

**Statement of Accounts
2007/08**



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Explanatory Foreword

Introduction

Welcome to the 2007/08 financial statements for Devon County Council. This year the format of our Accounts has changed to comply with the new Statement of Recommended Practice (SORP) for 2007.

Contained within you will find information regarding our financial performance for the year within the following statements:-

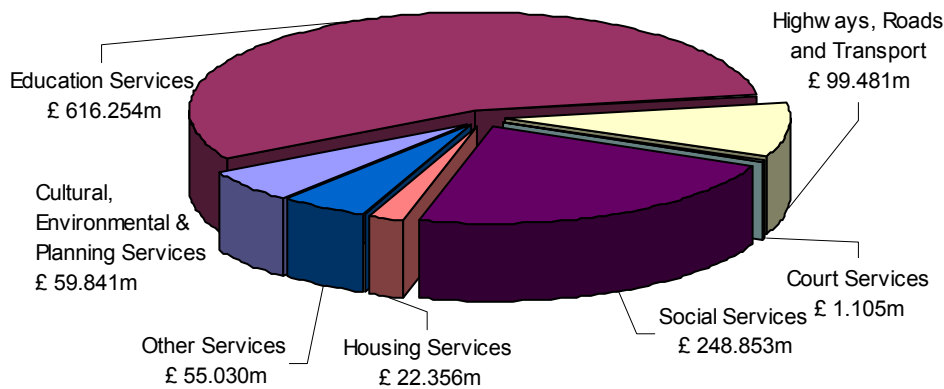
- Income and Expenditure Account, analysing the Council's day to day operations (page 25);
- Statement of the Movement on the General Fund Balance, (page 26);
- Balance Sheet, specifying the assets and liabilities of the Council as at 31 March 2008, excluding Pension and Trust Fund transactions (page 27);
- Statement of Total Recognised Gains and Losses (page 28);
- The Cash Flow Statement, summarising the inflows and outflows of cash arising from revenue and capital transactions (page 29);
- The Core Accounting Statements are followed by specific notes to aid understanding and provide more detail (from page 30);
- Devon Pension Fund Accounts, recording the Fund Account and Net Asset Statement for the Fund (page 77).
- 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, we have provided comparative figures for the previous financial year so they can be compared to 2007/08 performance.

Detailed Analysis of Income and Expenditure

The Income and Expenditure Account is produced in line with the Chartered Institute of Public Finance and Accountancy's (CIPFA) Best Value Accounting Code of Practice (BVACOP) and the 2007 Statement of Recommended Practice. This requires a standard analysis of service expenditure, to be shown at total cost, which includes charges for capital asset utilisation, apportionments of central costs, expenditure from funds and reserves and appropriate provision for pension costs. Gross expenditure totalled £1,102,920 million and Chart 1 highlights spending for each service.

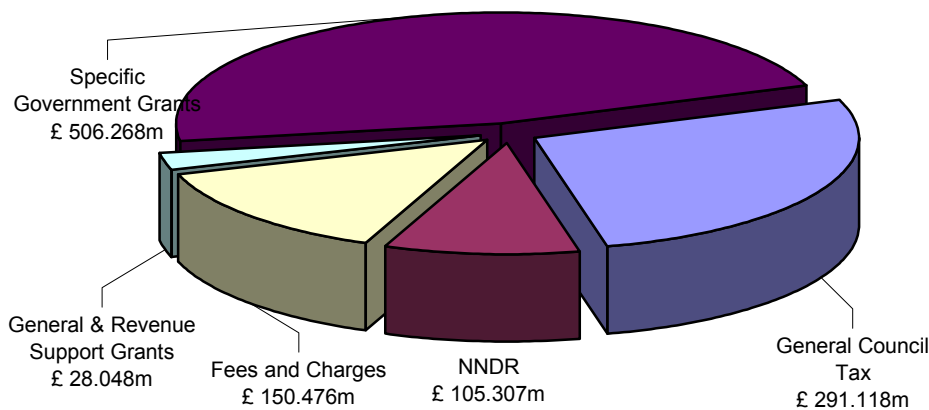
Chart 1: Gross Expenditure



Expenditure is funded from a number of different sources, some local to Devon and some from Government. Chart 2, below, highlights sources of revenue income for the County Council during the year.

Total gross income of £1,081.217 million was received during the year, made up of £506.268 million in specific grants and £150.476 million from fees and charges. General and Revenue Support Grant from Government was £28.048 million. The Council's share of the National Non-Domestic Rate Pool was £105.307 million and income from Council Tax amounted to £291.118 million.

Chart 2: Gross Income



Whilst the published Income and Expenditure 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 provides the day to day services of the County Council. Income arises from charges for such services where appropriate and contributions towards their costs.

Monitoring of income and expenditure takes place throughout the year. The financial performance of Directorates, relative to budgets approved by Members is as follows:

Children and Young People:

In accordance with the Scheme of Funding schools required by the Department for Children, Schools and Families, schools will carry forward £11.884 million or 3.3% of their budgets. This figure is higher than the carry forward from the 2006/07 financial year (£10.910 million).

There were some pressures on the non-schools budget during the year. There were particularly acute in relation to home to school transport, fostering and residential placements. Carry forwards into 2008/09 include the statutory carry forward for schools, carry forward for Standards Fund initiatives and several smaller carry forwards for Youth Offending Teams, building capacity and staff planning developments. After these transactions there is a net overspend of £3.104m which has been provided for from savings elsewhere in the accounts.

Environment, Economy and Culture:

The Directorate underspent by £0.924m in spite of an overspend of £0.722m for waste disposal. The tonnage of waste disposed of exceeded initial estimates and additional costs for the disposal of waste electrical and electronic equipment were incurred. Civil parking enforcement generated a surplus of £1.197m which is ring fenced and as a result has been carried forward.

Adult and Community Services:

Careful management has resulted in an underspending of £3.478m. The main elements of the underspend relate to a provision for extra care housing which has not been spent during the year because of the time taken to develop and implement proposals with partners, and, the impact of the learning disability service recovery plan.

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

In expectation of an outturn that would require careful management each directorate secured savings that in aggregate totalled £2.796m.

Other Budgets:

Interest generated from investment income achieved £5.381 million above target, with savings totalling £1.750 million also being realised in terms of capital financing costs.

Provisions have been reviewed and adjusted where appropriate. The estimated costs of finalising the scheme of single status job evaluation of £2.291m have been provided.

Grant income for the Local Authority Business Growth Incentive Scheme and rewards earned for achievements under the Local Public Service Agreement which had not been budgeted for have been recognised.

Movements in Reserves and Balances:

The Authority budgeted for contributions of £9.785 million to earmarked reserves. Through the use of reserves at outturn, earmarked balances were reduced by a net £2.388 million. The overall level of appropriation to reserves shown in the income and expenditure account therefore is £7.397m. The practice of anticipating expenditure for initiatives which either have not been started or are incomplete at the end of the financial year has continued and ring fenced and statutory carry forwards have been acknowledged in the aggregate appropriation. Significant additions to earmarked reserves have been made for the impact of the proposed modernisation of practices for residential care for adults and the recognition that although the insurance provision is adequate for current claims experience, should this experience change adversely funding will be required.

The result of the spending and appropriations outlined is an increase in balances of £0.077 million. The General Fund balances stands at £14.196 million.

Management of the Budget: Capital Spending

The 2007/08 Capital Programme represented a further major investment in the County Council's asset base. The original programme of £136.186 million was increased through slippage from 2006/07. In year significant re-phasing took place leaving a final programme of £119.402 million. Year-end accrued spending totalled £95.953 million, with 20% of the underspend being carried forward into 2008/09.

Capital Expenditure in 2007/08 resulted in major schemes being undertaken and these are shown in note 4.7.

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.

Pensions Liabilities / Assets

Based on actuarial valuations, the accounts reflect the benefits that have been accrued by members of the local government pension scheme, together with the assets available to meet those benefits. The estimated liabilities total £1,138.920 million (2006/07 - £1,223.240 million) which are set against estimated assets of £768.240 million (2006/07 - £789.850 million). These estimates reflect the position as at 31 March 2008 and the conditions and actuarial assumptions prevailing at that time. The situation will change, for example, with changes in the financial performance of the Pension Fund investments and changes to the provisions of the Local Government Pension scheme. 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.

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 2007/08 the authorised limit for external debt was set at £706.616million.

At the year-end, long-term borrowing totalled £613.858 million. There is no short-term borrowing.

Funds for Capital and Other Commitments

The capital programme required finance of £95.953 million. Borrowing, under the Prudential Code comprised £29.974 million, with grants and contributions totalling £63.536 millions. Capital receipts from the sale of assets contributed funding of £0.146 million and direct revenue contributions and use of reserves provided £2.297 million.

Post Balance Sheet Events

On 1 April 2008 Connexions Cornwall and Devon Ltd became a local authority controlled company limited by guarantee. The County Council is one of four members of the Company. The members have guaranteed the Cornwall Pension Scheme that in the event of the Company being wound up, any outstanding pension liabilities relating to Company employees will be met by the members.

Coombeshead School and Kingsbridge School have achieved foundation status during April 2008. Control of tangible fixed assets passed to the governing bodies of the schools on that date. A reduction in the level of tangible fixed assets will be made in the 2008/09 financial statements.

Accounting Changes

The SORP introduced a number of changes to the presentation of accounts for 2007/08. These are principally:

- the application of financial reporting standards relating to financial instruments (FRS25, 26 and 29) which has required analysis and recalculation of carrying values and the establishment of the financial instruments adjustment account and the available for sale reserve to manage this change,
- implementation of a revaluation account and capital adjustment account replacing the fixed asset restatement reserve and the capital financing account,
- recording a figure for depreciated historical cost as at 31 March 2007 for each asset equal to the assets current value at that date,
- writing the fixed asset restatement account down to zero to reflect the absence of any recorded revaluation gains posting the writing down to the capital financing account,
- converting the capital financing account into the capital adjustment account,
- modification to the treatment of upward revaluation and impairment in the income and expenditure account and the revaluation reserve, and,
- a requirement to disclose information relating to local area agreement grant.

These changes have been incorporated into the financial statements and notes that follow.

Financial Statements

The income and expenditure account summarises the resources that have been generated and consumed in providing services and managing the Council. It includes all day-to-day expenses and related income on an accruals basis, as well as transactions measuring the value of fixed assets actually consumed and the real projected value of retirement benefits earned by employees in the year.

Appropriations to reserves and adjustments for statutory and regulatory requirements are made in the statement of movement of the general fund balance. These adjustments allow for generally accepted accounting practice to be reconciled to council tax levels.

The balance sheet summarises assets and liabilities outstanding at the end of the financial year measured in accordance with financial reporting standards. Accruals made to reflect the resources consumed in the income and expenditure account are included together with tangible assets and the financing used to purchase them. The net assets are matched by reserves generated by capital investment and revenue activities.

The statement of recognised gains and losses brings together all the gains and losses for the year and shows the aggregate increase in net worth. Gains and losses not taken to the income and expenditure account are disclosed in this statement. In addition to the surplus generated on the income and expenditure account, it includes gains and losses relating to the revaluation of fixed assets, re-measurement of the net liability to cover the cost of retirement benefits and gains and losses generated by the valuation of financial instruments.

The cash flow statement summarises the change in liquid assets that have occurred during the year. Cash movements for revenue and capital activities are aggregated with the cash effect of financing decisions. The aggregate changes are reconciled to the movement of liquid assets shown in the balance sheet.

Conclusion

The year has once again provided many challenges that have been successfully addressed in relation to both budget management and financial reporting. The County Council continues to anticipate future changes in order to target resources when and where they can be most effective in successfully managing their impact.

The scheme of Single Status Job Evaluation was concluded during last year however, the financial consequences of the appeals process have yet to be fully worked through. In recognition of this provision has been made to acknowledge the additional costs that have been identified. This issue will continue to require careful recognition and management for the foreseeable future.

It is recognised that the findings of the Boundary Committee may have far reaching implications for the Council and service delivery to the citizens of Devon. Regardless of the outcome it is likely that service provision, both front-line and support, will face change from the integrated working with partners and shared service agenda, with a consequential financial impact.

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.

Mary Davis
Acting Director of Finance, IT and Trading
June 2008

Statement of Accounting Policies

GENERAL CONCEPTS

Introduction

The principles and practices of accounting require a Statement of Accounts to be prepared which "present fairly" the financial position and transactions of Devon County Council, and of group financial statements where the County Council has material interests in other organisations. These statements are prepared with due regard to the following:

- Quality of 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.

Going Concern – the accounts are prepared on the assumption that Devon County Council will continue in operational existence into the foreseeable future i.e. there is no intention to significantly curtail the scale of the operation.

Legislative Requirements – It is a fundamental principle that where specific legislative requirements and accounting principles conflict, legislative requirements take precedence.

General Principles

The general principles in compiling these accounts are those recommended by CIPFA. The County Council's accounts have been prepared in accordance with the Best Value Accounting Code of Practice and Code of Practice on Local Authority Accounting – A Statement of Recommended Practice 2007 (the SORP).

The accounting convention adopted is historic cost modified by the revaluation of certain categories of tangible fixed assets.

POLICIES

Accruals of Income and Expenditure

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

- Fees, charges and rents due from customers are accounted for as income at the date the Council provides for the relevant goods and services.
- Supplies are recorded as expenditure when they are consumed. Where there is a gap between the date supplies are received and their consumption, they are carried as stocks on the balance sheet.
- Works are charged as expenditure when they are completed, before which they are carried as works in progress on the balance sheet.
- Interest payable on borrowings and receivables on investments is accounted for on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by contract.
- Where income and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the balance sheet. Where it is doubtful that debts will be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

Provisions

Provisions are made where an event has taken place that gives the Council an obligation that probably requires settlement by a transfer of economic benefits, but where the timing of the transfer is uncertain.

Provisions are charged to the appropriate service revenue account in the year that the Council becomes aware of the obligation, based on the best estimate of the likely settlement. When payments are eventually made, they are charged to the provision set up in the balance sheet. Estimated settlements are reviewed at the end of each financial year. Where it becomes more likely than not that a transfer of economic benefits will not be required or a lower settlement than anticipated is made, the provision is reversed and credited back to the relevant service revenue account.

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

Contingent Liabilities

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

Exceptional items and extraordinary items

Exceptional items are either included in the cost of the service to which they relate or separately disclosed on the face of the Income and Expenditure Account if that degree of prominence is necessary in order to give a fair presentation of the accounts.

Extraordinary items are disclosed and described on the face of the Income and Expenditure Account after dealing with all items within the ordinary activities of Devon County Council and are explained fully in a note to the accounting statements.

Reserves

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

Certain reserves are kept to manage the accounting processes for tangible fixed assets and retirement benefits that do not represent usable resources for the Council. These reserves are explained in the relevant policies.

Government grants and contributions

Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as income at the date that the authority satisfies the conditions of entitlement to the grant or contribution, there is reasonable assurance that the money will be received and the expenditure for which the grant is given is incurred. Revenue grants are matched in service revenue accounts with the service expenditure to which they relate. Grants to cover general expenditure are credited to the foot of the income and expenditure account after net operating expenditure.

Retirement benefits

Employees of the Council are members of two separate pension schemes:

- The Teachers' Pension Scheme, administered by Capita Teachers' pensions on behalf of the Department for Children, Schools and Families (DCSF)
- The Local Government Pension Scheme, administered by Devon County Council.

Both schemes provide defined benefits to members, earned as employees worked for the Council.

The arrangements for the teachers' scheme mean that liabilities for these benefits cannot be identified to the Council. The scheme is therefore accounted for as if it were a defined contributions scheme. No liability for future payments of benefits is recognised in the balance sheet and the education service revenue account is charged with the employer's contributions payable to teachers' pensions in the year.

The Local Government Pension Scheme

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

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

Liabilities are discounted to their value at current prices, using a discount rate based on the annualised yield on iBoxx over 15 years AA rated corporate bond index.

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

- quoted securities - mid market value
- unquoted securities – professional estimate
- unitised securities – average of bid and offer rates
- property – market value.

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

- Current service cost – the increase in liabilities as a result of years of service earned this year and allocated in the income - expenditure account to the revenue accounts of service for which the employee worked
- Past service cost – the increase in liabilities arising from current year decisions which effect relates to years of service earned in earlier years - debited to the net cost of services in the income and expenditure account as part of non-distributed costs
- Interest cost – the expected increase in the present value of liabilities during the year as they move one year closer to being paid - debited to the net operating expenditure in the income and expenditure account
- Expected return on assets – the annual investment return on the fund assets attributable to the Council, based on the expected long term return and credited to net operating expenditure in the income and expenditure account
- Gains and losses on settlements and curtailments – the result of actions to relieve the Council of liabilities or events that reduce the expected future service or accrual of benefits of employees - debited to net cost of services in the income and expenditure account as part of non distributed costs
- Actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions - debited to the statement of total recognised gains and losses
- Contributions paid to the Devon pension fund – cash paid as employers' contributions to the pension fund.
- Statutory provisions limit the Council to raising council tax to cover the amounts payable by the Council to the pension fund in the year. In the statement of movement on the general fund balance this means that there are appropriations to and from the pension reserve to remove notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and any amounts payable to the fund but unpaid at year end.

Discretionary benefits

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

VAT

Income and expenditure excludes any amounts relating to VAT, as all VAT collected is payable to HM Revenue and Customs and all VAT paid is recoverable.

Overheads and Support Services

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA Best Value Accounting Code of Practice 2007 (BVACOP). The total cost absorption costing principle is used. The full cost of overheads and support services are shared between users in proportion to the benefits received with the exception of:

- Corporate and democratic core – costs relating to the Council's status as a multi functional, democratic organisation.
- Non distributed costs – the cost of discretionary benefits awarded to employees retiring early and any depreciation and impairment losses chargeable on non-operational properties.

These two cost categories are defined in BVACOP and are accounted for as separate headings in the income and expenditure account as part of net cost of services.

Intangible fixed assets

Expenditure on assets that do not have a physical substance but are identifiable and controlled by the Council is capitalised when it will bring benefits to the Council for more than one financial year. The balance is amortised to the relevant service revenue account over the economic life of the investment to reflect the pattern of consumption of benefits.

Tangible fixed assets

Tangible fixed assets are assets that have physical substance and are held for the provision of services or for administrative purposes on a continuing basis.

Recognition: expenditure on the acquisition, creation or enhancement of tangible fixed assets is capitalised on an accruals basis, provided that it yields benefits to the Council and the services it provides for more than one financial year. Expenditure that secures but does not extend the previously assessed standards of performance of an asset is charged to revenue as it is incurred.

