

DEVON COUNTY COUNCIL

***STATEMENT OF
ACCOUNTS***

2004-2005

DEVON COUNTY COUNCIL
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1. Introduction

The accounts contained in this statement represent the County Council's financial performance for 2004-05 and comprise the following statements :-

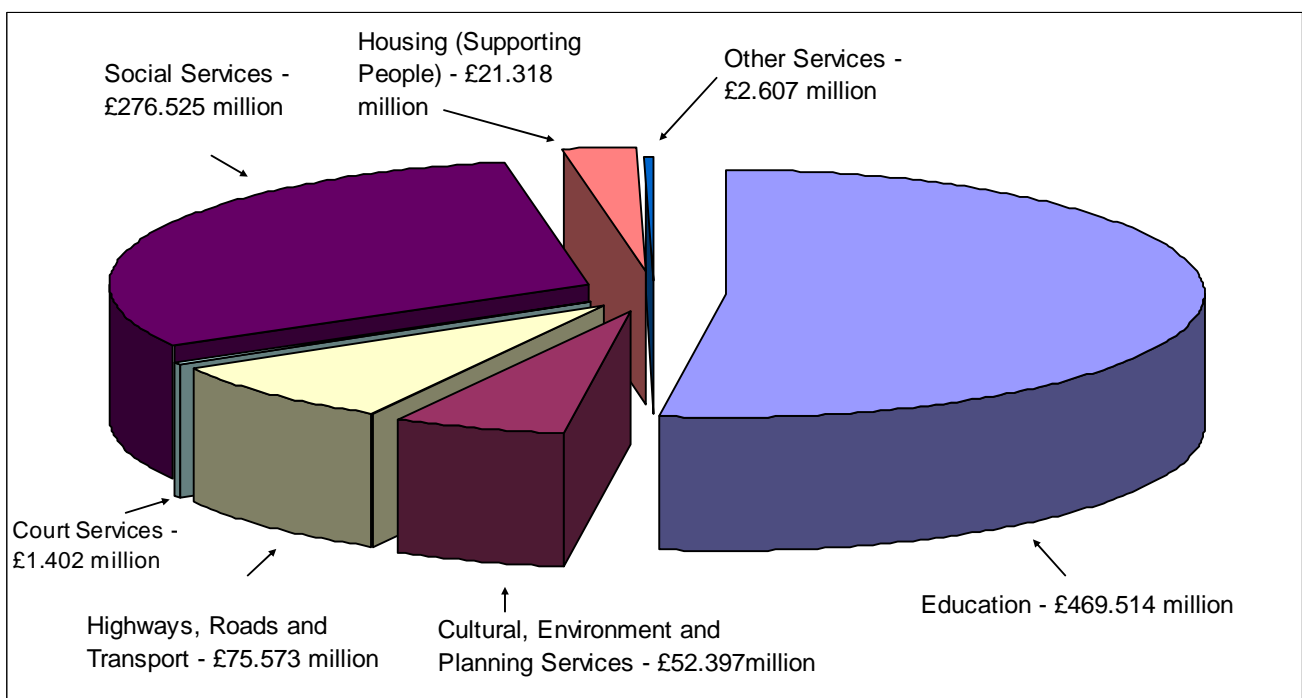
- ✧ Consolidated Revenue Account, which indicates the expenditure and income for the Council's day to day operations (page 21);
- ✧ Consolidated Balance Sheet, specifying the assets and liabilities of the Council as at 31st March 2005, excluding Pension and Trust Fund transactions (page 31);
- ✧ A Statement of Total Movement in Reserves, bringing together all movements in reserves during the year, distinguishing between capital and revenue items (page 49);
- ✧ The Cash Flow Statement, summarising the inflows and outflows of cash arising from revenue and capital transactions (page 52);
- ✧ Group Accounts, providing financial details of all operations such as companies in which the County Council has a material interest (page 55);
- ✧ Devon Pension Fund Accounts, recording the Fund Account and Net Asset Statement for the Fund (page 60).

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

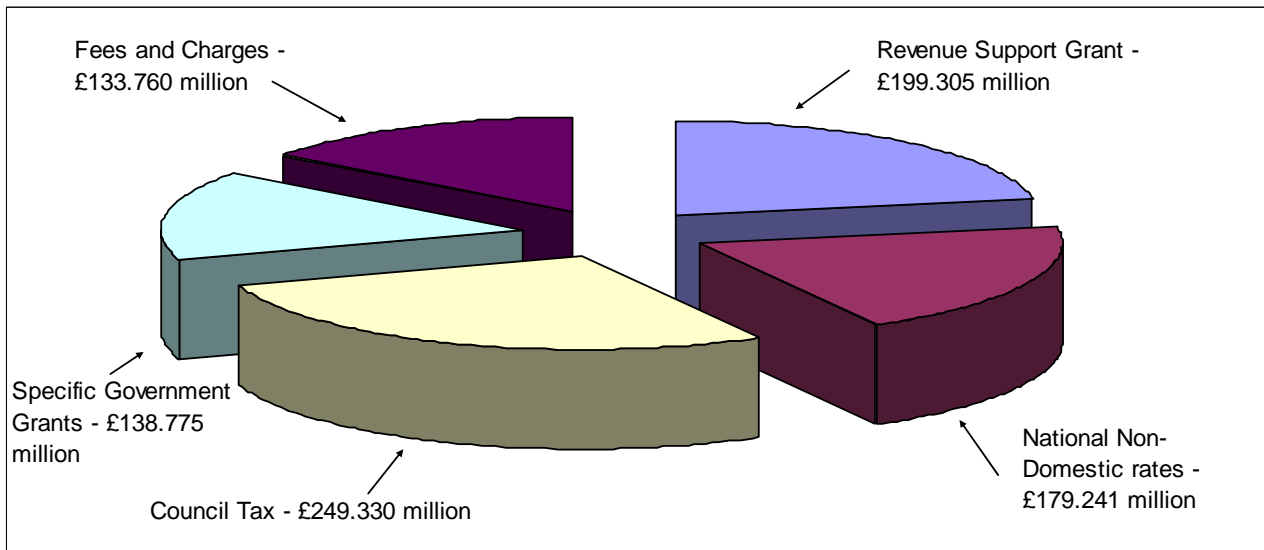
Throughout the Statement, comparative figures for last year are provided as appropriate.

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 £899.336 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 grants totalled £138.775 million and Revenue Support Grant from Government was £199.305 million. The Council's share of the National Non-Domestic Rate Pool was £179.241 million and income from fees and charges totalled £133.760 million. Council tax income amounted to £249.330 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.

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 premises operating costs such as rents, rates, heating and lighting, together with other areas of expenditure such as the purchase of materials, supplies and services. Income is generated by charging users for some services, as well as receiving grants from Government and other organisations.

The County Council's revenue budget is complex, providing finance for a range of services and functions. Budgets are set by elected Members prior to the commencement of each financial year and management action is taken throughout the year to maximise their application. Regular reports are made to Members throughout the year, providing budget monitoring forecasts and at the year end, Members approve the outturn position.

The financial year started with some significant overspends being forecast on Education and Social Services. Management action was taken and expenditure on other budgets held back during the year to ensure that that overall budget was held in balance. This action resulted in some underspendings and savings as indicated in the sections below.

Education, Arts, and Libraries Directorate:

Spending on delegated school budgets was £259.910 million against an approved budget of £270.018 million, which contained a carry forward from 2003-04 of £10.878 million. Year-end net expenditure was therefore just under 4% less than the final approved budget. The underspend will be carried forward into 2005-06.

The remainder of the Education, Arts and Libraries Directorate incurred spending of £70.244 million against an approved budget of £71.621 million, producing a variation of £1.377 million. The main

reasons for the saving related to a reduction of the Standards Fund LEA contribution, savings in Statemented Pupils and economies in central services. These were offset in part by increased spending on the pupil contingency and redundancy budgets. Teaching and central staff redundancies occurred as a result of a fall in pupil numbers and the reorganisation of some central services. Provision was made to carry forward the underspending on School Standards Fund LEA contributions and some other items, giving rise to a final outturn overrun of £0.739 million.

Environment Directorate:

Spending on the Highway Network Maintenance was £33.537 million against a budget of £33.503 million. Waste Disposal and Recycling provision incurred net spending of £20.69 million against a budget of £22.562 million. This was the result of a reduction in the rate of growth of waste following the County Council's Waste Minimisation campaign. Savings were also achieved in management and support because of staff vacancies and on service level agreement reductions and computing. Overall, the Directorate provided savings of £2.881 million, of which £1.068 million was carried forward to 2005-06 to finance in part highway spending, on-street parking and public transport investment. The major part of the balance has been put into a reserve to help to meet future Waste Management costs.

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

Staff vacancies, delays in undertaking projects and increased income from commons registration fees resulted in the Chief Executive's Directorate underspending by £0.650 million. The Personnel and Performance Directorate spent £2.234 million against a budget of £2.65 million and after a budget carry forward of £0.2 million to 2005-06, achieved savings of £0.216 million. These arose from staff vacancies and increased income from the temporary staff register, advertising and other services. The Finance and IT Directorate produced savings of £1.676 million from holding staff vacancies, delaying the installation of Information Technology systems and additional income from a variety of sources, £1.108 million was carried forward or transferred to specific funds.

Social Services Directorate:

Net service expenditure totalled £155.391 million against a budget of £155.027 million, producing a variation of £0.364 million. Major pressures were experienced in Older Peoples and Disability Services (£0.962 million), Mental Health Services (£0.285 million) and Learning Disability Services (£0.511 million) with some offsetting underspends in Strategic and Corporate Services (£0.731 million) and Childrens Services (£0.053 million). With a contribution of £0.600 million to the Modernisation Fund, from the Residential Allowances Grant, the final variance against approved budget totalled £0.964 million.

Other Budgets:

Expenditure on capital financing charges was £ 31.150 million and this represented a saving of £2.044 million on the original budget, as a result of slippage on the capital programme and lower than forecast interest rates on borrowing. Income from the investment of the County's cash balances was £5.435 million which was £2.388 million above the budgeted level. Tight management of the inflation contingency during the year generated a further saving of £1.636 million.

Movements in Reserves:

The Authority budgeted for contributions of £8.635 million to earmarked reserves. Through prudent management of the budget further contributions of £9.886 million to earmarked reserves were possible. In addition, carry forwards of underspendings on Directorate budgets of £4.902 million in accordance with the scheme of budget management have been approved by the County Council. After taking account of spending, the total net increase in earmarked reserves (excluding school reserves) was £12.743 million.

Overall:

An increase of £1million in general fund balances was planned for 2004-05. The net budgetary impact of underspending and additional contributions to earmarked reserves described above is a net underspending of £0.075 million and this has been added to the General Fund. At 31st March 2005, the General Fund balances stood at £14.001 million.

Management of the Budget: Capital Spending

The 2004-05 Capital Programme represented a further massive 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 £83 million. Further resources were obtained during the year and the final programme totalled £125.557 million. Year-end accrued spending totalled £99.788 million, with the balance of provision being carried forward into 2005-06.

