

Meeting of the Audit Committee

Tuesday 23 September 2014 at 6.00pm
Exe Room, Phoenix House

(Date of next meeting: 2 December 2014)

Those attending are advised that this meeting will be audio recorded

Membership

M Binks
R M Deed
R Evans (Chairman)
F J Rosamond
J D Squire

Members are reminded of the need to make declarations of interest prior to any discussion which may take place

1. **Apologies** - To receive any apologies for absence.
2. **Public Question Time** - To receive any questions relating to items on the Agenda from members of the public and replies thereto.

Note: A maximum of 30 minutes is allowed for this item.

3. **Minutes of the previous meeting** – To approve as a correct record the minutes of the meeting held on 24 June 2014 (circulated with the Summons for full Council on 3 September 2014).
4. **Chairman's Announcements** - To receive any announcements that the Chairman may wish to make.
5. **Annual Report and Accounts 2013/14** – To receive and approve the finalised accounts for 2013/14 as presented in a report from the Head of Finance.
6. **Annual Governance Statement (AGS)** – To receive and approve the finalised version of the Annual Governance Statement from the Head of Communities and Governance.

Committee Administrator: Sarah Lees
Tel: (01884) 234310
Email: slees@middevon.gov.uk

7. **Grant Thornton's Draft Audit Findings Report for 2013/14** – To receive a draft report from the external auditors summarising their findings following the 2013/14 external audit of the Council's accounts.
8. **Risk Management Strategy** – To receive a report from the Head of Communities and Governance presenting the Committee with the Risk and Opportunity Management Strategy for approval
9. **Performance and Risk** – To consider a report of the Head of Communities and Governance providing Members with an update on performance against the Corporate Plan and local service targets as well as providing an update on the key business risks.
10. **Internal Audit Progress Report** – To receive a report from the Audit Team Leader updating the Committee on the work performed by Internal Audit in the 2014/15 financial year to date.
11. **Internal Audit reports** – Committee to discuss any issues arising from any Audit reports they have received since the last meeting. During discussion of this item it may be necessary to pass the following resolution to exclude the press and public as sensitive information may need to be discussed:

ACCESS TO INFORMATION ACT – EXCLUSION OF THE PRESS AND PUBLIC

RECOMMENDED that under section 100A(4) of the Local Government Act 1972 the public be excluded from the next item of business on the grounds that it involves the likely disclosure of exempt information as defined in paragraph 3 of Part 1 of Schedule 12A of the Act, namely information relating to the financial or business affairs of any particular person (including the authority holding that information).

12. **Corporate Debt Collection Policy** – To receive a report from the Head of Finance seeking approval for an updated Corporate Debt Collection Policy.
13. **Identification of items for the next meeting: 2 December 2014**

The following items are currently listed in the work programme for the following meeting:

- Data Quality Policy
- Anti-Money Laundering Policy
- Anti-Fraud and Corruption Policy
- Whistle-blowing Policy

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This document is available on the Council's Website at: www.middevon.gov.uk

- Internal Audit reports
- Internal Audit update
- Pre-planning report – Internal Audit work plan
- Progress update on the Annual Governance Statement Action Plan
- Certification Work report 2013/14 (Grant Thornton)
- The Council's arrangements to financial resilience (Grant Thornton)
- External Audit update

Note: This item is limited to 10 minutes. There should be no discussion on the items raised.

Kevin Finan
Chief Executive
15 September 2014

Members of the public are welcome to attend the meeting and listen to discussion. Lift access to the Exe/Lowman Room on the first floor of the building is available from the main ground floor entrance. Toilet facilities, with wheelchair access, are also available. There is time set aside at the beginning of the meeting to allow the public to ask questions.

An induction loop operates to enhance sound for anyone wearing a hearing aid or using a transmitter. If you require any further information, or, if you would like a copy of the Agenda in another format (for example in large print) please contact Sarah Lees on:

Tel: 01884 234310
Fax: 01884 234318
E-Mail: slees@middevon.gov.uk

Anyone wishing to film part or all of the proceedings may do so unless the press and public are excluded for that part of the meeting or there is good reason not to do so, as directed by the Chairman. Any filming must be done as unobtrusively as possible from a single fixed position without the use of any additional lighting; focusing only on those actively participating in the meeting and having regard also to the wishes of any member of the public present who may not wish to be filmed. As a matter of courtesy, anyone wishing to film proceedings is asked to advise the Chairman or the Member Services Officer in attendance so that all those present may be made aware that is happening.

Members of the public may also use social media to report on proceedings at this meeting.

Meeting agendas and minutes are available on the Council Website: www.middevon.gov.uk

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Annual Report and Accounts 2013/14

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

Reason for Report: To outline any changes made to the accounts subsequent to the draft set presented to the Audit Committee at its meeting on the 24 June 2014 and then seek formal approval of the finalised Accounts.

RECOMMENDATION: That the annual report and accounts be approved (subject to the recommendations made by our external auditor, Grant Thornton – see separate agenda item). The committee is also required to formally approve and sign the letter of representation attached at the back of the Accounts.

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

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 2013/14 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 2013/14 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 2013/14.

2.0 The Annual Report and Accounts

- 2.1 Our external auditor's Grant Thornton are proposing to issue an un-qualified opinion on the 2013/14 accounts. This is clearly a very positive outcome and reflects the continued skills and hard work of the internal Finance team. We will of course strive to implement any methods of improvements prior to work starting on the 2014/15 accounts and this will be facilitated by an officer meeting with the Audit Lead and Manager from Grant Thornton.
- 2.1.1 Grant Thornton have identified a small number of minor misstatements relating to our accounting for pension liabilities and the cash flow statements. These have been agreed by officers and have been revised in the final set of accounts for your final approval.
- 2.2 In addition Grant Thornton have also stated that the Council has adequate arrangements in place to achieve financial resilience. Due to time constraints, Grant Thornton have included a summarised version of their value for money assessment (a more detailed analysis will be reported to the next Audit Committee in December).
- 2.3 Once the Accounts have been formally approved by the Audit Committee the Finance Team will produce a summarised version (written in more plain English which will just focus on the key areas of the Accounts) which will be placed on the website in the next few weeks.

3.0 Conclusion

- 3.1 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 2014.

Contact for more information: Andrew Jarrett
01884 234242
ajarrett@middevon.gov.uk

Background Papers:

File Reference:

Circulation of the Report: Cllr Neal Davey



DRAFT ANNUAL REPORT & ACCOUNTS

FOR THE YEAR ENDED

31 MARCH 2014

HEAD OF FINANCE: ANDREW JARRETT CPFA

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2013/14 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 2014. 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 2013/14.

All of the changes, where applicable, are explained, in the main body of the Accounts. The most significant accounting changes to the 2013/14 Accounts are:

- Post-employment benefits for pensions – Changes have been made to the classification, recognition, measurement and disclosure requirements by the amendment to IAS 19. These accounts incorporate these modifications.
- The disclosures associated with pensions have been amended with revisions to the accompanying notes.
- Accounting for business rates retention – The localisation of business rates whereby local authorities can retain an element of business rates growth. The Council joined the Devon Business Rates pool from inception and this year the accounts reflect the impact of the changes for the first time.

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, 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 Comprehensive Income and Expenditure Statement.

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 2013/14. The month 12 outturn report tabled at the 8 May 2014 Cabinet meeting declared an estimated outturn saving of £42k 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.

2013/14 Savings & Additional Costs	Budget variances £k
Provision for CTR and localisation of Business Rates not required	(249)
Salary underspend across all services – less any spend on agency staff	(205)
Recovery of 94.3% of Heritable investment	(122)
Other misc. Govt. grants rec'd in 13/14	(96)
Set up costs of Community Infrastructure Levy	43
Increased pension costs due to changes in national scheme parameters	50
Building control fees below budget	52
Enforcement action taken to clear a specific site (this should be recovered during 2014/15)	61
New finance leases	65

Vehicles repairs in Refuse/Recycling	72
Purchase of five 2 nd hand refuse vehicles	88
Other misc. variances	94
Urgent one-off repairs/maintenance/improvements across a number of services	105
Overall Savings	(42)

Note – since this outturn position was declared a number of minor revisions have been made which have resulted in an in year loss of £163k on the General Fund shown in the Movement in Reserves Statement (so a change of £205k). This change can be reconciled by:

The transfer of £223k from the GFund balance as at 31 March 2013 as approved by the Cabinet to make a greater provision for vehicle replacement. An improved final adjustment on the Heritable Bank repayment of £47k.

And some minor adjustments with regard to support services.

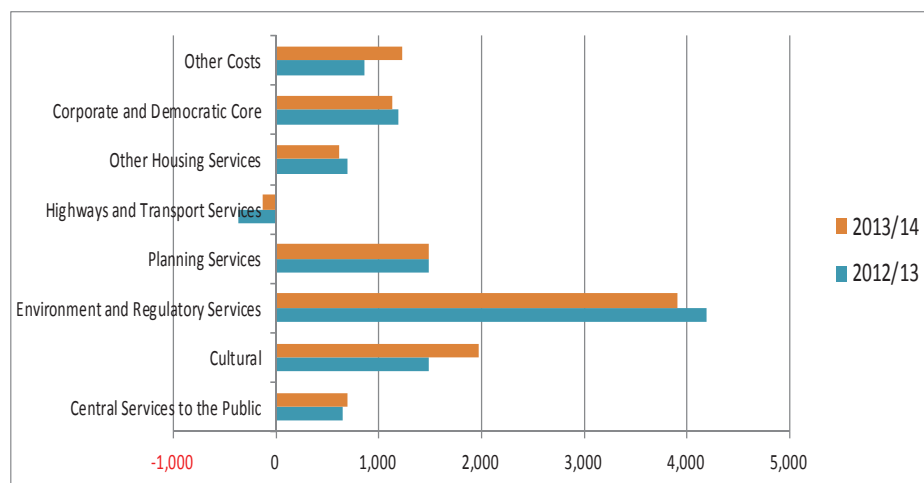
The overall General Fund saving delivered in 2013/14 (prior to this final transfer of £223k into Ear Marked Reserves) reflects the efforts of both officers and members to provide high quality services at an affordable cost and demonstrates the Council's on-going commitment to further reduce operational cost to mitigate against further cuts in Central Government funding.

The closing General Fund Balance (GFB) of £2,460k can be reconciled by:

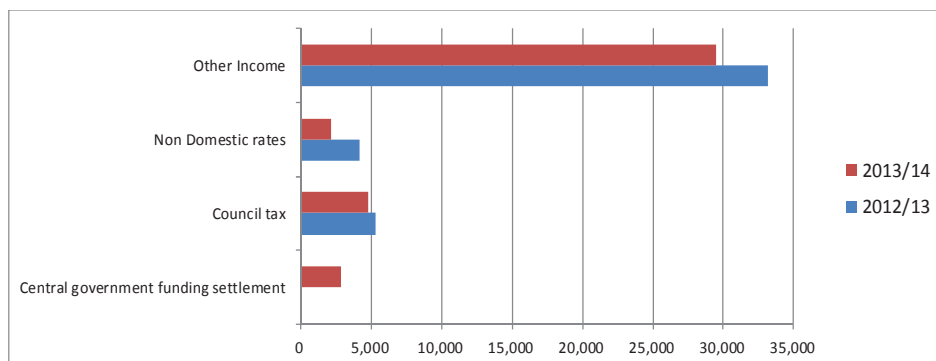
GFB as at 31 March 2013	(£2,623k)
General Fund overspend in 2013/14 – incl. EMRs	<u>£163k</u>
Closing GFB as at 31 March 2014	(£2,460k)

Note – Minimum GFB agreed at 25% of net expenditure = £2.4m.

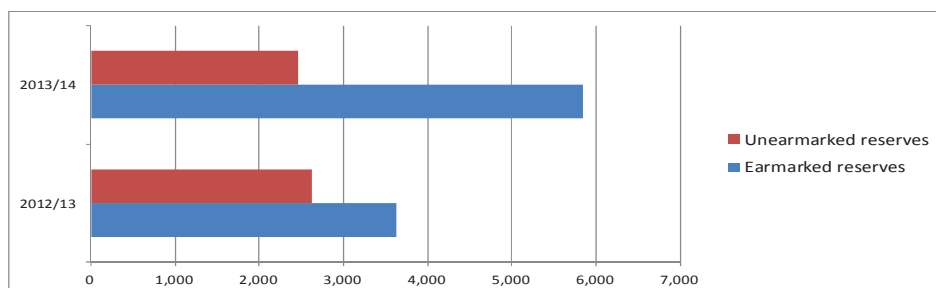
General Fund Net Service Expenditure £k



General Fund Revenue Income £k



General Fund Account Reserves £k



2.2 Revenue Expenditure - Housing Revenue Account (HRA)

The 2013/14 financial year has seen a very positive financial position delivered by the HRA. Overall spending levels have been below budget during the year and the HRA Balance has ended the year well above the minimum approved level of £1m. The outturn report showed a year end under spend of £689k.

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

	Budget variances £k
2013/14 Savings & Additional Costs	
Income rec'd from solar panel agreement	(247)
Lower borrowing costs from GFund	(101)
Staff savings	(182)
Increased rents from Wells Park development	(63)
Expenditure on sewage works to be met from reserves	84
Other sundry variances	(180)
Overall Savings	(689)

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 8 May 2014 which can be accessed on the Council's website.

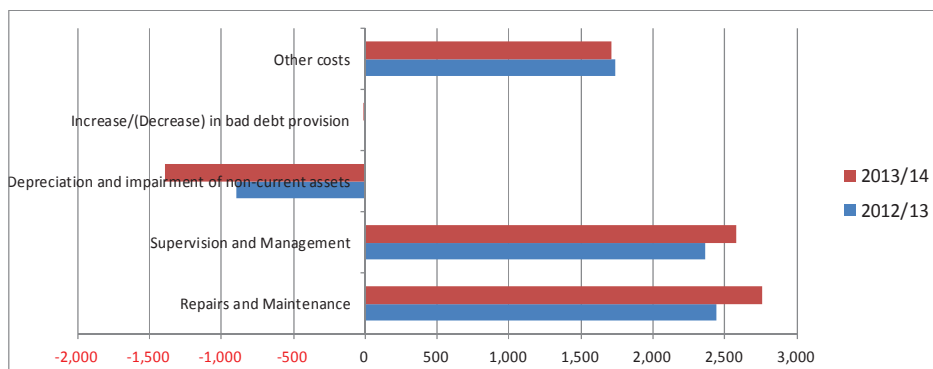
The Housing Service continues to prioritise its spending to ensure the delivery of the Decent Homes Standard and to this end has continued to target additional resources into increased expenditure on major stock improvements.

The final year end position after accounting for transfers into ear marked reserves (this also included an additional transfer of circa £0.7m into the 30 year modernisation reserve) reflected a small underspend of £36k on the HRA for 2013/14.

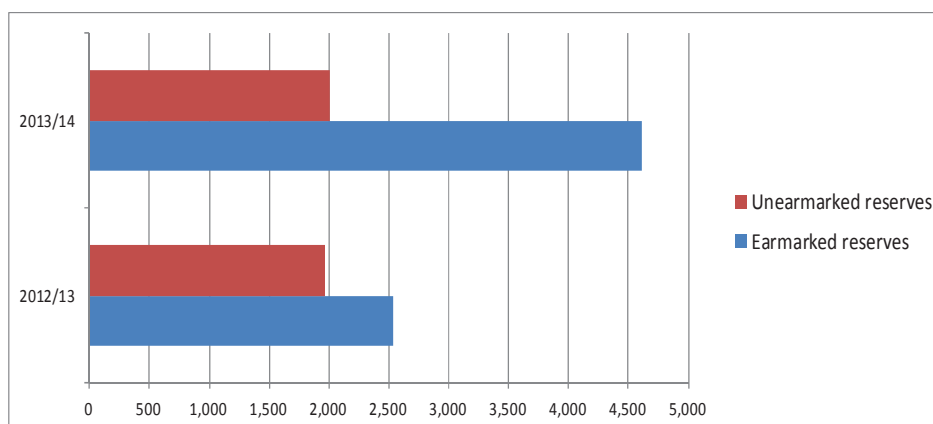
The closing HRA Balance (HRAB) of £2,004k can be reconciled by:

HRAB as at 31 March 2013	(£1,968k)
HRAB under spend delivered in 2013/14	(£36k)
Closing HRAB as at 31 March 2014	<u>(£2,004k)</u>

Housing Revenue Account Service Expenditure £k



Housing Revenue Account Reserves £k



2.3 Capital Expenditure

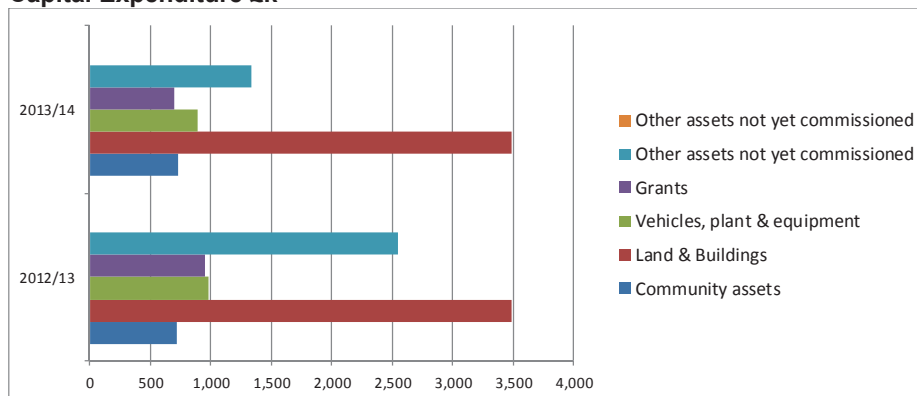
During the year capital expenditure amounted to £5,767k. The Council used £240k of capital receipts to fund the capital programme with the balance of the expenditure met by a combination of external grants and earmarked reserves.

The three largest areas of expenditure in the 2013/14 capital programme were: £3,757k spent on improvements and additions to our existing housing stock, £697k spent on various housing related grants and £242k on new refuse/recycling/cleansing vehicles.

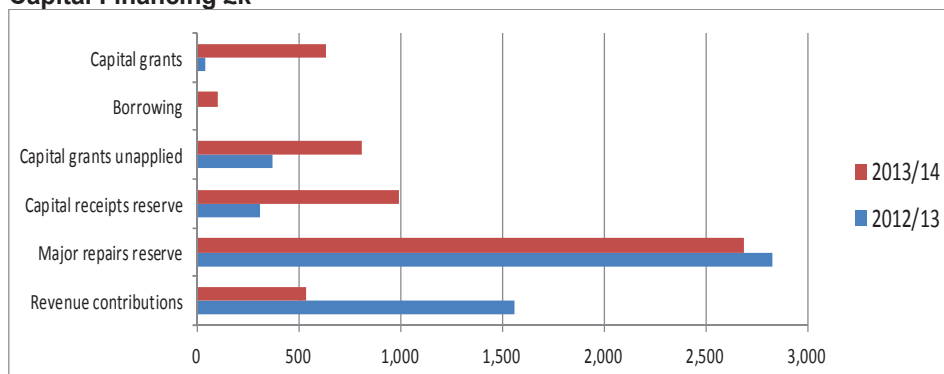
Due to the low level of capital receipts we have begun to make revenue contributions from both the General Fund and the HRA over the past few years and to this end the Council now has a Capital Contingency Reserve of £981k at the 31 March 2014. This has been a proactive budgetary measure on the basis that the Medium Term Financial Plan for 2015/16 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 2013/14.

Capital Expenditure £k



Capital Financing £k



2.4 The Movement in Reserves Statement

This statement is the 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 £4,159k to £17,348k during 2013/14.

2.5 The Comprehensive Income and Expenditure Statement

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

Page 3 of the Accounts shows an overall surplus on the Comprehensive I & E Account of £13,848k, 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 8 to 13. Once all of these adjustments are accounted for, then the final outturn deficit of £163k on the General Fund and surplus of £36k on the HRA shown on the Movement in Reserves Statement is delivered.

For information purposes, in addition to the various fees and charges levied by services, the General Fund was funded by £2,867k from Central Government Formula Grant, £2,137k from Business Rates, £53k from a Council Tax Freeze Grant and Council Tax of £5,808k. In addition there were miscellaneous grants totalling £1,706k (which included £715k of New Homes Bonus).

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 £8,221k during 2013/14, predominantly due to the increase in valuation of £3,378k across the Council housing stock and the additions of £3,182k relating to the 22 new Council Houses at Wells Park, Crediton.
- The overall Pension Scheme deficit reduced by £1,019k reflecting the slightly improved return on scheme assets and some of the recent legislative changes to the pension fund criteria.

2.7 Cash Flow Statement

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

- The Council had a net cash outflow during 2013/14 of £439k.

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 £8,196k surplus on the HRA during 2013/14.

But after accounting for the adjustments made in the Movement on the HRA Statement of £6,082k and the transfers to Ear Marked Reserves of £2,078k you arrive at the end of year underspend of £36k.

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 2013/14 there was a net decrease on this account of £47k. The table below reconciles the amount held in the MRR.

	£k
Major Repairs Reserve @ 31 March 2013	(47)
Use of MRR during 2013/14	47
Major Repairs Reserve @ 31 March 2014	Nil

2.10 The Collection Fund

The financial highlights for the Collection Fund are given below:

- The Council Tax Collection Fund made a surplus of £719k in the year after crediting £127k to the General Fund in relation to prior year surpluses.
- The Council Tax collection rate achieved in the year was 97.6% (98.1% in 2012/13).
- The Council set a Band D equivalent council tax rate of £182.15 in 2013/14 (i.e. frozen for the 4th successive year).
- The Business Rates Collection Fund made a deficit of £213k in the year.
- The Business rates collection rate achieved in the year was 98.4% (97.6% in 2012/13).

2.11 Pension Fund

The financial highlights of the pension fund are:

- Pension assets have increased to £47,998k (£46,912k in 12/13)
- Pension liabilities have increased to £87,083k (£87,039k in 12/13)
- Unfunded liabilities have increased to £1,220k (£1,197k in 12/13)
- The net deficit on the fund is £40,305k (£41,324k in 12/13)

The requirement to recognise the net pension liability on the Balance Sheet arises from Financial Reporting Standard 17 "Retirement Benefits" and IAS19. IAS19 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 all of its asset portfolio in order to establish a "true and fair" view for the 31 March 2014 Balance Sheet.

2.13 Treasury Activities

The table below gives an overview of the Council's treasury activities during 2013/14:

31/3/13 £k	Investment categories	31/3/14 £k
3	Cash floats	3
1,184	Bank deposits	1,745
5,000	Short term deposits	4,000
6,187	Total	5,748

In addition to above cash equivalents the Council also held £7m of short term investments as at the 31 March 2014.

The Council generated investment interest of £145k, which gave an average rate of return of 0.595%. It also paid out £1,397k relating to two PWLB loans.

2.14 Heritable Bank Investment

In August 2013 the Council received a 14th and final dividend relating to the £1.1m investment made in September 2008. This means the Council has received dividends totalling £1,038k. The latest administrator's report indicates that no further dividends will be forthcoming. Back in 2009/10 the Council wrote off a sum of £231k against the General Fund based on the most upto date information available. Due to a more positive outcome than initially projected it has been possible to credit the General Fund with a sum of £169k during 2013/14.

2.15 Post Balance Sheet Events

None (to be confirmed).

3.0 The Financial Future of Mid Devon

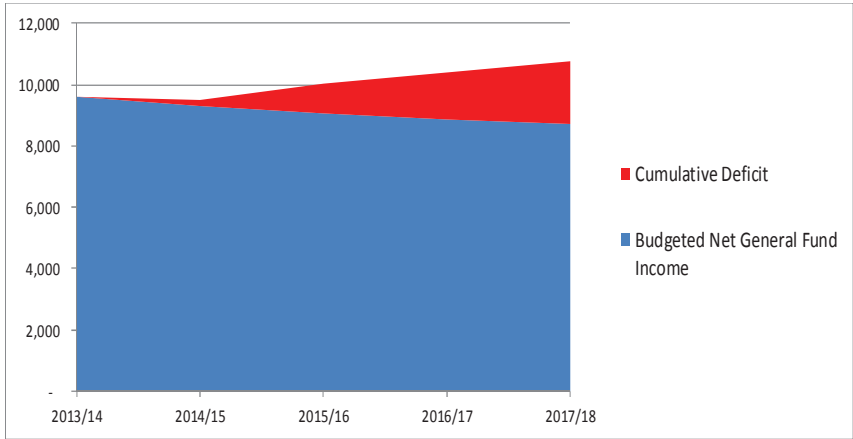
2013/14 was again a challenging financial year for the Council. The continuing large reductions in grant funding settlements from Central Government (a cut of circa £2.0m from the 2010/11 level of £6.186m) have resulted in the need to make very significant cuts in the level of expenditure that can be directed to general service provision.

However, due to more commercial attitudes, better procurement, increased income, delivery of a number of spend to save projects (e.g. solar panels/renewable energy initiatives and leisure centre enhancements) and reductions in staffing levels the Council has managed to work within this ever tightening resource envelope and not see a reduction in the quality of services being delivered.

It is not going to get any easier over the next few years. The current Government has pledged to continue its austerity programme, which will undoubtedly result in an ongoing reduction in Local Government funding. Mid Devon has already received an additional grant reduction of £553k for 2014/15, (and still managed to set a balanced budget) and an indicative grant funding settlement for 2015/16, which proposes further extra funding reduction of £656k.

Strategic financial planning meetings are already well underway, in order to establish what level and range of services can be delivered in the future against this back drop of ever reducing funding levels.

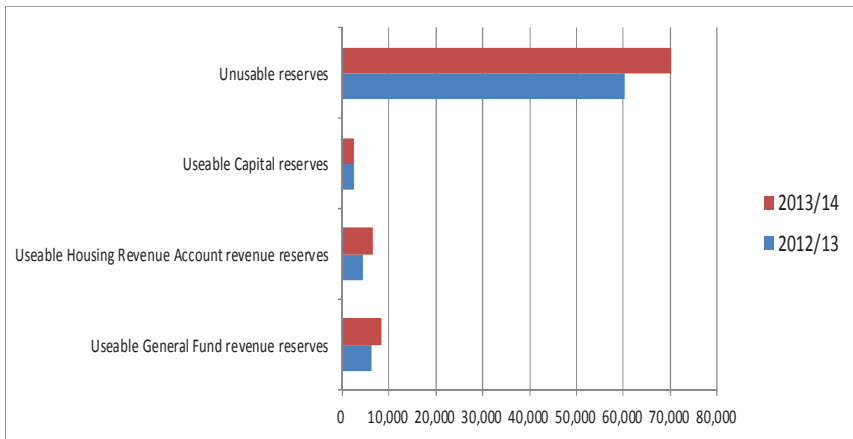
Medium Term Forecast Expenditure and Funding £k (As discussed at the October 2013 Cabinet meeting)



Notes

1. This diagram shows that delivering our existing range and level of services, without any remedial action, would result in the Council's expenditure exceeding the available resources by £2m by the end of 2017/18.
2. Central government has reduced the main Revenue Support Grant from £6.1m, in 2010/11 down to a provisional sum of £3.6m for 2015/16. This is a funding cut of 69% over the last five years.

Total Useable and Unusable Reserves £k



**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 2013/14 financial year and its position at the year end of 31 March 2014. 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 2013/14 and the Service Reporting Code of Practice for Local Authorities 2013/14 (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 the 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 recognised 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 £10k is normally applied to any adjustments made. We close our purchase ledger on 15 April with estimates made where we have received no invoice.

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 2013/14 (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, revaluations, 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 (LGPS)

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 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
 - *unitised securities* – average of the bid and offer rates
 - *property* – market value

The change in the net pensions liability is analysed into the following components:

Service cost comprising:

- *current service cost* – the increase in liabilities as a 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.
- *net interest on the net defined benefit liability*, i.e. net interest expense for the authority – the change during the period in the net defined benefit liability that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement – this is calculated by applying the discount rate

used to measure the defined benefit liability at the beginning of the period – taking into account any changes in the net defined benefit liability during the period as a result of contribution and benefit payments.

Remeasurements comprising:

- *the return on plan assets* - excluding amounts included in net interest on the net defined benefit liability - charged to the Pensions Reserve as Other Comprehensive Income and Expenditure

- *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 – charged to the Pensions reserve as Other Comprehensive Income and Expenditure

Contributions paid to the Local Government Pensions Scheme - 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 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 arise 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.

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.

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 lease contract.

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 if 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 Reclassifiable Amounts in the Surplus or Deficit on the Provision of Services

IAS1 requires that certain transactions be grouped in Other Comprehensive Income and Expenditure into two groups that:

- a) will not be reclassified subsequently to the Surplus or Deficit on the Provision of Services; and
- b) will be reclassified subsequently to the Surplus or Deficit on the Provision of Services.

This year the Authority has no transactions that require reclassification in the Surplus or Deficit on the Provision of Services. As a result items have not been grouped in Other Comprehensive Income and Expenditure between amounts that may be reclassifiable and amounts that are not.

Property, Plant and Equipment

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 asset's potential to deliver future economic benefits or service potential (e.g. repairs and maintenance) is charged as an expense when it is incurred. Expenditure is treated as *revenue* in nature unless the expenditure exceeds £20k. (Except in the case of some projects where the total funding grant exceeds £20k but an individual project using this money may amount to less than this.)

Measurement

Assets are initially measured at cost comprising:

- the purchase price
- any costs attributable to bringing the asset into the working condition necessary for it to be capable of operating in the manner intended by management
- any costs attributable to 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 cost 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 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.

Componentization

The move to IFRS accounting has seen the introduction of componentization. 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 had the District Valuer estimate current values of all of the property portfolio at 31 March 2014.

In compiling the 2010/11 Accounts there was a major change in the Housing Valuation provided by the District Valuer. The District Valuer has confirmed that the applicable rate for 2013/14 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. Depreciation is charged in full in the year of acquisition. 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 has been calculated based upon the expected lives of key components of our housing units

Roofs	50 years
Kitchens	20 years
Bathrooms	30 years
Windows	30 years
Boilers	15 years
Structure	60 years

Applying this model, with current rebuilding costs, a depreciation charge of £1,809k for the year has been determined. This charge has been allocated pro rata across all of the council dwellings, including new additions based upon the properties value

- 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 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
ICT Equipment	Expected asset life of 5 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.

Amounts in excess of £20k are categorised as capital receipts. A proportion of receipts relating to housing disposals and other assets, net of statutory deductions and allowances is payable to the Government. Part of the retained 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 and part is required to be set aside in a ring fenced reserve for future Council house building. Receipts are appropriated to the Reserve from the Adjustments between Accounting Basis and Funding Basis under Regulations.

The written-off value of disposals is not a charge against council tax, as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

4.16 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.

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 4.15 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 Authority's 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.

4.17 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 cannot 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 £10k) the Capital Receipts Reserve.

4.18 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 or 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 a finance lease 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.

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 amount 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.

4.19 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.

4.20 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.

4.21 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.

4.22 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.

4.23 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 do 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 Comprehensive Income and Expenditure Statement 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 would be 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 Comprehensive Income and Expenditure Statement.

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.

4.24 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.

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4.25 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.

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 2014.

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 2014.

The date on which the Statement of Accounts was authorised for issue by the Head of Finance was 24 June 2014.

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

.....

Bob Evans

Approved by the Leader of the Council

.....

Peter H D Hare-Scott

Approved at a meeting of the Audit Committee on the September 2014

Mid Devon District Council Financial Statements and Notes to the Accounts for the year ended 31 March 2014

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 2013		(2,623)	(3,622)	(1,968)	(2,535)	(757)	(47)	(1,637)	(13,189)	(60,343)	(73,532)
<u>Movement in Reserves during 2013/14</u>											
(Surplus) or deficit on the provision of services		2,051		(8,396)					(6,345)		(6,345)
Other Comprehensive Income and Expenditure	21/22								0	(7,503)	(7,503)
Total Comprehensive Income and Expenditure		2,051	0	(8,396)	0	0	0	0	(6,345)	(7,503)	(13,848)
Adjustments between accounting basis and funding basis under regulations	5	(4,109)		6,282		(314)	47	280	2,186	(2,186)	0
Net Increase/Decrease before Transfers to Earmarked Reserves		(2,058)	0	(2,114)	0	(314)	47	280	(4,159)	(9,689)	(13,848)
Transfers to /(from) Earmarked Reserves	6	2,221	(2,221)	2,078	(2,078)				0		
(Increase)/Decrease in 2013/14		163	(2,221)	(36)	(2,078)	(314)	47	280	(4,159)	(9,689)	(13,848)
Balance at 31 March 2014 Carried forward		(2,460)	(5,843)	(2,004)	(4,613)	(1,071)	0	(1,357)	(17,348)	(70,032)	(87,380)
Held for Revenue Purposes		(2,460)	(5,843)	(2,004)	(4,613)				(14,920)		
Held for Capital Purposes						(1,071)	-	(1,357)	(2,428)		

Mid Devon District Council Financial Statements and Notes to the Accounts for the year ended 31 March 2014

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 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 on the provision of services	1,162		(7,329)					(6,167)		(6,535)
Other Comprehensive Income and Expenditure								0	1,341	1,341
Total Comprehensive Income and Expenditure	1,162	0	(7,329)	0	0	0	0	(6,167)	1,341	(5,194)
Adjustments between accounting basis and funding basis under regulations	5 (697)		4,655		(212)	784	(343)	4,187	(3,878)	309
Net Increase/Decrease before Transfers to Earmarked Reserves	465	0	(2,674)	0	(212)	784	(343)	(1,980)	(2,537)	(4,885)
Transfers to /(from) Earmarked Reserves	6 (633)	633	2,662	(2,535)	(127)			0		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)
Held for Revenue Purposes	(2,623)	(3,622)	(1,968)	(2,535)				(10,748)		
Held for Capital Purposes					(757)	(47)	(1,637)	(2,441)		

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Mid Devon District Council Financial Statements and Notes to the Accounts for the year ended 31 March 2014

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 expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

2012/13		Original Net		As Restated		Notes	2013/14	
Gross Expenditure £000	Gross Income £000	Expenditure £000	£000				Gross Expenditure £000	Gross Income £000
6,268	(5,618)	650	650	Central Services to the Public (see note below)	*	1,230	(533)	
3,746	(2,253)	1,493	1,493	Cultural		4,362	(2,394)	
6,116	(1,922)	4,194	4,194	Environment and Regulatory Services		5,876	(1,963)	
2,964	(1,477)	1,487	1,487	Planning Services		3,360	(1,872)	
429	(803)	(374)	(374)	Highways and Transport Services		707	(841)	
4,232	(12,663)	(8,431)	(8,431)	Local Authority Housing (HRA)		4,278	(13,215)	
20,261	(19,569)	692	692	Other Housing Services		20,396	(19,787)	
1,192	(1)	1,191	1,191	Corporate and Democratic Core		1,137	(1)	
1,007	(152)	855	855	Non Distributed Costs		1,375	(144)	
46,215	(44,458)	1,757	1,757	Costs of Services		42,721	(40,750)	
		836	836	Other Operating Expenditure	8			
		2,635	3,003	Financing and Investment Income and Expenditure	9			
		(11,763)	(11,763)	Taxation and Non-Specific Grant Income	10			
		(6,535)	(6,167)	(Surplus) or Deficit on Provision of Services				
		(756)	(756)	(Surplus) or deficit on revaluation of Property, Plant and Equipment	22			
		2,465	2,097	Remeasurements of the net defined benefit liability	21			
		1,709	1,341	Other Comprehensive Income and Expenditure				
		(4,826)	(4,826)	Total Comprehensive Income and Expenditure				

* Following the introduction of the new Council Tax Support Scheme the gross expenditure and income of the Central Services to the Public has fallen by circa £4.6 million. Readers will note how the position remains similar to earlier years.

taxation to cover

**Net Expenditure
£000**

697
1,968
3,913
1,488
(134)
(8,937)
609
1,136
1,231

1,971

1,367

2,888

(12,571)

(6,345)

(4,225)

(3,270)

(7,495)

(13,840)

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Balance Sheet

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

31 March 2013 £000	Notes	31 March 2014 £000
151,710	Property, Plant & Equipment 22	159,931
925	Heritage Assets 25	475
0	Intangible assets 26	0
162	Long-term Debtors 32	170
152,797		160,576
3,000	Short Term Investments 33	7,014
152	Inventories 34	199
2,559	Short Term Debtors 35	2,528
6,187	Cash and Cash Equivalents 36	5,748
11,898	Current Assets	15,489
(6,591)	Short Term Creditors 37	(3,209)
(1,322)	Borrowings 29	(1,449)
(5,269)	Current Liabilities	(4,658)
(586)	Long Term Creditors 38	(740)
(43,984)	Borrowings 29	(42,982)
(41,324)	Other Long Term Liabilities 46	(40,305)
0	Capital Grants Receipts in Advance 38	0
(85,894)	Long Term Liabilities	(84,027)
73,532	Net Assets	87,380
13,189	Usable Reserves 40	17,348
60,343	Unusable reserves 41	70,032
73,532	Total Reserves	87,380

The unaudited accounts were issued on 24 June 2014 and the audited accounts were authorised for issue on (tbc)

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.

