

Audit Committee 25 June 2013

Annual Report and Accounts 2012/13

Leader Cllr Peter Hare-Scott
Cabinet Member Cllr Neal Davey
Responsible Officer Head of Finance

Reason for Report: To present the annual report and accounts to Members.

RECOMMENDATION: That the draft annual report and accounts be approved.

Relationship to Corporate Plan: The financial resources of the Council impact directly on its ability to deliver the corporate plan pledges.

Financial Implications: Good financial management and administration underpins the entire document.

Legal Implications: It is a statutory requirement to follow the Code of Practice on Local Authority Accounting in the United Kingdom: A Statement of Recommended Practice (SORP) when producing the annual accounts.

Risk Assessment: The Section 151 officer is responsible for the administration of the financial affairs of the Council. Adhering to the SORP mitigates the risk of receiving a qualified set of accounts. The Accountancy Team has also reviewed its overall calculations/workings against the CIPFA published Disclosure Checklist for 2012/13 and entered into detailed discussions with the appointed Audit Manager prior to and during the completion of the accounts.

1.0 Introduction

1.1 The annual accounts for 2012/13 have been produced in full compliance with the Statement of Recommended Practice (SORP) and all other relevant accounting legislation. There are actually very few accounting changes for 2012/13.

2.0 The Annual Report and Accounts

2.1 The main highlights of the annual accounts are to be found in the explanatory

foreword to the accounts beginning on page ii. In overall terms, 2012/13 has been another good financial year for the Council, which has seen revenue balances kept above their minimum agreed levels for both the General Fund and the HRA. In addition to this we have managed to increase a number of ear marked reserves.

- 2.1.1 This position was high lighted in the detailed outturn report presented to the Cabinet on the 6 June 2013. This report indicates the continuing financial pressure that the Council faces due to Central Government's austerity programme. As a direct result this Council has managed to reduce expenditure and increase income in a number of services and continue to maintain a "prudent" levels of balances.
- 2.2 The Council held 6 cash-backed balances at the end of 2012/13, these are detailed below:

Balances held as at 31 March 2013

	B/fwd £m 31/3/12	In Year Movement (Surplus)/Deficit £m	C/fwd £m 31/3/13
General Fund Balance – GFB ⁽¹⁾	(2.455)	(0.168)	(2.623)
Housing Revenue A/c Balance	(1.956)	(0.012)	(1.968)
Major Repairs Reserve	(0.831)	0.784	(0.047)
Ear Marked Reserves ⁽²⁾	(4.255)	(1.902)	(6.157)
Usable Capital Receipts	(0.418)	(0.339)	(0.757)
Capital Grants Unapplied	(1.294)	(0.343)	(1.637)

Notes

1 - Although the GFB is £0.223m above the minimum agreed limit of £2.4m (25% of net expenditure) – this difference will be added to the vehicle replacement reserve.

2 – The movement in Ear Marked Reserves now includes £2.535m of HRA reserves for additional maintenance, renewable energy projects and sewage works upgrades.

- 2.3 The in year movement on the General Fund and HRA have slightly changed since the position reported to the Cabinet on the 6 June 2013 due to a final reallocation of support service recharges and revision to bad debt provision once all the final year end balances have been reconciled.
- 2.4 As can be seen from the above balances, the Council is now in a strong position to deal with the funding challenges facing it. An improved culture of financial awareness is now embedded in senior managers, members and operational service managers. This is enhanced with regular budget

monitoring reports tabled Management Team meetings, meetings of the Executive and the Policy Development Groups.

- 2.5 This Council continues to take proactive steps to strategically plan for further reductions in Central Government financial support. The Head of Finance, with the Chief Executive and Heads of Service will be meeting all service managers during July to discuss funding reduction scenarios in order to balance our ongoing expenditure needs associated with the updated Corporate Plan.

7.0 Conclusion

- 7.1 Members are asked to approve the annual report and accounts which reflect a true and fair view of the financial position of the Council as at 31 March 2013.

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Background Papers:

File Reference:

Circulation of the Report: Cllr Neal Davey



DRAFT ANNUAL REPORT & ACCOUNTS

FOR THE YEAR ENDED

31 MARCH 2013

HEAD OF FINANCE: ANDREW JARRETT CPFA

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Available on Mid Devon's website – after audit approval

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2012/13 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 2013. 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 2012/13.

The most significant changes to the 2012/13 Accounts are:

- Changes to the Housing Revenue Account as a result of the new self-financing regime
- Movement towards more prescribed management commentary taking account of the provisions of the Government's Financial Reporting Manual
- There has also been a number of clarification issues relating to previously issued accounting requirements

All of the above changes where applicable are explained, where relevant, 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 small under spend during 2012/13. The month 12 outturn report tabled at the 6 June 2013 Cabinet meeting declared an estimated outturn saving of £164k on the General Fund (this detailed report can be found on the council's website).

The main budget variances which reconcile the year end General Fund surplus are shown in the table below.

	Budget variances £k
2012/13 Savings & Additional Costs	
Salary savings across a number of Services	(285)
Reduced income (Recycling and Trade Waste)	161
Reduced income from Car Parks	55
Increased repairs/maintenance in Refuse & Recycling	60
Increased income in Leisure Centres	(80)
Improvement works at Leisure Centres	76
Increased income from Development Control	(180)
Reduced income from Building Control	60
Increased bad debt provision for DARs	177
Additional Housing Benefit overpayments recovered	(88)
Other minor savings	(120)
Total Savings	(164)

This overall General Fund saving delivered in 2012/13 reflects the efforts of both officers and members to provide high quality services at an affordable cost and demonstrates the Council's on-going commitment to further reduce operational cost to mitigate against further cuts in Central Government funding.

The final year end underspend on the General Fund after some minor financial adjustments, including a final review of capital and support service recharges and some additional transfers into ear marked reserves totalled £168k.

The closing General Fund Balance (GFB) of £2,623k can be reconciled by:

GFB as at 31 March 2012	(£2,455k)
General Fund underspend in 2012/13 – incl. EMRs	(£168k)
Closing GFB as at 31 March 2013	(£2,623k)

Note – Minimum GFB agreed at 25% of net expenditure = £2.4m. The Cabinet recommended to transfer all balances above the agreed minimum GFB level of £2.4m into the vehicle replacement ear marked reserve.

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

The 2012/13 financial year has seen a very positive financial position delivered by the HRA. Overall spending levels have been well below budget during the year and the HRA Balance has ended the year well above the minimum approved level of £1m. The month 12 outturn report showed a year end under spend of £1,065k.

The main budget variances which reconcile this outturn position are shown in the table below.

	Budget variances £k
2012/13 Savings & Additional Costs	
Purchase of new property and land	197
Move to self-financing regime	(379)
Extra DLO work carried out on the MRA	(193)
Loan from GF taken out later than estimated	(191)
Solar Panel income	(162)
Staff savings	(168)
Additional dwelling rent income	(53)
Other minor savings	(116)
Total Savings	(1,065)

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 6 June 2013 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. In addition to maintaining its existing stock the Council is looking to deliver 38 new Council Houses during 2013/14.

The final year end position after accounting for transfers into ear marked reserves reflected a small underspend of £12k on the HRA for 2012/13.

The closing HRA Balance (HRAB) of £1,968k can be reconciled by:

HRAB as at 31 March 2012	(£1,956k)
HRA under spend delivered in 2012/13	(£12k)
	<hr/>
Closing HRAB as at 31 March 2013	(£1,968k)
	<hr/>

In addition to the above balance the HRA has been able to create 3 ear marked reserves for:

- 30 Year Housing Maintenance Fund - £2,198k
- Renewable Energy Projects – £237k
- Sewage Treatment Works - £100k

2.3 Capital Expenditure

During the year capital expenditure amounted to £7,757k. The Council used £310k 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 three largest areas of expenditure in the 2012/13 capital programme were: £2,826k spent on improvements of the Council's housing stock, £2,227k spent on the construction of 22 new Council Houses and £948k 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 £1,491k at the 31 March 2013. This has been a proactive budgetary measure on the basis that the Medium Term Financial Plan for 2014/15 onwards shows a significant funding gap between required projects and available funding.

A review of each of the financial statements will provide further details of the financial position of the Council for 2012/13.

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 £1,980k to £13,189k during 2012/13.

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 surplus on the Comprehensive I & E Account of £4,826k, 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 surpluses of £168k on the General Fund and £12k on the HRA 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 £4,297k from Central Government Formula Grant (excluding the £130k Council Tax Freeze Grant) and Council Tax of £5,261k.

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, increased by £7,207k during 2012/13, predominantly due to the increase in valuation of £3,790k or 3.5% across the Council housing stock and the assets under construction (which includes £2,227k spent on the construction of 22 new Council Houses at Wells Park, Crediton).
- The overall Pension Scheme deficit increased by £3,919k reflecting the relatively poor return generating by assets in the current economic conditions.

2.7 Cash Flow Statement

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

- The Council had a net cash outflow during 2012/13 of £3,742k.

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 £7,329k surplus on the HRA during 2012/13.

But after accounting for the adjustments made in the Movement on the HRA Statement of £7,317k you arrive at the end of year underspend of £12k.

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 2012/13 there was a net decrease on this account of £784k. The table below reconciles the amount held in the MRR.

	£k
Major Repairs Reserve @ 31 March 2012	(831)
Increase in MRR during 2012/13	784
Major Repairs Reserve @ 31 March 2013	(47)

2.10 The Collection Fund

The financial highlights for the Collection Fund are given below:

- The Collection Fund made a surplus of £299k in the year after crediting £87k to the General Fund in relation to prior year surpluses.
- The Council Tax collection rate achieved in the year was 98.1% and 97.9% for Non Domestic Rates.
- The Council set a Band D equivalent council tax rate of £182.15 in 2012/13 (i.e. frozen for the 3rd successive year).

