

# News Release

Communications and Media Team



**Tel:** 01803 861368 / 01822 813648

**Email:** [communications@swdevon.gov.uk](mailto:communications@swdevon.gov.uk)

## **One Council Proposal: Debt and Liabilities explained**

Last week there was some incorrect information printed in the local press about the One Council proposal and levels of debt at West Devon. There were claims in the paper that West Devon is £32m in debt and other people on social media have been quoting different figures. This is not the case. Debt is being confused with liabilities.

It is not correct to say that West Devon has £32 million of debt. The debt that West Devon currently has is £2.1 million which is shown on the Council's Balance Sheet, which has been audited. This is external borrowing (a loan) that was taken out with the Public Works Loan Board for their headquarters at Kilworthy Park. The repayments for this loan are already budgeted for within West Devon's finances and are repaid on an annual basis.

Pensions Accounting in Local Authority Accounts is a complex area and every Council will show a Pensions Liability on their Balance Sheet.

This is a 'notional and theoretical' accounting pension liability and it is not a real cash liability or a cash debt that a Council has to pay off all at once.

The Pension Liability for West Devon Borough Council is shown on the Balance Sheet as £26 million. The Pension Liability of South Hams District Council is £53 million.

The Pension Liability is a theoretical liability that calculates an estimate of the value of all future pensions payable to employees, if they were to all fall due for payment at the Balance Sheet date (e.g. 31 March 2017). Obviously this would not happen in practice, as pensions are only paid once an employee becomes eligible to take their pension.

Both the employee and the employer pay contributions into the Pension Fund on an annual basis to pay for the cost of future pensions. These annual payments finance the pension liability. Debt is being confused with liabilities.

For more information on the proposal to create one council visit:

[www.onecouncil.org.uk](http://www.onecouncil.org.uk)

[www.southhams.gov.uk](http://www.southhams.gov.uk)

[www.westdevon.gov.uk](http://www.westdevon.gov.uk)

Please be aware that telephone calls to and from the Council may be recorded for training and monitoring purposes.

 Follow @SouthHams\_DC

 Follow @WestDevon\_BC



[#RL-269:636389089905516577#]

\*