Original 2012/13 £000	As Restated 2012/13 £000		Notes	2013/14 £000
6,535	6,167	Net surplus or (deficit) on the provision of services		6,345
3,870	4,238	Adjustments to net surplus or deficit on the provision of services for non cash movements	49	3,710
443	443	Adjustments for items included in the net surplus on the provision of services that are investing and financing activities (See note references)	50	(735)
10,848	10,848	Net cash flows from Operating Activities	51	9,320
(10,969)	(10,969)	Investing Activities	52	(8,295)
(3,621)	(3,621)	Financing Activities	53	(1,464)
(3,742)	(3,742)	Net increase or decrease in cash and cash equivalents		(439)
9,929	9,929	Cash and cash equivalents at the beginning of the reporting period	36	6,187
6,187	6,187	Cash and cash equivalents at the end of the reporting period	36	5,748
				5748
				0

Notes to the Accounts

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

In compiling the 2013/14 Accounts the following accounting policies have not been adopted:

- IFRS 10 Consolidated Financial Statements (May 2011)
- IFRS 11 Joint Arrangements (May 2011)
- IFRS 12 Disclosures of Interests in Other Entities (May 2011)
- IAS 27 Separate Financial Statements (as amended May 2011)
- IAS 28 Investments in Associates and Joint Ventures (as amended May 2011)
- IAS 32 Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities (December 2011)
- IAS 1 Presentation of Financial Statements (as amended May 2011)

The Code of Practice requires that the Authority discloses information relating to the impact of an accounting change that will be required by a new standard that has been issued but not yet adopted. This requirement applies to accounting standards that come into effect for financial years commencing on or before 1 January of the financial year in question (i.e. on or before 1 January 2014 for 2013/14). Disclosure requirements are expected to be included in a subsequent edition of the Code.

- IFRS 10 Consolidated Financial Statements
- IFRS 11 Joint Arrangements
- IFRS 12 Disclosure of Interests in Other Entities
- IFRS 13 Fair Value Measurement (May 2011)
- IAS 27 Separate Financial Statements (as amended in 2011)
- IAS 28 Investments in Associates and Joint Ventures (as amended in 2011)
- IAS 32 Financial Instruments: Presentation
- Annual Improvements to IFRSs 2009 – 2011 Cycle.

It is anticipated that details of the disclosures required for most of these changes will be included in the Code of Practice issued for 2014/15.

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 2013/14;
- c) asset lives for the calculation of depreciation charges - based on service managers experience of previously used assets.

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

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

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

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

The Statement of Accounts contains estimated figures that are based on assumptions made by the Authority about the future or that are otherwise
The items in the Authority's Balance sheet at 31 March 2014 for which there is a significant risk of material adjustment in the forthcoming financial year are

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 (excl. Council Houses) and plant would increase by £125k 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 £1,500k and a 1 year increase in mortality rates would reduce the scheme obligation by £3,100k. However the assumptions interact in complex ways.
Arrears	At 31 March 2014, the Authority had a gross balance of sundry debtors of £627k. A review of significant balances suggested that an impairment of doubtful debts of 46.7% or £293k was appropriate. However, in the current economic climate it is not certain that 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 £586k to be set aside as an allowance.

4 Material Items of Income and Expense

With effect from 1 April 2013 central government introduced the localisation of Council tax discounts and business rates. This has resulted in some significant changes to the accounting and presentation for the 2013/14 Collection funds. However the overall effect on the Council's cash balances at the end of 2013/14 has not been materially changed.

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.

2013/14	Usable Reserves						Movement in Unusable Reserves
	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Total Usable Reserves	
	£000	£000	£000	£000	£000	£000	
<u>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</u>							
<u>Adjustments involving the Capital Adjustment Account:</u>							
Charges for depreciation and impairment of non current assets	(1,239)	(2,008)					3,247
Revaluation losses on Property, Plant and Equipment (Roundings adjusted)	(598)	3,370					(2,772)
Amortisation of intangible assets							
Capital grants and contributions applied							
Income in relation to donated assets							
Revenue expenditure funded from capital under statute	(733)						733
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	(741)	(955)					1,696
<u>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</u>							
Statutory provision for the financing of capital investment	260	1,430					(1,690)
Capital expenditure charged against the General Fund and HRA balances	447	84					(531)
<u>Adjustments primarily involving the Capital Grants Unapplied Account</u>							
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	958	200			(1,158)		
Application of grants to capital financing transferred to the Capital Adjustment Account					1,438		(1,438)
Balance carried forward	(1,646)	2,121	0	0	280	0	(755)

2013/14	Useable Reserves						Movement in Unusable Reserves
	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Total Usable Reserves	
Balance brought forward	(1,646)	2,121	0	0	280	0	(755)
<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		1,562	(1,562)				
Use of the Capital Receipts Reserve to finance new capital expenditure			991				(991)
Contribution from the Capital Receipts Reserve towards administrative costs of non current asset disposals		(31)	31				
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	(187)		187				
Transfer of deferred sale proceeds as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement		(39)	39				
<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		40					(40)
<u>Adjustment involving the Major Repairs Reserve:</u>							
Reversal of Major Repairs Allowance credited to the HRA		2,641		(2,641)			
Use of the Major Repairs Allowance to finance new capital expenditure				2,688			(2,688)
Interest credited to the Major Repairs Reserve							
<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		51					(51)
Balance carried forward	(1,833)	6,345	(314)	47	280	0	(4,525)

2013/14	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	(1,833)	6,345	(314)	47	280	0	(4,525)
<u>Adjustment involving the Pensions Reserve:</u>							
Actuarial past service gain adjustment							
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(4,087)	(65)					4,152
Employer's pension contributions and direct payments to pensioners payable in the year.	1,901						(1,901)
<u>Adjustment involving the Collection Fund Adjustment Account:</u>							
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	(31)						31
Amount by which NNDR income credited to the Comprehensive Income and Expenditure Statements is different from NNDR income calculated for the year in accordance with statutory requirements	(67)						67
<u>Adjustment involving the Accumulating Compensated Absences Adjustment 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.	8	2					(10)
Total Adjustments	(4,109)	6,282	(314)	47	280	0	(2,186)

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
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)

2012/13	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	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				
Right to Buy Discounts repaid							
Repayment of Mortgage Principal			(4)				4
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	(3,725)	(23)					3,748
Employer's pension contributions and direct payments to pensioners payable in the year.	1,926						(1,926)
Balance carried forward	(832)	4,634	(212)	784	(343)	0	(4,399)

2012/13	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	(832)	4,634	(212)	784	(343)	0	(4,399)
<u>Adjustment involving the Collection Fund Adjustment Account:</u>							
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)
Amount by which NNDR income credited to the Comprehensive Income and Expenditure Statements is different from council tax income calculated for the year in accordance with statutory requirements							
<u>Adjustment involving the Accumulating Compensated Absences Adjustment 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.	3	(1)					(2)
Correction of leave accrual	91	22					(113)
Correction of prior year leave accrual and roundings							309
Total Adjustments	(697)	4,655	(212)	784	(343)	0	(4,246)

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 2014/15.

General Fund - Revenue Earmarked Reserves	Balance at 1/4/12	Transfers In	Transfers Out	Reclassification	Balance at 31/03/13	Transfers In	Transfers Out	Reclassification	Balance at 31/3/14
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Capital Contingency Reserve	1,881	313	(1,070)	367	1,491	350	(318)	(560)	963
Maintenance & Amenity Reserve	794	84	(101)	0	777	640	(157)		1,260
Misc. Gfund Reserves	924	606	(32)	(624)	874	(183)	(410)	746	1,027
Vehicle and plant sinking funds						695			695
New Homes Bonus		357	(357)		0	1,275	(51)		1,224
General Vehicle Replacement	70	18	(30)		58	224	(124)		158
Insurance excess claims fund	202		(47)		155				155
Statutory Development Plan	36	45			81	30			111
NNDR Reserve					0	250			250
Refuse Vehicle Replacements	348		(419)	257	186			(186)	0
Total Revenue Ear Marked Reserves	4,255	1,423	(2,056)	0	3,622	3,281	(1,060)	0	5,843

The capital contingency reserve makes provision for an identified funding cap for future capital programmes shown in the medium term financial plan. The maintenance reserve is a collection of Section 106 contributions being used to fund revenue costs of additional play parks and amenity provision included in various planning provisions. The New Homes Bonus reserve is used to make additional provision for the current estimated capital funding gap and to provide for additional expenditure on Economic Development. Misc Gfund items are a large number of items that relate to specific projects that will be delivered in 2014/15 (these are separately identified in the Revenue Outturn report presented to the Cabinet on the 8 May 2014).

Housing Revenue Account - Revenue Earmarked Reserves	Balance at 1/4/12	Transfers In	Transfers Out	Reclassification	Balance at 31/03/13	Transfers In	Transfers Out	Reclassification	Balance at 31/3/14
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Sewage Treatment Works	0	100			100		(84)		16
Solar Panel Income - Renewables	0	237			237	217	(109)		345
30yr Maintenance Programme	0	2,198			2,198	2,777	(723)		4,252
Total Revenue Ear Marked Reserves	0	2,535	0	0	2,535	2,994	(916)	0	4,613

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 1/4/12	Transfers In	Transfers Out	Reclassification	Balance at 31/03/13	Transfers In	Transfers Out	Reclassification	Balance at 31/3/14
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Total Funds Unapplied	512	0	(3)	0	509	35	(385)	0	159
Regional Housing Pot	512	0	(3)	0	509	35	(385)	0	159
Afford Housing Contributions	244	293	(30)	0	507	315	(256)	0	566
Tiverton Enhancement Scheme	16	0	(2)	0	14	0	0	0	14
Air Quality Fund - Cullompton	77	49	0	0	126	40	(122)	0	44
Air Quality Fund - Crediton	178	62	0	0	240	58	0	0	298
Planning Delivery Grant	241	0	0	0	241	0	(43)	0	198
Cap Grants Unapplied Nonspecif	0	1	(1)	0	0	78	0	0	78
Miscellaneous grants					0	633	(633)		0
Dcc Funding	0	4	(4)	0	0	0	0	0	0
Dclg Dfg Grant	26	305	(331)	0	0	0	0	0	0
Total Capital Grants Unapplied	1,294	714	(371)	0	1,637	1,159	(1,439)	0	1,357

8 Other Operating expenditure

2012/13		2013/14
£000		£000
954	Parish Council precepts	1,046
165	Payments to the Government Housing capital receipts pool	187
(283)	(Gains)/Losses on the disposal of non current assets	134
836	Total	1,367

9 Financing and Investment Income and Expenditure

Original 2012/13	As restated 2012/13		2013/14
£000	£000		£000
1,454	1,454	Interest payable and similar charges	1,397
1,330	1,698	Pensions interest cost and expected return on pension assets (See note)	1,805
(149)	(149)	Interest receivable and similar income	(145)
0	0	Heritable Bank loss - write back of provision not required	(169)
2,635	3,003	Total	2,888

10 Taxation and Non Specific Grant Income

2012/13		2013/14
£000		£000
(6,256)	Council tax income	(5,808)
(4,216)	Non domestic rates	(2,137)
(82)	Revenue Support Grant	(2,867)
(495)	Non-ringfenced government grants	(847)
(714)	Capital grants and contributions	(912)
(11,763)	Total	(12,571)

Further details of specific grant income are shown at note

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 £109k under operating leases in 2013/14 (£67k in 2012/13) comprising of the following elements:

The increase in payments during 2013/14 is due to some Finance Leases becoming Operating Leases.

2012/13 £000		2013/14 £000
25	Land & Buildings	25
42	Vehicles, Plant & Equipment	84
67	Total	109

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 2014 was £2,612k (£2,354k in 2012/13)

	2012/13			2013/14		
	Gross Value £000	Rental Income £000	Net Book Value £000	Gross Value £000	Rental Income £000	Net Book Value £000
HRA shops	1,234	107	1,193	1,165	107	1,165
Industrial units	1,120	90	1,084	1,447	97	1,447
Total	2,354	197	2,277	2,612	204	2,612

The Council also received £12,270k from the rental of 1,157 Garages Rents and 3,068 Council Houses. For more information see the Housing Revenue Account notes. As a result of the full valuation of the assets this year both the gross value and the net book value are the same value, with no accumulated depreciation carried forward.

12 Officers' Emoluments

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

Remuneration Band	2012/13		2013/14	
	Number of Employees	Left During Year	Number of Employees	Left During Year
£50,000 - £54,999	2	0	1	0
£55,000 - £59,999	1	0	1	0
£60,000 - £64,999	4	0	4	0
£65,000 - £69,999	0	0	1	0
£70,000 - £74,999	0	0	0	0
£75,000 - £79,999	0	0	0	0
£80,000 - £84,999	0	0	0	0
£85,000 - £89,999	0	0	0	0
£90,000 - £94,999	0	0	0	0
£95,000 - £99,999	1	0	1	0
£100,000- £104,999	0	0	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 2013/14 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 2013/14

Notes to the Accounts

Statutory Officers Earning in Excess of £50,000

Post Title	Financial Year	Salary (Including Allowances)	Expenses	Benefits in Kind	Total Remuneration excluding pension contributions	Pension Contributions	Total Remuneration including pension contributions
Chief Executive	2013/14	97,637	-	-	97,637	17,868	115,505
	2012/13	97,339	573	-	97,912	17,813	115,725
Head of Business Information Services Note 1.	2013/14	53,322	-	-	53,322	9,758	63,080
	2012/13	51,034	98	-	51,132	9,339	60,471
Head of Planning and Regeneration	2013/14	62,476	-	-	62,476	11,433	73,909
	2012/13	61,857	-	-	61,857	11,320	73,177
Head of Financial Services	2013/14	62,476	-	-	62,476	11,433	73,909
	2012/13	61,857	104	-	61,961	11,320	73,281
Head of HR & Development	2013/14	61,249	-	-	61,249	11,209	72,458
	2012/13	59,455	-	-	59,455	10,880	70,335
Head of Communities and Governance	2013/14	56,586	-	-	56,586	-	56,586
	2012/13	54,926	-	-	54,926	-	54,926
Head of Environmental Services	2013/14	61,249	-	1,078	62,327	11,209	73,536
	2012/13	59,455	44	1,239	60,738	10,880	71,618
Head of Housing & Property Services	2013/14	64,420	-	1,078	65,498	11,787	77,285
	2012/13	62,924	34	1,239	64,197	11,515	75,712
Head of Legal and Democratic Services Note 2	2013/14	-	-	-	-	-	-
	2012/13	17,598	-	413	18,011	3,220	21,231

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

Note 1. The post title for Head of ICT has been changed to Head of Business Information Services.

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.

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

13 Termination Benefits

2013/14

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	4	3	7	55
£20,000 - £99,999	0	1	1	22

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

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

14 External Audit Costs

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

2012/13	2013/14
£000	£000
63 Fees payable with regard to the annual audit fee	63
13 Fees payable for the certification of claims and returns	21
76 Total	84

Notes to the Accounts

15 Related Party Transactions

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

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

Members of the Council have direct control over the Council's financial and operating policies. The Council's constitution requires members to declare their interests in related parties in a register of interests. This register has been reviewed by Finance and no transactions have required disclosure.

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

16 Members Allowances

2012/13 £000	2013/14 £000
<u>294</u> Allowances paid in the year	<u>291</u>

17 Acquired and/or Discontinued Activities

The Council did not acquire any new activities or discontinue any existing ones during 2013/14.

18 Depreciation and Impairment of Fixed Assets

2012/13 £000	2013/14 £000
3,584 Depreciation	3,247
118 Amortisation of intangible assets	0
601 Impairment of fixed assets	(2,771)
(4,077) Reversal of impairment of fixed assets	0
<u>226</u> Total	<u>476</u>

The revaluation of the Council Housing stock has resulted in a large impairment reversal of £5,342k which has created an overall net impairment reversal of £2,771k as shown above.

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.

2012/13 £000	2013/14 £000
84 PWLB principal repaid GF	66
1,275 PWLB principal repaid - HRA Self financing	1,332
128 General Fund 4% of the Capital Financing Requirement	142
308 Capital financing in respect of finance leases	151
<u>1,795</u>	<u>1,691</u>

20 Insurance

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

Notes to the Accounts

21 Pensions

All of the pension figures included in the 2013/14 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. Governance of the scheme is the responsibility of the pensions committee of Devon County Council. Policy is determined in accordance with the Pension Fund Regulations.

The principal risks to the authority of the scheme are the longevity assumptions, statutory changes to the scheme, structural changes to the scheme (i.e. large scale withdrawals from the scheme), changes to inflation, bond yields and the performance of the equity investments held by the scheme. These are mitigated to a certain extent by the statutory requirements to charge to the General fund and Housing revenue Account the amounts required by statute as described in the accounting policies note.

Arrangements for the award of discretionary post-retirement benefits upon early retirement .

This is an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made. There are no investment assets built up to meet these pension liabilities and cash has to be generated to meet actual pension payments as they eventually fall due.

Discretionary Post-retirement Benefits

Discretionary post-retirement benefits on early retirement are an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made. There are no plan assets built up to meet these pension liabilities.

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 Comprehensive Income and Expenditure Statement and the AABFBR:

Pension Assets and Liabilities Recognised in the Balance Sheet

Local Government Pension Scheme

Discretionary Benefit Arrangements

	2012/13	2013/14	2012/13	2013/14
	£000	£000	£000	£000
Present value of the defined benefit obligation	87,039	87,083	1,197	1,220
Fair value of plan assets	46,912	47,998		
Sub-total	<u>40,127</u>	<u>39,085</u>	<u>1,197</u>	<u>1,220</u>
Other movements in the liability (asset)				
Net liability from defined benefit obligation	<u><u>40,127</u></u>	<u><u>39,085</u></u>	<u><u>1,197</u></u>	<u><u>1,220</u></u>

Notes to the Accounts

21 Pensions continued

Comprehensive Income and Expenditure Statement

	Local Government Pension Scheme		Discretionary Benefit Arrangements		£000
	2012/13 £000	2013/14 £000	2012/13 £000	2013/14 £000	
<i>Cost of Services</i>					
<i>Service cost comprising:</i>					
Current service cost	2,036	2,292			
Past service costs	14	55			
(Gain) / loss from settlements					
<i>Financing and Investment Income and Expenditure</i>					
Net interest expense	1,677	1,779			
<i>Total Post-employment Benefits charged to the Surplus or Deficit on the Provision of Services</i>	<u>3,727</u>	<u>4,126</u>			
<i>Other Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement</i>					
Remeasurement of the net defined benefit liability comprising:					
Return on plan assets (excluding the amount included in the net interest expense)	(3,353)	(97)			
Actuarial gains and losses arising on changes in demographic assumptions	0	75			
Actuarial gains and losses arising on changes in financial assumptions.	5,471	(3,222)			
<i>Total Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement</i>	<u>5,845</u>	<u>882</u>			
<i>Movement in Reserves Statement</i>					
Reversal of net charges made to the surplus or Deficit on the Provision of Services for post-employment benefits in accordance with the Code.	(3,919)	1,019			
<i>Actual amount charged against the General Fund Balance for pensions in the year:</i>					
Employers' contributions payable to the scheme	<u>1,926</u>	<u>1,901</u>			
Retirement benefits payable to pensioners			<u>(3,166)</u>	<u>(3,154)</u>	

Reconciliation of the Movements in the Fair Value of Scheme Assets

	Local Government Pension		Discretionary Benefit Arrangements		£000
	2012/13 £000	2013/14 £000	2012/13 £000	2013/14 £000	
Opening fair value of scheme assets	42,357	46,912			
Interest income	1,932	2,048			
Remeasurement gain / (loss):		(321)			
- The return on plan assets, excluding The amount included in The net interest expense	3,374	123			
- Other	(21)	(26)			
Contributions from employer	1,926	1,901			
Contributions from employees into the scheme	510	515			
Benefits paid	(3,166)	(3,154)			
Other					
Closing fair value of scheme assets	<u>46,912</u>	<u>47,998</u>			

Notes to the Accounts

21 Pensions continued

Reconciliation of Present Value of the Scheme Liabilities (Defined Benefit Obligation)

	Funded Liabilities: Local Government Pension		Unfunded Liabilities: Discretionary Benefits	
	2012/13 £000	2013/14 £000	2012/13 £000	2013/14 £000
Opening balance at 1 April	79,762	88,236		
Current service cost	2,036	2,292		
Interest cost	3,609	3,827		
Contributions from scheme participants	510	515		
Remeasurement (gains) and losses:				
- Actuarial gains and losses arising on changes in demographic assumptions		75		
- Actuarial gains and losses arising on changes in financial assumptions.	5,457	1,553		
- Other				
Past service cost	14	55		
Losses / (gains) on curtailment				
Experience loss / (gain) on defined benefit obligation	14	(5,096)		
Benefits paid	(3,073)	(3,062)	(93)	(92)
Closing balance at 31 March	88,329	88,395	(93)	(92)

Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent upon assumptions about mortality rates, salary levels, etc.

Both the Local Government Pension scheme and discretionary benefits liabilities have been estimated by Barnett Waddingham, an independent firm of actuaries, estimates for the Local Government Pension Scheme being based upon the latest full valuation of the scheme as at 31 March 2013 and has then been updated for estimated fund returns, asset statement, market returns, income and expenditure or as at the 31 March 2014.

The significant assumptions used by the actuary have been:

	Local Government Pension Scheme		Discretionary Benefit Arrangements	
	2012/13	2013/14	2012/13	2013/14
Mortality assumptions:				
Longevity at 65 for current pensioners				
- Men	20.6	22.7		
- Woman	24.6	26.0		
Longevity at 65 for future pensioners				
- Men	22.6	24.9		
- Woman	26.5	28.3		
Rate of inflation	2.6%	2.8%		
Rate of increase in salaries	4.8%	4.6%		
Rate of increase in pensions	2.6%	2.8%		
Rate for discounting scheme liabilities	4.4%	4.4%		

Notes to the Accounts

21 Pensions continued

Local Government Pension Scheme assets comprised:

	Fair value of scheme assets	
	2012/13 £000	2013/14 £000
Cash and cash equivalents	<u>1,407</u>	<u>960</u>
Equities:		
UK	28,616	12,479
Overseas		16,319
Sub-total equities	<u>28,616</u>	<u>28,798</u>
Bonds:		
- Gilts	6,099	3,360
- Other Bonds		2,400
Sub-total bonds	<u>6,099</u>	<u>5,760</u>
Other investments:		
- Infrastructure		960
- Property	3,753	4,320
- Target Return Portfolio	7,037	7,200
Sub-total other investment funds	<u>10,790</u>	<u>12,480</u>
Total assets	<u><u>46,912</u></u>	<u><u>47,998</u></u>

From the information we have received from the Administering Authority, we understand that of the total Fund at 31 March 2014, 6% of gilts, 5% of UK Equities, 19% of Overseas Equities, 100% of Property, 100% of Infrastructure, 100% of Target Return Portfolio, 100% of Cash and 3% of Other Bonds did not have a quoted market price in an active market, while the remainder of the Fund's assets did.

Notes to the Accounts

21 Pensions continued

Estimation of Assets and Liabilities

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table on page 20. The sensitivity analyses shown below have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all other assumptions remain constant. The assumptions in longevity, for example, assume that life expectancy increases or decreases for men and women. In practice, this is unlikely to occur, and changes in some of the assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies for the scheme, i.e. on the actuarial basis using the projected unit credit method. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in the previous period.

Impact on the Defined Benefit Obligation in the Scheme

	Increase in Assumption £000	Decrease in Assumption £000
Longevity (increase or decrease in 1 year)	3,099	(3,127)
Rate of inflation (increase or decrease by 0.1 %)	n/a	n/a
Rate of increase in salaries (increase or decrease by 0.1%)	237	(236)
Rate of increase in pensions (increase or decrease by 0.1%)	1,344	(1,320)
Rate for discounting scheme liabilities (increase or decrease by 0.1%)	1,530	(1,559)

Impact on the Authority's Cash Flows

The objectives of the scheme are to keep employers' contributions at as constant a rate as possible. Funding levels are monitored on an annual basis and the next triennial valuation is due to be completed on 31 March 2016. The scheme will need to take account of the national changes to the scheme under the Public Pensions Services Act 2013. Under the Act, the Local Government Pension Scheme in England and Wales and the other main existing public service schemes may not provide benefits in relation to service after 31 March 2014. The Act provides for scheme regulations to be made within a common framework, to establish new career average revalued earnings schemes to be pay pensions and other benefits to certain public servants.

The authority anticipates to pay £1,918k expected contributions to the scheme in 2014/15.

The weighted average duration of the defined benefit obligation for scheme members is 18 years. A comparative figure was not quoted for 2012/13.

Notes to the Accounts

22 Property, Plant and Equipment

Movements in Balances

Movements in 2013/14

	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 2013	2,715	112,475	34,819	3,469	516	206	0	154,200
Additions	1,337	3,182	302	891				5,712
Donations								0
Revaluation increases/(decreases) recognised in the Revaluation reserve		(1,807)	2,319			85		597
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services		3,378	(607)					2,771
Derecognition - Disposals	(162)	(955)	(130)	(28)				(1,275)
Derecognition - Other				(89)				(89)
Reclassification	(3,266)	3,047	49	170				0
At 31 March 2014	624	119,320	36,752	4,413	516	291	0	161,916

Accumulated Depreciation and Impairment

At 1 April 2013			(953)	(1,474)	(49)	(14)		(2,490)
Depreciation charge		(1,809)	(849)	(567)	(9)	(13)		(3,247)
Opening adjustment			6					6
Depreciation written out to the Revaluation Reserve		1,809	1,793			27		3,629
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				28				28
Derecognition - Other				89				89
At 31 March 2014	0	0	(3)	(1,924)	(58)	0	0	(1,985)

Net Book Value

At 31 March 2014	624	119,320	36,749	2,489	458	291	0	159,931
At 31 March 2013	2,715	112,475	33,866	1,995	467	192	0	151,710

Nature of asset holding

Owned	£624	£119,320	£36,749	£1,748	£458	£291	£0	159,190
Subject to Finance Leases	£-	£-	£-	£741	£-	£-	£-	£741

(See note 59 for finance lease information.)

At 31 March 2014 the Council had £624k of assets under construction - £30k related to the Council House Building projects, £162k Lords Meadow Leisure Centre all weather pitch, 166k in relation to the Tiverton skate park replacement, £90k in relation to sewage treatment works, £96k in for software upgrades, 67k for additional car parking provision at Exe Valley Leisure Centre and £13k in respect of the Tiverton Town Hall development.

Revaluations

The Council carries out a rolling programme that ensures that all Property, Plant and Equipment required to be measured at fair value is revalued every five years. Valuations of land and buildings were carried out by the District Valuer and Valuation Office. Valuations were carried out in accordance with methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors.

	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
Valued at Historical Cost	624			2,489			0	3,113
Valued at fair value in year								
2013/14		119,320	36,749		458	291	0	156,818
2012/13		112,475	6,924		45	26		119,470
2011/12			5,237			84		5,321
2010/11			3,541			73		3,614
2009/10								0

Notes to the Accounts

22 Property, Plant and Equipment continued

Movements in Balances

Comparative 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		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)

(See note 59 for finance lease information.)

Nature of asset holding

Owned	£2,715	£112,475	£33,866	£1,799	£467	£192	£0	£151,514
Subject to Finance Leases	£-	£-	£-	£196	£-	£-	£-	£196

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, £203k in relation to IT projects (including £90k in relation to the new Payroll/HR system and £113k in relation to server replacements) and then a number of smaller projects which were not operational at 31 March 2013.

23 Revenue Expenditure Funded From Capital Under Statute (REFCUS)

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

	Balance at 1/4/12	Expend	Transfer in Year	Amount Financed or Written Off	Balance at 31/03/13	Expend	Transfer in Year	Amount Financed or Written Off	Balance at 31/3/14
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Affordable housing	0	29		(29)	0	255		(255)	0
Private Sector Housing Grants & DFG's	0	694		(694)	0	337		(337)	0
Other REFCUS	0	0		0	0	142		(142)	0
Total REFCUS	0	723	0	(723)	0	734	0	(734)	0

Capital grants received to finance these projects amounted to £337k (2012/13 £343k).

Notes to the Accounts

24 Summary of Capital Expenditure and Financing

Original	As restated		2013/14
2012/13	2012/13		£000
£000	£000		
3,374	49,960	Opening Capital Financing Requirement	50,914
Capital investment			
7,026	7,026	Property, Plant and Equipment	5,712
62	62	Intangible assets	0
723	723	Revenue Expenditure Funded from Capital under Statute	734
Sources of Finance			
(310)	(310)	- Capital receipts applied	(991)
(2,826)	(2,826)	Use of Major Repairs Allowance to finance HRA new capital expenditure	(2,688)
(408)	(409)	- Government grants and contributions	(1,438)
Sums set aside from revenue:			
(1,559)	(1,559)	Direct revenue contributions	(532)
(1,753)	(1,753)	Statutory provision for the financing of capital investment	(1,691)
4,329	50,914	Closing Capital Financing Requirement	50,020
Explanation of movements in year			
(955)	(953)	(Increase) / decrease in underlying need to borrowing (unsupported by government financial assistance)	894
(955)	(953)	(Increase) / Decrease in Capital Financing Requirement	894

The capital financing statement has been restated to reflect the HRA self financing which took place during 2011/12. This had the effect of increasing the opening position by £46 million.

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 4.16 page XXI).

Movements in 2013/14

	Art Collection £000
Cost or Valuation At 1 April 2013	925
Additions	
Donations	0
Disposals	(450)
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 2014	475

2 disposals were made during 2013/14 - which are detailed overleaf.

Notes to the Accounts

Comparative movements in 2012/13

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

Heritage Assets: Five Year Summary of Transactions

	2009/10 £000	2010/11 £000	2011/12 £000	2012/13 £000	2013/14 £000
Value of Heritage Assets Acquired by Donation					
Art Collection	925	925	925	925	475
Carrying Value of assets at 31 March	925	925	925	925	475

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 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:

	2013/14 £000
An oil painting on canvas of George III by Sir Joshua Reynolds, (British, 1723 - 1792)	
A full length portrait in ornate giltwood and plaster frame.	250

Preservation and Management

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

Transfers of Heritage Assets

During the year the statue of Edward VII was donated to Tiverton Town Council.

Statue of Edward VII, by Harry Hems at Lowman Green, Tiverton	300
Inscribed "Edward the Peacemaker 1841 - 1910" and presented by Thomas Ford Esq. J.P. to his native town."	

During the year the statue of St Boniface was donated to Crediton Town Council.

Statue of Saint Boniface in Crediton Public Park by Alan Durst	150
Inscribed " Saint Boniface", unveiled by Her Royal Highness Princess Margaret on 24 July 1960	
	<u>450</u>

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:

	2012/13 £000	2013/14 £000
Central Services	84	0
Environment and Regulatory Services	34	0
	<u>118</u>	<u>0</u>

Movements in Balances

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

	2012/13 Other Assets £000	2013/14 Other £000
Balance at start of year:		
- Gross carrying amounts	152	271
- Accumulated amortisation	(152)	(271)
Net carrying amount at start of year	<u>0</u>	<u>0</u>
Additions		
- Internal development		
- Purchases	62	
Reclassification	56	
Derecognition - Disposals		
Amortisation charge for the period	(118)	
Net carrying amount at the end of year	<u><u>0</u></u>	<u><u>0</u></u>

Comprising:

Gross carrying amounts	271	271
Accumulated amortisation	(271)	(271)
	<u>0</u>	<u>0</u>

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

	2012/13 £000	2013/14 £000
Central Services - IT Software Support and Maintenance	(84)	0
Environment and Regulatory Services - Refuse collection	(34)	0
	<u>(118)</u>	<u>0</u>

27 Commitments under Capital Contracts

	2012/13 £000	2013/14 £000
Various MRA works	1,177	1185
Council House Building	763	0
	<u>1,940</u>	<u>1,185</u>

Note - the above only details contractual commitments in excess of £250k.

Notes to the Accounts

28 Non Current Asset Valuation

The Council instructed the District Valuer to complete a full property valuation exercise of its freehold properties. Where applicable property assets are therefore included in the 2013/14 accounts at their 31/3/14 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 2014. 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 2013/14.

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 2014.

29 Long Term Borrowing

As at the 31/3/14 the Council had 3 long term loans from the Public Works Loan Board (PWLB) as follows:

- 1 - £46.59m to fund the Housing Revenue Account stock purchase - 25 yr loan @ 2.94% maturing 28/3/37
- 2 - £430k to fund new gym equipment and 2 refuse vehicles - 5yr loan @ 1.32% maturing 28/3/18
- 3 - £102k to fund new street sweeper - 7yr loan @ 2.18% maturing 11/3/21

The overall maturity profile for these 3 loans is shown in the table below.

Lender	Maturity Date	Balance @ 31/03/2013 £000	Balance @ 31/03/2014 £000
Public Works Loan Board	< 1 year	1,322	1,449
	1 - 5 years	7,167	7,712
	5 - 10 years	8,285	8,544
	over 10 years	28,532	26,726
	Total loan value outstanding	45,306	44,431

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. The net assets of the trust were £250k at 31 March 2013 and comprised land and buildings.

31 Financial Instruments

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

2013/14	Financial Liabilities Measured at amortised cost			Financial Assets		Total £000
	Finance lease assets £000	Loans and receivables £000	Available -for- sale assets £000	Total £000		
Interest payable	0		1,377	0	1,377	
Interest payable on finance leases		20			20	
Impairment losses	0		0	0	0	
Interest payable and similar charges	0	20	1,377	0	1,397	
Interest income	0		(145)	0	(145)	
Interest and investment income	0	0	(145)	0	(145)	
Impairment charge (interest accrual) reversal in Adjustments between Accounting basis and Funding Basis under Regulations					0	
Net (gain)/loss for the year	0	20	1,232	0	1,252	

Mid Devon District Council Financial Statements and Notes to the Accounts for the year ended 31 March 2014

2012/13	Financial Liabilities		Financial Assets		Total £000
	Measured at amortised cost £000	Finance lease assets £000	Loans and receivables £000	Available -for- sale assets £000	
Interest payable			1,412		1,412
Interest payable on finance leases		42			42
Impairment losses					0
Interest payable and similar charges	0	42	1,412	0	1,454
Interest income			(149)		(149)
Interest and investment income	0	0	(149)	0	(149)
Impairment charge (interest accrual) reversal in Adjustments between Accounting basis and Funding Basis under Regulations					0
Net (gain)/loss for the year	0	42	1,264	0	1,306

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 0.6% 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.

During 2013/14 the Council received a 14th and final dividend from the Heritable Bank deposit made in September 2008. This has resulted in an aggregate repayment of £1,038k against the original sum invested of £1,100k. The Council prudently charged a sum of £231k (21%) against the Income And Expenditure Account in 2009/10 based on initial projections from the Administrators. Due to this more positive outcome it has been possible to credit a sum of £169k to the 2013/14 Income and Expenditure Account.

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

The fair values calculated are as follows:

	31/03/2013		31/03/2014	
	Carrying amount £000	Fair value £000	Carrying amount £000	Fair value £000
Financial Assets				
Long term investment	0	0	0	0
Short term investment	3,000	3,000	7,014	7,014
Cash and cash equivalents	6,187	6,187	4,000	4,000
Loans and trade receivables	567	567	392	392
	9,754	9,754	11,406	11,406
Financial Liabilities				
Long term borrowing	(45,306)	(49,724)	(44,431)	(44,269)
Finance leases	(196)	(196)	(742)	(742)
Trade payables	(1,130)	(1,130)	(896)	(896)
	(46,632)	(51,050)	(46,069)	(45,907)

All receivables are valued at the amount invoiced less a bad debt provision.

