claims relating to the period up to Local Government Reorganisation on 1st April 1998. This fund was depleted in 2001-02 and an additional provision established to meet forecast future claims. Estimates of future claims provided by an independent financial review undertaken in Autumn 2001 indicate that the County Council's share of total outstanding claims as at 31 March 2006 is £0.664 million and full provision has been made for these forecast costs. The fund is sufficient to cover the estimated cost of all registered claims up to 31st March 2006. New claims may be lodged in the future relating to the period up to 31 March 1998 and the cost of registered claims may exceed current estimates. If the provision is insufficient to meet the County Council's share of outstanding claims the cost will fall on the revenue account.
- e) A separate fund has been created for claims post April 1998. The balance at 31st March 2006 is £9.500 million. If the fund is insufficient the cost will fall on the revenue account. The fund is sufficient to cover the estimated cost of all registered claims up to 31st March 2006. New claims may be lodged in the future relating to the period 1 April 1998 to 31st March 2006 and the cost of registered claims may exceed current estimates. If the provision is insufficient to meet the outstanding claims the cost will fall on the revenue account.
- f) The Council is vicariously liable for any breaches of duty of care provided by professional officers. Whilst the Insurance Fund would normally provide cover for such liabilities, the fund may need to be topped up if claims become too numerous.
- g) Note 4 (c) (page 6) in the Foreword to the Accounts provides information related to single status pay agreement.

DEVON COUNTY COUNCIL
Notes to the Consolidated Balance Sheet

20. Contingent Assets

An internal audit review of contractual arrangements has identified a potential contingent asset. Negotiations are taking place with a Supplier which may result in income accruing to the Authority in 2006-07.

21. Provisions

These are used to assist the financial management of the County Council and its trading accounts. They enable funds to be set aside to meet known liabilities where the exact amount is not known when the accounts are prepared.

2004-05 £'000		Contribs £'000	Expend £'000	2005-06 £'000
	County Council			
1,445	Provision for Previous Liability	340	(232)	1,553
143	Out of date cheques	71	(41)	173
776	Insurance Fund prior to 01/04/98	50	(162)	664
10,924	Insurance Fund from 01/04/98	1,368	(2,792)	9,500
300	Barton Landfill Site		(300)	0
0	Heathfield	100		100
0	Stepped Interest Rate Loan	2,907		2,907
90	ACC Pensions			90
13,678	Total DCC	4,836	(3,527)	14,987
	Trading Accounts			
18	Anticipated loss/remedial works	2	(13)	7
35	Redundancy and termination payments		(20)	15
12	Accrued holiday pay etc	80	(2)	90
3	Performance pay		(3)	0
51	Other		(33)	18
119	Total Trading Accounts	82	(71)	130
13,797	Total	4,918	(3,598)	15,117

Provisions for Previous Liability

This provision relates to claims against the Council arising from events in previous financial years. It is anticipated that a large proportion of this provision will be required in 2006-07.

Out of Date Cheques

This represents cheques that are still unrepresented after 6 months and awaiting repayment.

Insurance Fund

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, Official Indemnity, Employers Liability and vehicles, but excludes theft and accidental damage. The Insurance Fund Prior to 01/04/98 covers claims arising from events prior to Local Government re-organisation on the 1st April 1998. A separate fund has been created for the period after 1st April 1998. Both funds are currently sufficient to meet registered claims as at 31st March 2006. These claims plus any new claims will be paid in future years (over the next 10 years).

DEVON COUNTY COUNCIL
Notes to the Consolidated Balance Sheet

Heathfield

This relates to an operators claim in respect of Heathfield In-Vessel composting plant.

Stepped Interest Rate Loan

To equalise interest payable in respect of a number of stepped Interest rate loans.

Association of County Councils Pensions

Devon County Council's share of the subscribing Authorities pension costs.

22. Trust Funds

2004-05								2005-06
Educ £'000	Soc Servs £'000	Others £'000	Total Funds £'000		Educ £'000	Soc Servs £'000	Others £'000	Total Funds £'000
1,479	44	22	1,545	Balance at 1 April	1,480	40	22	1,542
1			1	Revaluations	42			42
1	2		3	Income	75	1		76
				Transfer income	7			7
(1)	(6)		(7)	Less Expenditure	(160)	(15)		(175)
1,480	40	22	1,542	Balance 31 March	1,444	26	22	1,492
				Represented by				
231	40		271	Cash and Debtors	146	26		172
10		22	32	Internal Investments	10		22	32
1,239			1,239	Land, Buildings and Investments	1,288			1,288
1,480	40	22	1,542	Total	1,444	26	22	1,492
47	10	2	59	Number of Funds	43	7	2	52

The County Council administers a number of charitable and other trusts as trustees. These fall into three main categories :

- a) Education Trusts such as School Prize Funds
- b) Money held in trust for Social Services clients
- c) Certain funds used to finance capital projects or maintain fixed assets.

The Statement above summarises the finances of these funds. Since they do not belong to the County Council, the figures DO NOT appear in the Council's Consolidated Balance Sheet.

DEVON COUNTY COUNCIL
Notes to the Consolidated Balance Sheet

- 1 **Roads Emergency** – funding for emergency road maintenance.
- 2 **Reinstatement of Existing Landfill Sites** - to cover unexpected upward movement in the cost of the 10 year plan for redundant landfill site restoration.
- 3 **Redundancy** – to finance redundancy costs and early retirement costs of restructuring.
- 4 **Prior Year Tax** – to meet future liabilities with regard to tax inspections and review.
- 5 **Inspection & Implementation** – to meet unexpected impacts of CPA and other inspections.
- 6 **New Road & Street Works Act** – development of policies for promotion and encouragement of safe integrated efficient and economic transport facilities.
- 7 **Blighted Properties** – to finance the future costs of blighted properties.
- 8 **Waste Management Fund** – to provide funding of new facilities to meet EU Landfill Directives.
- 9 **Local Initiatives** – to fund local initiatives and community development.
- 10 **European Funding/Matched Funding** – to provide matched funding for Externally Funded Projects.
- 11 **Mainframe Decommissioning** – Reserve held to fund the transition from the mainframe computing to alternative IT platforms.
- 12 **Systems Development Fund** – to facilitate the development of major ICT systems.
- 13 **Procurement Initiatives** – funding for procurement initiatives.
- 14 **Emergency** – reserves held in respect of emergency planning initiatives.
- 15 **Energy and Water Efficiency** – receives savings from investments in energy and water efficiency and funds new projects.
- 16 **Customer Access Strategy** – to fund development that will improve the public access to County Council services.
- 17 **Transition** – reserves to fund future transitional cost of modernisation.
- 18 **Financing Fund** – fund set aside to finance capital expenditure on agreed schemes.
- 19 **Modernisation** – fund for the modernisation of County Council services.
- 20 **Office Rationalisation Fund** – to finance the rationalisation of the office estate.
- 21 **Infrastructure** – to fund projects and strategies which will lead to enhancement of the County's infrastructure.
- 22 **DDA / H & S / Property Compliance** – to finance cost of improvement to the county building estate with respect to DDA, Health & Safety and other compliance issues.
- 23 **Revolving Loan** – a fund to pump prime community development projects, loans to communities to be repaid if and when alternative funding achieved.
- 24 **Affordable Housing** – Fund held to finance projects jointly agreed with Districts.
- 25 **Development Fund** – To provide financing for infrastructure renewal in County Council services.
- 26 **PSA Reward** – To pump prime and provide one off support for new development
- 27 **Healthy Eating in Schools** – To pump prime the Healthy Eating Initiative in schools
- 28 **Children Services Enabling Fund** – To strengthen the management training and support frameworks required to meet the modernisation of Children's Services
- 29 **LPSA2 Pump Priming** – To pump prime and provide one off support for new development.
- 30 **PFI Sinking Fund**– To manage the payments and income relating to the Exeter School's PFI Scheme
- 31 **Local Authority Business Grant** – To Fund Economic Development Projects as part of the LAA
- 32 **Extra Care Housing** – To Fund housing for vulnerable adults
- 33 **Trading Accounts** – surplus on internal trading unit accounts
- 34 **ISG Working Balances**– the former Industrial Services Group's accumulated working balances, now transferred to PLUSS.
- 35 **Building Maintenance** – Fund held in respect of schools building maintenance.
- 36 **Budget Management** – fund into which budget underspends or overspends within the council's overall scheme of budget management are paid.

DEVON COUNTY COUNCIL
Notes to the Consolidated Balance Sheet

24. Pension Assets and Liabilities

In accordance with Financial Reporting Standard No. 17 - *Retirement Benefits* (FRS 17) the Council is required to disclose certain information concerning assets, liabilities, income and expenditure related to pension schemes for its employees.

Local Government Pension Scheme

The most recent valuation was carried out as at 31 March 2004, and has been updated by independent actuaries to the Council's Pension Fund to take account of the requirements of FRS17 in order to assess the liabilities of the Fund as at 31 March 2006. Liabilities are valued on an actuarial basis using the projected unit method which assesses the future liabilities discounted to their present value.

During this financial year, the Council paid contributions in excess of that certified at the actuarial valuation and these contributions in total equate to 321% of members contributions. In addition the Council paid contributions to meet the cost of additional benefits paid to some members taking early retirement.