2.11 Pension Fund

The financial highlights of the pension fund are:

- Pension assets have increased to £46,912k (£42,357k in 11/12)
- Pension liabilities have increased to £87,039k (£78,568k in 11/12)
- Unfunded liabilities have increased to £1,197k (£1,194k in 11/12)
- The net deficit on the fund is £41,324k (£37,405k in 11/12)

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 2013 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 2012/13.

31/3/12 £k	Investment categories	31/3/13 £k
3	Cash floats	3
5,926	Bank deposits	1,184
4,000	Loans	5,000
9,929	Total	6,187

The Council generated investment interest of £148k, which gave an average rate of return of 0.72%. It also paid out £1.3m relating to the PWLB loan of £46.59m.

2.14 Heritable Bank Investment

Up to the Balance Sheet date the Council had received 13 dividend repayments totalling £853k against the initial deposit of £1.1m. The most recent administrator's report (rec'd 13/5/13) still estimates a return to creditors of between 86 – 90%.

2.15 Post Balance Sheet Events

None

3.0 The Financial Future of Mid Devon

2012/13 was again a challenging financial year for the Council. This year saw a £153k reduction in Central Government funding and the formal provisional confirmation of an additional cut of £621k for 2013/14. To mitigate against this reduced funding scenario, the Council has held a number of corporate savings meetings and has also continued to reduce its back office staffing numbers further during 2012/13.

The fact that the Council managed to underspend a number of its General Fund service budgets during 2012/13 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 2012/13 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 2013/14 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 2012/13 financial year and its position at the year end of 31 March 2013. 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 2012/13 and the Service Reporting Code of Practice for Local Authorities 2012/13 (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.

A de minimis of £2.5k is applied to any adjustments made.

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 2012/13 (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 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.

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.

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 2013. 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 2012/13 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. This process is allowable for the next 5 years and after that a formal componentisation process will be required. For 2012/13 the HRA dwellings have been depreciated by the MRA.
- 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 re-valued 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.

- 4.15** 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.

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 4.14 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 were valued for insurance purposes by Chilcotts professional Fine Art Valuers and Auctioneers in March 2012. These asset values will be re-visited at 5 yearly intervals.

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.

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 Authority's Estates team maintain a record 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 2013.

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 2013.

The date on which the Statement of Accounts was authorised for issue by the Head of Finance was June 2013.

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 September 2013

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Mid Devon District Council Financial Statements and Notes to the Accounts for the year ended 31 March 2013

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.

Notes	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 2012	(2,455)	(4,255)	(1,956)	0	(418)	(831)	(1,294)	(11,209)	(57,806)	(69,015)
<u>Movement in Reserves during 2012/13</u>										
(Surplus) or deficit on the provision of services	794		(7,329)					(6,535)		(6,535)
Other Comprehensive Income and Expenditure								0	1,709	1,709
Total Comprehensive Income and Expenditure	794	0	(7,329)	0	0	0	0	(6,535)	1,709	(4,826)
Adjustments between accounting basis and funding basis under regulations	5 (329)		4,655		(212)	784	(343)	4,555	(4,246)	309
Net Increase/Decrease before Transfers to Earmarked Reserves	465	0	(2,674)	0	(212)	784	(343)	(1,980)	(2,537)	(4,517)
Transfers to /(from) Earmarked Reserves	6 (633)	633	2,662	(2,535)	(127)			0		
Increase/Decrease in 2012/13	(168)	633	(12)	(2,535)	(339)	784	(343)	(1,980)	(2,537)	(4,517)
Balance at 31 March 2013 Carried forward	(2,623)	(3,622)	(1,968)	(2,535)	(757)	(47)	(1,637)	(13,189)	(60,343)	(73,532)

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

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 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.

Notes	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 2011	(3,419)	(3,742)	(1,313)	0	0	(827)	(940)	(10,241)	(116,810)	(127,051)
<u>Movement in Reserves during 2011/12</u>										
Surplus 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	5 (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	6 513	(513)						0		0
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 2013

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.

2011/12			2012/13			
Gross Expenditure £000	Gross Income £000	Net Expenditure £000	Notes	Gross Expenditure £000	Gross Income £000	Net Expenditure £000
6,288	(5,643)	645		6,268	(5,618)	650
4,446	(2,093)	2,353		3,746	(2,253)	1,493
5,425	(1,882)	3,543		6,116	(1,922)	4,194
2,822	(1,201)	1,621		2,964	(1,477)	1,487
659	(952)	(293)		429	(803)	(374)
13,063	(11,899)	1,164		4,232	(12,663)	(8,431)
46,590		46,590		0		0
19,917	(19,010)	907		20,261	(19,569)	692
1,266	(1)	1,265		1,192	(1)	1,191
691	(130)	561		1,007	(152)	855
0	0	0				
101,167	(42,811)	58,356		46,215	(44,458)	1,757
		1,066	Other Operating Expenditure	8		808
		956	Financing and Investment Income and Expenditure	9		2,663
		(12,192)	Taxation and Non-Specific Grant Income	10		(11,763)
		48,186	(Surplus) or Deficit on Provision of Services			(6,535)
		(1,226)	(Surplus) or deficit on revaluation of fixed assets	22		(756)
		11,073	Actuarial (gains)/losses on pension assets/liabilities	21		2,465
		9,847	Other Comprehensive Income and Expenditure			1,709
		58,033	Total Comprehensive Income and Expenditure			(4,826)

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 or liabilities (assets less liabilities) are matched by the reserves held by the authority. Reserves are reported in two categories. The first category of reserves is 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 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 gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets were sold, and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

31 March 2012		Notes
£000		
144,503	Property, Plant & Equipment	22
925	Heritage Assets	25
0	Intangible assets	26
243	Long-term Debtors	32
145,671		
0	Short Term Investments	33
158	Inventories	34
2,487	Short Term Debtors	35
9,929	Cash and Cash Equivalents	36
12,574	Current Assets	
(6,216)	Short Term Creditors	37
	Provisions	
(6,216)	Current Liabilities	
(45,572)	Long Term Creditors	38
	Provisions	39
(37,405)	Other Long Term Liabilities	38
(37)	Capital Grants Receipts in Advance	38
(83,014)	Long Term Liabilities	
69,015	Net Assets	
11,209	Usable Reserves	40
57,806	Unusable reserves	41
69,015	Total Reserves	

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31 March 2013
£000

151,710
925
0
162

152,797

3,000
152
2,559
6,187

11,898

(5,269)

(5,269)

(44,570)
(41,324)
0

(85,894)

73,532

13,189
60,343

73,532

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.

2011/12		Notes	2012/13
£000			£000
(48,186)	Net surplus or (deficit) on the provision of services		6,535
7,254	Adjustments to net surplus or deficit on the provision of services for non cash movements	49	3,870
45,741	Adjustments for items included in the net surplus on the provision of services that are investing and financing activities (See note references)	50	471
4,809	Net cash flows from Operating Activities	51	10,876
(881)	Investing Activities	52	(10,997)
(367)	Financing Activities	53	(3,621)
3,561	Net increase or decrease in cash and cash equivalents		(3,742)
6,368	Cash and cash equivalents at the beginning of the reporting period	36	9,929
9,929	Cash and cash equivalents at the end of the reporting period	36	6,187

Notes to the Accounts

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

In compiling the 2012/13 Accounts we have included additional commentary/information relating to the new IAS19 pension standard that will apply to accounting periods beginning on or after the 1 January 2013. Although this change has made no affect on the 2012/13 disclosures required. See pension note 21.

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 historic trends, adjusted for any material movements during 2012/13.
- 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 The items in the Authority's Balance sheet at 31 March 2013 for which there is a significant risk of material adjustment in the

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 vale of £26,178k (excl. Council Houses) would increase by £27k for every year that useful lives had to be reduced.
Pensions Liability	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. 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.	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 £1,864k and a 1 year increase in mortality rates would reduce the scheme obligation by £3,227k. . However the assumptions interact in complex ways.
Arrears	At 31 March 2013, the Authority had a gross balance of sundry debtors of £849k. A review of significant balances suggested that an impairment of doubtful debts of 37.0% or £314k was appropriate. However, in the current economic climate it is not certain than such an allowance would be sufficient.	If collection rates were to deteriorate, a doubling of the amount of the impairment of doubtful debts would require an additional £314k to be set aside as an allowance.

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

Notes to the Accounts

4 Material Items of Income and Expense

The Council's share of the pension fund deficit increased by £3.9m to £41.3m as at the 31 March 2013

The Council received 3 dividends totalling £103k during 2012/13 relating to its Heritable Bank investment in November 2008

During 2012/13 the Council constructed 22 new Council Houses to add to the existing Housing Revenue Account housing stock.

5 Exceptional Items

Nil for 2012/13

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.

2012/13	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	(1,361)	(2,223)					3,584
Revaluation losses on Property, Plant and Equipment	390	3,086					(3,476)
Amortisation of intangible assets	(118)						118
Capital grants and contributions applied	343						(343)
Income in relation to donated assets							
Revenue expenditure funded from capital under statute	(723)						723
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)	(408)					410
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	400	1,353					(1,753)
Capital expenditure charged against the General Fund and HRA balances	1,489	70					(1,559)
Adjustments primarily involving the Capital Grants Unapplied Account							
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	714				(714)		
Application of grants to capital financing transferred to the Capital Adjustment Account					371		(371)
Balance carried forward	1,132	1,878	0	0	(343)	0	(2,667)
	Usable Reserves						
2012/13	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	1,132	1,878	0	0	(343)	0	(2,667)
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		693	(693)				
Use of the Capital Receipts Reserve to finance new capital expenditure			310				(310)
Contribution from the Capital Receipts Reserve towards administrative costs of non current asset disposals		(10)	10				
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	(165)		165				
Opening DCLG Funding Correction							
Right to Buy Discounts repaid							
Repayment of Mortgage Principal			(4)				4

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.