Disclosure of Nature and Extent of Risks Arising from Financial Instruments

- credit risk- the possibility that other parties might fail to pay amounts due to the Council
- liquidity risk - the possibility that the Council might not have funds available to meet its commitments to make payments

- market risk - the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rates and stock market movements.

The Council's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services. A treasury management strategy was formally approved by the Cabinet on 28 February 2013. 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. to whom, for how long, for how much, etc.) . This treasury strategy can be found on the Council's website.

Credit Risk

Credit risk arises from deposits with banks and building societies as well as credit exposure to the Council's customers. The Council maintains an extremely prudent and risk averse attitude to its treasury management strategy. 2013/14 saw a continuation of this policy and deposits were only made with, the Government Debt Management Office, the main UK Banks and Building Societies (with a FITCH rating of F1 or higher) up to a maximum deposit value of £3m with any one institution and other Local Authorities (including the Police and Fire Authorities).

Notes to the Accounts

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

31/03/2013		31/03/2014
£000		£000
	Central government bodies	
	Other local authorities	
	NHS bodies	
	Public corporations and trading funds	
162	Other entities and individuals	170
	Less: bad debt provisions	
<u>162</u>	Total	<u>170</u>

33 Short Term Investments (amounts due in less than 12 months but 3 months or more when placed)

31/03/2013		31/03/2014
£000		£000
3,000		7,014
<u>3,000</u>		<u>7,014</u>

Bank/B-Soc	Term From	To	Fixed Interest Rate %	31/03/2013 £000	31/03/2014 £000
Barclays			1.07	2,000	
Nationwide			0.83	1,000	
Lloyds	03/07/2013	02/07/2014	1.01		1,007
Lloyds	19/12/2013	19/12/2014	0.98		1,003
Barclays	07/02/2014	09/02/2015	0.84		1,001
Lloyds	03/01/2014	03/04/2014	0.70		1,002
Coventry	07/02/2014	28/05/2014	0.45		1,001
Coventry	28/03/2014	03/07/2014	0.45		2,000
	Total			3,000	7,014

34 Inventories

	31/03/2013	31/03/2014
	£000	£000
Raw materials	<u>152</u>	<u>199</u>

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

31/03/2013		31/03/2014
£000		£000
629	Central government bodies	453
908	Other local authorities	167
8	NHS bodies	8
0	Public corporations and trading funds	0
1,014	Other entities and individuals	2,942
	Less: bad debt provisions	(1,042)
<u>2,559</u>	Total	<u>2,528</u>

36 Cash and Cash Equivalents

31/03/2013		31/03/2014
£000		£000
3	Cash held by the Authority	3
1,184	Bank current accounts	1,744
5,000	Short-term deposits with financial institutions	4,000
<u>6,187</u>		<u>5,748</u>

Note - The Council has treated any investment holding with a duration of less than 3 months, when placed, as a cash equivalent.

Bank/B-Soc	Term From	To	Fixed Interest Rate %	31/03/2013 £000	31/03/2014 £000
Lloyds			1.65	1,000	
Lloyds			0.70	1,000	
Coventry			0.40	1,500	
Coventry			0.39	1,500	
HM Treasury	28/03/2014	17/04/2014	0.25		2,000
Barclays	28/03/2014	28/05/2014	0.40		2,000
	Total			5,000	4,000

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

31/03/2013		31/03/2014
£000		£000
(1,857)	Central government bodies	(1,852)
(573)	Other local authorities	(134)
(12)	NHS bodies	(13)
0	Public corporations and trading funds	0
(2,827)	Other entities and individuals	(2,658)
<u>(5,269)</u>	Total	<u>(4,658)</u>

Notes to the Accounts

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

31/03/2013	31/03/2014
£000	£000
(44,467) Central government bodies	(43,100)
Other local authorities	
NHS bodies	
Public corporations and trading funds	
(103) Other entities and individuals	(622)
(44,570)	(43,722)
(41,324) Other Long Term Liabilities	(40,305)
0 Capital Grants Receipts in Advance (Note 57)	0
(85,894) Total	(84,027)

39 Provisions

The Council made no provisions during 2013/14.

40 Usable Reserves

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

41 Unusable Reserves

31/03/2013	31/03/2014
£000	£000
(6,648) Revaluation reserve (note 42)	(10,692)
(95,073) Capital Adjustment Account (note 43)	(99,695)
51 Financial Instruments Adjustment Account (note 44)	0
0 Deferred Capital Receipts Reserve (note 45)	(40)
41,324 Pensions Reserve (note 46)	40,305
(130) Collection Fund Adjustment Account (note 47)	(32)
132 Accumulating Compensated Absences Adjustment Account (note 48)	122
(60,344) Total Unusable Reserves	(70,032)

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.

31/03/2013	31/03/2014
£000	£000
(6,000) At 1 April 2013	(6,648)
Opening adj	(6)
(923) Upward revaluation of assets	(4,564)
Downward revaluation of assets and impairment losses not	
167 posted to the Surplus on the Provision of Services	339
Surplus or deficit on revaluation of non-current assets not	
(6,756) posted to the Surplus on the Provision of Services	(10,879)
Difference between fair value depreciation and historical cost	
103 depreciation	187
5 Accumulated gains on assets sold or scrapped	0
Amount written off to the Capital Adjustment Account	
(6,648) At 31 March 2014	(10,692)

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.

This note 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

31/03/2013 £000		31/03/2014 £000
(89,467)	At 1 April 2013	(95,073)
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement	
3,584	Charges for Depreciation and impairment of non current assets	3,247
(3,476)	Revaluation losses on Property, Plant and Equipment	(2,772)
118	Amortisation of intangible assets	0
723	Revenue expenditure funded from capital under statute	733
	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		1,696
(88,113)		(92,169)
(103)	Adjusting amounts written out of the Revaluation Reserve	(187)
(88,216)	Net written out amount of the cost of non current assets consumed in the year	(92,356)
	Capital financing applied in the year:	
(310)	Use of the Capital Receipts Reserve to finance new capital expenditure	(991)
(2,826)	Use of the Major Repairs Reserve to finance new capital expenditure	(2,688)
(38)	Capital grants and contributions credited to Comprehensive Income and Expenditure Statement that have been applied to capital financing	0
(371)	Application of grants to capital financing from the Capital Grants Unapplied Account	(1,438)
(1,753)	Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	(1,691)
(1,559)	Capital expenditure charged against the General Fund and HRA balances	(531)
(95,073)	At 31 March 2014	(99,695)

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 used this Account to manage premiums paid on the early redemption of loans. Premiums were debited to the HRA Income and Expenditure Account when they are incurred, but reversed out of the HRA balance to 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 was ten years and as a result the balance at 31 March 2014 has been fully eliminated from the HRA.

31/03/2013 £000		31/03/2014 £000
105	At 1 April 2013	51
	Proportion of premiums incurred in previous financial years to be changed against the HRA balance in accordance with statutory requirements	
(54)		(51)
(54)	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	(51)
51	At 31 March 2014	0

45 Deferred Capital Receipts Reserve

31/03/2013 £000		31/03/2014 £000
(7)	At 1 April 2013	0
7	Transfer to the Capital Receipts Reserve upon receipt of cash MDDC net share of rent to buy properties	0
0	At 31 March 2014	(40)

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.

31/03/2013 £000		31/03/2014 £000
37,405	At 1 April 2013	41,324
2,465	Actuarial (gains) or losses on pension assets and liabilities	(3,147)
3,380	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	4,029
(1,926)	Employer's pension contributions and direct payments to pensioners payable in the year	(1,901)
41,324	At 31 March 2014	40,305

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

31/03/2013 £000		31/03/2014 £000
(89)	At 1 April 2013	(130)
(41)	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	31
	Amount by which NNDR income credited to the Comprehensive Income and expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	67
(130)	At 31 March 2014	(32)

The £99k (130k - £31k) represents MDDC's share (13.88%) of the overall Collection Fund Surplus of £719k at 31/03/14 (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.

31/03/2013 £000		31/03/2014 £000
247	At 1 April 2013	132
(113)	Correction of prior year error	0
134	Settlement or cancellation of accrual made at the end of the preceding year	(132)
(134)	Amounts accrued at the end of the current year	122
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.	(10)
(2)	At 31 March 2014	122

Notes to the Accounts

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

Original 31/03/2013 £000	As restated 31/03/2013 £000		31/03/2014 £000
3,584	3,584	Depreciation	3,247
118	118	Amortisation	
(3,476)	(3,476)	Impairment	(2,772)
1,933	1,933	(Decrease) / Increase in creditors	(608)
9	9	(Decrease) / Increase in debtors	23
(6)	(6)	(Decrease) / Increase in stock	(48)
410	410	Carrying amount of non-current assets sold	1,696
1,454	1,822	Pension liability reversal	2,251
(156)	(156)	Other adjustments	(79)
3,870	4,238		3,710

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

31/03/2013 £000		31/03/2014 £000
	Other receipts from financing activities	
(714)		(1,159)
380	REFCUS adjustment	734
	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	
(528)		(1,562)
1,454	Interest Paid	1,397
(149)	Interest received	(145)
	Difference between preceptors share and amount of NNDR paid to them	
443		(735)

51 Cash Flow Statement - Operating Activities

The cash flows for operating activities include the following items:

31/03/2013 £000		31/03/2014 £000
(149)	Interest received	(145)
1,454	Interest paid	1,397
1,305		1,252

52 Cash Flow Statement - Investing Activities

31/03/2013 £000		31/03/2014 £000
(7,088)	equipment, investment property and intangible assets	(5,712)
(723)	Other cash payments (REFCUS)	(734)
528		1,562
	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	
714	Capital grants received	1,159
(3,000)	Purchase of temporary investments	(4,014)
(95)	Other investing activities	696
149	Interest received	145
(1,454)	Interest paid	(1,397)
(10,969)	Net cash flows from investing activities	(8,295)

53 Cash Flow Statement - Financing Activities

31/03/2013 £000		31/03/2014 £000
(308)	Cash payments for the reduction of the outstanding liabilities relating to finance leases	(151)
(1,275)	PWLB debt repayment	(1,313)
(2,038)	Other payments for financing activities	
(3,621)	Net cash flows from financing activities	(1,464)

Movements of Debtors and Creditors

2013		2014 Movement	
156	Collection Fund Debtors	156	
2,565	Other debtors	2,542	23
2,721		2,698	
162	Debtors > 1Yr	170	
2,559	Debtors < 1 Yr	2,528	
2,721		2,698	23
(93)	Finance leases < 1 Yr	(119)	
(103)	Finance leases > 1Yr	(622)	
(196)		(741)	545
(3,393)	Creditors < 1Yr	(2,785)	
(118)	Creditors > 1Yr	(118)	
(3,511)		(2,903)	(608)
(1,396)	PWLB < 1Yr	(1,450)	
(346)	PWLB > 1Yr	(350)	
(44,003)	PWLB > 1Yr	(42,632)	
(45,745)		(44,432)	(1,313)
(41,324)	Pension >1Yr	(40,305)	(1,019)
(387)	Collection Fund Creditors	(304)	
(91,163)	Total Creditors	(88,685)	
(5,269)	Creditors < 1 Yr	(4,658)	
(85,894)	Creditors > 1 Yr	(84,027)	
(91,163)		(88,685)	

Mid Devon District Council Financial Statements and Notes to the Accounts for the year ended 31 March 2014

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 Analysis (Income & Expenditure)

	31/03/2013	31/03/2014
	£000	£000
Community Development	424	372
Corporate Management	1,091	1,133
Car Parks	(98)	(204)
Customer Services	(32)	(86)
Environmental Services	1,609	1,418
Finance And Performance	(21)	46
Grounds Maintenance	(14)	60
General Fund Housing	528	313
HRA	(1,065)	(689)
Human Resources	20	36
IT Services	(37)	(54)
Legal & Democratic Services	890	804
Planning And Regeneration	963	920
Property Services	439	452
Revenues And Benefits	528	573
Recreation And Sport	978	955
Waste Services	2,451	2,577
	<u>8,654</u>	<u>8,626</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.

2012/13		2013/14
£000		£000
8,654	Net expenditure in the service Analysis	8,626
0	Net expenditure of services and support services not included in the Analysis	0
	Amounts in the Comprehensive Income and Expenditure Statement not reported to management in	
(6,897)	the Analysis	(6,655)
	Amounts included in the analysis not included in the Comprehensive Income and Expenditure	
0	Statement	0
<u>1,757</u>	Cost of services in Comprehensive Income and Expenditure account	<u>1,971</u>

56 Reconciliation to Subjective Analysis

This reconciliation shows how the figures in the **Service Analysis** (Income & Expenditure - note 54) relate to a subjective analysis of the surplus or deficit on the provision of services included in the CIES.

	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
2013/14	£000	£000	£000	£000	£000	£000	£000	£000
Fees and charges	(20,417)		(171)			(20,588)		(20,588)
Interest and investment income							(145)	(145)
Income from Council Tax							(5,808)	(5,808)
Government grants and contributions	(20,913)		344			(20,569)	(6,763)	(27,332)
Total Income	<u>(41,330)</u>	<u>0</u>	<u>173</u>	<u>0</u>	<u>0</u>	<u>(41,157)</u>	<u>(12,716)</u>	<u>(53,873)</u>
Employees	13,254		436			13,690		13,690
Other expenses	36,702		(7,739)			28,963	1,513	30,476
Support Services			0			0		0
Depreciation, amortisation & impairment			475			475		475
Interest payments							1,397	1,397
Payments to Housing Pool							187	187
Parish Council Precepts							1,046	1,046
Loss on disposal of assets							134	134
Total Expenditure	<u>49,956</u>	<u>0</u>	<u>(6,828)</u>	<u>0</u>	<u>0</u>	<u>43,128</u>	<u>4,277</u>	<u>47,405</u>
Surplus deficit on the provision of services	<u>8,626</u>	<u>0</u>	<u>(6,655)</u>	<u>0</u>	<u>0</u>	<u>1,971</u>	<u>(8,439)</u>	<u>(6,468)</u>

Mid Devon District Council Financial Statements and Notes to the Accounts for the year ended 31 March 2014

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
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	(45,454)	0	(382)	0	0	(45,836)	(14,191)	(60,027)
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)
Total Expenditure	54,108	0	(6,515)	0	0	47,593	5,899	53,492
Surplus deficit on the provision of services	8,654	0	(6,897)	0	0	1,757	(8,292)	(6,535)

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		
2012/13		2013/14
£000		£000
	(6,256) Council Tax	(5,808)
	(4,216) Non Domestic Rates	(2,137)
	(82) Revenue Support Grant	(2,867)
	(129) Council Tax Freeze Grant	(53)
	(357) New Homes Bonus	(715)
	(723) Other	(991)
(11,763)	Total	(12,571)
Credited to Services		
2012/13		2013/14
£000		£000
	(23,987) Housing Benefit and Council Tax Subsidy. Note 1	(18,916)
	(94) Section 106s	(630)
	(57) Homelessness	(57)
	(468) Housing Benefit Admin Grant + Additional Grant	(444)
	(106) Business Rates - Cost of Collection Grant	(106)
	(380) Others	(185)
(25,092)	Total	(20,338)

Note 1. Council Tax Subsidy now replaced by the Local Council Tax Reduction Scheme.

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		
2012/13		2013/14
£000		£000
0		0
Capital Grants Receipts in Advance due in more than one year		
2012/13		2013/14
£000		£000
0		0

58 Contingent Liabilities

There are no contingent liabilities at 31 March 2014.

Notes to the Accounts

59 Leases

Authority as Lessee

The Council has acquired a number of vehicles, plant and 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 2013/2014 there has been one new addition which was for energy saving equipment.

2012/13 £000		2013/14 £000
<u>196</u>	Vehicles, Plant and Equipment	<u>741</u>

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:

2012/13 £000		2013/14 £000
	Finance lease liabilities (net present value of minimum lease payments):	
(93)	- current	(119)
(103)	- non current	(622)
0	Finance costs payable in future years	0
<u>(196)</u>	Minimum lease payments	<u>(741)</u>

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

Minimum Lease Payments

2012/13 £000		2013/14 £000
93	Not later than one year	119
103	Later than one year and not later than five years	274
0	Later than five years	348
<u>196</u>		<u>741</u>

Finance Lease Liabilities

2012/13 £000		2013/14 £000
93	Not later than one year	119
103	Later than one year and not later than five years	274
0	Later than five years	348
<u>196</u>		<u>741</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 2012/13 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:

2012/13 £000		2013/14 £000
45	Not later than one year	1
4	Later than one year and not later than five years	3
2	Later than five years	2
<u>51</u>		<u>6</u>

Notes to the Accounts

59 Leases continued

Minimum Lease Payments incurred during the year

2012/13 £000	2013/14 £000
67 Operating Leases for vehicles, equipment, land and buildings	109
58 Hire payments for vehicles, plant and equipment	53
<u>125</u>	<u>162</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

2012/13 £000	2013/14 £000
244 Not later than one year	238
450 Later than one year and not later than five years	487
732 Later than five years	552
<u>1,426</u>	<u>1,277</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 the Housing Revenue Account (HRA) Income and Expenditure Account.

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.

2012/13 £000	2013/14 £000
3,053 Council Dwellings	3,379
423 Other Land & Buildings	(608)
<u>3,476</u>	<u>2,771</u>

The £608k impairment across a number of Council property assets (shops, toilets etc.) has arisen as a result of the Valuer obtaining more market information and changes to income streams derived from these assets.

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).

2012/13 £'000		Note	2013/14 £'000	£'000
	Expenditure			
2,440	Repairs and Maintenance		2,755	
2,363	Supervision and Management		2,580	
(898)	Depreciation and impairment of non-current assets	73	(1,394)	
8	Increase/(Decrease) in bad debt provision		(1)	
3,913	Total Expenditure			3,940
	Income			
(11,439)	Dwelling Rents	72	(11,892)	
(523)	Non-dwelling Rents		(523)	
(701)	Other Chargeable Services and Facilities		(800)	
(12,663)	Total Income			(13,215)
(8,750)	Net Cost of HRA Services as included in the Comprehensive Income and			(9,275)
178	HRA services share of Corporate and Democratic Core			183
141	HRA share of other amounts included in the whole Authority Net Cost of			155
(8,431)	Net Cost / (Income) of HRA Services			(8,937)
(285)	(Gain)/loss on sale of HRA fixed assets			(607)
0	Other operating income			0
1,415	Interest payable and similar charges	75		1,375
(28)	Interest and investment income			(27)
0	Capital grants and contributions receivable			(200)
(7,329)	Deficit / (Surplus) for the year on HRA Services			(8,396)

Mid Devon District Council Financial Statements and Notes to the Accounts for the year ended 31 March 2014

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).

2012/13	Note	2013/14	
£'000		£'000	£'000
(1,956) Balance on the HRA at the end of the previous year			(1,968)
(7,329) Deficit / (Surplus) for the year on the HRA Income and Expenditure Account		(8,396)	
4,655 Adjustments between accounting basis and funding basis under statute	61	6,282	
(2,674) Net (increase) or decrease before transfers to or from reserves		(2,114)	
2,662 Transfers to reserves		2,078	
(12) (Increase) or decrease in year on the HRA			(36)
(1,968) Balance on the HRA at the end of the current year			(2,004)

Notes to the Housing Revenue Income and Expenditure Account

61 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.

2013/14	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		(2,008)					2,008
Revaluation losses on Property, Plant and Equipment (Roundings adjusted)		3,370					(3,370)
Amortisation of intangible assets		0					0
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		(955)					955
<u>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</u>							
Statutory provision for the financing of capital investment		1,430					(1,430)
Capital expenditure charged against the General Fund and HRA balances		84					(84)
<u>Adjustments primarily involving the Capital Grants Unapplied Account</u>							
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement		200			(200)		
Application of grants to capital financing transferred to the Capital Adjustment Account					200		(200)
<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		1,562	(1,562)				
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		(31)	31				
Transfer of deferred sale proceeds as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement		(39)	39				
Repayment of Mortgage Principal			0				0
Balance carried forward	0	3,613	(1,492)	0	0	0	(2,121)

2013/14	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	3,613	(1,492)	0	0	0	(2,121)
<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		40					(40)
<u>Adjustment involving the Major Repairs Reserve:</u>							
Reversal of Major Repairs Allowance credited to the HRA		2,641		(2,641)			
Use of the Major Repairs Allowance to finance new capital expenditure				2,688			(2,688)
Interest credited to the Major Repairs Allowance		0		0			
<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		51					(51)
<u>Adjustment involving the Pensions Reserve:</u>							
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement		(65)					65
<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		2					(2)
Correction of prior year salary accrual							0
Total Adjustments	0	6,282	(1,492)	47	0	0	(4,837)

Notes to the Housing Revenue Income and Expenditure Account

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

2012/13	Usable Reserves						Movement in Unusable Reserves
	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Total Usable Reserves	
	£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		(2,223)					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
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:							
Statutory provision for the financing of capital investment		1,353					(1,353)
Capital expenditure charged against the General Fund and HRA balances		70					(70)
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)				
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)

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)
<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		2,038		(2,038)			
Use of the Major Repairs Allowance to finance new capital expenditure							
Interest credited to the Major Repairs Allowance		4		(4)			
<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		54					(54)
<u>Adjustment involving the Pensions Reserve:</u>							
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement		(23)					23
<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		(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 Housing Revenue Income and Expenditure Account

62 Housing Stock

The Housing Revenue account owned the following property:

	Council Housing	Other Land & Buildings	Total
At 1 April 2013	3,070	1,197	4,267
Additions	22		22
Sales	(24)		(24)
Improvement changes			-
Transfers			-
At 31 March 2014	<u>3,068</u>	<u>1,197</u>	<u>4,265</u>

63 Number of dwellings by type

31 March 2013		31 March 2014
1,464	Houses	1,465
1,015	Bungalows	1,012
591	Flats	591
<u>3,070</u>	Total	<u>3,068</u>

64 HRA Dwelling Valuation

The vacant possession value of dwellings in the HRA is £385m (based on a 1 April 2014 valuation of £119,320k). 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.

31 March 2013		31 March 2014
£000		£000
<u>362,818</u>	Vacant Possession Value	<u>384,903</u>
<u>112,475</u>	Existing Use Value for Social Housing (EUV-SH)	<u>119,320</u>

The 31 March 2014 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 6% or £22,085k.

2012/13 HRA Non-Current Assets		2013/14
£000	Property, Plant and Equipment	£000
112,475	Dwellings	119,320
6,067	Other land and buildings	6,386
134	Vehicles, plant and equipment	100
123	Infrastructure assets	216
2,232	Assets under Construction	5
<u>121,031</u>		<u>126,027</u>

Notes to the Housing Revenue Income and Expenditure Account continued

65 Capital Expenditure

2013/14				2013/14	
£000	Expenditure	Funding		£000	
3,182	Improvements to dwellings	Major repairs reserve		2,688	
820	Construction of dwellings	Internal borrowing		820	
		Capital Grants Unapplied		294	
		Capital grants		200	
	4,002			4,002	
<hr/>					
2012/13				2012/13	
£000	Expenditure	Funding		£000	
2,826	Improvements to dwellings	Major repairs reserve		2,826	
2,227	Construction of dwellings	Internal borrowing		2,227	
127	Purchase of land (St Andrew St)	Transfer to Capital Receipts Reserve		127	
70	Purchase of land (Palmerston Park)	Revenue contribution		70	
64	Alarm installation	Useable Capital Receipts		64	
	5,314			5,314	

66 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 was fully utilised in 2013/14 and so no balance is carried forward.

2012/13				2013/14	
£000				£000	
831	At 1 April 2013			47	
2,038	Amount transferred from Housing Revenue Account			2,641	
4	Interest credited			0	
(2,826)	Capital expenditure incurred during the year			(2,688)	
	47 At 31 March 2014			0	

67 Capital Receipts

2012/13				2013/14	
£000				£000	
554	Sale of council houses (24 properties sold through Right to Buy sales during 2013/14)			1,547	
139	Sale of land			15	
0	Sale of council houses - discount repaid			0	
4	Council house loan repayments			0	
	697 Total			1,562	

68 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.

2012/13				2013/14	
£000				£000	
(23)	Net charge/(credit) made for retirement benefits			(65)	

Notes to the Housing Revenue Income and Expenditure Account continued

69 Arrears

At 31st March 2014 the rent arrears as a proportion of gross rent income totalled 1.5% (1.4% at 31st March 2013). Rent written off during 2013/14 amounted to £21k (£17k in 2012/13). The breakdown of the total arrears is shown below.

31 March 2013	31 March 2014
£000	£000
155 Rent (dwellings & garages)	173
11 Housing benefit overpayments	12
13 Court costs	11
36 Rechargeable Repairs	47
20 Other	17
235 Total	260

70 Bad Debt Provision

The provision for bad debt for the housing service stands at £129k as at 31 March 2014 (£131k 31 March 2013).

71 Rents Paid in Advance

2012/13	2013/14
£000	£000
(73) Dwellings rental income paid in advance	(112)

72 Gross Rents

This represents the total rent income due for the year after allowing for voids and other adjustments. At the year-end 1.3% of properties were vacant compared to a figure of 0.7% in 2012/13. The average rent set amounted to £74.91 per week based on a 52 week year (2012/13 £72.09).

73 Depreciation & Impairment of Fixed Assets

Depreciation and Amortisation

2012/13	2013/14
£000 Operational Assets	£000
2,038 Dwellings	1,809
109 Other Land and Buildings	122
33 Infrastructure	12
8 Intangible assets	0
35 Vehicles, Plant and Equipment (Finance Leases)	33
2,223 Total	1,976

Impairment

2012/13	2013/14
£000 Operational Assets	£000
(3,053) Dwellings	(3,379)
(33) Other Land and Buildings	9
(3,086) Total	(3,370)

74 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 financial instruments adjustment account (see note 44). The final charge made in 2013/14 was £51k (2012/13 £54k).

Notes to the Housing Revenue Income and Expenditure Account continued

75 Interest payable and similar charges

2012/13 £000	2013/14 £000
1,370 PWLB loan interest - HRA self financing	1,322
0 Interest adjustment	(10)
42 Internal self financing - General Fund	60
3 Finance lease interest	3
1,415	1,375

76 Finance Lease Costs

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.

2012/13 £000	2013/14 £000
Housing Revenue Account Income and Expenditure Account	
3 Finance lease interest	3
35 Depreciation on finance lease assets	33
Adjustments between Accounting Basis and Funding Basis under Regulations	
(35) Depreciation reversed	(33)
35 Capital financing of finance lease assets	33
Balance Sheet	
112 Asset - Plant and Equipment	44
(36) Liability < 1 year	(30)
(76) Liability > 1 year	(14)

76 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 a 30 year period. 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).

2012/13 £000	2013/14 £000
(46,590) Opening Balance	(45,315)
Adjustment based on revised PWLB schedule	10
1,275 Repaid in Year	1,322
(45,315) Closing Balance	(43,983)

The Collection Fund Income and Expenditure Account - Council Tax

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 council tax and illustrates the way in which these have been distributed to preceptors and the General Fund.

2012/13 £000	Notes	2013/14 £000
INCOME		
40,423	Council Tax receivable	41,950
	Transfers from General Fund	
5,085	- Council Tax Benefits (Now replaced by a local Council tax Reduction Scheme)	0
1	- Transitional Relief	0
45,509	Total Income	41,950
EXPENDITURE		
	Precepts, Demands and Shares	80
	- Central Government	
31,711	- Devon County Council	29,197
5,174	- Mid Devon District Council	4,764
4,537	- Devon and Cornwall Police	4,261
2,100	- Devon Fire and Rescue	1,972
954	- Parish Precepts	948
44,476		41,142
	Charges to Collection Fund	
82	- Write offs of uncollectable amounts	23
23	- Increase in provision for bad debts	94
	- Cost of Collection	
105		117
	Apportionment of previous year's surplus	
	- Central Government	
450	- Devon County Council	656
87	- Mid Devon District Council	127
63	- Devon and Cornwall Police	94
29	- Devon Fire and Rescue	43
629		920
45,210	Total Expenditure	42,179
299	(Deficit)/Surplus for the year	(229)
649	Balance at 1st April	948
948	Balance at 31 March	47 719

The £719k represents the overall surplus on the Council Tax element of the Collection Fund at 31/03/14. Of this 13.88% is due to MDDC, which equates to £99k (see note 47 on page 32).

Mid Devon District Council Financial Statements and Notes to the Accounts for the year ended 31 March 2014

The Collection Fund Income and Expenditure Account - Non Domestic Rates

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 illustrates the way in which these have been distributed to preceptors and the General Fund.

Original 2012/13 £000	As restated 2012/13 £000		Notes	2013/14 £000
13,663	13,895	Income		
		Business Rates Receivable		14,532
		Transitional Protection Payments		78
<u>13,663</u>	<u>13,895</u>	Total Income		<u>14,610</u>
		EXPENDITURE		
		Precepts, Demands and Shares		
13,557	13,663	- Central Government		7,271
		- Devon County Council		1,309
		- Mid Devon District Council		5,817
		- Devon Fire and Rescue		145
<u>13,557</u>	<u>13,663</u>			<u>14,542</u>
		Charges to Collection Fund		
	94	- Write offs of uncollectable amounts		93
	32	- Increase in provision for bad debts		26
	0	- Increase in provision for appeals		15
106	106	- Cost of Collection		106
	0	- Renewable Energy Retained		41
<u>106</u>	<u>232</u>			<u>281</u>
		Apportionment of previous year's surplus		
		- Central Government		
		- Devon County Council		
		- Mid Devon District Council		
		- Devon Fire and Rescue		
<u>0</u>	<u>0</u>			<u>0</u>
<u>13,663</u>	<u>13,895</u>	Total Expenditure		<u>14,823</u>
0	0	(Deficit)/Surplus for the year		(213)
0	0	Balance at beginning of the year		0
<u>0</u>	<u>0</u>	Movement on fund balance		<u>(213)</u>

The £213k represents the overall deficit on the Non-domestic rate element of the Collection Fund at 31/03/14. Of this 40% is attributable to MDDC, which equates to £85k

Notes to the Collection Fund

77 General

These accounts represent the transactions of the Collection Fund separated for Council Tax and Business Rates, which are statutory funds separate from the main accounts of the Council. The accounts are, however, consolidated within the Council's balance sheet. The accounts have been prepared on an accruals basis.

For 2013/14 the introduction of the new Local Council Tax Reduction Scheme, means that Council Tax Benefit (CTB) is now a discount rather than a benefit and therefore there is no transfer to the General Fund. The reduced grant that replaces the old subsidy system is now paid direct to Precepting & Collection authorities within their Formula Grant allocation, this results in lower Council Tax Requirements & therefore lower precepts as is evident when comparing 12/13 to 13/14.

For 2013/14 the introduction of the new Business Rates Retention Scheme has necessitated a new Collection Fund Statement in relation to Business Rates; under the new regime MDDC has joined a Devon wide pool in order to mitigate any losses and share any gains due to changes in the local economy. During 13/14 the Devon Pool had net growth of £1.5m of which MDDC received an additional £33k

78 Income from Business 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 reliefs and other deductions, is paid to a combination of Central Government, Devon County Council and Devon & Somerset Fire Service via the Devon Wide Pool. This is managed by Plymouth City Council, which in turn pays back authorities their share of any gain or loss.

The total rateable value for Mid Devon value at 31/03/14 is £39,806k and the non-domestic rating multiplier is 47.1p per £, therefore this gives a total collectable rates of circa £18,749k. (this illustration excludes the small business non-domestic rating multiplier)

79 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	4,973.3	3,314.7
B	7,701.8	5,990.3
C	5,768.5	5,127.6
D *	2,611.2	2,611.3
E	4,047.5	4,946.9
F	2,155.5	3,113.5
G	887.0	1,478.3
H	52.5	105.0
Total	28,197.2	26,687.6

* LCTS scheme taken out of the band D figures

80 Precepting Authorities

2012/13		2013/14
£000		£000
31,711	Devon County Council	29,197
5,174	Mid Devon District Council	4,764
4,537	Devon and Cornwall Police	4,261
2,100	Devon Fire and Rescue	1,972
954	Parish Precepts	948
44,476	Total	41,142

GLOSSARY OF TERMS

Accounting Period

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

Accruals

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

Actuarial Gains and Losses

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

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

Accumulated Compensated Absences Adjustment Account

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

Amortisation

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

Assets

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

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

Audit of Accounts

An independent examination of the Council's financial affairs.

Balances

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

Best Value Accounting Code of Practice

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

Budget

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

Capital Adjustment Account

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

Capital Expenditure

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

Capital Charges

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

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

Capital Receipts

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

CIPFA

The Chartered Institute of Public Finance and Accountancy.

Collection Fund

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

Corporate Democratic Core

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

Creditor

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

Debtor

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

Deferred Charges

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

Deferred Liabilities

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

Depreciation

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

Earmarked Reserves

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

Finance Lease

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

General Fund

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

Government Grants

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

Government Grants Deferred

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

Heritage Assets

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

Housing Revenue Account

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

Impairment

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

Income & Expenditure Account

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

Inventories (previously Stock)

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

Liquid Resources

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

Long Term Borrowing

Amounts borrowed in excess of 364 days.

Long-Term Contract

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

Long Term Debtors

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

Net Book Value

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

Non-distributed Costs

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

Operating Lease

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

Precept

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

Provision

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

Reserves

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

Revaluation Reserve

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

Revenue Contributions

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

Revenue Expenditure

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

Revenue Support Grant (RSG)

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

Trust Funds

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

Your Ref:
Our Ref: AJ/



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Contact: Andrew Jarrett
Telephone: 01884 234242
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23 September 2014

Dear Geraldine

Mid Devon District Council

Financial Statements for the year ended 31 March 2014

This representation letter is provided in connection with the audit of the financial statements of Mid Devon District Council for the year ended 31 March 2014 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view in accordance with International Financial Reporting Standards.

We confirm that to the best of our knowledge and belief having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

Financial Statements

We have fulfilled our responsibilities for the preparation of the financial statements in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in Great Britain ("the Code") as adapted for International Financial Reporting Standards; in particular the financial statements give a true and fair view in accordance therewith.

We have complied with the requirements of all statutory directions and these matters have been appropriately reflected and disclosed in the financial statements.

The Council has complied with all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance.

We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.

Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.

Available in other languages and formats on request
Please telephone 01884 255255 or email customerfirst@middevon.gov.uk

We are satisfied that the material judgements used by us in the preparation of the financial statements are soundly based, in accordance with the Code, and adequately disclosed in the financial statements. There are no further material judgements that need to be disclosed.

Except as stated in the financial statements:

- a. there are no unrecorded liabilities, actual or contingent
- b. none of the assets of the Council has been assigned, pledged or mortgaged
- c. there are no material prior year charges or credits, nor exceptional or non-recurring items requiring separate disclosure.

We confirm that we are satisfied that the actuarial assumptions underlying the valuation of pension scheme liabilities for IAS19 disclosures are consistent with our knowledge. We confirm that all settlements and curtailments have been identified and properly accounted for. We also confirm that all significant retirement benefits have been identified and properly accounted for.

Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards and the Code.

All events subsequent to the date of the financial statements and for which International Financial Reporting Standards and the Code require adjustment or disclosure have been adjusted or disclosed.

Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards.

We have only adjusted for the minor misstatements brought to our attention in the Audit Findings Report (see page 13) in relation to pension liability accounting and the cash flow statement. Neither of these items had any effect on the overall cash position or reserves held by the Council. We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.

We believe that the Council's financial statements should be prepared on a going concern basis on the grounds that current and future sources of funding or support will be more than adequate for the Council's needs. We believe that no further disclosures relating to the Council's ability to continue as a going concern need to be made in the financial statements.

Information Provided

We have provided you with:

- d. access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
- e. additional information that you have requested from us for the purpose of your audit; and
- f. unrestricted access to persons within the Council from whom you determined it necessary to obtain audit evidence.

We have communicated to you all deficiencies in internal control of which management is aware.

All transactions have been recorded in the accounting records and are reflected in the financial statements.

We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the Council and involves:

- g. management;
- h. employees who have significant roles in internal control; or
- i. others where the fraud could have a material effect on the financial statements.

We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the Council's financial statements communicated by employees, former employees, regulators or others.