Expenditure below £50,000 for buildings and £12,000 for plant, vehicles and equipment are treated as revenue items.

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

Investment properties and assets surplus to requirements - lower of net current replacement cost or net realisable value

Other land and buildings, vehicles, plant and equipment – lower of net current replacement cost or net realisable value in existing use

- Infrastructure assets and community assets – depreciated historical cost.
- Net current replacement cost is assessed as:
- Non-specialised operational properties - existing value use
- Specialised operational properties – depreciated replacement cost
- Investment properties and surplus assets – market value.

Assets included in the balance sheet at current value are revalued where there have been material changes in the value, but as a minimum every five years. Increases in valuations are matched by credits to the revaluation reserve to recognise unrealised gains. Exceptionally, gains might be credited to the income and expenditure account where they arise from the reversal of an impairment loss previously charged to a service revenue account.

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

Impairment: the values of each category of assets and of material individual assets that are not being depreciated are reviewed at the end of each financial year for evidence of reductions in value. Where impairment is identified as part of this review or as a result of a valuation exercise, this is accounted for as follows:

- Where attributable to the clear consumption of economic benefits – the loss is charged to the relevant service revenue account.
- Otherwise – written off against any revaluation gains attributable to the relevant asset in the revaluation reserve, with any excess charged to the relevant service revenue account.

Where an impairment loss is charged to the income and expenditure account but there were accumulated revaluation gains in the revaluation reserve for that asset, an amount up to the value of the loss is transferred from the revaluation reserve to the capital adjustment account.

Disposals: when an asset is disposed of or decommissioned, the value of the asset in the balance sheet is written off to the income and expenditure account as part of the gain or loss on disposal. Receipts from disposals are credited to the income and expenditure account as part of the gain or loss on disposal. Any revaluation gains in the revaluation reserve are transferred to the capital adjustment account. Amounts in excess of £10,000 are categorised as capital receipts. The balance of receipts is required to be credited to the usable capital receipts reserve, and can then only be used for new capital investment or set aside to reduce the Council's underlying need to borrow. Receipts are apportioned to the reserve from the statement of movement on the general fund balance.

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

Depreciation: depreciation is provided for on all assets with a determinable finite life, by allocating the value of the asset in the balance sheet over the periods expected to benefit from their use.

Depreciation is calculated on the following bases:

- Buildings – straight-line allocation over the life of the property as estimated by the valuer
- Vehicles, plant and equipment – straight line over the life of the asset
- Infrastructure – straight-line over the life of the asset.

Where an asset has major components with different estimated lives, these are depreciated separately.

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

Grants and contributions: where grants and contributions are received that are identifiable to fixed assets with a finite useful life, the amounts are credited to the government grants deferred account. The balance is then written down to revenue to offset depreciation charges made for related assets in the relevant service revenue account, in line with the depreciation policy applied to them.

Charges to Revenue for Fixed Assets

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

Depreciation attributable to the assets used by the relevant service

Impairment losses attributable to the clear consumption of economic benefits on tangible fixed assets used by the service and other losses where there are no accumulated gains in the revaluation reserve against which they can be written off

Amortisation of intangible fixed assets attributable to the service

The Council is not required to raise council tax to cover depreciation, impairment losses or amortisations. It is required to make annual provision from revenue to contribute towards the reduction in the overall borrowing requirement measured by the capital financing requirement. Depreciation, impairment losses and amortisations are therefore replaced by revenue provision in the statement of movement on the general fund balance, by way of an adjusting transaction with the capital adjustment account for the difference between the two.

Deferred charges

Deferred charges represent expenditure that may be capitalised under statutory provisions but does not result in the creation of tangible assets. Deferred charges incurred during the year have been written off as expenditure to the relevant service revenue account in the year. The Council meets the cost of deferred charges from either existing capital resources or borrowing. A transfer to the capital adjustment account reverses out the amounts charged in the statement of movement on the general fund balance so that there is no impact on the level of council tax.

Leases

Finance leases

Assets acquired under finance leases are not capitalised on the grounds of materiality. The approximate value after depreciation of equipment acquired under finance leases is £189,000 and outstanding liabilities for equipment acquired under finance leases is £107,000.

Operating leases

Leases that do not meet the definition of finance leases are accounted for as operating leases. Rentals payable are charged to the relevant service revenue account on a straight-line basis over the term of the lease, generally meaning that rentals are charged when they become payable.

Where the Council is the lessor income is credited to the relevant service revenue account on a straight-line basis over the term of the lease, generally meaning that rentals are credited when they are due.

Financial instruments

Financial liabilities

Financial liabilities are initially measured at fair value and carried at their amortised cost. Annual charges to the income and expenditure account for interest payable are based on the carrying amount of the liability, multiplied by the effective interest rate of interest for the instrument. For most of the borrowings that the Council has, this means that the amount presented in the balance sheet is the outstanding principal repayable and interest charged to the income and expenditure account is the amount payable for the year in the loan agreement.

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

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

Financial Assets

Financial assets are classified into two types:

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

Loans and receivables

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

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

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

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

Available for sale assets

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

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

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

Changes in fair value are balanced by an entry in the available for sale reserve and the gain or loss is recognised in the statement of total recognised gains and losses. The exception is where impairment losses have been incurred. These are debited to the income and expenditure account, along with any net gain or loss for the asset accumulated in the reserve.

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

Any gains and losses that arise on the derecognition of the asset are credited or debited to the income and expenditure account along with any accumulated gains or losses previously recognised in the statement of total recognised gains and losses.

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

Stocks and work in progress

Stocks are included in the balance sheet at the lower of cost and net realisable value with the exception of trading account stock which is valued at current cost and stock of road salt which is valued at cost.

PFI

Assets created or enhanced under the PFI scheme will pass to the Council at the end of the scheme at less than their fair value. An amount equal to the difference between fair value and the payment made at the end of the contract is built up as a long-term debtor over the contracts life by reducing the amount of the unitary payment charged to revenue.

Changes to policies

Financial instruments

New policies for financial instruments are shown above. The date of transition to the new requirements, as required by the SORP, is 1 April 2007. The change is a change in accounting policy and the resulting adjustment between the closing balance sheet at 31st March 2007 and the restated balance sheet on 1 April 2007 is shown as a prior period adjustment within 2007/08 rather than restating the 2006/07 figures. The adjustments made in 2007/08 are disclosed in Note 9.4 on page 49 and 50.

Capital Reserves

Changes to capital accounting include the replacement of the fixed asset restatement account and capital financing account with a revaluation reserve and a capital adjustment account. In practice, the closing balance on the fixed asset restatement account and capital financing account, have been merged and become the opening balance on the capital adjustment account. The 2007 SORP requires the change in accounting for the revaluation reserve to be made prospectively and consequently the opening balance is zero

Statement of Responsibilities for the Statement of Accounts

The Authority's Responsibilities

The Authority is required :

to make arrangements for the proper administration of its financial affairs and to secure that one of its Officers has the responsibility for the administration of those affairs. In this Authority, that Officer is the Director of Finance, IT and Trading;

to manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.

to approve the Statement of Accounts.

Responsibilities of the Director of Finance, IT and Trading

The Director of Finance, IT and Trading is responsible for the preparation of the Authority's Statement of Accounts which, in terms of the CIPFA / LASAAC Code of Practice on Local Authority Accounting in Great Britain ('the Code of Practice'), is required to present fairly the financial position of the Authority at the accounting date and its income and expenditure for the year ended 31 March 2008.

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

selected suitable accounting policies and then applied them consistently;

made judgements and estimates that were reasonable and prudent :

complied with the Code of Practice.

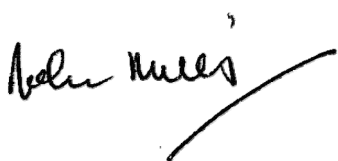
The Director of Finance, IT and Trading has also:

kept proper accounting records which were up to date;

taken reasonable steps for the prevention and detection of fraud and other irregularities.

Certificate of the Director of Finance, IT and Trading

I hereby certify that this Statement of Accounts for the year ended 31 March 2008 has been prepared in accordance with the Accounts and Audit Regulations 2006 and that it presents fairly the financial position of the authority as at 31 March 2008 and its income and expenditure for the year ended 31 March 2008.



John Mills

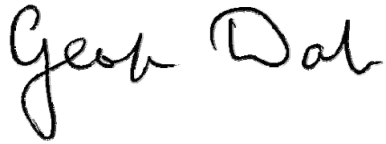
Director of Finance IT and Trading

25 September 2008

Approval of the Statement of Accounts

I confirm that these accounts were approved by the Audit Committee at its meeting held on 25 September 2008 and authorised for issue.

Signed on behalf of Devon County Council

A handwritten signature in black ink, appearing to read "Geoff Dal". The signature is written in a cursive style with a large initial 'G'.

Chairman of the Audit Committee

25 September 2008

Annual Governance Statement

Scope of Responsibility

Devon County Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards and that public money is safeguarded, properly accounted for and used economically, efficiently and effectively. Devon County Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs so as to facilitate the effective exercise of its functions and manage risk.

The County Council has approved and adopted a code of corporate governance which is consistent with the principles of the CIPFA/SOLACE Framework Delivering Good Governance in Local Government. A copy of the code can be obtained from the Director of Finance, IT & Trading. This statement explains how the Council has complied with the code and also meets the requirements of regulation 4(2) of the Accounts and Audit Regulations 2003 as amended by the Accounts and Audit (Amendment) (England) Regulations 2006 in relation to the publication of a statement on internal control.

The Purpose of the Governance Framework

The governance framework comprises the systems and processes and culture and values by which the Council is directed and controlled; also the activities through which it accounts to, engages with and leads the community. It enables the Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.

The system of internal control is a significant part of the framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing achievement of the Council's policies, aims and objectives, to evaluate the likelihood of those risks not being realised - and the impact should they be realised - and to manage them efficiently, effectively and economically.

The Governance Framework – The Council's Constitution

The Constitution is fundamental to the working of the County Council, transcending the six core principles of corporate governance in the CIPFA/SOLACE Framework which form the basis of the response set out in the attached schedule.

The Constitution is the Council's Code of Corporate Governance. Framed in accordance with statute and Government guidance and evolved in the light of experience, it sets out how the Council operates, how decisions are made and the procedures which are followed to ensure that these are efficient, transparent and accountable to local people.

The Constitution is the guarantor of the continuing openness, accountability and integrity of the Council's decision-making processes and sets a series of exacting standards against which the Council's actions can be judged and, if necessary, challenged.

The Constitution is at the heart of the Council's business:

- It allocates power and responsibility within the authority and between it and partner organisations.
- It delegates authority to act to committees and to individual Members and officers.
- It enables the people of Devon to ask questions at certain meetings and to have them answered
- It sets down the procedures by which the people of Devon may give their views on the key decisions which the Council's Executive is to take.
- It regulates the behaviour of individuals and groups through codes of conduct, protocols and standing orders.

The Constitution comprises 16 Articles setting out the basic rules governing all aspects of the working of the Council (Part 2) and is then divided up into:

- all the elements which define the Council's internal organisation, standing orders, financial regulations, schemes of delegation and terms of reference, procedures covering executive and scrutiny, risk management and codes of conduct (Parts 3–9);
- working practices which supplementing these formal rules (Part 10);
- documents which focus on the Council's external operation through service delivery, community engagement and partnership working (Part 11).

In formulating its Constitution back in 2002, the Council adhered closely throughout to the framework presented in Government's Modular Constitutions for English Local Authorities, enabling it to produce a constitution which was logical, integrated and accessible to members, officers, citizens and others interested in the way a local authority makes decisions and governs itself and its area. Then and subsequently, wherever the legislation permits local choice, the Council has framed its Constitution to take advantage of the most open and inclusive of the available options.

The Constitution is designed to meet all the necessary statutory requirements for instruments of governance and to include matters traditionally covered by local authority standing orders, financial regulations, schemes of delegation and terms of reference. It also contains the elements necessary to describe the Council's executive arrangements in a single, coherent document which can be used as a comprehensive point of reference by individuals and organisations inside and outside the Council. All the familiar elements can be found in the Constitution and the Council has sought to use the model format to create a genuinely accessible, meaningful instrument of governance.

Review of Effectiveness

The County Council's Constitution has been in place since 2002 and was last reviewed and revised in December 2007. The Constitution is published on the Council's website, Information Devon, at <http://www.devon.gov.uk/constitution.htm> and is also available for inspection at the Council's Offices together with the most recent Annual Report (also at <http://www.devon.gov.uk/annualreport2007>) and the Statement of Accounts for 2006/07 (also at http://www.devon.gov.uk/es/statement_of_accounts.htm)

Additionally, the County Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including systems of internal control. This review of effectiveness is informed by the work of managers within the authority who have a responsibility for the development and maintenance of the governance environment, the Head of Internal Audit's annual report, and also by comments made by the external auditors and other review agencies and inspectorates.

Details of processes applied in maintaining and reviewing the effectiveness of the governance framework are summarised below.

The Constitution

In reviewing its Constitution and the implications of the Local Government & Public Involvement in Health Act for its governance arrangements the County Council agreed changes to its Constitution in 2007 amplifying and emphasising the development of the Constitution as the Council's Code of Corporate Governance through the addition of a section focusing on the Council's external operations through service delivery, community engagement and partnership working (Part 11 of the Constitution). This will be further developed and updated over the course of the coming year.

The roles and responsibilities of the Council, its Executive and non-Executive Members are set out more fully in Articles 6 and 7 of the Constitution and in Part 3 (Responsibility for Functions). These are themselves balanced by the Codes of Personal Conduct set out at Part 6 of the Constitution.

The Council is currently composed of 62 councillors. 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

The Executive is the part of the Council responsible for most day-to-day decisions. It is made up of a Leader and no more than nine other members (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. These major decisions will be taken with council officers present at meetings of the Executive which will be open to the public except where personal or confidential information is discussed. The Executive has to make decisions which are in line with the Council's overall policies and budget. If it wishes to make a decision which is outside the budget or policy framework, this matter must be referred to the full Council to decide.

The Overview/Scrutiny Function

Overview/Scrutiny Committees 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. Overview/Scrutiny Committees also monitor the Executive's decisions. They can "call in" a decision which has been made by the Executive but not yet implemented. This enables them to consider whether the decision is appropriate and they may recommend that the Executive reconsiders it. They may also be consulted by the Executive or the Council on forthcoming decisions and the development of policy. An Annual Report is also prepared and considered by the County Council.

More particularly, and in relation to the Overview/Scrutiny function, it is now nearly three years since the 2005 County Council elections and there have been a number of significant developments in this area. Most notably, the four Overview/Scrutiny Committees are now Chaired by members of the largest Opposition party with Vice-Chairmen drawn from the party of the administration. Members of the other opposition groups are appointed as Deputy Chairmen. These Committees continue to operate in a non-partisan way which it is believed has served both the electorate and the Council well in line with the Constitution and the Council's protocol governing relationships between the Council's Executive and Overview/Scrutiny Committees. The reorganisation of the Council's Directorates in April 2006 also led to changes in the remits of Overview/Scrutiny Committees, with the culture portfolio now scrutinised by the (renamed) Environment, Economy & Culture Overview/Scrutiny Committee rather than by the former Community Services (now named Children & Young People's Overview/Scrutiny Committee) and adult social care services moving from the latter to the expanded Health & Adult Services Overview/Scrutiny Committee.

Both the Executive and Corporate Management Board have been appreciative of the work undertaken by Overview/Scrutiny Committees and acknowledge that it has made a major contribution to the work of the Council, especially in areas where some detailed objective research and analysis needed to be done

Organisational Performance

In relation to performance generally, and building on the most recent CPA Inspection and favourable comments by the Audit Commission in its Use of Resources and Direction of Travel findings of recent years, the Council's Executive has adopted a revised Organisational Performance Framework to strengthen the Council's performance and management reporting systems, which was successfully piloted in the Library and Information Service. The successful roll out of this over the coming year will be carefully monitored.

In the same vein, the Council has also recently launched its Devon 2011 programme, a corporate programme with three key strands aimed at boosting current performance, improving the way it works in partnership with other organisations and looking ahead to how it can best discharge its duty to community leadership, place shaping and service delivery in the future.

The Standards Committee

The Standards Committee continues to exercise its role in monitoring complaints and standards. The number of complaints received against Councillors remains small – although this may change in the light of the new Rules and Regulations being introduced under the Local Government & Public Involvement in Health Act which will result in more matters for local investigation and determination. There have been no cases locally where a councillor has not followed the Council's Code of Conduct.

The Audit Committee

The Audit Committee has been vigilant in monitoring the Council's arrangements to secure economy, efficiency and effectiveness in its use of resources including the work of the Council's Internal Audit team and the Audit Commission and the application of the Council's Risk Management policy. This resulted in an unqualified conclusion by the Audit Commission in its Annual Governance Report.

Engagement and Participation

The County Council has always prided itself on the work it does, over and above statutory consultations, to encourage individuals from all sections of the community to engage with, contribute to and participate in the work of the Council. Examples of this over and above the Council's Communications Strategy are the Devon Voice (Residents Panel) and the Young Peoples' Shadow Executive and Scrutiny Forums (Hear by Right).

The County Council has also, working with the Department of Work and Pensions, now set up a Senior Council which should be fully up and running by March 2008, to act as an independent, non-political body to lobby for and be part of local policy making to provide better local services for the over 50s. Devon is one of only eight local authority areas in the country chosen by the Government to pilot new ways of supporting and empowering people over 50, of which the Senior Council is but one element.

Significant Governance Issues

The Council took a lead in 2006/07 in undertaking a review of the structure and governance of the Devon Strategic Partnership (DSP). These new governance arrangements are now in place and appear to be operating effectively. New structures include a Delivery Board comprising the Chief Executive's of key agencies in Devon (including District Councils) reporting to a Partnership Board which includes all Council Leaders. The challenge for the Council is to ensure these continue. The Council is also taking steps to ensure that governance of the Council's contribution to the partnership agenda is managed effectively and integrated within mainstream service delivery.

The County Council is also developing governance for the 1:3:28 model of service delivery across the Council and is currently also working on the development of governance arrangements for integrated working arrangements with Health Partners and is introducing revised arrangements for governance of the Devon Pension Fund.

Certification

We have been advised on the result of the review of the effectiveness of the governance framework undertaken by the Executive, the Audit Committee and by Overview and Scrutiny Committees and the plans, as summarised above, to address weaknesses and ensure continuous improvement of systems is in place.

