



ANNUAL REPORT & ACCOUNTS

FOR THE YEAR ENDED

31 MARCH 2012

HEAD OF FINANCE: ANDREW JARRETT CPFA

SUBJECT TO AUDIT

TABLE OF CONTENTS

	Page
Explanatory Foreword	i
Statement of Accounting Policies	viii
Statement of Responsibilities for the Statement of Accounts	xxii
Chief Financial Officer's Certificate	xxiii
Movement in Reserves Statement	1
Comprehensive Income and Expenditure Statement	3
Balance Sheet	4
Cash Flow Statement	5
Notes to the Core Financial Statements	6
The Housing Revenue Account (HRA) Income and Expenditure Account	42
Movement on the HRA Statement	43
Notes to the HRA	44
The Collection Fund	52
Notes to the Collection Fund	53
Glossary of Terms	54

Available on Mid Devon's website

Annual Governance Statement (including letter of representation)

Auditor's Opinion

Annual Governance Report

2011/12 STATEMENT OF ACCOUNTS

1.0 **EXPLANATORY FOREWORD**

1.1 **Introduction**

The Council's Annual Report and Accounts sets out the overall financial position and details the financial transactions relating to the District Council's activities for the year ended 31 March 2012. The financial statements have been prepared in accordance with the requirements of the "Code of Practice on Local Authority Accounting in the United Kingdom for 2011/12.

1.1.1 The most significant changes to the 2011/12 Accounts are:

- The introduction of FRS 30 which deals with the accounting for Heritage Assets
- Business Rates Supplements – not relevant to us in 2011/12
- Community Infrastructure Levy – not relevant to us in 2011/12
- Related Party Disclosures – this is a slight amendment to the existing disclosure
- New disclosure required for Exit Packages – we have fully complied with this requirement
- Introduction of code on disclosure for Trust Funds
- Change relating to Financial Instruments – accounting for soft loans when material – this is not relevant to us in 2011/12
- Interest in Joint Ventures – not relevant to us in 2011/12
- And some minor clarifications relating to changes introduced in the 2010/11 accounts.

All of the above changes where applicable are explained in some detail in the main body of the Accounts.

1.2 **The Core Financial Statements**

Stated below is a list of the major areas of the Accounts with a brief description that outlines the purpose of each component.

1.3 **Movement in Reserves Statement**

This statement analyses the in-year changes in both useable and unusable reserves and clearly shows the real value of cash reserves held by the Council.

1.4 **Comprehensive Income and Expenditure Statement**

The Comprehensive Income and Expenditure Statement is a summary of the resources generated and consumed by the Council in the year.

1.5 **The Balance Sheet**

This statement is fundamental to the understanding of the Council's financial position at the year-end. It shows all balances and reserves at the Council's disposal and its long-term indebtedness and the fixed assets and net current assets employed in its operation together with summarised information on the fixed assets held.

1.6 **Cash Flow Statement**

This consolidated statement summarises the inflows and outflows of cash arising from transactions with third parties for revenue and capital purposes.

1.7 **The Housing Revenue Account (HRA) Income and Expenditure Account**

This account reflects the statutory obligation to account separately for the Council's provision of housing. The HRA Income and Expenditure Account shows in more detail the income and expenditure on HRA services included in the whole authority Income and Expenditure Account.

1.8 Collection Fund

This account reflects the statutory requirement for the Council to maintain a separate Collection Fund which shows its transactions in relation to national non-domestic rates and council tax and illustrates how these have been distributed to Devon County Council, Devon and Cornwall Police Authority, Devon and Somerset Fire Authority and the Council itself. The Balance Sheet and the Cash Flow Statement only reflect Mid Devon's share of any Collection Fund surplus or deficit.

1.9 Pension Fund

There is no single statement that brings together the Council's overall financial position with regard to its pension scheme; instead pension information is consolidated within all of the other accounting statements of the Council, excluding the Collection Fund.

2.0 Review of the Year

The purpose of the explanatory foreword to the Annual Report and Accounts is to provide a commentary on the main financial highlights contained within the Report and to identify any significant events that may affect the reader's interpretation of the Accounts.

2.1 Revenue Expenditure – General Fund

During the year regular monthly financial monitoring information has been produced and reported to senior management and members. This monitoring report consistently forecasted a significant under spend during 2011/12. The month 12 outturn report tabled at the 7 June 2012 Cabinet meeting declared an estimated outturn saving of £767k on the General Fund. It should be noted that this saving figure excluded the unbudgeted amount of £231k received during 2011/12 relating to the New Homes Bonus scheme and the previously budgeted sum of £192k required from balances when setting the original budget) on the General Fund.

The final outturn saving on the General Fund after some minor financial adjustments, including a final review of capital and support service recharges totalled £1,206k. The main budget variances which reconcile the year end General Fund surplus are shown in the table below.

	Budget variances £k
<u>Service Savings & Costs</u>	
Salary savings across all services	(538)
Extra income from recyclable materials	(105)
Increased repairs/maintenance costs of Refuse & Recycling fleet	113
Concessionary fares repayment	(214)
Income above budget at Leisure Centres	(83)
Improvement works at Leisure Centres	68
Income above budget in Development Control	(138)
Income below budget in Building Control	68
Receipt of 2 H&CS grants at year end	(83)
Increase in Housing Benefit Overpayments	(169)
Other minor variances (incl. support service allocation)	142
Total Service Saving	(939)
<u>Non Service Savings & Costs</u>	
Investment Interest, adjustment in Collection Fund Transfer, New Homes Bonus, etc.	(267)
Total Savings	(1,206)

Note - A detailed analysis of the 2011/12 outturn was reported to the Cabinet at a meeting on the 7 June 2012 which can be found on the Council's website.

This overall General Fund saving delivered in 2011/12 reflects the efforts of both officers and members to provide high quality services at an affordable cost. There was also a proactive attempt by senior management to deliver significant service related savings in order to provide some additional General Fund Balance to provide against the well documented cuts in Central Government funding.

The effect of all the consolidated General Fund transactions in 2011/12 result in an overall General Fund Balance of £4,625k (i.e. £3,419 + £1,206k) held at the 31 March 2012. This amounts to £2,225k in excess of the minimum required balance recommended by Council (based on 25% of net expenditure - £2,400k). This has been strategically planned in order to give the Council some financial operating surplus to be able to proactively deal with the cuts in public sector funding from 2010/11 onwards.

When the final GF surplus for 2011/12 was reported to the Council's Cabinet it was agreed to transfer 2 amounts from this balance in order to increase our provision for future capital expenditure (including some spend to save projects) this would total £1,468k and in addition to reserve £348k to provide for some replacements to our aging refuse/recycling vehicle fleet. Both of these items would collectively reduce the GF balance by £1,816k at the end of 2011/12 and is shown in the table below.

The closing General Fund Balance (GFB) of £2,455k can be reconciled by:

GFB as at 31 March 2011	(£3,419k)
General Fund saving delivered in 2011/12	(£1,206k)
Net transfer to reserves from outturn report	£354k
Additional transfer to Reserves – see note above	£1,816k
Closing GFB as at 31 March 2012	<u>(£2,455k)</u>

2.2 **Revenue Expenditure - Housing Revenue Account (HRA)**

The 2011/12 financial year has seen a positive financial position delivered by the HRA. Overall spending levels have been below budget during the year and the HRA Balance has ended the year above the minimum approved level of £1m. The final year end position was an under spend of £643k.

The main budget variances which reconcile the year end HRA under spend of £643k are shown in the table below.

	Budget variances £k
Service Savings & Costs	
Additional work carried out by the Direct Labour unit	(101)
Dwelling rent exceeded budget	(69)
Income from Solar PV project	(78)
Unused revenue contributions to capital projects	(75)
Other minor budget variances	(320)
Total Service Under Spend	(643)

Note - Once again, a detailed explanation of the end of year financial position on the HRA was reported to the Cabinet at its meeting on the 7 June 2012 which can be accessed on the Council's website.

The Housing Service continues to prioritise its spending to ensure the delivery of the Decent Homes Standard and to this end has continued to target additional resources into increased expenditure on major stock improvements and other more minor

programmes (e.g. heating systems, mains smoke detectors, additional spend on garage repairs/maintenance, etc.).

It should also be noted that during 2011/12 the Council has also carried out a major project to fit 1,175 HRA properties with solar panels.

The closing HRA Balance (HRAB) of £1,956k can be reconciled by:

HRAB as at 31 March 2011	(£1,313k)
HRA under spend delivered in 2011/12	(£643k)
Closing HRAB as at 31 March 2012	<u>(£1,956k)</u>

2.3 Capital Expenditure

During the year capital expenditure amounted to £4,173k. The Council used £71k of capital receipts to fund the capital programme with the balance of the expenditure met by a combination of external grants and ear marked reserves.

The two largest areas of expenditure in the 2011/12 capital programme were £2,003k spent on improvements of the Council's housing stock and £879k spent on various housing related grants and the delivery of affordable housing within the district.

Due to the low level of capital receipts we have begun to make revenue contributions from both the General Fund and the HRA over the past few years and to this end the Council now has a Capital Contingency Reserve of £1,881k at the 31 March 2012. Although, it should be noted that £1,471k has already been earmarked to fund approved projects either not yet completed or included in the 2012/13 Capital Programme.

A review of each of the financial statements will provide further details of the financial position of the Council for 2011/12.

2.4 The Movement in Reserves Statement

This statement is key to establishing the aggregate financial position of the Council, as it produces a summary of all the "cash backed" Reserves that the Council holds. It shows that the Council's useable reserves have increased by £968k to £11,209k during 2011/12.

2.5 The Comprehensive Income and Expenditure Account

The financial highlights for the Comprehensive Income and Expenditure Account are given below:

Page 3 of the Accounts shows an overall deficit on the Comprehensive I & E Account of £58,033k, however this position also includes the consolidation of the Council's HRA. In addition there are a number of technical accounting adjustments made to the final accounts which need to be "reversed out" in order to reflect the final cash position. These entries are included in the Adjustments between Accounting Basis and Funding Basis under Regulations, shown on pages 9 – 11. Once all of these adjusted are accounted for you then have the final outturn on the General Fund of a deficit of £964k and a surplus on the HRA of £643k shown on the Movement in Reserves Statement.

For information purposes, in addition to the various fees and charges levied by services, the General Fund was funded by £4,824k from Central Government Formula Grant (excluding the £129k Council Tax Freeze Grant) and Council Tax of £5,151k.

2.6 Balance Sheet

The financial highlights for the Balance Sheet are shown below:

- The Property, Plant and Equipment valuation, after adjustment for additions, disposals, and finance leases, fell by £882k during 2011/12, predominantly due to the fall in prices of £1,694k or 1.53% across the Council housing stock. This reduction in housing value was partially offset by increases to the garage portfolio and a general increase in vehicles, plant and equipment (£525k relates to fitting solar panels on 4 Council buildings).
- The overall Pension Scheme deficit increased by £11,843k during 2011/12 due to a number of changes in Actuary assumptions underlying the present value of the scheme liabilities.
- Heritage assets of £925k were included on the Balance Sheet due to a new accounting change (FRS 30) implemented for the 11/12 accounts.

2.7 Cash Flow Statement

The financial highlights for the cash flow statement are given below:

- The Council had a net cash inflow during 2011/12 of £3,561k.

2.8 Housing Revenue Account (HRA) Income and Expenditure Account

The financial highlights for the HRA Income and Expenditure Account are given below:

- The Council experienced a £643k surplus on the HRA during 2011/12.
- The HRA made a one-off self financing payment of £46.59m to the Department of Communities and Local Government associated with the abolition of the current Housing Subsidy system. This payment was funded by a similar value loan from the Public Works Loan Board.

2.9 Major Repairs Reserve (MRR)

The Housing Revenue Account also holds a MRR, which is ring fenced for capital expenditure on HRA properties. This reserve effectively carries forward any unspent major repairs allowance. During 2011/12 there was a net increase on this account of £4k. The table below reconciles the amount held in the MRR.

	£k
Major Repairs Reserve @ 31 March 2011	(827)
Increase in MRR during 2011/12	(4)
Major Repairs Reserve @ 31 March 2012	(831)

2.10 The Collection Fund

The financial highlights for the Collection Fund are given below:

- The Collection Fund made a deficit of £317k in the year after crediting £155k to the General Fund in relation to prior year surpluses.
- The Council Tax collection rate achieved in the year was 98.2% and 98.6% for Non Domestic Rates.
- The Council set a Band D equivalent council tax rate of £182.15 in 2011/12 (i.e. frozen at the 2010/11 level).

2.11 Pension Fund

The financial highlights of the pension fund are:

- Pension assets have increased to £42,357k (£41,179k in 10/11)
- Pension liabilities have increased to £78,568k (£65,594k in 10/11)
- Unfunded liabilities have increased to £1,194k (£1,147k in 10/11)
- The net deficit on the fund is £37,405k (£25,562k in 10/11)

The requirement to recognise the net pension liability on the Balance Sheet arises from Financial Reporting Standard 17 “Retirement Benefits” and IAS19. FRS 17 requires all councils and other businesses to disclose pension assets and liabilities within the Balance Sheet. Further analysis of the pension movements can be found in the notes following the core financial statements.

2.12 Valuation of Property Portfolio

The Council instructed the District Valuer to value 1/5th of the asset portfolio in order to establish a “true and fair” view for the 31 March 2012 Balance Sheet. Any material increases or decreases were reviewed by the Head of Finance to establish whether to adjust all similar assets by the same corresponding amount.

2.13 Treasury Activities

The table below gives an overview of the Council’s treasury activities during 2011/12.

31/3/11 £k	Investment categories	31/3/12 £k
3	Cash floats	3
5,365	Bank deposits	5,926
1,000	Loans	4,000
6,368	Total	9,929

Note – the figure of £4,000k excludes the outstanding balance remaining on the Heritable deposit, which already includes provision for a 21% loss and the remaining sum is split between short and long term debtors on the Balance Sheet.

The Council generated investment interest of £115k, which gave an average rate of return of 0.83%.

2.14 Heritable Bank Investment

Up to the Balance Sheet date the Council had received 10 dividend repayments totalling £750k against the initial deposit of £1.1m. The most recent administrator’s report (rec’d 2 May 2012) estimates a return to creditors of between 86 – 90%. For information an 11th dividend repayment of £42k was received in April 2012 and it has been indicated that a twelfth dividend will be paid out in July 2012.

2.15 Post Balance Sheet Events

None

3.0 The Financial Future of Mid Devon

2011/12 was again a challenging financial year for the Council. This year saw a £865k reduction in Central Government funding and the formal confirmation of an additional cut of £655k for 2012/13. To mitigate against this reduced funding scenario the Council has held a number of corporate savings meetings and has also significantly reduced its operational staffing numbers further during 2011/12.

The Council has already embarked on a number of “spend to save” projects to deliver further savings during 2011/12 and 2012/13 (e.g. fitting solar panels to 4 corporate buildings and a major leisure centre enhancement scheme).

The fact that the Council managed to underspend its General Fund budget (which had already been reduced as a direct consequence of the £865k cut in Govt. funding) by some £1,026k during 2011/12 is a very strong achievement and clearly demonstrates that the Council can continue to deliver a wide range of public services against a continuing back drop of further public sector cuts.

The Council has ended 2011/12 with a sound level of balances on both the General Fund and Housing Revenue Account and in addition has made necessary provision

for a number of items required in 2012/13 and beyond. Which again demonstrates the strategic forward planning now embedded in the Council.

Andrew Jarrett
Head of Finance

4.0 STATEMENT OF ACCOUNTING POLICIES

4.1 General Principles

The Statement of Accounts summarises the Council's transactions for the 2011/12 financial year and its position at the year end of 31 March 2012. The Authority is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2003, which those Regulations require to be prepared in accordance with proper accounting practices. These practices primarily comprise the "Code of Practice on Local Authority Accounting in the United Kingdom 2011/12 and the Service Reporting Code of Practice for Local Authorities 2011/12 (SeRCOP), supported by International Financial Reporting Standards (IFRS). The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments. These statements have been compiled on a basis of the Council remaining a going concern and all amounts have been rounded to the nearest £1,000.

4.2 Accruals and Prepayments of Income and Expenditure

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

Revenue from the sale of goods is recognized when the Authority transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Authority.

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 inventories on the Balance Sheet.

Expenses in relation to services provided (including services provided by employees) are recorded as expenditure when the services are received rather than payments made.

Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the 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 debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

4.3 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 Service Reporting Code of Practice for Local Authorities 2011/12 (SeRCOP). The total 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 organization.
- Non-Distributed Costs – the cost of discretionary benefits awarded to employees retiring early and any depreciation and impairment losses chargeable to non-operational properties.

These two cost categories are defined in SeRCOP and accounted for as separate headings in the Comprehensive Income and Expenditure Statement, as part of Net Expenditure on Cost of Services.

4.4 Charges to Revenue for Non Current Assets

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

- depreciation attributable to the assets used by the relevant service

- revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses 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. However, it is required to make an annual provision from revenue to contribute towards the reduction in its overall borrowing requirement (equal to at least 4% of the underlying amount measured by the adjusted Capital Financing Requirement, excluding amounts attributable to HRA activity). Depreciation, revaluation and impairment losses and amortisations are therefore replaced by the Minimum Revenue Provision in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

4.5 Employee Benefits

Benefits Payable during Employment

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

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Authority to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy and are charged on an accruals basis to the Non Distributed Costs line in the comprehensive Income and Expenditure Statement when the Authority is demonstrably committed to the termination of the employment of an officer or group of officers or making an offer to encourage voluntary redundancy.