The contribution rates certified for the Council at 31 March 2004 valuation were as follows:

April 2005 to March 2006	293% of members contributions
April 2006 to March 2007	304% of members contributions
April 2007 to March 2008	315% of members contributions

(These figures include the past service element of the contribution rate)

Assumptions

The main assumptions used for the purposes of FRS 17 are as follows:

	31 March 2005	31 March 2006
Discount rate for scheme liabilities	5.3%pa	4.9%pa
Discount rate for pension cost over year	5.3%pa	4.9%pa
Rate of increase in salaries	4.4%pa	4.5%pa
Rate of increase in pensions in payment	2.9%ps	3.0%pa
Rate of increase in deferred pensions	2.9%pa	3.0%pa
Rate of inflation	2.9%pa	3.0%pa
Long-term expected rates of return on:		
Equities	7.7%pa	7.3%pa
Government Bonds	4.7%pa	4.3%pa
Corporate Bonds	5.3%pa	4.9%pa
Property	6.7%pa	6.3%pa
Other assets	4.8%pa	4.6%pa
Average long term expected rate of return	6.9%pa	6.6%pa

Changes to the Local Government Pension Scheme permit employees retiring on or after 6 April 2006 to take an increase in their lump sum payment on retirement in exchange for a reduction in their future annual pension. On the advice of our actuaries we have assumed 50% of employees retiring after 6 April 2006 will take advantage of this change to the pension scheme. Our actuaries have advised that this assumption has reduced the value placed on the liabilities for FRS17 purposes by less than 3%. This has been reflected in the Statement of Total Movements in Reserves. The change has not affected the figures in the Consolidated Revenue Account.

DEVON COUNTY COUNCIL
Notes to the Consolidated Balance Sheet

Position in the Fund

Assets are valued at fair value, principally market value for investments. The proportions of total assets held in each asset type by the Fund as a whole at 31 March 2005 and 31 March 2004 are as follows:

	31 March 2005	31 March 2006
Equities	66%	69%
Bonds	16%	16%
Property	10%	10%
Other	8%	5%

The following amounts were measured in accordance with the requirements of FRS 17:

	31 March 2005 (£m)	31 March 2006 (£m)
Share of assets	573.82	716.50
Estimated funded liabilities	(905.66)	(1,025.49)
Estimated unfunded liabilities *	(108.39)	(114.64)
Council's deficit in the scheme	<u>(440.23)</u>	<u>(423.63)</u>

* The liabilities arising from pension enhancements charged directly to the County Council's revenue budget.

The movement in net surplus for the year to 31 March 2006 is as follows:

	£m	£m
Net deficit at the beginning of year		(440.23)
Movement in year:		
Operating Charge:		
Current service cost within 2005-06	(31.17)	
Past service costs	(3.62)	
Gain/loss on any settlements or curtailments	0.08	
Total Operating Charge	<u> </u>	(34.71)
Contributions paid	30.70	
Contributions towards unfunded liabilities:		
Devon County Council	5.71	
Rechargeable (Plymouth & Torbay)	<u>1.99</u>	38.40
Total Contributions		
Expected return on Pension Fund assets	39.98	
Interest on pension scheme liabilities	<u>(54.01)</u>	(14.03)
Actuarial gain/loss		<u>26.94</u>
Deficit in the scheme		(423.63)
Long term debtor in respect of Plymouth & Torbay		<u>29.58</u>
Council's deficit in scheme		<u>(394.05)</u>

DEVON COUNTY COUNCIL
Notes to the Consolidated Balance Sheet

The total net pensions deficit of £423.63 million fell since the last financial year (2004-05 £440.23 millions) due primarily to market conditions during the past year. The deficit should be considered alongside the level of the County Fund. The pensions deficit does not represent an immediate call on the County Council reserves, FRS17 merely provides a snapshot (at 31 March 2006) with the value of the assets changing on a daily basis. This is a notional amount by which the County Council's pension liabilities exceed its share of fund assets at that date. The County Council's actual liability to the Pension Fund is reviewed every three years as part of the triennial valuation. The deficit is being addressed over a period of 25 years as part of the funding strategy for the pension fund.

Teachers Pension Scheme This is a defined benefit scheme but the accounting treatment according to the accounting Code of Practice 2005 is as a defined contribution scheme. This means that assets and liabilities reflected payments due in accordance with the scheme requirements.

This treatment is adopted because local authorities are unable to identify their share of the underlying assets and liabilities in the teachers' pension scheme.

25. Statement of Total Movements in Reserves

2004-05 £'000		2005-06 £'000	2005-06 £'000
1,075	Surplus/(deficit) for the year: (Note 1)		47
	Add back Movements on specific revenue reserves		
12,743	Increase/(decrease) in Earmarked Reserves (Note 1)	18,177	
(770)	Increase/(decrease) in Reserves held by schools under Delegated Mgt.	827	
11,973	Total increase/(decrease) in revenue resources		19,004
1,266	Increase/(decrease) in Government grants & contributions unapplied	(2,214)	
885	Increase/(decrease) in usable capital receipts	(230)	
2,151	Total increase (decrease) in realised capital resources (Note 2)		(2,444)
168,001	Gains/losses on revaluation of fixed assets	32,301	
-	Impairment losses on fixed assets	0	
168,001	Total Increase/(decrease) in unrealised value of fixed assets (Note 3)		32,301
(25,128)	Value of assets sold, disposed of or decommissioned (Note 4)		(56,208)
6,606	Capital Receipts applied to Capital Expenditure	6,134	
-	Capital Receipts set aside for PCL	0	
11,509	Revenue resources set aside	13,597	
22	Prior year adjustments	0	
(2,887)	Write down long term debtor	(2,669)	
23,471	Movement on Government Grants Deferred	26,670	
38,721	Amounts set aside to finance capital investment (Note 5)		43,732
(196,048)	Increase/(Decrease) in Pensions Reserve (Note 6)		17,441
745	Total Recognised gains and losses		53,873

The increase in the value of unrealised value of fixed assets is the result of the £ 10.329 million adjustment to depreciation. This restatement reflects the correct treatment for the past four years on revaluation of fixed assets.

The value of assets sold or decommissioned is adjusted by £ 1.095 million. This corrects depreciation for the writing out of Foundation Schools and Disposals over the past four years.

The value of Revenue resources set aside is decreased by £ 7.580 million which represents the written out deferred charges.

DEVON COUNTY COUNCIL
Notes to the Consolidated Balance Sheet

Notes to the Statement of Total Movements on Reserves

	General Fund Balances £000	Earmarked Revenue Reserves £000
1. Movements in revenue resources		
(Surplus)/deficit for year	(47)	
Appropriations to/from Revenue		15,520
Landfill Allowance Trading Scheme Reserve		968
Exeter Schools Project Valuation Reserve		1,689
	(47)	18,177
Balance brought forward at 1 April	(14,001)	37,823
Balance carried forward at 31 March	(14,048)	56,000

Details of appropriations to and from Earmarked Reserves are provided in note 23 to the Balance Sheet on page 47.

	Government grants & contributions Unapplied £000	Usable Capital Receipts £000	Total Realised Capital Resources £000
2. Movements in realised capital resources			
Amounts receivable in year	(39,729)	(9,477)	(49,206)
Amounts applied to finance new capital investment in year	41,927	6,134	48,061
Other Adjustments	16	3,573	3,589
Total increase/(decrease) in realised capital resources in year	2,214	230	2,444
Balance brought forward 1 April (Restated)	(11,936)	(885)	(12,821)
Balance Carried forward at 31 March	(9,722)	(655)	(10,377)

The Usable Capital Receipts Reserve and the Unapplied Capital Grants and Contributions reserves represent the Authority's ability to finance capital investment in future years

	Fixed Asset Restatement Account £000
3. Movement in unrealised value of fixed assets	
Gains/losses on revaluation of fixed assets in year	32,301
Impairment losses on fixed assets	0
	32,301
4. Value of assets sold, disposed of or decommissioned	
Amounts written off fixed asset balances for disposals in year	(56,208)
Total movement on reserve in year	(23,907)
Balance brought forward at 1 April (Restated)	428,074
Balance carried forward at 31 March	404,167
<i>The Fixed Asset Restatement account has been created by accounting entries required under the capital accounting code of practice and does not represent a cash reserve</i>	

DEVON COUNTY COUNCIL
Notes to the Consolidated Balance Sheet

	Capital Financing Account £000	Government Grants Deferred £000	Total £000
5. Movement in amounts set aside to finance capital investment			
Capital receipts set aside in year			
- usable receipts	6,134	-	6,134
Total capital receipts set aside in year	6,134		6,134
Revenue resources set aside in year			
- capital expenditure financed from revenue	1,984	-	1,984
- reconciling amount for provision for loan repayments	11,613	-	11,613
Total revenue resources set aside in year	13,597		13,597
Other Movements			
- write down long term debtor	(2,669)		(2,669)
- prior year adjustment	0		0
Grants applied to capital investment in year	-	41,927	41,927
Amounts credited to the asset management revenue account in year	-	(15,257)	(15,257)
Total increase/(decrease) in amounts set aside to finance capital investment	17,062	26,670	43,732
Balance brought forward at 1 April	300,765	112,188	412,953
Balances carried forward at 31 March	317,827	138,858	456,685
<i>The Capital Financing Account and the Government Grants Deferred have been created by accounting entries required under the capital code of practice and do not represent a cash reserve</i>			

	Pensions Reserve	
	£000	£000
6. Movements in Pensions Reserve		
Appropriation to Pensions reserve		(12,122)
Actuarial Gains and Losses relating to Pensions		26,940
Movement in unfunded liabilities managed for other authorities		2,623
		17,441
Balance brought forward at 1 April		(411,490)
Balance carried forward at 31 March		(394,049)

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

	Amount (£m)	Percentage
Actual return less expected return on assets	100.87	14.07% of scheme assets
Experience gains and losses on pension liabilities	(0.92)	0.08% of scheme liabilities
Change in assumptions underlying the present	(73.01)	6.40% of scheme liabilities
Value of pension liabilities		
Net Gain	26.94	3.76% of scheme assets
Comparative totals for previous years:		
2004-05	(192.51)	
2003-04	72.20	
2002-03	(115.54)	