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		2,038		(2,038)			
Use of the Major Repairs Allowance to finance new capital expenditure				2,826			(2,826)
Interest credited to the Major Repairs Reserve		4		(4)			
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		54					(54)
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	(3,357)	(23)					3,380
Employer's pension contributions and direct payments to pensioners payable in the year.	1,926						(1,926)
Balance carried forward	(464)	4,634	(212)	784	(343)	0	(4,399)
	Useable Reserves						
2012/13	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Total Usable Reserves	Movement in Unusable Reserves
Balance brought forward	(464)	4,634	(212)	784	(343)	0	(4,399)
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	41						(41)
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.	3	(1)					(2)
Correction of leave accrual	91	22					(113)
Correction of prior year leave accrual and roundings							309
Total Adjustments	(329)	4,655	(212)	784	(343)	0	(4,246)

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
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	(1,251)	(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
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:							
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)
Adjustments primarily involving the Capital Grants Unapplied Account							
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)
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)
Balance carried forward	(105)	(48,096)	(418)	(4)	(354)	0	48,977

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	(105)	(48,096)	(418)	(4)	(354)	0	48,977
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

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 2013/14.

	Balance at 1/4/11	Transfers In	Transfers Out	Reclassification	Balance at 31/03/12	Transfers In	Transfers Out	Reclassification	Balance at 31/3/13
	£000	£000	£000	£000	£000	£000	£000	£000	£000
General Fund - Revenue Earmarked Reserves									
Capital Contingency Reserve	1,433	1,820	(1,512)	140	1,881	313	(1,070)	367	1,491
Maintenance & Amenity Reserve	921	145	(272)	0	794	84	(101)		777
Misc. Gfund Reserves	1,388	420	(436)	(140)	1,232	1,026	(466)	(624)	1,168
Refuse Vehicle Replacements	0	348	0	0	348		(419)	257	186
Total Revenue Ear Marked Reserves	3,742	2,733	(2,220)	0	4,255	1,423	(2,056)	0	3,622

	Balance at 1/4/11	Transfers In	Transfers Out	Reclassification	Balance at 31/03/12	Transfers In	Transfers Out	Reclassification	Balance at 31/3/13
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Housing Revenue Account - Revenue Earmarked Reserves									
Sewage Treatment Works						100			100
Solar Panel Income - Renewables						237			237
30yr Maintenance Programme						2,198			2,198
Total Revenue Ear Marked Reserves					0	2,535	0	0	2,535

Note - the HRA also transferred £127k into the Capital Receipts Reserve during 2012/13

7 Transfers to/from Capital Grants Unapplied

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

	Balance at 1/4/11	Transfers In	Transfers Out	Reclassification	Balance at 31/03/12	Transfers In	Transfers Out	Reclassification	Balance at 31/3/13
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Total Funds Unapplied									
Regional Housing Pot	471	41	0		512	0	(3)	0	509
Afford Housing Contributions	0	325	(81)		244	293	(30)	0	507
Tiverton Enhancement Scheme	17	2	(3)		16	0	(2)	0	14
Air Quality Fund - Cullompton	23	54	0		77	49	0	0	126
Air Quality Fund - Crediton	134	44	0		178	62	0	0	240
Planning Delivery Grant	245	0	(4)		241	0	0	0	241
Cap Grants Unapplied Nonspecif	50	0	(50)		0	1	(1)	0	0
Dcc Funding	0	78	(78)		0	4	(4)	0	0
Dclg Dfg Grant	0	26	0		26	305	(331)	0	0
Total Capital Grants Unapplied	940	570	(216)		1,294	714	(371)	0	1,637

8 Other Operating expenditure

2011/12	2012/13
£000	£000
929 Parish Council precepts	954
409 Payments to the Government Housing capital receipts pool	165
0 Sundry Housing Revenue Account Income	(28)
(272) (Gains)/Losses on the disposal of non current assets	(283)
1,066 Total	808

Notes to the Accounts

9 Financing and Investment Income and Expenditure

2011/12		2012/13
£000		£000
65	Interest payable and similar charges	1,454
1,006	Pensions interest cost and expected return on pension assets	1,330
(115)	Interest receivable and similar income	(121)
<u>956</u>	Total	<u>2,663</u>

10 Taxation and Non Specific Grant Income

2011/12		2012/13
£000		£000
(6,192)	Council tax income	(6,256)
(3,685)	Non domestic rates	(4,216)
(1,471)	Non-ringfenced government grants	(577)
(844)	Capital grants and contributions	(714)
<u>(12,192)</u>	Total	<u>(11,763)</u>

Further details of specific grant income are shown at note 57

11 Operating Leases

Authority as Lessee

Vehicles, Plant, Furniture and Equipment

The Authority holds a number of plant and equipment items under terms of operating leases (e.g. photocopiers, a franking machine, various IT equipment and fitness equipment).

Payments under Operating Leases

The Authority has made payments of £67k under operating leases in 2012/13 (£107k in 2011/12) comprising of the following elements:

2011/12		2012/13
£000		£000
25	Land & Buildings	25
82	Vehicles, Plant & Equipment	42
<u>107</u>	Total	<u>67</u>

For future years liabilities for Finance and Operating Leases see note 59.

Authority as Lessor

The gross value of assets held for use in operating leases as at 31 March 2013 was £2,354k (£2,179k in 2011/12)

	2011/12			2012/13		
	Gross Value £000	Rental Income £000	Net Book Value £000	Gross Value £000	Rental Income £000	Net Book Value £000
HRA shops	1,056	105	1,018	1,234	107	1,193
Industrial units	1,123	90	1,097	1,120	90	1,084
Total	2,179	195	2,115	2,354	197	2,277

The Council also received £11,820k from the rental of 1,057 Garages Rents and 3,070 Council Houses. For more information see the Housing Revenue Account notes.

Notes to the Accounts

12 Officers' Emoluments

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

Remuneration Band	2011/12		2012/13	
	Number of Employees	Left During Year	Number of Employees	Left During Year
£50,000 - £54,999	2	0	2	0
£55,000 - £59,999	2	0	1	0
£60,000 - £64,999	4	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	1	0	0	0
£95,000 - £99,999	0	0	1	0
£100,000- £104,999	0	1	0	0

Note - there is one employee not included in the above banding table that has been included in the listing of statutory officers shown below, this was due to the Officer relinquishing their role part way through the year .

In completing the 2012/13 Accounts we have complied with the statutory instrument regarding officer emoluments. 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 the strategic direction of services.

The Council had no officers earning at or in excess of £150,000 in 2012/13

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.	2012/13	97,339	573	-	97,912	17,813	115,725
	2011/12	90,185	399	483	91,067	15,442	106,509
Deputy Chief Executive/Dir Comm Serv Note 1.	2011/12	8,804	42	20	8,866	1,611	10,477
							-
Head of ICT	2012/13	51,034	98	-	51,132	9,339	60,471
	2011/12	52,226	48	-	52,274	9,557	61,831
Head of Planning and Regeneration	2012/13	61,857	-	-	61,857	11,320	73,177
	2011/12	61,857	13	620	62,490	11,320	73,810
Head of Financial Services	2012/13	61,857	104	-	61,961	11,320	73,281
	2011/12	61,857	10	-	61,867	11,320	73,187
Head of HR & Development	2012/13	59,455	-	-	59,455	10,880	70,335
	2011/12	57,913	-	-	57,913	10,598	68,511
Head of Communities and Governance	2012/13	54,926	-	-	54,926	-	54,926
	2011/12	53,791	-	-	53,791	-	53,791
Head of Environmental Services	2012/13	59,455	44	1,239	60,738	10,880	71,618
	2011/12	56,085	72	1,239	57,396	10,264	67,660
Head of Housing & Property Services	2012/13	62,924	34	1,239	64,197	11,515	75,712
	2011/12	59,935	14	1,239	61,188	10,968	72,156
Head of Legal and Democratic Services Note 2	2012/13	17,598	-	413	18,011	3,220	21,231
	2011/12	62,855	-	1,101	63,956	11,502	75,458

Note - the amounts included in the two above tables are shown gross of any related tax which would be levied.

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

Note 2. The Head of Legal and Democratic Services stepped down on 1st August 2012 and reverted back to their former role of Legal Services Manager.

The pension contribution figures have been restated for 2011-12 to 18.3% which is the common contribution rate payable.

Other than the Head of Legal and Democratic, all of the above senior officers are also included in the banding table.

13 Termination Benefits

2012/13

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 - £19,999	2	5	7	54
£20,000 - £99,999	0	2	2	60

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 - £19,999	0	1	1	3
£20,000 - £99,999	0	2	2	57

Note - these termination benefits have been more than offset by future salary savings as most of these posts have not been replaced.

Notes to the Accounts

14 External Audit Costs

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

2011/12 £000		2012/13 £000
96	Fees payable with regard to the annual audit fee	63
25	Fees payable for the certification of claims and returns	24
<u>121</u>	Total	<u>87</u>

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 these existing declarations and has decided none warrant disclosure in this years Accounts.