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

Post Employment Benefits

Employees of the Authority are members of The Local Government Pension Scheme, administered by Devon County Council. The scheme provides defined benefits to members (retirement lump sums and pensions) earned as employees worked for the Authority.

4.6 The Local Government Pensions Scheme

The LGPS is accounted for as a defined benefits scheme:

- The liabilities of the Devon County Council pension scheme attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates etc, and projections of projected earnings for current employees.
- Liabilities are discounted to their value at current prices using the annualised yield on the iBoxx credit index over the fifteen year AA rated non-gilt bond index.

- The assets of the Devon County Council pension fund attributable to the Council are included in the Balance Sheet at their fair value:
 - quoted securities – current bid price
 - unquoted securities – professional estimate of fair value
 - unlisted securities – average of the bid and offer rates
 - property – market value

- The change in the net pensions liability is analysed into seven components:
 - current service cost – the increase in liabilities as result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked
 - past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement 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 Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.
 - expected return on assets – the annual investment return on the fund assets attributable to the Council, based on an average of the expected long-term return credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
 - gains/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 or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement 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
 - adjustment to the Pensions Reserve via the Comprehensive Income and Expenditure statement
 - contributions paid to the Devon County Council pension fund – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense .

In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the Authority to the pension fund or directly to pensioners in the year, not the amount calculated in according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and any such amounts payable but unpaid at year-end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

Discretionary Benefits

The Council also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to rise as a result of an award to any member of staff 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.

4.7 Grants and Contributions

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

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

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

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as either short term or long term creditors depending upon the conditions. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non-Specific Grant Income (non-ring fenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

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

4.8 Revenue Expenditure Funded from Capital under Statute (REFCUS)

REFCUS represents expenditure that may be capitalised under statutory provisions but does not result in the creation of tangible assets controlled by the Council. Service revenue accounts have been charged on the basis of the benefit that the service received as a result of the expenditure, net of any capital grants received during the year. As the asset created is not owned by the Authority at the end of the accounting period the expenditure, net of any capital grants received during the year, is immediately written off in full in the year of creation. Where the Council has determined to meet the cost of the REFCUS from existing capital resources or by borrowing, a transfer to the Capital Adjustment Account then reverses out the amounts charged in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so there is no impact on the level of council tax.

4.9 Value Added Tax

Income and expenditure excludes any amounts related to VAT as all VAT collected is payable to HM Revenue and Customs and all VAT paid is recoverable from it, except where the Council is unable to recover VAT. Vat receivable is excluded from income.

4.10 Exceptional Items

When items of income and expenses are material, their nature and amount is disclosed separately, either on the face of the Comprehensive Income and Expenditure Statement or in the notes to the accounts, depending on how significant the items are to an understanding of the Authority's financial performance.

4.11 Minimum Revenue Provision

The Prudential Code requires that all capital expenditure is financed by a credit to the Capital Adjustment Account. If funding is not immediately available then a capital financing requirement

(CFR) arises.

Essentially the CFR has to be mitigated over time on a prudent basis by making a “minimum revenue provision”. This is a charge to the General Fund made from the “Adjustments between Accounting Basis and Funding Basis under Regulations” and the Capital Adjustment account.

The policy adopted by the Authority is to make a minimum revenue provision of 4% on the General Fund CFR, with the exception of the finance leases. Finance leases are dealt with separately and have their capital financing applied on a straight line basis over the life of the leased asset. Except for finance leases the Housing Revenue Account does not make a capital financing minimum revenue provision.

4.12 Events after the Balance Sheet Date

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

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

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

4.13 Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors

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

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

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

In compiling the 2011/12 Accounts we were required to comply with the new accounting code relating to Heritage Assets (FRS 30). This necessitated a restatement of the 2010/11 Balance Sheet and the revision/inclusion of a Balance Sheet for 2009/10.

4.14 Property, Plant and Equipment, and Heritage Assets

Assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and that are expected to be used during more than one financial year are classified as Property, Plant and Equipment.

Recognition

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Authority and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an assets’ potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is

charged as an expense when it is incurred. Expenditure is treated as *revenue* in nature unless the expenditure exceeds £20k.

Measurement

Assets are initially measured at cost, comprising:

- the purchase price
- any costs attributable to bringing the asset into working condition necessary for it to be capable of operating in the manner intended by management
- any costs attributable to bringing the costs of dismantling and removing the item and restoring the site on which it is located

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

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

Donated assets are measured initially at fair value. The difference between fair value and any consideration paid is credited to the Taxation and Non-Specific Grant income line of the Comprehensive Income and Expenditure Statement, unless the donation has been made conditionally. Until conditions are satisfied, the gain is held in the Donated Assets Account. Where gains are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance to the Capital Adjustment Account in the Movement in Reserves Statement.

Assets are then carried in the Balance Sheet using the following measurement bases:

- infrastructure, community assets and assets under construction – depreciated historical cost
- dwellings - fair value, determined using the basis of existing use value for social housing (EUV-SH). The adjustment factor to give EUV-SH has remained at 31%
- all other assets - fair value, determined as the amount that would be paid for the asset in its existing use (existing use value - EUV)

Where there is no market-based evidence of fair value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of fair value.

Where non-property assets that have short asset lives or low values (or both), depreciated historical cost basis is used as a proxy for fair value.

Assets included in the Balance Sheet at fair value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their fair value at the year end, but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation reserve to recognize unrealized gains. (In some cases gains might be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of a loss previously charged to a service.)

Where decreases in value are identified, they are accounted for by:

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

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the

date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

Componentisation

The move to IFRS accounting has seen the introduction of componentisation. This policy states that where a large asset is made up of a number of components that have differing economic lives then they should be depreciated component by component. Taking account of materiality the Council has decided to only account for a component that makes up in excess of 20% of the total asset value subject to a minimum value of £250k.

Impairment

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

Where impairment losses are identified, they are accounted for by:

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

The Council only had the District Valuer estimate current values of 20% of its overall property portfolio at the 31 March 2012. Therefore, the Head of Finance has then determined whether to apply any major price increases/decreases across the whole of any similar groups of assets (e.g. car parks, industrial units, sport centres, etc.). Changes in value to all Council Houses, Garages and Car Parks have used the District Valuer's valuation and then applied the relevant increase/decrease across these groups of assets.

In compiling the 2010/11 Accounts there was a major change in the Housing Valuation provided by the District Valuer. Since 2005 the adjustment factor to reduce the 'Vacant Possession Value' to give the 'Existing Use Value – Social Housing' was 44%; the adjustment factor for the South West was adjusted to 31% from the 01/04/10. The District Valuer has confirmed that the applicable rate for 2011/12 will remain at 31%.

Depreciation

Depreciation is provided for on all Property, Plant and Equipment assets by the systemic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite life (i.e., freehold land and certain Community Assets), Heritage assets and assets that are not yet available for use (i.e. assets under construction) where no depreciation is charged.

Depreciation is calculated on the following bases:

- council dwellings - depreciation relates to the Major Repairs Allowance (MRA) calculated by the Government. In the professional opinion of the Head of Finance and the District Valuer the MRA provides a reasonable measure of depreciation as it calculates the required expenditure on individual building elements that fall due for replacement
- other buildings – straight-line allocation over the life of the property as estimated by the Valuer
- Vehicles plant and equipment – straight-line allocation over the life of the asset as estimated by a suitably qualified and experienced officers. Examples of the sort of time scales are given below:

Plant	Expected asset life of 10 years
Vehicles	Expected asset life of 5 to 7 years
Specialist equipment	Expected asset life of 3 to 5 years
CVSC Boilers & Solar Panels on Council Buildings (Phoenix House & 3 Leisure Buildings)	Expected asset life of 25 years

- Infrastructure – straight-line allocation over the life of the property as estimated by the Valuer

Where an asset has major components with different estimated useful lives, these are depreciated separately. Currently the Council has identified no such assets.

Revaluation gains are also 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.

Disposals and Non-Current Assets Held for Sale

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

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

Assets that are to be abandoned or scrapped are not reclassified as Assets Held for sale.

When an asset is disposed of or decommissioned the value of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for sale) is written off to the Other Operating Expenditure in the Comprehensive Income and Expenditure statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts in excess of £20k are categorised as capital receipts. A proportion of receipts relating to housing disposals (75% for dwellings, 50% for land and other assets, net of statutory deductions and allowances) is payable to the Government. The balance of receipts is required to be credited to the 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 (the capital financing requirement). Receipts are appropriated to the Reserve from the Adjustments between Accounting basis and Funding Basis under Regulations.

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 Reserve from the General Fund Balance in the Movement in Reserves Statement.

4.15 Heritage Assets

A tangible heritage asset is defined as an asset with historical, artistic, scientific, technological, geophysical or environmental qualities that is held and maintained principally for its contribution to knowledge and culture. Heritage assets are maintained principally for their contribution to knowledge and culture and it is this that distinguishes them from other assets.

Where such assets are identified the asset is included in the accounts as a tangible heritage asset and shown separately from vehicles, plant and equipment. If the asset was donated or acquired for less than fair value the asset is brought into the balance sheet at its fair value. The authority values heritage assets on the basis of insurance valuations.

The carrying amounts of heritage assets are reviewed where there is evidence of impairment for heritage assets, e.g. where an item has suffered physical deterioration or breakage or where doubts arise as to its authenticity.

Any impairment is recognised and measured in accordance with the Authority's general policies on impairment shown in note 4.18 above.

Where an impairment loss has been determined, and a revised valuation obtained, the impairment loss is charged to the Surplus or Deficit on the Provision of Services. The charge is then reversed out and charged to the Capital Adjustment account.

Art Collection

The Authorities art collection includes paintings (oil on canvas, oil on board), statues and busts and some furniture, most of which are contained within the Town Hall at Tiverton. The assets which were donated in years past have been valued for insurance purposes by Chilcotts professional Fine Art Valuers and Auctioneers.

The assets within the art collection are deemed to have indeterminate lives and a high residual value; hence the Authority does not consider it appropriate to charge depreciation.

The collection is relatively static and acquisitions and donations are rare. Purchases would be initially recognised at cost and donations recognised at valuations provided by the external valuers, with reference to the most relevant and recent information from sales at auctions and other commercial markets.

The Authority does not consider that reliable valuation information for the Art Collection can be obtained for these items prior to 31 March 2012 and is impracticable to do so. In view of this we have applied the valuation at 31 March 2012 retrospectively to the previous four years for disclosure purposes.

Acquisition, Preservation and Management

The Authority does not have a defined policy to acquire further Heritage assets. Those owned by the Authority have been bequeathed or donated to the Authority. The Cabinet will shortly be discussing the on-going management of the collection, whilst the Authority's Estates team, which maintains records of the assets, working with relevant professional advisers to ensure their continued preservation. Members of the public do not currently have access to the assets contained within the Town hall.

4.16 Intangible Assets

Expenditure on non-monetary assets that do not have a physical substance but are controlled by the Authority as a result of past events (e.g. software licences) is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the Authority.

Internally generated assets are capitalised where it is demonstrable that the project is technically feasible and is intended to be completed (with adequate resources being

available) and the Authority will be able to generate future economic benefits or deliver service potential by being able to sell the asset or use the asset. Expenditure is capitalised where it can be measured reliably as attributable to the asset and is restricted to that incurred during the development phase (research expenditure can not be capitalised).

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

Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by the Authority can be determined by reference to an active market. In practice, no intangible asset held by the Authority meets this criterion, and they are therefore carried at amortised cost.

Capitalised internally developed software costs associated with in-house commissioning and configuration of software have been amortised over one year as there is no readily ascertainable market value.

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

4.17 Leases

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to the ownership of the property, plant and equipment from the lessor to the lessee. All other leases are classified as operating leases.

Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification.

Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent upon the use of specific assets.

The Authority as Lessee

Finance Leases

Property, plant and equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the Lessor. Initial direct costs of the Authority are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied in writing down the lease liability. Contingent rents are charged as expenses in the periods in which they are incurred.

Lease payments are apportioned between:

- a charge for the acquisition of the interest in the property, plant and equipment - applied to write down the lease liability, and
- a finance charge (debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

Property, Plant and Equipment recognised under finance leases is accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life (here ownership of the asset does not transfer to the authority at the end of the lease period).

The authority is not required to raise council tax to cover depreciation or revaluation and

impairment losses arising on leased assets. Instead a prudent annual contribution is made from revenue funds towards the deemed capital investment in accordance with statutory requirements. Depreciation and revaluation and impairment losses are therefore substituted by a revenue contribution in the General Fund Balance, by way of an adjusting transaction with the Capital adjustment account in the Movement in Reserves Statement for the difference between the two.

Operating Leases

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense to the services benefitting from the use of the leased property, plant or equipment. Charges are made on a straight line basis over the life of the lease; even if this does not match the pattern of payments (e.g. there is a rent-free period at the commencement of the lease).

The Authority as Lessor

Finance Leases

Where the Authority grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Again, representing the Authority's net investment in the lease, is credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal), and matched by a lease (long term debtor) asset in the Balance Sheet.

Lease rentals are apportioned between:

- a charge for the acquisition of the interest in the property - applied to write down the lease debtor (together with any premiums received), and
- finance income (credited to the Financing And Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

The gain credited to the Comprehensive Income and Expenditure Statement on disposal is not permitted by statute to increase the General Fund Balance and is required to be treated as a capital receipt. Where a premium has been received, this is posted out of the General Fund Balance to the Capital Receipts Reserve in the Movement in Reserves Statement. Where the amounts due in relation to the lease asset is to be settled by the payment of rentals in future financial years, this is posted out of the General Fund balance to (the Deferred Capital Receipts Reserve in the Movement in Reserves Statement. When the future rentals are received, the element for the capital receipt for the disposal of the asset is used to write down the lease debtor. At this point, the deferred capital receipts are transferred to the Capital Receipts Reserve.

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 therefore appropriated to the Capital Adjustment Account from the General Fund balance in the Movement in Reserves Statement. For this set of accounts the Council has no lessor finance leases.

4.18 Investments including Cash on Deposit with Banking Institutions

Where investments are held at the balance sheet date they are treated as long term if, at the initial contract date, their term is more than twelve months. If, at the initial contract date, their term is more than three months but less than twelve months they are regarded as short term investments. Any cash and bank balances whose term, at their initial contract date is less than three months are categorised as cash and cash equivalents. In the case of the historic investment with Heritable Bank the balance outstanding is shown split between short and long

term debtors.

4.19 Accounting for Local Taxes

As we act as an agent for major preceptors, the tax we are collecting on behalf of large preceptors will be shown as an asset/liability in their balance sheet, not accumulated in our own balances as it had been in previous years. This clarifies the situation that the money collected or outstanding is not an asset or liability of Mid Devon District Council, but of the preceptor.

4.20 Inventories

Inventories are included in the Balance Sheet at average cost. This is a departure from the requirement of the SORP, which require inventories to be shown at the lower of cost and net realisable value. However, the effect of this alternative treatment is not considered to be material. Work in progress on uncompleted projects is valued at cost including allocation of overheads.

4.21 Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature in no more than three months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

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

4.22 Financial Instruments

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 not have fixed or determinable payments

Loans and receivables

Loans and receivables are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Income and Expenditure Account for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the loans that the Council has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

However, the Council has a number of loans to voluntary organisations and employees at less than market rates (soft loans). When soft loans are made, a loss is recorded in the Comprehensive Income and Expenditure Statement for the present value of the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal. Interest is credited to the Financing and Investment Income line in the Comprehensive Income and Expenditure Statement at a marginally higher effective rate of interest than the rate receivable from the voluntary organisations, and employees, 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 for the financial year – the reconciliation of amounts debited and credited to the Comprehensive Income and Expenditure Statement to the net gain required against the General Fund Balance is managed by a transfer to or from the Financial Instruments

Adjustment Account in the Movement in Reserves Statement.

However, due to the immaterial balances of the Council's soft loans no adjustment has been made to their carrying value in the Balance Sheet and, therefore, there has also been no adjustment to the interest charged through the Income and Expenditure Account.

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 relevant service (for receivables specific to that service) or the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate.

Any gains and losses that arise on the derecognition of the asset, would be credited or debited to the Financing and Investment Income line in the Comprehensive Income and Expenditure Statement.

4.23 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 or service potential, and a reliable estimate can be made of the amount of the obligation. For instance, the Authority may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

Provisions are charged as an expense to the appropriate service line in the comprehensive Income and Expenditure Statement in the year that the Council becomes aware of the obligation, based on the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

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

For this set of accounts the Council has no provisions.

4.24 Contingent Liabilities

A contingent liability arises where an event has taken place that gives the authority a possible obligation whose existence will only be confirmed by the existence of uncertain future events not wholly within the control of the Authority. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts. For this set of accounts the Council has no contingent liabilities.

4.25 Reserves

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure is financed from a reserve, it is charged to the appropriate service revenue account in that year to score against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and

Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against council tax for the expenditure.

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

5.0 THE STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

5.1 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 Head of Finance.
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- approve the statement of accounts.

5.2 The Head of Finance’s Responsibilities

The Head of Finance is responsible for the preparation of the Authority’s Statement of Accounts in accordance with the proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (“the Code of Practice”).

In preparing this Statement of Accounts, the Head of Finance has:

- selected suitable accounting policies and then applied them consistently
- made judgments and estimates that were reasonable and prudent
- complied with the Code of Practice.

The Head of Finance has also:

- kept proper accounting records which were up to date
- taken reasonable steps for the prevention and detection of fraud and other irregularities.

5.3 Opinion

In my opinion the Statement of Accounts gives a true and fair view of the financial position of the authority at the accounting date and its income and expenditure for the year ended 31 March 2012.