DEVON COUNTY COUNCIL
Cash Flow Statement for the year ended 31 March 2006

2004-05		CASH FLOW STATEMENT	2005-06		Note
£'000	£'000		£'000	£'000	
		Revenue Activities			
		Cash Outflows			
461,585		Cash paid to and on behalf of Employees	480,903		
433,179		Other Operating cash payments	457,937		
1,244		Precepts and Levies	442		
	896,008			939,282	
		Cash Inflows			
(249,330)		Council Tax income	(260,065)		
(179,241)		Non-domestic rate receipts from national pool	(217,599)		
(199,305)		Revenue Support Grant	(192,148)		
0		Other Government Grants (General)	(2,488)		
(136,758)		Other Government Grants (Specific)	(145,136)		7
(164,899)		Cash received for goods and services	(154,284)		
	(929,533)			(971,720)	
	(33,525)	Revenue Activities Net Cash Flow		(32,438)	1
		Dividends from Associates			
		Cash Inflows			
	0	Dividends received		0	
		Return on Investments and Servicing of Finance			
		Cash Outflows			
22,631		Interest paid	24,351		
		Cash Inflows			
(5,850)		Interest received	(5,470)		
	16,781			18,881	
		Capital Activities			
		Cash Outflows			
97,703		Purchase of fixed assets	118,248		
847		Other capital cash payments	2,229		
		Cash Inflows			
(7,365)		Sale of fixed assets	(9,603)		
(32,047)		Capital grants received	(32,411)		7
(22,268)		Other capital cash income	(19,153)		
	36,870			59,310	
	20,126	Net cash outflow / (inflow) before financing		45,753	6
		Management of Liquid Resources			
	24,018	Net increase/(decrease) in short term deposits		43,081	3
		Financing			
		Cash Outflows			
0		Repayments of amounts borrowed	0		
		Cash Inflows			
(40,000)		New loans raised	(90,000)		
	(40,000)			(90,000)	4
	4,144	Decrease / (Increase) in cash and equivalents		(1,166)	2

DEVON COUNTY COUNCIL
Cash Flow Statement for the year ended 31 March 2006

NOTES TO THE CASH FLOW STATEMENT

2004-05			2005-06	
£'000	£'000		£'000	£'000
		1. Reconciliation of Revenue Cash Flow		
	(1,075)	(Surplus) / Deficit for Year		(47)
		<u>Non Cash Transactions:</u>		
(11,973)		Contributions (to) / from Earmarked and Schools Reserves	(16,347)	
(106)		Direct Revenue Financing	(563)	
(702)		Deferred Charges	(702)	
(1,988)		(Increase) / Decrease in Provisions	(1,320)	
	(14,769)			(18,932)
		<u>Movement in other Assets/Liabilities</u>		
19		Increase / (Decrease) in Stock	(1,065)	
3,013		Increase / (Decrease) in Debtors	10,422	
(6,316)		(Increase) / Decrease in Creditors	(1,275)	
2,384		Increase / (Decrease) in Capital Creditors	(2,660)	
	(900)			5,422
	(16,781)	Net Interest Payments		(18,881)
	0	Dividend from Associates		0
	(33,525)	Revenue Activities Net Cash Flow		(32,438)

As at March '05 £'000	(Restated)		As at March '06 £'000	Movement £'000
		2. Movement in Cash and Equivalents		
(4,430)		Short Term Borrowing	(5,694)	(1,264)
(6,307)		Cash (Overdrawn)	(3,877)	2,430
	(10,737)		(9,571)	1,166
		3. Movement in Liquid Resources		
101,583		Short Term Investments	144,664	43,081
	101,583		144,664	43,081
Liquid resources are short-term investments placed in the money markets for periods of less than one year.				
		4. Movement in Long Term Borrowing		
(358,139)		Public Works Loans Board	(448,139)	(90,000)
(91,500)		Other Lenders	(91,500)	0
	(449,639)		(539,639)	(90,000)
	(358,793)	Total Net Debt	(404,546)	(45,753)
		5. Movement in Other Current Assets / Liabilities		
50,268		Debtors	65,546	15,278
(1,235)		Less provision for bad debts	(1,262)	(27)
3,372		Stock and Work in Progress	2,307	(1,065)
(71,615)		Creditors	(72,890)	(1,275)
	(19,210)		(6,299)	12,911
£'000		6. Reconciliation of net cash flow to movement in net debt		£'000
(4,144)		Increase / (decrease) in cash in the period - operational activities		1,166
(40,000)		Cash inflow from increase in debt financing		(90,000)
24,018		Cash outflow from increase in liquid resources		43,081
	(20,126)	Movement in net debt in the period		(45,753)
(338,667)		Net debt at 1st April 2005		(358,793)
	(358,793)	Net debt at 31st March 2006		(404,546)

DEVON COUNTY COUNCIL

Cash Flow Statement for the year ended 31 March 2006

7. Government Grant Income	Awarding Body	2005-06	
		£'000	£'000
Revenue:			
Education:			
Mandatory Student Awards	Dfes	14	
Higher Education Funding Council	Dfes	442	
Education Standards Fund	Dfes	15,715	
Schools Standards	Dfes	11,723	
Private Finance Initiative	Dfes	6,646	
Early Years (Sure Start)	Dfes	4,430	
Learning & Skills Council	Dfes	28,550	
Teachers' Threshold & Performance Pay	Dfes	11,961	
Transforming Youth Work	Dfes	81	
			79,562
Social Services:			
Mental Health (incl. CAMHS)	DH	2,250	
Preserved Rights	DH	10,622	
Delayed Discharges	DH	1,465	
Children Services	Dfes	1,977	
Supported Employment	DWP	622	
Supporting People	DWP	20,919	
National Training Strategy	DH	1,059	
Human Resources Development Strategy	DH	720	
Information Management	DH	228	
Carers	DH	2,353	
Young People Substance Misuse	HO	674	
Teenage Pregnancy Local Implementation	Dfes	68	
Youth Offending	HO	557	
Residential Allowances	DH	3,256	
Access & Systems Capacity	DH	8,553	
Other		178	
			55,501
Other Directorates:			
Rural Bus Services	Dft	2,251	
Rural Bus Challenge	Dft	456	
Countryside Agency	DEFRA	657	
Waste & Resource Action Programme	DEFRA	152	
Waste Performance & Efficiency	DEFRA	303	
Waste Minimisation & Recycling Fund	DEFRA	443	
Transport Partnership Fund	Dfes	211	
Detrunked Roads	Dft	996	
Landfill Allowance Trading Scheme	DEFRA	4,387	
European Union	EU	3,632	
Animal Movements Licences	DEFRA	498	
LPSA2 Pump Priming	ODPM	1,465	
Single Regeneration Budget	ODPM	392	
Planning Delivery	ODPM	88	
Other		293	
			16,224
			151,287
Adjustment for movement in income accrual			(6,151)
			145,136
Capital:			
Standards Fund Capital Grants for Schools			20,004
E Government IEG Grant			314
Barnstaple Western ByPass			5,174
Other Grants			5,918
			31,410
Adjustment for movement in income accrual			1,001
			32,411

DEVON COUNTY COUNCIL
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Background information

2005-06 is the first financial year for which the County Council is required to publish a full set of group accounts, although abbreviated accounts have been published in previous years. These accounts cover:

- the County Council itself;
- a wholly-owned subsidiary company (Exeter & Devon Airport Ltd.);
- a one-third share in an associate company (The PLUSS Organisation Ltd).

Exeter & Devon Airport Ltd. [registered company no. 2148705] is a public airport company, as defined in section 16 of the Airports Act 1986. The principal activity of the company is the operation of the regional airport of the South West. The County Council owns 100% of the company's share capital and appoints the company's six non-executive directors. All losses or profits are retained within the company while operating as a going concern. The County Council is currently considering the sale of a majority equity stake in the company, but had not reached a final decision at the time that the group accounts for 2005-06 were compiled.

The PLUSS Organisation Ltd. [registered company no. 05171613] is a company limited by guarantee, with no share capital. The principal activity of the company is the provision of employment and work-related services for people with disabilities. Three local authorities – Devon County Council, Plymouth City Council and Torbay Council – each have equal voting rights, and would share equally in the assets & liabilities in the event that the company was wound up. All losses or profits are retained within the company while operating as a going concern. The company began trading on 1st August 2005, so the accounts reflect an eight-month trading period. Subsequent to the period covered by the accounts, Somerset County Council has become an additional member of the company (with effect from 1st July 2006), with the same rights and responsibilities as the other participating members.

The group accounts were prepared on the basis of the information available as at 31st May 2006. The audited accounts for Exeter & Devon Airport Ltd. were presented to the company's Board on 7th September 2006. The audited accounts for the PLUSS Organisation Ltd. were presented to the company's Board on 4th August 2006. In both cases there were minor changes in the audited versions of the accounts, but the changes were not material to the group accounts.

The companies' audited single-entity accounts are available from:

Exeter & Devon Airport Limited
Exeter International Airport
Exeter
DEVON
EX5 2BD

The PLUSS Organisation Limited
22 Marsh Green Road
Exeter
DEVON
EX2 8PQ

Accounting policies & consolidation adjustments

The production of group accounts on a consistent basis requires some adjustments to be made to the single-entity accounts of the organisations covered.

a: Accounting policies

The County Council's Consolidated Revenue Account is compiled on a different basis to that required for the Group Income & Expenditure Statement. The following adjustments were included in the group accounts:

- The Asset Management Revenue Account has been eliminated;
- Capital charges included within the gross cost of services have been replaced by charges for depreciation;

DEVON COUNTY COUNCIL
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- The amortisation of government grants deferred has been included within gross service income – with the exception of deferred grant relating to outstanding debt on former magistrates' assets, which has been offset against the related debt charges;
- Interest payable and deferred charges written down are disclosed as discrete items on the face of the Income & Expenditure statement;
- Balances held by schools are shown as an attributable part of the County Fund, rather than as earmarked reserves.

Information relating to subsidiaries has been recorded in accordance with Financial Reporting Standard 2. Exeter & Devon Airport Ltd. records all fixed assets at historic cost in its own accounts. The company's land & buildings have been re-valued at current cost as at 31st March 2006 for the purposes of the Group Balance Sheet, and this revaluation has been reflected in both the group statement of fixed assets and in the group revaluation reserve. From 2006-07 onwards, additional adjustments will be required to the depreciation chargeable to the Group Income & Expenditure Statement.