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

2011/12 £000		2012/13 £000
<u>288</u>	Allowances paid in the year	<u>294</u>

Notes to the Accounts

17 Acquired and/or Discontinued Activities

The Council did not acquire any new activities or discontinue any existing ones during 2012/13.

18 Depreciation and Impairment of Fixed Assets

2011/12 £000		2012/13 £000
3,405	Depreciation	3,584
85	Amortisation of intangible assets	118
2,212	Impairment of fixed assets	601
(503)	Reversal of impairment of fixed assets	(4,077)
5,199	Total	226

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.

2011/12 £000		2012/13 £000
127	General Fund 4% of the Capital Financing Requirement	128
351	Capital financing in respect of finance leases	308
478		436

In addition to the above the Housing Revenue Account made a capital repayment of £1.3m to the Public Works Loan Board in relation to the £46.59m debt acquired after the demise of the Housing Subsidy system.

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 2012/13 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:

2011/12	2012/13
£000 Income and Expenditure Account	£000
Net Cost of Services	
1,652 Current service cost	2,036
0 Past service costs - from curtailments and settlements	0
0 - actuarial past service gain	14
Net Operating Expenditure	
3,661 Interest on pension liabilities	3,609
(2,655) Expected return on pension assets	(2,279)
<u>2,658</u> Net charge to the Account	<u>3,380</u>

Statement of Movement in the General Fund Balance

2011/12	2012/13
£000	£000
(770) Reversal of net charges made for retirement benefits in accordance with IAS19	(1,454)

Actual amount charged against the General Fund Balance

2011/12	2012/13
£000	£000
1,798 Employers contributions payable to the scheme	1,833
90 Retirement benefits payable to pensioners	93
<u>1,888</u> Total	<u>1,926</u>

Note - a revision to IAS19 was published which will apply to accounting periods on or after the 1 January 2013. In summary the main changes that effect the Profit & Loss Account are:

Removal of the expected return on assets, to be replaced by a net interest cost comprising interest income on the assets and interest expense on the liabilities, which are both calculated with reference to the discount rate, and
 Some labelling changes to the Profit & Loss charge e.g. "Service cost" now includes what was previously described as the "Current Service Cost" plus the "Past Service Cost" plus any "Curtailments" plus any "Settlements".
 Administration expenses are now accounted for within the Profit & Loss charge; previously we made a deduction to the actual and expected returns on assets.

The changes set out above do not have any effect on the 2012/13 disclosures. But have necessitated 2 extra tables shown at the end of note 21.

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:

31/03/2012		31/03/2013
£m		£m
42.35	Estimated share of assets	46.91
(78.57)	Estimated funded liabilities	(87.04)
(1.19)	Estimated unfunded liabilities	(1.19)
(37.41)	Net asset/(liability)	(41.32)

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

31/03/2012				31/03/2013	
£m	%		%	£m	
29.23	69	Equities	61	28.62	
7.63	18	Gilts	13	6.09	
0.00	0	Other bonds	0	0.00	
2.54	6	Property	8	3.75	
2.54	6	Cash	3	1.41	
0.42	1	Absolute Return Funds	15	7.04	
42.36	100	Total	100	46.91	

Note -

The return on the Fund (on a bid value to bid value basis) for year to 31 March 2013 estimated at 13%, 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 2012		31 March 2013	
	Funded	Unfunded	£m Total	£m Funded	£m Unfunded	£m Total
1 April	66.74		66.74	79.76		79.76
Current Service	1.65		1.65	2.04		2.04
Interest Cost	3.66		3.66	3.61		3.61
Contributions Made	0.53		0.53	0.51		0.51
Actuarial Loss/(Gain)	9.73		9.73	5.47		5.47
Curtailment Loss/(Gain)	0.00		0.00	0.00		0.00
Benefits Paid Out	(2.46)		(2.46)	(3.07)		(3.07)
Unfunded Pension Payments Past Service	0.00		0.00	0.00		0.00
Cost/Gain ⁽¹⁾	(0.09)		(0.09)	(0.09)		(0.09)
31 March	79.76	0	79.76	88.23	0	88.23

NB - the actuarial report provided in 2012/13 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 2012			31 March 2013		
	Funded	Unfunded	£m Total	Funded	Unfunded	£m Total
1 April	41.18	0.00	41.18	42.36		42.36
Expected Return	2.65	0.00	2.65	2.28		2.28
Actuarial Loss/(Gain)	(1.34)	0.00	(1.34)	3.01		3.01
Payments Made - Employer	1.89	0.00	1.89	1.92		1.92
Payments Made - Participants	0.53	0.00	0.53	0.51		0.51
Benefits Paid Out	(2.55)	0.00	(2.55)	(3.17)		(3.17)
Disposals/Acquisitions	0.00		0.00	0		0.00
31 March	42.36	0	42.36	46.91	0	46.91

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels etc. The Devon County Council Fund liabilities have been assessed by Barnett Waddingham, an independent firm of actuaries, estimates for the County Council fund being based on the latest full valuation of the scheme as 1 April 2010.

Analysis of amount recognised in the Comprehensive Income and Expenditure Statement

	31 March 2012			31 March 2013		
	Funded	Unfunded	£m Total	Funded	Unfunded	£m Total
Total actuarial gain/(losses)	(11.07)	0.00	(11.07)	(2.47)		(2.47)
Total recognised in Comprehensive Income and Expenditure Statement	(11.07)	0.00	(11.07)	(2.47)		(2.47)

The main assumptions used in their calculations have been:

	31 March 2012	31 March 2013
	% p a	% p a
4.6 Rate for discounting scheme liabilities		4.4
4.7 Rate of increase in salaries		4.8
2.5 Rate of increase in pensions		2.5
2.5 Rate of inflation - now CPI		2.6
2.5 Rate of increase to deferred pensions		2.6
<i>Long-term expected rates of return on:</i>		
6.3 Equities		0
3.3 Government bonds		0
4.6 Corporate bonds		0
4.3 Property		0
3.0 Other assets		0
5.4 Average long term expected rate of return		5.4

For accounting years beginning on or after 1 January 2013, the expected return and the interest cost will be replaced with a single net interest cost, which will effectively set the expected return equal to the IAS19 discount rate.

Therefore we are not required to disclose an expected return assumption for the year to 31 March 2014.

For the year to 31 March 2013, the expected return was 5.4% per annum, which has been used to determine the profit and loss charge for the year ended 31 March 2013.

Mortality Assumptions:

Longevity at 65 for current pensioners		
20.5 Men		20.6
24.5 Women		24.6
Longevity at 65 for future pensioners		
22.5 Men		22.6
26.4 Women		26.5

Notes to the Accounts

21 Pensions continued

History of experience gains and losses:

	31 March 2012			31 March 2013		
	Funded	Unfunded	Total £m	Funded	Unfunded	Total £m
Experience gains/ (losses) on assets	(1.34)	0	(1.34)	3.01		3.01
Experience gains/ (losses) on liabilities	(0.01)	0	(0.01)	(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 restated for periods ending 2007, 2006 and 2005 as the Actuary has advised that these amounts would be immaterial.

	31 March 2010			31 March 2011		
	Funded	Unfunded	Total £m	Funded	Unfunded	Total £m
Experience gains/ (losses) on assets	8.12	0.00	8.12	(2.02)	0.00	(2.02)
Experience gains/ (losses) on liabilities	0.29	0.00	0.29	3.48	0.00	3.48

	31 March 2008			31 March 2009		
	Funded	Unfunded	Total £m	Funded	Unfunded	Total £m
Experience gains/ (losses) on assets	(4.49)	0.00	(4.49)	(9.93)	0.00	(9.93)
Experience gains/ (losses) on liabilities	(0.14)	(0.01)	(0.15)	(0.23)	(0.02)	(0.25)

Amounts for current and previous periods:

	Year to Mar-09 £000s	Year to Mar-10 £000s	Year to Mar-11 £000s	Year to Mar-12 £000s	Year to Mar-13 £000s
Defined Benefit Obligation	(57,750)	(83,894)	(66,741)	(79,762)	(88,236)
Scheme Assets	29,830	40,422	41,179	42,357	46,912
Surplus (Deficit)	(27,920)	(43,472)	(25,562)	(37,405)	(41,324)
Experience adj on scheme liabilities	(250)	291	3,481	(14)	(14)
Percentage of Liabilities	-0.4%	0.3%	5.2%	0.0%	0.0%
Experience adj on scheme assets	(9,930)	8,119	(2,019)	(1,344)	3,006
Percentage of assets	-33.3%	20.1%	-4.9%	-3.2%	6.4%
Cumulative Actuarial Gains & Losses	(7,050)	(21,149)	(7,884)	(18,957)	(21,422)

Additional information required as a result of accounting standards introduced but not yet adopted

Projected Pension Expense for the year to 31 March 2014

	Year to 31-Mar-14 £000s
Service Cost	2,256
Net Interest on the defined liability (asset)	1,779
Administration Expenses	22
Total	4,057

Employer Contributions

1,755

Profit & Loss Account Costs for the year to 31 March 2013

	Year to 31-Mar-13 £000s	Year to 31-Mar-12 £000s
The amounts recognised in the P & L Statement		
Current Service Cost	2,036	1,652
Interest on obligation	3,609	3,661
Expected return on Scheme assets	-2,279	-2,655
Past Service Cost		
Losses (gains) on curtailments and settlements	14	
Total	3,380	2,658
Actual return on Scheme assets	5,286	1,312

Notes to the Accounts

22 Property, Plant and Equipment

Movements in Balances

Movements in 2012/13

	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 2012	352	108,685	34,549	3,608	516	207	0	147,917
Additions	2,550	3,080	410	986				7,026
Donations								0
Revaluation increases/(decreases) recognised in the Revaluation reserve		(2,035)	(491)	(24)		(1)		(2,551)
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services		3,053	423					3,476
Derecognition - Disposals		(308)	(100)	(2)				(410)
Derecognition - Other				(1,202)				(1,202)
Reclassification	(187)		28	103				(56)
At 31 March 2013	2,715	112,475	34,819	3,469	516	206	0	154,200

Accumulated Depreciation and Impairment

At 1 April 2012			(1,383)	(1,986)	(39)	(6)		(3,414)
Depreciation charge		(2,038)	(814)	(714)	(10)	(10)		(3,586)
Depreciation written out to the Revaluation Reserve		2,038	1,244	24		2		3,308
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				1,202				1,202
Derecognition - Other								0
At 31 March 2013	0	0	(953)	(1,474)	(49)	(14)	0	(2,490)

Net Book Value

At March 2013	2,715	112,475	33,866	1,995	467	192	0	151,710
At March 2012	352	108,685	33,166	1,622	477	201	0	144,503

Nature of asset holding

Owned	£2,715	£112,475	£33,866	£1,823	£467	£192	£0	£151,538
Subject to Finance Leases	£-	£-	£-	£196	£-	£-	£-	£196

See note 58 for finance lease information.