We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

Chief Executive

P J Narrey

(Dated)

23 June 2008

Chairman of the Audit Committee

Geoff Dal

(Dated)

26/6/08

Independent Auditors' Report to the Members of Devon County Council

Opinion on the Financial Statements

I have audited the Authority accounting statements, pension fund accounts and related notes of Devon County Council for the year ended 31 March 2008 under the Audit Commission Act 1998. The Authority accounting statements comprise the Income and Expenditure Account, the Statement of the Movement on the General Fund Balance, the Balance Sheet, the Statement of Total Recognised Gains and Losses, the Cash Flow Statement, and the related notes. The Pension Fund accounts comprise the Fund Account, the Net Assets Statement and the related notes. The Authority accounting statements and pension fund accounts have been prepared under the accounting policies set out in the Statement of Accounting Policies.

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

Respective responsibilities of the Responsible Financial Officer (Director of Finance, IT and Trading) and auditor

The Director of Finance IT and Trading's responsibilities for preparing the financial statements in accordance with relevant legal and regulatory requirements and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2007 are set out in the Statement of Responsibilities for the Statement of Accounts.

My responsibility is to audit the Authority accounting statements, pension fund accounts and related notes in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

I report to you my opinion as to whether the Authority accounting statements and the pension fund accounts present fairly, in accordance with relevant legal and regulatory requirements and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2007

the financial position of the Authority and its income and expenditure for the year; and

the financial transactions of the pension fund during the year and the amount and disposition of the fund's assets and liabilities, other than liabilities to pay pensions and other benefits after the end of the scheme year.

I review whether the governance statement reflects compliance with 'Delivering Good Governance in Local Government: A Framework' published by CIPFA/SOLACE in June 2007. I report if it does not comply with proper practices specified by CIPFA/SOLACE or if the statement is misleading or inconsistent with other information I am aware of from my audit of the financial statements. I am not required to consider, nor have I considered, whether the governance statement covers all risks and controls. Neither am I required to form an opinion on the effectiveness of the Authority's corporate governance procedures or its risk and control procedures.

I read other information published with the Authority accounting statements, pension fund accounts and related notes and consider whether it is consistent with the audited Authority accounting statements. This other information comprises the Explanatory Foreword. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the Authority accounting statements, pension fund accounts and related notes. My responsibilities do not extend to any other information.

Basis of Audit Opinion

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

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the Authority accounting statements and related notes are free from material misstatement, whether caused by fraud or other irregularity or error. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the Authority accounting statements, pension fund accounts and related notes.

Opinion

In my opinion:

- The Authority financial statements present fairly, in accordance with relevant legal and regulatory requirements and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2007, the financial position of the Authority as at 31 March 2008 and its income and expenditure for the year then ended; and
- The pension fund accounts and related notes present fairly, in accordance with the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2007, the financial transactions of the Pension Fund during the year ended 31 March 2008, and the amount and disposition of the fund's assets and liabilities as at 31 March 2008, other than liabilities to pay pensions and other benefits after the end of the scheme year.

Conclusion on arrangements for securing economy, efficiency and effectiveness in the use of resources

Authority's Responsibilities

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

Auditor's Responsibilities

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

Conclusion

I have undertaken my audit in accordance with the Code of Audit Practice and having regard to the criteria for principal local authorities specified by the Audit Commission and published in December 2006, I am satisfied that, in all significant respects, Devon County Council made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2008.

Best Value Performance Plan

I have issued our statutory report on the audit of the authority's best value performance plan for the financial year 2007/08 on 19 December 2007. I did not identify any matters to be reported to the authority and did not make any recommendations on procedures in relation to the plan.

Certificate

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



Brian Bethell
District Auditor

Audit Commission,
3-6 Blenheim Court,
Lustleigh Close,
Matford Business Park,
Exeter EX2 9PW

30 September 2008

Income and Expenditure Account

This account summarises the resources that have been generated and consumed in providing services and managing the Council during last financial year. It includes all day-to-day expenses and related income on an accruals basis, as well as transactions measuring the value of fixed assets actually consumed and the real projected value of retirement benefits earned by employees in the year.

2006/07 Net Cost restated £'000"	Service Expenditure Analysis	Notes	2007/08 Gross Expenditure £'000"	2007/08 Gross Income £'000"	2007/08 Net Cost £'000"
General Fund continuing operations					
48,765	Cultural, Environmental and Planning Services		59,841	(10,140)	49,701
102,660	Children and Education Services		616,254	(501,093)	115,161
73,342	Highways, Roads and Transport		99,481	(17,210)	82,271
842	Court Services (Coroner's Court)		1,105	(109)	996
156,284	Adult Social Care		248,853	(86,367)	162,486
1,838	Housing Services (primarily supporting people)		22,356	(20,415)	1,941
3,708	Corporate and Democratic Core		3,917	(50)	3,867
10,170	Non Distributed Costs		8,227	0	8,227
918	Central Services to the Public		2,601	(1,314)	1,287
1,776	Discontinued operations		0	0	0
18,600	Exceptional items not included in costs of specific services	8	0	0	0
418,903	Net Cost of Services		1,062,635	(636,698)	425,937
13,634	(Gain) or loss on disposal of fixed assets	4	0	(1,429)	(1,429)
501	Precepts of local precepting authorities	22	523	0	523
2,488	Trading Accounts (Surplus) or Deficit	31	4,441	(4,000)	441
25,672	Interest payable and similar charges	13	25,661	0	25,661
(10,839)	Interest and investment income	14	0	(14,617)	(14,617)
9,130	Pensions interest cost and expected return on pensions assets	23	9,660	0	9,660
(10,265)	Extraordinary items	8	0	0	0
449,224	Net Operating Expenditure		1,102,920	(656,744)	446,176
(275,235)	General Council Tax				(291,118)
(22,409)	Government grants (not attributable to specific services)				(28,048)
(99,904)	Non-domestic rate distribution				(105,307)
51,676	(Surplus) or Deficit for the year				21,703

Statement of Movement on the General Fund Balance

The Income and Expenditure Account shows the council's actual financial performance for the year, measured in terms of resources consumed and generated over the last financial year. However, the authority is required to raise Council Tax on a different accounting basis, the main differences being: Capital Investment is accounted for as it is financed rather than when the fixed assets are consumed Retirement benefits are charged as amounts become payable to the pension fund and pensioners rather than as future benefits earned

The General Fund balance compares the council's spending against the Council Tax that it raised for the year, taking into account the use of resources built up in the past and contributions to reserves earmarked for future expenditure.

Statement of Movement on the General Fund Balance for the year ended 31 March 2008

2006/07 £'000	Notes	2007/08 £'000
51,676	Surplus or deficit for the year on the Income and Expenditure Account	21,703
(51,722)	Net additional amount required by statute and non-statutory proper practices to be debited or credited to the General Fund Balance for the year	(22,754)
(24,983)	General Fund Balance brought forward	(25,029)
(25,029)	General Fund Balance carried forward	(26,080)
(10,910)	Amount of General Fund Balance held by governors under schemes to finance schools	(11,884)
(14,119)	Amount of General Fund Balance generally available for new expenditure	(14,196)
(25,029)		(26,080)

Balance Sheet

2006/07 £'000		2007/08 £'000	2007/08 £'000	Note
	FIXED ASSETS			
	Operational Assets			
1,022,663	Land and Buildings	1,076,215		4
282,181	Infrastructure assets	297,219		4
18,759	Vehicles, plant, furniture and equipment	18,762		4
	Non Operational Assets			
12,972	Surplus Assets held for Disposal	24,523		4
19,862	Assets under Construction	17,199		4
1,356,437	Total Fixed Assets		1,433,918	
0	Long term investment in companies	61		
10,000	Investments - maturity more than 1 year	25,780		
96,988	Long Term Debtors	95,745		18
21,154	Deferred premiums on the early repayment of debt	0		
1,484,579	Total Long Term Assets		1,555,504	
	CURRENT ASSETS			
2,404	Stocks and Work in Progress	2,523		29
53,249	Debtors	64,513		6
7,794	Cash and Bank	11,123		
	Investments and Loans			
250,139	Investments - maturity less than 1 year	231,795		
4,336	Vintage Landfill Usage Allowance	0		15
317,922	Total Current Assets		309,954	
1,802,501	Total Assets		1,865,458	
	LESS CURRENT LIABILITIES			
(3,167)	BMW Liability for Usage (LATS)	0		15
(130,482)	Creditors	(118,560)		6
0	Bank Overdraft	(3,777)		
(133,649)	Total Current Liabilities		(122,337)	
1,668,852	Total Assets Less Current Liabilities		1,743,121	
(599,639)	Borrowing repayable within a period in excess of 12 months	(613,858)		7
(155,280)	Government Grants & Conts - Deferred	(207,175)		11
(15,090)	Government Grants & Conts - Unapplied	(18,958)		11
(433,390)	Pensions Liability	(370,680)		23
(17,688)	Provisions	(14,238)		25
(1,221,087)	Total Long Term Liabilities		(1,224,909)	
447,765	Total Assets Less Liabilities		518,212	
	FINANCED BY			
0	Revaluation Reserve	156,048		27
0	Available for Sale Financial Instruments Reserve	61		27
719,086	Capital Adjustment Account	582,621		27
0	Financial instruments adjustment account	(21,695)		27
(403,533)	Pensions Reserve	(342,255)		27
53,789	Usable Capital Receipts Reserve	57,535		27
1,169	Landfill Allowance Trading Scheme Reserve	0		27
	Fund Balances and Reserves			
52,225	Earmarked Reserves	59,817		27
14,119	Working Balances - County Fund	14,196		27
10,910	Held by Schools under Delegated Management	11,884		27
447,765	Total Financing		518,212	

Statement of Total Recognised Gains and Losses

This statement brings together all the gains and losses for the year and shows the aggregate increase in its net worth. In addition to the surplus generated on the Income and Expenditure Account, it includes gains and losses relating to the revaluation of fixed assets, re-measurement of the net liability to cover the cost of retirement benefits and gains and losses generated by the valuation of financial instruments.

2006/07 £000's	Notes	2007/08 £000's
51,676	Deficit on the Income and Expenditure Account for the year	21,703
(39,698)	Surplus arising on revaluation of fixed assets	(40,341)
0	Surplus arising on revaluation of available- for-sale financial assets and other financial instruments	21,651
(1,290)	Actuarial (gains) and losses on pension fund assets and liabilities	(73,460)
(48,870)	Surplus on Sale of Investment	0
(38,182)	Total recognised gains and losses for the year	(70,447)

Included within the Statement of Total Recognised Gains and Losses are the cumulative effects of the transitional arrangements for financial instruments.

Cumulative Losses

Financial Instruments transitional arrangements

£ 22.322 million

Cash Flow Statement

2006/07 £'000	CASH FLOW STATEMENT	2007/08	
		£'000	£'000
	Revenue Activities		
	Cash Outflows		
479,347	Cash paid to and on behalf of Employees	576,176	
527,254	Other Operating cash payments	467,636	
542	Precepts and Levies	529	
1,007,143			1,044,341
	Cash Inflows		
(275,235)	Precept income	(291,118)	
(99,904)	Non-domestic rate receipts from national pool	(105,307)	
(18,905)	Revenue Support Grant	(17,673)	
(3,504)	Other Government Grants (General)	0	
(481,971)	Other Government Grants (Specific)	(512,807)	
(217,216)	Cash received for goods and services	(140,083)	
(1,096,735)			(1,066,988)
(89,592)	Revenue Activities Net Cash Flow		(22,647)
	Return on Investments and Servicing of Finance		
	Cash Outflows		
18,522	Interest paid	35,503	
	Cash Inflows		
(9,276)	Interest received	(10,344)	
9,246			25,159
	Capital Activities		
	Cash Outflows		
96,913	Purchase of fixed assets	86,315	
21,771	Other capital cash payments	6,045	
	Cash Inflows		
(4,662)	Sale of fixed assets	(3,970)	
(30,626)	Capital grants received	(62,998)	
(17,322)	Other capital cash income	(9,856)	
66,074			15,536
	Acquisitions and Disposals		
	Cash Inflows		
(58,568)	Sale of Exeter & Devon Airport Ltd.		0
(72,840)	Net cash outflow / (inflow) before financing		18,048
	Management of Liquid Resources		
115,475	Net increase/(decrease) in cash value of investments		(7,600)
	Financing		
	Cash Outflows		
10,000	Repayments of amounts borrowed	0	
	Cash Inflows		
(70,000)	New loans raised	(10,000)	
(60,000)			(10,000)
(17,365)	Decrease / (Increase) in cash and equivalents		448

Notes to the Accounts

1. Introduction

The date when the statement of accounts was authorised for issue and who gave that authorisation is disclosed below. This is confirmation that this is the date up to which events after the balance sheet date have been considered.

The Chair of the Audit Committee has authorised the issue date for the statement of the 2007/08 accounts for Devon County Council to be 26 June 2008. Events after the balance sheet date have been considered up to the issue date.

2. Adjustments to Prior Period

The BVACOP service expenditure analyses (SEA) have been amended for 2007/08. The Children's Social Services SEA has been aggregated with Education to form Children's and Education Services. The remaining Social Services are renamed as Adult Social Care.

2006/07 expenditure has been restated as follows

	Prior year before adjustments £'000	Prior year £'000	Adjustments £'000
Children's and Education Services	54,517	102,660	48,143
Adult Social Care	204,427	156,284	(48,143)

There is no change to the net cost of services in total

3. Audit Fees

In 2007/08 the County Council incurred the following fees relating to the external audit and inspection:

2006/07 £'000	Fees Payable to the Audit Commission	2007/08 £'000
188	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.	229
82	In respect of statutory inspection under section 10 of the Local Government Act 1999	15
26	For the certification of grant claims and returns by the appointed auditor under section 28 of the Audit Commission Act 1998.	16
5	In respect of other services provided	
301		260

4. Capital and Fixed Assets

4.1 Movement on Fixed Assets

The treatment of Tangible Fixed Assets in the accounts is covered in the Statement of Accounting Policies which begins on page 8.

There are no intangible assets shown in the accounts for 2007/08.

The movements in Tangible Fixed Assets during the year are shown below, split between :

- Operational Assets
- Non Operational Assets:

For 2007/08 the opening current value is the depreciated historic cost at April 1st 2007. This supports the introduction of the Revaluation Reserve at a balance of zero at April 1st 2007.

In 2007/08 a full review of the assets held by the Council was undertaken. The results of the review highlighted that some Voluntary Aided / Voluntary Contribution Schools had been included in the 2006/07 balance sheet and some excluded, as had some deminimis assets. The balance sheet opening balance has been restated to correct this. The Net Book Value of these assets £8.139 million. In addition £ 90.657 million has been written out of the opening balance to correct previous revaluations.

There are no assets acquired under finance lease in 2007/08.

There is one asset identified as decommissioned in 2007/08 which is South Dartmoor College. This asset was given Foundation status in 2007/08 and the Council no longer has any interest in the asset.

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

Investment properties and assets surplus to requirements - lower of net current replacement cost or net realisable value

Other land and buildings, vehicles, plant and equipment – lower of net current replacement cost or net realisable value in existing use

Infrastructure assets and community assets – depreciated historical cost.

Net current replacement cost is assessed as:

Non-specialised operational properties - existing value use

Specialised operational properties – depreciated replacement cost

Investment properties and surplus assets – market value.

The revaluations in 2007/08 represent the upward valuation of assets resulting from a general increase in prices. The revaluation gains are taken to the Revaluation Reserve. In 2007/08 the 20% revaluation of all service blocks revealed that Fixed Assets would be mis-stated if the whole block was not re-valued for Primary, Secondary and Special Schools. These revaluations were therefore undertaken.

Internal Transfers represent two activities:

Assets under Construction in 2006/07 becoming operational in 2007/08.

Operational Assets becoming surplus in 2007/08.

The effect of internal transfers is nil.

Depreciation is provided for on all assets with a determinable finite life, by allocating the value of the asset in the balance sheet over the periods expected to benefit from their use.

Depreciation is calculated on the following bases:

Buildings – straight-line allocation over the life of the property as estimated by the valuer

Vehicles, plant and equipment – straight line over the life of the asset.

Infrastructure – straight-line over the life of the asset.

The Council treats Asset Lives in the following way:

Education – Non Schools	60 Years
Libraries	60 Years
Social Services	60 Years
Highways Depots	50 Years
Waste Disposal	50 Years
Farms	Indefinite
Offices	60 Years
Old Peoples Homes	60 Years
Infrastructure	10 to 60 years
Vehicles, Plant Furniture and Equipment	5 Years

The 2007/08 Impairment occurred in the main as a result of general price decreases on some of the assets of the council. As the Revaluation Reserve at April 1st 2007 was zero there was no write back of impairment in 2007/08. Impairment was charged to the Income and Expenditure Account.

Total Fixed Assets	Opening Balance £'000	Restated £'000	Restated Opening Balance £'000	Movement in Year £'000	Closing Balance £'000
Gross Book Value of Assets	1,457,710	(99,878)	1,357,832	223,741	1,581,573
Accumulated Depreciation	(101,231)	1,082	(100,149)	(42,946)	(143,095)
Accumulated Impairment	(42)		(42)	(4,518)	(4,560)
Net Book Value of Assets	1,356,437	(98,796)	1,257,641	176,277	1,433,918

Operational Assets	Land & Buildings £'000	Infrastructure Assets £'000	Vehicles, Plant, Furniture & Other Equipment £'000	Community Assets £'000	Total Operational Assets £'000
Certified Valuation as at 31/03/07	1,043,894	341,238	39,744	0	1,424,876
Accumulated Depreciation at 31/03/07	(21,189)	(59,057)	(20,985)	0	(101,231)
Accumulated Impairment at 31/03/07	(42)	0	0	0	(42)
Net Book Value of Assets 31/03/07	1,022,663	282,181	18,759	0	1,323,603
Restatements - Certified Valuation	(94,022)				(94,022)
Restatements - Depreciation	1,082				1,082
Net Book Value of Assets Restated	929,723	282,181	18,759	0	1,230,663
Movements 2007/08					
Additions	27,499	39,657	5,054	0	72,210
Decommissioned	(18,638)	0	0	0	(18,638)
Revaluations	140,837	0	0	0	140,837
Internal Transfers	14,297	0	0	0	14,297
Depreciation	(13,276)	(24,619)	(5,051)	0	(42,946)
Impairment	(4,227)	0	0	0	(4,227)
Net Book Value of Assets 31/3/08	1,076,215	297,219	18,762	0	1,392,196
Certified Valuation as at 31/3/08	1,113,867	380,895	44,798	0	1,539,560
Accumulated Depreciation at 31/03/08	(33,383)	(83,676)	(26,036)	0	(143,095)
Accumulated Impairment at 31/03/08	(4,269)	0	0	0	(4,269)
Net Book Value of Assets 31/03/08	1,076,215	297,219	18,762	0	1,392,196

<u>Non-Operational Assets</u>	Assets under construction	Surplus Assets held for Disposal	Investment Properties	Total Non Operational Assets
	£'000	£'000	£'000	£'000
Certified Valuation as at 31/03/07	19,862	12,972	0	32,834
Net Book Value of Assets 31/03/07	19,862	12,972	0	32,834
Restatements - Certified Valuation		(5,856)		(5,856)
Net Book Value of Assets Restated	19,862	7,116	0	0 26,978
Movements 2007/08				
Additions	15,859	1,839	0	17,698
Disposals	0	(3,578)	0	(3,578)
Revaluations	0	15,211	0	15,211
Internal Transfers	(18,522)	4,226	0	(14,296)
Impairment	0	(291)	0	(291)
Net Book Value of Assets 31/03/08	17,199	24,523	0	0 41,722
Certified Valuation as at 31/03/08	17,199	24,814	0	42,013
Accumulated Impairment at 31/03/08	0	(291)	0	(291)
Net Book Value of Assets 31/03/08	17,199	24,523	0	41,722

4.2 Gains and Losses on Disposal

2006/07 £'000	2007/08 £'000
13,634 (Gains / Losses on Disposal)	(1,429)
13,634 (Gains) / Losses on Disposal	(1,429)

The gains on disposal shown above are the result of the disposal of surplus assets of the council. The assets are re-valued to market value in advance of the sale and the gains occur as a result of a better price being obtained for the asset than predicted by the market. The gains are charged to the Income and Expenditure Account.