Information relating to associates has been recorded in accordance with Financial Reporting Standard 9. Merger accounting principles have been applied, as the creation of PLUSS is effectively a reconstruction of activity that remains wholly owned by local authorities. Since all participants share rights & responsibilities in the company equally, the Group Income & Expenditure Statement contains one-third of the following information relating to PLUSS Ltd.:

- Operating surplus
- Interest payable
- Interest earned
- Pensions interest cost & expected return on pensions assets
- Taxation
- Contributions to / from reserves

The Group Balance Sheet contains one-third of PLUSS Ltd.'s net assets within the total shown for long-term investments.

The County Council's accounts reflect pensions costs reported in accordance with Financial Reporting Standard 17. The accounts of subsidiaries and associates disclose balances and transactions in accordance with this standard, where relevant.

b: Intra-group transactions

The Group Balance Sheet is adjusted to avoid double-counting Devon County Council's investment in Exeter & Devon Airport Limited, and accrued debts owed between the two parties. Similarly, the Group Income & Expenditure Statement is adjusted to avoid double-counting debts repaid during the year by Exeter & Devon Airport Ltd. to Devon County Council, and the cost of support services supplied by Devon County Council to Exeter & Devon Airport Ltd.

Related party transactions

Exeter & Devon Airport Ltd.

The County Council provides support services to the company. In addition, the company's long-term borrowing is undertaken via the County Council. The company has an interest-free loan of £0.1 million from the County Council, which becomes repayable in the event that the company is wound up.

The PLUSS Organisation Ltd.

The company supplies the County Council with employment and work-related services for people with disabilities. The company leases premises in Exeter and Barnstaple from the County Council on a commercial basis. The company purchased stock from the County Council upon commencement of trading: £0.253 million is still owed to the County Council, to be repaid in equal instalments over the next two financial years. The County Council has also lent the company a further £0.534 million, repayable

DEVON COUNTY COUNCIL
Group Accounts

over 10 years from 2010. The County Council has guaranteed the overdraft facility of PLUSS Limited, up to a maximum of £0.25 million: this facility has not yet been used.

In the event that the company is wound up, the County Council has guaranteed to support the pension benefits of former County Council staff that have transferred to PLUSS Limited, and are still working for the company at that time.

Summary of transactions between the group members

	Devon CC £'000	E& D A Ltd. £'000	PLUSS Ltd. £'000
<u>Transactions during the year</u>			
Goods & services supplied between group members	2,187	99	(2,286)
Interest paid between group members	(436)	436	0
Loans advanced / repaid between group members	1,870	(1,083)	(787)
<u>Balance sheet</u>			
Prepayment for goods & services	365	0	(365)
Other trading debtors & creditors	(83)	83	0
Loan repayments due within one year	844	(717)	(127)
Loan repayments due in more than one year	9,060	(8,400)	(660)
Short-term investments	(657)	657	0

Group Income & Expenditure Statement

2004-05 £'000		Notes	2005-06 £'000
591,991	Continuing operations	1	630,047
0	Acquired / discontinued operations		0
591,991	Net cost of services		630,047
23,923	Non-service expenditure	2-6	32,697
615,914	Net expenditure before movement on reserves		662,744
11,520	Contributions to / (from) earmarked reserves	7	7,978
627,434	Amount to be met by general Government grants and local taxpayers		670,722
	General Government grants		
0	Local Authority Business Growth Incentives Grant		(746)
(602)	Local Public Service Agreement Reward Grant		(1,742)
(199,305)	Revenue Support Grant		(192,148)
(179,241)	Distribution from the National Non-Domestic Rates pool		(217,599)
	Council Tax		
(247,147)	Precepts for the year		(258,159)
(2,183)	Transfers in respect of previous years' (surpluses) / deficits		(1,906)
(1,044)	Surplus for year		(1,578)
	Contribution to / (from)		
1,075	County Fund – generally available		47
(770)	County Fund – held by schools		827
739	Profit & Loss accounts of other group members		704
0			0

The Industrial Services Group was replaced by PLUSS Ltd. with effect from 1st August 2005. This constitutes a change in the structure of service provision, rather than a discontinued operation.

DEVON COUNTY COUNCIL
Group Accounts

Group Balance Sheet			
2004-05 £'000		Notes	2005-06 £'000 £'000
	Fixed assets	8	
	Operational		
952,849	Land & buildings		994,979
213,703	Infrastructure		262,189
13,259	Vehicles, plant, furniture & equipment		20,777
31,229	Non-operational		22,973
1,211,040			1,300,918
0	Long-term investment in associates	9	183
101,163	Long-term debtors	10	97,781
	Current assets		
3,469	Stocks & work in progress	11	2,397
51,115	Debtors (net of provision for bad debts)	12	66,029
101,583	Short-term investments		149,051
9,958	Cash at bank / in transit	13	12,302
	Current liabilities		
(4,430)	Borrowing repayable on demand or within 12 months		(5,694)
(74,526)	Creditors	14	(74,291)
(12,671)	Cash overdrawn	13	(12,442)
	Borrowing repayable within a period exceeding 12 months		(539,639)
22,558	Less deferred liabilities		21,856
(441,406)	Pensions liability	5	(424,809)
0	Landfill Allowances Trading Scheme liability for usage		(3,419)
(14,399)	Provisions	15	(15,671)
503,815			574,552
	Financed by		
885	Usable capital receipts reserve		655
113,198	Government grants deferred	16	140,686
11,936	Government grants unapplied		9,722
428,074	Fixed asset restatement account	8	419,603
300,765	Capital financing account		317,827
(411,490)	Pensions reserve	5	(394,049)
0	Landfill Allowances Trading Scheme reserve		968
0	Exeter Schools project revaluation reserve		1,689
14,001	County Fund – general		14,048
10,108	County Fund – school		10,935
37,823	Earmarked reserves		53,343
61,932	County Council's revenue balances and reserves		78,326
(1,485)	Subsidiary's reserves	17	(1,058)
0	Share of associate's reserves	18	183
503,815			574,552

DEVON COUNTY COUNCIL
Group Accounts

Group Statement of Total Movement on Reserves

2004-05		2005-06	
£'000		Parent & subsidiary £'000	Share of associate £'000
1,044	Surplus / (deficit) for the year	1,509	69
12,743	Total increase / (decrease) in revenue resources	18,177	0
	Increase / (decrease) in		
1,266	unapplied capital grants & contributions	(2,214)	0
885	Increase / (decrease) in usable capital receipts	(230)	0
2,151	Total increase / (decrease) in capital resources	(2,444)	0
168,001	Gains / (losses) on revaluation of fixed assets	47,737	0
0	Impairment losses on fixed assets	0	0
168,001	Total increase / (decrease) in unrealised value of fixed assets	47,737	0
(25,128)	Value of assets sold, disposed of or de-commissioned	(56,208)	0
6,606	Capital receipts set aside	6,134	0
11,509	Revenue resources set aside	13,597	0
22	Prior year adjustments	0	0
(2,887)	Movement on long-term debtors	(2,669)	0
23,930	Movement on deferred grants in year	27,488	0
39,180	Total increase / (decrease) in amounts set aside to finance capital investment	44,550	0
(196,048)	Movement in County Council's Pensions Reserve	17,441	0
(1,249)	Movement in pensions liability within subsidiary's Profit & Loss	(208)	
0	Share of movement in associate's Pensions Reserve	0	114
694	Total recognised gains and losses	70,554	183

DEVON COUNTY COUNCIL
Group Accounts

Notes

1. Continuing services

2004-05	2005-06		
£'000	Gross expenditure £'000	Gross income £'000	Net £'000
41,434 Cultural, Environmental & Planning Services	60,819	(17,158)	43,661
319,606 Education Services	463,170	(128,567)	334,603
54,525 Highways, Road & Transport	68,917	(12,237)	56,680
922 Court Services	838	0	838
165,881 Social Services	281,403	(101,512)	179,891
232 Housing Services	22,204	(20,950)	1,254
3,287 Corporate & Democratic Core	3,765	(58)	3,707
3,859 Non-Distributed Costs	5,139	0	5,139
706 Central Services to the Public	2,558	(1,255)	1,303
1,539 Deferred charges	2,971	0	2,971
0 Exceptional items	0	0	0
591,991 Continuing operations [also see note 3]	911,784	(281,737)	630,047

Government grants receivable by the County Council for specific purposes are disclosed in note 2 to the Consolidated Revenue Account. In addition, deferred grants were written down to the value of £15.257 million to offset depreciation charges.

Deferred grants totalling £0.053 million were written down to offset depreciation on Exeter & Devon Airport Ltd.'s assets.

The analysis of gross expenditure & income attributable to continuing operations differs from that shown in the County Council's single-entity accounts due to:

- (i) the elimination of the Asset Management Revenue Account - see note 3 for further details;
- (ii) the elimination of support services provided by the County Council to subsidiaries (£99,000).

The Statement of Recommended Practice for local authority group accounts recommends that profit or loss on the disposal of fixed assets be shown on the face of the Income & Expenditure Account, together with a corresponding transfer to or from the Fixed Asset Restatement Account. The County Council has not adopted this approach for 2005-06, due to:

- (i) the lack of comparable data for 2004-05;
- (ii) inconsistency with the timetable for introducing profit & loss on disposal of fixed assets into the single-entity accounts (which does not become a requirement until 2006-07).

Instead, the effect for 2005-06 is disclosed below.

	DCC £'000	E&DA Ltd £'000	Total £'000
Receipts from the sale of surplus property	(6,135)	(9)	(6,144)
Book value of assets disposed of	3,935	109	4,044
Loss on disposal of fixed assets	(2,200)	100	(2,100)

The loss on fixed assets incurred by Exeter & Devon Airport Ltd. is included in the operating surplus shown in notes 2 & 4 to the group accounts.