Date..... **Signature:**

Andrew Jarrett – CPFA
Head of Finance
Mid Devon District Council

6.0 CHIEF FINANCIAL OFFICER'S CERTIFICATE

I certify that the accounts set out in the following pages, gives a true and fair view of the financial position of the Council at 31 March 2012.

The date on which the Statement of Accounts was authorised for issue by the Head of Finance was 26 June 2012.

This is also the date up to which events after the Balance Sheet date have been considered.

Approved by the Head of Finance

.....

Andrew Jarrett - CPFA

Approved by the Chairman of the Audit Committee

.....

Sarah M Fox

Approved by the Leader of the Council

.....

Peter H D Hare-Scott

Approved at a meeting of the Audit Committee on the 25 September 2012

Mid Devon District Council Financial Statements and Notes to the Accounts for the year ended 31 March 2012

Movement in Reserves Statement

This statement shows the movement in the year on the different reserves held by the authority, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The Surplus or (Deficit) on the Provision of Services line shows the true economic cost of providing the authority's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charges to the General Fund Balance and the Housing Revenue Account for council tax setting and dwellings rent setting purposes. The Net Increase / Decrease before Transfers to earmarked Reserves line shows the statutory General Fund Balance and Housing Revenue Account Balance before any discretionary transfers to or from earmarked reserves undertaken by the Council.

	General Fund Balance	Earmarked General Fund Reserves	Housing Revenue Account	Earmarked HRA Reserves	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Balance at 31 March 2011	(3,419)	(3,742)	(1,313)	0	0	(827)	(940)	(10,241)	(116,810)	(127,051)
Movement in Reserves during 2011/12										
(Surplus) or deficit on the provision of services	709		47,477					48,186		48,186
Other Comprehensive Income and Expenditure								0	9,847	9,847
Total Comprehensive Income and Expenditure	709	0	47,477	0	0	0	0	48,186	9,847	58,033
Adjustments between accounting basis and funding basis under regulations	(258)		(48,120)		(418)	(4)	(354)	(49,154)	49,157	3
Net Increase/Decrease before Transfers to Earmarked Reserves	451	0	(643)	0	(418)	(4)	(354)	(968)	59,004	58,036
Transfers to /(from) Earmarked Reserves	513	(513)								
Increase/Decrease in 2011/12	964	(513)	(643)	0	(418)	(4)	(354)	(968)	59,004	58,036
Balance at 31 March 2012 Carried forward	(2,455)	(4,255)	(1,956)	0	(418)	(831)	(1,294)	(11,209)	(57,806)	(69,015)

Mid Devon District Council Financial Statements and Notes to the Accounts for the year ended 31 March 2011

Movement in Reserves Statement continued

This statement shows the movement in the year on the different reserves held by the authority, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The Surplus or (Deficit) on the Provision of Services line shows the true economic cost of providing the authority's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance and the Housing revenue account for council tax setting and dwellings rent setting purposes. The Net Increase / Decrease before Transfers to earmarked Reserves line shows the statutory General Fund Balance and Housing Revenue Account Balance before any discretionary transfers to or from earmarked reserves undertaken by the Council.

	General Fund Balance £000	Earmarked General Fund Reserves £000	Housing Revenue Account £000	Earmarked HRA Reserves £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000
Balance at 31 March 2010	(2,389)	(3,680)	(1,443)	0	(229)	(748)	(1,190)	(9,679)	(149,888)	(159,567)
Movement in Reserves during 2010/11										
Surplus on the provision of services	(4,351)		50,511					46,160		46,160
Other Comprehensive Income and Expenditure								0	(13,647)	(13,647)
Total Comprehensive Income and Expenditure	(4,351)	0	50,511	0	0	0	0	46,160	(13,647)	32,513
Adjustments between accounting basis and funding basis under regulations	3,259		(50,381)		229	(79)	250	(46,722)	46,725	3
Net Increase/Decrease before Transfers to Earmarked Reserves	(1,092)	0	130	0	229	(79)	250	(562)	33,078	32,516
Transfers to /(from) Earmarked Reserves	62	(62)						0		0
Increase/Decrease in 2010/11	(1,030)	(62)	130	0	229	(79)	250	(562)	33,078	32,516
Balance at 31 March 2011 Carried forward	(3,419)	(3,742)	(1,313)	0	0	(827)	(940)	(10,241)	(116,810)	(127,051)

Mid Devon District Council Financial Statements and Notes to the Accounts for the year ended 31 March 2012

Comprehensive Income and Expenditure Statement

This statement shows the accounting cost in the year of providing services in accordance with generally accepted practices rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

	2010/11		2011/12		
	Gross Expenditure £000	Net Expenditure £000	Gross Expenditure £000	Gross Income £000	Net Expenditure £000
	6,151	(5,627)	6,288	(5,643)	645
	4,003	(2,097)	4,446	(2,093)	2,353
	5,286	(1,937)	5,425	(1,882)	3,543
	3,000	(992)	2,822	(1,201)	1,621
	1,294	(795)	659	(952)	(293)
	61,943	(11,263)	13,063	(11,899)	1,164
	0	0	46,590		46,590
	19,245	(17,670)	19,917	(19,010)	907
	1,412	(6)	1,266	(1)	1,265
	800	(126)	691	(130)	561
	0	(6,328)	0	0	0
	103,134	(46,841)	101,167	(42,811)	58,356
Costs of Services					
Other Operating Expenditure	1,140				1,066
Financing and Investment Income and Expenditure	1,591				956
Taxation and Non-Specific Grant Income	(12,864)				(12,192)
(Surplus) or Deficit on Provision of Services	46,160				48,186
(Surplus) or deficit on revaluation of fixed assets	(382)				(1,226)
Actuarial (gains)/losses on pension assets/liabilities	(13,265)				11,073
Other Comprehensive Income and Expenditure	(13,647)				9,847
Total Comprehensive Income and Expenditure	32,513				58,033

Balance Sheet

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

Restated 31 March 2010 £000	Restated 31 March 2011 £000		Notes	31 March 2012 £000
196,714	145,385	Property, Plant & Equipment	22	144,503
925	925	Heritage Assets - see note below	25	925
0	0	Intangible assets	26	0
26	97	Long-term Debtors	32	243
197,665	146,407			145,671
0	2,000	Short Term Investments	33	0
166	129	Inventories	34	158
3,605	2,457	Short Term Debtors	35	2,487
5,407	6,368	Cash and Cash Equivalents	36	9,929
9,178	10,954	Current Assets		12,574
(3,086)	(4,260)	Short Term Creditors	37	(6,216)
(3,086)	(4,260)	Current Liabilities		(6,216)
0	0	Long Term Creditors	38	(45,572)
(44,116)	(25,976)	Other Long Term Liabilities	38	(37,405)
(74)	(74)	Capital Grants Receipts in Advance	38	(37)
(44,190)	(26,050)	Long Term Liabilities		(83,014)
159,567	127,051	Net Assets		69,015
9,679	10,241	Usable Reserves	39	11,209
149,888	116,810	Unusable reserves	40	57,806
159,567	127,051	Total Reserves		69,015

Note - As a direct consequence of the introduction of the new accounting code for Heritage Assets (FRS 30) a revised 2010/11 Balance Sheet and a restated Balance Sheet for 2009/10 has been required. This basically brings onto previously audited Balance Sheets a value for cultural assets that the Council has held for a significant time (e.g. paintings, statues, etc.).

The unaudited accounts were issued on the 26 June 2012 and the audited accounts were authorised for issue on the xx September 2012.

Cash Flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents of the authority during the reporting period. The statement shows how the authority generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the authority are funded by way of taxation and grant income or from the recipients of services provided by the authority. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the authority's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the authority.

2010/11 £000		Notes	2011/12 £000
(46,160)	Net surplus or (deficit) on the provision of services		(48,186)
52,019	Adjustments to net surplus or deficit on the provision of services for non cash movements	48	7,254
(366)	Adjustments for items included in the net surplus on the provision of services that are investing and financing activities (See note references)	49	45,741
5,493	Net cash flows from Operating Activities	50	4,809
(4,185)	Investing Activities	51	(881)
(347)	Financing Activities	52	(367)
961	Net increase or decrease in cash and cash equivalents		3,561
5,407	Cash and cash equivalents at the beginning of the reporting period	36	6,368
6,368	Cash and cash equivalents at the end of the reporting period	36	9,929

Notes to the Accounts

1 Accounting Standards that Have Been Issued But Have Not Yet Been Adopted

There are no material changes in Accounting Standards that have been issued but have not yet been adopted, which require disclosure.

2 Critical Judgements in Applying Accounting Policies

In applying the accounting policies as set out in Note 1, the Authority has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the statements are:

- a) estimates for accrued expenditure/incomes - based on service managers and accountants calculations at year end
- b) bad debt provision - based on hi:
- c) asset lives for the calculation of depreciation charges - based on service managers experience of previously used assets

The Council has also placed reliance on technical estimates supplied by third parties for the following:

- Property valuations made by the District Valuer.
- Pension valuations supplied by Barnett Waddingham - Actuary engaged by Devon County Council

The Council has received very detailed reports from both of these sources outlining overall valuations and all of the key assumptions made in arriving at these final figures. These reports will be examined by the Audit Commission during their audit of the Council's Accounts.

3 Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty

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

The items in the Authority's Balance sheet at 31 March 2012 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if Actual results Differ from Assumptions
Property, Plant and Equipment	Assets are depreciated over useful lives that are dependent upon assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Authority will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.	If the useful life of an asset is reduced, depreciation increases and the carrying amount of the asset falls. It is estimated that the annual depreciation charge for buildings based on a gross value of £28,074k (excl. Council Houses) would increase by £103k for every year that useful lives had to be reduced.

Notes to the Accounts

Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty Continued

Pensions Liability	<p>Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Authority with expert advice about the assumptions to be applied.</p> <p>The value of pension assets is estimated based upon information available at the balance Sheet date, but these valuations may be earlier than the Balance Sheet date. The actual valuations at the Balance Sheet date, which may not be available until some time later, may give a different value of pension assets, but this is not considered to be material.</p>	<p>The effects on the net pensions liability of changes in individual assumptions can be measured. For instance, a 0.1% increase in the discount rate assumption would result in a decrease in the pension liability of £76k. However the assumptions interact in complex ways. The Pension Fund's actuaries advised that the present value of the total scheme obligation would change by £2.9m for a one year revision in mortality rates.</p>
Arrears	<p>At 31 March 2012, the Authority had a balance of sundry debtors of £569k. A review of significant balances suggested that an impairment of doubtful debts of 21.8% or £124k was appropriate. However, in the current economic climate it is not certain that such an allowance would be sufficient</p>	<p>If collection rates were to deteriorate, a doubling of the amount of the impairment of doubtful debts would require an additional £124k to be set aside as an allowance.</p>

The list does not include assets and liabilities that are carried at fair value based on a recently observed market price.

4 Material Items of Income and Expense

During 2011/12 the following material items are considered worthy of disclosure:

- 1 - The Council's share of the pension fund deficit increased by £11.843m to £37.405m as at the 31 March 2012.
- 2 - On the 27 March 2012 the Council made a one off Housing Revenue Account self financing payment of £46.59m associated with the new self financing rules introduced for 2012/13. This payment was backed by a similar valued fixed rate 25 year annuity loan from the Public Works Loan Board at 2.94% with half yearly debt and interest repayments.
- 3 - Due to a change in the accounting rules for Heritage Assets (FRS 30) the Council brought £925k worth of cultural assets onto the Balance Sheet.
- 4 - The Council received £197k in during 2011/12 dividends relating to the Heritable Bank investment made in November 2011.

3

008.

Notes to the Accounts

5 Adjustments between Accounting Basis and Funding Basis under Regulations

This note details the adjustments that are made to the total comprehensive income and expenditure recognised by the authority in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Authority to meet future capital and revenue expenditure.

2011/12	Usable Reserves					Total Usable Reserves	Movement in Unusable Reserves
	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied		
	£000	£000	£000	£000	£000	£000	£000
<u>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement: Adjustments involving the Capital Adjustment Account:</u>							
Charges for depreciation and impairment of non current assets	(1,251)	(2,154)					3,405
Revaluation losses on Property, Plant and Equipment	41	(1,750)					1,709
Amortisation of intangible assets	(85)						85
Capital grants and contributions applied	316						(316)
Income in relation to donated assets							
Revenue expenditure funded from capital under statute	(703)						703
Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(2)	(351)					353
HRA self financing settlement adj		(46,590)					46,590
<u>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</u>							
Statutory provision for the financing of capital investment	435	43					(478)
Capital expenditure charged against the General Fund and HRA balances	1,525	(24)					(1,501)
<u>Adjustments primarily involving the Capital Grants Unapplied Account</u>							
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	570				(570)		
Application of grants to capital financing transferred to the Capital Adjustment Account					216		(216)
Balance carried forward	846	(50,826)	0	0	(354)	0	50,334

Notes to the Accounts

5 Adjustments between Accounting Basis and Funding Basis under Regulations

This note details the adjustments that are made to the total comprehensive income and expenditure recognised by the authority in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Authority to meet future capital and revenue expenditure.

2011/12	Useable Reserves					Total Usable Reserves	Movement in Unusable Reserves
	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied		
Balance brought forward	846	(50,826)	0	0	(354)	0	50,334
Adjustments involving the Capital Receipts Reserve:							
Transfer of sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement		625	(625)				
Use of the Capital Receipts Reserve to finance new capital expenditure			71				(71)
Contribution from the Capital Receipts Reserve towards administrative costs of non current asset disposals		(6)	6				
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	(409)		409				
Opening DCLG Funding Correction	274		(274)				
Right to Buy Discounts repaid							
Repayment of Mortgage Principal			(5)				5
Adjustments involving the Deferred Capital Receipts Reserve:							
Transfer of deferred sale proceeds as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement							
Adjustment involving the Major Repairs Reserve:							
Reversal of Major Repairs Allowance credited to the HRA		1,998		(1,998)			
Use of the Major Repairs Allowance to finance new capital expenditure				2,003			(2,003)
Interest credited to the Major Repairs Reserve		9		(9)			
Adjustments involving the Financial Instruments Adjustment Account:							
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements		58					(58)
Balance carried forward	711	(48,142)	(418)	(4)	(354)	0	48,207

Notes to the Accounts

5 Adjustments between Accounting Basis and Funding Basis under Regulations

This note details the adjustments that are made to the total comprehensive income and expenditure recognised by the authority in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Authority to meet future capital and revenue expenditure.

2011/12	Useable Reserves					Total Usable Reserves	Movement in Unusable Reserves
	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied		
Balance brought forward	711	(48,142)	(418)	(4)	(354)	0	48,207
Adjustment involving the Pensions Reserve:							
Actuarial past service gain adjustment							
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(2,704)	46					2,658
Employer's pension contributions and direct payments to pensioners payable in the year.	1,888						(1,888)
Adjustment involving the Collection Fund Adjustment Account:							
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statements is different from council tax income calculated for the year in accordance with statutory requirements	(43)						43
Adjustment involving the Accumulating Compensated Absences Adjustment Account:							
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements.	(110)	(24)					134
Rounding adjustments							3
Total Adjustments	(258)	(48,120)	(418)	(4)	(354)	0	49,157

Notes to the Accounts

5 Adjustments between Accounting Basis and Funding Basis under Regulations

This note details the adjustments that are made to the total comprehensive income and expenditure recognised by the authority in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Authority to meet future capital and revenue expenditure.

2010/11 Comparative Figures	Usable Reserves					Total Usable Reserves	Movement in Unusable Reserves
	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied		
	£000	£000	£000	£000	£000	£000	£000
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:							
Adjustments involving the Capital Adjustment Account:							
Charges for depreciation and impairment of non current assets	(1,184)	(2,053)					3,237
Revaluation losses on Property, Plant and Equipment	(33)	(50,563)					50,596
Amortisation of intangible assets	(67)						67
Capital grants and contributions applied	161						(161)
Income in relation to donated assets							
Revenue expenditure funded from capital under statute	(968)						968
Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(20)	(463)					483
HRA self financing settlement adj							
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:							
Statutory provision for the financing of capital investment	443	36					(479)
Capital expenditure charged against the General Fund and HRA balances	185	74					(259)
Adjustments primarily involving the Capital Grants Unapplied Account							
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	538				(538)		
Application of grants to capital financing transferred to the Capital Adjustment Account					788		(788)
Balance carried forward	(945)	(52,969)	0	0	250	0	53,664

Notes to the Accounts

5 Adjustments between Accounting Basis and Funding Basis under Regulations

This note details the adjustments that are made to the total comprehensive income and expenditure recognised by the authority in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Authority to meet future capital and revenue expenditure.

2010/11 Comparative Figures	Useable Reserves					Total Usable Reserves	Movement in Unusable Reserves
	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied		
Balance brought forward	(945)	(52,969)	0	0	250	0	53,664
Adjustments involving the Capital Receipts Reserve:							
Transfer of sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement		611	(611)				
Use of the Capital Receipts Reserve to finance new capital expenditure			469				(469)
Contribution from the Capital Receipts Reserve towards administrative costs of non current asset disposals		(11)	11				
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	(380)		380				
Opening DCLG Funding Correction							
Right to Buy Discounts repaid		12	(12)				
Repayment of Mortgage Principal			(8)				8
Adjustments involving the Deferred Capital Receipts Reserve:							
Transfer of deferred sale proceeds as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement							
Adjustment involving the Major Repairs Reserve:							
Reversal of Major Repairs Allowance credited to the HRA		1,914		(1,914)			
Use of the Major Repairs Allowance to finance new capital expenditure				1,840			(1,840)
Interest credited to the Major Repairs Reserve		5		(5)			
Adjustments involving the Financial Instruments Adjustment Account:							
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements		78					(78)
Adjustment involving the Pensions Reserve:							
Actuarial past service gain adjustment	6,328						(6,328)
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(3,660)	(12)					3,672
Employer's pension contributions and direct payments to pensioners payable in the year.	1,989						(1,989)
Balance carried forward	3,332	(50,372)	229	(79)	250	0	46,640

Notes to the Accounts

5 Adjustments between Accounting Basis and Funding Basis under Regulations

This note details the adjustments that are made to the total comprehensive income and expenditure recognised by the authority in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Authority to meet future capital and revenue expenditure.