Capital Expenditure in 2004-05 resulted in a number of major improvements to the infrastructure of the County. Some of the major schemes undertaken were :-

- A start was made on Barnstaple Western By-pass
- Specialist teaching accommodation at Totnes King Edward VI Community College, South Molton Community College and Coombeshead College, Newton Abbot
- Inverteign Infants and Junior Schools amalgamation to one site and amalgamation of Exwick Middle and Foxhayes First Schools
- New Dartmouth library, provided in conjunction with the Flavel Trust and South Hams District Council
- Extension of National Cycle network
- Commencement of bridge building work at the Haldon Chalets junction on the A380
- Second phase development of Exeter High Street in partnership with Exeter City Council
- Wonford Home Zone development
- Major highway structural maintenance programme costing £15.9 million to Improve the road condition of Devon's highway network
- Upgrading of Mapleton Residential Home, Alphin House and facilities at Kingsteignton Community Resource Centre
- Construction of the Devon Heritage and Information Centre, in conjunction with Lottery Heritage and The Met Office.

3. Material Assets Acquired or Liabilities Incurred

There were no single material assets acquired during the year. However, as always, a number of major capital schemes were completed and these included the schemes outlined above.

4. 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 £985.31 million, against estimated assets of £573.82 million. It must be emphasised that these estimates reflect the position as at 31st March 2005 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.

5. Material or Unusual Charges or Income within the Accounts

Exceptionally, the County Council received £602,000 from Government in respect of Performance Reward Grant related to the Public Service Agreement.

In addition, £2.15 million was received in relation to the council's interest in a land holding.

6. Changes to Statutory Functions

Devon Fire Authority became an independent precepting organisation (setting its own level of Council Tax) with effect from 1st April 2004. At the same time, funding responsibility for Dartmoor and Exmoor National Parks was transferred to Central Government. Lastly, from April 2004, the major part of Flood Defence funding transferred to Central Government.

7. 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 2004-05 the authorised limit for external debt was set at £509.742 million.

At the year-end, long-term borrowing totalled £449.639 million. Short-term borrowing totalled £4.430 million, resulting in total borrowing of £454.069 million.

8. Funds for Capital and Other Commitments

The capital programme required finance of £100.205 millions. Credit Approvals (authority to borrow) comprised £55.259 millions, with grants and contributions totalling £36.011 millions. Capital receipts generated funding of £6.605 millions and direct revenue contributions / use of reserves provided £1.143 millions per note 12 to Consolidated Balance Sheet.

Outside of the capital programme, the PFI contract for the re-modelling and re-provision of some schools within Exeter was signed on 26th March 2004 with Modern Schools (Exeter) Ltd, the registered name for the company set up by Mowlem PLC. The contract will entail one primary school and five secondary schools being rebuilt in the city with a capitalised value of £94.451 million. Work started on sites soon after the contract was signed and payments under the PFI contract commence when the schools are available for occupation.

9. Conclusion

The County Council once again faced the very significant challenge of providing valuable and vital services to all users against a background of financial and resource pressures.

Planned contributions to reserves has resulted in the General Fund holding just over £14 millions and this accords with the risk assessed balance required to maintain an adequate contingency.

The County Council continues to make major capital investment in its asset base, both in terms of buildings and highways infrastructure. The Exeter Schools PFI represents a major opportunity to the area and allied to the core capital programme of the Authority, will substantially enhance and improve the quality of services provided.

The County Council continues to face significant challenges in the future. Service pressures arising from demography and the need to modernise service provision, systems and processes will need to be accommodated as well as investment in new facilities to meet Government and EU targets for waste management.

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

John Mills
Director of Finance and IT
June 2005

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 2005 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 2004 on Local Authority Accounting and the Best Value Accounting Code of Practice 2004 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 £0.384 million at 31 March 2004 and £0.272 million at 31 March 2005.

(b) Lenders Options Borrowers Options (LOBO's) The treatment of Lender's Option Borrowers Options (LOBO) Money Market Loans has been under review, in line with FRS4. Since these loans were taken

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Statement of Accounting Policies

out in 2001/02, Devon County Council has taken the view that the correct treatment for the interest payable on these loans is to apply the annual interest payable: over this 4 year period, this amounted to £13.120 million. If the Council were to have used the SORP interpretation of FRS4, the total interest charges for this period would have been £15.204 million.

Devon County Council awaits the introduction of FRS26 into the SORP before it considers changing its treatment of interest payable on LOBO loans in the Statement of Accounts.

(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 £75,000. Outstanding liabilities in relation to equipment acquired under lease finance total £12,000.

For more details of the Council's leasing transactions see Note 10 to the Consolidated Revenue Account on page 23.

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 60.

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.

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Statement of Accounting Policies

(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.

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 £14.0 million. The balance as at 31st March 2005 is £14.001 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 43.

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 are detailed in Note 25 on page 45.

Earmarked reserves represent funds set aside for specific planned developments. The total level of earmarked reserves was £37.823 million as at 31st March 2005 (£25.080 million as at 31st March 2004). Details of earmarked reserves are provided on page 45.

School balances are controlled by school governors and are by law earmarked to individual schools. School balances totalled £ 10.108 at 31st March 2005 (£10.878 million at 31st March 2004).

Capital Reserves are not available for revenue purposes and certain of them can only be used for specific statutory purposes. Two of these reserves are non cash backed reserves and are therefore referred to as accounts in 2004/05. From April 1st 2004, the Fixed Asset Restatement Reserve (FARR) became the Fixed Asset Restatement Account (FARA) and the Capital Financing Reserve (CFR) became the Capital Financing Account (CFA). The Usable Capital Receipt Reserve is a reserve established for specific statutory purposes.

7. Contingent Liabilities

A number of contingent liabilities exist for the Authority and these are specified on page 42.

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 5.95% on the borrowing outstanding at April 1st 2005.

9. Repurchase of Borrowing

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Statement of Accounting Policies

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.

10. Deferred Charges

Deferred Charges were payments which although producing benefits to the Council's stakeholders over a number of years did not increase the value of fixed assets which belong to the County Council. They were written off over 40 years. The types of expenditure to which Deferred Charges usually applied did not deliver economic benefits that were controllable by Devon County Council and under new guidance are now written out in the year recognised. In 2004/05 all Historic Deferred Charges were written out to the Capital Financing Account. 2004/05 expenditure which would have met the deferred charge criteria was written out to revenue through the Asset Management Revenue Account. Any expenditure which would have met the deferred charge criteria but which delivered economic benefit controllable by Devon County Council would have been an Intangible Asset. There were no Intangible Assets in 2004/05.

11. 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 2004/05.

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.

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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.

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, infrastructure and vehicles and plant are reviewed for impairment. Other assets have not been reviewed.

12. 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.

13. 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.

14. 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 not been transferred to the Joint Committee and remain within the County Council balance sheet.

15. Related Companies and Group Accounts

The County Council's interests in, and financial relationships with, related companies are explained in detail in note 21 to the Consolidated Balance Sheet on page 42.

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The 2004-05 Group Accounts are prepared under the Transitional Arrangements rather than under the 2004 Statement of Recommended Practice (SORP) modified Group Accounts requirements. Group accounts are shown on pages 55 to 59.

16. 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 21).

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 50).

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 2005 is £ 112.188 million (see note 13 page 38).

17. 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.

18. 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. As the fund was only 61% of this level at the time of the last valuation increases in employers' contribution are necessary. This is being phased over several years

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 2004 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 2004 specifies accounting treatment of the schemes in which the County Council participates as follows.

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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.

Discount Rate

In assessing liabilities for retirement benefits at 31st March 2004 for the 2003-04 Statement of Accounts the actuary was required by the SoRP to use a discount rate of 3.5% real (6.4% actual). For 2004-05 Statement of Accounts, a rate based on the current rate of return on a high-quality corporate bond of equivalent currency and term to scheme liabilities is to be used. The actuary has advised that a rate of 2.4% real (5.3% actual) is appropriate. Application of this rate has resulted in an increase in liabilities measured at today's prices of £160 million adjusted for by an increase in actuarial losses recognised for the year in the Statement of Total Movements in Reserves.

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.

19. Exceptional Items, Extraordinary Items and Prior Period Adjustments

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. In 2004-05 Devon County Council received £ 602,280 in Government Grant for Public Service Agreements which is further described in note 6 to the Consolidated Revenue Account.

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

DEVON COUNTY COUNCIL
Statement of Accounting Policies

Council. In 2004-05 Devon County Council received £ 2,150,000 in respect of transactions relating to a lease at Cullompton which is further described in note 13 to the Consolidated Revenue Account.

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. In 2004-05 Fixed Assets – Land and Buildings, Fixed Asset Restatement Account, Fixed Assets Non Operational, Deferred Charges and Capital Financing Account are all restated as shown in Note 2 to the Notes to the Consolidated Balance Sheet.

20. Estimation Techniques

A de minimis 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 Reserve. 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 11 to the Statement of Accounting Policies (page 10) and in note 8 to the Consolidated Balance Sheet (page 35).

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 26 to the Consolidated Balance Sheet (page 47).

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 and IT;
- 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 and IT

The Director of Finance and IT 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 31 March 2005

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

I hereby certify that this Statement of Accounts for the year ended 31 March 2005 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 2005 and its income and expenditure for the year ended 31 March 2005.

John Mills, Director of Finance and IT



Date

21st June 2005.

APPROVAL OF THE STATEMENT OF ACCOUNTS

I confirm that these accounts were approved by the Audit Committee at its meeting held on 29 June 2005

Signed on behalf of Devon County Council

Chairman of Audit Committee



Date

29. June 2005

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 2005 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 2004-05 it was comprised of a Leader and no more than nine 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 2004-05 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

- 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 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.
- A rolling programme of Best Value reviews covers the medium term. Reports are taken to Executive for approval as appropriate and Government's targets for economy, efficiency and effectiveness are secured from the process.
- 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.

DEVON COUNTY COUNCIL
Statement of Internal 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.

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.

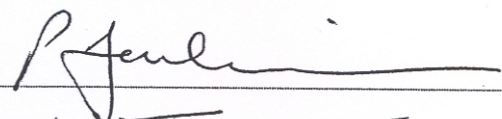
We have been advised on the implications of the result of the review of the effectiveness of the system of internal control by the risk management group and reports from Internal Audit, and a plan to address weaknesses and ensure continuous improvement of the system is in place.