We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.

We have disclosed to you the entity of the Council's related parties and all the related party relationships and transactions of which we are aware.

We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

Annual Governance Statement

We are satisfied that the Annual Governance Statement (AGS) fairly reflects the Council's risk assurance and governance framework and we confirm that we are not aware of any significant risks that are not disclosed within the AGS

Approval

The approval of this letter of representation was minuted by the Council's Audit Committee at its meeting on 23 September 2014

Signed on behalf of the Board

Name.....

Position.....

Date.....

Name.....

Position.....

Date.....

Andrew Jarrett
Head of Finance
DL 01884 234242

Cllr Bob Evans
Chair of Audit Committee
01884 255255

ANNUAL GOVERNANCE STATEMENT

Cabinet Member Cllr Peter Hare-Scott
Responsible Officer Head of Communities & Governance

Reason for Report: To present the Committee with the finalised Annual Governance Statement (Appendix A) and accompanying action plan (Appendix B) for 2013/14

RECOMMENDATION(S): The Governance Statement is approved and the Leader of the Council and the Chief Executive sign the Statement as per the statutory guidance.

Relationship to Corporate Plan: Having good governance arrangements and an effective internal control environment is a fundamental element of being a well managed council.

Financial Implications: None

Legal Implications: None

Risk Assessment: Failure to produce an Annual Governance Statement would result in the Council breaching the Accounts and Audit Regulations 2003 (Amended 2006).

1.0 Introduction

1.1 Mid Devon District Council is required to prepare an Annual Governance Statement (AGS) as per the requirements laid out in the Good Governance Framework, introduced by CIPFA SOLACE in 2007 and is a statutory requirement set out in Regulation 4(2) of the Accounts and Audit Regulations 2003, as amended by the Accounts and Audit (Amendment) (England) Regulations 2006.

1.2 Good Governance Framework also sets out the six principles of Corporate Governance which are underpinned by supporting principles and requirements. Authorities are expected to comply with the requirements of the Framework and thus meet the principles of good Corporate Governance, which are:

- Focusing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local area
- Members and officers working together to achieve a common purpose with clearly defined functions and roles
- Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour
- Taking informed and transparent decisions which are subject to effective scrutiny and managing risk
- Developing the capacity and capability of members and officers to be effective

- Engaging with local people and other stakeholders to ensure robust public accountability.

2.0 What is an Annual Governance Statement?

2.1 The Annual Governance Statement (AGS) should be an open and honest self assessment of an authority's performance across all of its activities, with a clear statement of the actions being taken or that are required to address areas of concern.

2.2 The Annual Governance Statement includes the following:

- An acknowledgement of responsibility for ensuring there is a sound system of governance (incorporating the system of internal control)
- A description of the key elements of the systems and processes that comprise the governance arrangements (Section 3 of the Statement – Appendix A)
- A brief description of the process that has been applied in maintaining and reviewing the effectiveness of the governance arrangements (Section 4 of the Statement – Appendix A)
- An outline of the proposed actions to be taken to deal with significant governance issues, including an action plan (Appendix B)

2.3 The Annual Governance Statement has been prepared in accordance with the CIPFA/SOLACE guidance entitled '*Delivering Good Governance in Local Government*' and the following sources of evidence have been obtained:

- Review and collation of evidence from the CIPFA/SOLACE annual governance statement framework
- Review of Internal Audit against the Public Sector Internal Audit Standards
- Evidence gathering meetings with each Head of Service and their relevant Service Managers
- Completion of a signed Governance Assurance Statement from each Head of Service
- Review of working practices against:
 - the CIPFA guidance on the role of the chief financial officer
 - the CIPFA guidance on the role of the Audit Committee
 - the Grant Thornton report titled Improving Council Governance
 - the Whistle-blowing Arrangements Code of Practice
 - the Local Government Fraud Strategy

3.0 Conclusion

3.1 Following the review of the sources of assurance and evidence to support the Annual Governance Statement, it is the opinion of the Head of Communities & Governance that the Council's control environment was adequate in the 2013/14 financial year.

3.2 The areas where improvements are required are highlighted in the Action Plan accompanying the Annual Governance Statement (attached as Appendix B). The action plan includes reference to the lead officers for each action and the target date for completion. The Committee will receive an update on the

progress made against this action plan at their meeting on 2nd December 2014.

- 3.3 It is a statutory requirement that the Annual Governance Statement is signed off by the Chief Executive (as most senior officer) and the Leader of the Council (as most senior member), along with the Report and Accounts once they have been approved by the Audit Committee on the 23rd September 2014.
- 3.4 The Annual Governance Statement has been subject to review by the Council's external auditor during the review of the Annual Report and Accounts and no recommendations have been made in respect of this document.

Contact for more Information: Amy Tregellas, Head of Communities & Governance ext 4246

Circulation of the Report: Management Team and Peter Hare-Scott

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1.0 SCOPE OF RESPONSIBILITY

- 1.1 Mid Devon District Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. Mid Devon District Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.
- 1.2 In discharging this overall responsibility, Mid Devon District Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, and which includes arrangements for the management of risk.
- 1.3 Mid Devon District Council has approved and adopted a code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE Framework *Delivering Good Governance in Local Government*. A copy of the code is on our website at www.middevon.gov.uk or can be obtained from the Head of Communities & Governance. This statement explains how Mid Devon District Council has complied with the code and also meets the requirements of Accounts and Audit (England) Regulations 2011, regulation 4(3), which requires all relevant bodies to prepare an annual governance statement.

2.0 THE PURPOSE OF THE GOVERNANCE FRAMEWORK

- 2.1 The governance framework comprises the systems and processes, culture and values, by which the authority is directed and controlled and its activities through which it accounts to, engages with and leads its communities. It enables the authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate services and value for money.
- 2.2 The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of Mid Devon District Council's policies, aims and objectives, to evaluate the likelihood and potential impact of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

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2.3 The governance framework has been in place at Mid Devon District Council for the year ended 31 March 201~~34~~ and up to the date of approval of the Annual Report and Statement of Accounts for the 201~~23~~/1~~34~~ financial year.

3.0 THE GOVERNANCE FRAMEWORK

3.1 The Council's Governance Framework addresses the way the Council is controlled and managed, both strategically and operationally, and how it will deliver its' services. The structures and processes, risk management and other internal control systems are in place to manage the barriers to achieving organisational objectives.

3.2 The Local Code of Corporate Governance is reviewed on an annual basis by the Audit and Committee and was last reviewed in March 201~~34~~. Members and senior officers are responsible for putting in place proper arrangements for the stewardship of the resources at its disposal.

3.3 The key elements of the systems and processes that comprise the Council's Governance Framework are:

3.4 Identifying and communicating the authority's vision of its purpose and intended outcomes for citizens and service users

3.4.1 The Council's Constitution makes clear reference to the Council's purpose; how it operates; how it will engage citizens, the rights of citizens and the values of the organisation.

3.4.2 The Council's Corporate Plan covers the period of 2012-2015 and clearly defines the Council's five priorities, which are:

- Thriving Economy
- Better Homes
- Empowering our Communities
- Caring for our environment
- Managing our resources

3.4.3 For each priority in the 2012-2015 Corporate Plan there is a comment on the Council's long term vision, details of aims and objectives and deliverable actions with details of the lead officer and target dates (over the three year period) for completion. The Corporate Plan is published on the Council's website – both a full version and a summary leaflet.

[3.4.4 Performance Indicator reports are published on the performance page of the Councils website on a quarterly basis.](#)

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3.5 Reviewing the authority's vision and its implications for the authority's governance arrangements

3.5.1 The last full review of the Corporate Plan took place during the 2011/12 financial year for the period of 2012 to 2015. The next scheduled review of the Corporate Plan is in 2015 following the next District Council elections in May 2015.

3.5.2 The Council's Corporate Plan outlines the authority's vision and is aligned to the Governance framework in the following ways:

- The Corporate Plan is linked to both the Medium Term Financial Plan and the Workforce Plan to ensure that the implications on the Council's finances and workforce are considered when the vision and priorities are set.
- The Full Corporate Plan and summary document are available to local people on paper or on the internet, and copies can be made available for people in alternative formats.
- Every report (whether it be to the Cabinet, Scrutiny Committee, Audit Committee, the Policy Development Groups or a Regulatory Committee) includes a section on the relationship to the Corporate Plan ~~is required to outline how the recommended action helps to achieve one or more of the Corporate Plan priorities.~~
- The Council's performance reporting system (SPAR.net) includes all of the performance indicators associated with the Corporate Plan. Reporting of performance against targets is mandatory throughout the Council, and has been reported to the PDGs, Scrutiny Committee, Audit Committee and Cabinet on a quarterly basis in 2013/14. Where performance against target is unsatisfactory or not reported, the responsible officer is required to offer an explanation to Management Team.
- There are strategies and action plans that sit below the Corporate Plan such as the Economic Development Strategy and action plan, which is reviewed regularly.

3.5.3 In February 2014 a Scrutiny Committee working group was set up to review the Council's performance and risk management arrangements. The key objective of the group was to streamline the performance indicator reports that are reported to the various committees. Work is currently ongoing but an interim report has been presented to the Scrutiny Committee on 16th June 2014 outlining the Indicators for 2014/15.

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3.6 Translating the vision into objectives for the authority and its partnerships

3.6.1 The Council's Corporate Plan contains the vision of the Council and sets out the top level objectives for delivering this vision in the areas listed in section 3.4.2 with targets covering the three year period of the Corporate Plan. Where appropriate there are strategies and action plans that link to the corporate priorities, such as the Economic Development Strategy and Action Plan setting out actions for completion. Where appropriate there are also actions within these plans that link with partnership working.

3.7 Measuring the quality of services for users, for ensuring they are delivered in accordance with the authority's objectives and for ensuring that they represent the best use of resources and value for money

3.7.1 As outlined in sections 3.4 and 3.5 there are a number of Performance Indicators on the Council's performance reporting system (SPAR.net) that measure the outcomes of service delivery and these include Local Indicators some of which are former National Indicators (NIs) and Best Value Performance Indicators (BVPIs).

3.7.2 Services within the Council have their own processes for measuring their performance and the quality of services that they provide for users and this information is included in their Service Business Plans. The Service Business Plans for the 2014/15 financial year have been presented to Management Team.~~The Service Business Plan template was reviewed and updated during the 12/13 financial year. A working group of service managers who use the Business Plan template were consulted. Each service area follows a standard template, which includes the following headings and Appendices:~~

- ~~● Service Vision~~
- ~~● Description of the Service~~
- ~~● Objectives – short term and Medium to long term~~
- ~~● Legislation changes~~
- ~~● Policy Framework~~
- ~~● Consultation~~
- ~~● Appendix A: Service Action Plans~~
- ~~● Appendix B: Service Risk Report (taken from the SPAR system)~~
- ~~● Appendix C: Service Performance Report (taken from the SPAR system)~~
- ~~● Appendix D: Service Workforce and Training Plan~~
- ~~● Appendix E: Service Financial Forecast and Savings Plan~~
- ~~● Appendix F: Service Marketing Plan (if applicable)~~
- ~~● Appendix G: Service Benchmarking Information~~
- ~~● Appendix H: Service Procurement Plan~~
- ~~● Appendix I: Service Contingency Plan~~

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3.7.3 The Council has a Community Engagement Strategy which clearly outlines how the Council will consult with its citizens and also includes a timetable for consultations throughout the year e.g. wider consultation on the budget as well as more service focused consultation. The Strategy was last updated in 2013 and is next due for review in 2016. ~~has previously been updated every two years and was last updated in March 2013.~~ The action plan ~~is was~~ reviewed and updated ~~on an~~ presented to the Community Well Being PDG for approval on 27 May 2014. ~~annually basis in March. The Community Engagement Strategy will now be reviewed and updated every three years. Both the Strategy and the action plan are reviewed by the Community Well Being PDG before going to the Cabinet for approval.~~

3.7.4 The Council asks for feedback from ~~citizens~~customers and service users ~~of services~~ through the citizens panel (surveyed three times a year), ~~the Mid Devon Equalities Forum~~ and a number of service specific customer satisfaction surveys. ~~The Council has a section on its website where feedback on consultations is posted and we have a "you said, we did" page giving details of changes that have been made as a result of customer feedback.~~

3.7.5 The Council is committed to using its resources in the most economic, efficient and effective way and has undertaken a number of projects in the last year to either reduce expenditure or generate income. A requirement for all projects is a business case to ensure that the Council is getting value for money at all times. Wherever possible, when a member of staff leaves the authority an assessment is done to see if the role can be absorbed within the existing establishment before reviewing options for replacement.

3.8 Defining and documenting the roles and responsibilities of the executive, non-executive, scrutiny and officer functions, with clear delegation arrangements and protocols for effective communication in respect of the authority and partnership arrangements

3.8.1 The Council has adopted a Constitution which sets out how it operates, and assigns clear roles and responsibilities for decision making bodies and individuals within the Council.

3.8.2 A Members Working Group is currently working with the Monitoring Officer to review the Council's Constitution in light of the new Association of Council Secretaries and Solicitors (ACSeS) national model code. The Standards Committee will then review the proposed amendments prior to the Constitution going to Council for approval.

3.8.3 The Articles and Terms of Reference within the Council's constitution clearly define the roles and responsibilities of:

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- Full Council
- The Cabinet
- Scrutiny Committee
- Audit Committee
- The Policy Development Groups
- Standards Committee
- The Regulatory Committees (including Planning Committee, Licensing Committee, Regulatory Committee and other Bodies)

- 3.8.4 The Council has a clearly defined Scheme of Delegation, which is also contained within the Constitution. This document sets out the powers of the Council, the powers of the Cabinet, delegations to Cabinet Members and Officers and the matters delegated to the Committees. The Scheme of Delegation to Officers includes specific reference to the statutory posts of Head of Paid Service, Monitoring Officer and Section 151 Officer.
- 3.8.5 Cabinet Members are able to make decisions individually subject to certain provisos. The scheme of delegation within the Constitution outlines the details and also contains the decision recording form. Delegated decisions are published on the website and are also discussed at Cabinet, if and when any decision is taken by a Cabinet Member.
- 3.8.6 The main decision-making committee is the Cabinet. Each Cabinet Member is assigned a portfolio of services (which has been aligned with the Management Team structure) requiring them to work very closely with their relevant Head(s) of Service in the pursuance of the Council's goals. Regular meetings between Cabinet Members and Heads of Service take place during which service performance, risk and budgetary control are discussed as well as any other issues affecting service delivery. The Cabinet and Management Team also meet on a monthly basis.
- 3.8.7 The Council also has a Scrutiny Committee which comprises of non-cabinet members whose duties include: reviewing and scrutinising decisions made by the Cabinet, exercising the right to call in decisions if necessary, and appointing review groups to look at particular issues of local concern.
- 3.8.8 As well as the Scrutiny Committee the Council also has an Audit Committee which provides an independent assurance on the adequacy of the Council's governance arrangements including its risk management framework and associated control environment. The Committee also provides an independent scrutiny of the Council's financial and non-financial performance.

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~~3.8.9 The Council also has a Standards Committee which is responsible for promoting and maintaining high standards of conduct by Councillors and co-opted Members. Following the changes to the Standards regime in the Localism Act the Audit Committee also picked up and issues previously covered by the Standards Committee in July 2012. However, in April 2013 Full Council voted to revert back to a separate Standards Committee.~~

3.8.10 A protocol on member and officer relations is included in the Constitution to assist in understanding and promoting effective communication.

3.8.11 The Council's Management Team provides corporate leadership and meets on a regular basis and considers performance management, risk management, financial management, internal control, efficiency and value for money issues. Where officers attend external meetings with Partners updates are provided to colleagues at Management Team meetings.

3.8.12 Staff are kept regularly updated on all relevant issues via the Core Brief which is discussed at the Senior Officers Forum and also through the Council's weekly staff newsletter 'the Link'. Members are kept informed via the Members Weekly Information Sheet.

3.9 Developing, communicating and embedding codes of conduct, defining the standards of behaviour for members and staff

~~3.9.1 There were a number of changes in this area in the 2012/13 financial year. The Localism Act 2011 abolished the standards board regime but introduced new duties to promote and maintain high standards of conduct. These changes came into effect from the 1st July 2012.~~

~~3.9.1 In accordance with the requirements of the Localism Act 2011 the Council drew up a new Code of Conduct for Members in June 2012. On 27th June 2012 Full Council approved the Code of Conduct with the caveat of being given the opportunity to consider and discuss all options for both the code and it's policing. In February 2013 a group of Members along with the Monitoring Officer and Member Services Officers met to discuss these issues. Subsequently the Code of Conduct has been amended to simplify it. The Council has a Members Code of Conduct and this was last reviewed and -approved by Full Council in April 2013.~~

3.9.2 The Codes of Conduct for both Officers and Elected Members are contained within the Council's Constitution. These are both kept under review and updated as necessary. The Officers Code of Conduct is issued and explained to officers during their induction. Thereafter, the Codes of Conduct are available on the Council's website.

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- 3.9.3 As outlined in section 3.8.2. Aa Members working group is currently working with the Monitoring Officer to review the Constitution in light of the new Association of Council Secretaries and Solicitors (ACSeS) Model Constitution.
- 3.9.4 The Council holds both a register of interests and gifts and hospitality register for both officers and members. Internal Audit reviewed the Council's arrangements for gifts and hospitality and the Register of Interests in the 2012/13 financial year. The Head of Communities & Governance and Monitoring Officer reminded all officers of the need to declare any gifts & hospitality or register any interests.
- 3.9.5 ~~As outlined in section 3.8.97, following the changes to the Standards Regime, the Council opted to incorporate the role of the Standards Committee into the role of the Audit Committee and this took effect from the 1st July 2012. As per 3.9.2, in April 2013 Full Council also approved that the Council revert to having a separate the Council has a Standards Committee which is responsible for promoting and maintaining high standards of conduct by Councillors and co-opted Members.-~~
- 3.9.6 The Monitoring Officer and Deputy Monitoring Officers ~~carried~~ out training/briefing sessions for District Councillors and Town and Parish Councillors ~~as and when required during the September and October 2012 to talk to Councillors about the changes to the Standards Regime.~~ The Monitoring Officer also spoke to Parish Clerks about ethical standards at the Annual Clerks Meeting in March 2013~~4~~.
- ~~3.9.8 On 12th December 2012, the Head of Communities and Governance was appointed as the new Monitoring Officer by Full Council.~~
- 3.9.7 The Council's website has comprehensive information available as to how members of the public can make a complaint about a Councillor whether it relates to a District, Town or Parish Councillor. Following the changes to the Standards Regime the procedure for dealing with a complaint about a Councillor was reviewed and amended and is published on the Council's website.
- 3.9.8 The Council has disciplinary and grievance procedures in place in respect of officers, which are accessible to officers through the Intranet pages. Any instances of alleged breaches of the Code of Conduct would be dealt with in accordance with these procedures.
- 3.10 Reviewing the effectiveness of the authority's decision-making framework, including delegation arrangements, decision-making in partnerships and robustness of data quality**

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- 3.10.1 The Constitution details how decisions will be made by the Council – specifically Article 13. Article 4 of the Constitution outlines the decisions that will be made by Full Council.
- 3.10.2 The Cabinet is the main decision making committee. Article 7 of the Constitution details the role of the Cabinet and the scheme of delegation also outlines which Cabinet Members are responsible for which areas. The Constitution also contains information on Cabinet Procedure Rules.
- 3.10.3 The Scrutiny Committee have the right to call in decisions made by Cabinet or individual Cabinet members that non-cabinet members feel have not been made in accordance with Article 13 within 5 working days of the Cabinet decision or delegated decision form being published.
- 3.10.4 The Council has a Data Quality Policy in place which is reviewed every 3 years. This last went to Audit Committee for approval in May 2011 and is due to be reviewed and taken back to the Audit Committee for approval in December 2014. The Committee report procedure requires that reports going to Committee must go to Audit for Data Quality checking prior to the agenda going out.
- 3.11 Reviewing the effectiveness of the framework for identifying and managing risks and demonstrating clear accountability**
- 3.11.1 The Council has a Risk Management Strategy, which is updated annually and clearly outlines the roles and responsibilities within the Council for Risk Management as well as the Risk Management process, which includes guidance on:
- Identifying corporate and operational risks
 - Assessing the risks for likelihood and impact
 - Identifying mitigating controls
 - Allocating responsibility for the mitigating controls
- 3.11.2 The Audit Committee is responsible for reviewing and approving the Risk Management Strategy and the current document was approved on 19th March 2013. [Following the conclusion of the work of the Scrutiny Committee Performance Management Working Group the updated Risk and Opportunity Management Strategy will go to the Audit Committee for approval.](#)
- [3.11.3](#) The Head of Communities & Governance attends the staff induction sessions to ensure that all new staff are aware of the risk management strategy and their responsibilities.

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3.11.4 ~~As per section 3.7.2 e~~ Each Service Business Plan contains an appendix on Risk Management and a report is downloaded from SPAR.net which contains all risks relating to the service area.

~~3.11.4 During the 2012/13 financial year a large piece of work was undertaken with all Service Areas to ensure that all of their risks were uploaded into the SPAR.net system, including Health and Safety Risks.~~

3.11.5 ~~Due to the large piece of work with SPAR.net t~~The key business risks were ~~not~~ reported to the Management Team, Cabinet, Audit Committee, Scrutiny Committee and the three Policy Development Groups ~~on a quarterly basis in the 2013/14 financial year and the performance and risk reports are available to the public on the performance pages of the Councils website as frequently as detailed in the Risk Management Strategy section on actions for 2012/13. However, reports did go to the relevant Committees for the last half of the financial year.~~

3.12 Ensuring effective counter-fraud and anti-corruption arrangements are developed and maintained

3.12.1 The Council has policies with regard to Anti-Fraud & Anti-Corruption and Anti-Money Laundering (and covering the Bribery Act). Both policies were reviewed, updated and approved by the Audit Committee on 20th September 2011. They are scheduled to be reviewed every three years and are next due to be reviewed and taken back to Committee in September 2014.

3.12.2 There is a flow diagram, which accompanies the Anti-Fraud & Anti-Corruption Policy, which clearly outlines the process for reporting any suspected cases of fraud, corruption or financial irregularity and the steps that will be taken to deal with any allegations that are made. The Head of Communities & Governance attends the Corporate Induction sessions with new members of staff to inform them of the policies and they are accessible to all staff through the audit pages on the Intranet (Sharepoint).

3.13 Ensuring effective management of change and transformation

3.13.1 The Council has processes and procedures in place for managing change.

3.13.2 Internal change whether it relates to people or systems and procedures is dealt with using a business case which is discussed at Management Team. The Chief Executive and Head of Human Resources and Development meet monthly with the Union. The Pay and grading Group and Joint Negotiation and Consultative Committee are groups where Management work with the Union on staff related issues.

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3.13.3 The Workforce Plan also focuses on change management in relation to staffing and succession planning. The Human Resource Business Partners work closely with their Service Managers to deal effectively with change. The Council has an annual appraisal process (from March to end August) in place where training and development needs are identified. These are then fed into the annual training plan which is produced and this feeds into the budget setting process.

3.13.4 Where change relates to systems or processes relevant departments across the Council work together on projects. ICT play a key role on any projects relating to systems.

3.13.5 In 2013/14 the Council embarked on two key projects for delivering future improvements and benefits. The first is the digital transformation project which will be ongoing over the next couple of years. A project board meets regularly to monitor progress. The second is the changes to the waste and recycling service, due to come into effect in October 2015. Again a project working group (including Councillors) has been set up to implement the changes. ~~2/13 a cross-departmental team worked on the changes impacting on the public in relation to Welfare Reform. This project included consultation with the public, risk assessments and equality impact assessments.~~

3.14 Ensuring the authority's financial management arrangements conform with the governance arrangements of the CIPFA *Statement on the Role of the Chief Financial Officer in Local Government (2010)* and, where they do not, explain why and how they deliver the same impact

3.14.1 The Council has appointed the Head of Finance as the Chief Financial Officer and Section 151 Officer. The Head of Finance reports directly to the Chief Executive and is a Member of the Council's Management Team.

3.14.2 The Head of Finance is a qualified Accountant and has a line of professional accountability for finance staff throughout the organisation.

3.14.3 The Head of Finance meets regularly with the Cabinet Member for Finance to ensure that he is fully briefed on all financial matters.

3.14.4 The Head of Finance has direct access to the Audit Committee and the External Auditors.

3.14.5 Regular financial monitoring reports go to the Cabinet to provide Members with timely, accurate and impartial financial advice and information to assist in decision making.

3.14.6 Regular financial information and update reports are presented to the Scrutiny Committee and the Policy Development Groups.

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- 3.14.7 The Authority has a Medium Term Financial Plan which is populated with prudent financial information and forecasts to ensure that the Authority has a clear picture of the financial challenges that it faces going forward.
- 3.14.8 The MTFP forms a key part of the Budget setting process and Service Managers, Management Team and Members all have an input into this process before the Budget is set and agreed by Full Council each year in February.
- 3.14.9 The Council has a robust Treasury Management Strategy in accordance with the CIPFA Guidance in place and this is reviewed every six months.
- 3.15 Ensure the authority's assurance arrangements conform with the governance requirements of the *CIPFA Statement on the Role of the Head of Internal Audit (2010)* and, where they do not, explain why and how they deliver the same impact**
- 3.15.1 The Audit Team Leader is the equivalent of the Head of Internal Audit and the postholder is a qualified accountant. The Audit Team Leader manages the Internal Audit section and they do not have any other line management responsibilities.
- 3.15.2 The Audit Team leader reports to the Head of Communities and Governance except where Internal Audit are reviewing one of her areas and then they report directly to the Chief Executive.
- 3.15.3 The Audit Team Leader has access to the Chief Executive, Head of Finance (as Section 151 Officer) and the chairman and vice chairman of the Audit Committee and reports to the Audit Committee in her own right.
- 3.15.4 The Audit Team Leader ensures that the Audit Service work to the Public Sector Internal Audit Standards and a self-assessment is completed as a source of assurance for the Annual Governance Statement—~~previously the Code of Audit Practice for Internal Audit in Local Government 2006 and from 1st April 2013 the Internal Auditing Standards.~~
- 3.16 Ensuring effective arrangements are in place for the discharge of the Monitoring Officer function**
- 3.16.1 Article 12 in the Council's Constitution outlines the functions of the Head of Communities & Governance as the Monitoring Officer.
- 3.16.2 The ~~Council, at its meeting on 12th December 2012, appointed the Head of Communities & Governance as its Statutory~~ Monitoring Officer

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~~and she~~ has one deputy Monitoring Officer (the Assistant Solicitor) to support her. The Monitoring Officer is responsible for ensuring the Council conducts its business lawfully and she has a duty to report to Full Council any proposal, decision or emission that would give rise to unlawfulness or maladministration.

3.16.3 If any Committee wants to make a decision the members must, when reaching decisions, have regard to any relevant advice provided to them by the Authority's Monitoring Officer and/or the Head of Finance (as Section 151 Officer).

3.17 Ensuring effective arrangements are in place for the discharge of the Head of Paid Service function

3.17.1 Article 12 in the Council's Constitution outlines the functions of the Chief Executive as the Head of Paid Service.

3.17.2 The Head of Paid Service role and responsibilities are laid out in the Chief Executives job description and he also receives an annual appraisal from Members.

3.17.3 The Chief Executive does not hold the post of Section 151 Officer or Monitoring Officer.

3.18 Undertaking the core functions of an audit committee, as identified in CIPFA's *Audit Committees – Practical Guidance for Local Authorities*

3.18.1 The Council's Audit Committee undertakes the core functions as per the CIPFA guidance and has been in existence since January 2009.

3.18.2 The Audit Committee provide independent assurance on the adequacy of the risk management, control and governance environment as well as scrutinising the Council's financial and non-financial performance. The Committee also oversees the financial reporting process and is responsible for reviewing and approving the Annual Report and Accounts.

~~3.18.3 During the 2012/13 financial year, following the changes to the Standards Regime, the Audit Committee have also been dealing with any items that would have previously been covered by the Standards Committee. However, Full Council voted in April 2013 to revert back to having a separate Standards Committee.~~

3.18.3 Members of the Audit Committee and their substitutes are provided with training as and when it is appropriate.

3.18.4 The Audit Committee are acting in accordance with the CIPFA guidance listed above as well as the guidance from the CIPFA Better

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Governance Forum March 2013 – *Audit Committee Update – helping audit committees to be effective.*

3.19 Ensuring compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful

- 3.19.1 The Council has a comprehensive set of financial and contract procedure rules which are contained within the Council's Constitution. These were last reviewed, updated and approved in the 2012/13 financial year. –This document sets out the overall framework that governs the management of the Council's finances.
- 3.19.2 The Council has a clearly defined Scheme of Delegation, which is also contained within the Constitution. This document is reviewed and updated, as and when required in light of any specific amendments that need to be made if the structure of the Council changes for any reason. The Constitution also outlines the roles and responsibilities of the statutory posts of Head of Paid Service, Monitoring Officer and Section 151 Officer.
- 3.19.3 The internal audit process examines procedure notes and manuals held by service areas and highlights any areas where the notes/manuals are missing or are found to be inadequate. They also highlight any breaches against the Financial Regulations, Contract Procedure Rules and Constitution. Any areas in which improvement can be made are highlighted in the audit report along with recommendations for improvement.
- 3.19.4 Committee reports are considered for risks and financial and legal issues by Management Team prior to being distributed to Members.
- 3.19.5 Internal Audit examines the Council's policies and procedures in the course of its work and highlights any areas where these are not being adhered to. Any areas in which improvement can be made are highlighted in the audit report along with recommendations for improvement.

3.20 Whistle-blowing, and the process for receiving and investigating complaints from the public

- 3.20.1 The Council has a Whistle-blowing Policy which was last reviewed, updated and approved by the Audit Committee on 20th September 2011. This policy is subject to review every three years and is next due to be presented to the Audit Committee in September 2014.
- 3.20.2 ~~The Scrutiny Committee reviewed the Whistle-blowing Policy in May 2012 and have agreed to have a report made to them on a six-monthly basis so that they can monitor the effectiveness of the Policy.~~–The Head of Communities & Governance provided the Scrutiny Committee

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with updates ~~on the Whistle-blowing Policy on 15th October~~ ~~on 15th October~~ ~~20123~~ and ~~1926th May 20134~~ ~~21st October~~ ~~20123~~ and ~~1926th May 20134~~.

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- 3.20.3 The Head of Communities & Governance attends the Corporate Induction sessions with new members of staff to inform them of the policies and they are accessible to all staff through the audit pages on the Intranet (Sharepoint).
- 3.20.4 The Council has a clearly defined complaints procedure, which lists the steps for making a complaint and how to make a formal complaint. The procedure also gives guidance on how to contact the Ombudsman if the member of the public wishes to take the matter further.
- 3.20.5 There is also information available on how to make a complaint about a Councillor. The matter would be referred to the Monitoring Officer ~~in the first instance~~ and ultimately the ~~Monitoring Officer matter would be referred the matter~~ to the Standards Committee, ~~if appropriate, if the complaint related to a breach of the Code of Conduct.~~
- 3.21 Identifying the development needs of members and senior officers in relation to their strategic roles, supported by appropriate training**
- 3.21.1 Each member has an induction as well as training that is relevant to their particular role (i.e. dependent on which Committee they are serving on). Members that serve on the Policy Development Groups are given specific training on the topics that fall under their remit.
- 3.21.2 Members that serve on the regulatory committees such as Planning and Licensing are given specific training due to the specialist nature of these areas.
- 3.21.3 Each member has had a one to one with an officer from our Member Services team with the result being to draw up a personal development plan for the member, which includes training needs and also any areas of training that they request.
- 3.21.4 Briefing sessions for members are held on a regular basis which all members are invited to attend. Details of these sessions are publicised through the member's newsletter called the Weekly Information Sheet (WIS).
- 3.21.5 The Council has a Member Development Group and the Chairman of this group is the lead member for member development. The lead member provides updates to the Cabinet on the outputs from the work of this group and the Scrutiny Committee review feedback from training courses on a six monthly basis ~~(following the demise of the Standards Committee from 4th July 2012).~~

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3.21.6 The Council has successfully ~~retained its accreditation for the new achieved, and been awarded with the~~ Member Development Charter ~~in March 2014 and will next be assessed in 2017, and is currently preparing for the next assessment under this charter.~~

3.21.7 All Senior Officers (Management Team) have job descriptions and an annual appraisal with the Chief Executive which identifies training needs. All Management Team members have regular one to ones with the Chief Executive where feedback is given. Each Head of Service is also responsible for keeping their knowledge up to date and booking to attend courses, seminars etc if needed.

3.22 Establishing clear channels of communication with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation

3.22.1 The Council has a Community Engagement Strategy and accompanying action plan which was approved by the Community Well Being PDG in ~~Marchy~~ 201~~34~~, which clearly outlines how the Council will consult with its citizens and also includes a timetable for consultations throughout the year.

3.22.2 The Council has a dedicated Consultation and Youth Involvement Officer who has worked with, and is continuing to work with, various stakeholder groups in the Mid Devon area on a number of consultations.

3.22.3 There is a 'have your say' section on the front of the Council's website for links to current consultations and for the results to be displayed here. The feedback in relation to consultation is published there and after every consultation the results are fed back to the groups taking part.

3.22.4 All data collected from surveys and consultation exercises form a report and a summary is sent to the participants or they are told where and when the results will be displayed (usually our website). Further work is being completed to ensure that the information is being fed back in a version which suits them and their needs .e.g. a learning disability group would want the results in a different format to a senior officer.

3.22.5 The Citizens' Panel receive a feedback note stating the findings for each questionnaire explaining how the Council has reacted to the findings i.e. if we made a change due to the findings or if not, why not.

3.22.6 The Consultation and Youth Involvement Officer has formed a group of Consultation Champions and created a number of methods for departments to use including street surveys and online surveys. The Citizens' Panel is reviewed on a regular basis to ensure that it is balanced in line with the profile of the Mid Devon community.

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3.22.7 The Council has an approved Single Equalities Scheme following the changes to the Equalities Bill and the Public Sector Equality Duty which came into effect in April 2011.

~~3.22.8 The Council works with the Mid Devon Equalities Forum whose membership is stakeholders from groups who represent the various equality strands including age, disability and ethnic minority groups. As well as this group the Council runs Member & Community days where elected members visit groups and projects out in their communities.~~

3.23 Enhancing the accountability of service delivery and effectiveness of other public service providers

3.23.1 As listed in Article 6 of the Constitution the Council's Scrutiny Committee and Policy Development Groups (PDGs) are able to "review and scrutinise the performance of other public sector bodies in the area and invite local reports from them by requesting them to address Scrutiny and local people about their activities and performance".

3.23.2 Members of the Scrutiny Committee are on the Joint East and Mid Devon Crime and Disorder Scrutiny Panel which reviews what has been delivered by the Community Safety Partnership.

3.23.3 During the 201~~23~~/1~~34~~ financial year the Scrutiny Committee have had the ~~Police and~~ Local MP and representatives from Devon County Council in to answer questions and have also had working groups looking at Ageing Well, ~~and~~ Health and Wellbeing, Communications, Legal Services and Performance Management.

3.23.4 The Community Well Being PDG have reviewed the grants that the Council pay to outside organisations and have also called in organisations receiving grants to challenge them on benefits and costs.

~~3.23.5 During the 2012/13 financial year representatives from the Districts have been working with colleagues on the Public Health agenda.~~

~~3.23.6 In March 2013 the Council undertook a joint Peer Review with Devon County Council to examine the local economy and the growth agenda. Work is ongoing to deliver the recommendations that arose from the Peer Challenge working with Devon County Council and the Heart of the South West Local Enterprise Partnership.~~

3.24 Incorporating good governance arrangements in respect of partnerships and other group working as identified by the Audit Commission's report on the governance of partnerships, and reflecting these in the authority's overall governance arrangements.

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3.24.1 The Council has very few strategic partnerships but these are assessed using the partnership toolkit and have been reviewed during the collation of the Annual Governance Statement. This includes information on the contribution the Council makes to the partnership, whether the partnership has formal terms of reference and how the Council benefits from continued involvement.

4.0 REVIEW OF EFFECTIVENESS

4.1 Mid Devon District Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the executive managers within the authority who have responsibility for the development and maintenance of the governance environment, the Audit Team Leader's annual audit outturn report, and also by comments made by the external auditors and other review agencies and inspectorates.