2010/11 Comparative Figures	Useable Reserves					Total Usable Reserves	Movement in Unusable Reserves
	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied		
Balance brought forward	3,332	(50,372)	229	(79)	250	0	46,640
Adjustment involving the Collection Fund Adjustment Account:							
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statements is different from council tax income calculated for the year in accordance with statutory requirements	(46)						46
Adjustment involving the Accumulating Compensated Absences Adjustment Account:							
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements.	(27)	(9)					36
Rounding adjustments							3
Total Adjustments	3,259	(50,381)	229	(79)	250	0	46,725

Mid Devon District Council Financial Statements and Notes to the Accounts for the year ended 31 March 2012

Notes to the Accounts

6 Transfers to/from Earmarked Reserves

This note sets out the amounts set aside from the General Fund and HRA balances in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund and HRA expenditure in 2011/12.

	Balance at 1/4/10	Transfers In	Transfers Out	Reclassification	Balance at 31/03/11	Transfers In	Transfers Out	Reclassification	Balance at 31/3/12
General Fund - Revenue Earmarked Reserves	£000	£000	£000	£000	£000	£000	£000	£000	£000
Capital Contingency Reserve	900	706	(173)	0	1,433	1,820	(1,512)	140	1,881
Maintenance & Amenity Reserve	1,029	269	(377)	0	921	145	(272)	0	794
Misc. Fund Reserves - see note	1,751	202	(565)	0	1,388	420	(436)	(140)	1,232
Refuse Vehicle Replacements	0	0	0	0	0	348	0	0	348
Total Revenue Ear Marked Reserves	3,680	1,177	(1,115)	0	3,742	2,733	(2,220)	0	4,255

Note - The miscellaneous fund reserves are detailed in the final outturn report agreed at Cabinet on the 7 June 2012.

7 Transfers to/from Capital Grants Unapplied

This note details the receipt and utilisation of various capital grants over the last two years.

	Balance at 1/4/10	Transfers In	Transfers Out	Reclassification	Balance at 31/03/11	Transfers In	Transfers Out	Reclassification	Balance at 31/3/12
Total Funds Unapplied	£000	£000	£000	£000	£000	£000	£000	£000	£000
Waste Perform Efficiency Grant	12	0	0	(12)	0	0	0	0	0
Regional Housing Pot	541	471	(541)	0	471	41	0	0	512
Ccab Contrib Crediton	5	0	0	(5)	0	0	0	0	0
Afford Housing Contributions	27	0	(27)	0	0	325	(81)	0	244
Tiverton Enhancement Scheme	68	0	(51)	0	17	2	(3)	0	16
Burlescombe Play Area	12	0	0	(12)	0	0	0	0	0
Four Ways Cross Willand	1	0	0	(1)	0	0	0	0	0
Air Quality Fund - Cullompton	8	15	0	0	23	54	0	0	77
Air Quality Fund - Crediton	117	52	(35)	0	134	44	0	0	178
Planning Delivery Grant	375	0	(130)	0	245	0	(4)	0	241
St Andrews Project Dcc	20	0	0	(20)	0	0	0	0	0
Crediton Skateboard Park	4	0	0	(4)	0	0	0	0	0
Cap Grants Unapplied Nonspecif	0	0	(4)	54	50	0	(50)	0	0
Dcc Funding	0	0	0	0	0	78	(78)	0	0
Dclg Dfgr Grant	0	0	0	0	0	26	0	0	26
Total Capital Grants Unapplied	1,190	538	(788)	0	940	570	(216)	0	1,294

8 Other Operating expenditure

2010/11	2011/12
£000	£000
889 Parish Council precepts	929
380 Payments to the Government Housing capital receipts pool	409
(12) Sundry Housing Revenue Account Income	0
(117) (Gains)/Losses on the disposal of non current assets	(272)
1,140 Total	1,066

Notes to the Accounts

9 Financing and Investment Income and Expenditure

2010/11		2011/12
£000		£000
49	Interest payable and similar charges	65
1,615	Pensions interest cost and expected return on pension assets	1,006
(73)	Interest receivable and similar income	(115)
1,591	Total	956

10 Taxation and Non Specific Grant Income

2010/11		2011/12
£000		£000
(6,140)	Council tax income	(6,192)
(5,402)	Non domestic rates	(3,685)
(784)	Non-ringfenced government grants	(1,471)
(538)	Capital grants and contributions	(844)
(12,864)	Total	(12,192)

Further details of specific grant income are shown at note 56

11 Operating Leases

Authority as Lessee

Vehicles, Plant, Furniture and Equipment

The Authority holds a number vehicles and two items of plant under terms of operating leases. Currently there are no furniture or equipment on operating lease agreements.

Payments under Operating Leases

The Authority has made payments of £107k under operating leases in 2011/12 (£139k in 2010/11) comprising of the following elements:

2010/11		2011/12
£000		£000
36	Land & Buildings	25
103	Vehicles, Plant & Equipment	82
139	Total	107

For future years liabilities for Finance and Operating Leases see note 58.

Authority as Lessor

The gross value of assets held for use in operating leases as at 31 March 2012 was £2,179k (£2,187k in 2010/11)

	2010/11			2011/12		
	Gross Value £000	Rental Income £000	Net Book Value £000	Gross Value £000	Rental Income £000	Net Book Value £000
HRA shops	1,064	105	1,043	1,056	105	1,018
Industrial units	1,123	87	1,109	1,123	90	1,097
Total	2,187	192	2,152	2,179	195	2,115

The Council also received £11,078k from the rental of 1,157 Garages Rents and 3,078 Council Houses. For more information see the Housing Revenue Account notes.

12 Officers' Emoluments

This table includes all statutory and non-statutory posts whose overall remuneration exceeds £50k excluding pension contributions.

Remuneration Band	2010/11		2011/12	
	Number of Employees	Left During Year	Number of Employees	Left During Year
£50,000 - £54,999	3	0	2	0
£55,000 - £59,999	0	0	2	0
£60,000 - £64,999	3	0	4	0
£65,000 - £69,999	0	0	0	0
£70,000 - £74,999	1	0	0	0
£75,000 - £79,999	0	0	0	0
£80,000 - £84,999	0	0	0	0
£85,000 - £89,999	0	0	0	0
£90,000 - £94,999	0	0	1	0
£95,000 - £99,999	0	0	0	0
£100,000- £104,999	1	0	0	1

In completing the 2011/12 Accounts we have complied with the statutory instrument which requires the disclosure of an officer's emoluments where these exceed £50,000. The statutory instrument requires the individual naming of any officers with an annual salary of £150,000 or more and the post title of any officers earning £50,000 or more who occupy statutory roles or are responsible for managing direction of services.

The Council had no officers earning at or in excess of £150,000 in 2011/12

Notes to the Accounts

Statutory Officers Earning in Excess of £50,000

Post Title	Financial Year	Salary (Including Allowances) £000	Expenses £000	Benefits in Kind £000	Total Remuneration excluding pension contributions £000	Pension Contributions £000	Total Remuneration including pension contributions £000
Chief Executive Note 1.	2011-12	90	1	1	92	14	106
	2010-11	98	1	1	100	15	115
Deputy Chief Executive/Dir Comm Servs Note 1.	2011-12	9	1	1	9	2	10
	2010-11	73	1	1	75	11	86
Head of ICT	2011-12	52	1	0	53	8	61
	2010-11	53	1	0	53	8	61
Head of Planning and Regeneration	2011-12	62	1	1	63	9	72
	2010-11	62	0	1	63	9	72
Head of Financial Services	2011-12	62	1	0	62	9	71
	2010-11	63	1	0	64	10	73
Head of HR & Development	2011-12	58	1	0	58	9	67
	2010-11	60	1	0	61	9	70
Head of Communities and Governance	2011-12	54	0	0	54	0	54
Head of Environmental Services	2011-12	56	1	1	58	8	66
Head of Housing	2011-12	60	1	1	61	9	71
Head of Legal and Democratic Services	2011-12	63	0	1	64	10	73

Note 1. The Chief Executive left the Authority on the 6th April 2011. The Deputy Chief Executive was appointed Acting Chief Executive on 9th May 2011 then formally appointed on 3rd November 2011.

All of the above Senior Officers are also included in the banding table.
Due to a management restructure during 2011-12, four additional posts now fall within this disclosure.

13 Termination Benefits

The Authority agreed termination packages for 3 employees during 2011-12.

2011/12

Exit Package Cost Band	Number of Compulsory redundancies	Number of other departures agreed	Total number of exit packages by cost band	Total cost of exit packages in each band £000
£0,000 - £19,999	1	0	1	£3
£20,000 - £39,999	0	2	2	£57

2010/11

Exit Package Cost Band	Number of Compulsory redundancies	Number of other departures agreed	Total number of exit packages by cost band	Total cost of exit packages in each band £000
£80,000 - £99,999	1	0	1	£82

14 External Audit Costs

Fees paid to Mid Devon's appointed external auditor, the Audit Commission, were as follows.

2010/11 £000	2011/12 £000
110 Fees payable with regard to the annual audit fee	96
27 Fees payable for the certification of claims and returns	25
137 Total	121

Notes to the Accounts

15 Related Party Transactions

The Council is required to disclose material transactions with related parties - bodies or individuals that have the potential to control or influence the Council or to be controlled or influenced by the Council. Disclosure of these transactions allows readers of the accounts to assess the extent to which the Council might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Council.

Central Government has effective control over the general operations of the Council. It is responsible for providing the statutory framework within which the Council operates, provides 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 (e.g. housing benefits). Details of transactions with government departments are set out in a note to the Cash Flow Statement and note 57 relating to all grant income.

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 Head of Finance has reviewed all the Related Party disclosures returned by members and determined that no material items warrant any formal disclosure.

Officers of the Council are bound by the Council's Code of Conduct. Senior Officers (which encompasses all members of Management Team) are required to declare any related party transactions with the Council. No transactions have required disclosure.

16 Members Allowances

2010/11 £000	2011/12 £000
<u>248</u> Allowances paid in the year	<u>288</u>

17 Acquired and/or Discontinued Activities

The Council did not acquire any new activities or discontinue any existing ones during 2011/12. However with effect from 1 April 2011 the Concessionary Fares Travel scheme has now been transferred to Devon County Council. The Council incurred running costs of £567k in 2010/11. However, these costs were fully funded by Central Government. The Council received a "winding up" repayment of £214k during 2011/12.

18 Depreciation and Impairment of Fixed Assets

2010/11 £000	2011/12 £000
3,237 Depreciation	3,405
67 Amortisation of intangible assets	85
50,664 Impairment of fixed assets	2,212
(68) Reversal of impairment of fixed assets	(503)
<u>53,900</u> Total	<u>5,199</u>

19 Capital Financing and Minimum Revenue Provision

The Council is required by statute to set aside a minimum revenue provision for the repayment of our capital financing requirement.

2010/11 £000	2011/12 £000
133 General Fund 4% of the Capital Financing Requirement	127
346 Capital financing in respect of finance leases	351
<u>479</u>	<u>478</u>

20 Insurance

All major risks have been identified and are insured with applicable excesses.

Notes to the Accounts

21 Pensions

All of the pension figures included in the 2011/12 Accounts are prepared in accordance with International Accounting Standard 19 (IAS 19). This complies with all generic Technical Actuarial Standards (TASs) and the Pensions TAS. The data provided by the Pension Fund's Actuary (Barnett Waddingham) also fully complies with their understanding of Financial Reporting Standard 17 and International Financial Reporting Standards.

Participation in the Pension Scheme

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

The Council participates in the Local Government Pension Scheme (LGPS) administered by Devon County Council - this is a (defined benefit final salary scheme) and is fully funded, meaning that the Council and its employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with the investment assets.

Transactions relating to Retirement Benefits

The 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 the Council is required to make against council tax is based on the cash payable in the year, so the real cost of retirement benefits is reversed out in the note titled Adjustments between Accounting Basis and Funding Basis under Regulations (AABFBR). The following transactions have been made in the Income and Expenditure Account and the AABFBR:

2010/11 £000 Income and Expenditure Account	2011/12 £000
Net Cost of Services	
1,968 Current service cost	1,652
89 Past service costs - from curtailments and settlements	0
(6,328) - actuarial past service gain	0
Net Operating Expenditure	
4,134 Interest on pension liabilities	3,661
(2,519) Expected return on pension assets	(2,655)
<u>(2,656) Net charge to the Account</u>	<u>2,658</u>

Statement of Movement in the General Fund Balance

2010/11 £000	2011/12 £000
<u>4,645</u> Reversal of net charges made for retirement benefits in accordance with IAS19	<u>(770)</u>

Actual amount charged against the General Fund Balance

2010/11 £000	2011/12 £000
1,900 Employers contributions payable to the scheme	1,798
89 Retirement benefits payable to pensioners	90
<u>1,989</u> Total	<u>1,888</u>

Notes to the Accounts

21 Pensions continued

Asset

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

31/03/2011	31/03/2012
£m	£m
41.18 Estimated share of assets	42.35
(65.59) Estimated funded liabilities	(78.57)
(1.15) Estimated unfunded liabilities	(1.19)
(25.56) Net asset/(liability)	(37.41)

Assets-Estimated Allocation for Mid Devon DC is as follows:

31/03/2011		31/03/2012	
£m	%	%	£m
28.83	70	69	29.23
7.00	17	18	7.63
0.00	0	0	0.00
2.06	5	6	2.54
2.88	7	6	2.54
0.41	1	1	0.42
41.18	100 Total	100	42.36

Note -

The return on the Fund (on a bid value to bid value basis) for year to 31 March 2011 estimated at 7.4%, based on the estimated Fund value used at the previous accounting date and the estimated Fund value used at this accounting date. The actual return on Fund assets over the year may be different. FRS17 requires the accounts to show a history of these overall transactions for the previous four years. Asset values should be shown at current bid price. Periods prior to 2007/08 are shown at mid-market value and have not been remeasured (this has been considered as an immaterial difference by Hewitt's the Fund's Actuary).

Reconciliation of present value of the scheme liabilities:

	31 March 2011		£m		31 March 2012		£m
	Funded	Unfunded	Total	Funded	Unfunded	Total	
1 April	82.52	1.38	83.9	66.74		66.74	
Current							
Service	1.97	0	1.97	1.65		1.65	
Interest Cost	4.13	0	4.13	3.66		3.66	
Contributions							
Made	0.54	0	0.54	0.53		0.53	
Actuarial							
Loss/(Gain)	(15.28)	0.00	(15.28)	9.73		9.73	
Curtailment							
Loss/(Gain)	0.09	0.00	0.09	0.00		0.00	
Benefits Paid							
Out	(2.19)	0.00	(2.19)	(2.46)		(2.46)	
Unfunded							
Pension							
Payments	0.00	(0.09)	(0.09)	0.00		0.00	
Past Service							
Cost/Gain ⁽¹⁾	(6.33)		(6.33)	(0.09)		(0.09)	
31 March	65.45	1.29	66.74	79.76	0	79.76	

NB - the actuarial report provided in 2011/12 does not provide a breakdown of the unfunded elements.

Note ⁽¹⁾: Changes to the Local Government Pension Scheme (LGPS)

The Government has quite recently changed (through statute) the method of valuation for future pensions. This change has seen the previously used Retail Price Index (RPI) replaced by the Consumer Price Index (CPI). The Actuary has recognised this change as a "past service gain" in the overall Comprehensive Income and Expenditure Statement as it has been assumed that the CPI will rise at a slower rate than the RPI (and so pension increases and therefore the IAS19 liabilities will be lower).

Notes to the Accounts

21 Pensions continued

Reconciliation of fair values of the scheme assets:

	31 March 2011			31 March 2012		
	Funded	Unfunded	£m Total	Funded	Unfunded	£m Total
1 April	40.43	0.00	40.43	41.18		41.18
Expected Return	2.52	0.00	2.52	2.65		2.65
Actuarial Loss/(Gain)	(2.02)	0.00	(2.02)	(1.34)		(1.34)
Payments Made - Employer	1.99	0.00	1.99	1.89		1.89
Payments Made - Participants	0.54	0.00	0.54	0.53		0.53
Benefits Paid Out	(2.28)	0.00	(2.28)	(2.55)		(2.55)
Disposals/Acquisitions	0.00		0.00	0.00		0.00
31 March	41.18	0	41.18	42.36	0	42.36

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be

Analysis of amount recognised in the Comprehensive Income and Expenditure Statement

	31 March 2011			31 March 2012		
	Funded	Unfunded	£m Total	Funded	Unfunded	£m Total
Total actuarial gain/(losses)	13.27	0.00	13.27	(11.07)		(11.07)
Total recognised in Comprehensive Income and Expenditure Statement	13.27	0.00	13.27	(11.07)		(11.07)

The main assumptions used in their calculations have been:

	31 March 2011	31 March 2012
	% p a	% p a
5.5 Rate for discounting scheme liabilities	5.5	4.6
5.0 Rate of increase in salaries	5.0	4.7
2.7 Rate of increase in pensions	2.7	2.5
2.7 Rate of inflation - now CPI	2.7	2.5
2.7 Rate of increase to deferred pensions	2.7	2.5
<i>Long-term expected rates of return on:</i>		
7.4 Equities	7.4	6.3
4.4 Government bonds	4.4	3.3
5.5 Corporate bonds	5.5	4.6
5.4 Property	5.4	4.3
3.0 Other assets	3.0	3.0
6.5 Average long term expected rate of return	6.5	5.4
<i>Mortality Assumptions:</i>		
Longevity at 65 for current pensioners		
20.3 Men	20.3	20.5
24.4 Women	24.4	24.5
Longevity at 65 for future pensioners		
22.4 Men	22.4	22.5
26.3 Women	26.3	26.4

Notes to the Accounts

21 Pensions continued

History of experience gains and losses:

	31 March 2011			31 March 2012		
	Funded	Unfunded	£m Total	Funded	Unfunded	£m Total
Experience gains/ (losses) on assets	(2.02)	0	(2.02)	(1.34)		(1.34)
Experience gains/ (losses) on liabilities	3.48	0	3.48	(0.01)		(0.01)

FRS17 requires the experience gains/losses to be disclosed for the current accounting period plus the previous four accounting periods if applicable. In accordance with paragraph 79 of FRS17 (as revised), unfunded liabilities are disclosed separately for periods beginning on or after 6 April 2008. The history of experience gain/(losses) on unfunded assets/liabilities has not been re-stated for periods ending 2007, 2006 and 2005 as the Actuary has advised that these amounts would be immaterial.