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 :-

- Work on performance management needs to build upon the computer system's introduction and become an essential element for all Directorates work in this area
- Continued review the Council's Risk Register and establish Risk Control Action Plans for the management of new operational risks in all areas
- Implementation of procedures/processes to address issues highlighted by the recent review of Internal Control
- A review of the managerial and control processes for the new Local Area Agreement
- External funding / grant claim processes require re-emphasis of timeliness and quality in order to minimise the risk of loss or clawback of grant

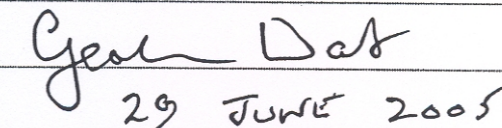
Chief Executive



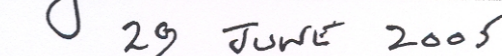
(Dated)



Chair of the Audit Committee



(Dated)



INDEPENDENT AUDITORS' REPORT TO DEVON COUNTY COUNCIL

We have audited the statement of accounts on pages 2 to 6 and 21 to 59 which have been prepared in accordance with the accounting policies applicable to local authorities as set out on pages 7 to 14 and the Pension Fund accounts, on page 64, which have been prepared in accordance with the accounting policies applicable to pension funds set out on pages 60 to 63.

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 54 of the Statement of Responsibilities of Auditors and of Audited Bodies, prepared by the Audit Commission.

Respective Responsibilities of Director of Finance and IT and Auditors

As described on page 15 the Director of Finance and IT is responsible for the preparation of the financial statements in accordance with the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2004. Our responsibilities, as independent auditors, are established by statute, the Code of Audit Practice issued by the Audit Commission and our profession's ethical guidance.

We report to you our opinion as to whether the financial statements present fairly:

- the financial position of the Council and its income and expenditure for the year,
- 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 benefits after the end of the scheme year.

We review whether the statement on internal control on pages 16 to 18 reflects compliance with CIPFA's guidance 'The Statement of Internal Control in Local Government: Meeting the Requirements of the Accounts and Audit Regulations 2003' published on 2 April 2004. 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 whether the statement on internal financial control covers all risks and controls, or to form an opinion on the effectiveness of the Council's corporate governance procedures. Our review was not performed for any purpose connected with any specific transaction and should not be relied upon for any such purpose.

We read the other information published with the statement of accounts and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the statement of accounts.

Basis of Opinion

We conducted our audit in accordance with the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission, which requires compliance with relevant Auditing Standards 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 judgements made by the Council in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Council'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 the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion, we evaluated the overall adequacy of the presentation of the information in the financial statements.

DEVON COUNTY COUNCIL
Auditors' Opinion

Opinion on the Authority's accounts


In our opinion the financial statements present fairly the financial position of Devon County Council as at 31 March 2005 and its income and expenditure for the year then ended.

In our opinion the financial statements present fairly the financial transactions of Devon County Pension Fund during the year ended 31 March 2005, and the amount and disposition at that date of its assets and liabilities, other than liabilities to pay pensions and benefits after the end of the scheme year.

Certificate

We certify that we have completed the audit of accounts in accordance with the requirements of the Audit Commission Act 1998 and the Code of Practice issued by the Audit Commission.

Signature



28.10.2005

Date

Name

P Lawrence, District Auditor

Address

Audit Commission, 3-6 Blenheim Court

Matford Business Park

Lustleigh Close

Exeter EX2 8PW

DEVON COUNTY COUNCIL
CONSOLIDATED REVENUE ACCOUNT for the year ended 31 March 2005

2003-04 Before Adjustment £'000	2003-04 Restated £'000		N o t e	2004-05 GROSS EXP'RE £'000	2004-05 SPECIFIC GOVT. GRANTS £'000	2004-05 OTHER INCOME £'000	2004-05 NET EXP'RE £'000
SERVICE EXPENDITURE ANALYSIS							
38,558	38,558	Cultural, Environmental and Planning Services		52,397	(3,763)	(5,060)	43,574
337,976	337,976	Education Services		469,514	(72,307)	(37,410)	359,797
57,322	57,322	Highways Roads and Transport		75,573	(3,463)	(8,458)	63,652
1,101	1,101	Court Services	7	1,402	(109)		1,293
148,618	148,596	Social Services		276,525	(37,296)	(71,250)	167,979
186	186	Housing Services (primarily supporting people)	5	21,318	(21,018)	(22)	278
3,017	3,017	Corporate and Democratic Core	4	3,338		(50)	3,288
2,837	2,837	Non Distributed Costs	4	3,859			3,859
537	537	Central Services to the Public		2,076	(217)	(1,134)	725
0	100	Exceptional Items	6	0	(602)		(602)
590,152	590,230	TOTAL NET COST OF SERVICES		906,002	(138,775)	(123,384)	643,843
33,711	33,711	Precepts and Levies		1,266			1,266
(357)	(457)	Trading Accounts (Surplus) / deficit	19	240			240
(34,589)	(34,589)	Asset Management Revenue Account	9	(34,093)			(34,093)
(3,204)	(3,204)	Interest and Investment Income				(5,435)	(5,435)
17,500	17,500	Pensions interest cost and expected return on pension assets	15	12,380			12,380
0	0	Extraordinary Items	13			(2,150)	(2,150)
(520)	(520)	Discount on repayment of borrowing	12				0
602,693	602,671	TOTAL NET OPERATING EXPENDITURE		885,795	(138,775)	(130,969)	616,051
172	172	Contributions to or (from) Revenue Reserves					
5,441	5,441	- Schools	21	(770)			(770)
709	709	- Other	21	12,713			12,713
12,557	12,557	Direct Revenue Financing of Capital Expenditure	23	106			106
(301)	(279)	Repayment of Debt	11	12,981		(2,791)	10,190
(6,277)	(6,277)	Deferred Charges written out		(1,539)			(1,539)
		Movement on Pension Reserve	15	(9,950)			(9,950)
614,994	614,994	AMOUNT TO BE MET FROM GENERAL GOVERNMENT GRANTS AND LOCAL TAXPAYERS					
		- Total		899,336	(138,775)	(133,760)	626,801
(184,379)	(184,379)	Financed by:					
(189,116)	(189,116)	Revenue Support Grant	2	(199,305)			(199,305)
(243,041)	(243,041)	National Non-Domestic Rates	2	(179,241)			(179,241)
		Council Tax		(249,330)			(249,330)
(1,542)	(1,542)	Surplus for year transferred to General Fund					(1,075)
(11,384)	(11,384)	Balance at beginning of year					(12,926)
(12,926)	(12,926)	BALANCE AT END OF YEAR					(14,001)

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 £378.5 million (£373.5 million in 2003-04) towards revenue spending by way of Revenue Support Grant and redistributed Non-Domestic rates.

Specific Government grants totalling £138.8 million (£130.2 million in 2003-04) were received in aid of specific services and 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 2004-05 other income of £133.8 million financed 14.9% of gross expenditure. In 2003-04 other income of £139.1 million financed 15.0% of gross spending.

4. Central Overheads

Central overheads are apportioned according to the policy contained on page 11. 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 £3.3million of cost being attributable to the Corporate and Democratic Core and £3.9million (pension related costs and unused assets) against Non Distributed Costs.

5. Housing Services

2003-04			2004-05		Net £'000
Expenditure £'000	Income £'000		Expenditure £'000	Income £'000	
221	(24)	Gypsy Sites	153	(22)	131
19,787	(19,798)	Supporting People	20,909	(21,018)	(109)
0	0	Affordable Housing	256	0	256
20,008	(19,822)	Total	21,318	(21,040)	278

6. Exceptional Items

An interim payment of £602,280 was received from the government in respect of the performance reward grant in relation to the Local Public Service Agreement.

7. Court Services

Court Services covers the Coroners Court Services and capital charges for Magistrates Courts.

DEVON COUNTY COUNCIL
Notes to the Consolidated Revenue Account

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 (£9,416 in 2004-05) with the associated costs and income shown within the Cultural Environmental and Planning Services.

9. Asset Management Revenue Account

2003-04 £000	2004-05 £000
(50,605) Reversal of Capital Charges & Impairment Loss	(56,610)
22,135 External interest paid	23,481
(977) Income from other bodies	(1,061)
(4,322) Income from Acquiring Authorities (Interest)	(4,066)
14,231 Depreciation & Impairment	16,921
279 Deferred charges written out	1,539
(15,330) Government Grants written down	(14,297)
(34,589)	(34,093)

10. Lease and Contract Hire Rental Payments

The Consolidated Revenue Account incurred charges totalling £1.775 million (£2.329 million in 2003-04) in lease rentals for plant, vehicles and equipment and £0.084 million in respect of contract hire. It is estimated that the outstanding liability, in future years, for leasing charges amounts to £3.080 million and £0.200 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.

2003-04 £000	2004-05 £000
15,448 Minimum Revenue Provision	17,266
Less	
(1,090) Income from other bodies and internal loans pool	(1,661)
14,358	15,605
(14,232) Depreciation and Impairment	(16,921)
15,330 Government Grants written down	14,297
15,456	12,981
(2,899) Income from Acquiring Authorities (Principal)	(2,791)
12,557	10,190

12. Gains or Losses on the Repurchase of Borrowing

Premiums and Discounts arising from the rescheduling of existing debt are charged to the Consolidated Revenue Account over the life of the replacement debt (borrowing). There were no gains or losses in 2004-05.

13. Extraordinary Items

Income totalling £2,150,000 was received from a commercial property transaction of land leased in Cullompton.

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 £8.193 million (£6.565 million in 2003-04) 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 18 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.

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.

DEVON COUNTY COUNCIL
Notes to the Consolidated Revenue Account

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

	Local Government Pension Scheme	
	2003-04 £000	2004-05 £000
Net Cost of Services:		
Current service cost	17,590	28,630
Past service cost	1,370	3,030
Effect of Sale of Devon Waste Management	590	0
Net Operating Expenditure:		
Interest cost	43,260	47,890
Expected return on assets in the scheme	(25,760)	(35,510)
	17,500	12,380
Amounts to be met from Government Grants and Local Taxation:		
Appropriation (to)/from pension reserve	(6,277)	(9,950)
	30,773	34,090
Actual amount charged against council tax for pensions in the year:		
Employers contributions payable to scheme	25,450	27,207
Retirement benefits payable to pensioners (net)	5,323	6,883
	30,773	34,090

Other disclosure requirements in accordance with FRS 17 are provided in note 26 to the consolidated Balance Sheet, it contains details of the assumptions made in estimating the above figures. In addition to this, note 27 to the Statement on Total Movements in Reserves details the costs that have arisen through the year.

Teachers Pension Scheme

In 2004-05, the County Council paid £22.422 million (£21.561 million in 2003-04) 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 2003-04) 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 2004-05 £42,988 of expenditure on the Waste Minimisation Campaign was funded by Waste Resources Action Plan Grant.

DEVON COUNTY COUNCIL
Notes to the Consolidated Revenue Account

2003-04 £'000	2004-05 £'000
151 Press and Publicity Office	126
0 Devon in Touch	52
23 'Devon Link' Magazine	26
42 County Council Exhibit at the Devon County Show	61
498 Waste Minimisation Campaign - other funding	299
1,874 General Publicity	2,137
2,588 Total Net Publicity Expenditure	2,701

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.

2003-04 £'000	2004-05 £'000
690 Members Allowances	723

* 2003-04 figures have been updated to include travel and subsistence.