4.2 The effectiveness of the governance framework has been evaluated through:

- ~~• The Head of Legal & Democratic Services (from 1st April 2012 to 12th December 2012) in his role as Monitoring Officer has a duty to monitor and review the operation of the Council's Constitution to ensure that its aims and principles are given full effect. The Council reviews the Constitution regularly to incorporate any necessary changes.~~
- The Head of Communities & Governance (~~from 13th December 2012 to current~~) in her role as Monitoring Officer has a duty to monitor and review the operation of the Council's Constitution to ensure that its aims and principles are given full effect. The Council reviews the Constitution regularly to incorporate any necessary changes.
- The Head of Finance in his role as the Chief Financial Officer and Section 151 Officer has a duty to lead and direct financial strategy and operations. This includes regular communication and provision of financial information to officers and Members
- The role of the Cabinet is to exercise all of the Council's functions which are not the responsibility of any other part of the Council. The Cabinet provides leadership to the overall activities of the Council.
- The Council has a Scrutiny Committee, which has the role of reviewing and scrutinising decisions made or actions taken in connection with the discharge of any of the Council's functions.

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They can look at particular decisions in depth, before making recommendations to the Cabinet as well as being able to 'call-in' a decision that has been made by the Cabinet but not yet implemented, to enable consideration as to whether the decision has been made in accordance with the proper process as laid out in Article 13 of the Constitution.

- The Council has an Audit Committee to provide effective leadership to the Council on audit and governance issues, and independently contributes to the overall process for ensuring that effective systems are maintained for internal control, risk management and corporate governance.
- The Council's Standards Committee ~~(from 1st April 2012 to 30th June 2012)~~ had the role ~~is toof~~ promoting and maintaining high standards of conduct by Councillors and co-opted members as well as reviewing and monitoring the Code of Conduct for members. The Code of Conduct includes specific reference to the Register of Members' Interests, procedures for declaring interests at Committee meetings and protocols for accepting gifts and hospitality and member/employee relations. The Standards Committee also advises and trains members of the Code of Conduct and deals with any alleged breaches to the Code. The Standards Committee also had an overview of complaints handling and Ombudsman investigations, as well as dealing with local investigations. ~~From the 1st July 2012 to 31st March 2013 these areas came under the remit of the Audit Committee following the changes to the Standards Regime.~~
- The Council has an Internal Audit section, which is totally independent of any service area, with the Audit Team Leader reporting to the Head of Communities & Governance who reports directly to the Chief Executive. The Head of Communities & Governance and Audit Team Leader regularly report to the Audit Committee and present the following reports on an annual basis:
 - Four-year Strategic Audit Plan (March)
 - Annual Audit work plan (March)
 - Internal Audit Strategy (March)
 - Internal Audit Charter (March)
 - Regular reports outlining progress against the annual audit work plan
 - Outturn Internal Audit report (covering the whole financial year) (June)
 - Risk Management Strategy and Action Plan (March)
 - Code of Corporate Governance (March)
 - Annual Governance Statement plus progress reports

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- Performance and Risk Report
 - Whistle-blowing Policy (three yearly next due 2014)
 - Anti-fraud and Anti-Corruption Policy (three yearly next due 2014)
 - Anti-Money Laundering Policy (three yearly next due 2014)
 - Data Quality Strategy and Action Plan (three yearly next due 2014)
- Reviews of the Council's key (core) financial systems by Internal Audit against known evolving risks on an annual basis. Cyclical reviews by Internal Audit of internal controls in operation within each service area against known and evolving risks – e.g. changes to systems of staff
 - The relevant Head of Service, Chief Executive and all five Members of the Audit Committee receive copies of Audit reports. Any issues arising from these reports are discussed at the Audit Committee.
 - Annual Internal Audit outturn report, to the Audit Committee for 2012/13, highlights the work of Internal Audit including an opinion on the overall adequacy and effectiveness of the Council's internal control environment
 - Annual reviews of the Council's financial accounts and records by the external auditor leading to their opinion as published in the Annual Audit and Inspection Letter and Governance Report
 - Strategic risk review and evaluation of controls in place to manage risks together with the commencement of specific project risk assessment
 - External Audit and Inspection also contributes to the review of effectiveness.
- 4.3 We have been advised on the implications of the result of the review of the effectiveness of the governance framework by the Audit Committee, and that the arrangements continue to be regarded as fit for purpose in accordance with the governance framework. The areas already addressed and those to be specifically addressed with new actions planned are outlined below.

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5.0 SIGNIFICANT GOVERNANCE ISSUES

- 5.1 At the current time, there are no significant governance issues but a number of recommendations for improvement are set out in Appendix B. The action plan details the governance issues that have been identified, the proposed action, the responsible officer and the target date for completion.
- 5.2 The work of Internal Audit identified ~~three~~ systems that were classed as poorly controlled – ~~Standby and Payroll~~ Corporate Health and Safety, Travel and Subsistence and Trade Waste.
- 5.3 The key issues highlighted in the ~~Standby~~ Corporate Health and Safety report were a lack of awareness and evidence of work done although all the operational areas were carrying out risk assessments correctly. There is now increased membership on the Health and Safety Committee ensuring all services and MDDC locations are represented, in addition the Chief Executive now attends meetings. The work on SPAR received the approval of the Zurich insurance risk advisor, the lack of structure to the manning of the service and in the absence of agreed standards for performance the service and MDDC are laid open to potential censure and even litigation.
- 5.4 The key issues highlighted in the ~~Travel and Subsistence~~ Payroll Report were around the authorisation and checking of claims, and existing procedures, policies and rules not being followed or enforced as well as they should have been. Since the audit the new system is operational and the Payroll Manager and HR assistant scrutinise expense claims and follow up on a lack of accompanying evidence. The introduction of Myview for self-service expense claims later on this year should improve things further with the system and cover for the Payroll Manager. There were also issues around some calculations being based on calendar days rather than working days and areas of policy that needed to be referred to the Pay and Grading Group. It was felt that the implementation of the new HR system in 2013 will go a long way to addressing these issues and the Payroll Manager now has a member of staff supporting him and providing cover.
- 5.5 The key issues highlighted in the Trade Waste Report were around changes to the management of the service, a general lack of recorded procedures, poor audit trail, out of date documentation and invoicing. Since the audit a number of changes have been made including planned extension to the service, the planned recruitment of a new manager and improvement of the invoicing process, re have been significant improvements to both areas since the audits were carried out. For Payroll and HR generally the new system has been successfully installed and gone live after 2 months parallel running. This has resolved a significant proportion of weaknesses which were evident in the old system as the new system is fully integrated with HR

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~~records. For Standby the main weaknesses were also to do with HR matters such as job description and transparent recruitment procedures. These are also now largely resolved as the first vacancy was advertised and filled successfully in February. One important remaining recommendation is the risk assessments for this area in particular Lone Working for the Standby Operative role. Progress against this recommendation will be regularly reviewed.~~

- 5.6 The Audit Committee will continue to receive regular reports on the progress being made on implementing Internal Audit recommendations throughout the financial year.
- 5.7 We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

Signed:

Name: Kevin Finan
Position: Chief Executive
Date: 24th September 2014

Peter Hare-Scott
Leader of the Council
24th September 2014

To accompany the Annual Governance Statement 2013-14

Draft Action Plan: Actions for 2014-2015

Corporate and Business Planning		
<p>Suggestions for improvement:</p> <ul style="list-style-type: none"> • There is a need to review and improve the Corporate and Business Planning process to ensure that there is a golden thread so that all service areas can see how they link into the overall objectives of the Council. Likewise, the Corporate Plan should reflect the Council's values. • Aspirational direction for the Council should be reflected in the revised Corporate Plan as "Member Pledges" rather than specific targets • In order to agree which actions would best achieve strategic aims and objectives, the Executive Management Team should risk assess options, based on risk/benefit profiles (including time and cost) 		
Agreed Approach	Responsible Officer	Target Date
1. Review the Corporate Plan to achieve the "Golden Thread" by building in strategic objectives that reflect our statutory duties as well as social duties and aspirations	Head of Communities and Governance	June 2015
2. Include organisational "values" and Cabinet Member "pledges" in the next update of the Corporate Plan	Head of Communities and Governance	June 2015 (following District election)
3. Develop a Council mission statement to provide direction for staff	Management Team	March 2015
4. Include a communication strategy (internal and external) of the Corporate Plan in its next revision including a diagram depicting the reporting structure against the Corporate objectives. This will include the approach to internal communications i.e. visiting team meetings to get input and workshops at Senior Officers Forum	Head of Communities and Governance	June 2015
5. Embed Risk Management into the strategic planning process when agreeing on approaches to meet aims	Head of Communities and Governance	March 2015
6. Amend Risk and Performance Reports following review of Corporate Plan so that it is divided into objectives	Head of Communities and Governance	July 2015

7. Agree balance of budgets vs performance alongside corporate priorities	Management Team	December 2014 (for 2015/16)
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Performance and Risk Management		
<ul style="list-style-type: none"> • There is a need to improve the information provided to officers and members in terms of how to manage performance • The current Risk Management Strategy does not take into account “opportunities” • The Corporate Risk Register has been reviewed with Head of Service – there is now a need to reinforce this by recording strategic risks at service level and encouraging services to treat the risk register as a “live” data source through SPAR • The Data Quality policy needs to be reviewed and updated in 2014 • The Emergency Plan needs updating 		
Agreed Approach	Responsible Officer	Target Date
8. Following the conclusion of the Scrutiny Committee Performance Management working group review and update the Risk Management Strategy and get this approved by the Audit Committee	Head of Communities and Governance	September 2014
9. Incorporate “opportunity management” within our Risk Management Strategy	Head of Communities and Governance	September 2014
10. Following the conclusion of the Scrutiny Committee Performance Management working group review and update the performance management guidance for officers and Councillors and take to the Audit Committee for approval	Head of Communities and Governance	September 2014
11. Review the risk register further by adding Service Business Plan risks to SPAR	Head of Communities and Governance	August 2014
12. Review the Data Quality Policy and take to the Audit Committee for approval	Head of Communities and Governance	December 2014
13. Review and update the Emergency Plan	Community Safety and Emergency Planning Officer	December 2014

Constitution/Members		
<p>Suggestions for improvement:</p> <ul style="list-style-type: none"> The Constitution is currently being reviewed by the Constitution Working Group with changes to layout and content proposed 		
Agreed Approach	Responsible Officer	Target Date
14. Continue to work with the Constitution working group to make proposals for changes to the Constitution, presenting them to the Standards Committee and Full Council for approval	Monitoring Officer	December 2014
15. As part of the work of the Constitution working group produce job descriptions for Councillors i.e. a general job description for councillors and specific job descriptions for Cabinet Members and Committee Chairmen	Monitoring Officer	December 2014
16. Following approval by Full Council communicate key changes in Constitution to Officers and Members including training sessions for those officers who require a specialist knowledge	Head of Communities and Governance	March 2015
17. Review and update the training induction programme for Members following the elections in May 2015	Principal Member Services Officer	December 2014

Training and Information for New Starters		
<p>Suggestions for improvement:</p> <ul style="list-style-type: none"> The induction programme currently does not cover: <ol style="list-style-type: none"> Finance Regulations Procurement Policy Scheme of delegation New Starters are not informed of Corporate Objectives until their Corporate Induction There is not an up-to-date policy regarding volunteers 		
Agreed Approach	Responsible Officer	Target Date
18. Finalise the changes to the Induction Programme	Head of HR and Development	December 2014

19. Review and update policy for volunteers (including induction)	Head of HR and Development	March 2015
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Anti-Fraud and Anti-Corruption, Whistle-blowing and Anti-Money Laundering policies		
<ul style="list-style-type: none"> The Anti-Fraud and Anti-Corruption, Whistle-blowing and Anti-Money Laundering policies require updating in 2014 		
Agreed Approach	Responsible Officer	Target Date
20. Review and update the Anti-Fraud and Anti-Corruption Plan and take to the Audit Committee for approval	Head of Communities and Governance	September 2014
21. Review and update the Whistle-blowing Policy and take to the Audit Committee for approval	Head of Communities and Governance	September 2014
22. Review the Council's Whistle-blowing arrangements against the British Standard PAS 1998:2008 Whistle-blowing arrangements code of practice before the policy next goes back to the Audit Committee in September 2014 for approval	Head of Communities and Governance	July 2014
23. Review and update the Anti-Money Laundering Policy and take it to the Audit Committee for approval	Head of Communities and Governance	September 2014
24. Ensure that the requirements of the Bribery Act are included in the Anti-Fraud and Anti-Corruption, Whistle-blowing and Anti-Money Laundering policies	Head of Communities and Governance	August 2014

The Audit Findings for Mid Devon District Council

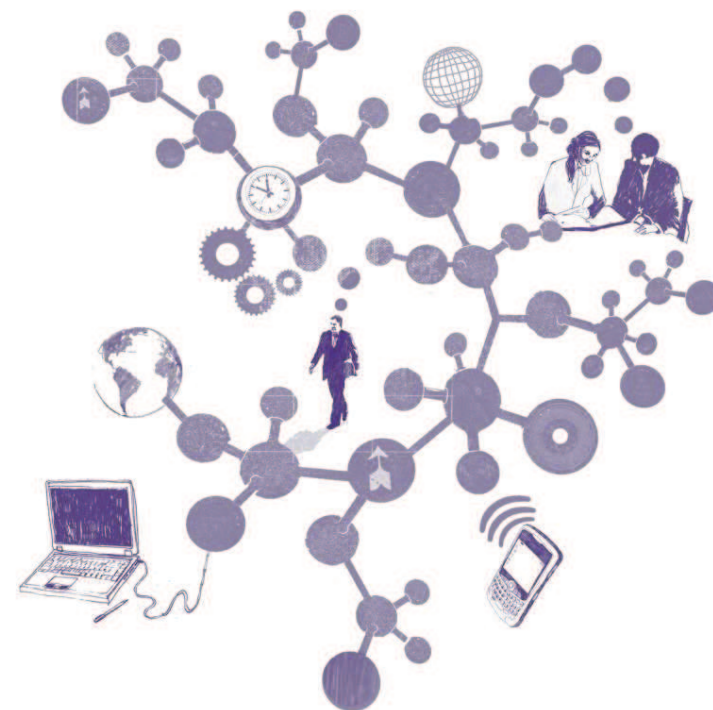
Year ended 31 March 2014

As at 12 September 2014

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The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed primarily for the purpose of expressing our opinion on the financial statements. Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify any control weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose defalcations or other irregularities, or to include all possible improvements in internal control that a more extensive special examination might identify.

We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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Section 1: Executive summary

01. Executive summary

02. Audit findings

03. Value for Money

04. Fees, non audit services and independence

05. Communication of audit matters

Executive summary

Purpose of this report

This report highlights the key matters arising from our audit of Mid Devon District Council's (the Council) financial statements for the year ended 31 March 2014. It is also used to report our audit findings to management and those charged with governance in accordance with the requirements of International Standard on Auditing 260 (ISA).

Under the Audit Commission's Code of Audit Practice we are required to report whether, in our opinion, the Council's financial statements present a true and fair view of the financial position, its expenditure and income for the year and whether they have been properly prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting. We are also required to reach a formal conclusion on whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources (the Value for Money conclusion).

Introduction

In the conduct of our audit we have not had to alter or change our planned audit approach, which we communicated to you in our Audit Plan dated 27 May 2014.

Our audit is substantially complete although we are finalising our work in the following areas:

- testing of the collectability of Council Tax and NDR debtors
- HRA rental income
- employee remuneration
- NDR appeals provision
- review of the final version of the financial statements

- obtaining and reviewing the final management letter of representation
- review of final version of the Annual Governance Statement and
- updating our post balance sheet events review, to the date of signing the opinion
- obtaining assurance from the Devon Pension Fund auditor

We received draft financial statements and accompanying working papers at the start of our audit, in accordance with the agreed timetable.

Key issues arising from our audit

Financial statements opinion

Following the completion of our audit work, we currently anticipate providing an unqualified opinion on the financial statements.

We have identified two adjustments affecting the Council's disclosures in the primary statements:

- the presentation of the pension fund accounting adjustments in the Comprehensive Income & Expenditure account did not conform to the updated code requirements; and
- the cash flow statement analysis was restated to include items in the correct category.

Both statements have been amended and the disclosure notes have been updated.

We have also identified a number of adjustments to improve the presentation of the financial statements. There are no unadjusted errors.

Further details are set out in section 2 of this report.

Value for Money conclusion

We are pleased to report that, based on our review of the Council's arrangements to secure economy, efficiency and effectiveness in its use of resources, we propose to give an unqualified VfM conclusion.

Further detail of our work on Value for Money is set out in section 3 of this report.

Whole of Government Accounts (WGA)

We have completed our work on the Whole of Government Accounts and have no issues which we wish to highlight for your attention.

Controls

The Council's management is responsible for the identification, assessment, management and monitoring of risk, and for developing, operating and monitoring the system of internal control.

Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify any control weaknesses, we report these to the Council.

Further details are provided within section 2 of this report.

The way forward

Matters arising from the financial statements audit and review of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources have been discussed with the Head of Finance.

Acknowledgment

We would like to take this opportunity to record our appreciation for the assistance provided by the finance team and other staff during our audit.

Grant Thornton UK LLP
12 September 2014

Section 2: Audit findings

01. Executive summary

02. Audit findings

03. Value for Money

04. Fees, non audit services and independence

05. Communication of audit matters

Audit findings

In this section we present our findings in respect of matters and risks identified at the planning stage of the audit and additional matters that arose during the course of our work. We set out on the following pages the work we have performed and findings arising from our work in respect of the audit risks we identified in our audit plan, presented to the Audit Committee on 27 May 2014. We also set out the adjustments to the financial statements arising from our audit work and our findings in respect of internal controls.

Changes to Audit Plan

We have not made any changes to our Audit Plan as previously communicated to you on 27 May 2014

Audit opinion

We anticipate that we will provide the Council with an unmodified opinion. Our audit opinion is set out in Appendix A.

Audit findings against significant risks

"Significant risks often relate to significant non-routine transactions and judgmental matters. Non-routine transactions are transactions that are unusual, either due to size or nature, and that therefore occur infrequently. Judgmental matters may include the development of accounting estimates for which there is significant measurement uncertainty" (ISA 315).

In this section we detail our response to the significant risks of material misstatement which we identified in the Audit Plan. As we noted in our plan, there are two presumed significant risks which are applicable to all audits under auditing standards.

	Risks identified in our audit plan	Work completed	Assurance gained and issues arising
1.	<p>Improper revenue recognition</p> <p>Under ISA 240 there is a presumed risk that revenue may be misstated due to improper recognition</p>	<ul style="list-style-type: none"> • Review and testing of revenue recognition policies • Testing of material revenue streams • Testing of unusual significant transactions 	<p>Our audit work has not identified any issues in respect of revenue recognition .</p>
2.	<p>Management override of controls</p> <p>Under ISA 240 there is a presumed risk of management over-ride of controls</p>	<ul style="list-style-type: none"> • Review of accounting estimates, judgments and decisions made by management • Testing of journal entries • Review of unusual significant transactions 	<p>Our audit work has not identified any evidence of management override of controls. In particular, the findings of our review of journal controls and testing of journal entries has not identified any significant issues.</p> <p>We set out later in this section of the report our work and findings on key accounting estimates and judgments.</p>

Audit findings against other risks

In this section we detail our response to the other risks of material misstatement which we identified in the Audit Plan.

Transaction cycle	Description of risk	Work completed	Assurance gained & issues arising
Operating expenses	Creditors understated or not recorded in the correct period	<ul style="list-style-type: none"> • Review of system documentation and walkthrough of transaction • Agree creditors to the ledger • Review unusual amounts • Review of payments before and after year end to ensure that they are allocated to the correct year and correctly recognised • Test a sample of operating expenses 	Our audit work has not identified any significant issues in relation to the understatement of creditors or that operating expenses have been recorded in the wrong period.
Employee remuneration	Employee remuneration accrual understated	<ul style="list-style-type: none"> • Review of system documentation and walkthrough of transaction • Predictive analytical review • Reconcile year end HMRC return to ledger • Review unusual amounts • Confirm accounts disclosures • Substantively test a sample of remuneration transactions 	We are still completing our work, but our audit work has not identified any significant issues in relation to the understatement of the employee remuneration accrual..
Welfare expenditure	Welfare benefit expenditure improperly computed	<ul style="list-style-type: none"> • Analytical review • Review the reconciliation of the housing benefit system to the general ledger • Agree the Housing Benefit claim to the accounts • Review of system documentation and walkthrough of transaction • Substantively test a sample of welfare claims • Verifying system parameters 	Our audit work has not identified any significant issues in relation to the computing of welfare benefit expenditure.




Audit findings against other risks

In this section we detail our response to the other risks of material misstatement which we identified in the Audit Plan.

Transaction cycle	Description of risk	Work completed	Assurance gained & issues arising
Property, plant & equipment (PPE)	Revaluation measurement not correct.	<ul style="list-style-type: none"> ▪ Review the system documentation and walkthrough of a transaction ▪ Reconcile Valuer's report to Fixed asset register ▪ Substantive test of a sample of transactions contained within the asset register 	Our audit work has not identified any significant issues in relation to the valuation of Property, plant and Equipment.
Property, plant & equipment (PPE)	Property, plant and Equipment.. activity not valid.	<ul style="list-style-type: none"> • Review the accounting for assets under construction and the bringing into use of the newly built stock • Substantively test the accounting treatment for the valuation to ensure it has been correctly applied. • Review the treatment of the Council's green energy 	Our audit work has not identified any significant issues in relation to the analysis and capitalisation of Property, plant and Equipment.
Housing Rent Revenue Account	Housing revenue transactions not recorded.	<ul style="list-style-type: none"> ▪ Predictive analytical review of housing rent revenue ▪ Review of control accounts and creation of tenancy ▪ Review unusual amounts 	We are still completing our work, but our audit work has not identified any significant issues in relation to the recording of Housing .

Accounting policies, estimates & judgements

In this section we report on our consideration of accounting policies, in particular revenue recognition policies, and key estimates and judgements made and included with the Council's financial statements.

Accounting area	Summary of policy	Comments	Assessment
Revenue recognition	Activity is accounted for in the year it takes place, not simply when cash payments are made or received.	We have no issues over the: <ul style="list-style-type: none"> • Appropriateness of policy under relevant accounting framework • Adequacy of disclosure of accounting policy 	 Green
Judgements and estimates	Management have disclosed their accounting policy, and disclosed key estimates and judgements around: <ul style="list-style-type: none"> – Asset valuations; – Depreciation; – Bad debt provisions; and – Pension fund valuations and settlements. – NDR provisions 	We have no issues over the: <ul style="list-style-type: none"> • Appropriateness of policies under relevant accounting framework • Extent of judgements involved • Adequacy of disclosure of accounting policies <p>The Council's provision for NDR was calculated using a narrow assessment of the possible level of appeals. The provision assumes that appeals will result in one years repayment of overpaid NDR. We would consider some appeals would be back dated, and a wider estimate should be used. The current provision is £15k, we would estimate that this could be as much as £60k. The difference is not considered material.</p> <p>We would recommend that the Council considers the approach to valuation of NDR provisions.</p>	 Green
Other accounting policies	We have reviewed the Council's policies against the requirements of the CIPFA Code and accounting standards.	Our review of accounting policies did not identify any areas where the Council has not disclosed its policy appropriately.	 Green

Assessment

● Marginal accounting policy which could potentially attract attention from regulators

● Accounting policy appropriate and disclosures sufficient

● Accounting policy appropriate but scope for improved disclosure

Adjusted misstatements

A number of adjustments to the draft financial statements have been identified during the audit process. We are required to report all misstatements to those charged with governance, whether or not the financial statements have been adjusted by management. The table below summarises the adjustments arising from the audit which have been processed by management.

Impact of adjusted misstatements

All adjusted misstatements are set out below along with the impact on the primary statements and the reported financial position.

Detail	Comprehensive Income and Expenditure Account £'000	Balance Sheet £'000	Impact on total net expenditure £000
1 Pension Liability accounting entries			
• Pension Fund finance cost	£123		
• Actuarial (gains)/losses on pension assets/liabilities	-£123		
2 Cash flow statement			
• Adjustment for items in the net surplus or deficit on the provision of services that are investing or financing activities			
• Net cash flows from investing activities			
Overall impact	£0	£0	£0

Misclassifications & disclosure changes

In the course of our work we identified a few minor disclosure and presentational adjustments. These have been processed by the Council and the specific details do not need to be brought to the attention of the Audit Committee.

Adjustment type	Value £'000	Account balance	Impact on the financial statements
1 Disclosure	n/a	n/a	<p>The 2013 Code has included enhanced Pension Fund disclosures. The additional disclosures were not included in the draft financial statements.</p> <p>Additional disclosures for..... have been included in the updated Financial statements -</p>
2 Analysis of Liabilities	n/a	n/a	<p>The code requires the current and long term liability relating to loans to be shown separately on the face of the Balance sheet. The draft accounts included these amounts with general liabilities.</p> <p>The accounts have been amended to show the split of liabilities.</p>

Other communication requirements

We set out below details of other matters which we are required by auditing standards to communicate to those charged with governance.

	Issue	Commentary
1.	Matters in relation to fraud	We have not been made aware of any other incidents in the period and no other issues have been identified during the course of our audit procedures.
2.	Matters in relation to laws and regulations	We are not aware of any significant incidences of non-compliance with relevant laws and regulations.
3.	Written representations	A standard letter of representation has been requested from the Council.
4.	Disclosures	Our review found no material omissions in the financial statements.
5.	Matters in relation to related parties	We are not aware of any related party transactions which have not been disclosed.
6.	Going concern	Our work has not identified any reason to challenge the Council's decision to prepare the financial statements on a going concern basis.

Section 3: Value for Money

01. Executive summary

02. Audit findings

03. Value for Money

04. Fees, non audit services and independence

05. Communication of audit matters

Value for Money

Value for money conclusion

The Code of Audit Practice 2010 (the Code) describes the Council's responsibilities to put in place proper arrangements to:

- secure economy, efficiency and effectiveness in its use of resources;
- ensure proper stewardship and governance; and
- review regularly the adequacy and effectiveness of these arrangements.

We are required to give our VFM conclusion based on two criteria specified by the Audit Commission which support our reporting responsibilities under the Code.

These criteria are:

The Council has proper arrangements in place for securing financial resilience - the Council has robust systems and processes to manage effectively financial risks and opportunities, and to secure a stable financial position that enables it to continue to operate for the foreseeable future.

The Council has proper arrangements for challenging how it secures economy, efficiency and effectiveness - the Council is prioritising its resources within tighter budgets, for example by achieving cost reductions and by improving efficiency and productivity.

Key findings

Securing financial resilience

We have considered the Council's arrangements to secure financial resilience against the following themes:

- Key financial performance indicators
- Financial governance
- Financial planning
- Financial control

The Council reported a surplus on its provision of services of £42k for 2013/14. The budget, when set, incorporated identified savings of £606k. The Council continues to achieve challenging savings targets having achieved savings of £1.520k in the previous two financial years.

Usable reserves at 31 March 2014 were £8,303k, which is an increase on 31 March 2013 of £2,058k, so overall, the Council's financial position at the year end remains healthy. The Medium Term Financial Strategy, approved in October 2013, highlighted that the Council still requires savings of £2,045k in the four years to 2017/18. Monitoring of the Council's performance for the three months to June 2014 indicates that the projected 2014/15 out-turn will be a deficit of £227k, which is 2% of the Council's net budget.

The Council underspent £689k on the provision of its HRA services in 2013/14, which has been set aside to support the Council's stock modernisation programme.

The HRA reserves stood at £6,617k at 31 March 2014. The Council has a programme to bring its stock up to the decent homes standard by March 2015, and to continue its building of additional housing.

Value for Money (continued)

Challenging economy, efficiency and effectiveness

We have considered the Council's arrangements to challenge economy, efficiency and effectiveness against the following themes:

- Prioritising resources
- Improving efficiency & productivity

As identified last year, the Council has areas of spend, such as management support, leisure and waste management., that appear high in comparison with similar councils.

- the Council still maintains its own HRA and has in-house provision of leisure services. This leads to higher management support, compared to other councils;
- in-house provision of leisure services results in higher reported gross expenditure. This is offset, to a greater extent, by income from its leisure services which has increased by approximately £500k over the last four years. As a policy, the Council has prioritised its service provision in this area and that has resulted in above average gross expenditure per head of population.; and
- the Council brought its recycling service in-house, and has made the growth of recycling a priority for the District. Increasing recycling attracts additional income and recycling credits. The Council believes that its net spend is not out of line when compared to its neighbours. The council is currently at the higher partly explained by the provision of a free garden delivery waste service costs about £500k.

The Council is aware of these areas and is aware of the areas of high spend, and the compensating income gains. The council's finance team undertake various benchmarking exercises of its costs, for example. refuse recycling and leisure.

Overall VFM conclusion

On the basis of our work, and having regard to the guidance on the specified criteria published by the Audit Commission, we are satisfied that in all significant respects the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2014

Section 4: Fees, non audit services and independence

01. Executive summary

02. Audit findings

03. Value for Money

04. Fees, non audit services and independence

05. Communication of audit matters

Fees, non audit services and independence

We confirm below our final fees charged for the audit

Fees

	Per Audit plan £	Actual fees £
Council audit	62,700	63,600
Grant certification	9,474	9,474
Total audit fees	63,174	64,074

Fees for other services

Service	Fees £
None	n/a

The audit fees are set by the Audit Commission. As there is no longer a certification requirement in respect of business rates, there is a need for additional audit work on material business rates balances and the disclosures in the financial statements. The Audit Commission has approved a fee variation for this work, equivalent to 50% of the average cost by council type of LA01 certification in 2012/13. This amounted to an additional fee of £900 to cover the additional work required on business rates.

Independence and ethics

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Auditing Practices Board's Ethical Standards and therefore we confirm that we are independent and are able to express an objective opinion on the financial statements.

We confirm that we have implemented policies and procedures to meet the requirements of the Auditing Practices Board's Ethical Standards.

Section 5: Communication of audit matters

01. Executive summary

02. Audit findings

03. Value for Money

04. Fees, non audit services and independence

05. Communication of audit matters

Communication of audit matters to those charged with governance

International Standard on Auditing (ISA) 260, as well as other ISAs, prescribe matters which we are required to communicate with those charged with governance, and which we set out in the table opposite.

The Audit Plan outlined our audit strategy and plan to deliver the audit, while this Audit Findings report presents the key issues and other matters arising from the audit, together with an explanation as to how these have been resolved.

Respective responsibilities

The Audit Findings Report has been prepared in the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission (www.audit-commission.gov.uk).

We have been appointed as the Council's independent external auditors by the Audit Commission, the body responsible for appointing external auditors to local public bodies in England. As external auditors, we have a broad remit covering finance and governance matters.

Our annual work programme is set in accordance with the Code of Audit Practice ('the Code') issued by the Audit Commission and includes nationally prescribed and locally determined work. Our work considers the Council's key risks when reaching our conclusions under the Code.

It is the responsibility of the Council to ensure that proper arrangements are in place for the conduct of its business, and that public money is safeguarded and properly accounted for. We have considered how the Council is fulfilling these responsibilities.

	Audit Plan	Audit Findings
Our communication plan		
Respective responsibilities of auditor and management/those charged with governance	✓	
Overview of the planned scope and timing of the audit. Form, timing and expected general content of communications	✓	
Views about the qualitative aspects of the entity's accounting and financial reporting practices, significant matters and issues arising during the audit and written representations that have been sought		✓
Confirmation of independence and objectivity	✓	✓
A statement that we have complied with relevant ethical requirements regarding independence, relationships and other matters which might be thought to bear on independence Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged Details of safeguards applied to threats to independence	✓	✓
Material weaknesses in internal control identified during the audit		✓
Identification or suspicion of fraud involving management and/or others which results in material misstatement of the financial statements		✓
Compliance with laws and regulations		✓
Expected auditor's report		✓
Uncorrected misstatements		✓
Significant matters arising in connection with related parties		✓
Significant matters in relation to going concern		✓

Appendices

Appendix A: Audit opinion

Following the completion of our work we currently anticipate we will provide the Council with an unmodified audit report

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MID DEVON DISTRICT COUNCIL

Opinion on the Authority financial statements

We have audited the financial statements of Mid Devon District Council for the year ended 31 March 2014 under the Audit Commission Act 1998. The financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, the Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement and Collection Fund and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2013/14.

This report is made solely to the members of Mid Devon District Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's Members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Head of Finance and auditor

As explained more fully in the Statement of the Head of Finance's Responsibilities, the Head of Finance is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Authority's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Head of Finance; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the explanatory foreword to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of Mid Devon District Council as at 31 March 2014 and of its expenditure and income for the year then ended; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2013/14 and applicable law.

Opinion on other matters

In our opinion, the information given in the explanatory foreword for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we report by exception

We report to you if:

- in our opinion the annual governance statement does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007;
- we issue a report in the public interest under section 8 of the Audit Commission Act 1998;
- we designate under section 11 of the Audit Commission Act 1998 any recommendation as one that requires the Authority to consider it at a public meeting and to decide what action to take in response; or
- we exercise any other special powers of the auditor under the Audit Commission Act 1998.

We have nothing to report in these respects.

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

Respective responsibilities of the Authority and the auditor

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

We are required under Section 5 of the Audit Commission Act 1998 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires us to report to you our conclusion relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission.

We report if significant matters have come to our attention which prevent us from concluding that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

We have undertaken our audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in October 2013, as to whether the Authority has proper arrangements for:

- securing financial resilience; and
- challenging how it secures economy, efficiency and effectiveness.

The Audit Commission has determined these two criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2014.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, the Authority had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Conclusion

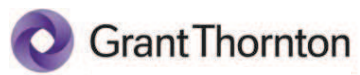
On the basis of our work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2013, we are satisfied that, in all significant respects, *Mid Devon District Council* put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2014.

Certificate

We certify that we have completed the audit of the financial statements of Mid Devon District Council in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

Geraldine Daly
Associate Director
for and on behalf of Grant Thornton UK LLP,
Appointed Auditor
Hartwell House
55-61 Victoria Street
Bristol
BS1 6FT

September 2014



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RISK AND OPPORTUNITY MANAGEMENT STRATEGY

Cabinet Member Cllr Neal Davey
Responsible Officer Head of Communities & Governance

Reason for Report: To present the Committee with the Risk and Opportunity Management Strategy for approval

RECOMMENDATION: The Committee approve the Risk and Opportunity Management Strategy (Appendix A)

Relationship to Corporate Plan: Having effective Risk and Opportunity Management arrangements in place is crucial for identifying risks and opportunities and mitigating the Council's risks and is a fundamental element of being a well-managed Council

Financial Implications: Failure to mitigate risks or take advantage of opportunities could result in financial loss to the Council.

Legal Implications: Failure to mitigate risks could result in a number of legal implications for the Council

Risk Assessment: Failure to take advantage of opportunities and mitigate business risks is a major risk to the Council and could impact on the Council's ability to deliver its strategic objectives. Failure to regularly review and update the Risk and Opportunity Management Strategy could have an adverse impact on the Council's Annual Governance Statement

1.0 Introduction

1.1 The Risk Management Strategy was last updated and approved by the Audit Committee on 19th March 2013.

1.2 The purpose of this report is to update the Council's Risk Management Strategy (attached as Appendix A) following the work of the Scrutiny Committee Working Group on Performance Management (final report attached as Appendix B). The Strategy now covers Risk and Opportunity Management and has been updated to include:

- A section on the role of the Health & Safety Committee in section 3 – roles and responsibilities
- Removing the need to take the risk register to all PDGs – it will now only go to Cabinet, Scrutiny and Audit Committee on a quarterly basis. Where the PDGs are setting out policy or making changes risks and opportunities must be included in the papers going to the PDG

- A section on project risks has been included in section 4 – strategic, operational and project risks
- Section 5 the risk management process has been streamlined to make it a 4 step process rather than a 6 step process and more guidance has been added on the impact and likelihood classifications
- A section has been added on training and awareness

1.3 Risk Management forms an integral part of the Annual Governance Statement which is concerned with demonstrating that the Council has adequate and effective internal control arrangements in place for dealing with key business risks.