4.3 Summary of Capital Expenditure and Sources of Finance

	2006/07		2007/08	
	£ 000	£ 000	£ 000	£ 000
Opening Capital Financing Requirement		491,279		548,879
Capital Investment				
Tangible Assets - Operational	77,678		74,020	
Tangible Assets - Non Operational	20,439		15,888	
Intangible Assets	0		0	
Deferred Charges	21,029		6,045	
Long Term Debtors	61		0	
Capital Creditors	1,353		0	
	120,560		95,953	
Sources of Finance				
Capital Receipts	(96)		(146)	
Government Grants and Contributions	(31,135)		(63,536)	
Direct Revenue Financing	(1,311)		(2,297)	
	(32,542)		(65,979)	
New capital Investment Funded through Borrowing		88,018		29,974
Less:				
Sums set aside from revenue				
Minimum Revenue Provision	(19,216)		(19,186)	
Voluntary Contributions to Repayment of Debt	(1,202)		(1,266)	
Repayment of Debt	(10,000)		(4,155)	
		(30,418)		(24,607)
Unadjusted Closing Capital Financing Requirement		548,879		554,246
Capital Creditors unfinanced				
Closing Capital Financing Requirement		548,879		554,246
Increase in Capital Financing Requirement		57,600		5,367

4.4 Deferred Charges

Capital expenditure on 'Deferred Charges' represents expenditure which has been capitalised but where the Council has not retained ownership of any fixed asset.

Deferred Charges in 2007/08 are as follows:

	Capitalised in 2007/08 £000	Charge to Income & Expenditure Account £000	Carry Forward £000
Works at various schools not included on Devon County Council's Asset Register e.g. Voluntary Aided Schools	2,865	(2,865)	0
Various environmental works including local safety schemes, waste disposal, economy and culture	1,395	(1,395)	0
Ivybridge Housing Units (Mental Health)	271	(271)	0
Care Home Environment Grant	945	(945)	0
Sheltered Housing and Extra Care Housing	240	(240)	0
Learning Disability Grant - Totnes	164	(164)	0
Devon Wheels to Work	10	(10)	0
Loans to Foster Carers	117	(117)	0
Grants to Parents of Handicapped Children	38	(38)	0
	6,045	(6,045)	0

4.5 Direct Revenue Financing of Capital Expenditure

Direct revenue financing of capital expenditure represents contributions from the 2007/08 revenue account towards capital expenditure. In addition to the £1.450 million contribution from service revenue budgets and revenue funds (£1.009 million in 2006/07), schools contributed £0.847 million from their delegated budgets (£0.221 million in 2006/07).

In 2006/07 the loans made to Morwellham Quay should have been capitalised. The capitalisation of these loans has been actioned in 2007/08 and the Direct revenue financing included accordingly

4.6 Capital Commitments

Contract	£'000
Barnstaple Western Bypass	767
A379 Bantham Roundabout to Palegates	15
Bank Street/Wolborough Street, Newton Abbot	157
A381 Harbertonford to Gerston Cross	58
Kismeldon Bridge	55
A381 Combefishacre Cross to Two Mile Oak	24
NCN - Route 27 - Horrabridge to Yelverton	213
Gold Street/Loman Green Enhancement, Tiverton	145
Deepmoor IVC (contract let 03/03/08 commitment 08/9 & 09/10)	3,703
Bideford Community College - New School	43,294
Broadclyst Primary - Phase II - Demolition, New Build, Refurbishment	1,496
Cullompton St Andrews - Childrens Centre	269
Dartmouth Primary School - Childrens Centre	539
Exeter Countess Wear Primary - Childrens Centre	449
Exeter St Davids Primary - KS1 New Teaching Accommodation	607
Great Torrington Bluecoats CofE Infants - Childrens Centre	243
Kingsbridge Primary School - Childrens Centre	808
Upton Primary - Demolition, 4 Classroom Extension	1,299
Total Commitments	54,140

4.7 Major Capital Schemes in 2007/08

Children and young Peoples service	£'000
Exwick / Foxhayes Amalgamation	3,438
Moretonhampstead New Primary	2,241
Barnstaple Asleigh CofE - Replacement kitchen	919
Clyst Heath Pri - Extension/FSU	884
Woolacombe Primary - Extend 3 Classrooms	498
Braunton Community College - Dual Use Hall / Kitchen	1,425
Ilfracombe Community College - Art Block / Internal Adaptations	989
Coombeshead Community College - Teaching Block	1,044
Great Torrington School - Drama Studios	1,023
Bideford College - Building Schools for the Future	2,397
Kingsbridge Community College - Additional Accommodation	1,150
Other Major Works Programme	1,917
Devolved Formula Capital - Projects in Schools	7,600
Other Minor Works Programme	8,838
Totnes KEVICC - Replace HORSAs Refectory	663
Sticklepath Primary Children's Centre	719
Wilcombe Primary Children's Centre	710
Other Projects	2,503
Adult and Community Services	£'000
Care Home Environment Grant - Sheltered Housing	945
Other Programmes	1,635
Corporate	£'000
County Hall Annex - Open Plan Office	595
Corporate Building Maintenance Programme	1,044
Corporate Compliance Programme	533
Other Programmes	1,032
Environment	£'000
Ivybridge - New Library	1,096
Other Library Minor works Programme	557
Highway vehicles and equipment	651
Highway Structural Maintenance	20,540
Bridge Assessment and Strengthening	2,590
Capitalised Road Maintenance	513
Exe Estuary Cycle routes	1,858
Other Cycle Routes	1,469
Public Transport Programme	592
Barnstaple western bypass	4,899
Street lighting	515
Public Rights of Way	571
Newton Abbot Enhancement - Bank St / Wolborough St	634
Composting Programme	1,272
Recycling Centres	739
Dutchy Square	762
Other	11,953
	95,953

4.8 Analysis of Fixed Assets

2006/07		2007/08
Hectares	Land	Hectares
53	Industrial Estates (1)	55
4,146	County Farms (2)	4,110
Number	Buildings	Number
89	Administrative	89
62	Day Care facilities	67
35	Residential Care	31
44	Adult, Comm. Soc. Cent's	46
66	Redevelopment Properties	44
13	Workshops & Stores	12
15	Tourist Parking / Park & Rides	16
10	Nursery / Childrens Centres(3)	4
7	Outdoor Education Centres	7
31	Highway Depots	26
50	Libraries	50
317	Primary Schools(4)	316
32	Secondary Schools(4)	32
21	Special Schools(5)	21
0	Teachers Centres	0
0	Magistrates' Courts	0
6	Other Res. Accom.	0
30	Small Indust. Units	23
Number	Vehicles, Plant, Etc.	Number
742	Light Vehicles & Plant including Pool Fleet (6)	731
88	Heavy Vehicles & Plant	88
22	Antique Items	22
£ Million	Insured Value of Council Assets	£ Million
1090	Buildings	1,219
112	General Contents of Buildings	121
16	Library Stocks	17
Km	Infrastructure	Km
977	Principal Roads	977
11,478	Other County Roads	11,493
365	Green Lanes	365
12,820	Total Roads	12,835
2,522	(Urban roads included in total)	2,537

- (1) Skypark and Roundswell amendments
- (2) 36 hectare sold in year, 29 hectares being Hornshayes Farm
- (3) Excludes 9 non DCC.
- (4) Excludes PFI - Primary 1, Secondary 5, Foundation Secondary 4, and Trust Secondary 1.
- (5) Includes 8 Pupil Referral Units
- (6) Includes 108 contract hire vehicles

In addition to the above, the authority owns many small parcels of land which in total amount to approximately 48 Hectares , of which 5.3 Hectares are possible development/re-development sites.

4.9 Community Assets

Denbury Camp
 East Hill Picnic Site
 Grand Western Canal Toilet Block
 Haldon Ridge Picnic Site
 Loxdown Layby Picnic Site
 Parracombe Picnic Site
 Stover Country Park
 The Tamar Valley Mining Heritage Project
 Trimstone Cross Picnic Site
 Slapton War Memorial to the US Army
 Tarka Trail Country Park
 Area at Cassida Cottage Westleigh

4.10 PFI Scheme

The Exeter School Private Finance Initiative began in 2005/06. The un-discharged liability arising from the Private Finance Initiative is £36.022 million.

The land associated with the PFI schools is held on the balance sheet. The school buildings constructed as part of this initiative will become County Council assets at the end of the 28 year contract. The construction value of the asset was reviewed in 2007/08 and the residual value of the asset at current value in 2007/08 is £ 93.555 million. This represents the value of the asset that will be returned to the Council at the end of the contract. A long term debtor of £5.105 million has been set up in the accounts at 31st March 2008. This long term debtor will increase by £ 1.727 million pa until the constructed element of the asset is re-valued in 2011/12. The corresponding credit is held on the balance sheet in the Capital Adjustment Account.

Payments under the contract commenced in 2005/06. The total payments over the 29 year term amount to £337 million. Set against this, grant of £248 million will be received from Government. Of the balance £55 million will be met in contributions from delegated school budgets and the remainder will be financed by the County Council.

4.11 Valuation Information

The following statement shows the progress of the council's rolling programme for the revaluation of fixed assets. The valuations are carried out by our qualified external valuer, John Penaligon FRICS. The basis for valuation is set out in the statement of accounting policies.

	2007/2008	2007/2008	2007/2008	2007/2008	2007/2008
	Land and Buildings £'000	Infrastructure £'000	Plant, Vehicle, Furniture and Equipment £'000	Surplus Assets £'000	Total £'000
Valued at historical cost		380,895	44,798		425,693
Valued at current value in:					
2007/2008	1,010,697			13,750	1,024,447
2006/2007	56,405			7,212	63,617
2005/2006	672			88	760
2004/2005	3,739			162	3,901
2003/2004	42,354			3,602	45,956
Total	1,113,867	380,895	44,798	24,814	1,564,374

4.12 Net Assets

	2007/08 £'000	2006/07 £'000
General Fund	541,417	448,476
Trading activities	(960)	(711)
	<u>540,457</u>	<u>447,765</u>

5. Contingent Liabilities and Contingent Assets

5.1 Contingent Liabilities

New Street Works

No provision is made for accrued interest on New Street Works Advance Payments Deposits and S38 agreements. The capital value for this was approximately £2.959m at 31 March 2008 (£2.619 million at 31 March 2007).

Exeter and Devon Airport Limited

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

- a maximum of £50,000 for construction and other works to ensure that a replacement for the 'compass swing' area is fit for purpose, .
- a maximum of £200,000 for construction and equipment costs should the engine testing area be relocated,
- claims under commercial warranties which total more than £500,000 for either a single claim, or a series of related claims. The time limit on these claims is the second anniversary of completion for those commercial warranties which do not relate to taxation, and the seventh anniversary for those that do,
- losses in connection with claims under the SWERDA agreement (relating to the Flybe hanger development) in excess of £1,919,571,
- legitimate claims or demands from specified contractors for any sum owing to them,
- losses that result in breaches of the covenants existing with the Church Commissioners' Properties which may have resulted from the sale to a maximum of £300,000,
- provable losses resulting from disruption or damage to the instrument landing system including any consequent disruption to the operation of business in connection with the widening of the Clyst Honiton bypass,
- losses arising from disruption resulting from the failure of the concrete used to construct the apron area for the Flybe Hanger 1 and 2 until 2016/17 to a maximum of £125,000.

NPS (South West) Ltd

On 1 April 2007 staff employed by Devon County Council in providing property design and maintenance were transferred to the NPS (SW) Ltd. From that date pension contributions for those employees went to the Norfolk County Council Pension Fund. All affected staff subsequently have 12 months to elect whether to leave their accrued pension entitlement with the Devon Fund (as a deferred benefit) or transfer that 'pension pot' to the Norfolk Fund. The detailed results of these elections have not yet been finalised and agreed but the Devon Fund Actuary estimates that the bulk transfer value should not exceed £15m. The cash transfer should be concluded in 2008/09. Until the bulk transfer value is assessed the impact on the pension fund net liabilities cannot be determined.

Guarantees

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

- The Council has provided guarantees to the Devon Pension Fund in respect of employer liabilities of the PLUSS organisation (an arms length local authority company providing sheltered employment services whose members are Devon County Council, Plymouth City Council, Torbay Council and Somerset County Council, each with equal rights and responsibilities). These employer liabilities could result in the County Council making payments in relation to pension enhancements costs, redundancy costs and any actuarial deficit in the event of the insolvency of PLUSS.
- The Council together with 14 other authorities in the South West has given a guarantee to the Avon Pension Fund in respect of employer liabilities of the South West Grid for Learning organisation.
- A guarantee has been provided to NPS (SW) Ltd. to meet obligations in relation to rent of pressures. Should the company fail to meet its obligations under the terms of the lease the liability will reassign the lease to itself for subletting.

PFI contract

A series of issues are in dispute with the contractor in relation to obligations under the contract. It is not possible given the nature of the disagreement to determine either the timing of any resolution of the dispute or the sums involved.

Connexions Devon & Cornwall Ltd

Connexions Devon and Cornwall Ltd became a public sector controlled company at 1 April 2008. A guarantee in relation to pension liabilities has been provided on 31 March 2008. Further details can be found in Note 24.

Mandatory Student Grants Account

The Council has drawn down funds of £10.265m from the Department of Education and Skills (DFES), in relation to a balance on the Mandatory Student Grants Account going back to 1994/95. This income is shown within the Council's accounts. The Council is currently holding this in an earmarked reserve, pending written confirmation from DFES that repayment is not required.

5.2 Contingent Assets

Recovery of VAT

Claims have been submitted to HMRC for recovery of output tax which has been deemed by VAT tribunal to have been incorrectly levied. The amounts involved are estimated to be £0.5 million but the timing of the reimbursement is uncertain.

Continuing Health Care

Devon County Council is co-operating with Devon Primary Care Trust in reviewing nursing and other cases currently receiving local authority support, to establish if they should be treated as receiving NHS Continuing Health Care. Where someone is not receiving nursing care or was previously assessed to have needs lower than Funded Nursing Care band 3, it will not be known until their case has been reviewed whether that person is eligible for NHS Continuing Health Care or not, nor, if they are eligible, whether or to what point the transfer of cost will be backdated. It is expected that those cases which have not been reviewed by the NHS between October 2007 and March 2008 will be reviewed in the course of 2008/09.

The annual, continuing benefit of such cases (excluding Funded Nursing Care Band 3) is estimated at perhaps £2.7m. The potential backdated impact on 2007 / 08, to be realised only when each case is reviewed, could be as much as £1.5m

6. Creditors and Debtors

6.1 Creditors

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

6.2 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 Council has paid in advance.

2006/07		2007/08	
Creditors	Debtors	Creditors	Debtors
£'000	£'000	£'000	£'000
Revenue Activities			
(42,964)	736	(4,404)	255
(51,186)	12,881	(59,995)	5,421
(6)	0	0	0
(12,742)	3,145	0	0
(7,732)	2,476	(18,001)	16,581
(12,435)	31,453	(27,575)	40,821
(127,065)	50,691	(109,975)	63,078
Capital Activities			
(3,417)		(7,010)	
	3,243		2,110
	135	(1,575)	26
(3,417)	3,378	(8,585)	2,136
	(820)		(701)
(130,482)	53,249	(118,560)	64,513
		Total	

7. Long Term Debt and Investments

7.1 Borrowing repayable within a period in excess of 12 months

2006/07 £'000	2007/08 £'000
508,139 Public Works Loan Board	518,139
91,500 Other Lenders	95,719
599,639	613,858

Payable in:	
- 1 to 2 years	-
- 2 to 5 years	-
20,000 5 to 10 years	20,000
579,639 over 10 years	593,858
599,639	613,858

8. Exceptional and Extraordinary Items

8.1 Exceptional Items

Payments totalling £18.6 million were paid to employees during 2006/07 in respect of equal pay compensation as a result of the Job Evaluation process. A provision of £2.291million has been made in 2007/08 for appeals to be settled in 2008/09 but this is not regarded as an exceptional item.

8.2 Extraordinary Items

In 2006/07 the County Council received £10.265 million from the Department for Education and Skills. This has been transferred to a Service Development Fund until confirmation of ownership is received.

9. Financial Instruments

9.1 Financial instruments balances

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

	Long-Term		Short-Term	
	31/03/2007 £000	31/03/2008 £000	31/03/2007 £000	31/03/2008 £000
Financial liabilities at amortised cost				
PWLB	508,139	518,139	0	0
Other Sources	91,500	95,719	0	0
Total Borrowings	599,639	613,858	0	0
Loans and receivables	10,000	25,780	250,139	231,795
Available-for-sale financial assets	0	61	0	0
Total Investments	10,000	25,841	250,139	231,795

PWLB loans are at a fixed rate of interest for the duration of the loan and the increase shown above is due to additional borrowing of £10m having been taken out during the year.

Some of the borrowing from other sources is at stepped rates of interest whereby they typically start at a low rate and at a predetermined point the rate increases to an agreed higher rate. There have been no new loans of this type taken out this year. The increase shown above is due to changes in national accounting policy introduced this year. These changes are explained in more detail in the accounting policies.