At 31 March 2013 the Council had £2,715k of assets under construction - £2,227k related to the Council House Building project at Wells Park, Crediton, £162k Enhancement of Tiverton & Cullompton Town Centres, £259k in relation to IT projects (including £90k in relation to the new Payroll/HR system & £123k in relation to Server Replacement) and then a number of smaller projects which were not operational at 31 March 2013.

Notes to the Accounts

22 Property, Plant and Equipment continued

Movements in Balances

Comparative 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		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)

See note 58 for finance lease information.

Nature of asset holding

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

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

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.

	0	Expend	Transfer in	Amount	Balance at	Expend	Transfer in	Amount	Balance
	£000	£000	Year	Financed or Written Off	31/03/12	£000	Year	Financed or Written Off	at 31/3/13
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Regional Housing Pot Schemes	0	210		(210)	0	0		0	0
Affordable housing	0	81		(81)	0	29		(29)	0
Private Sector Housing Grants & DFG's	0	0		0	0	694		(694)	0
Other REFUS	0	412		(412)	0	0		0	0
Total REFUS	0	703	0	(703)	0	723	0	(723)	0

Capital grants received to finance these projects amounted to £343k

Notes to the Accounts

24 Summary of Capital Expenditure and Financing

2011/12 £000	2012/13 £000
3,046 Opening Capital Financing Requirement	3,374
Capital investment	
3,426 Property, Plant and Equipment	7,026
17 Intangible assets	62
703 Revenue Expenditure Funded from Capital under Statute	723
Sources of Finance	
(71) - Capital receipts applied	(310)
- Finance lease liabilities	
(1,768) - Government grants and contributions	(3,269)
Sums set aside from revenue:	
(1,501) Direct revenue contributions	(1,559)
(127) - Minimum revenue provision	(128)
(351) - Finance lease capital provision	(308)
<u>3,374</u> Closing Capital Financing Requirement	<u>5,611</u>
Explanation of movements in year	
(127) Minimum Revenue Provision	
(351) Capital financing of finance leases, over the life of the lease, charged to the General Fund/HRA	
0 Increase in underlying need to borrowing (unsupported by government financial assistance)	2,237
<u>(478)</u> (Decrease)/Increase in Capital Financing Requirement	<u>2,237</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).

Movements in 2012/13

	Art Collection £000
Cost or Valuation	
At 1 April 2012	925
Additions	
Donations	0
Disposals	0
Revaluation increases/(decreases) recognised in the Revaluation reserve	0
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	0
At 31 March 2013	925

Note - there were no movements in Heritage Assets during 2011/12.

Notes to the Accounts

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. It is the Council's intention to only have these assets re-valued on a rolling five yearly basis.

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:

	2012/13
	£000
Statue of Edward VII, by Harry Hems at Lowman Inscribed "Edward the Peacemaker 1841 - 1910" and presented by Thomas Ford Esq. J.P. to his native	300
An oil painting on canvas of George III by Sir A full length portrait in ornate giltwood and plaster frame.	250
Statue of Saint Boniface in Crediton Public Park by Inscribed " Saint Boniface", unveiled by Her Royal Highness Princess Margaret on 24 July 1960	150

Preservation and Management

The Council's Property Management Team are responsible for the ongoing maintenance and security of these assets.

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 £118k charged to revenue in 2012/13 was charged to the following service headings:

	2011/12 £000	2012/13 £000
Central Services	85	84
Environment and Regulatory Services		34
	<u>85</u>	<u>118</u>

Movements in Balances

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

	2011/12 Other Assets £000	2012/13 Other £000
Balance at start of year:		
- Gross carrying amounts	67	152
- Accumulated amortisation	<u>(67)</u>	<u>(152)</u>
Net carrying amount at start of year	0	0
Additions		
- Internal development		
- Purchases	17	62
Reclassification	68	56
Derecognition - Disposals		
Amortisation charge for the period	<u>(85)</u>	<u>(118)</u>
Net carrying amount at the end of year	<u>0</u>	<u>0</u>

Comprising:

Gross carrying amounts	152	270
Accumulated amortisation	<u>(152)</u>	<u>(270)</u>
	<u>0</u>	<u>0</u>

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

	2011/12 £000	2012/13 £000
Central Services - IT Software Support and Maintenance		(84)
Central Services - IT Network and Hardware	(85)	
Environment and Regulatory Services - Refuse collection		(34)
	<u>(85)</u>	<u>(118)</u>

Notes to the Accounts

27 Commitments under Capital Contracts

	2011/12	2012/13
	£000	£000
Various MRA works	1,429	1,177
Various ICT Projects	0	0
Council House Building	0	763
	<u>1,429</u>	<u>1,940</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 2012/13 accounts at their 31/3/13 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.

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 2011/12 has been confirmed to remain at the same level of discount for 2012/13.

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 2013.

29 Long Term Borrowing

The Authority borrowed £46.6m from the Public Works Loan Board in March 2012 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 2013 the balance outstanding amounted to £45.3m. The Authority, at year end, undertook external borrowing, from the PWLB, of £430k over 5yrs and at a rate of 1.32%, for vehicles and leisure equipment.

The Authority has internal borrowing between the General Fund and HRA of £2.2m, this is for expenditure on house building at Wells Park, Crediton.

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:

2012/13	Financial Liabilities		Financial Assets		Total £000
	Liabilities measured		Loans and receivables	Available-for-sale assets	
	at Finance	amortised lease assets			
	£000	£000	£000	£000	
Interest payable	0		1,415	0	1,415
Interest payable on finance leases		42			42
Impairment losses	0		0	0	0
Interest payable and similar charges	<u>0</u>	<u>42</u>	<u>1,415</u>	<u>0</u>	<u>1,457</u>
Interest income	0		(148)	0	(148)
Interest and investment income	<u>0</u>	<u>0</u>	<u>(148)</u>	<u>0</u>	<u>(148)</u>
Net (gain)/loss for the year	<u>0</u>	<u>42</u>	<u>1,267</u>	<u>0</u>	<u>1,309</u>

Mid Devon District Council Financial Statements and Notes to the Accounts for the year ended 31 March 2013

2011/12	Financial Liabilities		Financial Assets		Total £000
	Liabilities measured at amortised cost £000	Finance lease assets £000	Loans and receivables £000	Available-for-sale assets £000	
Interest payable			15		15
Interest payable on finance leases		50			50
Impairment losses					0
Interest payable and similar charges	0	50	15	0	65
Interest income			(115)		(115)
Interest and investment income	0	0	(115)	0	(115)
Impairment charge (interest accrual) reversal in Adjustments between Accounting basis and Funding Basis under Regulations					0
Net (gain)/loss for the year	0	50	(100)	0	(50)

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 0.72% 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 £ based on dividend payment period up to 2013.

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

The fair values calculated are as follows:

	31/03/2012		31/03/2011
	Carrying amount £000	Fair value £000	Carrying amount £000
Financial Assets			
Long term investment	0	0	
Short term investment	0	0	3,016
Cash and cash equivalents	9,929	9,929	6,187
Loans and trade receivables	850	850	551
	10,779	10,779	9,754
Financial Liabilities			
Long term borrowing	(46,590)	(49,590)	(45,736)
Trade payables	(2,635)	(2,635)	(1,130)
	(49,225)	(52,225)	(46,866)

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 liability to the Heritable Bank deposit (this has been based on 21% non recovery of the initial treasury deposit of £1.1m).

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

- market risk - the possibility that financial loss might arise for the Council as a result of changes in 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 Treasury Accountant when making decisions on placing any surplus funds (i.e. 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 banking collapse, the Council resolved to place all surplus funds with the Government Debt Management Office with effect from the 30 October 2008. Since then, the Council's treasury policy has evolved to the present where the use of the main UK Banks and Building Societies (with a FITCH rating of F1 or higher) upto a maximum deposit value of £3m with any one institution. Once again this evidences our prudent approach to lending of surplus funds. The Council has continued this lending strategy during the whole of 2012/13.