1.4 For ease of reference the changes to the document have been tracked.

2.0 Conclusion

2.1 Risk and Opportunity Management is not a separate initiative, but is the demonstration of good management practice. The Council has an obligation to provide assurance to Members and the Community that the principles of good governance, including Risk and Opportunity Management, are reflected in the activities of the Council. The Council also has a legal obligation to comply with the requirements placed upon it by the Accounts and Audit Regulations and the publication of an Annual Governance Statement.

2.2 Approval of the Risk and Opportunity Management Strategy (Appendix A) will assist with the Council embedding Risk and Opportunity Management and demonstrating good Governance principles.

Contact for more Information: Amy Tregellas, Head of Communities & Governance, ext 4246

Circulation of the Report: Cllr Neal Davey and Management Team

Risk & Opportunity Management Strategy

APPENDIX A



1.0 BACKGROUND

~~1.1.1.4. This combined Risk and Opportunity Management Strategy details the Council's framework for managing business risk and opportunity. The Risk and Opportunity Management framework is the culture, processes and structures that are directed towards effective management of potential risks and opportunities that the council faces in delivering its objectives.~~

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~~Mid Devon District Council has adopted the Audit Commission's definition of risk and risk management as contained in its Management Paper, 'Worth the risk: improving risk management in local government':~~

~~1.2 The definition of risk varies. ALARM (the Association of Local Authority Risk Managers) and the Audit Commission define Risk Management as follows~~

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~~ALARM~~

~~"Risk Management is the culture, processes and structures that are directed towards effective management of potential opportunities and threats to the organisation achieving its objectives".~~

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~~Audit Commission~~

~~"Risk Management is the process of identifying risks, evaluating their potential consequences and determining and implementing the most effective way of controlling and monitoring them. The objective of the process is to enable objectives to be achieved in the optimum way and to control negative factors or risks which could impact on an organisation's success".~~

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~~1.3 Developing and improving public services in the current challenging climate requires opportunities to be taken whilst managing the risks involved. Therefore Mid Devon District Council's definition of Risk and Opportunity Management is:~~

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~~"The planned and systematic approach to identify, evaluate and manage the risks to, and opportunities for, to achievement of objectives".~~

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~~Risk is the threat that an event or action will adversely affect an organisation's ability to achieve its objectives and to successfully execute its strategies. Risk Management is the process by which risks are identified, evaluated and controlled. It is a key element of the framework of governance together with community focus, structures and processes, standards of conduct and service delivery arrangements.~~

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~~1.2 The ISO 31000 (2009) Guide definition of risk is the 'effect of uncertainty on objectives'. In this definition, uncertainties include events (which may or not happen) and uncertainties caused by ambiguity or a lack of information. It also includes both negative and positive impacts on objectives.~~

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~~1.34 The overall process of managing risk and opportunity can be divided into:~~

~~□ Risk analysis, or assessment, which includes the identification and analysis of risks and opportunities~~

~~□ , estimations and evaluation of the risks and~~

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Risk & Opportunity Management Strategy

APPENDIX A



- Risk and opportunity management, which encompasses the planning, controlling and monitoring ~~and controlling activities based on~~of the information derived from the risk and opportunity analysis.

2.0 PURPOSE, AIMS AND OBJECTIVES

2.1 The purpose of the strategy is to embed risk and opportunity management in the Authority by establishing a risk management framework, which provides:

- An efficient control environment
- The overt allocation of accountability for risk and opportunity management throughout the organisation
- A culture where officers and Members are able to be more creative and innovative in taking opportunities that benefit the Council and the District provided that there is clear analysis of the risks and a robust justification for the decision
- A ~~well-established~~well-established risk and opportunity assessment process which ensures that risks and opportunities are considered and managed as part of the decision making process
- Performance monitoring of risk and opportunity management activity
- Communications process to support risk and opportunity management
- A robust opinion for the Annual Governance Statement which comments of the adequacy of the Council's risk and opportunity management arrangements

2.2 The aim of the Mid Devon District Council Risk and Opportunity Management Strategy is to adopt best practices in the identification and ~~,~~evaluation of risks and opportunities and the cost-effective control of risks to ensure that they are reduced to an acceptable level.

2.3 It is acknowledged that some risks will always exist and will never be eliminated. All employees must understand the nature of risk and accept responsibility for risks associated with their area of authority. The necessary support, assistance and commitment of senior management will be provided.

2.4 The risk and opportunity management objectives of the Council are to:

- Embed risk and opportunity management into the culture of the Council
- Fully incorporate risk and opportunity management as an integral part of corporate planning, business planning, project management and performance management
- Manage risk and opportunity in accordance with best practice and in particular in accordance with the requirements of the Annual Governance Statement
- Consider legal compliance as a minimum
- Prevent injury and damage and reduce the cost of risk
- Raise awareness of the need for risk and opportunity management

2.5 These objectives will be achieved by:

- Establishing a clear risk and opportunity management process that is communicated to all officers and Members
- Clearly define roles and responsibilities for risk and opportunity management

Risk & Opportunity Management Strategy



- Developing an action plan for embedding risk and opportunity management with tasks and milestones for monitoring progress against targets
- Providing risk and opportunity management training to officers and members
- Completing corporate and operational risk and opportunity management workshops to identify risks
- Conducting risk and opportunity management workshops to identify the risks and opportunities of any major projects
- Maintaining and reviewing a register of corporate, ~~and~~ operational and project risks and opportunities and assigning ownership for each risk
- Ensuring that reports to the Cabinet, Scrutiny Committee, Audit Committee, Policy Development Groups and Regulatory Committees include a risk and opportunity assessment
- Identifying risks and opportunities in relation to working in partnerships
- Ensuring that the Cabinet, Audit Committee ~~and~~, Scrutiny Committee ~~and Policy Development Groups~~ receive quarterly reports on the key business risks and opportunities and takes action to ensure that business risks and opportunities are being actively managed

2.6 The following sections consider how the Council will implement the above objectives.

3.0 ROLES AND RESPONSIBILITIES

3.1 The following groups and individuals have the following roles and responsibilities for risk and opportunity management within the Council.

3.2 The **Audit Committee** will approve this risk and opportunity management strategy and any subsequent revisions. They will also monitor the effective development and operation of risk and opportunity management within the Council by receiving quarterly progress reports on the Council's key business risks and opportunities, takes appropriate action to ensure that they are being actively managed and will consider the adequacy of the Council's risk and opportunity management arrangements as part of the Annual Governance Statement.

3.3 The **Management Team** is primarily responsible for setting the organisations risk appetite, identifying corporate strategic risks and opportunities, as well as being responsible for determining action on these risks and opportunities and delegating responsibility for the control of the risks and opportunities. The Management Team will also be responsible for monitoring the progress of managing risks and opportunities and will review quarterly reports to the Audit Committee, Cabinet and, Scrutiny Committee ~~and the three Policy Development Groups~~.

3.4 The **Cabinet** will also monitor the effective development and operation of risk and opportunity management within the Council by receiving quarterly progress reports on the Council's key business risks and opportunities through the performance and risk report.

3.5 The **Scrutiny Committee** ~~and PDGs~~ will also receive quarterly progress reports on the risks and opportunities through the performance and risk report. Any concerns or issues will be reported to the Cabinet and/or Audit Committee.

Risk & Opportunity Management Strategy

APPENDIX A



3.6 The **Policy Development Groups (PDGs)** will receive updates on risks and opportunities relating to any policy development matters that they are working on and this is expected to be in the form of a risk and opportunity assessment as part of the working group papers or report to the Group. ▲

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3.76 The **Finance Cabinet Member** will:

- Communicate the importance of risk and opportunity management to other Members
- ~~Support the implementation of the proposed annual work programme~~
- Act as a sounding board and provide a critical friend challenge to the risk and opportunity management process

3.87 **Heads of Service/Service Managers** will be responsible for:

- Leading the risk and opportunity management process within their services and ensuring that business plans include an annual assessment of key risks and opportunities
- Identifying and managing significant operational risks by carrying out risk assessments with their teams as and when this becomes appropriate i.e. if making a significant change to service or undertaking a project
- Developing actions to mitigate the risks identified, assigning responsibility for implementing controls and set realistic target dates for implementation
- Ensuring that all risks are put on the corporate risk register (SPAR)
- Regularly reviewing risks associated with their service area (via the corporate risk register on SPAR), ensuring that the agreed actions and deadlines have been met
- Ensureing that any briefing papers/ reports that they produce to make changes to their services will consider the associated risks and opportunities of any proposed course of action

3.98 The **Head of Communities and Governance** is responsible for providing assurance to the Council through monitoring the implementation and effectiveness of this risk and opportunity management strategy and for reviewing compliance with mitigating controls introduced by the Service Managers ~~to manage risks~~. The Head of Communities and Governance will comment upon the effectiveness of the risk and opportunity management process in work undertaken to support the Annual Governance Statement. The Head of Communities and Governance will also chair the Council's Health & Safety Committee to ensure that any risks arising from the work of this group will be incorporated into the Corporate Risk Register.

3.10 The **Health and Safety Committee** is responsible for reviewing the measures taken to ensure the health and safety of all those who work in and visit the Council or may be affected by its activities - ensuring that people are not exposed to risks and that the risks are mitigated effectively. Where concerns are raised these will be escalated to the Management Team for action. ▲

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3.119 All **employees** need to have an awareness of risk and opportunity management and are responsible for ensuring that they manage risk effectively in their jobs and report hazards and risks to their Head of Service/Service Manager.

Risk & Opportunity Management Strategy

4.0 STRATEGIC, ~~AND-OPERATIONAL~~ AND PROJECT RISKS

4.1 Broadly speaking risks can be divided into ~~three~~ categories:

- **Strategic** – risks which need to be taken into account in judgements about the medium to long term goals and objectives of the Council whilst at the same time considering the opportunities; and
- **Operational** – risks and opportunities which managers will encounter in the daily course of their work.
- **Project** - risks and opportunities which will be encountered during specific tasks/projects being undertaken

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4.2 Strategic Risks

4.2.1 The management of strategic risks and opportunities is a core responsibility of the Management Team. Strategic risk and opportunity assessments should be factored in to corporate and service planning.

4.2.2 The major categories of strategic risk are:

- **Political** – associated with failure to deliver either local or central government policy. The Council could also potentially be at risk from the actions of other agencies, other Councils, partner organisations, etc.
- **Economic** – affecting the ability of the council to meet its financial commitments. These include internal budgetary pressures as well as external factors affecting the economy as a whole.
- **Social** – relating to the effects of changes in demographic, residential or socio-economic trends on the council's ability to deliver its objectives.
- **Technological** – associated with the capacity of the council to deal with the pace/scale of technological change, or its ability to use technology to address changing demands.
- **Data Protection/Information Security** – this includes the consequences of data/information transfer between the Council and other Bodies i.e. Government Connect, Partnership working, etc.
- **Legislative** – associated with current or potential changes in national or European Law (e.g. the appliance or non-appliance of TUPE Regulations).
- **Health and Safety** – This includes all aspects of Health & Safety as well as the Corporate Manslaughter legislation
- **Environmental** – relating to the environmental consequences of progressing the council's strategic objectives (e.g. in terms of climate change including energy efficiency, pollution, recycling, landfill requirements, emissions, etc).
- **Competitive** – affecting the competitiveness of the service (in terms of cost or quality) and/or its ability to deliver Value for Money.

Risk & Opportunity Management Strategy

- **Customer/Citizen** – associated with failure to meet the current and changing needs and expectations of customers and citizens.

4.3 Operational Risks

4.3.1 Risks which managers and staff will encounter in the daily course of their work. These may be:

- **Professional** – associated with the particular nature of each profession (e.g. housing service concerns as to the welfare of tenants).
- **Financial** – associated with financial planning and control and the adequacy of insurance cover.
- **Legal** – related to possible breaches of legislation.
- **Personal Safety** – related to lone working and the potential to encounter aggressive or confrontational people whilst carrying out their duties.
- **Physical** – related to fire, security, accident prevention and health and safety (e.g. hazards/risk associated with buildings, vehicles, plant and equipment, etc).
- **Contractual** – associated with the failure of contractors to deliver services or products to the agreed cost and specification.
- **Technological** – relating to reliance on operational equipment and the potential for technological failure (e.g. IT systems or equipment and machinery)

4.4 Project Risks

4.4.1 Risks which will be encountered during specific tasks/projects being undertaken. These may be:

- **People** – associated with whether we have the right people with the right skills involved in the task/project. This also concerns getting buy in from staff at all levels of the organisation, Members and potentially external stakeholders
- **Technical** – associated with the Councils reliance on the software provider to deliver what has been agreed in the contract and that they provide support for dealing with any systems problems or issues
- **Cost** – associated with the potential for the project to go over budget if the people and technical matters are not delivered as per the Business Case and PID
- **Time** – ensure that the right amount of time is allocated to the project as well as sufficient contingency as slippage can cause to project delay/failure and this can also have an impact on cost and quality
- **Quality** – depending on what goes into the project will determine the quality of the output

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Risk & Opportunity Management Strategy

4.5 Opportunities

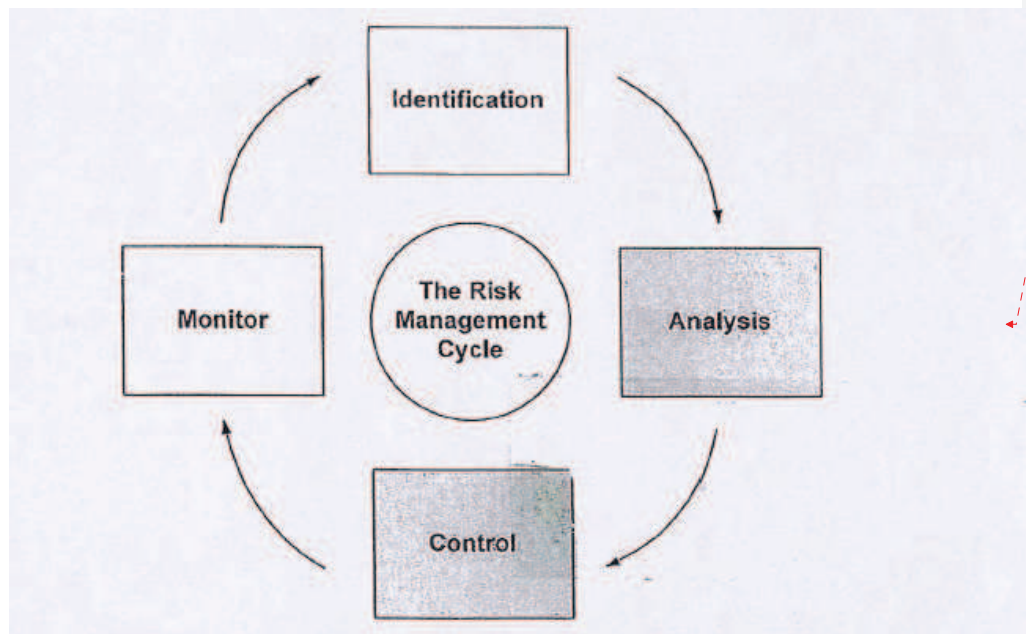
4.5.1 Opportunities are to be considered at the same time as the risks. Examples may include:

- Spend to save projects where the Council will benefit from reduced expenditure or increased income in the future
- Transformational change which will generate cost savings or an income stream
- Opportunities for great partnership working with our stakeholders or other local authorities
- Opportunities to streamline working processes
- Opportunities to boost the local economy
- Opportunities to deliver and improve housing within the District
- Opportunities to protect and enhance our environment
- Opportunities to make a difference to our communities and to empower them
- Delivery of the objectives in the Corporate Plan and Service Business Plans

4.64 The categories are neither prescriptive nor exhaustive. However, they should provide a framework for identifying and categorising a broad range of risks and opportunities facing for the Council as a whole, as well as service areas.

5.0 RISK MANAGEMENT PROCESS

5.1 The ~~six~~four-step process below will cover all areas of risk and opportunity management including making strategic decisions, managing strategic, operational and project risks and opportunities~~corporate risks, managing departmental risks, or managing project, team or operational risks.~~



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Risk & Opportunity Management Strategy



Step 1 – Identifying Risks and Opportunities

All sources of risks and opportunity need to be identified. These should include ~~both~~ strategic/corporate, operational and project risks.

Step 2 – Analysing Risks and Opportunities

~~Once the risks and opportunities have been identified they then need to be analysed to consider the impact and likelihood of any risks occurring and the potential benefits of any opportunities. The likelihood of any risk arising needs to be assessed as well as the consequences or impact of the risk if it does arise.~~

Risk

Impact

The impact of the threat being realised is defined as:

	<u>Score</u>		<u>Definition</u>
<u>Very Low</u>	<u>1</u>	<u>No impact</u>	<u>No notable impact identifiable</u>
<u>Low</u>	<u>2</u>	<u>Minor</u>	<u>Affects only one group of stakeholders, with minimum impact. Organisationally localised, with position recoverable within the financial period. No external interest</u>
<u>Medium</u>	<u>3</u>	<u>Significant</u>	<u>Affects more than one group of stakeholders, with widespread but short-term impact. May attract the short-term attention of legislative/regulatory bodies.</u>
<u>High</u>	<u>4</u>	<u>Major</u>	<u>Affects more than one group of stakeholders with widespread medium-term impact. Attracts the medium-term attention of legislative/regulatory bodies.</u>
<u>Very High</u>	<u>5</u>	<u>Catastrophic</u>	<u>Medium to long term impact on performance and delivery of services.</u>

Risk & Opportunity Management Strategy



			Affects all groups of stakeholders, with a long-term impact. National impact with the rapid intervention of legislative/regulatory bodies.
--	--	--	--

Risk Likelihood

The likelihood of the threat being realised is expressed on a scale of 1-5, using the definitions below:

	Score		Definition
Very Low	1	Rare	May occur in exceptional circumstances
Low	2	Possible	Risk may occur in the next 3 years
Medium	3	Likely	The risk is likely to occur more than once in the next 3 years
High	4	Almost certain	The risk is likely to occur this year
Very High	5	Certain	The risk has occurred and will continue to do so without action being taken

The assessment process uses a 5x5 scoring matrix (see below) where the scores of impact x likelihood equal the total risk score. Risks scoring between 15 and 25 would be classed as high risk (red) with 25 being the biggest risk. Risks scoring between 5 and 12 would be classed as medium risk (amber) and risks scoring between 1 and 4 would be low risk (green). Risks that score 15 or above (as well as those that score a 5 on impact irrespective of their overall score) will be classed as the Council's key business risks and will be reported to the Audit Committee, Cabinet and Scrutiny Committee and PDGs on a quarterly basis.

	5	10	15	20	25
Impact	4	8	12	16	20
	3	6	9	12	15
	2	4	6	8	10
	1	2	3	4	5
			Likelihood		

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Risk & Opportunity Management Strategy

APPENDIX A



Step 3 – Ranking and Prioritising Risk

Once analysed the risks need to be ranked and prioritised according to their likelihood and severity i.e. those scoring 25 will be at the top of the list and those scoring 1 will be at the bottom of the list.

The risks will then need to be considered in conjunction with any opportunities when making decisions.

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Benefits of Opportunities

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The assessment methods for determining the potential benefits of opportunities can include:

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- Assessing the increased income/reduced expenditure from the innovation
- Quantifying the number of potential new customers
- Calculating the potential sales growth that could stem from capturing the opportunity
- Calculating the return on investment for a particular project and whether that is the level of return that the Council is looking for
- Considering the value added as a result of capitalising on the innovation e.g. the benefit to the community

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Step 3 – Control the Risks

This involves taking action to minimise the likelihood of a risk occurring and/or reducing the severity of the consequences should the risk occur. Actions need to be allocated to responsible officers along with a realistic target date for implementation.

Determine the best course of action for the Council. There are 5 key action strategies to managing risk:

Strategy	Action
Prevention	Terminate the risk*
Reduction	Treat the risk
Transference	Pass risk to a third party e.g. Insurance
Acceptance	Tolerate the risk
Contingency	Action plan implemented

* This can include carrying on the activity but modified so that the risk ends, or stopping the activity to end the risk.

Step 64 – Monitor and Report Progress

Progress in managing risks and opportunities should be monitored and reported so that losses are minimised and intended actions and opportunities are achieved. Risk and Opportunity Management is an on-going process that should be constantly revisited and reviewed to ensure that new and emerging risks and opportunities are picked up and acted upon.

Risk & Opportunity Management Strategy

APPENDIX A



5.2 It is important to recognise these sevenfour steps as part of a cycle. Risk and Opportunity Management is dynamic and so the identification phase needs to be done continuously. It is also important to consider whether the nature of the risk or opportunity has changed over time – thereby completing the cycle.

6.0 RISK AND OPPORTUNITY MANAGEMENT TRAINING AND AWARENESS

6.1 For the benefits of Risk and Opportunity Management to be realised, it is necessary for the process to be embedded in the culture and operations of the organisation.

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6.2 Once the Strategy has been agreed all officers and Members will be required to read the policy and answer questions using the new Insight policy system.

6.3 The Head of Communities and Governance will regularly raise awareness of Risk and Opportunity Management through the Officer newsletter (the Link), the Member newsletter (WIS) and through briefing sessions.

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6.4 The Head of Communities and Governance will be involved in the induction process for new officers and Member where a session on Risk and Opportunity Management will be included.

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Report of the Performance Management Working Group

Why we formed a working group

At the Scrutiny Committee meeting on the 21st October 2013 it was **RESOLVED** that a working group be established to review the current performance and risk reporting methods.

The discussion regarding the performance and risk reporting identified that the Committee felt that the current system of reporting on performance was too bureaucratic and complicated and included a lot of unnecessary indicators. Performance and Risk reports had been presented to every single Committee and this involves a great deal of repetition and lengthy reports which contain too many unhelpful and meaningless indicators.

It was felt that a thorough analysis needed to be conducted to ascertain the most useful way of reporting performance and risk.

The first meeting of the Working Group took place on 6th February 2014.

Who we were

- Cllr M R Lee – Chairman
- Cllr Mrs Jenny Roach
- Cllr M A Lucas (co-opted from the Managing the Environment PDG)
- Cllr R Evans (co-opted from the Audit Committee)

What was our objective?

The key aims and objectives were identified as follows:

- To review and streamline the performance indicators reported to Members for the 2014/15 financial year
- To revisit the whole performance framework in relation to who to report information to, how often, what the elected Members role was and whether there are adequate arrangements in place

Progress to date

The Working Group considered the list of performance indicators that were reported to Members in the 2013/14 financial year and reduced and streamlined the list.

The revised lists have been discussed at each of the Policy Development Group meetings and Cabinet for their comments on the dates as follows:

Managing the Environment PDG on 11th March 2014 where the minutes state:

“The Audit Team Leader explained that a Scrutiny Working Group had been put in place and had met to look at Performance Management. The working group had looked at which Performance Indicators were being reported to meetings and had requested that each PDG look at their own area, to identify which Indicators they wanted reported to the Group.

Discussion took place regarding:

There were Indicators within the scope of this PDG which were still reported nationally and these were:

- Residual waste per household*
- % of municipal waste sent to landfill*
- Fly-tipping incidents*
- CO2 reduction from local authority operations*

Air quality was monitored and reported annually. This was not shown as a Performance Indicator because although it was a statutory requirement to record air quality the Council could not influence the results. However, the Head of Environmental Services could provide a report to the Group. The results would be of particular interest for Crediton regarding the new road.

*It was **AGREED** that the Head of Environmental Services would report air quality results to the next meeting of this Group.*

The Performance Indicator for reducing waste to landfill by 9% was difficult to understand and would be better explained as a weight reduction per year rather than a percentage.

The percentage of waste collected per household was averaged by the number of properties, not actual weight per household.

*The Group felt that as part of the route optimisation project it would be useful to see information regarding mileage and carbon impact for waste vehicles to see if there was any reduction. It was **AGREED** that the Facilities and Corporate Buildings Manager would meet with the Waste and Transport Manager to ensure that this was included in the Energy Indicators.*

*It was **AGREED** that the Group be provided with Performance Indicators for:*

- a) Residual waste per household*
- b) Percentage of municipal waste sent to landfill*
- c) Percentage of household waste reused, recycled and composted*
- c) Fly-tipping incidents reported*
- d) Missed Collections, by percentage and actual number*
- e) Energy indicators (annually)”*

Decent and Affordable Homes PDG on the 18th March where the minutes state:

“The Audit Team Leader explained that a Scrutiny Working Group had been put in place and had met to look at Performance Management. The working group had looked at which Performance Indicators were being reported to meetings and had requested that each PDG look at their own area, to identify which Indicators they wanted reported to the Group.

*It was **AGREED** that the Policy Development Group continue to receive a report containing all of the Key Performance Indicators listed, but that the Cabinet receive the shorter list agreed by the Scrutiny Working Group”.*

Community Well Being PDG on the 25th March where the minutes state:

“Discussion took place regarding:

The need for a performance report that was tailored to each individual PDG;

*It was **AGREED** that the following amendments be made to the performance targets for next year:*

- i. Data to be provided showing the level of economic activity within each town rather than the annual footfall monitoring;*
- ii. 'Scores on the Doors' ought to be monitored under the heading of Environmental Health.”*

Cabinet on the 3rd April 2014 where it is minuted that:

“The Head of Communities and Governance highlighted the work of the Scrutiny Working Group which was looking at performance indicators; although the work of the group was not yet complete, the PDG's had received a copy of appendix 8 of the report and had been requested to identify those performance indicators that they wanted to keep and sift out those that were felt to be meaningless.”

The Working Group were happy with the suggestion from the PDGs that their reports be tailored to meet their needs and that Cabinet have fewer key indicators reported to them.

The Working Group considered how the Council can best benchmark its performance with others and the Audit Team Leader reported to the working group that benchmarking data can be added to the Service Performance and Risk (SPAR) report where the information is available.

The Working Group has also considered the layout and visual appearance of the reports produced by the SPAR system and it was felt that it would be beneficial to remove the colour coding from the performance report to avoid problems with data visibility.

Interim recommendations

Due to the need to agree the Performance Indicator list as early as possible in the 2014/15 financial year an interim report was taken to the Scrutiny Committee on the 16th June 2014 where the committee noted the report which recommended:

Scrutiny Committee approve:

1. The revised performance indicators that will be reported to Members in the 2014/15 financial year (Appendix A)
2. That the performance indicators continue to be reported to the Policy Development Groups and Committees on a quarterly basis – as per the tailored lists set out in Appendix A.
3. That a new set of performance indicator targets be set after the election in May 2015 when the Corporate Plan is updated.
4. The inclusion of benchmarking information, where available, in the SPAR performance indicator report
5. That the performance indicator report be amended to remove the use of a colour key so that Members can clearly see the information and data in the report

The recommendations were agreed by the Scrutiny Committee and have since been implemented as part of the performance and risk reporting for 2014/15.

Follow on work on framework and policy

The Working Group has also considered the Risk Management Strategy and the Performance Management guidance for officers and elected Members as well as the performance framework going forward.

Risk Management

Members of the Working Group commented that they felt the current risk management reports are quite long and the description of the definition needs to be improved – we don't want too many risks going to the PDGs. Better that they have fewer risks and focus more on them.

The Working Group discussed the proposal from the Head of Communities and Governance to update the Risk Management Strategy to make it a Risk and Opportunity Management Strategy. The Working Group considered the current Risk Management Strategy and the following questions posed by the Head of Communities and Governance:

Do we focus on opportunities as well as risk?

Answer: Yes need to update the Risk Management Strategy to include opportunities as risks can also be positive and there is a feeling that currently risk is perceived as something negative. The Working Group liked the suggestions put forward by the Head of Communities and Governance for updating the Strategy and these will now

be incorporated into the document and it will go forward to Audit Committee on the 24th September for approval.

How should we report risk going forwards?

Answer: The Working Group agreed that risks should continue to be reported to Management Team, Audit Committee and the Cabinet on a quarterly basis as at present but that risks are only referred to the PDGs or Scrutiny if there is a problem that requires escalation. i.e. if risks are not being mitigated adequately.

The Working Group also felt that risks associated with new policies or items such as the move to a new depot should be reported to the Policy Development Groups as part of the decision-making process.

The Working Group also feel that it is important to highlight any risks created by budget cuts – i.e. if a service was proposed to be cut that the risks associated with this should be highlighted when looking at the budget.

Does there need to be greater emphasis on Health and Safety within the Risk Management Strategy?

Answer: Yes it does need to be included and it was agreed that the section on roles and responsibilities would be expanded to include this information.

What level should the Council's risk rating be set at to determine when a risk becomes a key risk?

Suggest that the current risk score of 16 or above be reported to Members as well as the risks that score a 5 in respect of impact.

Should the Risk Management Strategy include reference to project risks?

Answer: Yes - the Head of Communities and Governance will include a section on project risks under section 4 of the Strategy. Currently this refers to strategic and operational risks but will now be expanded to include project risks.

Can we improve the terminology used in the Risk Management Strategy?

The Head of Communities and Governance provided the group with definitions in respect of impact and likelihood from another Council which the Working Group liked and agreed should be included in the MDDC Strategy.

Does more need to be included in the Strategy regarding training and awareness?

Members of the Working Group felt that a section needed to be included on training and awareness and the Head of Communities and Governance is including this in the Strategy. This will cover induction training for officers and Members and ongoing awareness training.

Performance Management Guidance

The Working Group reviewed the Performance Management guidance which was produced in 2008-2009 and agreed that they liked the format of the document but that it needs to be updated to reflect current working practices.

The Working Group agreed that the Head of Communities and Governance would update the document and it will go forward to Audit Committee on the 24th September for approval.

Framework

The Working Group felt that there can be gaps in actions/recommendations that get agreed/reported to the PDGs and that Members feel they don't always follow up what they should be because something else takes priority examples include Economic Development Action Plan and other things such as play areas. The Working Group feel that recommendations from PDGs should be revisited in 6 months time.

Scrutiny or Audit could then follow it up if something should have been done and hasn't been. This needs to be followed up to ensure that actions from projects are picked up and implemented.

At the moment the Working Environment portfolio information does not go to any PDGs because the old well-managed Council Priority is no longer covered.

The Working Group agreed that it would be a good idea, when reviewing the Corporate Plan in 2015, to consider extending the remit of the PDGs as follows:

Managing the Environment and Economy PDG
Housing and Property PDG
Community Well Being and Working Environment PDG

Final Recommendations

1. Review and update the Risk Management Strategy to include
 - a. Opportunity Management
 - b. A better definition of impact and likelihood scoring
 - c. Clearer information as to which committees risk information will be taken to
 - d. Health & Safety Committee information under the roles and responsibilities section of the Strategy
 - e. Project risks under the strategic and operational risk section
 - f. A section on risk management training and awareness
 - g. Diagrams to make the Risk and Opportunity Management Strategy easier to understandAnd take the updated Strategy to the Audit Committee for approval on the 24th September.
2. Review and update the Performance Management Guidance and take to the Audit Committee on the 24th September

3. Ensure that any recommendations that come out of the PDGs are taken back to them 6 months after approval by Cabinet to check on progress.
4. When putting together the next Corporate Plan in 2015 consider reviewing the remit of the PDGs to ensure that all areas in the Corporate Plan are aligned to a PDG

Performance Management Working Group
August 2014

PERFORMANCE AND RISK FOR THE FIRST QUARTER OF 2014-15

Cabinet Member Cllr Neal Davey
Responsible Officer Head of Communities & Governance

Reason for Report: To provide Members with an update on performance against the corporate plan and local service targets for 2014/15 as well as providing an update on any key business risks.

RECOMMENDATION: That the Committee reviews the Performance Indicators and Risks that are outlined in this report and feeds back areas of concern to the Cabinet.

Relationship to Corporate Plan: Corporate Plan priorities and targets are effectively maintained through the use of appropriate performance indicators and regular monitoring.

Financial Implications: None identified

Legal Implications: None

Risk Assessment: If performance is not monitored we may fail to meet our corporate and local service plan targets or to take appropriate corrective action where necessary. If key business risks are not identified and monitored they cannot be mitigated effectively.

1.0 Introduction

- 1.1 Appendices 1-6 provide Members with details of performance against the Corporate Plan and local service targets for the 2014/15 financial year.
- 1.2 Appendix 7 shows information relating to the Food Hygiene Rating Scheme.
- 1.3 Appendix 8 shows the higher impact risks from the Corporate Risk Register. This includes operational and Health and Safety risks where the score meets the criteria for inclusion
- 1.4 The appendices reflect the changes suggested by the Scrutiny Performance Working Group.

2.0 Performance

Managing the Environment Portfolio - Appendix 1

- 2.1 The figures for recycling and residual waste rates have to be verified by DCC before submission to WasteDataFlow so are always somewhat delayed. If they have been published before the meeting there will be a verbal update at the meeting. (Now verified)

- 2.2 Where benchmarking information is available for the previous year it is included.

Decent and affordable Homes Portfolio - Appendix 2

- 2.3 While the performance for rent arrears as at the end of June (Appendix 1) was below target, by the end of July both PIs were above target, these PIs fluctuate over the course of the year.
- 2.4 The Decent Homes backlog funded contract commenced on the 4 August which will enable the target of 100% decency to be achieved by the 31 March 2015.

Community Well Being Portfolio - Appendix 3

- 2.5 The number of empty shops reported indicate some concerns about Crediton but the number of empty shops in the second quarter has gone down which is encouraging.
- 2.6 The Leisure performance is slightly below target.
- 2.7 The 'Scores on the Door' report at appendix 7 is particularly pleasing as since 2010, when the scheme was first introduced, the number of catering establishments achieving a rating of 5 i.e. very good has increased from 51.3% to 85.0% as at August 2014.

Planning and Regeneration Portfolio - Appendix 4

- 2.8 The performance on major applications for the first quarter of 2014/15 is lower than the last 2 quarters of 2013/14 but better than the first 2 quarters of 2013/14. This also reduces the Performance Guarantee % achieved.

Working Environment Portfolio - Appendix 5

- 2.9 Performance is generally below target for the first quarter of 2014/15 however Customer First has had a very challenging few months because of the route optimization and new calendars for waste and recycling as is demonstrated by the number of phone calls for the first quarter which was far higher than the average for 2013/14.

Finance Portfolio - Appendix 6

- 2.10 All PIs are well above target.

3.0 Risk

- 3.1 The Corporate risk register is reviewed by Management Team (MT) and updated quarterly. Risk reports to Audit Committee and Cabinet continue to include risks with a total score of 15 or more and all those with an impact score of 5. (Appendix 8)

- 3.2 The Scrutiny Performance Working Group felt that risks should only be referred to the PDGs or Scrutiny if there is a problem that requires escalation e.g. if risks are not being mitigated adequately, or if the risk is associated with new policies, or budget cuts, or reported to the PDG as part of a decision making process.
- 3.3 As Service Business Plans for 2014-15 are approved any risks identified which meet the above criteria for inclusion will be added to the corporate risk register.
- 3.4 The profile of these risks for this quarter is:

Impact	5	14	5			
	4				1	
	3					
	2					
	1					
		1	2	3	4	5
		Likelihood				

4.0 Conclusion and Recommendation

- 4.1 That the Committee reviews the performance indicators and any risks that are outlined in this report and feeds back any areas of concern to the Cabinet.