	31 March 2009			31 March 2010		
	Funded	Unfunded	£m Total	Funded	Unfunded	£m Total
Experience gains/ (losses) on assets	(9.93)	0.00	(9.93)	8.12	0.00	8.12
Experience gains/ (losses) on liabilities	(0.23)	(0.02)	(0.25)	0.29	0.00	0.29

	31 March 2008			31 March 2007		
	Funded	Unfunded	£m Total	Funded	Unfunded	£m Total
Experience gains/ (losses) on assets	(4.49)	0.00	(4.49)	4.85	n/a	4.85
Experience gains/ (losses) on liabilities	(0.14)	(0.01)	(0.15)	(0.14)	n/a	(0.14)

Amounts for current and previous periods:

	Year to Mar-08 £000s	Year to Mar-09 £000s	Year to Mar-10 £000s	Year to Mar-11 £000s	Year to Mar-12 £000s
Defined Benefit Obligation	(54,470)	(57,750)	(83,894)	(66,741)	(79,762)
Scheme Assets	36,730	29,830	40,422	41,179	42,357
Surplus (Deficit)	(17,740)	(27,920)	(43,472)	(25,562)	37,405
Experience adj on scheme liabilities	(150)	(250)	291	3,481	(0.01)
Percentage of Liabilities	-0.3%	-0.4%	0.3%	5.2%	0.0%
Experience adj on scheme assets	(4,490)	(9,930)	8,119	(2,019)	(1)
Percentage of assets	-12.2%	-33.3%	20.1%	-4.9%	-3.2%
Cumulative Actuarial Gains & Losses	2,460	(7,050)	(21,149)	(7,884)	(18,957)

Projected Pension Expense for the year to 31 March 2013

	Year to 31-Mar-13 £000s
Service Cost	2,061
Interest Cost	3,672
Return on assets	(2,295)
Total	3,438
Employer Contributions	1,801

Notes to the Accounts

22 Property, Plant and Equipment

Movements in Balances

Movements in 2011/12

	Assets Under Construction	Council Dwellings	Other Land & Buildings	Vehicles Plant & Equip	Community Assets	Infra-structure Assets	Non-Operational Assets	Total Property, Plant and Equipment
	£000	£000	£000	£000	£000	£000	£000	£000
Cost or Valuation								
At 1 April 2011	314	110,378	33,617	2,882	516	211	0	147,918
Additions	172	2,311	40	969				3,492
Donations								0
Revaluation increases/(decreases) recognised in the Revaluation reserve		(1,998)	946			(4)		(1,056)
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services		(1,755)	46					(1,709)
Derecognition - Disposals	(66)	(251)	(100)	(88)				(505)
Derecognition - Other				(155)				(155)
Reclassification	(68)							(68)
At 31 March 2012	352	108,685	34,549	3,608	516	207	0	147,917

Accumulated Depreciation and Impairment

At 1 April 2011			(835)	(1,663)	(29)	(6)		(2,533)
Depreciation charge		(1,998)	(824)	(564)	(10)	(9)		(3,405)
Depreciation written out to the Revaluation Reserve		1,998	276			9		2,283
Depreciation written out to the Surplus/Deficit on the Provision of Services								0
Impairment losses/(reversals) recognised in the Revaluation Reserve								0
Impairment losses/(reversals) recognised in the Provision of Services								0
Derecognition - Disposals				241				241
Derecognition - Other								0
At 31 March 2012	0	0	(1,383)	(1,986)	(39)	(6)	0	(3,414)

Net Book Value

At March 2012	352	108,685	33,166	1,622	477	201	0	144,503
At March 2011	314	110,378	32,782	1,219	487	205	0	145,385

Nature of asset holding

Owned	£352	£108,685	£33,166	£1,172	£477	£201	£0	£144,053
Subject to Finance Leases	£-	£-	£-	£450	£-	£-	£-	£450

See note 58 for finance lease information.

At 31 March 2012 the Council had £352k of assets under construction - £103k related to the project to upgrade the Warden Scheme Equipment, £112k Enhancement of Tiverton & Cullompton Town Centres and then a number of smaller projects which were not operational at 31 March 2012

Notes to the Accounts

22 Property, Plant and Equipment continued

Movements in Balances

Comparative movements in 2010/11

	Assets Under Construction	Council Dwellings	Other Land & Buildings	Vehicles Plant & Equip	Community Assets	Infra-structure Assets	Non-Operational Assets	Total Property, plant and Equipment
	£000	£000	£000	£000	£000	£000	£000	£000
Cost or Valuation								
At 1 April 2010	30	161,270	32,997	3,080	516	209		198,102
Additions	284	2,109		212				2,605
Donations								0
Revaluation increases/(decreases) recognised in the Revaluation reserve		(1,928)	250			2		(1,676)
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services		(50,584)	(12)					(50,596)
Derecognition - Disposals		(348)	(135)					(483)
Derecognition - Other				(34)				(34)
Reclassification		(141)	517	(376)				0
At 31 March 2011	314	110,378	33,617	2,882	516	211	0	147,918

Accumulated Depreciation and Impairment

At 1 April 2010				(1,369)	(19)			(1,388)
Depreciation charge		(1,914)	(815)	(491)	(10)	(7)		(3,237)
Depreciation written out to the Revaluation Reserve		1,914	143			1		2,058
Depreciation written out to the Surplus/Deficit on the Provision of Services								0
Impairment losses/(reversals) recognised in the Revaluation Reserve								0
Impairment losses/(reversals) recognised in the Provision of Services								0
Derecognition - Disposals				34				34
Derecognition - Other			(163)	163				0
At 31 March 2011	0	0	(835)	(1,663)	(29)	(6)	0	(2,533)

See note 58 for finance lease information.

Nature of asset holding

Owned	£314	£110,378	£32,782	£1,219	£487	£205	£0	£145,385
Subject to Finance Leases	£-	£-	£-	£763	£-	£-	£-	£763

At 31 March 2011 the Council had £314k of assets under construction - £103k related to the project to upgrade the Warden Scheme Equipment, £68k for two IT systems and then a number of smaller projects which were not operational at 31 March 2011.

23 Revenue Expenditure Funded From Capital Under Statute (REFCUS)

This is expenditure that does not result in, or remain matched with assets controlled by the Council. Examples of this would include financial assistance towards capital investment incurred by other parties, works on properties not owned by the Council and any amounts specifically directed by the Secretary of State. Service revenue accounts have been charged on the basis of the benefit that the service received as a result of the expenditure net of any capital grants received.

	Balance at 1/4/10	Expend	Transfer in Year	Amount Financed or Written Off	Balance at 31/03/11	Expend	Transfer in Year	Amount Financed or Written Off	Balance at 31/3/12
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Regional Housing Pot Schemes	0	541		(541)	0	210		(210)	0
Affordable housing	0	159		(159)	0	81		(81)	0
Other REFUS	0	268		(268)	0	412		(412)	0
Total REFUS	0	968	0	(968)	0	703	0	(703)	0

Capital grants received to finance these projects amounted to £386k

Notes to the Accounts

24 Summary of Capital Expenditure and Financing

2010/11 £000	2011/12 £000
3,525 Opening Capital Financing Requirement	3,046
Capital investment	
2,607 Property, Plant and Equipment	3,426
67 Intangible assets	17
968 Revenue Expenditure Funded from Capital under Statute	703
Sources of Finance	
(469) - Capital receipts applied	(71)
(124) - Finance lease liabilities	
(2,790) - Government grants and contributions	(1,768)
Sums set aside from revenue:	
(259) Direct revenue contributions	(1,501)
(133) - Minimum revenue provision	(127)
(346) - Finance lease capital provision	(351)
<u>3,046 Closing Capital Financing Requirement</u>	<u>3,374</u>
Explanation of net movements in year	
(133) Decrease in underlying need to borrowing (unsupported by government financial assistance)	(127)
(346) Capital financing of finance leases, over the life of the lease, charged to the General Fund/HRA	(351)
<u>(479) Decrease in Capital Financing Requirement</u>	<u>(478)</u>

25 Heritage Assets: Change in Accounting Policy Required by the Code of Practice for Local Authority Accounting in the UK

The revised Code of Practice on Local Authority Accounting in the United Kingdom 2011/12 introduced a change to the treatment in accounting for heritage assets held by the authority. In applying the new policy the Authority identified a number of assets that should be classed in this category and employed the services of a professional valuer to determine their insurance value. The Authority's accounting policies for recognition and measurement of heritage assets are set out in the Authority's summary of accounting policies (See note 4.18a page Xvi).

In applying the new accounting policy the Authority will recognise an additional £925k of heritage assets that were not previously recognised in the Balance Sheet. As the assets were donated this increase is also recognised in the Capital Adjustment Account. The 1 April 2010 and 31 March 2011 Balance Sheets and comparative figures have thus been restated in the 2011/12 Statement of Accounts to apply the new policy.

The effects of the restatement are as follows:

At 1 April the carrying amount of the Heritage Assets is presented at its valuation at £925k. The capital adjustment account, an unusable reserve, has also increased by £925k.

The fully restated 1 April 2010 Balance Sheet is provided on page 4. The adjustments that have been made to that Balance Sheet over the version published in the 2010/11 Statement of Accounts are as follows:

Effect on Opening Balance Sheet at 1 April 2010

	Original Opening Balance at 1 April 2010 £000	Restatement 925	Restated Opening Balance at 1 April 2010 £000
Heritage assets	<u>0</u>	<u>925</u>	<u>925</u>
Long term assets	<u>196,470</u>	<u>925</u>	<u>197,395</u>
Total net assets	<u>158,642</u>	<u>925</u>	<u>159,567</u>
Unusable Reserves	<u>9,679</u>	<u>925</u>	<u>10,604</u>
Net Worth/Total Reserves	<u>158,642</u>	<u>925</u>	<u>159,567</u>

Notes to the Accounts

Effect on Movement in Reserves Statement - Unusable Reserves 2010/11

The restatement of the relevant lines of the Movement in Reserves Statement, as of 31 March 2011, as a result of this new accounting policy is presented in the table below:

	Original Opening Balance at 1 April 2010 £000	Restatement (925)	Restated Opening Balance at 1 April 2010 £000
Balance at the end of the previous reporting period - 31 March 2010	(158,642)		(159,567)
Surplus or Deficit on the Provision of Services	46,160		46,160
Other Comprehensive Income and Expenditure	(13,647)		(13,647)
Adjustments between the accounting basis and the funding basis under regulations	0		0
Increase/(decrease) in the year	32,516		32,516
Balance at the end of the current reporting period 31 March 2011	(126,126)	(925)	(127,051)

The resulting restated Balance Sheet for 31 March 2011 is provided on page 4.

Effect on Balance Sheet at 31 March 2010

	Original Opening Balance at 1 April 2010 £000	Restatement 925	Restated Opening Balance at 1 April 2010 £000
Heritage assets	0		925
Long term assets	145,482	925	146,407
Total net assets	126,126	925	127,051
Unusable Reserves	10,241	925	11,166
Net Worth/Total Reserves	126,126	925	127,051

The Community asset shown in the balance sheet relates to the Crediton Town square. This has not been reclassified as a heritage asset as it does not meet the definition cited in our accounting policy note 4.18a.

Movements in 2011/12

	Art Collection £000
Cost or Valuation At 1 April 2011	925
Additions	
Donations	
Disposals	
Revaluation increases/(decreases) recognised in the Revaluation reserve	
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	
At 31 March 2012	925

Notes to the Accounts

Comparative movements in 2010/11

	Art Collection
	£000
Cost or Valuation	
At 1 April 2010	925
Additions	
Donations	
Disposals	
Revaluation increases/(decreases) recognised in the Revaluation reserve	
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	
At 31 March 2011	925

Heritage Assets: Four Year Summary of Transactions

	2008/09 £000	2009/10 £000	2010/11 £000	2011/12 £000
Value of Heritage Assets Acquired by Donation				
Art Collection	925	925	925	925
Carrying Value of assets at 31 March	925	925	925	925

Art Collection

The Authorities art collection includes paintings (oil on canvas, oil on board), statues and busts and some furniture, most of which are contained within the Town Hall at Tiverton. The assets which were donated in years past have been valued for insurance purposes by Chilcotts professional Fine Art Valuers and Auctioneers at 31 March 2012.

The collection is relatively static and acquisitions and donations are rare. Purchases would be initially recognised at cost and donations recognised at valuations provided by the external valuers, with reference to the most relevant and recent information from sales at auctions and other commercial markets.

Civic Regalia

The civic regalia was valued by G W Pack Jewellers for the sum of £17k on 22 April 2008.

Heritage Assets of Particular Importance

The most significant items identified in the collection are as follows:

	2011/12
	£000
Statue of Edward VII, by Harry Hems at Lowman Green, Tiverton	300
Inscribed "Edward the Peacemaker 1841 - 1910" and presented by Thomas Ford Esq. J.P. to his native town."	
An oil painting on canvas of George III by Sir Joshua Reynolds, (British, 1723 - 1792)	250
A full length portrait in ornate giltwood and plaster frame.	
Statue of Saint Boniface in Crediton Public Park by Alan Durst	150
Inscribed " Saint Boniface", unveiled by Her Royal Highness Princess Margaret on 24 July 1960	

Preservation and Management

The Cabinet will shortly be discussing the on-going management of the collection, whilst the Authority's Estates team, working relevant professional advisers, ensure their continued preservation.

The Authority does not consider that reliable valuation information for the Art Collection can be obtained for these items prior to 31 March 2012 and is impracticable to do so. In view of this we have applied the valuation at 31 March 2012 retrospectively to the previous four years as shown in the table above.

Notes to the Accounts

26 Intangible Assets

The Authority accounts for its software to the extent that the software is not an integral part of a particular IT system and accounted for as part of the hardware item of Property, Plant and Equipment.

The carrying amount of intangible assets is amortised in full in the first year. The amortisation of £85k charged to revenue in 2011/12 was charged to the following service headings:

	2010/11 £000	2011/12 £000
Cultural, Environmental, Regulatory and Planning Services	29	
Non Distributed Costs	38	
Central Services		85
	<u>67</u>	<u>85</u>

Movements in Balances

The movement on Intangible Asset balances during the year is as follows:

	2010/11 Other Assets £000	2011/12 Other Assets £000
Balance at start of year:		
- Gross carrying amounts	0	67
- Accumulated amortisation	0	(67)
Net carrying amount at start of year	<u>0</u>	<u>0</u>
Additions		
- Internal development		
- Purchases	67	17
Reclassification		68
Derecognition - Disposals		
Amortisation charge for the period	(67)	(85)
Net carrying amount at the end of year	<u><u>0</u></u>	<u><u>0</u></u>

Comprising:

Gross carrying amounts	67	152
Accumulated amortisation	(67)	(152)
	<u>0</u>	<u>0</u>

Amortisation of intangible assets has been charged to the following services in the Comprehensive income and expenditure account:

	2010/11 £000	2011/12 £000
Cultural	(29)	
Non Distributed costs	(38)	
Central Services - IT Network and Hardware		(85)
	<u>(67)</u>	<u>(85)</u>

27 Commitments under Capital Contracts

	2010/11 £000	2011/12 £000
Various MRA works	449	1,429
Various ICT Projects	137	0
	<u>586</u>	<u>1,429</u>

28 Non Current Asset Valuation

The Council instructed the District Valuer to complete a full property valuation exercise for 1/5 of its freehold properties on a stratified sample basis. Where applicable property assets are therefore included in the 2011/12 accounts at their 31/3/12 valuation. The District Valuer has made his valuation in accordance with the Statements of Asset Valuation Practice and Guidance Notes of the Royal Institution of Chartered Surveyors.

Notes to the Accounts

Andrew Doak, a Senior Surveyor, with the District Valuer's Office, and MRICS FAAV qualified, undertook a valuation exercise to reassess the value of the housing stock as at 31 March 2012. These revised values have been incorporated into the Council's balance sheet. This valuation was undertaken based on a beacon basis, where a standard valuation was applied across the Council's housing stock against similar groups of property. The change in the adjustment factor from 44% to 31% to adjust the value of Council House values to EUV - SH effective from 2010/11 has been confirmed to remain at the same level of discount for 2011/12.