31/12/2013
Fair value
£000
3,016
6,187
551
9,754
(49,724)
(1,130)
(50,854)

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Notes to the Accounts

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

31/03/2012		31/03/2013
£000		£000
	Central government bodies	
	Other local authorities	
	NHS bodies	
	Public corporations and trading funds	
243	Other entities and individuals	162
<u>243</u>	Total	<u>162</u>

33 Short Term Investments (amounts due in less than 12 months but more than 3 months after Balance Sheet date)

31/03/2012		31/03/2013
£000		£000
		3,000
<u>0</u>		<u>3,000</u>

Bank/B-Soc	Term	Fixed Interest Rate %	2012/13 £000
Barclays	26/10/2012 28/10/2013	1.07	2,000
Nationwide	26/10/2012 25/10/2013	0.83	1,000
Total			3,000

34 Inventories

	31/03/2012	31/03/2013
	£000	£000
Raw materials	<u>158</u>	<u>152</u>

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

31/03/2012		31/03/2013
£000		£000
273	Central government bodies	1,111
178	Other local authorities	905
8	NHS bodies	8
0	Public corporations and trading funds	0
2,028	Other entities and individuals*	779
<u>2,487</u>	Total	<u>2,559</u>

36 Cash and Cash Equivalents

31/03/2012		31/03/2013
£000		£000
3	Cash held by the Authority	3
5,926	Bank current accounts	1,184
4,000	Short-term deposits with financial institutions	5,000
<u>9,929</u>		<u>6,187</u>

Note - The Council has treated any investment holding with a duration of less than 3 months from the balance sheet date as a cash equivalent.

Bank/B-Soc	Term	Fixed Interest Rate %	2012/13 £000
Lloyds	01/10/2012 02/04/2013	1.65	1,000
LLoyds	15/02/2013 15/05/2013	0.70	1,000
Coventry	22/03/2013 19/04/2013	0.40	1,500
Coventry	28/03/2013 19/04/2013	0.39	1,500
Total			5,000

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

31/03/2012		31/03/2013
£000		£000
(3,076)	Central government bodies	(2,029)
(275)	Other local authorities	(573)
(9)	NHS bodies	(12)
0	Public corporations and trading funds	0
(2,856)	Other entities and individuals	(2,655)
<u>(6,216)</u>	Total	<u>(5,269)</u>

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

31/03/2012		31/03/2013
£000		£000
(45,421)	Central government bodies	(44,467)
	Other local authorities	
	NHS bodies	
	Public corporations and trading funds	
(151)	Other entities and individuals	(103)
<u>(45,572)</u>		<u>(44,570)</u>
(37,405)	Other Long Term Liabilities	(41,324)
(37)	Capital Grants Receipts in Advance (Note 57)	0
<u>(83,014)</u>	Total	<u>(85,894)</u>

Notes to the Accounts

39 Provisions

The Council made no provisions during 2012/13.

40 Usable Reserves

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

41 Unusable Reserves

31/03/2012		31/03/2013
£000		£000
(6,000)	Revaluation reserve (note 41)	(6,648)
(89,467)	Capital Adjustment Account (note 42)	(95,073)
105	Financial Instruments Adjustment Account (note 43)	51
(7)	Deferred Capital Receipts Reserve (note 44)	0
37,405	Pensions Reserve (note 45)	41,324
(89)	Collection Fund Adjustment Account (note 46)	(130)
247	Accumulating Compensated Absences Adjustment Account (note 47)	132
<u>(57,806)</u>	Total Unusable Reserves	<u>(60,344)</u>

42 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.

31/03/2012		31/03/2013
£000		£000
(5,014)	At 1 April 2012	(6,000)
(1,250)	Upward revaluation of assets	(923)
<u>24</u>	Downward revaluation of assets and impairment losses not posted to the Surplus on the Provision of Services	167
(6,240)	Surplus or deficit on revaluation of non-current assets not posted to the Surplus on the Provision of Services	(6,756)
93	Difference between fair value depreciation and historical cost depreciation	103
147	Accumulated gains on assets sold or scrapped	5
<u>(6,000)</u>	Amount written off to the Capital Adjustment Account	<u>(6,648)</u>
<u>(6,000)</u>	At 31 March 2013	<u>(6,648)</u>

43 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

43 Capital Adjustment Account continued

31/03/2012 £000		31/03/2013 £000
(137,487)	At 1 April 2012	(89,467)
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement	
46,590	HRA self financing settlement	0
3,405	Charges for Depreciation and impairment of non current assets	3,584
1,709	Revaluation losses on Property, Plant and Equipment	(3,476)
85	Amortisation of intangible assets	118
703	Revenue expenditure funded from capital under statute	723
206	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	405
<u>(84,789)</u>		<u>(88,113)</u>
	(93) Adjusting amounts written out of the Revaluation Reserve	(103)
<u>(84,882)</u>	Net written out amount of the cost of non current assets consumed in the year	<u>(88,216)</u>
	Capital financing applied in the year:	
(71)	Use of the Capital Receipts Reserve to finance new capital expenditure	(310)
(2,003)	Use of the Major Repairs Reserve to finance new capital expenditure	(2,826)
(316)	Capital grants and contributions credited to Comprehensive Income and Expenditure Statement that have been applied to capital financing	(38)
0	Donated assets funding	0
(216)	Application of grants to capital financing from the Capital Grants Unapplied Account	(371)
(478)	Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	(1,753)
(1,501)	Capital expenditure charged against the General Fund and HRA balances	(1,559)
<u>(89,467)</u>	At 31 March 2013	<u>(95,073)</u>

44 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 2013 will be charged to the HRA next year.

31/03/2012 £000		31/03/2013 £000
163	At 1 April 2012	105
	Proportion of premiums incurred in previous financial years to be charged against the HRA balance in accordance with statutory requirements	
<u>(58)</u>		<u>(54)</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	
<u>(58)</u>		<u>(54)</u>
<u>105</u>	At 31 March 2013	<u>51</u>

45 Deferred Capital Receipts Reserve

31/03/2012 £000		31/03/2013 £000
(16)	At 1 April 2012	(7)
9	Transfer to the Capital Receipts Reserve upon receipt of cash	7
<u>(7)</u>	At 31 March 2013	<u>0</u>

Notes to the Accounts

46 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.

31/03/2012		31/03/2013
£000		£000
25,562	At 1 April 2012	37,405
11,073	Actuarial gains or losses on pension assets and liabilities	2,465
0	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	
2,658		3,380
	Employer's pension contributions and direct payments to pensioners payable in the year	
(1,888)		(1,926)
<u>37,405</u>	At 31 March 2013	<u>41,324</u>

47 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

31/03/2012		31/03/2013
£000		£000
(132)	At 1 April 2012	(89)
	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	
43		(41)
<u>(89)</u>	At 31 March 2013	<u>(130)</u>

The £130k represents MDDC's share (13.78%) of the overall Collection Fund Surplus of £948 at 31/03/13 (see page 52).

48 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.

31/03/2012		31/03/2013
£000		£000
114	At 1 April 2012	247
	Settlement or cancellation of accrual made at the end of the preceding year	(247)
247	Amounts accrued at the end of the current year	132
	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.	
133		(115)
<u>247</u>	At 31 March 2013	<u>132</u>

Notes to the Accounts

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

31/03/2012 £000	31/03/2013 £000
3,405 Depreciation	3,584
85 Amortisation	118
1,709 Impairment	(3,476)
1,137 (Decrease)/increase in creditors	1,933
(176) (Increase) in debtors	9
(29) Decrease in stock	(6)
353 Carrying amount of non-current assets sold	410
0 Pension actuarial past service gain	0
770 Pension liability reversal	1,454
0 Other adjustments	(156)
7,254	3,870

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

31/03/2012 £000	31/03/2013 £000
(844) Other receipts from financing activities	(714)
671 REFCUS adjustment	380
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(528)
(625) intangible assets	(528)
65 Interest Paid	1,454
(115) Interest received	(121)
(1) Mortgage interest received	0
46,590 Local Authority Housing (HRA) - HRA settlement	0
45,741	471

51 Cash Flow Statement - Operating Activities

The cash flows for operating activities include the following items:

31/03/2012 £000	31/03/2013 £000
(115) Interest received	(121)
65 Interest paid	1,454
(1) Mortgage interest received	0
(51)	1,333

52 Cash Flow Statement - Investing Activities

31/03/2012 £000	31/03/2013 £000
(3,509) Purchase of property, plant and equipment, investment property and intangible assets	(7,088)
(703) Other cash payments (REFCUS)	(723)
663 Proceeds from the sale of property, plant and equipment, investment property and intangible assets	528
570 Capital grants received	714
2,000 Purchase of temporary investments	(3,000)
47 Other investing activities	(95)
115 Interest received	121
(65) Interest paid	(1,454)
1 Mortgage interest received	0
(881) Net cash flows from investing activities	(10,997)

Mid Devon District Council Financial Statements and Notes to the Accounts for the year ended 31 March 201

Notes to the Accounts

53 Cash Flow Statement - Financing Activities

31/03/2012		31/03/2013
£000		£000
46,574	Other receipts from financing activities	
(351)	Cash payments for the reduction of the outstanding liabilities relating to finance leases	(308)
(46,590)	Local Authority Housing (HRA) - HRA settlement	(1,275)
0	Other payments for financing activities	(2,038)
<u>(367)</u>	Net cash flows from financing activities	<u>(3,621)</u>

Mid Devon District Council Financial Statements and Notes to the Accounts for the year ended 31 March 2013

Notes to the Accounts

Mid Devon District Council Financial Statements and Notes to the Accounts for the year ended 31 March 2013

Notes to the Accounts

54 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	31/03/2012	31/03/2013
	£000	£000
Community Development		424
Corporate Management	961	1,091
Car Parks		(98)
Customer Services	3,863	(32)
Environmental Services		1,609
Finance And Performance	709	(21)
Grounds Maintenance		(14)
Health & Community Services	1,031	-
General Fund Housing		528
H.R.A. Transfer to Earmarked Reserves	295	
Human Resources	42,675	20
H.R.A. Expenditure		13,017
H.R.A. Income	936	(14,082)
I.T. Services	834	(37)
Legal & Democratic Services	486	890
Planning And Regeneration		963
Property Services		439
Revenues And Benefits	562	528
Recreation And Sport		978
Waste Services		2,451
	<u>52,352</u>	<u>8,654</u>

Notes to the Accounts

55 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

2011/12		2012/13
<u>£000</u>		<u>£000</u>
52,352	Net expenditure in the service Analysis	8,654
0	Net expenditure of services and support services not included in the Analysis	0
6,004	Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the Analysis	(6,897)
0	Amounts included in the analysis not included in the Comprehensive Income and Expenditure Statement	0
<u>58,356</u>	Cost of services in Comprehensive Income and Expenditure account	<u>1,757</u>

56 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.