The increase in Long Term Investments is offset by a reduction in Short Term Investments and reflects a change in the mix of the investments portfolio.

On 1st April 2007, the Council entered into a joint venture agreement with NPS South West Ltd - a company owned jointly by NPS Property Consultants Ltd and Devon County Council (80%:20%). The company has been set up to deliver property management services as specified in a provision of services agreement. The shareholding of two £1 shares has been independently valued at 31st March 2008 at a Fair Value of £61,000 and included above as Available for sale financial assets.

9.2 Financial instruments gains and losses

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

<u>2007/08</u>	Financial Liabilities	Financial Assets		Total
	Liabilities measured at amortised cost	Loans and receivables	Available-for sale assets	
	£000	£000	£000	£000
Interest expense - Note 13	30,668	0	0	0
Losses on derecognition	0	0	0	0
Impairment losses	0	120	0	120
Interest payable and similar charges	30,668	120	0	120
Interest Income - Note 14	0	(14,045)	0	(14,045)
Gains on derecognition	0	0	0	0
Interest and investment income	0	(14,045)	0	(14,045)
Gains on revaluation	0	0	61	
Losses on revaluation	(772)	(396)	0	
Loss on reclassification of Deferred Premiums	(21,154)	0	0	
Surplus arising on revaluation of financial assets	(21,926)	(396)	61	
Net gain/(loss) for the year	8,742	(14,321)	61	

Comparative information for 2006/07 is not available. The measurement of financial assets and liabilities into the categories shown above was only required from 1st April 2007.

9.3 Fair value assets and liabilities carried at amortised cost.

Financial liabilities and financial assets represented by loans and receivables are carried in the Balance Sheet at amortised cost. The fair value can be assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments, using the following assumptions:

- The 2008 Public Works Loans Pool (PWLB) figures have been calculated by reference to the 'premature repayment' set of rates in force on that day, the 2007 figures by reference to the set of interest rates in force on 30th March 2007.
- Loans from other sources and investments have been valued by reference to the set of interest rates in force on 31st March 2008 and 2007.
- No early repayment or impairment is recognised.
- Where an instrument will mature in the next 12 months, carrying amount is assumed to approximate to fair value.
- The fair value of trade and other receivables is taken to be the invoiced or billed amount.

The fair values calculated are as follows:

	31st March 2007		31st March 2008	
	Carrying amount £000	Fair value £000	Carrying amount £000	Fair value £000
Financial Liabilities				
PWLB	508,139	541,604	518,139	594,202
Other Loans	91,500	108,485	95,719	116,387

The fair value of the loans is in all cases higher than the carrying amount. This is due to current loan rates being less than those available at the time the loans were taken out. This commitment to pay interest above current market rates increases the amount that the authority would have to pay if the lender agreed to early repayment of the loans.

	31st March 2007		31st March 2008	
	Carrying amount £000	Fair value £000	Carrying amount £000	Fair value £000
Loans and Receivables				
Long Term Investments	10,000	10,000	25,780	25,904

The fair value is higher than the carrying amount at 31st March 2008 because the authority's portfolio of investments includes a number of fixed rate loans where the interest rate receivable is higher than the rates available for similar investments at the balance sheet date. This guarantee to receive interest above current market rates increases the amount the authority would receive if it agreed to early repayment of the investments.

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

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

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

The County Council has adopted the CIPFA Code of Practice for Treasury Management in the Public Services. The Treasury Management Policy Statement together with the Statement of Treasury Management Practices was approved by the Executive on 8th April 2002. In addition an Annual Investment Strategy is approved as part of the Budget Approval in February of each year and after the year end a Stewardship report is taken with the Outturn Report for approval by the Executive in June of each year.

Investment Strategy 2007/08 – 2011/12

Prudence

The Council will at all times invest its surplus funds prudently. Priority will be given to security and liquidity rather than yield. However, the highest available rate of interest consistent with the proper levels of security and liquidity will always be sought.

Specified Investment

Specified Investments are those offering high security and high liquidity and the Council can freely rely on these with minimal procedural formalities. They include investments made with the UK Government, UK Local Authorities and with banks, building societies and money market funds that have satisfactory credit ratings. All such investments must be in sterling and with a maturity of no more than a year.

Non-specified Investment

The Council recognises that some surplus funds will be available for lending out for periods of more than one year but will not loan out more than 20% of available funds.

Credit Ratings

Credit Ratings have been used to decide who the Council should lend to for many years. There are three main credit rating agencies all of which perform the same role. The Council uses Fitch Ratings. Long-term ratings of A or better combined with a short-term rating of F1 or better are considered to be satisfactory. Even institutions with a satisfactory credit rating will be avoided if there are valid reasons for

doing so and different maximum limits may be applied to different banks etc. Money Market Funds must have an AAA rating. Credit ratings are formally monitored monthly but downgrades or potential downgrades that are reported between reviews will be acted upon. Institutions that lose their satisfactory credit rating are no longer used.

Liquidity of Investments

Surplus funds may be earmarked for specific purposes or may be general balances and as such may be available for quite long periods or very short periods. When investing cash flow forecasts will be used to judge for how long cash will be available and a margin will be allowed for unexpected cash requirements. At least 10% will be realisable within one month. All known short-term commitments will be covered before lending for over 1 month.

Performance Targets

The primary targets of the Treasury Management Strategy are to minimise interest payments and maximise interest receipts over the long term whilst achieving annual budgets, without taking undue risk.

Prudential Indicators

These indicators seek to reduce the risks associated with fixed and variable interest rate loans and with borrowing for different loan periods. Borrowing at fixed rates of interest for long periods can give the opportunity to lock into low rates and provide stability but risks missing possible opportunities to borrow at even lower rates in the medium term. Variable rate borrowing can be advantageous when rates are falling, but risks volatility and are vulnerable to unexpected rate rises. Borrowing for short periods or having large amounts of debt maturing (and having to be re-borrowed) in one year increases the risk of being forced to borrow when rates are high.

The Council's policy is generally to borrow at fixed rates of interest for as long as possible when rates are considered attractive. This has worked well over recent years but the flexibility to adapt to changing interest rate environments must be retained. The following table sets out the Prudential Indicators approved for 2007/08:

	Upper Limit	Lower Limit
	%	%
Limits on borrowing at fixed interest rates	100	70
Limits on borrowing at variable interest rates	30	0
Percentage of Fixed Rate Debt maturing in:		
Under 12 months	10	0
12 Months to within 24 months	15	0
24 Months to within 5 years	30	0
5 Years to within 10 years	50	0
10 Years and above	100	50

Credit Risk

The following analysis summarises the authority's potential maximum exposure to credit risk, based on experience of default and uncollectability over the last five financial years adjusted to reflect current market conditions:

No credit limits were exceeded during the reporting period and the authority does not expect any losses from non-performance by any of its counterparties in relation to deposits.

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

	Amount at 31/03/08	Historic experience of default	Historic experience adjusted for market conditions at 3/03/08	Estimated maximum exposure to default and uncollectability
	£000	%	%	£000
Deposits with banks and financial institutions	257,575	0	0.0043%	11
Bonds	0	0	n/a	0
Customers	20,860	0	3.3600%	701
				<u>712</u>
	£000			
less than three months	16,615			
Three to six months	1,175			
Six months to one year	1,439			
More than one year	<u>1,631</u>			
	<u>20,860</u>			

Liquidity Risk

As the authority has ready access to borrowing from the PWLB there is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

Instead, the risk is that the authority will be bound to replenish a significant proportion of its borrowings at a time of unfavourable interest rates. The strategy is to ensure that not more than 25% of loans are due to mature within any rolling two-year period through a combination of careful planning of new loans taken out and where it is economic to do so making early repayments.

The maturity analysis of borrowing is as follows:

	£000
Less than one year	0
Between one and two years	0
Between to and five years	0
More than five years	<u>613,858</u>
	<u>613,858</u>

All trade and other payables are due to be paid in less than one year.

Market Risk

Interest Rate Risk

The authority is exposed to some risk but it is not a significant risk in terms of its exposure to interest rate movements on its borrowings and investments. Movement in interest rates have a complex impact on the authority. For instance a rise in interest rates would have the following effects:

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

Borrowings are not carried at fair value, so nominal gains and losses on fixed rate borrowings would not impact on the Income and Expenditure Account or STRGL. However, changes in interest receivable on variable rate investments will be posted to the income and Expenditure Account and affect the General Fund Balance.

As most of the authority's loans and investments are fixed rate the impact of say a 1% increase in interest rates would have an impact only on variable rate investments by increasing interest receivable by £125,000 if the investments were held for a year.

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

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

Price Risk

The authority does not generally invest in equity shares but does have two £1 shares in NPS (SW) Ltd. At 31.3.08 these shares had a fair value of £61,000. Price is therefore not a significant risk for the authority.

Foreign Exchange Risk

The Council has some exposure to exchange rate movements because some expenditure and income is denominated in foreign currencies but these are generally small and they are normally converted out of or into sterling at the time of each transaction.

Where there are known future transactions that will be in a foreign currency, if their size justifies it, foreign currency deposits may be held or financial derivatives may be used to eliminate or reduce exchange rate risk until the transactions are completed.

The Council has a Euro bank account and if, while the UK is outside the Euro zone, the use of the Euro becomes more extensive in the UK, then balances may be held continuously in that currency.

Summary of Prior Year Adjustments

The Statement of Recommended Practice (SORP) for 2007 has, for the first time, incorporated the requirements of:

- FRS 25 Financial Instruments – Disclosure and Presentation;
- FRS 26 Financial Instruments – Measurement; and
- FRS 29 Financial Instruments – Disclosures.

The introduction is effective from 1st April 2007 and has meant some restatement of the closing Balance Sheet of 2006/07. However, as the new SORP requirements are a change in Accounting Policy no restatement of the 2006/07 comparative is required. The following table shows the restatement of 2006/07 figures that has been included within the 2007/08 accounts:

	31st March 07 £000	1st April 07 £000	Movement £000	Notes
Long Term Debtors				
Exeter and Devon Airport (EDAL) as restated	1,049	754	(295)	1
PLUSS	534	433	(101)	2
Deferred premiums on early repayment of debt	21,154	0	(21,154)	3
Borrowing repayable within a period in excess of 12 months as remeasured	(602,587)	(603,359)	(772)	4
Financial Instruments Adjustment Account	0	22,322	22,322	5

Notes

1. As a result of the County Council fully funding pension commitments of transferred staff until 2012 EDAL will receive a Tax refund of up to £1.049m. Within five years of the sale of the Airport EDAL will pay to the County Council £1.049m. In the 2006/07 Statement of Accounts this Long Term Debtor was incorrectly shown as a Contingent Asset. This error has been corrected and revalued to amortised cost using effective interest rate calculated assuming repayment will not occur until the end of year five and by reference to current market interest rates.
2. Devon County Council in conjunction with other local authorities has made a loan to the PLUSS organisation for £ 1 million. The Devon County Council element of this loan is £ 0.534 million. The loan is interest free until 31st March 2011. As the loan is interest free for the initial period it has been revalued to its amortised cost using effective interest rate calculated assuming that repayment will not occur until the date specified. The effective interest rate used is 7.2%.

3. As a result of debt rescheduling in previous years the Council has been carrying deferred premiums on early repayment of debt. At April 1st 2007 these were carried at amortised cost value of £ 21.154 million. These premiums have been reviewed and are deemed to be overhanging premiums and have been written out through the Statement of Movement in General Fund to the Financial Instruments Adjustment Account as per transitional arrangements.
4. The Council has four loans totalling £71.5m that have stepped interest rates. To take account of the low initial rate and higher residual rate the loans have been revalued to amortised cost using effective interest rate assuming no early repayment or impairment over the life of the individual loans.
5. As these changes to valuation are not cash transactions this new account has been created on the Balance Sheet. The balance will be written down in line with the adjustments to the individual financial instruments detailed above.

10. Government Grants

The Government contributed £122.980 million (£118.8 million in 2006/07) towards revenue spending by way of Revenue Support Grant and redistributed Non-Domestic rates. In addition £10.375 million was received in 2007/08 as other general Government "reward" grants.

Government grants £506.268 million (£474.1 million in 2006/07) were received in aid of specific services. An analysis of all government grants (both capital and revenue) is given below:

Disclosure of deployment of Dedicated Schools Grant for 2007/08

The Council's expenditure on schools is funded by grant monies provided by the Department for Education and Skills, the Dedicated Schools Grant (DSG). DSG is ring-fenced and can only be applied to meet expenditure properly included in the Schools Budget. The Schools Budget includes elements for a restricted range of services provided on an authority wide basis and for the Individual Schools Budget, which is divided into a budget share for each school. Over and underspends on the two elements are required to be accounted for separately.

Revenue:	Awarding Body	2007/08	
		£'000	£'000
Animal Welfare	DEFRA	521	
Countryside (incl. Natural England)	DEFRA	415	
Biosphere Twinning	UNESCO	35	
Miscellaneous Cultural projects	DCLG	134	
Miscellaneous Cultural projects	Various	102	
Renewable Energy for Devon	Various	647	
Blackdown Hills (various grants)	Various	294	
Waste Performance and Efficiency Grant	DCSF	30	
Other Economic and Community Grants	Various	407	
Other (6 grants)		124	
Cultural, Environmental and Planning Services:			2,709
Dedicated Schools Grant	DCSF	336,471	
Early Years (Sure Start)	DCSF	9,677	
Standards Funds	DCSF	52,777	
Higher Education Funding Council	DCSF	462	
Learning & Skills Council	DCSF	27,506	
Private Finance Initiative	DCSF / CLG	8,691	
Teachers' Training Agency	DCSF	2,818	
Learner Support Fund	DCSF	41	
Contact Point	DCSF	96	
Children's & Adolescents' Mental Health Services	DH	766	
Carers	DH	410	
Children's Services	DCSF	117	
Budget-Holding Lead Professionals	DCSF	288	
Young People Substance Misuse	DH	581	
Teenage Pregnancy Local Implementation	DCSF	14	
Youth Opportunity Fund	DCSF	341	
Children's Workforce Development Grant	DH	4	
Youth Offending Partnership	YJB	575	
LPSA - Children's services	CLG	876	
LAA - Children's Services/childrens Fund	CLG	3,460	
Pst 16 Pathfinder Grant	DCSF	134	
Adult Community Learning	DCSF	2,019	
Further Education	DCSF	1,912	
Other Adult & Community Learning	DCSF	688	
Children - other	Various	1,814	
Children's and Education Services			452,538

Revenue: (continued)	Awarding Body	2007/08	
		£'000	£'000
Bus Challenge	DfT	183	
Road Safety	DfT	926	
Detrunked Roads	DfT	1,047	
Rural Bus Services	DfT	2,361	
Other (3 grants)		159	
Highways, Roads and Transport:			4,676
Magistrates' courts	DCA	109	
Court Services:			109
Access & Systems Capacity	DH	8,538	
Delayed Discharges	DH	1,602	
Partnership for Older People	DH	991	
Mental Capacity	DH	179	
Mental Health	DH	1,466	
Training Support	DH	1,833	
Carers	DH	2,391	
Preserved Rights	DH	8,326	
Assertive Technology	DH	807	
Other	DH	66	
Adult Social Care			26,199
Supporting People	CLG	20,037	
Housing Services:			20,037
			506,268
Adjustment for movement in income accrual			6,539
Government Grants: Revenue			512,807
Capital:			
Standards Fund / Capital Grants for Schools	DCSF		35,963
Highways	DfT		4,002
Local Transport Plan	DfT		12,532
Other Grants			9,368
			61,865
Adjustment for movement in income accrual			1,133
Government Grants: Capital			62,998

10.1 Details of the deployment of DSG receivable for 2007/08 are as follows:

	Schools Budget Funded by Dedicated Schools Grant		
	Central Expenditure £000s	Individual Schools Budget £000s	Total £000s
Original grant allocation to Schools Budget for the current year in the authority's budget	32,292	302,647	334,939
Adjustment to finalised grant allocation	339	0	339
DSG receiveable for the year	32,631	302,647	335,278
Actual Expenditure for the year	32,833	301,673	334,506
(over)/underspend for the year	-202	974	772
Planned top-up funding of ISB/Central Expenditure from Council resources	202	0	202
Use of schools balances brought forward	0	0	0
(over)/underspend from prior year	0	10,910	10,910
(over)/underspend carried forward to 2008/9	0	11,884	11,884

11. Government Grants and Contributions – Deferred and Unapplied

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 in the revenue account.

GOVERNMENT GRANTS AND CONTRIBUTIONS - DEFERRED

2006/07 £'000		2007/08 £'000
(138,858)	Balance at 1 April	(155,280)
	Applied in year	
(31,135)	To capital spend	(63,535)
14,713	Offset against depreciation	11,640
(16,422)		(51,895)
(155,280)	Balance at 31 March	(207,175)

GOVERNMENT GRANTS AND CONTRIBUTIONS - UNAPPLIED

2006/07 £'000		2007/08 £'000
(9,722)	Balance at 1 April	(15,090)
	Applied in year	
(36,503)	Received in Year	(67,403)
31,135	Applied to Spend	63,535
(15,090)	Balance at 31 March	(18,958)

12. Income from services provided to other Local Authorities and Public Bodies

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 £2.012 million (£ 5.054 million in 2006/07) which covered the costs of services provided.

13. Interest Payable and Similar Charges

2006/07 £'000		2007/08 £'000
29,342	External Interest Payable	30,668
(3,678)	Acquiring Authorities Interest Payable	(3,454)
8	Other Adjustments	(1,553)
25,672		25,661

14. Interest and Investment Income

2006/07 £'000		2007/08 £'000
(9,138)	Interest from Lending	(14,045)
(1,701)	Other Interest	(572)
(10,839)		(14,617)

15. Landfill Allowances Trading Scheme

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

LATS is a 'Cap and Trade' Scheme whereby Landfill Vintage Allowances are allocated free of charge to authorities. These allowances can then be traded with other WDA's depending on the needs of each authority. The County Council undertook no trading of allowances in 2006/07.

The County Council is required to account for the use made of the LATS allowance in 2007/08, based on a notional allowance value. The maximum weighted average value for landfill allowances traded in 2007/08, as calculated by DEFRA, is £5 per tonne. This value is subject to evaluation by individual local authorities. The value assigned at the balance sheet date is £0 per tonne as local experience indicates that, in practice, the allowances can not be traded.