Properties regarded by the Council as operational were valued on the basis of open market value for the existing use or, where this could not be assessed because there was no market for the subject asset, the depreciated replacement cost. Properties regarded by the Council as non-operational have been valued on the basis of open market value. The District Valuer has undertaken a comprehensive impairment review of the Council's assets as at the 31 March 2012.

29 Long Term Borrowing

The Authority borrowed £46.6m from the Public Works Loan Board during March in order to make a payment to the Department of Communities and Local Government. This was required as part of the changes to the housing subsidy system in the Housing Revenue Account. More detailed information surrounding the changes are described in the notes to the Housing Revenue account. The term of the loan is 25 years at a fixed rate of 2.94% and payments are to be at six monthly intervals. At 31 March 2012 the balance outstanding amounted to £46.6m with 4 days of accrued interest.

30 Trusts for which the Council is the Sole Trustee

Mid Devon is the sole trustee for the Peoples Park and Recreation Grounds charity. The purpose of the Trust is to provide recreational open space for the people of Tiverton.

31 Financial Instruments

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

2011/12	Financial Liabilities		Financial Assets		Total £000
	Liabilities measured		Loans and receivables	Available -for-sale assets	
	at Finance amortised lease assets £000	£000			
Interest payable	0		15	0	15
Interest payable on finance leases		50			50
Impairment losses	0		0	0	0
Interest payable and similar charges	0	50	15	0	65
Interest income	0		(115)	0	(115)
Interest and investment income	0	0	(115)	0	(115)
Net (gain)/loss for the year	0	50	(100)	0	(50)

2010/11	Financial Liabilities		Financial Assets		Total £000
	Liabilities measured		Loans and receivables	Available -for-sale assets	
	at amortised cost lease assets £000	Finance lease assets £000			
Interest payable					0
Interest payable on finance leases		49			49
Interest payable and similar charges	0	49	0	0	49
Interest income			(68)		(68)
Interest and investment income	0	0	(68)	0	(68)
Impairment charge (interest accrual) reversal in Adjustments between Accounting basis and Funding Basis under Regulations					0
Net (gain)/loss for the year	0	49	(68)	0	(19)

Mid Devon District Council Financial Statements and Notes to the Accounts for the year ended 31 March 2012

Fair Value of 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. Their 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:

- an estimated interest rate of 0.83% for loans receivable (this percentage is based on an average rate of interest on all fixed term deposits outstanding)
- where an instrument will mature in the next 12 months, the carrying amount is assumed to approximate the fair value. The Authority only deals in these kind of instruments
- the fair value of trade and other receivables is taken to be the invoiced or billed amount less any bad debt provision.

In 2009/10 we charged the Income & Expenditure Account with 21% of the initial treasury deposit made with the Heritable Bank on the 15 September 2008. This equates to £1.1m at 21% (i.e. £231k) and is based on the lower of the Administrators most up to date information which forecasts a potential return of between 86 - 90p in the £.

Fair Value of Assets and Liabilities Carried at Amortised Cost (continued)

The fair values calculated are as follows:

	31/03/2011		31/03/2012	
	Carrying amount	Fair value	Carrying amount	Fair value
	£000	£000	£000	£000
Financial Assets				
Long term investment	0	0	0	0
Short term investment	2,000	2,000	0	0
Cash and cash equivalents	6,368	6,368	9,929	9,929
Loans and trade receivables	3,846	3,846	850	850
	12,214	12,214	10,779	10,779
Financial Liabilities				
Long term borrowing	0	0	(46,590)	(46,590)
Trade payables	(1,089)	(1,089)	(2,635)	(2,635)
	(1,089)	(1,089)	(49,225)	(49,225)

All receivables are valued at the amount invoiced less a bad debt provision. The carrying value of the loans in has been reduced by the potential loss expected to the Heritable Bank deposit (this has been based on 21% non recovery of the initial treasury deposit of £1.1m).

All payables carried at the 31/3/12 relate to outstanding creditors for goods/services supplied during 11/12 that were unpaid as at the 31/3/12.

Disclosure of Nature and Extent of Risks Arising from Financial Instruments

- credit risk- the possibility that other parties might fail to pay amounts due to the Council
- liquidity risk - the possibility that the Council might not have funds available to meet its commitments to make
- market risk - the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rates and stock market movements.

The Council'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. A treasury management strategy is formally approved annually by the Executive. This identifies all treasury risks and forms the basis of the day to day operating guidance applied by the Senior Accountant when making decisions on placing any surplus funds (i.e. to whom, for how long, for how much, etc.) . This treasury strategy can be found on the Council's website.

Credit Risk

Credit risk arises from deposits with banks and building societies as well as credit exposure to the Council's customers. After the exposure to the Icelandic banking collapse, the Council resolved to place all surplus funds with the Government Debt Management Office with effect from the 30 October 2008. This policy was slightly relaxed by a decision of the Executive at its meeting on the 29 October 2009. This agreed to include the use of the main UK Banks and Building Societies (with a FITCH rating of F1+) upto a maximum of £3m with any one institution. Once again this evidences our prudent approach to lending of surplus funds. The Council has continued to apply this lending strategy during the whole of 2011/12.

Notes to the Accounts

32 Long Term Debtors (amounts due in more than 12 months)

31/03/2011		31/03/2012
£000		£000
	Central government bodies	
	Other local authorities	
	NHS bodies	
	Public corporations and trading funds	
97	Other entities and individuals	243
<u>97</u>	Total	<u>243</u>

*Within the figure of £243k is a Heritable debtor of £79k and £157k relating to rent to mortgage debts.

33 Short Term Investments (amounts due in more than 12 months)

31/03/2011		31/03/2012
£000		£000
2,000	Lloyds	
<u>2,000</u>		<u>0</u>

34 Inventories

	31/03/2011	31/03/2012
	£000	£000
Raw materials	<u>129</u>	<u>158</u>

35 Short Term Debtors (amounts due in less than 12 months)

31/03/2011		31/03/2012
£000		£000
392	Central government bodies	273
183	Other local authorities	178
8	NHS bodies	8
0	Public corporations and trading funds	0
1,874	Other entities and individuals*	2,028
<u>2,457</u>	Total	<u>2,487</u>

* Within the figure of £2,028k is a Heritable debtor of £42k.

36 Cash and Cash Equivalents

31/03/2011		31/03/2012
£000		£000
3	Cash held by the Authority	3
5,365	Bank current accounts	5,926
1,000	Short-term deposits with financial institutions	4,000
<u>6,368</u>		<u>9,929</u>

Note - The Council has treated any investment holding of less than 3 month duration as a cash equivalent.

Bank/B-Soc	Term	Fixed Interest Rate %	2011/12 £000
Barclays	26/03/2012 20/04/2012	0.52	3,000
Coventry	26/03/2012 20/04/2012	0.55	1,000
Total			4,000

37 Short Term Creditors (amounts due in less than 12 months)

31/03/2011		31/03/2012
£000		£000
(948)	Central government bodies	(3,076)
(561)	Other local authorities	(275)
(50)	NHS bodies	(9)
-	Public corporations and trading funds	0
(2,701)	Other entities and individuals	(2,856)
<u>(4,260)</u>	Total	<u>(6,216)</u>

The significant increase in Central Govt bodies mainly relates to the year 1 debt repayment due to the PWLB on the £46.59m loan of £1.3m.

Notes to the Accounts

38 Long Term Creditors (amounts due in more than 12 months)

31/03/2011		31/03/2012
£000		£000
0	Central government bodies	(45,421)
0	Other local authorities	
0	NHS bodies	
0	Public corporations and trading funds	
0	Other entities and individuals	(151)
0		(45,572)
(25,976)	Other Long Term Liabilities	(37,405)
(74)	Capital Grants Receipts in Advance (Note 57)	(37)
<u>(26,050)</u>	Total	<u>(83,014)</u>

Central government bodies includes £45.3m relating to the PWLB loan for the HRA and other long term liability of £37.4m relates to the pension fund deficit.

39 Usable Reserves

Movements in the Authority's usable reserves are detailed in the Movement in Reserves Statement.

40 Unusable Reserves

31/03/2010	31/03/2011		31/03/2012
	£000		£000
(4,837)	(5,014)	Revaluation reserve (note 41)	(6,000)
(188,635)	(137,487)	Capital Adjustment Account (note 42)	(89,467)
241	163	Financial Instruments Adjustment Account (note 43)	105
(29)	(16)	Deferred Capital Receipts Reserve (note 44)	(7)
43,472	25,562	Pensions Reserve (note 45)	37,405
(178)	(132)	Collection Fund Adjustment Account (note 46)	(89)
78	114	Accumulating Compensated Absences Adjustment Account (note 47)	247
<u>(149,888)</u>	<u>(116,810)</u>	Total Unusable Reserves	<u>(57,806)</u>

41 Revaluation Reserve

The revaluation reserve contains the gains made by the Authority arising from increases in the value of its Property, Plant and Equipment. The balance is reduced when assets with accumulated gains are:

- revalued downwards or impaired and the gains are lost
- used in the provision of services and the gains are consumed through depreciation, or
- disposed of and the gains are realised.

The Reserve contains only revaluation gains accumulated since 1 April 2007, the date that the reserve was created. Accumulated gains arising before that date are consolidated into the capital Adjustment account.

31/03/2011		31/03/2012
£000		£000
(4,837)	At 1 April 2011	(5,014)
(462)	Upward revaluation of assets	(1,250)
80	Downward revaluation of assets and impairment losses not posted to the Surplus on the Provision of Services	24
(5,219)	Surplus or deficit on revaluation of non-current assets not posted to the Surplus on the Provision of Services	(6,240)
83	Difference between fair value depreciation and historical cost depreciation	93
122	Accumulated gains on assets sold or scrapped	147
(5,014)	Amount written off to the Capital Adjustment Account	(6,000)
<u>(5,014)</u>	At 31 March 2012	<u>(6,000)</u>

42 Capital Adjustment Account

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

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

Note 42 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

Notes to the Accounts

42 Capital Adjustment Account continued

31/03/2011 £000		31/03/2012 £000
(188,635)	At 1 April 2011	(137,487)
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement	
	0 HRA self financing settlement	46,590
3,237	Charges for Depreciation and impairment of non current assets	3,405
50,596	Revaluation losses on Property, Plant and Equipment	1,709
67	Amortisation of intangible assets	85
968	Revenue expenditure funded from capital under statute	703
	Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	
359		206
(133,408)		(84,789)
	(83) Adjusting amounts written out of the Revaluation Reserve	(93)
(133,491)	Net written out amount of the cost of non current assets consumed in the year	(84,882)
	Capital financing applied in the year:	
(469)	Use of the Capital Receipts Reserve to finance new capital expenditure	(71)
(1,840)	Use of the Major Repairs Reserve to finance new capital expenditure	(2,003)
(161)	Capital grants and contributions credited to Comprehensive Income and Expenditure Statement that have been applied to capital financing	(316)
	0 Donated assets funding	0
(788)	Application of grants to capital financing from the Capital Grants Unapplied Account	(216)
(479)	Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	(478)
(259)	Capital expenditure charged against the General Fund and HRA balances	(1,501)
(137,487)	At 31 March 2012	(89,467)

43 Financial Instruments Adjustment Account

The Financial Instruments Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefiting from gains per statutory provisions.

The Authority uses the Account to manage premiums paid on the early redemption of loans. Premiums are debited to the Comprehensive Income and expenditure account when they are incurred, but reversed out of the HRA balance to the Account in the Movement of reserves Statement. Over time, the expense is posted back to the Housing Revenue Account in accordance with statutory arrangements for spreading the burden on the Council's tenants. This period is ten years and as a result the balance at 31 March 2012 will be charged to the HRA over the next two years.

31/03/2011 £000		31/03/2012 £000
241	At 1 April 2011	163
	Proportion of premiums incurred in previous financial years to be charged against the HRA balance in accordance with statutory requirements	
(78)		(58)
	Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	
(78)		(58)
163	At 31 March 2012	105

44 Deferred Capital Receipts Reserve

31/03/2011 £000		31/03/2012 £000
(29)	At 1 April 2011	(16)
13	Transfer to the Capital Receipts Reserve upon receipt of cash	9
(16)	At 31 March 2012	(7)

Notes to the Accounts
45 Pensions Reserve

The Pensions reserve absorbs the timing differences arising from the different arrangements for accounting for post employment benefits and for funding benefits in accordance with statutory provisions. The Authority accounts for post employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by the employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the authority makes employer's contributions to pension funds or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Authority has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

31/03/2011		31/03/2012
£000		£000
43,472	At 1 April 2011	25,562
(13,265)	Actuarial gains or losses on pension assets and liabilities	11,073
(6,328)	Past service gain (*)	0
	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	
3,672		2,658
(1,989)	Employer's pension contributions and direct payments to pensioners payable in the year	(1,888)
<u>25,562</u>	At 31 March 2012	<u>37,405</u>

(*) - this past service gain relates to the change in valuation from rpi to cpi.

46 Collection Fund Adjustment Account

The Collection fund Adjustment account manages the differences arising from the recognition of the council tax income in the Comprehensive Income and expenditure Statement as it falls due from council tax payers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection fund

31/03/2011		31/03/2012
£000		£000
(178)	At 1 April 2011	(132)
	Amount by which council tax income credited to the Comprehensive Income and expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	
46		43
<u>(132)</u>	At 31 March 2012	<u>(89)</u>

The £89k represents MDDC's share (13.78%) of the overall Collection Fund Surplus of £648k at 31/03/12 (see page 52)

47 Accumulating Compensated Absences Adjustment Account

The accumulating compensated absences adjustment account absorbs the differences that would otherwise arise on the General Fund balance from accruing for compensated absences earned but not taken in the year e.g. annual leave entitlement carried forward at 31 March. Statutory arrangements require that the impact on the General Fund balance is neutralised by transfers to or from the account.

31/03/2011		31/03/2012
£000		£000
78	At 1 April 2011	114
	Settlement or cancellation of accrual made at the end of the preceding year	(114)
114	Amounts accrued at the end of the current year	247
	Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements.	
36		133
<u>114</u>	At 31 March 2012	<u>247</u>

Notes to the Accounts

48 Cash Flow - Adjustments to Net Surplus on the Provision of Services for Non Cash Movements

31/03/2011		31/03/2012
£000		£000
3,237	Depreciation	3,405
67	Amortisation	85
50,596	Impairment	1,709
1,167	(Decrease) / increase in creditors	1,137
1,077	Decrease / (increase) in debtors	(176)
37	Decrease / (increase) in stock	(29)
483	Carrying amount of non-current assets sold	353
(6,328)	Pension actuarial past service gain	0
1,683	Pension liability reversal	770
52,019		7,254

49 Cash Flow - Adjustment for items in the net surplus or deficit on the provision of services that are investing or financing activities

31/03/2011		31/03/2012
£000		£000
(538)	Other receipts from financing activities	(844)
807	REFCUS adjustment	671
	Proceeds from the sale of property, plant and equipment, investment property and	
(611)	intangible assets	(625)
49	Interest Paid	65
(65)	Interest received	(115)
(8)	Mortgage interest received	(1)
0	Local Authority Housing (HRA) - HRA settlement	46,590
(366)		45,741

50 Cash Flow Statement - Operating Activities

The cash flows for operating activities include the following items:

31/03/2011		31/03/2012
£000		£000
(65)	Interest received	(115)
49	Interest paid	65
(8)	Mortgage interest received	(1)
(24)		(51)

51 Cash Flow Statement - Investing Activities

31/03/2011		31/03/2012
£000		£000
(2,672)	Purchase of property, plant and equipment, investment property and intangible assets	(3,509)
(968)	Other cash payments (REFCUS)	(703)
735	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	663
783	Capital grants received	570
(2,000)	(Purchase) / Redemption of temporary investments	2,000
(87)	Other investing activities	47
65	Interest received	115
(49)	Interest paid	(65)
8	Mortgage interest received	1
(4,185)	Net cash flows from investing activities	(881)

Notes to the Accounts

52 Cash Flow Statement - Financing Activities

31/03/2011	31/03/2012
£000	£000
Other receipts - PWLB Loan	46,574
(347) Cash payments for the reduction of the outstanding liabilities relating to finance leases	(351)
0 Local Authority Housing (HRA) - HRA settlement	(46,590)
0 Other payments for financing activities	0
<u>(347)</u> Net cash flows from financing activities	<u>(367)</u>

Notes to the Accounts

53 Amounts Reported for Resource Allocation Decisions

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the Best Value Accounting Code of Practice. However decisions about resource allocation are taken by the Authority's Cabinet on the basis of budget reports analysed across services. These reports are prepared on a different basis from the accounting policies used in the financial statements. In particular:

- the cost of retirement benefits is based on cash flows (payment of employer's pension contributions) rather than current service cost of benefits accrued in the year

The income and expenditure of the Authority's principal services for the year is as follows:

Service Income and Expenditure		31/03/2011	31/03/2012
	Notes	£000	£000
Corporate Management		1,295	961
Customer Services		3,602	3,863
Finance And Performance		-	709
Health & Community Services		2,188	1,031
Human Resources		6	295
Housing Revenue Account	75	145	42,675
I.T. Services		-	936
Legal & Democratic Services		862	834
Planning And Regeneration		1,513	486
Revenues And Benefits		491	-
Recreation And Sport		1,225	562
		11,327	52,352

Notes to the Accounts

54 Reconciliation of Service Income and Expenditure to Cost of Services in the Comprehensive Income and Expenditure Statement

This reconciliation shows how the figures in the analysis of service income and expenditure relate to the amounts in the Comprehensive Income and expenditure Statement.