18. Employees' Remuneration

2003-04				Emoluments £	2004-05			
Schools Staff	Other Staff	Total	Left During the Year		Schools Staff	Other Staff	Total	Left During the Year
26	11	37	1	50,000 - 59,999	38	14	52	
10	8	18		60,000 - 69,999	11	6	17	
4	2	6		70,000 - 79,999	3	3	6	
1	1	2		80,000 - 89,999	5	2	7	
0	2	2		90,000 - 99,999	1	2	3	
1		1		100,000 - 109,999	1	1	2	
	1	1		110,000 - 119,999				
				120,000 - 129,999		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.

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).

DEVON COUNTY COUNCIL
Notes to the Consolidated Revenue Account

2003-04		2004-05		
£'000s			£'000s	£'000s
(172)	Devon Procurement is the central purchasing organisation for the Authority	Turnover Expenditure (Surplus) / Deficit	(16,114) 16,243	129
(285)	Devon Direct Services provide cleaning, caretaking and catering services	Turnover Expenditure (Surplus) / Deficit	(16,475) 16,684	209
0	Other: Unused provisions in respect of trading activities no longer operating	(Surplus) / Deficit		(98)
(457)	Net (Surplus) / Deficit on trading accounts			240

During 2004-05 Devon Purchasing started a process to realign the business (now under a revised title of 'Devon Procurement') into two separate divisions: a corporate procurement service and trading unit. This caused a temporary disruption to the service which is reflected in the financial results.

Also during 2004-05 the Catering division of Devon Direct Services began preparation towards significant operational change to counter reducing meal numbers and deliver on the Council's new healthy-eating policy. Both factors had an adverse effect on the trading account.

20. Industrial Estates

Industrial Estates have units, which are let and sublet to stimulate employment creation. In 2004-05 its turnover was £202,600 (£330,700 in 2003-04) and it made an operational deficit of £38,600 (£19,500 surplus in 2003-04). This expenditure is part of the Cultural, Environmental and Planning Services heading in the Consolidated Revenue Account.

21. Contributions to or from Earmarked Reserves

	To £'000	From £'000	Net Movement £'000
Specific Contingency Reserves	2,502	(1,057)	1,445
Reserves Held for Planned Developments	15,690	(5,019)	10,671
Reserves of Operational and Training Units	299	0	299
Budget Management Reserves	4,902	(4,604)	298
Total Non Schools Specific Reserves	23,393	(10,680)	12,713
Schools Reserves	10,108	(10,878)	(770)
Total Specific Reserves	33,501	(21,558)	11,943

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.

DEVON COUNTY COUNCIL

Notes to the Consolidated Revenue Account

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 as follows:

Two members 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 above transactions complied with 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 £1,197,583 for expenses incurred in for its administration.

Other public bodies

The following precepts were paid during the year:

	£000
Environment Agency	169
Devon Sea Fisheries	265
Magistrates Courts	832
	<u>1266</u>

The County Council's Director of Finance & IT was the Chief Finance Officer for Dartmoor National Park, Devon Fire and Rescue Authority and Devon Sea Fisheries for the 2004-05 financial year. The County Council received payments from these bodies for services provided as follows;

	£
Devon Fire & Rescue Authority	61,095
Dartmoor National Park	17,900
Devon Sea Fisheries	5,100
	<u>84,095</u>

During the financial year, the Devon Fire Authority had an average balance of £6.018m of surplus cash deposited with the Council. The Council paid a total for interest of £0.273m on these deposits.

Assisted Organisations

The County Council gives grants for Environmental Management Projects. Whilst these grants are not material to the County Council the grants to 9 organisations totalling £35,400 could be considered as material to those organisations.

The County Council made total payments of £389,400 to local Citizens Advice Bureaux organisations in Devon. For a number of these organisations the financial assistance provided by the authority represents a significant proportion of the Bureaux's overall funding and this may give the authority an effective influence over the financial policies of these organisations.

DEVON COUNTY COUNCIL

Notes to the Consolidated Revenue Account

The County Council paid 8 district councils a total of £563,400 for use of leisure facilities. Long term agreements exist for the daytime use of pools and dual use sports halls.

The County Council gives grants for various purposes to projects or groups associated with the general aims of Social Care in the wider community. Whilst these grants are not material to the County Council, the grants to 109 organisations totalling £143,000 could be judged to be material to those organisations

Associated and Subsidiary Companies

The County Council has one subsidiary company (Exeter & Devon Airport Limited), and no associated companies. Further details of the County Council's relationship with Exeter & Devon Airport Limited are set out in note 21 to the balance sheet and in the group accounts.

Partnerships

2003-04 Net Expenditure £'000		2004-05 Income £'000	2004-05 Expenditure £'000	2004-05 Net Expenditure £'000
330	Joint Equipment Store	(1,535)	2,451	916
991	Devon Partnership Trust	0	1,031	1,031
(11)	Supporting People	(21,012)	20,903	(109)
6	The Valley Regeneration Scheme	(350)	350	0
890	Industrial Services Group	(9,096)	10,126	1,030
0	Devon Composting Partnership	(198)	500	302
1,541	Other partnerships	(1,262)	2,938	1,676
3,747		(33,453)	38,299	4,846

The County Council operates a pooled budget in conjunction with six NHS Primary Care Trusts (East Devon, Exeter, Mid Devon, North Devon, South Hams & West Devon, and Teignbridge) under the terms of section 31 of the Health Act 1999. This pooled budget covers the provision of a Joint Community Equipment Store. The table above shows the gross expenditure of the pooled budget. The County Council allocated £617,000 from the Access & Systems Capacity Grant to the pooled budget. The net expenditure figure shown represents the County Council's contribution to the pool, net of grant.

The Devon Health & Social Care Partnership Trust manages the provision of services for people with learning difficulties and mental health needs. The spending shown above represents the County Council's contribution to the joint working arrangement.

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.

The County Council is the body accountable 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.

The Industrial Services Group provides employment opportunities to help maximise the number of people with disabilities that gain and sustain paid employment. This service is operated jointly with Plymouth City Council and Torbay Council. The net operating cost after income from sales is largely grant-funded by the Department of Work & Pensions.

The County Council is the accountable body for the Devon Composting Partnership, which comprises Devon County Council, Teignbridge, South Hams and Mid Devon District Councils, Viridor Waste

DEVON COUNTY COUNCIL
Notes to the Consolidated Revenue Account

Management, and Devon Waste Management Limited. This partnership incurred total expenditure in 2004-05 as follows:

- [i] Capital expenditure: £3.487 million, financed by a £3.185 million grant from the Department of Environment & Rural Affairs, and a further £0.302 million Direct Revenue Funding from the County Council's revenue account.
- [ii] Revenue expenditure: £0.198 million, wholly financed by a grant from the Department of Environment & Rural Affairs.

The expenditure included in the table above relates to items in the Consolidated Revenue Account only. The County Council also received a separate grant of £87,000 from the Waste & Resources Action Programme, which was spent on publicising changes to waste management arrangements, including those provided via the Devon Composting Partnership.

The County Council is also involved in a number of smaller partnerships with a collective gross revenue expenditure of just over £2.9 million. These partnerships typically provide services related to social care, the protection of children or joint action on issues such as youth offending or drugs misuse.

23. Direct Revenue Financing of Capital Expenditure

Direct Revenue Financing of capital expenditure represents contributions from the 2004-05 revenue account towards capital expenditure. In addition to the £106,000 contribution from service revenue budgets and revenue funds (£709,000 in 2003-04), schools contributed £1,025,000 from their delegated budgets (£1,289,000 in 2003-04) and this has, in accordance with the Best Value Accounting Code of Practice, been included within Education spending. £12,000 of capital expenditure was met from the European Fund in 2004-05 (nil in 2003-04).

24. Expenditure required to be disclosed by S137 of the Local Government Act 1972

Section 137 of the Local Government Act 1972 empowers authorities to incur expenditure for which no specific statutory power exists but which in their opinion is in the interest of their area. No expenditure of this nature has been incurred in 2004-05.

25. Audit Fees

2003-04 £'000	Fees Payable to the Audit Commission	2004-05 £'000
168	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.	210
36	In respect of statutory inspection under section 10 of the Local Government Act 1999	27
38	For the certification of grant claims and returns by the appointed auditor under section 28 of the Audit Commission Act 1998.	22
242		259

DEVON COUNTY COUNCIL
Consolidated Balance Sheet as at 31 March 2005

2003-04 £000 Before adj	2003-04 £000 Restated		2004-05 £000	2004-05 £000	Table No
FIXED ASSETS					
Capital Expenditure since 1 April 1987					
Operational Assets					
760,859	772,283	Land and Buildings	948,035		7
171,557	171,557	Infrastructure assets	205,773		7
6,125	6,125	Vehicles, plant, furniture and equipment	9,747		7
Non Operational Assets					
21,927	14,033	Surplus Assets held for Disposal	13,153		7
0	7,894	Assets under Construction	18,077		7
960,468	971,892			1,194,785	
7,580	0	Deferred Charges - Capital	0		11
9,695	9,695	Long Term Investments	9,695		6
108,862	108,862	Long Term Debtors	109,284		14
1,086,605	1,090,449	Total Long Term Assets		1,313,764	
CURRENT ASSETS					
3,353	3,353	Stocks and Work in Progress	3,372		5
45,600	45,600	Sundry Debtors	50,268		3
(3,600)	(3,600)	Less Provision for Bad Debts	(1,235)		-
7,088	7,088	Cash in hand	5,188		17
77,565	77,565	Investments and Loans			
		Revenue	101,583		6
130,006	130,006	Total Current Assets		159,176	
1,216,611	1,220,455	Total Assets		1,472,940	
LESS CURRENT LIABILITIES					
(2,186)	(2,186)	Borrowing repayable on demand or within 12 months	(4,430)		-
(87,463)	(80,881)	Sundry Creditors	(87,197)		3
(89,649)	(83,067)	Total Current Liabilities		(91,627)	
1,126,962	1,137,388	Total Assets Less Current Liabilities		1,381,313	
(409,639)	(409,639)	Borrowing repayable within a period in excess of 12 months	(449,639)		16
23,260	23,260	Less Deferred Liabilities	22,558		15
(239,740)	(239,740)	Pensions Liability	(440,230)		26
(11,809)	(11,809)	Provisions	(13,797)		23
(637,928)	(637,928)	Total Long Term Liabilities		(881,108)	
489,034	499,460	Total Assets Less Liabilities		500,205	
FINANCED BY					
0	0	Usable Capital Receipts Reserve	885		27
	6,582	Government Grants & Conts - Unapplied	7,848		
90,474	90,474	Government Grants & Conts - Deferred	112,188		13
273,780	285,204	Fixed Asset Restatement Account	428,077		27
291,338	283,758	Capital Financing Account	300,765		27
(215,442)	(215,442)	Pensions Reserve	(411,490)		27
Fund Balances and Reserves					
25,080	25,080	Earmarked Reserves	37,823		25
12,926	12,926	Working Balances - County Fund	14,001		-
10,878	10,878	Held by Schools under Delegated Management	10,108		-
489,034	499,460	Total Financing		500,205	

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 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 60 to 64 and 44 respectively.