DEVON COUNTY COUNCIL
Group Accounts

2. Non-service expenditure

2004-05	Notes	Parent & subsidiary £'000	2005-06 Share of associate £'000	Total £'000
£'000				
1,266	Levies	489	0	489
(1,348)	(Surpluses) / deficits of trading undertakings	(259)	(20)	(279)
18,393	Interest payable	23,550	0	23,550
0	(Gains) / losses on the repurchase or early settlement of borrowing	0	0	0
(5,159)	Interest & investment income	(5,219)	(15)	(5,234)
12,449	Pensions interest cost and expected return on pension assets	14,089	(50)	14,039
472	Taxation	116	16	132
(2,150)	Extraordinary items	0	0	0
<u>23,923</u>	<u>Non-service expenditure</u>	<u>32,766</u>	<u>(69)</u>	<u>32,697</u>

3. Elimination of the Asset Management Revenue Account

The following adjustments were made to eliminate the County Council's Asset Management Revenue Account from the Group Income & Expenditure Statement.

2004-05		Gross Expenditure £'000	2005-06 Gross Income £'000	Net £'000
Net				
£'000				
(2,140)	Cultural, Environmental & Planning Services	(1,874)	(441)	(2,315)
(40,191)	Education Services	(29,908)	(12,177)	(42,085)
(9,127)	Highways, Road & Transport	(10,517)	(1,185)	(11,702)
(371)	Court Services	0	0	0
(2,098)	Social Services	(2,130)	(662)	(2,792)
(46)	Housing Services	(38)	0	(38)
(1)	Corporate & Democratic Core	(4)	(8)	(12)
0	Non-Distributed Costs	0	0	0
(19)	Central Services to the Public	(15)	(17)	(32)
0	Exceptional Items	0	0	0
<u>(53,993)</u>	<u>Net Cost of Services</u>	<u>(44,486)</u>	<u>(14,490)</u>	<u>(58,976)</u>
6	Trading account (surpluses) / deficits	(14)	0	(14)
35,632	Asset Management Revenue Account	16,101	20,138	36,239
18,355	Interest Payable	28,399	(4,881)	23,518
0	Contribution to / (from) capital reserves	0	(767)	(767)
<u>0</u>		<u>0</u>	<u>0</u>	<u>0</u>

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4. Analysis of trading activities

2004-05		2005-06	
£'000		£'000	£'000
240	Devon County Council internal trading accounts - see note 19 to the Consolidated Revenue Account for details	829	
6	Adjustment relating to elimination of notional interest	(14)	
<u>246</u>	(Surplus) / deficit before financing costs & taxation		<u>815</u>
(14,946)	Exeter & Devon Airport Ltd. Turnover	(17,676)	
111	Losses on disposal of fixed assets	100	
<u>13,241</u>	Operating Expenditure	<u>16,502</u>	
<u>(1,594)</u>	(Surplus) / deficit before financing costs & taxation		<u>(1,074)</u>
<u>(1,348)</u>	Net group (surplus) / deficit on trading accounts		<u>(259)</u>

5. Pension costs

See note 15 to the Consolidated Revenue Account for further information relating to the County Council's pension arrangements and the overall funding position of the Devon Local Government Pension Scheme. PLUSS Ltd. is an admitted body to the Devon Local Government Pension Scheme.

Exeter & Devon Airport Ltd. operates pension arrangements outside the Devon Local Government Pension Scheme. With effect from 1st October 2002, the company introduced a new defined contribution pension scheme and closed its defined benefit pension scheme to new members.

2004-05		2005-06		
Group	Pensions interest cost and expected return on pension assets	Parent & subsidiary	Share of associate	Total
£'000		£'000	£'000	£'000
12,380	Devon County Council	14,030		14,030
69	Exeter & Devon Airport Ltd.	59		59
<u>0</u>	PLUSS Ltd.		(50)	(50)
<u>12,449</u>		<u>14,089</u>	<u>(50)</u>	<u>14,039</u>

A full actuarial valuation of Exeter & Devon Airport Ltd.'s defined pension scheme was carried out in order to comply with Financial Reporting Standard 17, as at 31st March 2006.

2004-05		2005-06	
£'000		£'000	
Exeter & Devon Airport Ltd.'s defined pension scheme (NB: information shown is prior to audit)			
225	Current service cost		250
(368)	Contributions		(514)
69	Pensions interest cost and expected return on pension assets		59
1,250	Actuarial loss		150
<u>(368)</u>	Deferred tax asset		<u>58</u>
<u>808</u>			<u>3</u>
368	Net pension liability as at 1 st April		1,176
<u>1,176</u>	Net pension liability as at 31 st March		<u>1,179</u>
<u>808</u>	Increase in net pensions liability		<u>3</u>

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The main actuarial assumptions used for the purposes of Financial Reporting Standard 17 in respect of the two defined benefits schemes are as follows:

	Devon CC & PLUSS Ltd.	E&DA Ltd.
Discount rate for scheme liabilities	4.9%	5.6%
Discount rate for pension cost over year	4.9%	5.6%
Rate of increase in salaries	4.0%	5.0%
Rate of increase of pensions in payment	3.0%	3.0%
Rate of increase in deferred pensions	3.0%	3.0%
Rate of inflation	3.0%	3.0%
Expected long-term rate of return on		
Equities	7.3%	7.0%
Government Bonds	4.3%	5.25%
Corporate Bonds	4.9%	5.25%
Property	6.3%	n/a
Other assets	4.6%	4.5%

The pension scheme deficits and surpluses as measured under Financial Reporting Standard 17 are as follows:

	Devon CC £'000	E&DA Ltd. £'000	Total £'000
Net (deficit) / surplus at the beginning of the year	(440,230)	(1,176)	(441,406)
Movement in year:			
Current service cost	(31,170)	(250)	(31,420)
Past service costs	(3,620)	0	(3,620)
Impact of settlements & curtailments	80	0	80
Contributions	30,700	514	31,214
Contributions towards unfunded liabilities	7,700	0	7,700
Expected return on Pension Fund assets	39,980	161	40,141
Interest on pension liabilities	(54,010)	(220)	(54,230)
Actuarial gain / (loss)	26,940	(208)	26,732
Net (deficit) / surplus at the end of the financial year	(423,630)	(1,179)	424,809
Exeter & Devon Airport Ltd. deficit held within Profit & Loss		1,179	1,179
Long-term debtor in respect of Plymouth & Torbay	29,581		29,581
County Council pension reserve	(394,049)	0	(394,049)

The group's share of PLUSS Ltd.'s pension assets (which are included in the net investment figure of £183,000) is £128,000. The group's share of PLUSS Ltd.'s pensions reserve is £114,000.

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6. Taxation

The County Council is not liable for Corporation Tax.

2004-05 Group £'000	Subsidiary £'000	2005-06 Share of associate £'000	Total £'000
301 UK Corporation Tax on profits for the year	164	12	176
52 Deferred tax			
119 Origination & reversal of timing differences	7	4	11
Effect of (decrease) / increase in tax rate on opening liability	(55)		(55)
472	116	16	132

The UK Corporation Tax on profits for the year was derived as follows:

2004-05 Group £'000	Subsidiary £'000	2005-06 Share of associate £'000	Total £'000
1,320 Profit on ordinary activities before taxation	751	85	836
380 UK Corporation Tax thereon	197	25	222
Adjusted for:			
25 Expenses not deductible for tax purposes	28	0	28
(52) Capital allowances in excess of depreciation	(7)	(4)	(11)
(52) Short-term timing differences	0	4	4
0 Current period pension adjustments	(54)	(4)	(58)
0 Small companies' rate adjustment	0	(9)	(9)
301	164	12	176

7. Contributions to or from earmarked reserves

2004-05 £'000	To £'000	2005-06 From £'000	Net £'000
Devon County Council			
12,713 Earmarked revenue reserves (see note 21 to the Consolidated Revenue Account for details)	12,276	(1,483)	10,793
0 Landfill Allowances Trading Reserve	968	0	968
8,757 Capital reserves	12,343	(5,693)	6,650
0 Exeter Schools PFI Valuation Reserve	1,689	0	1,689
(9,950) Pensions reserve	(12,122)	0	(12,122)
11,520	15,154	(7,176)	7,978
0 Subsidiary	0	0	0
0 Share of associate	0	0	0
11,520 Contributions to / (from) earmarked reserves	15,154	(7,176)	7,978

DEVON COUNTY COUNCIL
Group Accounts

8. Analysis of fixed assets

	Land & buildings	Infrastructure	Vehicles, plant, furniture & equipment	Surplus assets	Assets under construction	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Gross Book Value, 1 April 2005	972,338	248,663	30,498	13,152	18,077	1,282,728
Additions	42,096	54,830	10,878	142	10,461	118,407
Disposals	0	0	(900)	(3,935)	0	(4,835)
Impairments	0	0	0	0	0	0
Revaluations	44,387	0	0	(254)	0	44,133
Written Off	(48,898)	0	0	(7,353)	0	(56,251)
Internal transfers	7,317	0	0	10,760	(18,077)	0
Gross Book Value, 31 March 2006	<u>1,017,240</u>	<u>303,493</u>	<u>40,476</u>	<u>12,512</u>	<u>10,461</u>	<u>1,384,182</u>
Accumulated depreciation at 1 April 2005	(19,489)	(34,960)	(17,239)	0	0	(71,688)
Prior year adjustments	0	0	0	0	0	0
Revaluations during year	3,604	0	0	0	0	3,604
Disposals during year	(10,051)	(6,022)	(1,905)	0	0	(17,978)
Depreciation in year	3,675	(322)	(555)	0	0	2,798
Total depreciation at 31 March 2006	<u>(22,261)</u>	<u>(41,304)</u>	<u>(19,699)</u>	<u>0</u>	<u>0</u>	<u>(83,264)</u>
Net Book Value at 31 March 2005	952,849	213,703	13,259	13,152	18,077	1,211,040
Net Book Value at 31 March 2006 comprising	994,979	262,189	20,777	12,512	10,461	1,300,918
Devon County Council	974,079	253,896	17,303	12,512	10,461	1,268,251
Exeter & Devon Airport Ltd.	20,900	8,293	3,474	0	0	32,667

Depreciation is provided on tangible fixed assets other than land and non-operational assets in order to write off the book value over the expected life of the asset. Adjustments are made to reflect the expected residual value at the end of its operational life, where appropriate. The expected lives attributed to each class of asset are as follows:

Airport buildings	10 to 20 years	Other buildings	50 to 100 years
Runways & taxiways	16 to 60 years	Other infrastructure	10 to 40 years
Plant & equipment	5 to 10 years		

Fixed Asset Restatement Accounts

2004-05 £'000		Movement £'000	2005-06 £'000
428,074	Devon County Council	(23,907)	404,167
0	Exeter & Devon Airport Ltd.	15,436	15,436
<u>428,074</u>		<u>(8,471)</u>	<u>419,603</u>

DEVON COUNTY COUNCIL
Group Accounts

9. Long-term investments

The group's long-term investment in PLUSS Ltd. is shown as one-third of the company's net assets.