	2010/11 £000	2011/12 £000
Net expenditure in the service Analysis	11,327	52,352
Net expenditure of services and support services not included in the Analysis	0	0
Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the Analysis	44,966	6,004
Amounts included in the analysis not included in the Comprehensive Income and Expenditure Statement	0	0
Cost of services in Comprehensive Income and Expenditure account	56,293	58,356

55 Reconciliation to Subjective Analysis

This reconciliation shows how the figures in the analysis of services income and expenditure relate to a subjective analysis of the Surplus or Deficit on the Provision of Services included in the Comprehensive Income and Expenditure Statement.

	2011/12 £000	Amounts not reported to management for the I and E £000	Amounts not included in recharges £000	Cost of services £000	Corporate Amounts £000	Total £000
Fees and charges	(13,224)			(18,704)		(18,704)
Interest and investment income		(5,480)			(2,770)	(2,770)
Income from Council Tax					(6,192)	(6,192)
Government grants and contributions	(36,721)	5,178		(31,543)	(6,000)	(37,543)
Total Income	(49,945)	(302)	0	(50,247)	(14,962)	(65,209)
Employees	13,268	22		13,290		13,290
Other expenses	42,439	1,085		43,524	3,661	47,185
Support Services	0	0		0		0
Depreciation, amortisation & impairment		5,199		5,199		5,199
Interest payments					65	65
Payments to Housing Pool					409	409
Parish Council Precepts					929	929
Profit on disposal of assets					(272)	(272)
HRA Self financing	46,590	0		46,590		46,590
Total Expenditure	102,297	6,306	0	108,603	4,792	113,395
Surplus deficit on the provision of services	52,352	6,004	0	58,356	(10,170)	48,186

Mid Devon District Council Financial Statements and Notes to the Accounts for the year ended 31 March 2012

Notes to the Accounts

55 Reconciliation to Subjective Analysis continued

	Service Analysis	Support Services not in Analysis	Amounts not reported to management for decision making	Amounts not included in the I and E	Allocation of recharges	Cost of services	Corporate Amounts	Total
	£000	£000	£000	£000	£000	£000	£000	£000
2010/11								
Fees and charges	(11,202)		(6,361)		(17,563)			(17,563)
Interest and investment income							(2,604)	(2,604)
Income from Council Tax							(6,140)	(6,140)
Government grants and contributions	(36,244)		6,263		(29,981)		(6,724)	(36,705)
Total Income	(47,446)	0	(98)	0	0	(47,544)	(15,468)	(63,012)
Employees	14,044		(100)			13,944		13,944
Actuarial past service gain	0		(6,328)			(6,328)		(6,328)
Other expenses	41,501		824			42,325	4,134	46,459
Support Services	(5)		1			(4)		(4)
Depreciation, amortisation & impairment	3,233		50,667			53,900		53,900
Interest payments							49	49
Payments to Housing Pool							380	380
Parish Council Precepts							889	889
Profit on disposal of assets							(117)	(117)
Total Expenditure	58,773	0	45,064	0	0	103,837	5,335	109,172
Surplus deficit on the provision of	11,327	0	44,966	0	0	56,293	(10,133)	46,160

Notes to the Accounts

56 Grant Income

The Authority credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2011/12

Credited to Taxation and Non Specific Grant Income		
2010/11		2011/12
£000		£000
(6,140)	Council Tax	(6,192)
(5,402)	Non Domestic Rates	(3,685)
(784)	Revenue Support Grant	(1,139)
0	Council Tax Freeze Grant	(129)
0	New Homes Bonus	(203)
(471)	Regional Housing Pot	(41)
0	Affordable Housing	(325)
(47)	Air Quality Fund	(97)
(20)	Other	(381)
(12,864)	Total	(12,192)

Credited to Services		
2010/11		2011/12
£000		£000
(21,941)	Housing Benefit and Council Tax Subsidy	(23,239)
(102)	Section 106s	(68)
(16)	Refuse/Recycling Performance Grant	0
(31)	Building Safer Community Fund	0
(75)	Homelessness	(57)
(513)	Housing Benefit Admin Grant + Additional Grant	(486)
(103)	Business Rates - Cost of Collection Grant	(103)
0	Others	(1,190)
(22,781)	Total	(25,143)

The Authority has received a number of grants, contributions and donations that can not be recognised as income as there are conditions attached to them that will require the monies or property to be returned to the donor. The balances at the year-end are as follows:

Capital Grants Receipts in Advance due in less than one year		
2010/11		2011/12
£000		£000
(302)	Disabled facilities grants from Department of Communities and Local Government	0

Capital Grants Receipts in Advance due in more than one year		
2010/11		2011/12
£000		£000
(74)	Cullompton Town centre initiative	(37)

Notes to the Accounts

57 Leases

Authority as Lessee

The Council has acquired an number of vehicles and items of equipment under finance leases. The assets acquired under these leases are carried as Property Plant and Equipment in the Balance sheet at the following net amounts:

2010/11 £000	2011/12 £000
763	450
Vehicles, Plant and Equipment	

The Authority is committed to making minimum payments under these leases comprising settlement of the long-term liability for the interest in the property acquired by the Authority and finance costs that will be payable by the Authority and finance costs that will be payable by the Authority in future years while the liability remains outstanding. The minimum lease payments are made up of the following amounts.

2010/11 £000	2011/12 £000
Finance lease liabilities (net present value of minimum lease payments):	
(348) - current	(299)
(415) - non current	(151)
0	0
Finance costs payable in future years	
(763)	(450)
Minimum lease payments	

The minimum lease payments will be payable over the following periods:

Minimum Lease Payments

2010/11 £000	2011/12 £000
348	299
Not later than one year	
415	151
Later than one year and not later than five years	
0	0
Later than five years	
763	450

Finance Lease Liabilities

2010/11 £000	2011/12 £000
348	299
Not later than one year	
415	151
Later than one year and not later than five years	
0	0
Later than five years	
763	450

The minimum lease payments do not include amounts that are contingent on events taking place after the lease was entered into, such as vehicle condition when assets are returned to the Lessor.

Operating Leases

The Authority has entered into operating leases for a Landrover and Skoda for the period of 3 years ending 12/13 and 2 forklift trucks for the period of 5 years also ending 12/13, these Operating leases were transferred from Mid Devon Community Recycling. Also included are operating leases on land and buildings.

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

2010/11 £000	2011/12 £000
21	60
Not later than one year	
8	24
Later than one year and not later than five years	
3	3
Later than five years	
32	87

Notes to the Accounts

57 Leases continued

Minimum Lease Payments incurred during the year

2010/11 £000	2011/12 £000
139 Operating Leases for vehicles, equipment, land and buildings	107
136 Hire payments for vehicles, plant and equipment	78
<u>275</u>	<u>185</u>

Authority as Lessor

Finance Leases

The Authority has no material finance leases as a lessor.

Operating Leases

The Authority leases out property under operating leases for the following purposes:

- for the provision of community services, such as sports facilities, tourism services and community centres
- for economic development purposes to provide suitable affordable accommodation for local businesses

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

2010/11 £000	2011/12 £000
148 Not later than one year	243
488 Later than one year and not later than five years	442
0 Later than five years	722
<u>636</u>	<u>1407</u>

The minimum lease payments receivable do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. For HRA income from Council Dwellings and Garage rents please see Note 17

58 Impairment Losses and Reversals

Where property valuations fall, if there is no revaluation reserve, the fall in value is charged to the relevant service in the Comprehensive Income and Expenditure Statement. This is then reversed out in the Adjustments between Accounting Basis and Funding Basis under Regulations so that the Council taxpayer is not charged. Where property prices subsequently rise in later years then the Comprehensive Income and Expenditure Statement can only be credited to the sum of the maximum charged to the Comprehensive Income and Expenditure Statement in earlier years, with any excess then being credited to the revaluation reserve.

The following amounts have been charged or credited (negative figures represent impairments following a decrease in value) to the Comprehensive Income and Expenditure Statement following the revaluation of certain properties. See note 28 for further details of the non current asset valuation.

2010/11 £000	2011/12 £000
(50,584) Council Dwellings	(1,755)
(12) Other Land & Buildings	46
<u>(50,596)</u>	<u>(1,709)</u>

Housing Revenue Account (HRA) Income and Expenditure Account

This Account shows in more detail the income and expenditure on HRA services included in the whole authority Income and Expenditure Account (comprising as well as the amounts included in the whole authority Net Cost of Services for the HRA, the HRA's share of amounts included in the whole authority Net Service Cost but not allocated to individual services and the HRA's share of operating income and expenditure such as Pension Interest Costs and Expected Return on Pension Assets).

2010/11 £'000	Note	2011/12	
		£'000	£'000
<u>Expenditure</u>			
2,580		2,532	
2,357		2,354	
3,998	72	3,993	
52,580	71	3,861	
0		46,590	
0		16	
98		2	
61,613			59,348
<u>Income</u>			
(10,195)	70	(10,717)	
(483)		(505)	
(585)		(677)	
(11,263)			(11,899)
Net Cost of HRA Services as included in the Comprehensive Income and Expenditure Statement			
50,350			47,449
192			194
138			111
50,680			47,754
Net Cost / (Income) of HRA Services			
(148)			(274)
(12)			0
4	74		19
0			0
(13)			(22)
50,511			47,477

Note - the HRA self financing payment of £46.59m relates to the amount the Council had to pay to the DCLG after the Government abolished the existing Housing subsidy system with effect from the 1 April 2012. This amount has been funded by a 25 year fixed rate annuity loan from the Public Works Loan Board at 2.94% repayable in six monthly amounts of principle and interest.

Mid Devon District Council Financial Statements and Notes to the Accounts for the year ended 31 March 2012

Movement on the HRA Statement

This Account shows in more detail the income and expenditure on HRA services included in the whole authority Income and Expenditure Account (comprising as well as the amounts included in the whole authority Net Cost of Services for the HRA, the HRA's share of amounts included in the whole authority Net Service Cost but not allocated to individual services and the HRA's share of operating income and expenditure such as Pension Interest Costs and Expected Return on Pension Assets).

2010/11	Note	2011/12	
£'000		£'000	£'000
(1,443) Balance on the HRA at the end of the previous year			(1,313)
50,511 Deficit / (Surplus) for the year on the HRA Income and Expenditure Account		47,477	
(50,381) Adjustments between accounting basis and funding basis under statute	59	(48,120)	
130 Net (increase) or decrease before transfers to or from reserves		(643)	
0 Transfers (to) or from reserves		0	
130 (Increase) or decrease in year on the HRA			(643)
(1,313) Balance on the HRA at the end of the current year			(1,956)

Notes to the Accounts

59 Adjustments between Accounting Basis and Funding Basis under Regulations

This note details the adjustments that are made to the total comprehensive income and expenditure recognised by the authority in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Authority to meet future capital and revenue expenditure.

2011/12	Usable Reserves					Total Usable Reserves	Movement in Unusable Reserves
	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied		
	£000	£000	£000	£000	£000	£000	£000
<u>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</u>							
<u>Adjustments involving the Capital Adjustment Account:</u>							
Charges for depreciation and impairment of non current assets		(2,154)					2,154
Revaluation losses on Property, Plant and Equipment		(1,750)					1,750
Amortisation of intangible assets							
Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement		(351)					351
HRA self financing settlement adj		(46,590)					46,590
<u>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</u>							
Statutory provision for the financing of capital investment		43					(43)
Capital expenditure charged against the General Fund and HRA balances		(24)					24
<u>Adjustments involving the Capital Receipts Reserve:</u>							
Transfer of sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement		625	(625)				
Transfer of capital mortgage repayments to Capital Receipts Reserve							
Use of the Capital Receipts Reserve to finance new capital expenditure							
Contribution from the Capital Receipts Reserve towards administrative costs of non current asset disposals		(6)	6				
Right to Buy Discounts repaid							
Repayment of Mortgage Principal			(5)				5

Notes to the Accounts

59 Adjustments between Accounting Basis and Funding Basis under Regulations

This note details the adjustments that are made to the total comprehensive income and expenditure recognised by the authority in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Authority to meet future capital and revenue expenditure.

Balance carried forward	0	(50,207)	(624)	0	0	0	50,831
-------------------------	---	----------	-------	---	---	---	--------

Notes to the Accounts

59 Adjustments between Accounting Basis and Funding Basis under Regulations

This note details the adjustments that are made to the total comprehensive income and expenditure recognised by the authority in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Authority to meet future capital and revenue expenditure.

2011/12	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Total Usable Reserves	Movement in Unusable Reserves
	£000	£000	£000	£000	£000	£000	£000
Balance brought forward	0	(50,207)	(624)	0	0	0	50,831
Adjustments involving the Deferred Capital Receipts Reserve:							
Transfer of deferred sale proceeds as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement							
Adjustment involving the Major Repairs Reserve:							
Reversal of Major Repairs Allowance credited to the HRA		1,998		(1,998)			
Use of the Major Repairs Allowance to finance new capital expenditure				2,003			(2,003)
Interest credited to the Major Repairs Allowance		9		(9)			
Adjustments involving the Financial Instruments Adjustment Account:							
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements		58					(58)
Adjustment involving the Pensions Reserve:							
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement		46					(46)
Adjustment involving the Accumulated Absences Account:							
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements		(24)					24
Total Adjustments	0	(48,120)	(624)	(4)	0	0	48,748

Notes to the Accounts

Adjustments between Accounting Basis and Funding Basis under Regulations

This note details the adjustments that are made to the total comprehensive income and expenditure recognised by the authority in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Authority to meet future capital and revenue expenditure.

2010/11	Usable Reserves					Total Usable Reserves	Movement in Unusable Reserves
	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied		
	£000	£000	£000	£000	£000	£000	£000
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:							
Adjustments involving the Capital Adjustment Account:							
Charges for depreciation and impairment of non current assets		(2,053)					2,053
Revaluation losses on Property, Plant and Equipment		(50,563)					50,563
Amortisation of intangible assets							
Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement		(463)					463
HRA self financing settlement adj							
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:							
Statutory provision for the financing of capital investment		36					(36)
Capital expenditure charged against the General Fund and HRA balances		74					(74)
Adjustments involving the Capital Receipts Reserve:							
Transfer of sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement		611	(611)				
Transfer of capital mortgage repayments to Capital Receipts Reserve							
Use of the Capital Receipts Reserve to finance new capital expenditure							
Contribution from the Capital Receipts Reserve towards administrative costs of non current asset disposals		(11)	11				
Right to Buy Discounts repaid		12	(12)				
Balance carried forward	0	(52,357)	(612)	0	0	0	52,969
Balance brought forward	0	(52,357)	(612)	0	0	0	52,969

Notes to the Accounts

Adjustments between Accounting Basis and Funding Basis under Regulations

This note details the adjustments that are made to the total comprehensive income and expenditure recognised by the authority in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Authority to meet future capital and revenue expenditure.

2010/11	Usable Reserves					Total Usable Reserves	Movement in Unusable Reserves
	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied		
	£000	£000	£000	£000	£000	£000	£000
<u>Adjustments involving the Deferred Capital Receipts Reserve:</u>							
Transfer of deferred sale proceeds as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement							
<u>Adjustment involving the Major Repairs Reserve:</u>							
Reversal of Major Repairs Allowance credited to the HRA		1,914		(1,914)			
Use of the Major Repairs Allowance to finance new capital expenditure				1,840			(1,840)
Interest credited to the Major Repairs Allowance		5		(5)			
<u>Adjustments involving the Financial Instruments Adjustment Account:</u>							
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements		78					(78)
<u>Adjustment involving the Pensions Reserve:</u>							
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement		(12)					12
<u>Adjustment involving the Accumulated Absences Account:</u>							
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements		(9)					9
Total Adjustments	0	(50,381)	(612)	(79)	0	0	51,072

Notes to the Housing Revenue Income and Expenditure Account

60 Housing Stock

The Housing Revenue account owned the following property:

	Council Housing	Other Land & Buildings	Total
At 1 April 2011	3,082	1,190	4,272
Additions		5	5
Sales	(4)		(4)
Improvement changes			-
Transfers			-
At 31 March 2012	3,078	1,195	4,273

The Authority has sold four properties under the Rent To Buy scheme. Additions include additional land sites identified for disposal.

The Authority has previously sold 4 properties under the Rent to Mortgage Scheme whereby the tenants were able to purchase the property, these have previously been excluded from the above note & the council held the retained element of their value on the balance sheet. Following an enquiry for sale, the treatment of these has been reviewed and the purchaser does own the property & the authority has an assigned debt when these properties are sold. Therefore the 4 properties have been disposed of in the Fixed Asset Register and a debtor raised in the Balance Sheet for £229k that represent MDDC share due when these are sold, a Creditor has also been created for £172k to represent the Pooling Liability (at 75%) that will be due to be paid upon receipt of MDDC share when these properties are sold. As one of these sales has been completed on 07/06/12 the above Debtor has been split to show £71k less than 1 year & the Creditor to show £53k less than 1 year in respect of Pooling at 75%.

61 Number of dwellings by type

<u>31 March 2011</u>		<u>31 March 2012</u>
1,472	Houses	1,470
1,017	Bungalows	1,016
581	Flats	578
12	Bedsits	14
3,082	Total	3,078

62 HRA Dwelling Valuation

The vacant possession value of dwellings in the HRA is £350,594k (based on a 1 April 2012 valuation of £108,684k). This definition assumes that vacant possession would be provided on completion of the sale of all the dwellings. The difference between these two figures reflects the economic costs to Government of

<u>2010/11 £000</u>		<u>2011/12 £000</u>
<u>356,058</u>	Vacant Possession Value	350,594
<u>110,378</u>	Existing Use Value for Social Housing (EUV-SH)	<u>108,684</u>

The 31 March 2012 dwellings valuation has been calculated by the District Valuer who has supplied the Council with beacon property values across the range of housing stock. After applying these indices the overall dwelling valuation has decreased by an average of 1.53% or £1,694k.