2. Prior Period Adjustments

A number of adjustments applicable to prior years arising from changes in accounting policies or a changed approach to the presentation of balances have been accounted for by restating the comparative figures for 2003-04.

a. Fixed Assets – Land and Buildings and Fixed Asset Restatement Account

The value of Fixed Assets has been restated in 2003-04 to reflect a correction to the treatment of Re-valued Assets and Asset Disposals. The amount taken to the Fixed Asset Restatement Account since 2000-01 was the balance of the Re-valued amount less the Historical Cost of the asset, rather than the balance between the Re-valued Amount and the Net Book Value.

The effect of this change is detailed below.

2003-04 Net Book Value before Adjustments	£ 760.859 million
Adjustment to depreciation for Revaluations (since 2000-01)	£ 10.329 million
Adjustment to depreciation for written out Foundation Schools	£ 0.939 million
Adjustment to depreciation for Disposals (since 2000-01)	£ 0.156 million
Total Adjustment	£ 11.424 million
2003-04 Net Book Value restated balance	£ 772.283 million
2003-04 Fixed Asset Restatement Account before adjustments	£ 273.780 million
Total Adjustment	£ 11.424 million
2003-04 Fixed Asset Restatement Account restated balance million	£ 285.204 million

Note Depreciation of Assets commenced in 2000-01.

b. Fixed Assets – Non Operational

Non Operational Fixed Assets are split down into two new categories, Surplus assets held for Disposal and Assets Under Construction.

Surplus Assets held for Disposal	£ 14.033 million
Assets under Construction	£ 7.894 million
Total Non Operational Assets	£ 21.927 million

c. Deferred Charges

The category "Deferred Charges" has been removed from the face of the balance sheet as per the Statement of Recommended Practice (SORP) 2004-05. It was determined that Devon County had no Intangible Assets and therefore all Deferred Charges totalling £ 7.580 million were written out to the Capital Financing Account and this has been reflected in the restated balance sheet.

DEVON COUNTY COUNCIL
Notes to the Consolidated Balance Sheet

d. Government Grants & Contributions unapplied

Government grants & contributions towards capital expenditure have previously been treated as sundry creditors until the associated expenditure has taken place. This accounting treatment has now been changed in favour of a more readily identifiable Government Grants & Contributions Unapplied account. For purposes of comparison, 2003-04 sundry creditors have been reduced by £6,581,821.44 and the equivalent figure shown as Government Grants & Contributions Unapplied.

3. 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 2004-05 the figure amounted to £1.235m (£3.600m in 2003-04).

2003-04		2004-05	
Creditors	Debtors	Creditors	Debtors
£'000	£'000	£'000	£'000
Revenue Activities			
(17,743)	142	(19,186)	224
(42,360)	3,091	(42,123)	4,792
0	22	0	0
(398)	434	(431)	19
(8,985)	3,454	(8,160)	4,646
(4,936)	35,036	(8,893)	37,605
<u>(74,422)</u>	<u>42,179</u>	<u>(78,793)</u>	<u>47,286</u>
Capital Activities			
(3,542)	0	(4,317)	0
(847)	0	0	0
0	0	0	126
(2,070)	1,166	(4,087)	2,001
0	2,255	0	855
<u>(6,459)</u>	<u>3,421</u>	<u>(8,404)</u>	<u>2,982</u>
<u>(80,881)</u>	<u>45,600</u>	<u>(87,197)</u>	<u>50,268</u>
Total			

4. Provision for Credit Liabilities

The introduction of the Prudential Code means that the Provision for Credit Liabilities (PCL) is no longer required.

DEVON COUNTY COUNCIL
Notes to the Consolidated Balance Sheet

5. Stocks and Work in Progress

2003-04 £'000		2004-05 £'000
0	Education, Arts and Libraries	0
1,126	Social Services	1,086
548	Environment	540
1,679	Other	1,745
3,353	Total Stocks and Work in Progress	3,372

The figure shown for Social Services stocks includes £550,285 in respect of the Joint Equipment Store operated in conjunction with Primary Care Trusts (see note 22 to the Consolidated Revenue Account for more details of this arrangement). 50% of this stock value is attributable to the PCTs.

6. Investments and Loans

2003-04 £'000		2004-05 £'000
	Long Term Investments	
9,695	EDAL Share Capital	9,695
9,695	Total	9,695
	Short Term Investments	
77,565	Short Term Investments	101,583
77,565		101,583
87,260	Total Investments and Loans	111,278

DEVON COUNTY COUNCIL
Notes to the Consolidated Balance Sheet

7. Movement of Fixed Assets 2004-05 and Valuation Disclosure

There is a requirement in 2004/05 to show Non Operational Assets under three separate headings; Surplus Assets, Assets under Construction and Investment properties. Devon County Council has no Investment Properties in 2004/05.

	Land & Bldgs £000	Infra assets £000	Vehicles, Plant etc £000	Surplus Assets £000	Assets under Construction £000	Total £000
Gross Book Value at 1 April 2004	789,073	198,637	18,334	14,033	7,894	1,027,971
Additions	34,178	39,206	5,355	76	18,124	96,939
Disposals	(2,880)	0	0	(206)	0	(3,086)
Impairment	0	0	0	0	0	0
Revaluations	157,803	0	0	(192)	(390)	157,221
Written Off	(20,003)	0	0	(558)	(1,499)	(22,060)
Internal Transfers	6,052	0	0	0	(6,052)	0
Gross Book Value 31 March 2005	964,223	237,843	23,689	13,153	18,077	1,256,985
Depreciation to 31 March 2004	(28,214)	(27,080)	(12,209)	0	0	(67,503)
Adjustment to Opening Balance for revaluations	10,329	0	0	0	0	10,329
Adjustment to Opening Balance for write out of Foundation Schools	939	0	0	0	0	939
Adjustment to Opening Balance for disposals	156	0	0	0	0	156
Restated Opening Balance 2003/04	(16,790)	(27,080)	(12,209)	0	0	(56,079)
Depreciation adjustment for in year revaluations	10,782	0	0	0	0	10,782
Depreciation adjustment for in year disposals	18	0	0	0	0	18
Depreciation in year	(10,198)	(4,990)	(1,733)	0	0	(16,921)
Total depreciation to 31 March 2005	(16,188)	(32,070)	(13,942)	0	0	(62,200)
Restatement of Net Book Value 31 March 2004	772,283	171,557	6,125	14,033	7,894	971,892
Net Book Value 31 March 2005	948,035	205,773	9,747	13,153	18,077	1,194,785

8. 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 for 2004-05 the revaluations covered Industrial Estates, Magistrates, County Farms and Education Primary Schools assets and are valued at 31st March 2005. 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.

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 & Bldgs £000	Infra assets £000	Vehicles, Plant etc £000	Surplus Assets £000	Assets under Construction £000	Total £000
Valued at Historical Cost		237,843	23,689	0		261,532
Valued at current value in:						
current year	472,920			3,337	0	476,257
previous years	491,303			9,816	18,077	519,196
	964,223	237,843	23,689	13,153	18,077	1,256,985

The County Council is not aware of any material changes to asset valuations between the valuation dates and the 31st March 2005.

9. 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 - 40 years
Plant, Vehicles etc	5 years
Non-operational buildings and assets under construction	Not depreciated

10. 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. No material impairment of assets has occurred between 1st April 2004 and 31st March 2005.

DEVON COUNTY COUNCIL
Notes to the Consolidated Balance Sheet

11. Deferred Charges - Capital

In 2004-05 Deferred Charges are no longer applicable. An exercise was undertaken in year to ascertain whether the existing deferred charges being written out over 40 years created an intangible asset. There were no intangible assets recognised in 2004-05 so all Deferred Charges recognised on the face of the account up to March 31st 2004 have been written out directly to the Capital Financing Account. In 2004-05 expenditure which would have normally fallen under the Deferred Charges heading have been written out through the Asset Management Revenue Account in the year when the expenditure took place.

2003-04 £'000		2004-05 £'000
5,656	Balance at 1 April	0
2,203	Expenditure	1,539
	Written off to Capital Finance	
(7,580)	Account	0
	Written off to Consolidated	
(279)	Revenue Account	(1,539)
0	Balance at 31 March	0

This represents previous years capital expenditure which qualified as capital for statutory control purposes but did not result in the acquisition or enhancement of a tangible fixed asset owned by the County Council.

12. Analysis of Capital Finance

2003-04 £'000		2004-05 £'000
100,473	Additions - Fixed Assets	96,939
2,225	Additions - Deferred Charges	1,539
803	Last year capital creditors	1,727
1,928	Unfinanced In and Out	0
105,429		100,205
60,460	Borrowing	55,259
29,902	Grants and External Contributions	36,011
11,256	Usable Capital Receipts	6,605
2,084	Direct Revenue Financing	1,143
1,727	Capital Creditors	1,187
105,429		100,205

Under the new Prudential regime there is no longer any unfinanced 'In and Out'. Direct Revenue Financing includes £1.131m from Revenue budgets and £0.012m from European Fund.

DEVON COUNTY COUNCIL
Notes to the Consolidated Balance Sheet

13. Government Grants and Contributions - Deferred

2003-04 £'000		2004-05 £'000
75,902	Balance at 1 April	90,474
	Applied in year	
29,902	To capital spend	36,011
(15,330)	Offset against depreciation	(14,297)
14,572		21,714
90,474	Balance at 31 March	112,188

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.

14. Long Term Debtors

2003-04 £'000		2004-05 £'000
441	Car Loans to Employees	267
229	East Devon College *	212
8,739	Exeter and Devon Airport	8,021
	Exeter and Devon Airport interest	
100	free loan	100
38	Foster Carer loans	60
9	Housing Advances	8
5	Industrial Loans	5
1,014	Magistrates *	948
69,589	Plymouth and Torbay Councils *	66,806
	Plymouth and Torbay Unfunded	
24,298	Pensions	28,740
3,965	Plymouth University *	3,703
435	Probation *	414
108,862		109,284
	* Long term debtors for transferred debt	

15. Deferred Liabilities

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

2003-04 £'000		2004-05 £'000
24,106	Balance brought forward	23,260
(846)	Allocated in year	(702)
23,260	Balance at year end	22,558

DEVON COUNTY COUNCIL
Notes to the Consolidated Balance Sheet

16. 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.