10. Long-term debtors

2004-05 £'000		Movement £'000	2005-06 £'000
109,284	Devon County Council	(2,299)	106,985
(8,121)	Less long-term loans to Exeter & Devon Airport Ltd.	(1,083)	(9,204)
<u>101,163</u>		<u>(3,382)</u>	<u>97,781</u>

11. Stocks

2004-05 £'000		Movement £'000	2005-06 £'000
3,372	Devon County Council	(1,065)	2,307
97	Exeter & Devon Airport Ltd.	(7)	90
<u>3,469</u>		<u>(1,072)</u>	<u>2,397</u>

12. Debtors

2004-05 £'000		Movement £'000	2005-06 £'000
49,033	Devon County Council (net of bad debt provision)	15,251	64,284
2,146	Exeter & Devon Airport Ltd.	(318)	1,828
(64)	Less intra-group debtors	(19)	(83)
<u>51,115</u>		<u>14,914</u>	<u>66,029</u>

13. Cash

2004-05 £'000		Movement £'000	2005-06 £'000
6,364	Devon County Council – at bank / in transit	2,201	8,565
(12,671)	Devon County Council – overdrawn	229	(12,442)
3,594	Exeter & Devon Airport Ltd.	143	3,737
<u>(2,713)</u>		<u>2,573</u>	<u>(140)</u>

14. Creditors

2004-05 £'000		Movement £'000	2005-06 £'000
(71,615)	Devon County Council	(1,275)	(72,890)
(2,975)	Exeter & Devon Airport Ltd.	834	(2,141)
64	Less intra-group creditors	676	740
<u>(74,526)</u>		<u>235</u>	<u>(74,291)</u>

The intra-group creditors for 2005-06 include a short-term investment of £657,000 placed by Exeter & Devon Airport Ltd. with the County Council.

DEVON COUNTY COUNCIL
Group Accounts

15. Provisions

2004-05 £'000		Movement £'000	2005-06 £'000
(13,797)	Devon County Council	(1,320)	(15,117)
(602)	Exeter & Devon Airport Ltd.	48	(554)
<u>(14,399)</u>		<u>(1,272)</u>	<u>(15,671)</u>

Devon County Council's provisions are explained in note 21 to the Consolidated Balance Sheet. Exeter & Devon Airport Ltd.'s provision relates to deferred taxation.

16. Government grants deferred

2004-05 £'000		Movement £'000	2005-06 £'000
112,188	Devon County Council	26,670	138,858
1,010	Exeter & Devon Airport Ltd.	818	1,828
<u>113,198</u>		<u>27,488</u>	<u>140,686</u>

As at 31st March 2006, Exeter & Devon Airport Ltd. had received grant funding of £1.791 million from the South West of England Regional Development Agency, in respect of works to hangars 1 & 2. Under the funding agreement, the grant may be wholly or partially repayable in the event of the sale of 50% or more of the company's share capital. Sale of a majority equity stake in the company is under investigation, although no final decision has been made. The County Council has undertaken to indemnify the company in full for any repayment of grant falling due, should a sale take place.

17. Subsidiary's reserves

Exeter & Devon Airport Limited does not maintain separate earmarked reserves for specific purposes. The table below shows a notional split of the company's accumulated Profit & Loss deficit between the pension deficit and the balance attributable to other factors.

2004-05 £'000	NB: figures prior to audit	Movement £'000	2005-06 £'000
(1,176)	Pensions deficit	(3)	(1,179)
(309)	Other	430	121
<u>(1,485)</u>	Profit & Loss	<u>427</u>	<u>(1,058)</u>

18. Share of associate's reserves

PLUSS Ltd. maintains a Profit & Loss account and a Pensions Reserve for FRS17 purposes. The share of these reserves included in the group accounts are as follows:

2004-05 £'000		Movement £'000	2005-06 £'000
0	Profit & Loss	69	69
0	Pensions Reserve	114	114
<u>0</u>		<u>183</u>	<u>183</u>

DEVON COUNTY COUNCIL
Group Accounts

19. Additional information relating to the Cash Flow Statement

(i) Analysis of net debt

	Balance as at 1 st April 2005 £'000	Cash Flow £'000	Balance as at 31 st March 2006 £'000
Cash in hand & in transit	9,958	2,344	12,302
Cash overdrawn	(12,671)	229	(12,442)
Debt due within 12 months	(5,147)	(1,351)	(6,498)
Debt due after 12 months	(457,043)	(90,996)	(548,039)
Short-term investments	101,583	43,738	145,321
Long-term investments	0	0	0
	<u>(363,320)</u>	<u>(46,036)</u>	<u>(409,356)</u>

(ii) Reconciliation of net cash flow to the movement in net debt

2004-05 £'000		2005-06 £'000	£'000
(343,964)	Opening net debt		(363,320)
(4,092)	Change in cash in the period	1,966	
(39,282)	Cash flow from changes in debt financing	(91,083)	
24,018	Cash flow from changes in liquid resources	43,081	
(19,356)	Movement in net debt		(46,036)
(363,320)	Closing net debt		(409,356)

(iii) Reconciliation of Revenue Cash Flow

2004-05 £'000		2005-06 £'000	£'000
(1,044)	(Surplus) / Deficit for Year		(1,509)
	<u>Non-cash items</u>		
(106)	Direct Revenue Financing	(563)	
(702)	Deferred charges	(702)	
(1,203)	Depreciation charged to trading activities	(1,243)	
(12,639)	Contributions (to) / from earmarked reserves	(15,504)	
(1,988)	(Increase) / Decrease in provisions	(1,115)	(19,127)
(17,164)	Net interest		(19,204)
(472)	Taxation		(116)
	<u>Movement in other current assets</u>		
66	Increase / (Decrease) in stock	(1,072)	
3,698	Increase / (Decrease) in debtors	9,918	
(4,653)	(Increase) / Decrease in creditors	(4,039)	4,807
(36,207)	Revenue Activities Net Cash Flow		(35,149)

DEVON COUNTY COUNCIL

Pension Fund

General

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. Currently eligible staff from 83 active employers may join the fund.

At 31 March 2006 there are 35,058 contributors and 34,344 pensioners in the Fund. 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, the staff and retired members control the investments with advice from specialists.

General Accounting Principles

The Fund Accounts are prepared in accordance with the Local Government Pension Scheme (Management and Investment of Funds) Regulations 1999 and in accordance with the Statement of Recommended Practice for Pension Funds (SORP) issued by the Pensions Research Accountants Group (PRAG). (The Accounting Standards Board (ASB) has approved PRAG for the purposes of issuing recognised SORPS for pension schemes.)

1. Contributions, benefits and investment income are included on an accruals basis.
2. Investments are included in the accounts at market value.
3. Debtors and creditors are raised for all amounts outstanding at 31 March 2006.
4. Transfer values received and paid out have been accounted for on a cash basis.
5. Some additional payments are made to beneficiaries on behalf of certain employers. These payments are subsequently reimbursed by those employers. The figures contained in the accounts are shown exclusive of both the payments and reimbursements.
6. The Pension Fund's financial statements do not take account of liabilities to pay pensions and other benefits after the reported accounting period.

Statutory Statements

As required by the LGPS Regulations a number of Statutory Statements have been prepared and published by Devon County Council (as the Administering Authority). They are as follows:

1. Statement of Investment Principles

A Statement of Investment Principles (S.I.P) was approved by the Investment & Pension Fund Committee and published in February 2000. The S.I.P has subsequently been revised and updated by the Committee in May 2002 and May 2004. The current S.I.P is available on the County Council's website at www.devon.gov.uk/pension_fund_statement.pdf

2. Funding Strategy Statement

A Funding Strategy Statement was approved by the Investment & Pension Fund Committee and published in March 2004. This statement describes the County Council's strategy for the funding of the Pension Fund (and was prepared having regard to the guidance published by CIPFA in March 2004). Full details are published on the County Council's website at www.devon.gov.uk/strategy_statement090305.pdf.

3. Governance Policy Statement

A Governance Policy Statement was approved by the Investment & Pension Fund Committee and published in February 2006. This statement sets out the Administering Authority's policy on Fund governance including the representation and participation of key stakeholders on the Investment & Pension Fund Committee. Full details are published on the County Council's website at www.devon.gov.uk/governance_policy_statement.pdf

4. Communications Strategy Statement

A Communications Strategy Statement was approved by the Investment & Pension Fund Committee and published in February 2006. This statement describes the Fund's strategy for communicating with its various stakeholders. Full details are published on the County Council's website at www.devon.gov.uk/communications_policy_statement.pdf

DEVON COUNTY COUNCIL
Pension Fund

Employers' Contributions

The Employers contribute to the Fund on the basis of recommendations made by the Actuary from time to time. A valuation was carried out during 2004-05 covering the three years ending 31 March 2004. The resulting changes in contribution rates were implemented in 2005-06.

Administration Expenses and Related Party Transactions

Devon County Council is the administering authority for the purpose of the fund, and included within the Investment Management expenses are charges amounting to £0.355m for Investment Management and Accounting and in Administration expenses £0.989m for Pensions Administration expenses. These have been incurred for the internal cost of providing the services.