Contact for more Information: Amy Tregellas, Head of Communities & Governance ext 4246

Circulation of the Report: Management Team and Cabinet Member

MTE PDG Performance Report - Appendix 1

Quarterly report for 2014-2015

No headings

For Environment - Cllr Clive Eginton Portfolio

For MDDC - Services

Filtered by Performance Status: Exclude PI Status: Data not due, Not calculable

Key to Performance Status:

Performance Indicators:	No Data	Well below target	Below target	On target	Above target	Well above target
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MTE PDG Performance Report - Appendix 1

Performance Indicators									
Status	Quartile	Title	Prev Year End	Annual Target	Current Target	Q1 Act	Q2 Act	Q3 Act	Q4 Act
Well below target	2014-2015 No Data Available	<u>Increase Dry Recycling Rate to 20% by 2015</u>	14.89%	20.00%	20.00% (1/4)	13.46%			
Management Notes:									
Below target	2012-2013 Best Performing District Councils	<u>Residual household waste per head</u>	482.3	455.0	113.8 (1/4)	115.8			
Management Notes:									
Above target	2012-2013 Above Median District Councils	<u>% of Household Waste Reuse, Recycled and Composted</u>	46.7%	50.0%	50.0% (1/4)	50.5%			
Management Notes:									
No Target	2014-2015 No Data Available	<u>Number of Missed Collections logged per Quarter (refuse and organic waste)</u>	661			1,190			
Management Notes: (Quarter 1) The higher level of missed collections logged, was due to a problem with the new waste & recycling routes which had been introduced. (NC)									
No Target	2014-2015 No Data Available	<u>Number of Missed Collections logged per Quarter (Recycling)</u>	652			719			
Management Notes: (Quarter 1) The higher level of missed collections logged was due to a problem with the new waste & recycling routes which had been introduced. (NC)									

DAH PDG Performance Report - Appendix 2

Quarterly report for 2014-2015

No headings

For Decent and Affordable Homes - Ray Stanley Portfolio

For MDDC - Services

Filtered by Performance Status: Exclude PI Status: Data not due, Not calculable

Key to Performance Status:

Performance Indicators:	No Data	Well below target	Below target	On target	Above target	Well above target
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DAH PDG Performance Report - Appendix 2

Performance Indicators								
Status	Title	Prev Year End	Annual Target	Current Target	Q1 Act	Q2 Act	Q3 Act	Q4 Act
Well below target	<u>Deliver 15 homes per year by bringing Empty Houses into use</u>	16	15	4 (1/4)	2			
Management Notes:								
Well below target	<u>Number of affordable homes delivered (gross)</u>	68	80	20 (1/4)	0			
Management Notes:								
On target	<u>% Emergency Repairs Completed on Time</u>	99.74%	100.00%	100.00% (4/12)	100.00%			
Management Notes:								
On target	<u>% Urgent Repairs Completed on Time</u>	100.00%	100.00%	100.00% (4/12)	100.00%			
Management Notes:								
On target	<u>% Routine Repairs Completed on Time</u>	99.96%	100.00%	100.00% (4/12)	100.00%			
Management Notes:								
Above target	<u>% Repairs Completed at First Visit</u>	99.86%	99.90%	99.90% (4/12)	100.00%			
Management Notes:								
Well above target	<u>Ratio of expenditure between planned and responsive repairs</u>	76.24	70.30	70.30 (1/4)	81.19			
Management Notes:								
Below target	<u>Rent Collected as a Proportion of Rent Owed</u>	100.66%	100.50%	100.50% (4/12)	98.09%			
Management Notes:								
Below target	<u>Rent Arrears as a Proportion of Annual Rent Debit</u>	0.72%	1.00%	1.00% (4/12)	1.11%			
Management Notes:								
Well below target	<u>% Decent Council Homes</u>	83.45%	100.00%	100.00% (4/12)	81.55%			
Management Notes:								

DAH PDG Performance Report - Appendix 2

Performance Indicators								
Status	Title	Prev Year End	Annual Target	Current Target	Q1 Act	Q2 Act	Q3 Act	Q4 Act
Below target	<u>% Properties With a Valid Gas Safety Certificate</u>	100.00%	100.00%	100.00% (4/12)	99.91%			
Management Notes:								
Well below target	<u>Average Days to Re-Let Local Authority Housing</u>	19.9days	17.0days	17.0days (4/12)	20.0days			
Management Notes:								
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CWB PDG Performance Report - Appendix 3

Quarterly report for 2014-2015

No headings

For Community Well-Being - Cllr Colin Slade Portfolio

For MDDC - Services

Filtered by Performance Status: Exclude PI Status: Data not due, Not calculable

Key to Performance Status:

Performance Indicators:

No Data

Well below target

Below target

On target

Above target

Well above target

CWB PDG Performance Report - Appendix 3

Performance Indicators								
Status	Definition	Prev Year End	Annual Target	Current Target	Q1 Act	Q2 Act	Q3 Act	Q4 Act
Well above target	Target is a maximum of 8.00% empty shop units out of total shop units (as per Planning Use Classes). (TIVERTON)	18	20	20 (1/4)	15	16		
Management Notes: (Quarter 1) April 2014 no. empty shop units = 15 / 245 (September 2009 = 30 / 245) (ZL)								
On target	Target is a maximum of 8.00% empty shop units out of total shop units (as per Planning Use Classes). (CREDITON)	7	10	10 (1/4)	12	10		
Management Notes: (Quarter 1) April 2014 no. empty shop units = 12 / 119 (September 2009 = 17 / 114) (ZL)								
Above target	Target is a maximum of 15.00% empty shop units out of total shop units (as per Planning Use Classes). (CULLOMPTON)	12	14	14 (1/4)	12	13		
Management Notes: (Quarter 1) April 2014 no. empty shop units = 12 / 94 (September 2009 = 17 / 91) (ZL)								
Below target	The percentage of Leisure's operational expenditure recovered through customer receipts	88.18%	87.50%	87.50% (1/4)	86.51%			
Management Notes:								
Below target	% of Leisure members retained from month beginning to month end.	95.2%	95.50%	95.50% (1/4)	94.30%			
Management Notes:								

Planning Service Performance Standards April – June 2014

Service Standards	Target	Achievement
Percentage of Decisions issued within 3 days of Officer recommendation	95%	96%
Major applications determined within 13 weeks	60%	50%
Minor applications determined within 8 weeks	65%	64%
Other applications determined within 8 weeks	80%	84%
Householder applications determined in 8 weeks	80%	91%
Listed Building and Conservation Area Consents determined within 8 weeks	80%	68%
Major applications determined within 13 weeks (over last 2 years)	>40%	57%
Major applications overturned at appeal (over last 2 years)	<20%	85%
Determine all applications within 26 weeks (per annum – Government Guarantee)	100%	94%
Enforcement Site Visits undertaken within 15 days of complaint receipt	87%	100%
Building Regulation Full Plan applications determined in 2 months	95%	100%
Building Regulation Applications examined within 3 weeks	95%	70%
Delegated decisions	90%	94%
Applications over 13 weeks old without a decision	<45	28
Customers rating the service good	80%	83%

Working Environment Portfolio Performance - Appendix 5

Quarterly report for 2014-2015

No headings

For Working Environment and Support Services - Cllr Brenda Hull Portfolio

For MDDC - Services

Filtered by Performance Status: Exclude PI Status: Data not due, Data not entered

Key to Performance Status:

Performance Indicators:	No Data	Well below target	Below target	On target	Above target	Well above target
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Working Environment Portfolio Performance - Appendix 5

Performance Indicators

Status	Title	Prev Year End	Annual Target	Current Target	Q1 Act	Q2 Act	Q3 Act	Q4 Act
No Target	<u>Number of phone calls to CF per month</u>	11,929	For Information Only	For Information Only	14,100			

Management Notes:

Above target	<u>Number of visitors per month < 4,500</u>	4,257	4,500	4,500 (4/12)	4,480			
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Management Notes:

Below target	<u>Satisfaction with front-line services</u>	80.33%	80.00%	80.00% (1/4)	77.00%			
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Management Notes:

Not calculable	<u>% complaints acknowledged w/in 3 days</u>	71%	80%	80% (1/4)	43%			
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Management Notes:

Below target	<u>% of complaints resolved w/in timescales (10 days - 12 weeks)</u>	73%	90%	90% (1/4)	81%			
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Management Notes:

Above target	<u>% Emails received by Customer Services responded to within 5 days</u>	99.3%	95.0%	95.0% (1/4)	99.0%			
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Management Notes:

Not calculable	<u>Number of Complaints</u>	n/a	For information only	For information only	193			
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Management Notes:

Not calculable	<u>Number of Digital Contacts</u>	n/a	For information only	For information only	9,172			
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Management Notes:
(Quarter 1)

Data not available for all on line transactions, development time has been requested from ICT to start to gather this data. information Q1 is for digital payments this includes online, moto and automated phone payments. Figures will be adjusted to include other on line transactions when available.

(LR)

Well below target	<u>Working Days Lost Due to Sickness Absence</u>	8.64days	7.00days	1.75days (1/4)	2.38days			
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Management Notes:

Working Environment Portfolio Performance - Appendix 5

Performance Indicators								
Status	Title	Prev Year End	Annual Target	Current Target	Q1 Act	Q2 Act	Q3 Act	Q4 Act

Finance Portfolio Performance - Appendix 6

Quarterly report for 2014-2015
No headings
For Finance - Cllr Neal Davey Portfolio
For MDDC - Services

Key to Performance Status:

Performance Indicators:	No Data	Well below target	Below target	On target	Above target	Well above target
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Finance Portfolio Performance - Appendix 6

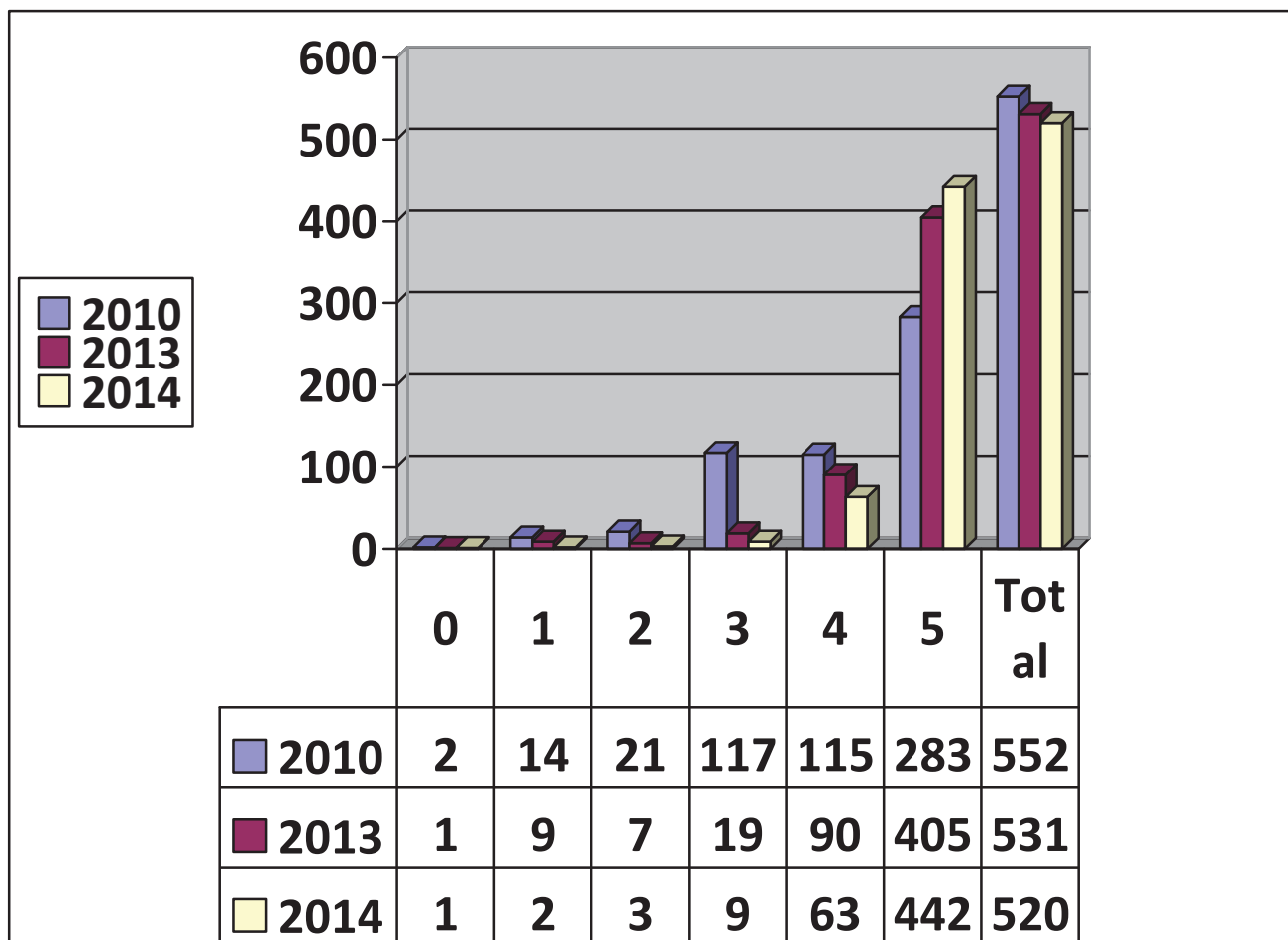
Performance Indicators								
Status	Title	Prev Year End	Annual Target	Current Target	Q1 Act	Q2 Act	Q3 Act	Q4 Act
Well above target	<u>% total Council tax collected - monthly</u>	97.56%	98.00%	24.50% (3/12)	29.31%			
Management Notes:								
Well above target	<u>% total NNDR collected - monthly</u>	98.40%	98.00%	24.50% (3/12)	29.70%			
Management Notes:								
Data not due	<u>Percentage of Invoices Paid on Time</u>	94.13%	97.50%	97.50%	n/a		n/a	
Management Notes: (April - September) Six- monthly (CY)								
Well above target	<u>Time taken to process Housing Benefit/Council Tax Benefit new claims and change events</u>	8days	14days	14days (1/4)	9days			
Management Notes:								

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Print Date: Thursday, September 04, 2014
15:55

Food Hygiene Rating Scheme 2010-2014



Bandings

Descriptors

- 0 Urgent improvement necessary
- 1 Major improvement necessary
- 2 Improvement necessary
- 3 Generally satisfactory
- 4 Good
- 5 Very good

* The national food hygiene rating scheme was launched in 2010. Currently 520 premises out of 1038 registered food businesses in Mid Devon are included in the scheme

Risk Report Appendix 8

Report for 2014-2015
 Filtered by Flag: Include: * CRR 5+ / 15+
 For MDDC - Services

Not Including Risk Child Projects records or Mitigating Action records

Key to Performance Status:

Risks: No Data (0+) High (15+) Medium (5+) Low (1+)

Risk Report Appendix 8

Risk: Asbestos Health risks associated with Asbestos products such as lagging, ceiling/wall tiles, fire control.

Effects (Impact/Severity):

Causes (Likelihood):

Service: Housing Services

Current Status:
Medium (5)

Current Risk Severity: 5 -
Very High

Current Risk Likelihood: 1 -
Very Low

Head of Service: Nick Sanderson

Review Note:

Risk: Breaches in HR Legislation Failure to keep Council policies up to date, that complement the appropriate legislation

Failure to develop staff knowledge and competence regarding legislation/changes

Effects (Impact/Severity): - The Council could face poor reports from assurance bodies
 - Failure to meet statutory duties could result in paying penalties, stretching already thin financial resources
 - Failure to comply with legislation could lead to legal challenge against individuals or the Council as a whole
 - Future legislation changes, their impact on services and the cost of implementing changes to policies, procedures and service delivery
 - Use of unlicensed software could result in financial penalties

Causes (Likelihood):

Service: Management Team

Current Status:
Medium (5)

Current Risk Severity: 5 -
Very High

Current Risk Likelihood: 1 -
Very Low

Head of Service: Jill May

Review Note:

Risk Report Appendix 8

Risk: Breaches of Legislation Breaches of Anti-Money Laundering or Bribery Act both could result in a criminal conviction.

Effects (Impact/Severity):

Causes (Likelihood):

Service: Audit

**Current Status:
Medium (5)**

**Current Risk Severity: 5 -
Very High**

**Current Risk Likelihood: 1 -
Very Low**

Head of Service: Amy Tregellas

Review Note:

Risk: Chemicals Staff using chemicals incorrectly.

Effects (Impact/Severity):

Causes (Likelihood):

Service: Leisure Services

**Current Status:
Medium (10)**

**Current Risk Severity: 5 -
Very High**

**Current Risk Likelihood: 2 -
Low**

Head of Service: Jill May

Review Note:

Risk: Council Finances - Banking Arrangements Problems with banks and online services may affect ability to access funds when we need to or receive / process payments on a timely basis

Effects (Impact/Severity): Unable to promptly pay suppliers or treasury commitments

Causes (Likelihood): ICT systems down at Council or Bank so impossible to review cash position or make urgent payments

Service: Financial Services

**Current Status:
Medium (5)**

**Current Risk Severity: 5 -
Very High**

**Current Risk Likelihood: 1 -
Very Low**

Head of Service: Andrew Cawdron, Andrew Jarrett

Review Note:

Risk: Council Finances - Investments Failure to invest in the Council's funds in an efficient and effective manner may cause potential of a loss of monies invested

Effects (Impact/Severity): • Could result in cash flow loss of up to £3M

Causes (Likelihood): • Future banking collapses

Service: Financial Services

**Current Status:
Medium (5)**

**Current Risk Severity: 5 -
Very High**

**Current Risk Likelihood: 1 -
Very Low**

Head of Service: Andrew Cawdron, Andrew Jarrett

Review Note:

Risk Report Appendix 8

Risk: Council Finances - Treasury Management Failure to comply with the CIPFA Code of Practice on Treasury Management /local authority accounting would be a breach in statutory duty

Effects (Impact/Severity):

Causes (Likelihood):

Service: Financial Services

Current Status:
Medium (5)

Current Risk Severity: 5 -
Very High

Current Risk Likelihood: 1 -
Very Low

Head of Service: Andrew Cawdron, Andrew Jarrett

Review Note:

Risk: Digital transformation - Local Plan Jeopardisation of the Local plan consultation timetable due to problems with the website

Effects (Impact/Severity):

Causes (Likelihood):

Service: Management Team

Current Status:
Medium (10)

Current Risk Severity: 5 -
Very High

Current Risk Likelihood: 2 -
Low

Head of Service: Jonathan Guscott, Liz Reeves

Review Note:

Risk: Digital Transformation - No Website The complete failure of the Council website

Effects (Impact/Severity):

Causes (Likelihood):

Service: Management Team

Current Status:
Medium (10)

Current Risk Severity: 5 -
Very High

Current Risk Likelihood: 2 -
Low

Head of Service: Christina Cross, Liz Reeves

Review Note:

Risk Report Appendix 8

Risk: Document Retention If documents fail to be retained for the statutory period then we may face financial penalties

Effects (Impact/Severity):

- The Council may be disadvantaged in taking or defending legal action if prime documents are not retained;
- Performance statistics cannot be verified;
- The external auditor may not be able to verify the Council's final accounts and subsidy may be lost.
- Mismanagement of burial records

Causes (Likelihood): • "Data debris" cluttering system and storage space

Service: Management Team

Current Status: No Data	Current Risk Severity: 5 - Very High	Current Risk Likelihood: 1 - Very Low
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Head of Service: Christina Cross

Review Note: Services are increasing their of scanning documents

Risk: Eastern Urban Extension Tiverton If progress on a masterplan is delayed, the Council becomes vulnerable to speculative planning applications being submitted which do not accord with adopted policies. This could lead to unsustainable development which would not meet policy requirements for essential infrastructure.

Effects (Impact/Severity): Delay will reduce confidence in the deliverability of the urban extension in a comprehensive and coordinated manner, thereby increasing the likelihood of planning applications being submitted for disparate areas of land without the necessary infrastructure provision or without a means of ensuring that infrastructure can be provided at the right time and in the right place. Additionally, individual applications increase the risk of proposals prejudicing the delivery of other areas of land within the allocation.

Causes (Likelihood):

Service: Management Team

Current Status: No Data	Current Risk Severity: 5 - Very High	Current Risk Likelihood: 3 - Medium
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Head of Service: Jonathan Guscott

Review Note:

Risk: Failure to comply with card security standards As an organisation we need to comply with the requirements of TrustWave to be authorised as card payment processors.

Effects (Impact/Severity):

Causes (Likelihood):

Service: Management Team

Current Status: Medium (5)	Current Risk Severity: 5 - Very High	Current Risk Likelihood: 1 - Very Low
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Head of Service: Christina Cross

Review Note: Policy now in place

Risk Report Appendix 8

Risk: Fire and Explosion Risks associated with storage of combustible materials, fuels and flammable substances and sources of ignition, as well as emergency procedures (existence, display and knowledge of), accessibility (or obstruction) of emergency exits and walkways to. Also, risks associated with use of fire extinguishers, having correct type in location, in date and trained operatives on site.

Effects (Impact/Severity): Very High (5) – Although the risk is low, a fire in the server or storage room could potentially cause loss of life, have serious financial implications and severely impact the councils ability to provide services due to loss of IT infrastructure.

Causes (Likelihood): Very Low (1) – The likelihood of a fire within ICT is extremely low. No quantities of combustible materials are stored within the work area. There is easy access to the emergency exit and all staff have received fire awareness training.

Service: I C T

Current Status: Medium (5)	Current Risk Severity: 5 - Very High	Current Risk Likelihood: 1 - Very Low
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Head of Service: Christina Cross

Review Note:

Risk: Information Security Inadequate Information Security could lead to breaches of confidential information, damaged or corrupted data and ultimately Denial of Service. The council fails to have an effective information strategy in place.

Risk of monetary penalties and fines, and legal action by affected parties

Effects (Impact/Severity):

Causes (Likelihood):

Service: I C T

Current Status: Medium (5)	Current Risk Severity: 5 - Very High	Current Risk Likelihood: 1 - Very Low
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Head of Service: Christina Cross

Review Note: The council has an Information Security Strategy in place, annually undergoes Security and Compliance Checks. Has Disaster Recovery/Business Continuity plan

- the Council has an electronic back-up procedure in place, which is tested as part of the core audits each year

- Information Security Policy in place together with a procedure for reporting incidents where we will learn from these cases as and when they arise

- All staff and members have been required to read and sign up to our Information Security and Data Protection policies

- Ensure ICT is involved in every project to ensure that there are mitigating controls for information security and data protection

- The Council has a contract with an external company regarding confidential waste

Risk Report Appendix 8

Risk: Legionella Legionella

Effects (Impact/Severity):

Causes (Likelihood):

Service: Leisure Services

**Current Status:
Medium (5)**

**Current Risk Severity: 5 -
Very High**

**Current Risk Likelihood: 1 -
Very Low**

Head of Service: Michael Lowe

Review Note:

Risk: Lifeguard Training Poor quality training. Improper use of rescue equipment

Effects (Impact/Severity):

Causes (Likelihood):

Service: Leisure Services

**Current Status:
Medium (5)**

**Current Risk Severity: 5 -
Very High**

**Current Risk Likelihood: 1 -
Very Low**

Head of Service: Jill May

Review Note:

Risk: Planning Guarantee The return of the planning fee for any planning application not determined within 26 weeks and where there is no agreed extension of time in writing. Poorly performing authorities not meeting thresholds for the speed and quality of decision making can also be bypassed by applicants. In such cases applicants can chose to submit direct to the Planning Inspectorate, thereby removing decision making from the local level.

Effects (Impact/Severity):

Causes (Likelihood):

Service: Development Management

**Current Status: No
Data (0)**

**Current Risk Severity: No
Data**

**Current Risk Likelihood: 0 - No
Data**

Head of Service: Jonathan Guscott

Review Note:

Risk Report Appendix 8

Risk: Plant Rooms plant rooms

Effects (Impact/Severity):

Causes (Likelihood):

Service: Leisure Services

**Current Status:
Medium (5)**

**Current Risk Severity: 5 -
Very High**

**Current Risk Likelihood: 1 -
Very Low**

Head of Service: Michael Lowe

Review Note:

Risk: Security The Council and its employees could suffer financially and physically through lack of security of valuables (such as cash, keys, safe), buildings (including offices and car parks), plant and equipment and personal belongings.

Effects (Impact/Severity): • The Council could be exposed to charges of corporate manslaughter and fines

Causes (Likelihood):

Service: Management Team

**Current Status:
Medium (5)**

**Current Risk Severity: 5 -
Very High**

**Current Risk Likelihood: 1 -
Very Low**

Head of Service: Nick Sanderson

Review Note:

Risk: Waste Collection - Route Optimisation If we fail to achieve the optimum route then there are cost and performance implications regarding workload for trucks and operatives

Effects (Impact/Severity):

Causes (Likelihood):

Service: Waste Management

**Current Status: High
(16)**

**Current Risk Severity: 4 -
High**

**Current Risk Likelihood: 4 -
High**

Head of Service: Paul N Williams

Review Note:

Printed by: Catherine
Yandle

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Print Date: Thursday,
September 04, 2014 15:59

INTERNAL AUDIT PROGRESS REPORT

Cabinet Member Cllr Neal Davey
Responsible Officer Audit Team Leader

Reason for Report: To update the Committee on the work performed by Internal Audit for the 2014/15 financial year.

RECOMMENDATION(S): The Committee notes the contents of this report.

Relationship to Corporate Plan: Effective Internal Audit plays a fundamental role in assisting the Council to deliver its corporate and improvement plan.

Financial Implications: None

Legal Implications: None

Risk Assessment: None

1.0 Introduction

1.1 The four-year strategic audit plan for 2014/15 to 2017/18 and annual work plan for 2014/15 were presented to the Audit Committee at its meeting on 11 March 2014, where they were approved.

1.2 The purpose of this report is to provide the Committee with a progress report on performance against the 2014/15 Internal Audit work plan for the period from 1 April 2014 to early September 2014.

2.0 Progress to date and scope of audit activities

2.1 The Audit Plan is split into the following sections:

- Core Audits
- Systems Audits
- Other Work (including fraud/ irregularity/ consultancy/contingency)

2.2 Core Audits

2.2.1 The Core Audits are given priority as they cover the Council's key financial controls or are areas where the level of income is material in the context of the Council's annual accounts. These audits are required to be carried out on an annual basis as part of the risk based audit process with the exception of Trade Waste and Car Park Income which are carried out alternately.

2.2.2 The Core Audits will not be commenced until the third quarter of 2014/15, in accordance with the Internal Audit Work Plan, when the auditor who is on maternity leave is expected to return.

2.3 Systems Audits

2.3.1 Systems Audits have been completed for Repairs & Maintenance, Contracts, Economic Development & Industrial Rents, Gazetteer Management Service, Leasing & Asset Management and Data Protection. The opinions are included in full in section 3.0 below.

2.4 Other Work

2.4.1 The Internal Audit team continue to audit and report on performance and risk using the Spar system and present the quarterly corporate performance and risk reports to PDGs and Committees.

2.4.2 Data quality checks continue to be carried out on committee and other reports as requested.

2.4.3 1 Auditor sat on a job evaluation panel and the Audit Team have carried out 2 investigations so far this year. No consultancy work has been carried out in the last 2 months so as to concentrate on the audit plan.

2.5 Performance Indicators

As at end of August the Internal Audit PIs are as follows:

	Current	Target
Core	0%	0%
System	55%	60%

3.0 **Audit Opinions**

The following opinions have been issued since the last report:

3.1 **Economic Development and Industrial Rents**

3.1.1 The current tenants of the Council owned Industrial Units and HRA shops all pay their rent on a timely basis and there has only been one rent write off recently which was caused by a business becoming insolvent. Historically, the occupancy rates for Council owned commercial properties have been very high. When a new tenant applies for a lease, bank status enquiries are requested along with two trade references which is good credit management practice.

3.1.2 There is clear evidence that rents are reviewed and that they are compared to the market value of similar properties every 5 years by a qualified Chartered Surveyor. The Estates Manager also confirmed that the Industrial units were inspected in 2013 by an external company of Structural & Civil Engineers, and they found that the buildings were structurally sound, and had made recommendations for only minor issues.

3.1.3 The Economic Development Manager has a wide ranging knowledge and engages with local businesses providing business support and advice when

requested and has worked hard to establish good relationships with tenants of the Commercial properties.

- 3.1.4 However, there are areas of the letting process where there seems to be significant duplication of duties between departments, particularly where record keeping is concerned; to improve efficiency it would be prudent to keep all of the relevant information on one database. With this in mind, the option of all the information being kept on the CAPS system should be considered. Utilising workflow function within the system should be explored and developed for a more automated system of reminder dates; this would ensure key dates are not missed.
- 3.1.5 With the responsibility for the administration of the leases for the Commercial Properties passing to the Estates Section, this would seem a good opportunity to rationalise the process. The timetable for the handover of responsibility for this process is by the end of September 2014.
- 3.1.6 There does appear to be some overlap with the services currently provided by an external business advisor and the responsibilities of the new Economic Development Officer's job description, in terms of offering advice and support to businesses. The contract is due to be re-tendered by the end of October, so this should be taken into account when the specification for the service is considered.
- 3.1.7 It is the overall opinion of the auditor that the Economic Development System is adequately controlled.

3.2 Gazetteer Management Service

- 3.2.1 The Gazetteer Management System (GMS) is maintained in accordance with a British Standard (BS 7666) and national guidelines produced by a working group (under the steer of GeoPlace) comprised of experienced volunteer LLPG Custodians.
- 3.2.2 MDDC has also signed a Data Co-operation agreement with GeoPlace LLP which details the data sharing agreement and guidelines between local authorities, Ordnance Survey and users included in the Public Sector Mapping Agreement (PSMA – which is the agreement between OS and the Secretary of State for Business, Innovation and Skills).
- 3.2.3 The agreements and guidelines ensure that GMS is highly regulated and needs to achieve very high standards in order to be considered as a Gold Standard Service. In all of the criteria which are measured, an authority needs to attain levels of at least 99% accuracy when matching with other data sources such as the Valuation Office Agency; the fact that the section has received the Gold Award Standard annually since 2010 is testament to the highest standards maintained by the section.
- 3.2.4 It is the overall opinion of the auditor that GMS is well controlled.

3.3 Data Protection and Information Security

- 3.3.1 Many of the recommendations from the last Audit in 2011 have since been addressed, and any which haven't been implemented have been revisited as part of this Audit. The Head of ICT's job title has changed to Head of Business Information Systems, which recognises the fact that it is not exclusively digital information that is subject to this legislation.
- 3.3.2 The system of monitoring computer users (employees) acceptance of any of the mandatory Council policies including the DPP and Information Security policies is well controlled. ICT procedures do not allow new employees any access to Council systems or Outlook until the courses relating to these policies are completed using the on-line induction process. Also, the new software which is now being used (INSIGHT) is able to generate and send weekly reminders to staff when a policy is updated or an on-line course needs to be completed.
- 3.3.3 However, there is still an ongoing problem proving and monitoring that employees who are non-computer users are reading and accepting these policies. There seems to be a common misconception that the Data Protection Policy and Information Security only affects and applies to computer users, but this is not the case. It applies to *all* personal data, however it may be stored or used and there is always the possibility that non computer users may come into possession or contact with sensitive personal information.
- 3.3.4 There are currently a number of Councillors who have not accepted any of the Council policies, in particular the Data Protection Policy and the Information Security Policy. This is considered to be a significant risk considering that Councillors are in regular contact with their constituents, and potentially may be acquire personal sensitive information in the course of their duties.
- a. It is recognised that Councillors cannot access the on-line courses from home unless they have a Citrix key fob, which means they have to come into the Council Offices to be able to complete the courses. This issue aside, there is a potential risk that Councillors and employees who have not read and accepted these policies may mishandle personal sensitive information as they are unaware of the provisions in these documents. This could ultimately lead to a security breach and a monetary penalty of up to £500k for the Council; in addition the Information Commissioners Office may impose a fine.
- 3.3.5 It is the overall opinion of the auditor that the Data Protection Policy and Information Security policy system is well controlled for computer-using employees; however it is poorly controlled for non-computer users and Councillors.

3.4 Leasing and Capital Asset Management

- 3.4.1 It is evident that every effort is made to utilise our assets efficiently with the installation of solar panels on corporate buildings and housing stock, creation of increased usable floor space in Leisure Centres etc.
- 3.4.2 The process of tendering for quotes in respect of Finance leases is done through an Agent and there is a clear audit trail for this process.

- 3.4.3 However the adherence to the financial regulations by some managers to involve their Service Accountant in the decision on whether to lease or purchase an asset is not evident in some cases. The Finance department is sometimes being involved at a late stage with the decision to lease an asset having already been made or even after a lease agreement has already been signed. This means that there is a risk that MDDC may not be making the best financing decisions. The Financial Regulations need to be adhered to better; this is the responsibility of individual Service Managers, however it is the responsibility of the Head of Finance to enforce the regulations and a monitoring process needs to be put in place.
- 3.4.4 It is the overall opinion of the auditor that Leasing and Asset management is adequately controlled.

4.0 Conclusion

- 4.1 All the post audit surveys for systems audits sent out have come back “very satisfied” or “satisfied” so far.

4.3 Outstanding Recommendations

Summary audit reports for the various areas showing progress to date for outstanding recommendations follow.