2006/07			2007/08	
	Weighted Average value per allowance £17.98			Weighted Average value per allowance £0.00
Tonnage Allowance	£'000		Tonnage Allowance	£'000
207,099	3,728	Allowances Allocated	193,654	
(175,963)	(3,167)	Expected Use	(151,158)	
31,136	561	Surplus for Year	42,496	0

	Allowances Allocated	Expected Use	£'000
Balance at 1 April 2007	4,336	(3,167)	1,169
Adjustments to opening balance in respect of changes in volume and value	(4,336)	3,167	(1,169)
Surplus for the Year			0
Balance at 31 March 2008	0	0	0

16. Operating Lease and Contract Hire

Payment made and commitments for leasing payments are set out in the following table

	Property	Equipment	Contract Hire	Total
	£000	£000	£000	£000
Payments in the current year	1,241	867	419	2,527
Commitments expiring within 1 year	7	121	188	316
Commitments expiring in in 2 - 5 years	393	357	110	860
Commitments expiring in more than 5 years	841			841
Total commitment	1,241	478	298	2,017

The rental received for operating property leased to third parties for the year is £976,000, of which £776,000 relates to smallholdings. The gross value of smallholdings at 31 March 2008 is £17.755m. Property leases are often for parts of assets for which individual valuations are not maintained and therefore an exact valuation is not provided.

17. Local Area Agreement

The Council is a participant in a Local Area Agreement (LAA) – a partnership with other public bodies involving the pooling of government grants to finance work towards jointly agreed objectives for local public services. In 2007/08, the LAA has completed the third year of its three-year agreement.

The purpose of the LAA is:

- To form an agreement between the Devon Strategic Partnership, Government (represented by the Government Office for the South West), and other external agencies, to improve outcomes for Devon's communities and people.
- To agree specific improvement targets that will be achieved each year for the three years of the agreement for: children and young
- To improve the effectiveness and efficiency of public services in Devon by pooling and aligning funding streams.

Predominant LAA partners are:

- Local Government – Exeter City Council, East Devon District Council, Mid Devon District Council, North Devon District Council, Teignbridge District Council, Torridge District Council, South Hams District Council, West Devon District Council.
- Community Protection Authorities – Devon & Cornwall Police Authority, Devon & Somerset Fire Service.
- Health Bodies – Devon Primary Care Trust.
- Other organisations – Exmoor National Park Authority, Community Council of Devon, Bishops Tawton Parish Council, Ashburton Cricket Club, Abbotskerswell Parish Council, Burlescombe & Westleigh Community Hall, Teignbridge CVS, Young Devon, North Devon & Exmoor Regeneration.

Devon County Council acts as the accountable body for the LAA. This means that we are responsible for managing the distribution of grant paid by the Government Office to partners involved, but the council does not determine which bodies are due payments in all cases. These are determined with partner organisations. In this context, the council acts as agent to the partnership and has therefore not recognised the full amount of LAA grant in its financial statements, but only that part to be spent by the council in providing services.

The total amount of LAA Grant received by Devon in 2007/08 was £8.626million. The Council paid £2.434 million to partners, with £1.730 million being allocated at the direction of those partners. Devon County Council applied £6.105 million on the provision of its services.

As accountable body, the council is potentially responsible for repaying to the Government any element of grant that is found to have been misused by its partners. Systems are in place for distributing grant that are designed to limit the possibility that this will happen. It has not been necessary to recognise any contingent liabilities for possible repayments and no provisions have been made for any such eventuality.

18. Long Term Debtors

2006/07		2007/08
£'000		£'000
133	Car Loans to Employees	103
180	East Devon College	163
0	Exeter and Devon Airport (EDAL)	809
60	Foster Carer loans	15
8	Housing Advances	7
4	Industrial Loans	4
0	Morwellham Quay	474
799	Magistrates	770
61,675	Plymouth & Torbay Councils	59,106
29,857	Plymouth & Torbay Unfunded pensions	28,425
360	Probation	299
3,378	Exeter Schools Project - Val. Fund	5,105
534	PLUSS	465
96,988		95,745

19. Members' Allowances

The authority pays its elected members basic allowances, special responsibility allowances and travel and subsistence. During 2007/08 £1,041,082 was paid (£993,028 2006/07).

20. Movement in Cash and Other Financial Resources

20.1 Movement in Cash, Liquid Resources and Long Term Borrowing

As at 31/03/07 £'000		As at 31/03/08 £'000	Movement £'000
	Movement in -		
7,794	Cash balance including cash in transit	11,123	3,329
0	Cash (Overdrawn)	(3,777)	(3,777)
7,794	Cash and equivalents	7,346	(448)
260,139	Investments	252,539	(7,600)
267,933	Liquid resources	259,885	(8,048)

Liquid resources include the cash cost of investments placed in the money markets.

	Movement in -		
(508,139)	Public Works Loans Board	(518,139)	(10,000)
(91,500)	Other Lenders	(91,500)	0
(599,639)	Cash value of long term borrowing	(609,639)	(10,000)
(331,706)	Total Net Debt	(349,754)	(18,048)

20.2 Movement in Other Assets / Liabilities and the Reconciliation between the Cash flow and the Income and Expenditure Account

As at 31/03/07 £'000		As at 31/03/08 £'000	Movement £'000
	Movement in Other Current Assets / Liabilities		
2,404	Stock and Work in Progress	2,523	119
53,249	Debtors	64,513	11,264
(130,482)	Creditors	(118,560)	11,922
(74,829)		(51,524)	23,305
£'000	Reconciliation of net cash flow to movement in net debt		£'000
	(Increase) / decrease in net debt from:		
(41,203)	Operational activities		(448)
58,568	Disposal of subsidiary		0
(60,000)	Debt financing		(10,000)
115,475	Movement in investments		(7,600)
72,840	Movement in net debt in the period		(18,048)
(404,546)	Net debt at 1 April 2007		(331,706)
(331,706)	Net debt at 31 March 2008		(349,754)

20.3 Reconciliation of Revenue Cash flow

2006/07 £'000		2007/08 £'000	
(14,048)	Opening General Fund Balance	(14,119)	
(14,119)	Closing General Fund Balance	(14,196)	
(71)	(Surplus) / Deficit for Year		(77)
Adjustment for non-cash items:			
1,143	Contributions (to) / from Earmarked and Schools Reserves	(8,566)	
(1,409)	Capital and funding (charges)/credits	(23,624)	
(2,571)	(Increase) / Decrease in Provisions	3,450	
(2,837)			(28,740)
Movement in other Assets/Liabilities			
97	Increase / (Decrease) in Stock	119	
(21,308)	Increase / (Decrease) in Debtors	10,021	
(57,592)	(Increase) / Decrease in Creditors	11,922	
1,365	Increase / (Decrease) in Capital items	9,267	
(77,438)			31,329
(9,246)	Net Interest Payments		(25,159)
(89,592)	Revenue Activities Net Cash Flow		(22,647)

21. Officer Remuneration

The number of employees whose remuneration exceeded £50,000 during 2007/08, excluding pension contributions, is set out below:

2006/07				Emoluments £	2007/08			
Schools Staff	Other Staff	Total	Left in Year		Schools Staff	Other Staff	Total	Left in Year
100	69	169	22	50,000 - 59,999	131	81	212	
22	17	39	3	60,000 - 69,999	33	13	46	3
11	10	21	5	70,000 - 79,999	18	9	27	2
3	6	9	4	80,000 - 89,999	5	3	8	1
1	1	2	1	90,000 - 99,999	1		1	
2		2		100,000 - 109,999	2	1	3	
				110,000 - 119,999	1	1	2	1
1	5	6		120,000 - 129,999	1	4	5	
	1	1		130,000 - 139,999	1	1	2	
1		1		140,000 - 149,999	1	1	2	
	1	1		150,000 - 159,999		1	1	

22. Partnerships and 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 to assess the extent to which the Council might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Council.

Central Government has effective control over the general operations of the Council. It is responsible for providing the statutory framework, within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties. Details of transactions with government departments are set out in Note 11 and the Cash Flow Statement.

Members of the Council have direct control over the Council's financial and operating policies. The Council's constitution requires members to declare their interests in related parties in a register of interests. In addition members are asked to declare separately any transactions with the authority. The only material transactions disclosed are in respect of two members that have relatives who are in receipt of social care services from the Council. These contracts were entered into in full compliance with the Council's standing orders and procedures for social care, the County Council's Financial Regulations and Code of Business Conduct. Details of these transactions are recorded in the Register of Members' Interest, open to public inspection at County Hall, Exeter.

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

22.1 Precepting bodies

The following precepts were paid during the year:

	£'000
Environment Agency	214
Devon Sea Fisheries	309
	523

For the financial year 2007/08, the Council's Director of Finance, IT and Trading also acted as the Chief Finance Officer for the Dartmoor National Park Authority and the Devon Sea Fisheries Committee. The Council received payments from these bodies for services provided as follows;

	£'000
Dartmoor National Park	69
Devon Sea Fisheries	6
	75

The Council gave grants to Dartmoor National Park Authority of £60,000 for the maintenance of footpaths, bridleways and footbridges within the Park.

22.2 Other public sector bodies

Devon Primary Care Trust has provided £40.136m of income to the County Council and received payments of £2.098m during the year. The income is primarily for funded nursing care payments that are administered by the County Council on behalf of the Trust and other healthcare partnership agreements.

22.3 Transaction with the Pension Fund

The Council charged the fund £1.696m for expenses incurred in administering the fund.

22.4 Assisted Organisations

The Council has provided significant contributions to the following bodies:

- Seven district councils in Devon a total of £0.738m conditional on long term agreements for the daytime use of pools and dual use sports halls by schools, without charge.
- Citizens Advice Bureaux in Devon have received £0.427m and the Council for Voluntary Services £0.291m from the Council conditional on long term agreements for the provision of services.
- There are 19 grants relating to adult and cultural services totalling £0.287m which represent more than 50% of the receiving body's income. The conditions attached to the grants will significantly influence the recipients operations
- The Community Council of Devon, The Devon Council for Racial Equality, Devon Historic Buildings Trust and Exeter Cathedral have received grants of £0.119m, £0.011m, £0.010 and £0.007m respectively.

22.5 Partnerships

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

	Income £'000	Expenditure £'000	Net Expenditure £'000
Health - Section 31 partnership			
a Joint Equipment Store	(1,502)	2,667	1,165
Other partnerships			
b Against Domestic Violence & Abuse	(399)	680	281
c Devon Partnership Trust	0	1,033	1,033
d Drug Action Team	(581)	683	102
e EROCIPS EU Partnership	(1,780)	1,838	58
f RAFAEL EU Partnership	(98)	98	0
g Safer Devon Partnership	(1,092)	1,146	54
h Supporting People	(20,683)	20,639	(44)
i Youth Offending Team	(2,398)	3,110	712
j Speed Camera Partnership	(826)	826	0

- a. The Council operates a pooled budget in conjunction with Devon Primary Care Trust and North Devon Health Care Trust under the terms of Section 31 of the Health Act 1999, which covers the provision of a Joint Community Equipment Store. Gross expenditure is £2,667m (£2.182m in 2006/07). The Council's net contribution to the pool is £1.165m (£0.926m in 2006/07). The Council's share (50%) of the stock and liabilities are held on the Council's balance sheet.
- b. The Against Domestic Violence & Abuse Partnership includes the County Council, Devon & Cornwall Police Authority, the National Probation Service, Devon Primary Care Trust, the Department of Communities and Local Government. Additional funding is allocated from the Safer Devon Partnership (see g below).
- c. The Devon Health & Social Care Partnership Trust manages the provision of services for people with learning difficulties and mental health needs on behalf of the County Council and the Primary Care Trusts operating in Devon. The spending shown above represents the County Council's contribution to the joint working arrangement.
- d. The Drug Action Team is a partnership between the local authorities and primary care trusts operating in Devon, together with the police authority, the probation service and the prison service. Further assistance is provided by the Home Office and the National Treatment Agency. The team jointly commissions services related to substance misuse education, access to information and development of services for vulnerable people.
- e. The Emergency Response to Coastal Oil, Chemical and Inert Pollution from Shipping project (EROCIPS) has been established to deal with shoreline pollution. The project involves 16 partners from the UK, France, Spain and Portugal working collaboratively under the overall lead of Devon County Council. The figures shown represent the income and expenditure for the calendar year 2007 and are based on actual grant claims made after 31 December 2006.
- f. The Renaissance of Atlantic Food Authenticity and Economic Links project (RAFAEL) aims to enhance the identity and economy of the Atlantic Area by the concerted promotion of local food production. The project ended in December 2007.
- g. The Safer Devon Partnership includes the County Council, Devon and Cornwall Police Authority, Devon Combined Fire & Rescue Authority, the National Probation Service and Devon Primary Care Trust. Funding is received from the Department for Communities and Local Government (CLG) via the Safer and Stronger Communities strand of the Local Area Agreement, and contributions from all partners involved. Funding is allocated to projects selected by the Safer Devon Partnership to deal with local and county-wide crime and disorder issues.
- h. The County Council is the 'Administering Authority' for grant-funding allocated to the "Supporting People" initiative on behalf of a Joint Commissioning Body comprising senior representatives of the County Council, District Councils, the Primary Care Trust and the Devon & Cornwall Probation service. This funding provides a variety of housing-related support services.
- i. The Youth Offending Team is funded by a combination of Government Grants, and contributions from the Council, Devon & Cornwall Police Authority, Devon Primary Care Trust and the National Probation Service. The initiative provides programmes for young people with the intention of preventing re-offending.
- j. The Speed Camera Partnership has a membership includes highways authorities in Devon and Cornwall, Devon and Cornwall Police Authority and the Highways Agency. Its purpose is to reduce road casualties by deterring and detecting speeding and traffic light offences. Funding is drawn from Road Safety Grant.

22.6 Subsidiary and Associated Companies and joint ventures

Exeter & Devon Airport Ltd. [registered company no. 2148705]

The Company was sold by the County Council during 2006. Prior to this sale, the company was a subsidiary of the County Council, which owned 100% of the company's share capital.

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

The company is limited by guarantee, with no share capital. The principal activity of the company is the provision of employment and work-related services for people with disabilities. Four local authorities,

Devon County Council, Plymouth City Council, Torbay Council and Somerset County Council have equal voting rights. The members of the Company have no right to share in the net assets of the Company should it be dissolved. Profits and losses are retained by the company. The Company's performance during 2007/08 is as follows:

	£000
Profit for the year	313
Net assets at the balance sheet date	2,509
Net transactions with the Council during the year	5,025

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

NPS South West Ltd [registered company no. 06078903]

The Company was established on 1 April 2007 to provide property management services. The Council has a 20% equity holding in the Company and appoints two members to its Board that comprises six members in total. Pre-tax profits are shared equally between the Council and NPS (SW) Ltd, the Council's share being used to discount the payments it makes to the company for property management services provided to it. The Company's performance during 2007/08 is as follows:

	£000
Profit for the year	204
Net assets at the balance sheet date	204
Net transactions with the Council during the year	3,364

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

South West Grid for Learning [registered company no. 5589479].

The company is limited by guarantee. The County Council is one of 15 member authorities based in the South West. The principal activity of the Company is to provide education information technology support services.

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

23. Pensions

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

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

23.1 Local Government Pension Scheme

The Local Government Pension Scheme for employees is a funded scheme, meaning that the County Council and employees pay contributions into a fund, calculated at a level intended to balance the pension liabilities with investment assets

23.2 Transactions relating to Retirement Benefits

The County Council recognises the cost of retirement benefits in the Net Cost of Services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge required to be made against the Council Tax is based on the cash payable in the year, so the real cost of retirement benefit is reversed out in the Statement of Movement in the General Fund Balance.

The following transactions have been made in the Income and Expenditure Account and Statement of Movement in the General Fund Balance during the year:

	Local Government Pension Scheme	
	2006/07 £'000	2007/08 £'000
Income and Expenditure Account		
Net Cost of Services:		
Current service cost	34,170	35,880
Past service cost	9,290	9,070
Curtailments/settlements	0	(1,180)
Net Operating Expenditure:		
Interest cost	56,270	64,940
Expected return on assets in the scheme	(47,140)	(55,280)
Net Charge to the Income and Expenditure Account	52,590	53,430
Statement of Movement in the General Fund Balance		
reversal of net charges made for retirement benefits in accordance with FRS17	(52,590)	(53,430)
Actual amount charged against the General Fund Balance for pensions in the year:		
Employers contributions payable to scheme	31,226	34,790
Retirement benefits payable to pensioners (net)	10,836	7,890
	42,062	42,680

23.3 Assets and Liabilities in relation to Retirement Benefits

The underlying assets and liabilities for retirement benefits attributable to the Authority at 31 March are as follows:

	Local Government Pension Scheme	
	2006/07	2007/08
	£'000	£'000
Estimated Liabilities in the Scheme		
Funded Liabilities	(1,105,870)	(1,026,730)
Unfunded Liabilities	(117,370)	(112,190)
Estimated Assets in the Scheme	789,850	768,240
Net Asset / (Liability)	(433,390)	(370,680)

The Movement in the Net Asset/Liability for the Year 31 March 2008

	£'000	£'000
Net deficit at the beginning of year		(433,390)
Movement in year:		
Operating Charge:		
Current service cost within 2007/08	(35,880)	
Past service costs	(9,070)	
Gain/loss on any settlements or curtailments	1,180	
Total Operating Charge		(43,770)
Contributions		
Contributions towards funded liabilities:	34,790	
Contributions towards unfunded liabilities:	7,890	
Total Contributions		42,680
Expected return on Pension Fund assets	55,280	
Interest on pension scheme liabilities	(64,940)	
		(9,660)
Actuarial gain		73,460
Deficit in the scheme		(370,680)
Long term debtor in respect of Plymouth & Torbay		28,425
Council's deficit in scheme		(342,255)

The total liability of £370.680m shows the underlying commitments that the Authority has in the long run to pay retirement benefits. This pension fund deficit does not represent an immediate call on the County Council reserves but merely provides a snapshot (at 31 March 2008), with the value of the assets changing on a daily basis. The deficit does have a substantial impact on the net worth of the authority as recorded in the balance sheet, but statutory arrangements for funding the deficit mean that the financial position of the authority remains healthy. The deficit on the local government scheme is actively managed and will be made good by increased contributions over the remaining working life of employees, as assessed by the scheme actuary and by additional investment income.

23.4 Basis for Estimating Assets and Liabilities

The most recent valuation was carried out as at 31 March 2007, and has been updated by independent actuaries (Hewitt Associates Limited) to the Council's Pension Fund to take account of the requirements of FRS17 to assess the liabilities of the Fund as at 31 March 2008. Liabilities are valued on an actuarial basis using the projected unit method which assesses the future liabilities discounted to their present value.