Cost of Investment

The costs shown in the Accounts include only the direct costs of purchasing investments.

Foreign Currency Transactions

The Pension Fund has significant investments overseas. The value of these investments in the Balance Sheet is converted into sterling at the exchange rates prevailing on 31 March as supplied by Euraplan Limited. Income receipts, and purchases and sales of overseas stocks, are normally converted into sterling at or about the date of each transaction and are accounted for using the actual exchange rate received. Transactions undertaken entirely in foreign currencies are converted into sterling for accounting purposes using rates supplied by Euraplan Limited. Since 1 January 1999 the Fund has had a Euro bank account. Euro transactions are converted into sterling monthly at an average exchange rate.

Market Value of Investments

Market values of stock market investments are provided by Euraplan Limited. Managed Funds, Unit Trusts and other pooled investment vehicles are valued by the individual managers. Unlisted investments totalling £105.727m are held by the Fund, and have been valued by the individual fund managers at market value.

Value Added Tax

The Fund is reimbursed VAT by HM Customs and Excise and the Accounts are shown exclusive of the tax.

Income Tax

The Pension Fund is an exempt Fund, and where permitted UK Income Tax on interest and dividends is recoverable from the Inland Revenue. Legislative changes (as a consequence of the Budget on 2 July 1997) mean that pension funds are no longer able to redeem the 20% tax credit attached to UK company dividends. Since that date UK company dividends are included net of the tax credit.

Withholding tax is payable on income from overseas investments. This tax is recovered wherever local tax laws permit.

Consequent upon rulings given in the European Court of Justice, along with a number of other local authority pension funds, the Devon Fund is pursuing the recovery of tax paid on certain dividends. If successful this will be of material benefit to the Fund. The amount which may be recoverable is not currently quantifiable.

Investment Transactions

In 2005-06 the transactions of the Fund comprised £686.8 million purchases and £565.4 million sales.

Actuarial Valuation

An actuarial valuation of the Fund was carried out at 31 March 2004. At this date the Fund had assets with a market value of £1,348.3 million. In Actuarial terms this represented a solvency level of 61%. Contribution rates are set with a target of bringing assets to 100% of liabilities over a period of approximately 25 years. The valuation was prepared using the Smoothed Market Value method

DEVON COUNTY COUNCIL
Pension Fund

and the following actuarial assumptions were made. Rate of Return on Assets 5.2%pa (after retirement), 6.2%pa (before retirement), Rate of Pay Increases 4.4%pa, Rate of Pension Increases 2.9%pa (on pensions in excess of guaranteed minimum pensions), Rate of Price Inflation 2.9%pa. The results were implemented with effect from 1 April 2005.

Investment Management Arrangements

The Fund is managed by the In-house Investment Team and three external managers in the following proportions at 31 March 2006.

	£000	%
DCC Investment Team	762,842	38.5
UBS	238,508	12.1
Capital International	225,741	11.4
UBS (Managed Fund)	355,207	18.0
SSGA (Managed Fund)	396,075	20.0
Total	1,978,373	100.0

Stock Lending

The Local Government Pension Scheme Regulations allow the Fund to lend stock provided that the total value of the securities to be transferred does not exceed 25% of the total fund value. In 2005-06 the In-house managed funds and both external managers lent both UK and Overseas stocks.

State Street Bank acts as custodian to the In-house funds and to one of the external managers (Capital International) and has been authorised to lend on behalf of both. JP Morgan Worldwide Securities Services act as custodian for the other external manager (UBS), and have been authorised to lend stocks from this portfolio. Collateral is required against all loans in the form of cash or another approved form of security. At 31 March 2006 the total stock on loan amounted to £46.177m (2.3% of total fund value).

	£m
DCC In-House	31.778
Capital International	1.131
UBS	13.268
Total	46.177

Analysis of Investments

	U.K £000	Overseas £000
Fixed Interest	215,713	93,379
Equities (Listed)	202,125	226,651
Managed Funds	496,878	254,404
Property Unit Trusts	193,162	0
Other Unit Trusts	29,470	49,413
Unlisted Securities	56,982	48,745
Cash and Short Term Loans	111,448	3
Total	1,305,778	672,595

Analysis of Managed Funds

	UBS £000	SSGA £000
U.K.	355,207	141,671
North America		92,507
Europe		110,428
Japan		51,469
Total	355,207	396,075

DEVON COUNTY COUNCIL
Pension Fund

Scheduled and Admitted Bodies

The scheduled and admitted bodies who are contributors to the Pension Fund are listed below.

Principal Councils

Devon County Council
East Devon District Council
Exeter City Council
Mid Devon District Council
North Devon District Council
Plymouth City Council
South Hams District Council
Teignbridge District Council
Torbay Council
Torrige District Council
West Devon Borough Council

Other Major Service Providers

Dartmoor National Park Authority
Devon & Cornwall Police Authority
Devon & Cornwall Probation Service
Devon Fire & Rescue Authority
Devon Sea Fisheries Committee

Town & Parish Councils

Ashburton Town Council
Barnstaple Town Council
Bideford Town Council
Bovey Tracey Town Council
Braunton Parish Council
Buckland Monachorum Parish Council
Combe Martin Parish Council
Crediton Town Council
Cullompton Town Council
Dartmouth Town Council
Dawlish Town Council
Exmouth Town Council
Ilfracombe Town Council
Ivybridge Town Council
Kingsbridge Town Council
Kingsteignton Parish Council
Lynton & Lynmouth Town Council
Newton Abbot Town Council
Okehampton Town Council
Sidmouth Town Council
South Brent Town Council
South Molton Town Council
Tavistock Town Council
Totnes Town Council
Ugborough Parish Council
Woodbury Parish Council

Other Scheduled Bodies (deemed)

Plymouth City Bus

Foundation Schools

Colyton Grammar
Devonport High School for Boys
Knowles Hill School
Paignton Hayes Road Primary School
St. Boniface R.C. Boys College
Teign School
Torquay Boys Grammar School
Uffculme School

Further / Higher Education Corporations

Bicton College of Agriculture
East Devon College
Exeter College
North Devon College
Plymouth College of Art & Design
Plymouth College of Further Education
South Devon College of Arts & Technology
University of Plymouth

Admitted Bodies

Call 24 Hour Ltd.
Carillion JM Ltd.
Dame Hannah Rogers School
Leisure East Devon Ltd.
NCP Ltd.
North Devon Crematorium Committee
North Devon Homes Ltd.
Open College Network – SW Region
PLUSS
Plymouth Citizen's Advice Bureau
Plymouth Keyham Community Partnership
Plymouth Millfield Economic Development Trust
Plymouth Shopmobility
Plymouth Swarthmore Adult Education Centre
Plymouth Wolseley Development trust
Riviera Housing Trust
Royal School for the Deaf, Exeter
South West Tourism
Teign Housing Ltd
Tor Homes Ltd
Torbay Coast & Countryside Trust
Torquay Museum Trust
Valuation Tribunal Service – Devon
West Devon Homes Ltd.

DEVON COUNTY COUNCIL
Pension Fund

Contingent Liabilities

1. 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 that 'pension pot' to the PCSPS. The detailed results of these elections have not yet been finalised and agreed but the Fund Actuary estimates that the bulk transfer value should not exceed £3m. The cash transfer will be concluded in 2006-07.

2. On 1 December 2005 staff employed by Torbay in providing social care services were transferred to the Torbay Primary Care Trust. From that date pension contributions for those employees went to the National Health Service Pension Scheme (NHSPS). All affected staff subsequently have 12 months to elect whether to leave their accrued pension entitlement with the Devon Fund (as a deferred benefit) or transfer that 'pension pot' to the NHSPS. The detailed results of these elections have not yet been finalised and agreed but the Devon Fund Actuary estimates that the bulk transfer value should not exceed £15m. The cash transfer will be concluded in 2006-07.

Pension Fund Annual Report

A more detailed annual report on the activities of the Pension Fund is available from the County Council's website at www.devon.gov.uk/pensions/investments.html or by request in writing from the Investment Manager, Devon County Council, County Hall, Exeter, EX2 4QJ .

DEVON COUNTY COUNCIL
Pension Fund

2004-05	Fund Account	2005-06
£'000	Contributions and Benefits	£'000
	Contributions receivable:	
79,984	Employers	89,866
7,492	Employers – Additional Capital Contributions	965
28,807	Employees	29,705
20,338	Transfers in from other schemes	18,529
	136,621	139,065
	Benefits Payable:	
(63,865)	Pensions	(67,982)
(10,746)	Lump Sums	(13,274)
(909)	Death Benefits	(1,066)
(414)	Refunds	(232)
(10,957)	Transfers out to other schemes	(13,113)
(1,086)	Administration expenses	(1,020)
	(87,977)	(96,687)
	48,644	42,378
	NET ADDITIONS (WITHDRAWALS) FROM DEALINGS WITH FUND MEMBERS	
	Returns on Investments	
28,800	Investment Income	32,662
(1,744)	Investment Management expenses	(1,494)
136,425	Change in Market Value of Investments:	351,949
	163,481	383,117
	Net Returns on Investments	
	212,125	425,495
	Net Increase (Decrease) in the Fund during the year	
	1,348,348 Opening Net Assets of the Fund at 1 April	1,560,473
	1,560,473	1,985,968
	Net Assets of the Fund at 31 March	
	1,560,473	1,985,968
	Net Asset Statement	
	Investments at Market Value	
	Fixed Interest	
80,362	U.K. Government Stocks	88,760
94,988	U.K. Index Linked Stocks	104,301
61,876	Overseas	80,592
10,326	Other	35,439
	Equities (Listed)	
169,352	U.K.	202,125
154,483	Overseas	226,651
578,829	Managed Funds	751,282
148,101	U.K. Property Unit Trusts	193,162
56,515	Other Unit Trusts	78,883
75,850	Unlisted Securities	105,727
5	Foreign Currency	3
	1,430,687	1,866,925
121,276	Cash and Short Term Loans	111,448
12,873	Current Assets	15,451
(4,363)	Current Liabilities	(7,856)
	129,786	119,043
	1,560,473	1,985,968
	Net Assets of the Fund at 31 March	
	1,560,473	1,985,968

ACCOUNTING POLICIES

Accounting policies define the process whereby transactions and other 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; the basis on which it is to be measured; and where in the revenue account or balance sheet it is to be presented. Accounting policies do not include estimation techniques.