2003-04 £'000		2004-05 £'000
318,139	Public Works Loans Board	358,139
91,500	Other Lenders	91,500
409,639		449,639
-	Payable in 1 to 2 years	-
-	Payable in 2 to 5 years	-
20,000	Payable in 5 to 10 years	20,000
389,639	Payable in over 10 years	429,639
409,639		449,639

17. Cash Balance

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

2003-04 £'000		2004-05 £'000
7,088	Cash in hand	5,188
These figures included the following amounts for cheques which have been drawn but not presented by 31 March;		
5,543	General Payments	2,231
34	Salaries and Wages	44
5,577		2,275

18. Significant commitments under Capital Contracts as at 31 March 2005

Details	£'000
A) Expenditure approved and contracted	
Barnstaple Western Bypass	22,595
Haldon Chalets	2,248
Totnes The Mansion – Adaptations and Extensions to Community Centre	1,361
Exeter Cyst Heath – New Primary School	1,224
Exmouth Community College – Hall and Link	1,068
Great Torrington Infants and Nursery School – Transfer to Junior Site	810
Dartington Bidwell Brook Special School – Adaptations to PMLD Facility	721
Sticklepath Primary School – Replace Temporary classrooms with Permanent Accommodation	716
Tavistock Community College – 16 Classroom Block and 6 th Form Centre	661
Exmouth Community College – New Teaching Accommodation	619
Exeter Alphin House – Relocation of Day Centre	279
Lynton Lydiate Lodge – General Upgrade	266
A383 Goodstone Cross to Lemonford	263
Axminster Axe Valley Community College – Hall, Administration, 3 Classrooms, Ancillary Accom	260
Various Schemes under £200,000	1,160
Total Commitments	34,251

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

19. Statement of Net Assets Employed in the Current Year

	2003-04 £'000	2004-05 £'000
Devon County Council	962,639	1,194,777
Devon and Cornwall Magistrates	8,841	-394
Devon Direct Services	412	402
	971,892	1,194,785

20. Statement of Physical Assets

2003-04		2004-05
Hectares	Land	Hectares
62	Industrial Estates	55
4,309	County Farms	4,191
Number	Buildings	Number
104	Administrative*	108
63	Day Care facilities	65
39	Residential Care	38
1	Nursery Schools	1
322	Primary Schools	320
37	Secondary Schools	37
19	Special Schools**	16
42	Adult, Comm. Soc. Cent's	39
6	Field Centres	6
3	Teachers Centres	3
51	Libraries	51
7	Magistrates' Courts	7
1	Tourist Information Centres	0
8	Other Res. Accom.	8
66	Redevelopment Properties	62
15	Tourist Parking / Park & Rides	15
31	Highway Depots	31
15	Workshops, Stores & Depots	13
30	Small Indust. Units	30

The above figures represent assets used by the County Council but which are not all owned by the Authority. * The number of administrative buildings has increased due to the number of Grant and Joint funded initiatives that have arisen during the year. ** Includes Pupil Referral Units with some Key Stage 3 units recently set up

DEVON COUNTY COUNCIL
Notes to the Consolidated Balance Sheet

2003-04	2004-05
Number Vehicles, Plant, Etc.	Number
682 Light Vehicles & Plant including Pool Fleet*	726
106 Heavy Vehicles & Plant	106
24 Antique Items	24
£ Million Insured Value of Council Assets	£ Million
927 Buildings	978
103 General Contents of Buildings	108
15 Library Stocks	16
Km Infrastructure	Km
978 Principal Roads (Carriageways)	978
11,437 Other County Roads	11,467
365 Green Lanes	365
12,780 Total Roads	12,809
2,480 (of which urban roads are)	2,511

* The increase is due to Light Contract Vehicles

DEVON COUNTY COUNCIL
Notes to the Consolidated Balance Sheet

21. 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.

The latest available set of unaudited accounts covers the year to 31st March 2005 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 55 – 59. Details of the net assets of Exeter and Devon Airport Limited are provided together with profits for year ending 31 March 2005 and accumulated reserves as at that date.

22. 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 £268,664 at 31 March 2005 (£245,666 at 31 March 2004).
- 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 2005 is £0.776 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 2005. 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 2005 is £10.924 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 2005. New claims may be lodged in the future relating to the period 1 April 1998 to 31st March 2005 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.

DEVON COUNTY COUNCIL
Notes to the Consolidated Balance Sheet

23. 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.

2003-04 £'000		Contribs £'000	Expend £'000	2004-05 £'000
	County Council			
1,061	Provision for Previous Liability	1,045	(661)	1,445
125	Out of date cheques	30	(12)	143
822	Insurance Fund prior to 01/04/98	21	(67)	776
9,041	Insurance Fund from 01/04/98	4,292	(2,409)	10,924
400	Barton Landfill Site		(100)	300
90	ACC Pensions			90
11,539	Total DCC	5,388	(3,249)	13,678
	Trading Accounts			
55	Anticipated loss/remedial works	1	(38)	18
65	Redundancy and termination payments	6	(36)	35
13	Accrued holiday pay etc		(1)	12
3	Performance pay			3
134	Other	10	(93)	51
270	Total Trading Accounts	17	(168)	119
11,809	Total	5,405	(3,417)	13,797

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 2005-06.

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 2005. These claims plus any new claims will be paid in future years (over the next 10 years).

Barton Landfill Site

This provision relates to liabilities in relation to the landfill site which arose prior to Local Government re-organisation. It is anticipated that the provision will be expended during 2005-06.

Association of County Councils Pensions

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

DEVON COUNTY COUNCIL
Notes to the Consolidated Balance Sheet

24. Trust Funds

2003-04					2004-05			
Educ £'000	Soc Servs £'000	Others £'000	Total Funds £'000		Educ £'000	Soc Servs £'000	Others £'000	Total Funds £'000
1,483	65	21	1,569	Balance at 1 April	1,479	44	22	1,545
59			59	Revaluations	1			1
76	3		79	Income	1	2		3
(139)	(24)		(163)	Less Expenditure	(1)	(6)		(7)
1,479	44	21	1,544	Balance 31 March	1,480	40	22	1,542
Represented by								
231	44		275	Cash and Debtors	231	40		271
10		21	31	Internal Investments	10		22	32
1,238			1,238	Land, Buildings and Investments	1,239			1,239
1,479	44	21	1,544	Total	1,480	40	22	1,542
43	11	2	56	Number of Funds	47	10	2	59

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 upgrades.
- 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 & 27 **PSA Reward (Revenue)** – To pump prime and provide one off support for new development
- 28 **Healthy Eating in Schools** – To pump prime the Healthy Eating Initiative in schools
- 29 **Children Services Enabling Fund** – To strengthen the management training and support frameworks required to meet the modernisation of Children's Services
- 30 **Trading Accounts** – surplus on internal trading unit accounts
- 31 **ISG Working Balances**– Industrial Services Group's accumulated working balances.
- 32 **Building Maintenance** – Fund held in respect of schools building maintenance.
- 33 **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

26. 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 2005. 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 304% 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 2004	31 March 2005
Discount rate for scheme liabilities	6.4%pa	5.3%pa
Discount rate for pension cost over year	5.4%pa	5.3%pa
Rate of increase in salaries	4.4%pa	4.4%pa
Rate of increase in pensions in payment	2.9%pa	2.9%ps
Rate of increase in deferred pensions	2.9%pa	2.9%pa
Rate of inflation	2.9%pa	2.9%pa
Long-term expected rates of return on:		
Equities	7.7%pa	7.7%pa
Government Bonds	4.7%pa	4.7%pa
Corporate Bonds	5.5%pa	5.3%pa
Property	6.7%pa	6.7%pa
Other assets	4.2%pa	4.8%pa
Average long term expected rate of return	6.9%pa	6.9%pa

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 2004	31 March 2005
Equities	68%	66%
Bonds	16%	16%
Property	9%	10%
Other	7%	8%

(Note: The March 2004 figures have changed to reflect the known data. The "Other" Assets above represent the Net Current Assets and Cash)

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

	31 March 2004 (£m)	31 March 2005 (£m)
Share of assets	508.95	573.82
Estimated funded liabilities	(657.36)	(905.66)
Estimated unfunded liabilities *	(91.33)	(108.39)
Council's deficit in the scheme	<u>(239.74)</u>	<u>(440.23)</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 2005 is as follows:

	£m	£m
Net deficit at the beginning of year		(239.74)
Movement in year:		
Operating Charge:		
Current service cost within 2004-05	(28.63)	
Past service costs	(3.03)	
Gain/loss on any settlements or curtailments	0.00	
Total Operating Charge	<u> </u>	(31.66)
Contributions paid	28.82	
Contributions towards unfunded liabilities:		
Devon County Council	5.27	
Rechargeable (Plymouth & Torbay)	<u>1.97</u>	
Total Contributions		36.06
Expected return on Pension Fund assets	35.51	
Interest on pension scheme liabilities	<u>(47.89)</u>	(12.38)
Actuarial gain/loss		<u>(192.51)</u>
Deficit in the scheme		(440.23)
Long term debtor in respect of Plymouth & Torbay		<u>28.74</u>
Council's deficit in scheme		(411.49)

DEVON COUNTY COUNCIL
Notes to the Consolidated Balance Sheet

The total net pensions deficit of £440.23 million increased since the last financial year (2003-04 £239.74 millions) due primarily to the impact of longer life expectancy, poor market conditions during the past three years and lower yields on bonds. 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 2005) with the value of the assets changing on a daily basis. This is a notional amount by which the County Councils 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 2004 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.

Post Balance Sheet events The Government revoked the 2005 Pension Scheme regulations after the balance sheet date. Further details can be found in the Pension Fund accounts on page 62.

27. Statement of Total Movements in Reserves

2003-04 £'000	2003-04 £'000		2004-05 £'000	2004-05 £'000
Before Adj				
1,542	1,542	Surplus/(deficit) for the year: (Note 1)		1,075
5,457	5,457	Add back Movements on specific revenue reserves		
172	172	Increase/(decrease) in Earmarked Reserves (Note 1)	12,743	
		Increase/(decrease) in Reserves held by schools under Delegated Mgt.	(770)	
5,629	5,629	Total increase/(decrease) in revenue resources		11,973
	(2,493)	Increase/(decrease) in Government grants & contributions unapplied	1,266	
(4,034)	(4,034)	Increase/(decrease) in usable capital receipts	885	
(4,034)	(6,527)	Total increase (decrease) in realised capital resources (Note 2)		2,151
94,118	104,447	Gains/losses on revaluation of fixed assets	168,001	
-	0	Impairment losses on fixed assets	0	
94,118	104,447	Total Increase/(decrease) in unrealised value of fixed assets (Note 3,5)		168,001
(74,175)	(73,080)	Value of assets sold, disposed of or decommissioned (Note 4)		(25,128)
11,256	11,256	Capital Receipts applied to Capital Expenditure	6,606	
14,766	14,766	Capital Receipts set aside for PCL	0	
17,381	9,802	Revenue resources set aside	11,509	
245	245	Prior year adjustments	22	
(3,006)	(3,006)	Write down long term debtor	(2,887)	
14,572	14,572	Movement on Government Grants Deferred	23,471	
55,214	47,635	Amounts set aside to finance capital investment (Note 5)		38,721
67,475	67,475	Increase/(Decrease) in Pensions Reserve (Note 6)		(196,048)
145,769	147,121	Total Recognised gains and losses		745

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.