	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
2012/13	£000	£000	£000	£000	£000	£000	£000	£000
Fees and charges	(20,676)		855			(19,821)		(19,821)
Interest and investment income							(2,428)	(2,428)
Income from Council Tax							(6,256)	(6,256)
Government grants and contributions	(24,778)		(1,237)			(26,015)	(5,507)	(31,522)
Total Income	<u>(45,454)</u>	0	<u>(382)</u>	0	0	<u>(45,836)</u>	<u>(14,191)</u>	<u>(60,027)</u>
Employees	13,349		124			13,473		13,473
Other expenses	40,759		(6,865)			33,894	3,609	37,503
Support Services			0			0		0
Depreciation, amortisation & impairment			226			226		226
Interest payments							1,454	1,454
Payments to Housing Pool							165	165
Parish Council Precepts							954	954
Loss on disposal of assets							(283)	(283)
HRA Self financing			0	0				0
Total Expenditure	<u>54,108</u>	0	<u>(6,515)</u>	0	0	<u>47,593</u>	<u>5,899</u>	<u>53,492</u>
Surplus deficit on the provision of services	<u>8,654</u>	0	<u>(6,897)</u>	0	0	<u>1,757</u>	<u>(8,292)</u>	<u>(6,535)</u>

Mid Devon District Council Financial Statements and Notes to the Accounts for the year ended 31 March 2013

Notes to the Accounts

56 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
2011/12	£000	£000	£000	£000	£000	£000	£000	£000
Fees and charges	(13,224)		(5,480)			(18,704)		(18,704)
Interest and investment income							(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)	0	(302)	0	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
Depreciation, amortisation & impairment			5,199			5,199		5,199
Interest payments							65	65
Payments to Housing Pool							409	409
Parish Council Precepts							929	929
Loss on disposal of assets							(272)	(272)
HRA Self financing	46,590					46,590		46,590
Total Expenditure	102,297	0	6,306	0	0	108,603	4,792	113,395
Surplus deficit on the provision of	52,352	0	6,004	0	0	58,356	(10,170)	48,186

Notes to the Accounts

57 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		
2011/12		2012/13
£000		£000
(6,192)	Council Tax	(6,256)
(3,685)	Non Domestic Rates	(4,216)
(1,139)	Revenue Support Grant	(82)
(129)	Council Tax Freeze Grant	(129)
(203)	New Homes Bonus	(357)
(41)	Regional Housing Pot	0
(325)	Affordable Housing	0
(97)	Air Quality Fund	0
(381)	Other	(723)
(12,192)	Total	(11,763)

Credited to Services		
2011/12		2012/13
£000		£000
(23,239)	Housing Benefit and Council Tax Subsidy	(23,987)
(68)	Section 106s	(94)
(57)	Homelessness	(57)
(486)	Housing Benefit Admin Grant + Additional Grant	(468)
(103)	Business Rates - Cost of Collection Grant	(106)
(1,190)	Others	(380)
(25,143)	Total	(25,092)

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		
2011/12		2012/13
£000		£000
0	Disabled facilities grants from Department of Communities and Local Government	0

Capital Grants Receipts in Advance due in more than one year		
2011/12		2012/13
£000		£000
(37)	Cullompton Town centre initiative	0

58 Contingent Liabilities

None

Notes to the Accounts

59 Leases

Authority as Lessee

The Council has acquired a 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 net amounts below. During 2012/2013 6 refuse vehicle's finance leases have expired and these have now transferred to operating leases

2011/12 £000	2012/13 £000
<u>450</u>	<u>196</u>
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 in future years while the liability remains outstanding. The minimum lease payments are made up of the following amounts:

2011/12 £000	2012/13 £000
Finance lease liabilities (net present value of minimum lease payments):	
(299) - current	(93)
(151) - non current	(103)
0 Finance costs payable in future years	0
<u>(450) Minimum lease payments</u>	<u>(196)</u>

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

Minimum Lease Payments

2011/12 £000	2012/13 £000
299 Not later than one year	93
151 Later than one year and not later than five years	103
0 Later than five years	
<u>450</u>	<u>196</u>

Finance Lease Liabilities

2011/12 £000	2012/13 £000
299 Not later than one year	93
151 Later than one year and not later than five years	103
0 Later than five years	0
<u>450</u>	<u>196</u>

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 Authorities Operating leases have decreased since 2011/12 as when operating leases expire we are now purchasing our vehicles (funded by direct revenue or from ear marked reserves).

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

2011/12 £000	2012/13 £000
60 Not later than one year	45
24 Later than one year and not later than five years	4
3 Later than five years	2
<u>87</u>	<u>51</u>

Notes to the Accounts

59 Leases continued

Minimum Lease Payments incurred during the year

2011/12 £000	2012/13 £000
107 Operating Leases for vehicles, equipment, land and buildings	67
78 Hire payments for vehicles, plant and equipment	58
<u>185</u>	<u>125</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

2011/12 £000	2012/13 £000
243 Not later than one year	244
442 Later than one year and not later than five years	450
722 Later than five years	732
<u>1,407</u>	<u>1,426</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

60 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.

2011/12 £000	2012/13 £000
(1,755) Council Dwellings	3,053
46 Other Land & Buildings	423
<u>(1,709)</u>	<u>3,476</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).

2011/12 £'000	Note	2012/13 £'000	£'000
<u>Expenditure</u>			
2,532		2,440	
2,354		2,363	
3,993	77	0	
3,861	76	(898)	
46,590		0	
16		0	
2		8	
59,348			3,913
<u>Income</u>			
(10,717)	75	(11,439)	
(505)		(523)	
(677)		(701)	
(11,899)			(12,663)
Net Cost of HRA Services as included in the Comprehensive Income and Expenditure Statement			
47,449			(8,750)
194			178
111			141
47,754			(8,431)
Net Cost / (Income) of HRA Services			
(274)			(285)
0			0
19	79		1,415
0			0
(22)			(28)
47,477			(7,329)

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 was funded by a 25 year fixed rate annuity loan from the Public Works Loan Board at 2.94% repayable in six monthly amounts of principal and interest.

Mid Devon District Council Financial Statements and Notes to the Accounts for the year ended 31 March 2013

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).

2011/12	Note	2012/13	
£'000		£'000	£'000
(1,313) Balance on the HRA at the end of the previous year			(1,956)
47,477 Deficit / (Surplus) for the year on the HRA Income and Expenditure Account		(7,329)	
(48,120) Adjustments between accounting basis and funding basis under statute	64	4,655	
(643) Net (increase) or decrease before transfers to or from reserves		(2,674)	
0 Transfers (to) or from reserves		2,662	
(643) (Increase) or decrease in year on the HRA			(12)
(1,956) Balance on the HRA at the end of the current year			(1,968)

Notes to the Accounts

64 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.

2012/13	Usable Reserves					Total Usable Reserves £000	Movement in Unusable Reserves £000
	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants Unapplied £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		(2,223)					2,223
Revaluation losses on Property, Plant and Equipment		3,086					(3,086)
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		(408)					408
HRA self financing settlement adj							
<u>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</u>							
Statutory provision for the financing of capital investment		1,353					(1,353)
Capital expenditure charged against the General Fund and HRA balances		70					(70)
<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		693	(693)				
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		(10)	10				
Right to Buy Discounts repaid							
Repayment of Mortgage Principal			(4)				4
Balance carried forward	0	2,561	(687)	0	0	0	(1,874)

Notes to the Accounts

64 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.

2012/13	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	2,561	(687)	0	0	0	(1,874)
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		2,038		(2,038)			
Use of the Major Repairs Allowance to finance new capital expenditure							
Interest credited to the Major Repairs Allowance		4		(4)			
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		54					(54)
Adjustment involving the Pensions Reserve:							
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement		(23)					23
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		(1)					1
Correction of prior year salary accrual		22					(22)
Total Adjustments	0	4,655	(687)	(2,042)	0	0	(1,926)

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.

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
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		(2,154)					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
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:							
Statutory provision for the financing of capital investment		43					(43)
Capital expenditure charged against the General Fund and HRA balances		(24)					24
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)				
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
Balance carried forward	0	(50,207)	(624)	0	0	0	50,831
2011/12	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Total Usable Reserves	Movement in Unusable Reserves

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.

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
	£000	£000	£000	£000	£000	£000	£000

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.