ASSET MANAGEMENT REVENUE ACCOUNT

The revenue account which contains the credit for capital charges and government grants deferred contributions, offset by charges for depreciation provision and external interest payments.

ASSOCIATE

For the purposes of the group accounts, an associate is an organisation in which the County Council has a participating interest, and over which it is able to exercise significant influence – but less than that required for the organisation to be categorised as a joint venture or a subsidiary.

BALANCE SHEET

The accounting statement which sets out the Council's total net assets and how they were financed.

CAPITAL CHARGE

The charge to the revenue account for the use of fixed capital assets.

CAPITAL FINANCING ACCOUNT

Contains the amounts to be set aside to repay debt and the amount of capital expenditure financed by capital receipts and revenue. It also contains the difference between the amounts provided for depreciation and the amount for Minimum Revenue Provision.

CAPITAL RECEIPTS

Income received from the sale of capital assets and available, subject to rules laid down by Government, to finance new capital expenditure or to repay debt.

CASHFLOW STATEMENT

Summarises the inflows and outflows of cash arising from transactions with third parties for capital and revenue purposes.

CIPFA

The Chartered Institute of Public Finance and Accountancy.

CONTINGENT LIABILITIES

They are either

- A possible obligation arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the authority's control.
- A present obligation arising from past events where it is not probable that a transfer of economic benefits will be required or the amount of the obligation cannot be measured with sufficient reliability.

COUNTY (GENERAL) FUND

This balance is a general revenue reserve, enabling the Council to operate without borrowing before the first precept payments are received. The balance on this fund is an element of the Council's risk management strategy.

CREDITORS

Amounts owed by the Council for goods and services that it has received but for which payment has not been made by 31 March.

CREDIT CEILING

Statutorily prescribed measure of net indebtedness arising from historical capital transactions.

DEBTORS

Amounts owed to the Council at 31 March where services have been delivered but payment has not been received.

DEPRECIATION

The measure of the cost or re-valued amount of the benefits of the fixed asset that have been consumed during the period. Consumption includes the wearing out, using up or other reduction in the useful life of a fixed asset whether arising from use, passage of time, or obsolescence – which may result from either changes in technology or demand for the goods and services produced by the asset.

DIRECT REVENUE FINANCING

The financing of capital expenditure from revenue monies rather than from loan or other capital funds.

FINANCIAL REPORTING STANDARDS (FRS)

These standards are set nationally by the Accounting Standards Board, and are complementary to the Statements of Standard Accounting Practice.

FIXED ASSETS

Tangible assets that yield benefits to the local authority and the services it provides for a period of more than one year.

FIXED ASSET RESTATEMENT ACCOUNT

Represents the difference between the revalued amount for fixed assets and their original cost.

GOVERNMENT GRANTS

Sums of money paid by the Government and inter-government agencies and similar bodies, whether local, national or international, in return for past or future compliance with certain conditions relating to the activities of the authority either in aid of local government services generally (Revenue Support Grant) or for identified services (specific grants).

The following abbreviations have been used to describe awarding bodies in the analysis of Government grants shown in note 7 to the cash-flow statement on page 54:

DEFRA = Department of the Environment & Rural Affairs

DfES = Department for Education & Skills

DfT = Department for Transport

DH = Department of Health

DTI = Department of Trade & Industry

DWP = Department of Work & Pensions

HO = Home Office

ODPM = Office of the Deputy Prime Minister

GROUP ACCOUNTS

A consolidation of the County Council's major financial statements with those of its subsidiaries, joint ventures and associates.

IMPAIRMENT

A reduction in the value of a fixed asset, measured by specific means, below its stated amount in the balance sheet.

IN AND OUTS

Capital receipts earmarked for spending on replacement assets.

INFRASTRUCTURE ASSETS

Fixed assets that are inalienable, expenditure on which is recoverable only by continued use of the asset created. Example: highways and footpaths.

JOINT VENTURES

For the purposes of the group accounts, a joint venture is an organisation in which the County Council has a participating interest, and over which it is able to exercise significant influence – but only with the unanimous agreement of the other participating interests.

LANDFILL ALLOWANCES TRADING SCHEME (LATS)

The LATS scheme is one in which each Waste Disposal Authority is allocated a limit on the amount of waste that can be disposed of via landfill: exceeding this limit incurs a financial penalty of £150 per tonne, unless additional allowances can be purchased from other local authorities. The County Council is required to show a notional book value for the allowances allocated in the revenue account and to show the unused allowances on the balance sheet, even though no actual cash has changed hands.

LENDERS' OPTION / BORROWERS' OPTION (LOBO)

Some types of loan are structured to allow either the lender or the borrower to exercise the option to change the interest payable on the loan at specified break-points. In some circumstances it may be more appropriate to make provisions that anticipate future exercise of such options, in order to spread the effect over the entire length of the loan. This treatment does not affect the total amount of interest paid.

LOANS OUTSTANDING

Amounts borrowed to finance capital expenditure which have yet to be repaid.

OUT-TURN

The final actual expenditure and income in a given period.

PRECEPTS / LEVIES

A levy is a charge made by one statutory body on another to meet the net cost of its services. A precept is a charge made by a statutory body upon the Council Tax Collection Fund. The two concepts are similar, and are often confused. In 2005-06, the County Council paid levies to the Devon Sea Fisheries Committee and the Environment Agency. The County Council also issued precepts upon the Council Tax Collection Fund operated by each of the eight District Councils in its area.

PRIVATE FINANCE INITIATIVE (PFI)

PFI is a generic term used to describe a wide variety of arrangements under which private sector provision of a combination of assets and services is paid for by the public sector via a long-term performance-related contract.

PRIVATE FINANCE INITIATIVE REVALUATION RESERVE

The County Council's PFI contract for Exeter schools results in the school buildings being handed over to the County Council without further charge at the end of the contract period. The PFI revaluation reserve spreads the value of the buildings being acquired over the contract period, in order to reflect the extent to which contract payments will ultimately result in additional assets for the County Council.

PRIOR PERIOD ADJUSTMENTS

Those material adjustments applicable to prior years arising from changes in accounting policies or from the correction of fundamental errors. A fundamental error is one that is of such significance as to destroy the validity of the financial statements. They do not include normal recurring corrections or adjustments of accounting estimates made in prior years.

PROVISIONS

Sums of money set aside to meet specific expenses which are likely or certain to be incurred but where the amount cannot be accurately determined. The sums set aside are charged to the appropriate service Revenue Accounts.

PUBLIC WORKS LOAN BOARD

A Government Agency which provides long term loans to local authorities.

RELATED PARTIES

Related parties of a local authority might include:

- Central Government;
- Other bodies levying demands on the Council tax;
- Subsidiary and Associated Companies;
- Joint Ventures and Joint Venture partners;
- Members and Chief Officers;
- the Pension Fund; and
- any member of a close family, household, partnerships, companies, trusts or other entity in which the individual, or a member of their close family or the same household, has a controlling interest.

The Code of Practice requires disclosure of information in respect of material transactions with related parties, not disclosed elsewhere, including:

- Details of significant government grants and the awarding bodies;
- Transactions with subsidiary and associated companies;
- Transactions with the Pension Fund.

The aim of the disclosure is to identify those bodies who may exercise an element of influence or control over the financial and operating policies of an Authority.

RELATED PARTIES' TRANSACTIONS

The transfer of assets or liabilities or performance of services by, to, or for, related parties irrespective of whether a charge is made.

Examples where actions between related parties occur:-

- The purchase, sale, lease, rental or hire of assets.
- The provision by a pension fund.
- The provision of a guarantee
- The provision of services (administration services)
- Transactions with related individuals not applicable to other members of the community

RESERVES

Sums of money set aside to meet general rather than specific future liabilities. The sums set aside are charged to general county funds and not to service Revenue Accounts. The Reserves balances form part of the earmarked section of the County Fund.

REVENUE ACCOUNT

The Account which sets out the Council's Income and Expenditure for the year for non capital spending.

REVENUE EXPENDITURE

Expenditure on the day-to-day provision of services.

SERVICE LEVEL AGREEMENT (S L A)

Service Level Agreements set out the type and standard of service that one organisation provides to another, or – more frequently – the services provided by one part of an organisation to another part of the same organisation.

SINKING FUND

This is a method of equalising payments due over the period of a long-term contract, used where contractual payments and sources of finance differ in their timing. The County Council is using a sinking fund in respect of the Exeter Schools contract, due to differences between the profile of payments to the contractor and associated Government grant support known as PFI credits.

STATEMENT OF RECOMMENDED PRACTICE (S O R P)

Recommendations by the Accounting Standards Board as to accounting treatment, but which do not have the same force as Financial Reporting Statements or Statements of Standard Accounting Practice. SORPs are usually used to provide greater detail regarding the appropriate accounting treatment for a particular sector, such as local authorities or charities.

SUBSIDIARY

For the purposes of the group accounts, a subsidiary is an organisation over which the County Council is able to exercise control in respect of its operating & financial policies, and from which the County Council is able to gain benefits or is exposed to the risk of potential losses.

STATEMENT OF STANDARD ACCOUNTING PRACTICE (S S A P)

Standard accounting treatment of specific types of transaction as laid down by the Accounting Standards Board. These statements are predecessors to the Financial Reporting Standards, and still apply to issues for which no Financial Reporting Standard has been issued: eg, the treatment of stocks.

TEMPORARY BORROWING

Borrowing for temporary purposes for a period of less than one year.