DEVON COUNTY COUNCIL
Notes to the Consolidated Balance Sheet

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

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	1,075	-
Appropriations to/from Revenue	-	12,743
	1,075	12,743
Balance brought forward at 1 April	12,926	25,080
Balance carried forward at 31 March	14,001	37,823

Details of appropriations to and from Earmarked Reserves are provided in note 25 to the Balance Sheet on page 45.

	Government grants & contributions Unapplied £000	Usable Capital Receipts £000	Total Realised Capital Resources £000
2. Movements in realised capital resources			
Amounts receivable in year	32,882	7,491	40,373
Amounts applied to finance new capital investment in year	(31,616)	(6,606)	(38,222)
Total increase/(decrease) in realised capital resources in year	1,266	885	2,151
Balance brought forward 1 April	6,582	0	6,582
Balance Carried forward at 31 March	7,848	885	8,733

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	168,001
Impairment losses on fixed assets	0
	168,001
4. Value of assets sold, disposed of or decommissioned	
Amounts written off fixed asset balances for disposals in year	(25,128)
Total movement on reserve in year	142,873
Balance brought forward at 1 April	285,204
Balance carried forward at 31 March	428,077
<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			
- useable receipts	6,606	-	6,606
Total capital receipts set aside in year	6,606		6,606
Revenue resources set aside in year			
- capital expenditure financed from revenue	1,143	-	1,143
- reconciling amount for provision for loan repayments	12,123	-	12,123
Total revenue resources set aside in year	13,266		13,266
Other Movements			
- write down long term debtor	(2,887)		(2,887)
- prior year adjustment	22		22
Grants applied to capital investment in year	-	36,011	36,011
Amounts credited to the asset management revenue account in year	-	(14,297)	(14,297)
Total (increase)/(decrease) in amounts set aside to finance capital investment	17,007	21,714	38,721
Balance brought forward at 1 April	283,758	90,474	374,232
Balances carried forward at 31 March	300,765	112,188	412,953
<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		(9,950)
Actuarial Gains and Losses relating to Pensions		
Actual return less expected return on assets	27,120	
Experience gains and losses on pension liabilities	(19,320)	
Changes in assumptions underlying the present value of pensions	(200,310)	(192,510)
Movement in unfunded liabilities managed for other authorities		6,412
		(196,048)
Balance brought forward at 1 April		(215,442)
Balance carried forward at 31 March		(411,490)

DEVON COUNTY COUNCIL
Cash Flow Statement for the year ended 31 March 2005

2003-04		CASH FLOW STATEMENT	2004-05		
£'000	£'000		£'000	£'000	
		Revenue Activities			
		Cash Outflows			
431,506		Cash paid to and on behalf of Employees	461,585		
399,927		Other Operating cash payments	433,179		
33,778		Precepts and Levies	1,244		
	865,211			896,008	
		Cash Inflows			
(243,041)		Council Tax income	(249,330)		
(189,116)		Non-domestic rate receipts from national pool	(179,241)		
(184,379)		Revenue Support Grant	(199,305)		
(133,082)		Other Government Grants	(136,758)		7
(159,964)		Cash received for goods and services	(164,899)		
	(909,582)			(929,533)	
	(44,371)	Revenue Activities Net Cash Flow		(33,525)	1
		Dividends from Associates			
		Cash Inflows			
	(250)	Dividends received		0	
		Return on Investments and Servicing of Finance			
		Cash Outflows			
21,149		Interest paid	22,631		
		Cash Inflows			
(2,922)		Interest received	(5,850)		
	18,227			16,781	
		Capital Activities			
		Cash Outflows			
100,385		Purchase of fixed assets	97,703		
463		Other capital cash payments	847		
		Cash Inflows			
(14,655)		Sale of fixed assets	(7,365)		
(19,805)		Capital grants received	(32,047)		7
(20,901)		Other capital cash income	(22,268)		
(55,361)			(61,680)		
	45,487			36,870	
		Acquisitions and Disposals			
		Cash Inflows			
	(7,500)	Sale of Devon Waste Management		0	
	11,593	Net cash outflow / (inflow) before financing		20,126	6
		Management of Liquid Resources			
	28,674	Net increase/(decrease) in short term deposits		24,018	3
		Financing			
		Cash Outflows			
15,431		Repayments of amounts borrowed	0		
		Cash Inflows			
(60,065)		New loans raised	(40,000)		
	(44,634)			(40,000)	4
	(4,367)	Decrease / (Increase) in cash and equivalents		4,144	2

DEVON COUNTY COUNCIL

Cash Flow Statement for the year ended 31 March 2005

7. Government Grant Income	Awarding Body	2004-05	
		£'000	£'000
Revenue:			
Education:			
Mandatory Student Awards	DfES	52	
Higher Education Funding Council Payments		2,731	
Standards Fund	DfES	18,848	
Standards Grant	DfES	10,916	
Provision for 3 Year olds	DfES	9	
Child Care and Early Years	DfES	3,018	
Learning Skills Council	DfES	24,351	
Threshold	DfES	11,056	
New Opportunities Fund		1,090	
			72,071
Social Services:			
Mental Health (incl. CAMHS)	DH	2,016	
Preserved Rights	DH	14,051	
Delayed Discharges Grant	DH	1,458	
Safeguarding Children	DfES	782	
Supported Employment	DWP	1,734	
Supporting People (Main & Admin)	ODPM	21,018	
Training Support	DH	1,307	
Carers	DH	1,595	
Care Direct	DH	183	
Children Quality Protects	DfES	360	
Residential Allowances	DH	6,061	
Access & Systems	DH	6,664	
Other		1,209	
			58,438
Other Directorates:			
Rural Bus Services	DfT	2,167	
Rural Bus Challenge	DfT	250	
Countryside Agency		766	
Waste Minimisation Campaign	DEFRA	12	
Waste Performance Grant	DEFRA	187	
Student Transport	DfT / DfES	236	
Detrunked Roads	DfT	972	
Devon Composting Partnership	DEFRA	285	
Emergency Planning	HO	217	
Animal Movements	DEFRA	471	
Other		2,703	
			8,266
			138,775
Adjustment for movement in income accrual			(2,017)
			136,758
Capital:			
Standards Fund Capital Grants for Schools	DfES		19,672
E Government IEG Grant	ODPM		429
Barnstaple Western ByPass	DfT		7,048
Other Grants			4,898
			32,047
Adjustment for movement in income accrual			835
			32,882

DEVON COUNTY COUNCIL
Group Accounts

During 2004-05 the County Council operated a single subsidiary company [Exeter & Devon Airport Ltd.] for the purposes set out in Note 21 on page 42.

The consolidation of group accounts is compiled using the equity method using the un-audited accounts for Exeter and Devon Airport for the period ending 31 March 2005. The main effect of the consolidation is to show the change of group activities on revenue reserves.

GROUP CONSOLIDATION for the year ended 31 March 2005		
	Exeter & Devon Airport Ltd £000	Total £000
County Council Accounts		
Balance Sheet – Cost	9,695	9,695
Revenue account – Dividend	0	0
Percentage owned	100%	
Company Accounts		
Balance Sheet		
Net assets	9,535	
Share Capital	9,695	
Revenue Reserves	(160)	
Profit & Loss Account		
Profit (Loss) after tax	815	
Dividend	0	
Transfer to Reserves	815	
Reserves brought forward	(975)	
Reserves carried forward	(160)	
County share of assets in Group	9,535	9,535
Value in County balance sheet		9,695
Decrease in investments and revenue reserves		160
County share of profit (loss)	815	815
Recorded as Dividends		0
Increase/(decrease) in revenue in Group Accounts		815
Share of reserves brought forward	(975)	(975)
Increase/(decrease) in reserves	815	815
Share of reserves carried forward	(160)	(160)

DEVON COUNTY COUNCIL
Group Accounts

The Group Revenue Account			
2003-04 Total *	2004-05 Devon County Council	2004-05 Exeter and Devon Airport Ltd	2004-05 Total
£'000	£'000	£'000	£'000
590,230 Total Net Service Expenditure	643,843		643,843
33,711 Precept and Levies	1,266		1,266
(457) Trading Accounts (Surplus)	240		240
(34,589) Asset management revenue account	(34,093)		(34,093)
(3,204) Interest and Investment Income	(5,435)		(5,435)
17,500 Pensions interest cost and expected return on assets	12,380		12,380
0 Extraordinary items	(2,150)		(2,150)
(520) Discount on repayment of borrowing	0		0
5,613 Contrib'ns to revenue reserves	11,943		11,943
12,987 Contrib'ns to/(from) capital reserves & accounts	8,757		8,757
(6,277) Movement on Pension Reserve	(9,950)		(9,950)
(706) (Surplus)/Deficit of Subsidiaries		(815)	(815)
614,288 Net Operating Expenditure	626,801	(815)	625,986
Financed by:			
(184,379) Revenue Support Grant	(199,305)		(199,305)
(189,116) National Non-Domestic Rates	(179,241)		(179,241)
(243,041) Council Tax	(249,330)		(249,330)
(2,248) (Surplus)/Deficit for year	(1,075)	(815)	(1,890)
(9,703) Balance at beginning of year	(12,926)	975	(11,951)
(11,951) Balance at end of year	(14,001)	160	(13,841)

* After adjustment for prior period adjustments

DEVON COUNTY COUNCIL
Group Accounts

2003-04 Total *	The Group Balance Sheet	2004-05 Devon County Council	2004-05 Exeter & Devon Airport	2004-05 Adjust- ments	2004-05 Total
£'000		£'000	£'000	£'000	£'000
	FIXED ASSETS				
986,728	Fixed Assets	1,194,785	15,501		1,210,286
	Long Term Investments				
0	Purchase of Shares in Exeter & Devon Airport	9,695		(9,695)	0
	Long Term Debtors				
0	Loans to Exeter & Devon Airport	8,121		(8,121)	0
100,023	Other Long Term Debtors	101,163			101,163
1,086,751	Total Long Term Assets	1,313,764	15,501	(17,816)	1,311,449
	CURRENT ASSETS				
3,403	Stocks and Work in Progress	3,372	88		3,460
43,861	Sundry Debtors (less provision for bad debts)	48,969	1,736		50,705
0	Due to Exeter and Devon Airport	64	0	(64)	0
9,783	Cash Balances in hand	5,188	3,594		8,782
	Investments				
77,565	Revenue	101,583			101,583
134,612	Total Current Assets	159,176	5,418	(64)	164,530
1,221,363	Total Assets	1,472,940	20,919	(17,880)	1,475,979
	CURRENT LIABILITIES				
(2,186)	Borrowing Repayable on demand or within 12	(4,430)			(4,430)
(81,782)	Sundry Creditors	(87,197)	(1,535)		(88,732)
0	Due to Exeter & Devon Airport	0	0	0	0
0	Due from Exeter & Devon Airport	0	(781)	781	0
(83,968)	Total Current Liabilities	(91,627)	(2,316)	781	(93,162)
1,137,395	Total Assets less Current Liabilities	1,381,313	18,603	(17,099)	1,382,817
(409,639)	Borrowing Repayable within period exceeding 12	(449,639)	(7,404)	7,404	(449,639)
23,260	Less Deferred liabilities	22,558			22,558
(239,740)	Pensions Liability	(440,230)			(440,230)
0	Creditors due after one year				0
(12,791)	Provisions	(13,797)	(1,664)		(15,461)
(638,910)	Total Long Term Liabilities	(881,108)	(9,068)	7,404	(882,772)
498,485	Total Assets Less Liabilities	500,205	9,535	(9,695)	500,045
	FINANCED BY				
0	Share Capital/premium		9,695	(9,695)	0
0	Usable Capital Receipts Reserve	885			885
90,474	Government Grants and External Contributions Deferred	112,188			112,188
6,582	Government Grants and External Contributions Unapplied	7,848			7,848
285,204	Fixed Asset Restatement Account	428,077			428,077
283,758	Capital Financing Account	300,765			300,765
(215,442)	Pensions Reserve	(411,490)			(411,490)
47,909	Revenue Fund Balances	61,932	(160)		61,772
498,485	TOTAL FINANCING	500,205	9,535	(9,695)	500,045

* After adjustment for prior period adjustments

DEVON COUNTY COUNCIL
Group Accounts

1. Accounting Policies

The County Council is applying the transitional arrangements for expanding the coverage of group accounts permitted under the Statement of Recommended Practice 2004. The effect of these transitional arrangements is that although the group accounts published for 2004-05 are consistent with those published in previous years, a new format will apply from 2005-06 onwards. Comparative figures for 2004-05 will be published on a revised basis for comparative purposes in the accounts for 2005-06.