The main assumptions used in their calculations have been:

	31 March 2007 (%pa)	31 March 2008 (%pa)
Discount rate for scheme liabilities	3.2	3.7
Rate of general long-term increase in salaries	4.7	5.2
Rate of increase in pensions in payment	3.2	3.7
Rate of increase in deferred pensions	3.2	3.7
Discount rate	5.3	6.8
Take-up of option to convert annual pension into retirement grant	25.0	50 / 75*

* 50% for pre 2008 service and 75% for post 2008 service.

Assets in the County Council Pension Fund are valued at mid market value for investments, totalling £2,152.8m for the Fund as a whole at 31 March 2008 (£2,183.52m at 31 March 2007).

The Fund's assets consist of the following categories, by proportion of the total assets held by the Fund:

	Long-term Return 2008	Proportion of Assets Held			
		31 March 2008 %	31 March 2007 %	31 March 2008 £'000	31 March 2007 £'000
Equities	7.6	63.89%	68.32%	1,375.40	1491.76
Property	6.6	8.79%	9.98%	189.20	217.87
Government Bonds	4.6	15.90%	14.06%	342.20	307.1
Corporate Bonds	6.8	1.04%	0.81%	22.40	17.7
Other assets	6.0	10.38%	6.83%	223.60	149.09

23.5 Actuarial Gains and Losses

The actuarial gains identified as movements on the Pensions Reserve in 2007/08 can be analysed into the following categories, measured as absolute amounts and as a percentage of assets or liabilities at 31 March 2008:

	2003/04		2004/05		2005/06		2006/07		2007/08	
	£m	%	£m	%	£m	%	£m	%	£m	%
Difference between expected and actual return on assets	71.24	14.10	27.12	4.70	100.87	14.10	9.41	1.20	(88.97)	(11.60)
Experience gains (losses) on liabilities	(0.87)	(0.10)	(19.32)	(1.90)	(0.92)	(0.10)	0.04	0.00	10.55	0.90
Change in Assumptions	1.46	0.20	(200.31)	(19.80)	(73.01)	(6.40)	(10.74)	(0.90)	151.88	13.30
Net Gain / (Loss)	71.83		(192.51)		26.94		(1.29)		73.46	

The financial assumptions used to calculate the liabilities differ between the two accounting dates. The demographic assumptions have changed from those used last year and are consistent with those used for the most recent actuarial valuation of the Fund as at 31 March 2007. The overall effect of these changes is to place a value on liabilities at the year end that is lower than would otherwise have been anticipated

23.6 Teachers Pension Scheme

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

In 2007/08, the County Council paid £26.882 million (£24.587 million in 2006/07) to Capita Hartshead on behalf of the Teachers Pensions Agency, in respect of Teacher's pension costs. For 2007/08 this represented 14.1% (14.1% in 2006/07) of teachers' pensionable pay.

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

The Authority is responsible for the costs of any additional benefits awarded upon early retirement outside of the terms of the teachers' scheme. These benefits are fully accrued in the pension liability described in this note. During 2007/08 enhanced lump sum payments of £55,430 and additional annual enhanced payments of £15,072 were made.

24. Post Balance Sheet Events

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

Coombeshead School and Kingsbridge School have achieved foundation status during April 2008. Control of tangible fixed assets passed to the governing bodies of the schools on that date. A reduction of tangible fixed asset gross book value at 31 March 2008 of £38.428 million will be made in the 2008/09 financial statements.

25. Provisions

Provisions 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.

2006/07 £'000		Contribs £'000	Expend £'000	2007/08 £'000
570	Insurance Fund prior to 01/04/98		(22)	548
11,404	Insurance Fund from 01/04/98	(4,000)	2,150	9,554
216	Out of date cheques		(48)	168
90	ACC Pensions			90
2,948	Stepped Interest Rate Loan	(2,948)		0
0	Economic Development		25	25
368	Social Care		(268)	100
599	Property Related		96	695
783	Waste Management		(465)	318
710	Trading Accounts		(332)	378
0	Devon Catering & Cleaning		71	71
0	Job Evaluation Single Status	2,291		2,291
17,688	Total	(4,657)	1,207	14,238

25.1 Insurance Provision

The Council's Insurance provision enables it to carry some of its insurable risks in-house, achieving significant savings in external premiums. It covers Public Liability, Professional Indemnity, Employers Liability and vehicles, but excludes theft and accidental damage. The Insurance Fund Prior to 01/04/98 covers claims arising from events prior to Local Government re-organisation on the 1 April 1998. A separate fund has been created for the period after 1 April 1998. Both funds are currently sufficient to meet registered claims as at 31 March 2008. These claims plus any new claims will be paid in future years. Payments from the provision are dependent on claim settlement. A reserve of £4.0 million has been established to meet unexpected activity outside current claims experience. Expectation is that in normal circumstances payments from the provision would be made within twelve months.

25.2 Out of Date Cheques

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

25.3 Association of County Council's Pensions

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

25.4 Stepped Interest Rate Loan

The provision was established to equalise interest charged to the income and expenditure account in respect of stepped interest rate loans. Adoption of financial reporting standards for financial instruments introduces a measurement technique which automatically introduces interest rate equalisation. The provision has been written back to the income and expenditure account and the carrying value of the loans adjusted through the financial instruments adjustment reserve.

25.5 Economic Development/Social Care / Property Related / Waste Management

These provisions relate to claims against the Council arising from events in previous financial years. It is anticipated that a large proportion of these provisions will be required in 2008/09.

25.6 Trading Accounts and Devon Catering and Cleaning

A number of small provisions relating to these activities have been aggregated. Payment from the provisions will vary according to purpose.

25.7 Single Status Job Evaluation

Appeals relating to single status job evaluation have yet to be settled. An estimate of the impact has been made and a provision established. It is anticipated that payments resulting from appeals will be made during the 2008/09 financial year.

26. Publicity Expenditure

Expenditure on publicity in accordance with the requirements of section 5(1) of the Local Government Act 1986 is set out in the following table.

2006/07 £'000	2007/08 £'000
158 Press & Publicity Office	207
64 Devon's Online Roving Information Service	40
29 Devon Link Magazine	39
45 County Council Exhibit at the Devon County Show	36
267 Waste Minimisation Campaign - other funding	348
1,805 General Publicity	2,035
2,368 Total net publicity expenditure	2,705

General publicity includes expenditure on recruitment advertising; image development; marketing and other publicity, corporate communications and production of the Council Tax leaflet.

27. Reserves

The council keeps a number of reserves in the Balance Sheet. Some are required to be held for statutory reasons, some are needed to comply with proper accounting practice, and others have been set up voluntarily to earmark resources for future spending plans.

PURPOSE	Opening Balance 2007/08	Net Movement in Year	Closing Balance 2007/08
	£'000	£'000	£'000
A Usable Capital Receipts Reserve	53,789	3,746	57,535
B Revaluation Reserve	0	156,048	156,048
C Capital Adjustment Account	719,086	(136,465)	582,621
D Financial Instrument Adjustment Account	0	(21,695)	(21,695)
E Available for Sale Financial Instrument Reserve	0	61	61
Pension Reserve			
F Pensions Reserve	(403,533)	61,278	(342,255)
Other Reserves			
G Landfill Allowance Trading Scheme Reserves	1,169	(1,169)	0
Fund Balances and Reserves			
H Earmarked Reserves	52,225	7,592	59,817
I Held by Schools under Delegated Management	10,910	974	11,884
J Working Balances County Fund	14,119	77	14,196
Total Financing	447,765	70,447	518,212

Purpose of Reserve

A	Proceeds of fixed asset sales available to meet future capital investment
B	Gains and losses on revaluation of fixed assets
C	Capital resources set aside to repay debt, revaluations prior to 2007/08 and capital expenditure funded from revenue and capital receipts.
D	Revised valuation of financial instruments to be written out to I&E account in future years
E	Unrealised gains for financial instruments with market value
F	Account to finance pension liability in the balance sheet
G	Unused allowances at current value
H	Reserved for specific purposes Further details are given within this note
I	Ring fenced balances available for the use of schools
J	See Statement of Movement on General Fund

27.1 Earmarked Reserves

Balance 2006/07 £'000	Reference		Contribs to / (from) Reserves £'000	Expenditure £'000	Balance 2007/08 £'000
Contingency Reserves					
1,110	1	Roads Emergency			1,110
578	2	Reinstatement of Existing Landfill Sites		(24)	554
12	3	Redundancy	4,500	(452)	4,060
100	4	Prior Year Tax			100
78	5	Inspection / Implementation			78
439	6	New Road & Street Works Act Fund			439
200	7	Blighted Properties			200
2,726	8	Waste Management Fund		(362)	2,364
0	9	Insurance	4,000		4,000
Reserves for Planned Developments					
826	10	Local Initiatives	114	(640)	300
977	11	European / Matched Funding	350	(904)	423
1,494	12	Systems Development Fund	781	(2,247)	28
110	13	Procurement Initiative	200	(60)	250
219	14	Emergency		(117)	102
50	15	Energy & Water Efficiency		5	55
805	16	Customer Access Strategy	500	(647)	658
5,462	17	Transition Fund	5,216	(9,689)	989
958	18	Financing Fund		(213)	745
2,857	19	Modernisation Fund	2,093	(2,198)	2,752
3,292	20	Affordable Housing		(1,639)	1,653
2,150	21	Development Fund			2,150
1,850	22	PSA Reward		(737)	1,113
1,002	23	LPSA2 Pump Priming	5,489	(1,002)	5,489
3,236	24	PFI Sinking Fund		(834)	2,402
1,896	25	Local Authority Business Grant	1,979	(143)	3,732
4,560	26	Extra Care Housing	2,500	(414)	6,646
10,265	27	Service Development		(66)	10,199
0	28	Energy Conservation	200		200
0	29	Devon Cleaning & Catering	446	113	559
Trading Accounts Reserves					
460	30	Trading Accounts	(458)		2
380	31	Building Maintenance		224	604
Budget Management Reserves					
4,133	32	Directorate Budget Carry Forwards	1,728		5,861
10,910	33	Schools Carry Forwards	974		11,884
63,135		Total	30,612	(22,046)	71,701

See next page for reference details.

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	Insurance – funding to meet large and unexpected self insured claims
10	Local Initiatives – to fund local initiatives and community development.
11	European Funding/Matched Funding – to provide matched funding for Externally Funded Projects.
12	Systems Development Fund – to facilitate the development of major ICT systems.
13	Procurement Initiatives – funding for procurement initiatives.
14	Emergency – reserves held in respect of emergency planning initiatives.
15	Energy and Water Efficiency – receives savings from investments in energy and water efficiency and funds new projects.
16	Customer Access Strategy – to fund development that will improve the public access to County Council services.
17	Transition – reserves to fund future transitional cost of modernisation.
18	Financing Fund – fund set aside to finance capital expenditure on agreed schemes.
19	Modernisation – fund for the modernisation of County Council services.
20	Affordable Housing – fund held to finance projects jointly agreed with Districts.
21	Development Fund – to provide financing for infrastructure renewal in County Council services.
22	LPSA Reward – to pump prime and provide one off support for new development
23	LPSA2 Pump Priming – to pump prime and provide one off support for new developments
24	PFI Sinking Fund – to manage the payments and income relating to the Exeter School's PFI Scheme
25	Local Authority Business Grant – to Fund Economic Development Projects as part of the LAA
26	Extra Care Housing – to fund housing for vulnerable adults
27	Service Development – fund held to promote service development
28	Energy Conservation – to fund initiative to conserve energy and manage carbon emissions
29	Devon Cleaning and Catering – surplus to be used to manage the services in future years
30	Trading Accounts – surplus on internal trading unit accounts
31	Building Maintenance – fund held in respect of schools building maintenance.
32/33	Budget Management – funds into which budget under spends or overspends within the council's overall scheme of budget management are paid.

28. Schemes under the Transport Act 2000

Devon County Council did not operate any schemes under this act in 2007/08.

29. Stock and Work In Progress

2006/07		2007/08
£'000		£'000
		update
0	Children & Young Peoples' Service	0
483	Adult & Community Services	708
523	Environment, Economy and Culture	562
1,398	Other	1,253
2,404	Total Stocks and Work in Progress	2,523

30. The General Fund

30.1 Statement of Movement on the General Fund Balance

2006/07		Notes	2007/08
£'000			£'000
(37,070)	Depreciation and impairment of fixed assets		(47,395)
14,713	Government Grants Deferred amortisation matching depreciation and impairments	11	11,640
(21,029)	Amounts treated as revenue expenditure in accordance with the SORP but which are classified as capital expenditure by statute (ie Deferred Charges)	4	(6,045)
(13,634)	Net gain or loss on sale of fixed assets	4	1,429
0	Differences between amounts debited / credited to the income and expenditure account and amounts payable / receivable to be recognised under statutory provisions relating to soft loans, stepped interest rate borrowing and premiums on the early repayment of debt		627
(52,590)	Amount by which pension costs calculated in accordance with the SORP (ie in accordance with FRS 17) are different from the contributions due under the pension scheme regulations	23	(54,862)
(109,610)	Amounts included in the Income and Expenditure Account but required by statute to be excluded when determining the Movement on the General Fund Balance for the year		(94,606)
16,422	Statutory provision for repayment of debt - MRP	4	19,186
707	Capital expenditure charged to the General Fund Balance		2,297
(1,580)	Other charges		0
42,062	Employer's contribution payable to the Devon Pension Fund and retirements benefits payable to pensioners	23	42,680
0	Amounts debited to the statement of movements to the general fund balance in recognition of the transitional arrangements for financial instruments		22,322
57,611	Amounts not included in the Income and Expenditure Account but required to be included by statute when determining the Movement on the General Fund Balance for the year		86,485
1,202	Voluntary provision for repayment of debt	4	1,266
(925)	Net transfer to (or from) earmarked reserves	27	6,423
0	Amounts appropriated to the financial instruments adjustment reserve in recognition of the transitional arrangements for financial instruments		(22,322)
277	Transfers to (or from) the General Fund Balance that are required to be taken into account when determining the Movement on the General Fund Balance for the year		(14,633)
(51,722)	Net additional amount required by statute and non-statutory proper practices to be debited or credited to the General Fund Balance for the year (shown on the face of the SMGFB)		(22,754)

31. Trading Accounts

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).

2006/07 £'000		2007/08 £'000	2007/08 £'000
	Supply Zone is the procurement trading unit for the Authority	Turnover - External	(3,905)
		Turnover - Internal	(2,436)
		Expenditure	6,668
122		(Surplus) / Deficit	327
	Devon Design and Print provides the services of a printshop for the Authority	Turnover - External	(95)
		Turnover - Internal	(1,162)
		Expenditure	1,371
0		(Surplus) / Deficit	114
	Devon Books retains the copyright on behalf of the Authority of books published under this imprint	Turnover - External	0
		Turnover - Internal	0
		Expenditure	0
0		(Surplus) / Deficit	0
	Devon Cleaning and Catering Services ceased trading on transfer to Children's and Young Persons' Services on 1 April 2007		
2,366		(Surplus) / Deficit	0
2,488	Net (Surplus) / Deficit on trading accounts		441

During 2007/08, Devon Supply Zone continued to operate independently of the Corporate Procurement Unit. The result is stated after charging bad debts of £292,000 in respect of prior years' trading.

Devon Design and Print is included as a trading account for the first time in 2007/08, bearing central support and asset charges. In 2006/07 the net internal service cost of £56,000 was funded internally.

32. Trust Funds

2006/07					2007/08			
CYPS £'000	ACS £'000	Others £'000	Total Funds £'000		CYPS £'000	ACS £'000	Others £'000	Total Funds £'000
1,444	26	22	1,492	Balance at 1 April	1,552	38	22	1,612
108			108	Revaluations	853			853
124	1		125	Income	35	1		36
	13		13	Transfer income		25		25
(123)	(2)		(125)	Less Expenditure	(60)			(60)
1,553	38	22	1,613	Balance 31 March	2,380	65	22	2,466
				Represented by				
147	38		185	Cash and Debtors	122	65		187
10		22	32	Internal Investments	18		22	40
1,396			1,396	Land, Buildings and Investments	2,240			2,240
1,553	38	22	1,613	Total	2,380	65	22	2,466
47	7	2	56	Number of Funds	47	8	2	57

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

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

Trust funds do not belong to the County Council and the figures have been excluded from the financial statements.

The Pension Fund Accounts

2006/07	FUND ACCOUNT	2007/08	
£'000	CONTRIBUTIONS AND BENEFITS	£'000	£'000
	Contributions receivable:		
99,201	Employers	102,582	
540	Employers – Additional Capital Contributions	928	
32,109	Employees	33,427	
	Transfers in from other schemes		
1,996	Group Transfers	3,330	
16,343	Individual Transfers	16,707	
150,189			156,974
	Benefits Payable:		
(72,978)	Pensions	(78,888)	
(20,564)	Lump Sums	(18,788)	
(1,885)	Death Benefits	(2,099)	
(75)	Refunds	(27)	
	Transfers out to other schemes		
0	Group Transfers	0	
(7,059)	Individual Transfers	(7,061)	
(1,201)	Administration expenses	(1,346)	
(103,762)			(108,209)
46,427	NET ADDITIONS / (WITHDRAWALS) FROM DEALINGS WITH FUND MEMBERS		48,765
	RETURNS ON INVESTMENTS		
	Investment Income		
	Fixed Interest		
5,182	UK Government Stock	5,500	
2,270	UK Index-Linked Stock	2,044	
2,641	Overseas Government Stock	2,810	
13	Overseas Index-Linked Stock	190	
1,035	Other Fixed Interest	1,144	
	Equities(Listed)		
7,048	UK	7,273	
3,378	Overseas	4,059	
7,119	UK Property Unit Trusts	6,964	
32	Other Unit Trusts	37	
6,097	Interest on Cash Deposits	9,900	
6	Underwriting Commission	0	
34,821			39,921
(1,509)	Investment Management expenses		(1,530)
121,714	Change in Market Value of Investments:		(116,349)
155,026	Net Returns on Investments		(77,958)
201,453	Net Increase / (Decrease) in the Fund during the year		(29,193)
1,985,968	Opening Net Assets of the Fund at 1 April		2,187,421
2,187,421	NET ASSETS OF THE FUND AT 31 MARCH		2,158,228

NET ASSET STATEMENT		2007/08	
2006/07		£'000	£'000
£'000	Investments at Market Value		
	Fixed Interest		
107,242	U.K. Government Stocks	115,310	
94,071	U.K. Index Linked Stocks	121,359	
72,328	Overseas Government	50,639	
5,302	Overseas Index-Linked	39,190	
38,910	Other	28,046	
	Equities (Listed)		
210,265	U.K.	169,509	
235,619	Overseas	245,720	
830,578	Managed Funds	763,064	
217,865	U.K. Property Unit Trusts	189,246	
86,333	Other Unit Trusts	120,442	
136,356	Unlisted Securities	119,158	
269	Foreign Currency	1,075	
2,035,138		1,962,758	
120,175	Short Term Deposits	161,650	
17,138	Cash and Bank Deposits	15,538	
21,596	Current Assets	22,597	
(6,626)	Current Liabilities	(4,315)	
152,283		195,470	
2,187,421	NET ASSETS OF THE FUND AT 31 MARCH	2,158,228	

Notes to the Pension Fund Accounts

1. In 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 84 active employers may join the fund.

At 31 March 2008 there were 36,346 contributors and 40,499 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.