<u>2010/11 HRA Non-Current Assets £000 Property, Plant and Equipment</u>		<u>2011/12 £000</u>
110,378	Dwellings	108,684
4,807	Other land and buildings	5,532
-	Vehicles, plant and equipment	-
132	Infrastructure assets	130
132	Assets under Construction	108
115,449		114,454

Notes to the Housing Revenue Income and Expenditure Account continued

63 Capital Expenditure

<u>2011/12</u>				<u>£000</u>	
<u>£000 Expenditure</u>		<u>Funding</u>	<u>£000</u>		
2,003	Improvements to dwellings	Major repairs reserve	2,003		
-	Communal Estates & Roads	Revenue contribution	-		
-	Sewage Treatment Works	Useable capital receipts	-		
-	Housing Management System	Revenue contribution	-		
-	Disabled Adaptations	Revenue contribution	-		
<u>2,003</u>			<u>2,003</u>		
<u>2010/11</u>				<u>£000</u>	
<u>£000 Expenditure</u>		<u>Funding</u>	<u>£000</u>		
1,840	Improvements to dwellings	Major repairs reserve	1,840		
28	Communal Estates & Roads	Revenue contribution	28		
3	Sewage Treatment Works	Useable capital receipts	3		
10	Housing Management System	Revenue contribution	10		
36	Disabled Adaptations	Revenue contribution	36		
<u>1,917</u>			<u>1,917</u>		

64 Major Repairs Reserve

This account is credited with a value equal to depreciation for the year. The reserve is used to fund major upgrade works to council properties. The idea being that if an amount equal to depreciation for the year is spent on upgrading the properties, their value should be maintained at a consistent level. This reserve held an available balance of £831k at 31 March 2012.

65 Capital Receipts

<u>2010/11</u>		<u>2011/12</u>
<u>£000</u>		<u>£000</u>
493	Sale of council houses	546
118	Sale of land	49
12	Sale of council houses - discount repaid	0
8	Council house loan repayments	5
	Release of Covenant	30
<u>631</u>	Total	<u>630</u>

66 Pension Liability: Current Year Costs

Each year the HRA Income and Expenditure Account is charged with an amount to reflect the true cost of pension contributions in relation to that year. Since this is not an actual cost in year, it is reversed out again in the table on page 45.

<u>2010/11</u>		<u>2011/12</u>
<u>£000</u>		<u>£000</u>
(12)	Net charge made for retirement benefits	46
<u>(12)</u>		<u>46</u>

67 Arrears

At 31st March 2012 the rent arrears as a proportion of gross rent income totalled 1.3% (1.5% at 31st March 2011). Rent written off during 2011/12 amounted to £24k (£21k in 2010/11). The breakdown of the total arrears is shown below.

<u>31 March 2011</u>		<u>31 March 2012</u>
<u>£000</u>		<u>£000</u>
160	Rent (dwellings & garages)	141
15	Housing benefit overpayments	11
15	Court costs	13
15	Rechargeable Repairs	37
2	Other	6
<u>207</u>	Total	<u>208</u>

Notes to the Housing Revenue Income and Expenditure Account continued

68 Bad Debt Provision

The provision for bad debt for the housing service stood at £123k as at 31 March 2012 (£122k 31 March 2011).

69 Rents Paid in Advance

31 March 2011	31 March 2012
£000	£000
<u>(71)</u> Dwellings rental income paid in advance	<u>(69)</u>

70 Gross Rents

This represents the total rent income due for the year after allowing for voids and other adjustments. At the year-end 0.9% of properties were vacant compared to a figure of 0.6% in 2010/11. The rents set averaged at £67.36 per week based on a 52 week year (2010/11 £63.53).

71 Depreciation & Impairment of Fixed Assets

Depreciation and Amortisation

2010/11	2011/12
£000 Operational Assets	£000
1,914 Dwellings	1,998
97 Other Land and Buildings	105
6 Infrastructure	8
0 Intangible assets	0
36 Vehicles, Plant and Equipment (Finance Leases)	43
<u>2,053</u> Total	<u>2,154</u>

Impairment

2010/11	2011/12
£000 Operational Assets	£000
50,584 Dwellings	1,755
(21) Other Land and Buildings	
<u>50,563</u> Total	<u>1,755</u>

72 Negative Housing Revenue Account Subsidy Payable

2010/11	2011/12
£000	£000
(4,284) Management and maintenance	(4,412)
(1,914) Major repairs allowance	(1,998)
(120) Charges for capital	(100)
0 Reduction in subsidy (Re self financing settlement)	(17)
1 Interest on receipts	0
9,936 Guideline rent income	10,520
379 Adjustment in respect of earlier years	0
<u>3,998</u> Net HRA Subsidy paid	<u>3,993</u>

The net HRA subsidy is paid over to the Department of Communities and Local Government (DCLG) during the financial year. From 2012/13, the subsidy will cease to be paid to DCLG. Instead a debt repayment will be made each year for the next 25 years.

Mid Devon District Council Financial Statements and Notes to the Accounts for the year ended 31 March 2012

Notes to the Housing Revenue Income and Expenditure Account continued

73 Deferred Premiums

When the Council became debt free in 2004 some loans associated with the HRA were redeemed. Premiums were charged on the repayment of the loans which have previously been charged to the HRA over a ten year period. The SORP now requires that the balance of the premiums be written off immediately to the HRA Income and Expenditure Account. However, there is a statutory override which means that an adjustment is made through the Adjustments between Accounting Basis and Funding Basis under Regulations on the HRA Balance so that the net annual charge to the HRA is the same as before. The deferred premiums are now carried forward in the new financial instruments adjustment account (see note 44). The charge for 2011/12 was £57k (2010/11 £78k).

74 Interest payable and similar charges

Under new accounting arrangements, finance lease costs are shown across two lines in the accounts instead of one. The changes can be seen in the following table:

Finance lease costs now appear in several places on the accounting statements. The following provides an explanation of where they appear and their corresponding values.

<u>2010/11</u> <u>£000</u>	<u>2011/12</u> <u>£000</u>
Housing Revenue Account Income and Expenditure Account	
<u>4</u> Finance lease interest	4
<u>36</u> Depreciation on finance lease assets	<u>43</u>
Adjustments between Accounting Basis and Funding Basis under Regulations	
<u>(36)</u> Depreciation reversed	<u>(43)</u>
<u>36</u> Capital financing of finance lease assets	<u>43</u>
Balance Sheet	
<u>155</u> Asset - Plant and Equipment	<u>112</u>
<u>(43)</u> Liability < 1 year	<u>(36)</u>
<u>(112)</u> Liability > 1 year	<u>(76)</u>

75 Self Financing Settlement Payment

From 2012/13, the HRA subsidy system is being replaced with Self Financing. The financial effect of this is that the subsidy payment of circa £4m per annum is replaced by a one-off settlement payment of £46.59m. The size of this is based on a valuation of Mid Devon's housing service over the next 30 years. In order to fund it, MDDC have taken on a debt from the Public Works Loan Board (PWLB) and will be required to make payments of circa £3m per annum. (See also the note at the foot of page 42).

The Collection Fund Income and Expenditure Account

The Collection Fund is an agent's statement that reflects the statutory obligation for billing authorities to maintain a separate Collection Fund. The statement shows the transactions of the billing authority in relation to the collection from taxpayers and distribution to local authorities and the government of council tax and non domestic rates.

2010/11 £000	Notes	2011/12 £000
Income		
39,780 Council Tax		39,887
Transfers from General Fund		
5,102 - Council Tax Benefits		5,141
1 - Transitional Relief		1
12,115 Business Rates	77	13,502
56,998 Total Income		58,531
Expenditure		
Precepts and Demands from County and District		
31,341 - Devon County Council	79	31,573
5,114 - Mid Devon District Council		5,151
4,397 - Devon and Cornwall Police		4,429
2,015 - Devon Fire and Rescue		2,030
889 - Parish Precepts		929
43,756		44,112
Business Rates		
12,012 - Payment to National Pool		13,398
103 - Costs of Collection		104
Bad and doubtful debts/appeals		
76 - Write offs - Council Tax		77
52 - Increase in provision for bad debts - Council Tax		27
Distribution of previous year's revenue account surplus		
579 - Devon County Council		809
182 - Mid Devon District Council		155
80 - Devon and Cornwall Police		114
37 - Devon Fire and Rescue		52
56,877 Total Expenditure		58,848
121 (Deficit)/Surplus for the year		(317)
844 Balance at beginning of the year		965
965 Closing fund balance	46	648

The £648k represents the overall surplus on the Collection Fund at 31/03/12. Of this 13.78% is due to MDDC, which equates to £89k (see note 46 on page 32).

Notes to the Collection Fund

76 General

These accounts represent the transactions of the Collection Fund, which is a statutory fund separate from the main accounts of the Council. The accounts are, however, consolidated with the Council's balance sheet. The accounts have been prepared on the accruals basis.

77 Income from Business Rates

Under the revised arrangements for uniform rates, the Council collects non domestic rates for its area, which are based on local rateable values multiplied by a uniform rate. The total amount, less certain relief's and other deductions, is paid to a central pool (the NNDR pool) managed by central government, which in turn pays back to authorities their share of the pool based on a standard amount per head of the local population. The amount at the 31 March 2012 is £17,029k. This is calculated by taking the rateable value at that date of £39,328k multiplied by the uniform business rate of 43.3p per £.

The table below shows the breakdown of the non domestic rate income.

2010/11	2011/12
£000	£000
15,730 Annual debit for the year	17,033
273 Add changes to assessments	186
(3,888) Less other adjustments including: empty property discount, charity relief & transitional relief	(3,717)
12,115 Total	13,502

78 Calculation of Council Tax Base

The council tax base is calculated by taking the number of chargeable dwellings in each valuation band (adjusted for discounts as necessary) and converted into the number of Band D equivalent properties multiplied by the council tax rate per Band D properties.

	Number of Dwellings	
	Actual	Band D Equivalent
A	4,720.2	3,146.2
B	7,459.8	5,802.1
C	5,605.3	4,982.5
D	5,405.0	5,405.1
E	4,006.1	4,896.3
F	2,119.1	3,060.9
G	881.6	1,469.3
H	48.4	96.8
Total	30,245.5	28,859.2

79 Precepting Authorities

2010/11	2011/12
£000	£000
31,341 Devon County Council	31,573
5,114 Mid Devon District Council	5,151
4,397 Devon and Cornwall Police	4,429
2,015 Devon Fire and Rescue	2,030
889 Parish Precepts	929
43,756 Total	44,112

GLOSSARY OF TERMS

Accounting Period

The period of time covered by the accounts, normally a period of twelve months commencing on 1 April. The end of the accounting period is the balance sheet date.

Accruals

Sums included in the final accounts to recognise revenue and capital income and expenditure attributable to the accounting period, but for which payment has not been received or made by 31 March.

Actuarial Gains and Losses

For a defined benefit pension scheme, the changes in actuarial deficits or surpluses that arise because:

- Events have not coincided with the actuarial assumptions made for the last valuation (experience gains and losses); or
- The actuarial assumptions have changed.

Accumulated Compensated Absences Adjustment Account

This account represents the value of any unused holiday, time off in lieu or flexi hours which have not been taken by officers as at the 31 March.

Amortisation

The writing down of an intangible fixed asset over its useful life.

Assets

An item having value to the Council in monetary terms, categorised as:

- **Current assets** will be consumed within the next financial year (eg: cash and stock).
- **Fixed assets (non current)** provide benefits over their useful life for more than one year and can be tangible (eg school buildings) or intangible (eg: computer software licences).
- **Community assets** are assets that the local authority intends to hold in perpetuity, that have no determinable useful life and may have restrictions on their disposal (eg: works of art, windmills and picnic sites).
- **Infrastructure assets** that form part of the economic or social framework of the area and whose function is not transferable (eg: highways, bridges and footpaths).
- **Operational assets** are fixed assets held and occupied by a local authority and used in the direct delivery of services.
- **Non Operational assets** are fixed assets held by a local authority but not directly occupied, used or consumed in the delivery of services (eg: buildings under construction and surplus assets).
- **Under Construction** details capital expenditure to date on work in progress.
- **Available for Sale** are assets actively being marketed at the Balance Sheet date.

Audit of Accounts

An independent examination of the Council's financial affairs.

Balances

The total revenue reserves required to provide a working balance during the financial year, for example in periods when expenditure exceeds income.

Best Value Accounting Code of Practice

Details standard definitions of service and total cost which enables spending comparisons to be made with other local authorities.

Budget

The forecast of net revenue and capital expenditure over the accounting period.

Capital Adjustment Account

This records the timing difference between the costs of fixed assets used and the capital financing set aside to pay for them.

Capital Expenditure

Expenditure on assets which have a long term value. Includes the purchase of land, purchase or cost of construction of buildings and the acquisition of plant, equipment and vehicles.

Capital Charges

This is a general term used for the notional charges made to service revenue accounts for the use of fixed assets. The term covers the following:

Pre 1.4.2006 Depreciation (including impairment charges, amortisation of deferred charges) plus a capital financing charge for the use of the asset (also known as notional interest). These costs were included in gross expenditure.

Post 1.4.2006 Depreciation, Impairment charges and Amortisation of Deferred Charges (included in gross expenditure) offset by the Amortisation of government grants deferred (included in income).

Capital Receipts

Proceeds received from the sale of property and other fixed assets.

CIPFA

The Chartered Institute of Public Finance and Accountancy.

Collection Fund

A separate fund that records the income and expenditure relating to council tax and non domestic rates.

Corporate Democratic Core

Those activities which the local authority is engaged in specifically because it is an elected multi-purpose authority. This includes the costs of corporate policy making, representing local interests, representatives and duties arising from public accountability.

Creditor

Amounts owed by the Council for work done, goods received or services rendered but for which payment has not been made at 31 March.

Debtor

Sums of money due to the authority but unpaid at 31 March.

Deferred Charges

Expenditure which may properly be capitalised but which does not result in tangible fixed assets owned by the Council. These charges are to be amortised to revenue over an appropriate period.

Deferred Liabilities

Sums of money due by the Council originally repayable within a period in excess of twelve months but where payment is not due until future years.

Depreciation

The allocation of the cost of the useful economic life of the Council's fixed assets for the accounting period through general wear and tear, consumption or obsolescence.

Earmarked Reserves

Those elements of total Council reserves which are retained for specific purposes.

Finance Lease

A lease whereby all the risks and rewards of ownership of a fixed asset are with the lessee. In substance the asset belongs to the lessee.

General Fund

The main revenue fund of the Council. Income from the council tax precept and Government grants are paid into the fund, from which the cost of providing services are met.

Government Grants

Payments by Central Government towards local authority expenditure. They are specific for a particular service; and are receivable in respect of both revenue and capital expenditure.

Government Grants Deferred

Grants or contributions received which have supported wholly or in part the acquisition of fixed assets, net of the appropriate share of depreciation on those assets for which a depreciation charge is made.

Heritage Assets

An asset with a historical, artistic, scientific, technological, geophysical or environmental quality that is held and maintained principally for its contribution to knowledge and culture.

Housing Revenue Account

Statutory ring-fenced account required to represent the landlord/tenant obligations for the Council in relation to managing and maintaining its housing stock in return for rental income from tenants.

Impairment

A reduction in the value of a fixed asset to below its carrying amount on the balance sheet due to damage, obsolescence or a general decrease in market value.

Income & Expenditure Account

The net cost for the year for services provided by the Council for which it is responsible and showing how the cost has been financed from precepts, grants and other income.

Inventories (previously Stock)

Items of raw materials, work in progress or finished goods held at the financial year end, valued at the lower of cost or net realisable value.

Liquid Resources

Cash and current Asset investments that can be easily converted to known amounts of cash without penalty, or can be traded on the active market.

Long Term Borrowing

Amounts borrowed in excess of 364 days.

Long-Term Contract

A contract entered into for the design, manufacture or construction of a single substantial asset, or the provision of a service (or a combination of assets and services which together constitute a single project), where the project falls into more than one accounting period.

Long Term Debtors

Sums of money due to the Authority originally repayable within a period in excess of twelve months but where payment is not due until future years.

Net Book Value

The value of fixed assets included on the balance sheet, being the historical cost or a current revaluation less the cumulative amounts of depreciation.

Non-distributed Costs

In the main this represents support service area charges. Eg: Corporate Management, Finance, Legal, ICT, HR services, etc. In addition to this a number of non-service specific corporate fees are included.

Operating Lease

A lease where the risks and rewards, and therefore the ownership of the asset, remains with the lessor.

Precept

The amount levied by one authority which is collected by another. Eg: the County Council is the precepting authority and the District Council is the collecting authority.

Provision

This is an amount which is put aside to cover future liabilities or losses which are considered to be certain or very likely to occur, but the amounts and timing are uncertain.

Reserves

The accumulation of surpluses, deficits and appropriations over past years. Reserves of a revenue nature are available and can be spent or earmarked at the discretion of the Council. Some capital reserves such as the fixed asset restatement account cannot be used to meet current expenditure.

Revaluation Reserve

This records net gains from revaluations made after 1 April 2007 not yet realised through sales.

Revenue Contributions

This refers to the financing of capital expenditure directly from revenue rather than from loans or other sources.

Revenue Expenditure

The day to day expenditure of the authority on such items as employees, transport and equipment.

Revenue Support Grant (RSG)

The major grant paid by central government to local authorities in aid of service provision.

Trust Funds

Funds administered by the Council for such purposes as prizes, charities and specific projects, on behalf of minors.