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		
Balance brought forward	0	(50,207)	(624)	0	0	0	50,831
<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		1,998		(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)			
<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		58					(58)
<u>Adjustment involving the Pensions Reserve:</u>							
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement		46					(46)
<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		(24)					24
Total Adjustments	0	(48,120)	(624)	(4)	0	0	48,748

Notes to the Housing Revenue Income and Expenditure Account

65 Housing Stock

The Housing Revenue account owned the following property:

	Council Housing	Other Land & Buildings	Total
At 1 April 2012	3,078	1,195	4,273
Additions		3	3
Sales	(8)	(1)	(9)
Improvement changes			-
Transfers			-
At 31 March 2013	<u>3,070</u>	<u>1,197</u>	<u>4,267</u>

The Authority has previously sold 3 properties under the **Rent to Mortgage** Scheme whereby the tenants were able to purchase the property, the treatment of these is that the authority has an assigned debt when these properties are sold. Therefore a debtor exists in the Balance Sheet for **£158k** that represent MDDC's share due when these are sold, a Creditor has also been created for **£118k** to represent the Pooling Liability (at 75%) that will be due to be paid upon receipt of MDDC share when these properties are sold.

66 Number of dwellings by type

<u>31 March 2012</u>	<u>31 March 2013</u>
1,470 Houses	1,464
1,016 Bungalows	1,015
578 Flats	577
14 Bedsits	14
<u>3,078</u> Total	<u>3,070</u>

67 HRA Dwelling Valuation

The vacant possession value of dwellings in the HRA is £362,818k (based on a 1 April 2013 valuation of £112,473k). 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 providing council housing at less than market rents.

<u>2011/12</u> <u>£000</u>	<u>2012/13</u> <u>£000</u>
<u>350,594</u> Vacant Possession Value	<u>362,818</u>
<u>108,684</u> Existing Use Value for Social Housing (EUV-SH)	<u>112,475</u>

The 31 March 2013 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 increased by 3.49% or £3,789k. In addition to this there has been a change in the valuation provided by the District Valuer. The basis of valuation for the authorities Council House Stock has changed. 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 01/04/10 and remains the relevant discount factor for 2012/13.

<u>2011/12 HRA Non-Current Assets</u> <u>£000 Property, Plant and Equipment</u>	<u>2012/13</u> <u>£000</u>
108,684 Dwellings	112,475
5,532 Other land and buildings	6,067
- Vehicles, plant and equipment	134
130 Infrastructure assets	123
108 Assets under Construction	2,232
<u>114,454</u>	<u>121,031</u>

Notes to the Housing Revenue Income and Expenditure Account continued

68 Capital Expenditure

2012/13		2011/12	
£000	Expenditure	£000	Expenditure
2,826	Improvements to dwellings	2,003	Improvements to dwellings
2,227	Construction of dwellings	2,003	
127	Purchase of land (St Andrew St)		
70	Purchase of land (Palmerston Park)		
64	Alarm installation		
5,314		2,003	

2012/13		2011/12	
Funding		Funding	
Major repairs reserve	2,826	Major repairs reserve	2,003
Internal borrowing	2,227		
Transfer to Capital Receipts Reserve	127		
Revenue contribution	70		
Useable Capital Receipts	64		
	5,314		2,003

69 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 £47k at 31 March 2013.

70 Capital Receipts

2011/12		2012/13	
£000		£000	
546	Sale of council houses	554	
49	Sale of land	139	
0	Sale of council houses - discount repaid	0	
5	Council house loan repayments	4	
30	Release of Covenant		
630	Total	697	

71 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 46.

2011/12		2012/13	
£000		£000	
46	Net charge/(credit) made for retirement benefits	(23)	

72 Arrears

At 31st March 2013 the rent arrears as a proportion of gross rent income totalled 1.4% (1.3% at 31st March 2012). Rent written off during 2012/13 amounted to £17k (£24k in 2011/12). The breakdown of the total arrears is shown below.

31 March 2012		31 March 2013	
£000		£000	
141	Rent (dwellings & garages)	155	
11	Housing benefit overpayments	11	
13	Court costs	13	
37	Rechargeable Repairs	36	
6	Other	20	
208	Total	235	

Notes to the Housing Revenue Income and Expenditure Account continued

73 Bad Debt Provision

The provision for bad debt for the housing service stands at £131k as at 31 March 2013 (£123k 31 March 2012).

74 Rents Paid in Advance

31 March 2012	31 March 2013
£000	£000
<u>(69)</u> Dwellings rental income paid in advance	<u>(73)</u>

75 Gross Rents

This represents the total rent income due for the year after allowing for voids and other adjustments. At the year-end 0.7% of properties were vacant compared to a figure of 0.9% in 2011/12. The rents set averaged at £72.09 per week based on a 52 week year (2011/12 £67.36).

76 Depreciation & Impairment of Fixed Assets

Depreciation and Amortisation

2011/12	2012/13
£000 Operational Assets	£000
1,998 Dwellings	2,038
105 Other Land and Buildings	109
8 Infrastructure	33
0 Intangible assets	8
43 Vehicles, Plant and Equipment (Finance Leases)	35
<u>2,154</u> Total	<u>2,223</u>

Impairment

2011/12	2012/13
£000 Operational Assets	£000
1,755 Dwellings	(3,053)
0 Other Land and Buildings	(33)
<u>1,755</u> Total	<u>(3,086)</u>

77 Negative Housing Revenue Account Subsidy Payable

2011/12	2012/13
£000	£000
(4,412) Management and maintenance	0
(1,998) Major repairs allowance	0
(100) Charges for capital	0
(17) Reduction in subsidy (Re self financing settlement)	0
0 Interest on receipts	0
10,520 Guideline rent income	0
0 Adjustment in respect of earlier years	0
<u>3,993</u> Net HRA Subsidy paid	<u>0</u>

In previous years, the net HRA subsidy was paid to the Department of Communities and Local Government (DCLG). From 2012/13, the subsidy system has ceased to operate. Instead a debt repayment to the Public Works Loan Board will be made each year for 25 years, starting with 2012/13 (see note 80).

Mid Devon District Council Financial Statements and Notes to the Accounts for the year ended 31 March 2013

Notes to the Housing Revenue Income and Expenditure Account continued

78 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 2012/13 was £54k (2011/12 £57k).

79 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.

2011/12	2012/13
£000	£000
Housing Revenue Account Income and Expenditure Account	
4 Finance lease interest	3
43 Depreciation on finance lease assets	35
Adjustments between Accounting Basis and Funding Basis under Regulations	
(43) Depreciation reversed	(35)
43 Capital financing of finance lease assets	35
Balance Sheet	
112 Asset - Plant and Equipment	112
(36) Liability < 1 year	(36)
(76) Liability > 1 year	(76)

80 Self Financing Settlement Payment

The HRA subsidy system has been replaced with Self Financing. The financial effect of this is that the subsidy payment of circa £4m per annum has been replaced by a one-off settlement payment of £46,590,000. 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, MDCC have taken on a debt from the Public Works Loan Board (PWLb) and will be required to make payments of £2.6m per annum (made up of £1.3m interest and £1.3m principal).

2011/12	2012/13
£000	£000
0 Opening Balance	(46,590)
(46,590) Finance Received	0
0 Repaid in Year	1,275
(46,590) Closing Balance	(45,315)

The Collection Fund Income and Expenditure Account

This account reflects the statutory requirement for billing authorities to maintain a separate Collection fund which shows the transactions of the billing authority in relation to non-domestic rates and the council tax and illustrates the way in which these have been distributed to preceptors and the General Fund.

2011/12 £000	Notes	2012/13 £000
Income		
39,887 Council Tax		40,423
Transfers from General Fund		
5,141 - Council Tax Benefits		5,085
1 - Transitional Relief		1
13,502 Business Rates	82	13,663
58,531 Total Income		59,172
Expenditure		
Precepts and Demands from County and District		
31,573 - Devon County Council	84	31,711
5,151 - Mid Devon District Council		5,174
4,429 - Devon and Cornwall Police		4,537
2,030 - Devon Fire and Rescue		2,100
929 - Parish Precepts		954
44,112		44,476
Business Rates		
13,398 - Payment to National Pool		13,557
104 - Costs of Collection		106
Bad and doubtful debts/appeals		
77 - Write offs - Council Tax		82
27 - Increase in provision for bad debts - Council Tax		23
Distribution of previous year's revenue account surplus		
809 - Devon County Council		450
155 - Mid Devon District Council		87
114 - Devon and Cornwall Police		63
52 - Devon Fire and Rescue		29
58,848 Total Expenditure		58,873
(317) (Deficit)/Surplus for the year		299
965 Balance at beginning of the year		649
648 Movement on fund balance	47	948

The £948k represents the overall surplus on the Collection Fund at 31/03/13. Of this 13.78% is due to MDDC, which equates to £130k (see note 46 on page 32).

Notes to the Collection Fund

81 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.

82 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 2013 is £17,998k. This is calculated by taking the rateable value at that date of £39,298k multiplied by the uniform business rate of 45.8p per £.

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

2011/12	2012/13
£000	£000
17,033 Annual debit for the year	17,993
186 Add changes to assessments	(626)
(3,717) Less other adjustments including: empty property discount, charity relief & transitional relief	(3,704)
13,502 Total	13,663

83 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	4,772.7	3,181.1
B	7,507.7	5,839.3
C	5,649.0	5,021.3
D	5,445.7	5,445.7
E	3,996.4	4,884.4
F	2,114.6	3,054.4
G	876.6	1,460.9
H	49.1	98.1
Total	30,411.6	28,985.2

84 Precepting Authorities

2011/12	2012/13
£000	£000
31,573 Devon County Council	31,711
5,151 Mid Devon District Council	5,174
4,429 Devon and Cornwall Police	4,537
2,030 Devon Fire and Rescue	2,100
929 Parish Precepts	954
44,112 Total	44,476