2. 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.)

- Contributions, benefits and investment income are included on an accruals basis.
- Investments are included in the accounts at market value.
- Debtors and creditors are raised for all amounts outstanding at 31 March 2008.
- Transfer values received and paid out have been accounted for on a cash basis.
- 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.
- The Pension Fund's financial statements do not take account of liabilities to pay pensions and other benefits after the reported accounting period.

3. Statutory Statements

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

3.1 Statement of Investment Principles

A Statement of Investment Principles (S.I.P) was approved by the Investment & Pension Fund Committee and published in February 2000. The S.I.P has subsequently been revised and updated by the Committee in May 2007. The current S.I.P is available on the County Council's website at

www.devon.gov.uk/statement_of_inv_principles.pdf

3.2 Funding Strategy Statement

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

www.devon.gov.uk/strategy_statement090305.pdf.

3.3 Governance Policy Statement

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

www.devon.gov.uk/governance_policy_statement.pdf

In 2007/08 the Committee reviewed its Governance Statement in order to comply with Regulation 73A of the LGPS Regulations 1997 and published a compliance statement. This is shown under.

Devon County Council Pension Fund – Governance Compliance Statement

Best Practice Principle	Fully Compliant	Not Fully Compliant	Explanation for Non-Compliance
Structure	✓		
Representation		✓	Committee membership currently being reviewed
Selection and role of lay members	✓		
Voting		✓	In consultation with Observers over voting status
Training, facilities and expenses	✓		
Meetings (frequency/quorum)	✓		
Access	✓		
Scope	✓		
Publicity	✓		

3.4 Communications Strategy Statement

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

www.devon.gov.uk/communications_policy_statement.pdf

4. 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 2007-08 covering the three years ending 31 March 2007. The resulting changes in contribution rates will be implemented in 2008-09. At 31 March 2008 Employer contributions amounting to £8.456m were included in the accounts as a debtor. This related to the contributions receivable for March 2008 and was received by the Fund during April 2008.

5. 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 £0.312m for investment management and accounting and in administration expenses £1.263m for pensions administration expenses. These have been incurred for the internal cost of providing the services.

6. Cost of Investment

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

7. 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. Where appropriate income receipts, purchases and sales of overseas stocks are 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/ External Investment Managers.

8. 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 £119.2m are held by the Fund, and have been valued by the individual fund managers at market value.

9. Value Added Tax

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

10. Income Tax

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

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

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

11. Investment Transactions

In 2007/08 the transactions of the Fund comprised £818.9 million purchases and £703.5 million sales.

12. Actuarial Valuation

Rates of contributions paid by the participating Employers during 2007/08 were based on the actuarial valuation carried out as at 31 March 2004.

The valuation as at 31 March 2007 showed that the funding ratio of the Fund had improved since the previous valuation with the market value of the Fund's assets at that date (of £2,190.0M) covering 80% of the liabilities allowing, in the case of current contributors to the Fund, for future increases in pensionable remuneration.

The valuation also showed that the required level of contributions to be paid to the Fund by participating Employers (in aggregate) with effect from 1 April 2008 was as set out below:

- 15.0% of pensionable pay to meet the liabilities arising in respect of service after the valuation date.

Plus

- 4.9% of pensionable pay to restore the assets to 100% of the liabilities in respect of service prior to the valuation date, over a recovery period of 25 years from 1 April 2008.

Less

- 1.4% of pensionable pay in respect of assumed additional investment returns over the period to 1 April 2011.

These figures are based on the Regulations in force, or enacted by Parliament and due to come into force, at the time of signing the valuation report and, in particular, allowed for the following changes to the Fund benefits since the previous valuation:

- The Rule of 85 retirement provisions were reinstated, and subsequently removed again. Transitional protections for some categories of member were extended to widen their coverage.
- Changes were made consistent with the Finance Act 2004.
- A new scheme has been put in place which came into effect as at 1 April 2008. All existing members transferred to the new scheme as at that date.

The majority of Employers participating in the Fund pay different rates of contributions depending on their past experience, their current staff profile, and the recovery period agreed with the Administering Authority.

The rates of contributions payable by each participating Employer over the period 1 April 2008 to 31 March 2011 are set out in a certificate dated 28 March 2008 which is appended to our report of the same date on the actuarial valuation.

If the assumptions are borne out in practice, the rate of contribution for each employer would increase as at 1 April 2011 due to the cessation of the allowance for assumed additional short term investment returns. It would then continue at the resultant level for the balance of the recovery period used for that employer, before reverting to the relevant long term rate. In practice contribution rates will be reviewed at the next actuarial valuation which is due to be carried out as at 31 March 2010.

The contribution rates were calculated using the projected unit actuarial method and taking account of the Fund's funding strategy as described in the Funding Strategy Statement.

The main actuarial assumptions were as follows:

Discount rate for periods

In service

Admitted Bodies	6.2% a year
Scheduled Bodies	6.2% a year

Left service

Admitted Bodies:	5.2% a year
Scheduled Bodies:	6.2% a year

Short term investment returns until 1 April 2011

Equity/property assets	6.9% a year
Other investments	5.2% a year

Rate of general pay increases 4.7% a year

Rate of increases to pensions in payment 3.2% a year

Valuation of assets market value

13. Employer transfer into the Devon Fund

During 2007/08 consequent upon the merger of the Devon and Somerset Fire Authorities the administrative staff from Somerset were transferred across the Devon Fund. The bulk transfer value agreed between the Devon & Somerset Fund Actuaries was £ 3.330m.

14. Analysis of contributions receivable in 2007/08

	Administ ering Authority £'000	Scheduled Bodies £'000	Admitted Bodies £'000	Total £'000
Employee Contributions:				
Main	10,349	20,943	903	32,195
Additional	353	534	23	910
Part time buy back	23	5		28
	<hr/>	<hr/>	<hr/>	<hr/>
	10,725	21,482	926	33,133
AVC Contribution refunds				294
Total				<hr/> 33,427 <hr/>
Employer Contributions:				
Main	33,261	62,286	2,452	97,999
Pension Increase recovery		50	2	52
Strain Compensation	1,070	3,255		4,325
Additional Allowances		206		206
Capital contributions		315	613	928
Total	<hr/> 34,331	<hr/> 66,112	<hr/> 3,067	<hr/> 103,510 <hr/>

15. Investment Management Arrangements

The Fund is managed by the In-house Investment Team and three external managers in the following proportions at 31 March 2008.

	£'000	%
DCC Investment Team	915,537	42.8
UBS	239,394	11.2
Capital International	221,951	10.4
UBS (Managed Fund)	364,258	17.0
SSGA (Managed Fund)	398,806	18.6
Total	<hr/> 2,139,946	<hr/> 100.0 <hr/>

16. 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 2007/08 the In-house managed funds and both external managers lent both UK and Overseas stocks.

State Street Bank acts as custodian to the In-house funds and to one of the external managers (Capital International) and has been authorised to lend on behalf of both. JP Morgan Worldwide Securities Services act as custodian for the other external manager (UBS), and have been authorised to lend stocks from this portfolio. Collateral is required against all loans in the form of cash or another approved form of security. At 31 March 2008 the total stock on loan amounted to £22.526m (1.04% of total fund value).

	£'000
DCC In-House	0
Capital International	12
UBS	22,514
Total	22,526

17. Analysis of Investments

	U.K £'000	Overseas £'000
Fixed Interest	236,669	117,875
Equities (Listed)	169,509	245,720
Managed Funds	447,139	315,925
Property Unit Trusts	189,246	0
Other Unit Trusts	30,252	90,190
Unlisted Securities	51,133	68,025
Cash and Short Term Loans	177,188	1,075
Total	1,301,136	838,810

18. Analysis of Managed Funds

	UBS £'000	SSGA £'000
U.K.	364,258	82,881
North America		145,889
Europe		134,074
Japan		35,962
Total	364,258	398,806

19. Scheduled and Admitted Bodies

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

Principal Councils

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

Other Major Service Providers

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

Town & Parish Councils

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

Foundation Schools

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

Further / Higher Education Corporations

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

Admitted Bodies

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

Ugborough Parish Council
Woodbury Parish Council

West Devon Homes Ltd.

Other Scheduled Bodies (deemed)

Plymouth City Bus

20. Contingent Liabilities

On 1 December 2005 staff employed by Torbay in providing social care services were transferred to the Torbay Primary Care Trust. From that date pension contributions for those employees went to the National Health Service Pension Scheme (NHSPS). All affected staff subsequently had 12 months to elect whether to leave their accrued pension entitlement with the Devon Fund (as a deferred benefit) or transfer that 'pension pot' to the NHSPS. The detailed results of these elections have now been finalised and the Devon Fund Actuary is in negotiations with the Government Actuary's Department (Actuary to the NHSPS) over the final value of the bulk transfer value. The Devon Fund Actuary estimates that it should not exceed £15m. The cash transfer will be concluded in 2008/09.

On 1 April 2007 staff employed by Devon County Council in providing property design and maintenance were transferred to the NPS (SW) Ltd. From that date pension contributions for those employees went to the Norfolk County Council Pension Fund. All affected staff subsequently have 12 months to elect whether to leave their accrued pension entitlement with the Devon Fund (as a deferred benefit) or transfer that 'pension pot' to the Norfolk Fund. The detailed results of these elections have not yet been finalised and agreed but the Devon Fund Actuary estimates that the bulk transfer value should not exceed £15m. The cash transfer should be concluded in 2008/09.

21. Contingent Asset

At 31 March 2005 all staff employed by the Devon & Cornwall Magistrates Courts Service who were members of the Devon (LGPS) Fund transferred to the Principal Civil Service Pension Scheme (PCSPS). No further contributions were received from that employer. All affected staff subsequently had 12 months to elect whether to leave their accrued pension entitlement with the Devon Fund (as a deferred benefit) or transfer that 'pension pot' to the PCSPS. The detailed results of these elections have still to be finalised and agreed between the Devon Fund Actuary and the Government Actuary's Department (Actuary to the PCSPS). The latest estimate from the Actuary shows that a capital sum of £1.4m will be payable to the Devon Fund by the PCSPS. Under the transfer protocol issued by the Department for Constitutional Affairs any capital payments due to local authority pension funds would be repaid in ten annual instalments. It is anticipated that the first capital receipt should be receivable in 2008/09.

22. Pension Fund Annual Report

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

23. Additional Voluntary Contributions (AVC) Investments

The Pension Fund has two AVC providers: Equitable Life and Prudential. The value of Employees' AVC investments is as follows.

	£000
Investment Balance at 31 March 2007	4,599
<u>Add</u>	
Contributions	<u>590</u>
	5,189
<u>Less</u>	
Benefits paid & refunds	(526)
Investment Income & Market Value adjustment	<u>(404)</u>
Investment Balance at 31 March 2008	<u>4,259</u>

These amounts are not included in the Pension Fund Accounts in accordance with regulation 5(2) (c) of the Pension Scheme (Management and Investment of Funds) Regulations 1998 (SI 1998 No 1831).

24. Post Balance Sheet Events

On 1 April the Pension Fund consolidated its custody arrangements with the appointment of JP Morgan as master custodian. Prior to this date State Street Bank & JP Morgan were responsible for the custody of the Pension Fund's assets.

At its meeting on 9 May 2008 the Investment & Pension Fund Committee terminated the investment management contract of Capital International Ltd. Transitional arrangements have been put in place until the procurement process to appoint a new manager has been concluded.

Glossary of Terms

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.

ACCRUALS

Adjustments made so that accounts match income and expenditure to the period in which the related activity or benefit occurs, rather than when cash is received or paid.

ACTUARY

An expert on long-term pension scheme assets and liabilities. Actuaries make recommendations every three years regarding the rate of employer contributions due to the Local Government Pension Scheme.

AMORTISATION

Writing off the value of a balance sheet item over a long period, usually related to the useful life of a fixed asset. It is usually used to refer to the reduction in the value of Government grants on the balance sheet, in line with the depreciation in value of the asset that the grants originally paid for.

APPROPRIATION

Amounts transferred between the Income & Expenditure Account and reserves.

ASSOCIATE

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

AVAILABLE FOR SALE FINANCIAL INSTRUMENTS RESERVE

Corresponds to the revaluation of companies to market value when there is an equity interest held.

BALANCE SHEET

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

BUDGET

A statement of the County Council's expected spending and income, either over a set period or for a specific project.

CAPITAL CHARGE

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

CAPITAL EXPENDITURE

In most circumstances, "capital expenditure" relates to the acquisition of a fixed asset (land, buildings, vehicles, plant and machinery), or expenditure which adds to, and not merely maintains, the value of a fixed asset. This is similar to the definition used in most commercial accounts. However, a few other items of expenditure are also classified as capital expenditure in local authority accounts, such as expenditure on fixed assets owned by other bodies, or grants awarded to other bodies towards the cost of capital works on their own assets. In exceptional circumstances, the Secretary of State may also issue directions to treat items as if they were capital expenditure, even though they do not fall within the usual definition.

CAPITAL ADJUSTMENT 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, the amount for Minimum Revenue Provision and revaluations prior to 1 April 2007.

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. CIPFA is the lead body for setting standards for public sector accounting practice.

CONTINGENCIES

Sums set aside within a budget to meet the cost of items that are difficult to predict in terms of timing or scale.

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 or 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.

CURRENT ASSETS / LIABILITIES

Current assets are amounts owed to the County Council and due for payment within twelve months, or items that can be readily converted to cash (like stocks.) Current liabilities are amounts that the County Council owes to other bodies, and due for payment within twelve months.

DEBTORS

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

DEFERRED CHARGES

Expenditure which accounting rules allow to be held on the balance sheet and written off over several years, even though it did not result in the creation of a fixed asset.

DEPRECIATION

The measure of the cost or re-valued amount of the benefits of the fixed asset that have been consumed during the period. Consumption includes the wearing out, using up or other reduction in the useful life of

a fixed asset whether arising from use, passage of time, or obsolescence – which may result from either changes in technology or demand for the goods and services produced by the asset.

DIRECT REVENUE FINANCING

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

FINANCIAL INSTRUMENTS ADJUSTMENT ACCOUNT

The value of adjustments to equalise the impact of interest payments over the life of financial instrument.

FINANCIAL REPORTING STANDARDS (FRS)

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

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

FLUSHMENTS

Contracts that give the rise to a financial asset of one entity and a financial liability or equity instrument in another

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 10 to the cash-flow statement on page 43:

- CLG = (Department of) Communities & Local Government
- DCMS = Department for Culture, Media & Sport
- DEFRA = Department of the Environment & Rural Affairs
- DfES = Department for Education & Skills
- DfT = Department for Transport
- DH = Department of Health
- DTI = Department of Trade & Industry
- DWP = Department of Work & Pensions
- EN = English Nature
- EU = European Union
- GOSW = Government Office South West
- HO = Home Office
- SWRDA = South West Regional Development Agency

IMPAIRMENT

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

INCOME AND EXPENDITURE ACCOUNT

This is the Account which sets out the Council's Income and Expenditure for the year for non-capital spending. It is sometimes referred to as the Revenue Account.

INFRASTRUCTURE ASSETS

Fixed assets that are regarded as “inalienable” (impossible to surrender or transfer), expenditure on which is recoverable only by continued use of the asset created. The main examples are highways and footpaths.

JOINT VENTURES

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

LANDFILL ALLOWANCES TRADING SCHEME (LATS)

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

LENDERS' OPTION / BORROWERS' OPTION (LOBO)

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

LOANS OUTSTANDING

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

MARKET VALUE

A method of valuing a fixed asset in relation to current market conditions.

MINIMUM REVENUE PROVISION

The minimum amount that Government regulations specify must be charged to the Income & Expenditure Account each year towards the cost of repaying external debt.

NET BOOK VALUE

The amount at which fixed assets are held on the balance sheet, based on the value less the cumulative amount provided for depreciation.

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 2006/07, the County Council paid levies to the Devon Sea Fisheries Committee and the Environment Agency. The County Council also issued precepts upon the Council Tax Collection Fund operated by each of the eight District Councils in its area.

PRIVATE FINANCE INITIATIVE (PFI)

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

REVALUATION RESERVE

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

PRIVATE FINANCE INITIATIVE REVALUATION RESERVE

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

PRIOR PERIOD ADJUSTMENTS

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

PROVISIONS

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

PUBLIC WORKS LOAN BOARD

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

RELATED PARTIES

Related parties of a local authority might include:

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

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

- Details of significant government grants and the awarding bodies;
- Transactions with subsidiary and associated companies;
- Transactions with the Pension Fund.
- The aim of the disclosure is to identify those bodies who may exercise an element of influence or control over the financial and operating policies of an Authority.

RELATED PARTIES' TRANSACTIONS

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

Examples where actions between related parties occur:-

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

REPLACEMENT COST

A method of valuing fixed assets based on the costs of acquiring a replacement asset for the same purpose, and in a similar physical condition. This method is often used to value assets for which there is no widespread market in their existing use.

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 EXPENDITURE

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

SECTION 151 OFFICER

The council officer designated under section 151 of the Local Government Act 1972 to take overall responsibility for the financial administration of the local authority.

SERVICE LEVEL AGREEMENT (SLA)

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

SINKING FUND

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

STATEMENT OF MOVEMENT ON THE GENERAL FUND (SMGF)

This statement reconciles the income and expenditure of the Council to the General Fund balances held which has to be adjusted to take account of transfer to and from reserves and other statutory and non statutory transactions.

STATEMENT OF RECOGNISED GAINS AND LOSSES (STRGL)

This is a statement which pulls together all the gains and losses of the local authority during the year. This information is available elsewhere within the statement of accounts, some gains and losses relate to the Income and Expenditure Statement, and some to the Balance Sheet.

STATEMENT OF RECOMMENDED PRACTICE (SORP)

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

SUBSIDIARY

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

STATEMENT OF STANDARD ACCOUNTING PRACTICE (SSAP)

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

TEMPORARY BORROWING

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