Accounting policies for the County Council and its subsidiary company differ in respect of fixed assets and pensions costs.

- [i] The County Council values most fixed assets at current cost on its balance sheet: the exceptions are infrastructure and plant vehicles & equipment, which are valued at historic cost. All fixed assets are valued at historic cost in the balance sheet of Exeter and Devon Airport Limited.
- [ii] Exeter and Devon Airport Limited has not fully implemented FRS 17: the pension costs included within the revenue account reflect the actual cost payable to the pensions fund rather than the benefits earned by employees during the year. See note 3 below regarding the impact of stating pension liabilities in line with FRS17.

2. Accumulated Operating Deficits

Prior to 1999-00, Exeter and Devon Airport Limited ran at a loss. The County Council's policy has been for accumulated losses to be met from future surpluses generated by the Company. Surpluses have been generated every year since 1999-00, which have gradually reduced the accumulated losses to £160,000 as at 31st March 2005.

3. Potential pension liabilities

Exeter & Devon Airport Limited estimates that if its pension liabilities had been stated in line with FRS 17, the actuarial deficit as at 31st March 2005 would have been £1,663,000.

4. Summary movement on Group reserves

The summarised statement of movements in group reserves is shown below.

Group Accounts - Summarised Movements in Reserves	2004/5 £'000
Balance brought forward at 1 April 2004	498,485
Devon County Council - increase in revenue resources	13,048
Devon County Council - movement in pensions reserve	(196,048)
Devon County Council - movement in realised capital resources	2,151
Devon County Council - movement in Fixed Asset Restatement Account	142,873
Devon County Council - movement in amounts set aside to finance capital investment	38,721
Exeter and Devon Airport Limited - surplus for the year	815
Balance carried forward at 31 March 2005	500,045

DEVON COUNTY COUNCIL
Group Accounts

5. Prior year adjustments

The comparative 2003-04 figures for the group shown in the preceding tables differ from those published in the 2003-04 Statement of Accounts.

Prior-year adjustments relating to the County Council are shown in Note 2 to the County Council's Consolidated Balance Sheet on page 32.

The following prior-year adjustments have also been made in respect of Exeter & Devon Airport Limited, as the previously published 2003-04 group accounts were based on figures taken from draft accounts prior to audit.

Prior year adjustments for Exeter & Devon Airport Ltd.	2003-04 £'000
<u>Revenue Account</u>	
Increase in Profit & Loss Account surplus for Year	(85)
<u>Balance Sheet</u>	
Fixed Assets	(5)
Sundry Debtors	13
Sundry Creditors	(33)
Provisions	110
	85

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 82 active employers may join the fund.

At 31 March 2005 there are 34,751 contributors and 31,627 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 2005.
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.

Statement of Investment Principles

Devon County Council (as the Administering Authority) was required (by 3 July 2000) to prepare a Statement of Investment Principles (S.I.P.). The S.I.P. was approved and published by the Investment and Pension Fund Committee on 4 February 2000. The S.I.P. has subsequently been revised and updated by the Committee in May 2002 and May 2004. Full details may be obtained from the County Council's website at www.devon.gov.uk/pension_fund_statement.pdf

Funding Strategy Statement

Regulation 76A of the Local Government Pension Scheme Regulations 1997(as amended) required the County Council (as Administering Authority) to prepare and publish a Funding Strategy Statement for the Pension Fund.

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 www.devon.gov.uk/strategy_statement090305.pdf or they may be obtained separately from the Investment Manager.

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 will be 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 £0.300m for Investment Management and Accounting and in Administration expenses £1.029m for Pensions Administration expenses. These have been incurred for the internal cost of providing the services.

DEVON COUNTY COUNCIL
Pension Fund

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 £75.85m 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.

Investment Transactions

In 2004-05 the transactions of the Fund comprised £470.6 million purchases and £385.5 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 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 GMPs), Rate of Price Inflation 2.9%pa. The results will be 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 2005.

	£000	%
DCC Investment Team	595,796	38.4
UBS	193,950	12.5
Capital International	183,388	11.8
UBS (Managed Fund)	277,561	17.9
SSGA (Managed Fund)	301,268	19.4
Total	1,551,963	100.0

DEVON COUNTY COUNCIL
Pension Fund

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 2004-05 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. UBS provided their own custody service until 1 March 2005 and they also had authority to lend stocks. (From 1 March JP Morgan Chase were appointed to act as custodian for the UBS portfolio, an agreement to lend stocks from the UBS portfolio is currently being negotiated). Collateral is required against all loans in the form of cash or another approved form of security. At 31 March 2005 the total stock on loan amounted to £37.467m (2.4% of total fund value).

	£m
DCC In-House	31.722
Capital International	5.745
UBS	0.000
Total	37.467

Analysis of Investments

	U.K £000	Overseas £000
Fixed Interest	183,780	63,771
Equities (Listed)	169,352	154,483
Managed Funds	388,439	190,390
Property Unit Trusts	148,101	0
Other Unit Trusts	23,748	32,768
Unlisted Securities	44,034	31,816
Cash and Short Term Loans	121,276	5
Total	1,078,730	473,233

Analysis of Managed Funds

	UBS £000	SSGA £000
U.K.	277,561	110,878
North America		74,458
Europe		81,395
Japan		34,537
Total	277,561	301,268

Stock Index Futures

At 31 March 2004 the In-house Fund held FTSE 100 futures to the value of £36.715m. These futures were closed out during April 2004. No further futures were held during 2004-05.

Scheduled and Admitted Bodies

A detailed list of all scheduled and admitted bodies who are contributors to the Pension Fund is contained in the Pension Fund Annual Report.

Post Balance Sheet events

Since the Balance Sheet date, the Government have revoked the 2005 Pension Scheme Regulations. These were amending regulations to the Local Government Pension Scheme, bringing in various changes. In particular, the earliest age at which members could retire with unreduced benefits was increased for future

DEVON COUNTY COUNCIL
Pension Fund

service from age 60 (the Rule of 85) to age 65 (apart from certain older members who were protected). The 2004 Actuarial Valuation of the Fund, and hence the contribution rates for 2005/06, were set on the basis of these amending regulations.

A tri-partite committee has been set up with representatives from the Employers, Trade Unions and Central Government. This committee will review the results of further actuarial work which has been commissioned to establish the impact of the revocation. It is anticipated that any further scheme changes identified by this review will be implemented from 1st April 2006.

At this time, the Fund has not commissioned an interim Actuarial Valuation to assess the financial impact, but we are monitoring the issues which are currently the subject of discussion in the tri-partite committee.

Pension Fund Annual Report

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

DEVON COUNTY COUNCIL
Pension Fund

2003-04	Fund Account	2004-05
£'000	Contributions and Benefits	£'000
	Contributions receivable:	
72,148	Employers	79,984
2,219	Employers – Additional Capital Contributions	7,492
26,304	Employees	28,807
15,010	Transfers in from other schemes	20,338
	115,681	136,621
	Benefits Payable:	
(60,661)	Pensions	(63,865)
(7,976)	Lump Sums	(10,746)
(1,572)	Death Benefits	(909)
(432)	Refunds	(414)
(7,745)	Transfers out to other schemes	(10,957)
(1,074)	Administration expenses	(1,086)
	(79,460)	(87,977)
	36,221	48,644
	NET ADDITIONS (WITHDRAWALS) FROM DEALINGS WITH FUND MEMBERS	
	Returns on Investments	
37,640	Investment Income	28,800
(1,876)	Investment Management expenses	(1,744)
218,077	Change in Market Value of Investments:	136,425
	253,841	163,481
	290,062	212,125
	Net Increase (Decrease) in the Fund during the year	
	1,058,286 Opening Net Assets of the Fund at 1 April	1,348,348
	1,348,348	1,560,473
	Net Assets of the Fund at 31 March	
Net Asset Statement		
Investments at Market Value		
	Fixed Interest	
76,312	U.K. Government Stocks	80,362
70,009	U.K. Government Index Linked Stocks	94,988
52,533	Overseas	61,876
12,564	Other	10,326
	Equities (Listed)	
158,735	U.K.	169,352
131,891	Overseas	154,483
492,487	Managed Funds	578,829
127,749	U.K. Property Unit Trusts	148,101
38,689	Other Unit Trusts	56,515
62,893	Unlisted Securities	75,850
918	Foreign Currency	5
	1,224,780	1,430,687
114,567	Cash and Short Term Loans	121,276
15,307	Current Assets	12,873
(6,306)	Current Liabilities	(4,363)
	123,568	129,786
	1,348,348	1,560,473
	Net Assets of the Fund at 31 March	

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.

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, effluxion of time or obsolescence through 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.

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.

FRS / FINANCIAL REPORTING STANDARDS

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

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

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 subsidiary companies.

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.

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 2004-05, the County Council paid levies to the Devon & Cornwall Magistrates Courts Committee, 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.

PFI / PRIVATE FINANCE INITIATIVE

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.

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.

S L A / SERVICE LEVEL AGREEMENT

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.

S O R P / STATEMENT OF RECOMMENDED PRACTICE

Recommendations by the Accounting Standards Board as to accounting treatment but which do not have the same force as SSAP's.

S S A P / STATEMENT OF STANDARD ACCOUNTING PRACTICE

Standard accounting treatment of specific types of transaction as laid down by the Accounting Standards Board. These statements are complementary to the Financial Reporting Standards.

TEMPORARY BORROWING

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