Contact for more Information: Catherine Yandle, Audit Team Leader, x4975
Circulation of the Report: Management Team and Cllr Neal Davey
List of Background Papers: None

Audit Report - EH

Annual report for 2014-2015

Arranged by Service

For Paul N Williams

Filtered by Performance Status: Include Project Status: Milestone Missed, Behind schedule

Exclude Project Status: Cancelled, No Data available, On / ahead of schedule, Completed and evaluated

Key to Performance Status:

Projects:		No Data available	Milestone Missed	Behind schedule	On / ahead of schedule	Completed and evaluated
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Audit Report - EH

Service: <u>Fleet Management</u>		Head of Service: Paul N Williams		Portfolio: Working Environment and Support Services - Cllr Brenda Hull		
Projects						
Project Status	Objective	Project End	Last Review Date	Achieved	Arising	Officer Notes
Milestone Missed	<u>Carry out annual driving licence checks in accordance with Pool Vehicle Policy</u>	28/02/2014 (due)				The Authorised Drivers Lists is held on CRM, for the majority of drivers the annual driving licence checks are now overdue. (CY)
Milestone Missed	<u>Clarify training use of Pool Cars is allowed in Policy now training and casual mileage rates are the same</u>	31/03/2014 (due)				Casual Mileage is still being claimed for training mileage even now it is the same rate for all mileage. Policy and rates are at odds with each other. (CY)

Service: <u>Management Team</u>	Head of Service: None	Portfolio: n/a
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Audit Report - EH						
Service: Management Team		Head of Service: None			Portfolio: n/a	
Projects						
Project Status	Objective	Project End	Last Review Date	Achieved	Arising	Officer Notes
Milestone Missed	<u>Produce a business plan or structure of works for the area of Corporate Health & Safety</u>	31/03/2014 (due)	09/01/2014	Requirement included in H & S advisor JD	2014/15 business plan needs to be submitted to MT in March	During testing, a Business Plan could not be found for Corporate Health & Safety. (SK)

Service: Waste Management		Head of Service: Paul N Williams			Portfolio: n/a	
Projects						
Project Status	Objective	Project End	Last Review Date	Achieved	Arising	Officer Notes
Milestone Missed	<u>Send Trade Waste advertising leaflets to all new NNDR customers.</u>	31/03/2014 (due)				Sending Trade Waste advertising to new NNDR customer could source extra business. The additional bonus is that the Council would have an opportunity to target the new business before other companies even knew about the new customer. (SK)
Milestone Missed	<u>Work on increasing the customer base and increasing income.</u>	31/03/2014 (due)				As part of testing the customer base was compared to last times audit and there was a net loss of 49 customers. (SK)

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Audit Report - EH						
Service: Waste Management		Head of Service: Paul N Williams			Portfolio: n/a	
Projects						
Project Status	Objective	Project End	Last Review Date	Achieved	Arising	Officer Notes
Milestone Missed	<u>The period and basis of discounts given should be recorded in the customers file.</u>	31/03/2014 (due)				It was found that a couple of the samples had been given a discount but there was no record/note held to explain the basis on why the discount had been awarded. (SK)
Milestone Missed	<u>Ensure that the Trade Waste Collection Agreement states an effective date and that the invoice period ties in with the effective date.</u>	31/03/2014 (due)				During testing it was found that there is not always an effective date on the Trade Waste Collection Agreement. (SK)
Milestone Missed	<u>The practise of raising invoices for internal charges should cease and any internal 'payments' should be done using the Internal Transfer method (i.e. journal entry) authorised by the department incurring the expenditure.</u>	31/03/2014 (due)				The process of charging other Mid Devon Services for Trade Waste was to raise an invoice. This is a costly and time consuming process when it would be far more efficient to raise an Internal Transfer (journal) for the process. (SK)
Milestone Missed	<u>Ensure that any outstanding debt is paid before a service is resumed, after</u>	31/03/2014 (due)				During testing it was found that there was an instance where a customer account

Audit Report - EH						
Service: Waste Management		Head of Service: Paul N Williams			Portfolio: n/a	
Projects						
Project Status	Objective	Project End	Last Review Date	Achieved	Arising	Officer Notes
	<u>suspension for non-payment of invoices.</u>					was taken off of suspend before receiving money from the customer to reduce the debt. (SK)
Milestone Missed	<u>Ensure that suspensions are applied promptly, if no payment has been received, on expiry of the 2nd reminder letter.</u>	31/03/2014 (due)				It was found that there is a delay with suspensions being implemented after the expiry of the 2nd reminder. (SK)
Milestone Missed	<u>Don't publish prices on the website, give individual quotes.</u>	31/03/2014 (due)				The Trade Waste and Trade Waste Recycling collection prices are advertised on the Council website. During a benchmarking test it was found that other organisations do not advertise the prices which could give them a commercial advantage. (SK)
Milestone Missed	<u>Increase the area for collections to at least the Mid Devon Council area, with a view to eventually expanding outside the Mid Devon area.</u>	30/06/2014 (due)				The Trade Waste Recycling service is limited to collections in the areas of Cullompton, Tiverton and Willand. (SK)
Milestone	<u>Update the</u>	31/03/2014				When looking at

Audit Report - EH						
Service: Waste Management		Head of Service: Paul N Williams			Portfolio: n/a	
Projects						
Project Status	Objective	Project End	Last Review Date	Achieved	Arising	Officer Notes
Missed	<u>website to address discrepancies listed on Appendix A.</u>	(due)				the Trade Waste area on the Mid Devon District Council Website there were several changes required to bring the information up to date for customers. (SK)

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Audit Report - Finance

Annual report for 2014-2015

Arranged by Service

For Andrew Jarrett

Filtered by Performance Status: Include Project Status: Milestone Missed,
Behind schedule

Exclude Project Status: Cancelled, No Data available, On / ahead of
schedule, Completed and evaluated

Key to Performance Status:

Projects:		No Data available	Milestone Missed	Behind schedule	On / ahead of schedule	Completed and evaluated
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Audit Report - Finance

Service: Management Team	Head of Service: None	Portfolio: n/a
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Projects

Project Status	Objective	Project End	Last Review Date	Achieved	Arising	Officer Notes
Behind schedule	<u>Refer the issue of referral (to other Service areas) to the Corporate Debt Working Group for a definitive decision to be made on process, timeframes and appropriate recovery action according to the type/amount of debt as well as whether there are</u>	30/04/2014 (due)	12/09/2014	On-going. Head of Finance to discuss more at Corporate Debt Group.		Recovery/Miscellaneous Income Assistant chases payments regularly when a debt is residing with Recovery. The problem and delays occur when the debt is referred elsewhere; these delays may be detrimental to debts' recoverability (NC)

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Audit Report - Finance**Service: Management
Team****Head of Service:
None****Portfolio: n/a****Projects**

Project Status	Objective	Project End	Last Review Date	Achieved	Arising	Officer Notes
	<u>multiple debts.</u>					

Service: Procurement**Head of Service:
Andrew Jarrett****Portfolio: n/a****Projects**

Project Status	Objective	Project End	Last Review Date	Achieved	Arising	Officer Notes
Behind schedule	<u>Put contracts in place where spend is over £50,000 in a year in accordance with the Financial Rules.</u>	31/05/2014 (due)	12/09/2014	this will be addressed where applicable. Resources being put in place to help in the absence of Corporate Procurement Manager. Target date of 01/10/14		During testing it was found that for 4 out of the 5 samples (for annual spend over £50,000) there was not a contract in place. Although, it did appear that quotations were being obtained for the works with values above £10,000. (SK)
Behind schedule	<u>Ensure that the supplier spend monitoring process resumes as soon as possible to ensure that the Council obtains the best prices and value for money.</u>	31/08/2014 (due)	12/09/2014	this will be addressed where applicable. Resources being put in place to help in the absence of Corporate Procurement Manager. Target date of 01/10/14		The Financial Regulations state that where the total spend with a supplier exceeds £50K per year, a contract should be executed in line with the tender process. Although there is evidence that the supplier spend review process has started, and it is

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Audit Report - Finance						
Service: Procurement		Head of Service: Andrew Jarrett			Portfolio: n/a	
Projects						
Project Status	Objective	Project End	Last Review Date	Achieved	Arising	Officer Notes
						on the Procurement Work Plan, the current status is 'on hold' and it is unclear when this will resume. (NC)

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Audit Report - Housing

Annual report for 2014-2015

Arranged by Service

For Nick Sanderson

Filtered by Performance Status: Include Project Status: Milestone
Missed, Behind schedule

Exclude Project Status: Cancelled, No Data available, On / ahead of
schedule, Completed and evaluated

Key to Performance Status:

Projects:		No Data available	Milestone Missed	Behind schedule	On / ahead of schedule	Completed and evaluated
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Audit Report - Housing						
Service: Housing Services		Head of Service: Nick Sanderson			Portfolio: n/a	
Projects						
Project Status	Objective	Project End	Last Review Date	Achieved	Arising	Officer Notes
Behind schedule	<u>Plan & resources in place, concentrating on top 2 priorities. (SON 1 & 2)</u> <u>Additional funding has been allocated to reduce the backlog and increase the resource from 1.5 to 3 properties a week</u>	31/03/2014 (due)	12/09/2014	Officers are continuing to identify and complete the work on the top 2 priorities backlog. This backlog work will be completed by 31/03/2015		
Behind schedule	<u>Investigate developing the Homelessness database to incorporate B&B and</u>	31/03/2014 (due)	12/09/2014	Main database is now up and running but B&B removals and Storage needs further		During testing it was established the financial information for the DARs
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Audit Report - Housing						
Service: Housing Services			Head of Service: Nick Sanderson		Portfolio: n/a	
Projects						
Project Status	Objective	Project End	Last Review Date	Achieved	Arising	Officer Notes
	<u>storage & removal invoices from eFinancials (sales and purchase ledger invoices) and housing benefit receipts from Northgate to record against applicant accounts</u>			work with ICT. This work is within the ICT workplan and will be looked at upon completion of the digital transformation project		payments is now being interfaced into the Homelessness database. However, the financial information in respect of the B&B invoices is manually recorded on a spreadsheet against the applicants account number, and is not currently automatically transferred. (NC)
Behind schedule	<u>Ensure entries to transfer funds from Private Sector Renewal (PSR) to repairs are done promptly</u>	30/06/2013 (due)	12/09/2014	Internal invoices are raised on a monthly basis, however the transfer of funds is still not being dealt with promptly. Officers are currently reviewing the aids and adaptations process and have identified improvements both with the application process and		Only one of the sample (out of 10) was done. This is still showing as a commitment even though it is internal. Outstanding commitments date back as far as 2011/12 on MDDC properties. £127K was transferred from commitments to actual as

Audit Report - Housing						
Service: Housing Services			Head of Service: Nick Sanderson		Portfolio: n/a	
Projects						
Project Status	Objective	Project End	Last Review Date	Achieved	Arising	Officer Notes
				subsequent time frame in carrying out the repairs. The new processes are due to commence in October 2014.		period 13 journals (CY)
Behind schedule	<u>PSR should get quotes from Housing Building services for private sector work as a sub-contractor</u>	31/12/2013 (due)	12/09/2014	This will be reviewed once the restructuring of the Environmental Health Service has been completed.		This will be reviewed once the restructuring of the Enviromental Health Service has been competed. (NC)
Behind schedule	<u>Carry out and document formal risk assessments for Standby working.</u>	31/10/2013 (due)	12/09/2014	Officers are currently carrying out their risk assessments. They will be completed by December 2014.		No formal risk assessments have been drawn up specifically for the standby function although risks have been identified (ZL)

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Audit Report - HR & Development

Annual report for 2014-2015

Arranged by Service

For Jill May

Filtered by Performance Status: Include Project Status: Milestone Missed, Behind schedule

Exclude Project Status: Cancelled, No Data available, On / ahead of schedule, Completed and evaluated

Key to Performance Status:

Projects:		No Data available	Milestone Missed	Behind schedule	On / ahead of schedule	Completed and evaluated
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Audit Report - HR & Development						
Service: Human Resources		Head of Service: Jill May		Portfolio: n/a		
Projects						
Project Status	Objective	Project End	Last Review Date	Achieved	Arising	Officer Notes
Behind schedule	<u>Provision for reviewing and recording drivers' insurance details consistently and in a centralised manner should be agreed and included in the Transport Policy. (see 2.4 below)</u>	31/03/2014 (due)	12/09/2014	New Waste/Transport Manager commenced employment 01/09/14. Working with him to bring Transport Policy which should address this by 31/03/15.		Casual drivers self-certify that they are covered for business mileage as part of their expenses claim form but there is no physical evidence and anecdotal evidence suggests there is not enough attention drawn to this and that compliance is weak in practice. (CY)
Behind schedule	<u>Consider schedule of fixed mileages for selected journeys</u>	31/03/2014 (due)	12/09/2014	Work in progress. Schedule has been done, but now needs to be set up on Aurora		For example if travel to Cullompton /Exeter is made by A396 instead of M5 my calculations
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Audit Report - HR & Development						
Service: Human Resources		Head of Service: Jill May			Portfolio: n/a	
Projects						
Project Status	Objective	Project End	Last Review Date	Achieved	Arising	Officer Notes
	<u>e.g. Phoenix House to County Hall, CVSC to Phoenix House.</u>			(payroll) System.		indicate MDDC would save approximately £20k a year. (CY)
Behind schedule	<u>Implement robust induction procedure for all non-computer users.</u>	31/08/2014 (due)	12/09/2014	Due to implementation of new HR system, this has now slipped. Estimated date for completion 31/12/14		The checklists and instructions for service managers were also to be updated by 31 December 2011 (to improve the induction procedure for non-computer users). (CY)
Behind schedule	<u>(i) Look at the Human Resources Policy section on SharePoint and make it more user friendly for employees. (ii) Combine policies for employees and managers</u>	31/03/2014 (due)	12/09/2014	Being reviewed by the Head of HR. New target date of 31/12/14		The Human Resources Policies were reviewed on SharePoint to establish whether all the relevant information and guidance was readily available for staff in relation to Sickness Absence and Special leave. Most of the policies had separate guidance for Managers and employees. (SK)
Behind schedule	<u>Investigate whether the expiry date of drivers' insurance can be</u>	31/03/2014 (due)	12/09/2014	Still implementing system so this will be addressed as soon as		HR has got a process to chase up essential car users for their insurance documents; an e-
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Audit Report - HR & Development						
Service: Human Resources		Head of Service: Jill May			Portfolio: n/a	
Projects						
Project Status	Objective	Project End	Last Review Date	Achieved	Arising	Officer Notes
	<u>included along with valid driving licence details on the new HR/Payroll system</u>			possible. New target date of 31/12/14		<p>mail is sent to the driver when the insurance has expired to ask them to complete the form and get their line manager to check their insurance and original licence documentation.</p> <p>However only one chase up e-mail could be provided as evidence and the process relies on reports from the diary reporting tool on the old HR system and spreadsheets (CY)</p>
Behind schedule	<u>Work towards a target level more in line with the South West average.</u>	30/04/2014 (due)	12/09/2014	This is currently being reviewed. New target date of 31/03/15		<p>The performance indicator used for monitoring working days lost due to sickness absence was looked at on the SparNet system. The National statistics for sickness levels in the UK was obtained and compared with MDDC. The UK average is 1.8% of time per employee. The South West average is 2% and MDDC's current average is 3.1%. Sickness set at 8 days is currently</p>

Audit Report - HR & Development						
Service: Human Resources		Head of Service: Jill May			Portfolio: n/a	
Projects						
Project Status	Objective	Project End	Last Review Date	Achieved	Arising	Officer Notes
						costing the Council £335,750 (£11,191,680 x 0.03) if we could work towards the South West average of 2% the cost would be £223,833 (£11,191,680 x 0.02), this would be a cost saving of £111,917. (SK)
Behind schedule	<u>Line Managers must be reminded to ensure that all employees sign and return their Code of Conduct form to HR as per the induction check list. HR need to monitor that the induction check list has been completed and returned to them, and check that all the relevant forms are on file.</u>	31/03/2014 (due)	12/09/2014	Being addressed via My View . New target of 31/12/14		It was found that only 6 out of the 8 employees sampled had returned their signed copy of the code of Conduct for Local Government Employees. This is not being monitored and employees are not being chased up for these forms. (ZL)

Audit Report - HR & Development						
Service: Human Resources		Head of Service: Jill May			Portfolio: n/a	
Projects						
Project Status	Objective	Project End	Last Review Date	Achieved	Arising	Officer Notes
Behind schedule	<u>Make the process more robust by ensuring the policy for managers is more prescriptive and less subjective.</u>	01/04/2014 (due)	12/09/2014	Policy will be out for consultation shortly and should be in place by 31/10/14		During testing it was identified that HR are following their Sickness and Absence policy well, although the process is less robust when managers decide not to take the recommended course of action advised by HR, especially in respect of frequent minor ailments (SK)

Service: Leisure Services		Head of Service: Jill May			Portfolio: n/a	
Projects						
Project Status	Objective	Project End	Last Review Date	Achieved	Arising	Officer Notes
Milestone Missed	<u>If no reliance is to be placed on the “declared figure and as the bankings are closer to the “calculated” figure one of 2 actions needs to occur.</u> <u>a) Don’t bother with the declared figure</u> <u>b) Check that it is correct and reconcile bankings to</u>	31/03/2013 (due)	03/01/2013 (overdue)	This is under investigation by ICT We will continue to monitor		When the takings are cashed up a declared figure is entered by the cashier for each payment method. The xN system calculates a figure based on what has been entered into the till for the day and the two are compared producing a variance. The accountant agrees the

Audit Report - HR & Development						
Service: Leisure Services		Head of Service: Jill May			Portfolio: n/a	
Projects						
Project Status	Objective	Project End	Last Review Date	Achieved	Arising	Officer Notes
	<u>that figure instead of "calculated" and record unders/overs declared</u>					bankings to the calculated figure not the declared figure and no record is made of the unders and overs declared on the Cascade prints. (ZL)

Service: Management Team		Head of Service: None			Portfolio: n/a	
Projects						
Project Status	Objective	Project End	Last Review Date	Achieved	Arising	Officer Notes
Behind schedule	<u>If responsibilities are reduced the JE process must be brought into play</u>	31/03/2014 (due)	12/09/2014	Head of HR to bring up again at Pay and Grading.		Several members of staff have reduced their hours and/or responsibilities as part of their agreed retirement plans. Not one has had their position JE'ed even though their role may have changed e.g. they may have handed over responsibility for staff/duties. (SK)
Behind schedule	<u>Change the sickness reporting to service unit rather than Head of service so that information is more meaningful.</u>	30/04/2014 (due)	12/09/2014	On HR work list to do. New target date of 31/05/15		During testing it was found that sickness is reported by Head of Service rather than service units, which makes identifying sickness/sickness

Audit Report - HR & Development						
Service: Management Team		Head of Service: None		Portfolio: n/a		
Projects						
Project Status	Objective	Project End	Last Review Date	Achieved	Arising	Officer Notes
						trends for individual services impossible. (SK)
Behind schedule	<u>Investigate the possibility of having all of the mandatory courses including the induction training, transferred on to one system to prevent overlap of courses and confusion. This would enable better monitoring of H & S courses completed.</u>	08/09/2014	08/09/2014	new system in place and policies and courses are being built and not likely to be completed until June 2015		During testing it was found that there are several systems used to cover training and induction which causes there to be overlap in some areas and gaps in others. Having this system in place also makes it very hard to monitor. (SK)

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Audit Report - ICT

Annual report for 2014-2015

Arranged by Service

For Christina Cross

Filtered by Performance Status: Include Project Status: No Data available, Milestone Missed, Behind schedule

Exclude Project Status: Cancelled, On / ahead of schedule, Completed and evaluated

Key to Performance Status:

Projects:		No Data available	Milestone Missed	Behind schedule	On / ahead of schedule	Completed and evaluated
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Audit Report - ICT						
Service: I C T		Head of Service: Christina Cross		Portfolio: n/a		
Projects						
Project Status	Objective	Project End	Last Review Date	Achieved	Arising	Officer Notes
Behind schedule	<u>Ensure Policy review programme is followed and completed</u>	31/12/2013 (due)	08/09/2014	Policies are in the process of being reviewed		The list of policies from 2011/12 were reviewed and checked against the review programme agreed with Member services. Several policies are overdue for review. (CY)
Behind schedule	<u>Ensure that the discrepancy causing the figure labelled 'Difference between reports' is rectified</u>	31/07/2012 (due)	08/09/2014	software fix has been applied and awaiting testing by Leisure		When looking at the reconciliation process it was found that under the xN part of the reconciliation there was a figure labelled 'difference between reports'. After speaking with the Exe Valley Leisure Centre Manager it
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Audit Report - ICT						
Service: I C T		Head of Service: Christina Cross			Portfolio: n/a	
Projects						
Project Status	Objective	Project End	Last Review Date	Achieved	Arising	Officer Notes
						was found that this difference is being caused when there is an amendment made to a block booking. This issue needs to be looked into and rectified. (ZL)
Behind schedule	<u>Get Cascade to correct the reconciliation report columns</u>	31/05/2013 (due)	08/09/2014	software fix has been applied and awaiting testing by Leisure		The declared column on the Cascade reconciliation report is the calculated figure on the Cash up report and vice versa. (SK)

Service: Management Team		Head of Service: None			Portfolio: n/a	
Projects						
Project Status	Objective	Project End	Last Review Date	Achieved	Arising	Officer Notes
Behind schedule	<u>Investigate the possibility of having all of the mandatory courses including the induction training, transferred on to one system to prevent overlap of courses and confusion. This would enable better</u>	08/09/2014	08/09/2014	new system in place and policies and courses are being built and not likely to be completed until June 2015		During testing it was found that there are several systems used to cover training and induction which causes there to be overlap in some areas and gaps in others. Having this system in

Audit Report - ICT						
Service: Management Team		Head of Service: None		Portfolio: n/a		
Projects						
Project Status	Objective	Project End	Last Review Date	Achieved	Arising	Officer Notes
	<u>monitoring of H & S courses completed.</u>					place also makes it very hard to monitor. (SK)

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Audit Report - Planning

Annual report for 2014-2015

Arranged by Service

For Jonathan Guscott

Filtered by Performance Status: Include Project Status: Milestone
Missed, Behind schedule

Exclude Project Status: Cancelled, No Data available, On / ahead of
schedule, Completed and evaluated

Key to Performance Status:

Projects:		No Data available	Milestone Missed	Behind schedule	On / ahead of schedule	Completed and evaluated
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Audit Report - Planning						
Service: <u>Development Management</u>		Head of Service: Jonathan Guscott			Portfolio: n/a	
Projects						
Project Status	Objective	Project End	Last Review Date	Achieved	Arising	Officer Notes
Milestone Missed	<u>Must ensure all officers reports are signed off.</u>	31/10/2013 (due)				The process for signing off planning decisions is for the person with delegated powers to sign off the officer's report. During testing it was found that for 4 out of 20 samples the officer's report had not been signed off. (SK)
Milestone Missed	<u>Draft reports must be signed off by an officer who has relevant delegated powers.</u>	31/10/2013 (due)				During testing it was found that 4 out of 20 draft reports had not been signed off During the exit interview the DM Professional Services Manager clarified that the
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Audit Report - Planning						
Service: Development Management		Head of Service: Jonathan Guscott		Portfolio: n/a		
Projects						
Project Status	Objective	Project End	Last Review Date	Achieved	Arising	Officer Notes
						Officers report is the most important document that needs signing off and not the draft report. (SK)
Milestone Missed	<u>Ensure that completed cases are closed on the CAPS system in a timely manner.</u>	31/03/2014 (due)				During testing it was found that 7 out of 20 cases were pending. 2 out of the 7 should have been closed down on the CAPs system but had not been done. (SK)
Behind schedule	<u>Resume quarterly reporting of performance to the Planning Committee.</u>	30/11/2013 (due)	12/05/2014	First 2 quarters 2013/14 were reported on 4 December 2013		The Planning Committee Agendas were checked for performance reports; the last time Performance was on the agenda was in January 2013. (SK)
Milestone Missed	<u>Work on improving the timescale for planning decisions to ensure that they are made within the target or agreed deadline.</u>	31/03/2014 (due)				During testing it was found that 5 out of 20 planning decisions did not meet the planning target deadline. (SK)
Milestone Missed	<u>Ensure there are written</u>	30/11/2013 (due)				During testing it was found that
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Audit Report - Planning						
Service: <u>Development Management</u>		Head of Service: Jonathan Guscott		Portfolio: n/a		
Projects						
Project Status	Objective	Project End	Last Review Date	Achieved	Arising	Officer Notes
	<u>procedures in place for all aspects of the scheme of delegation</u>					there is no clear procedure in place for documentation sign off. (SK)

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Corporate Debt Collection Policy

Cabinet Member Cllr Neal Davey
Responsible Officer Head of Finance

Reason for Report: Updated Corporate Debt Collection Policy.

RECOMMENDATION(S): The Revised Policy be noted and approved (see Appendix A).

Relationship to Corporate Plan: Maximising income for the Council is essential particularly during current financially challenging years. It is important to have a policy that is clear and transparent to ensure any recovery action is timely and proportionate.

Financial Implications: Effective administration reduces the risk of irregularities and supports delivery of effective, efficient and economical services. Poor debt collection has an impact on cash flow and results in less funding to provide services.

Legal Implications: This policy should ensure that each debtor is treated fairly and minimises the risk of legal challenge.

Risk Assessment: There is a potential reputational risk should the policy not be adhered to.

1.0 Introduction

- 1.1 The existing Corporate Debt and Recovery Policy was approved by Members on 1 March 2007.
- 1.2 A review of the policy has been carried out by officers to reflect recent legislation changes and in light of economic and resource issues.
- 1.3 The Council's Financial Regulations provide the framework for managing the authority's financial affairs and contribute to good corporate governance, internal control and the management of risks.

2.0 Review

- 2.1 Over the past few months officers from various services (Housing, Customer First, Revenues and Benefits), formed a working group to review the recovery procedures with a view to improving efficiency.
- 2.2 Moneywise, CAB, CHAT, Age UK and other voluntary agencies were consulted on the policy and their feedback has been used in the creation of the updated version of the policy.

3.0 Findings

- 3.1 The current policy suggests money/debt advice should be given by officers, however customers should be signposted to appropriate debt advice agencies licenced and governed by the Financial Conduct Authority (FCA).
- 3.2 The new policy would need to include procedures suggested in the Local Government Ombudsman guidance 'Can't Pay Won't Pay?-Using bankruptcy for council tax debts'.
- 3.3 New legislation came into force from April 2014 regarding Enforcement Agents.
- 3.4 Whilst suggesting officers should communicate across services about customers with multiple debt(s), it was recognised the procedures for doing so needed to be improved.
- 3.5 Each service had different formats for gathering details of income and expenditure when considering the terms to settle debts. A 'common financial statement' would provide a consistent and fair approach.
- 3.6 The procedures for each service are subject to different legislation and do not necessarily change at the same time.
- 3.7 The policy could be revised to help with instances of 'multiple debt'.

4.0 Outcomes

- 4.1 The new Corporate Debt Collection policy has been created (Appendix 1) to take the above findings into account.
- 4.2 The procedures for each service are now separate to the Policy allowing them to be updated in line with legislation changes which do not require member approval and these can be approved by the Head of Finance.
- 4.3 A copy of the new policy has been sent to CAB, CHAT and Moneywise and other voluntary organisations and positive feedback has been received.
- 4.4 A single income and expenditure form should be introduced to ensure consistent approach.
- 4.5 The Head of Finance will review the implementation of the new policy in six months.

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Circulation of the Report: Management Team and Cllr Neal Davey

List of Background Papers: Copy of Debt Collection Policy (Appendix A)

Debt collection policy

Version Control Sheet

Title: Debt collection policy

Purpose: To provide an agreed debt collection policy that maximises the income available to the Council but is not so prescriptive that it does not allow for arrangements to be made on terms that are fair to those having payment difficulties.

Owner: Andrew Jarrett, Head of Finance

Date: July 2014

Version no.: 1.4

Status: draft

Review

Frequency: Every three years

Next review

date: 2017

Consultation: Local voluntary groups.

Document History

This document underwent consultation with:

- Tenant Scrutiny & Improvement Group
- Voluntary sector

The following approvals were obtained:

- Chief Executive
- Management Team
- Members
- Legal Department

Contents

1	Introduction
2	Policies Common to all Types of Debt
3	Principles of Enforcement (all debts)
4	Write Offs (all debts)
5	Policies & Procedures
Appendix A	Example of financial statement

Introduction

- 1.1 This document sets out the Council's approach to setting income collection targets and debt management arrangements.
- 1.2 Sums due to the Council can be a mixture of statutory and non-statutory charges. The method for billing and recovery of the statutory debts is tightly prescribed by statute. The Council needs to maximise income to ensure that it can continue to provide responsive services to local people. However, some people may, for whatever reason, find themselves experiencing financial hardship and it is important that recovery procedures reflect an understanding of this and are flexible enough to enable officers to respond in a sensitive way to individual circumstances.
- 1.3 Council policy relating to the collection of debt must be fair and transparent. It must also be applied consistently. The full range of collection and recovery methods must be used, as appropriate, if debts are not paid. All personal information will be fairly and lawfully used and in accordance with relevant legislation including relating to Data Protection and Human Rights.
- 1.4 The Council will set reasonable fees and charges which reflect strategic priorities. Customers should be given every opportunity to pay any sums due. Officers will make every effort to contact customers at an early stage in order to prevent debts increasing and to encourage discussion about payment plans and any possible issues which may prevent payment. If customers cannot see a proactive approach to the collection of debt, they may give repayment low priority and this can lead to a downward spiral where late and non-payment becomes normal. This can lead to cash flow problems and possible damage to the reputation of the Council. In addition, unless a payment culture is established, there is a risk that the level of debt will increase leading to sums which cannot be collected and/or which it is uneconomical to pursue, and the income will be lost to the Council. This is unfair to all those customers who do pay their bills on times.
- 1.5 Our aims:
 - To recognise that customers have a responsibility to pay and that debts must be met
 - To maximise income for the Council
 - To be firm but fair
 - To be consistent
 - To be efficient but also sensitive to the needs of the customer
 - To inform debtors about any sums owed promptly
 - To contact debtors about non-payment at an early stage
 - To offer different payment options/methods
 - To offer advice in order to prevent debt increasing
 - To signpost and/or refer debtors to other agencies, where necessary

- To give advice on increasing income and reducing expenditure, if appropriate
- To be realistic about setting repayment amounts over reasonable periods of time
- To avoid putting pressure on debtors to make arrangements which are unrealistic and which cannot be sustained in the longer term
- To recognise the difference between priority and non-priority debts
- To promote a “joined up” approach to sharing information and managing the different debts owed to the Council
- To achieve a fair balance between the claims of competing creditors that enables customers to clear priority debts
- To recognise that in some cases it is not possible, or it is inappropriate, to collect a debt owed to the Council.

1.6 This Policy sets out the general principles to be applied in relation to debt management across all services provided by this Council. It is to be used together with all related policies and strategies and with more detailed procedural guidance for staff. It will apply to all debts owed to the Council, including:

- Council Tax
- Business Rates
- Rents for Council homes and garages and commercial properties
- Benefit overpayments
- Legal Costs
- Section 20, (Planned maintenance charges for leaseholders)
- Commercial waste
- Community infrastructure levy and monies arising from s106 agreements
- Sundry debts
- Other miscellaneous income.

2.0 Policies Common to all Types of Debt

2.1 When notifying customers about sums owed, the Council will send information regarding the amount payable and a description of the charge. It will also include:

- Information on the payment options available
- A contact number for queries and also for discussing payment arrangements where the customer is unable to make the payment immediately, for whatever reason.
- A fair processing notice to the effect that ‘your information may be shared with other council services and agencies for use in credit decisions, for fraud prevention and to pursue debtors’

- 2.2 The Council will ensure that:
- There are procedures in place to provide an opportunity for early intervention to reduce the likelihood of the debt increasing
 - There is a clear recovery process which is understood and implemented fairly and consistently by the Council and any partners and/or contractors
 - Each Service has its own adopted policies, agreed procedures and fair processing notices setting out how debts will be recovered. These documents will comply with all relevant legislation, good practice and/or regulations and will be implemented by officers who will be given appropriate training to enable them to do so
 - Officers will give appropriate advice and support.
- 2.3 The Council will attempt at all times to use the most appropriate and effective method of debt recovery in order to maximise income. The Council will encourage the most cost effective payment methods with the emphasis being on Direct Debit, which offers value for money because the transaction costs are much lower.
- 2.4 Assessment of an ability to pay will be made and debtors will be asked to agree their information is shared across services in the Council. This will ensure a fair and realistic approach when making arrangement for repayment . An example of the common financial statement is attached as an Appendix A.
- 2.5 Authorised officers will be able to intervene in the recovery cycle in appropriate circumstances to deal with hardship or dispute situations. This includes the ability to make deferred payment arrangements where immediate payment is impossible due to lack of means.
- 2.6 Information will be available in different formats in order to ensure no one section of society is disadvantaged in any way. In addition, staff seeking to recover debts will have regard to ensuring information is accessible through translations, larger print versions or sign language, as appropriate to the needs of the debtor.
- 2.7 Where appropriate, home visits can be made where the debtors are unable to access advice services.
- 2.8 Where the potential for a statutory benefit or discount exists in relation to the debt, efforts will be made to make the debtor aware of such opportunities. They will be assisted and encouraged to apply for these including a request for backdating if appropriate.
- 2.9 All correspondence relating to the debt sent by the Council will comply with the corporate style guidance and be readily identifiable as being from the Council. It will set out what is owed and will invite the customer to contact the Council at

the earliest possible opportunity. All such correspondence will be written in plain English and will signpost customers to organisations which can provide independent advice. Customer response using a range of different methods including by letter, telephone, email, via the website or through advocates or representatives will be positively encouraged.

- 2.10 The Council welcomes the involvement of welfare agencies, where authorised by the debtor, in connection with debts due to the Council and recognises the benefits that these organisations can offer both the debtor and the Council in prioritising repayments to creditors and in maximising income available to the debtor.
- 2.11 In cases of multiple debts, there must be close liaison between Services. Multiple debts are where a debtor has significant arrears and owes more than one debt to the Council. This may include housing rent, council tax and housing benefit overpayment. Such cases can present problems in determining the relative priority of the individual debts for both the individual concerned and the officers working out payment plans with the customer.
- 2.12 In such cases, officers are expected to liaise and agree an appropriate means of coordinated recovery which reflects these policy aspirations, together with the need to balance repayment profiles across all debts due to the Council. Officers should endeavour to liaise with colleagues in other Services, if appropriate, to discuss cases where customers may be experiencing difficulty paying their bills.
- 2.13 The Council recognises that prompt recovery action is key when managing its debt and maximising income. The Council therefore aims to:
- Regularly monitor the level and age of debt
 - Set clear targets for the recovery of debt
 - Have clear written recovery procedures
 - Set priorities for specific areas of debt and assess recovery methods to ensure maximum recovery
 - Regularly review irrecoverable debts for write-off.
- 2.14 There are many types of debt and these are commonly identified as priority or non-priority debts by those who give advice and support to people experiencing financial difficulties. A priority debt is generally considered to be one where the creditor can take the strongest legal action against an individual who does not pay. The size of the debt will not be the issue, it is what the creditor can do to recover any outstanding money.
- 2.15 When someone is experiencing money problems they are not always aware of the consequences of non-payment and frequently pay those who commence the strongest action.

- 2.16 Officers will explain the difference between priority and non-priority debts when discussing income and expenditure and working out payment plans.
- 2.17 The following will be treated as equal priority debts:
- Rent arrears because they could result in eviction
 - Mortgage arrears because non-payment could lead to repossession of the home
 - Council Tax because it can result in bailiff action/ attachment of earnings/ benefits/charging order/bankruptcy/imprisonment/loss of home
 - Other secured loans as they can result in loss of home.
- 2.18 Other priority debts:
- Income Tax and VAT because they can result in bankruptcy/imprisonment
 - County Court Judgements because they can result in bailiff action/ attachment of earnings/bankruptcy
 - Fines or compensation/costs orders because they can result in imprisonment
 - Hire purchase but only if it has been used to buy a car which enables a customer to get to and from work
 - Maintenance/child support because it can result in repossession of goods/imprisonment
 - Water charges because non-payment can result in bailiff action
 - Business rates because non-payment can result in bailiff action/ bankruptcy/imprisonment
 - Benefits overpayments because they can result in deductions from ongoing Housing and other benefits which affect the level of income received
 - Penalty Charge Notices because they can result in bailiff actions.
- 2.19 The following are considered to be non-priority debts:
- Credit/store cards
 - Unsecured personal loans
 - Bank overdrafts
 - Credit/interest free/hire purchase agreements
 - Catalogue debts
 - Money borrowed from family and friends.
- 2.20 All accounts that are written off will be against the income code against which they are raised. The VAT on written-off sundry debt accounts will only be recovered by the Council in accordance with the rules and procedures laid down by HM Revenues & Customs. In practice this means that VAT on a written-off debt can only be reclaimed 6 months after the debt became due to the date of supply.

- 2.21 Where an external agency is procured to assist with the delivery of a service, the flow of information between the Council and the agency should, wherever possible, be in a secure electronic format.
- 2.22 Where legislation permits, the Council will seek to levy and recover from the debtor any and all costs/fees that are legitimately due from the debtor to the Council or its agents. Only in exceptional cases, where it would not be in the public interest to pursue costs/fees, will they be waived.

3.0 Principles of Enforcement (all debts)

- 3.1 The Council is fully committed to ensuring that its actions will be proportional, consistent and transparent. Additionally our intention will be to be firm and fair and our manner will be courteous.
- 3.2 **Proportionality** – proportionality allows for a balance to be struck between the potential loss of income to the Council and the costs of compliance.
- 3.3 **Consistency** – consistency means taking a similar approach in similar circumstances to achieve similar ends. The Council aims to achieve consistency in:
- The advice it gives
 - The use of our powers
 - The recovery procedures used.
- 3.4 The Council recognises that consistency does not mean simple uniformity. Officers need to take account of many variables such as:
- The social circumstances of the debtor
 - The debtor's payment history
 - The debtor's ability to pay.
- 3.5 **Transparency** – transparency is important in maintaining public confidence. It means helping people to understand what is expected of them and what they should expect from the Council. It also means explaining clearly the reasons for taking any recovery/enforcement action.
- 3.6 If action is required, the reasons why must be clearly explained in writing, where required. If action is required, timescales must be clearly stated. A distinction must be made between advice and legal requirements.
- 3.7 Communications should be in plain English and alternative formats should be made available to customers upon request. The Language Line facility is to be used as an aid to improving verbal communications with those customers for whom English is not their first language.

- 3.8 An opportunity must be given to discuss what is required to comply with the law before formal enforcement action is taken. A written explanation must be given of any rights of appeal against formal enforcement action either before or at the time the action is taken. When meeting with debtors, officers will always endeavour to obtain information on income and expenditure. All information will be recorded. *Enforcement Agents* visiting a debtor's home to levy distress are also expected to make attempts to collect information relating to the circumstances of the household, to record it and to pass it back to the Council.
- 3.9 When it is apparent that a customer would be unable to pay a debt or to keep their account up to date, or they are having problems in relation to a number of accounts, officers should attempt to agree an arrangement to pay (where appropriate). Such arrangements should be set up once the specific circumstances of the customer have been reviewed and in consultation with the customer. A judgement about the ability to pay will include an assessment about the income available to the customer once all required living costs have been set aside and the relative size of the debt. The intention should be to set up an arrangement which enables the debt to be cleared as soon as possible. In addition, there should be an understanding that arrangements will only be entered into to ensure that any debts owed to the Council do not increase.
- 3.10 Generally, customers will be expected to clear the current or most recent account while making the maximum contribution to clearing the other debts. Officers will always seek to make realistic arrangements to clear outstanding amounts by regular payments. A financial statement may be required to support a request for an arrangement. This will detail the customer's incomings and outgoings. Officers may ask for more information as evidence of what is contained within the financial statement before they agree an arrangement. An independent advice agency can assist with the completion of the financial statement.
- 3.11 Customers with multiple debts will be offered an opportunity to discuss all the debts with an officer. Different services must liaise to ensure that the response is co-ordinated and any action plan is realistic and achievable. The Council will take practical steps to raise awareness of debt with customers and to raise awareness of the implications of non-payment.
- 3.12 For those who are unable to pay their debts, for whatever reason, the Council will:
- Give advice about what happens if the debts are not paid
 - Signpost the customer to appropriate help and support
 - Encourage the customer to seek appropriate help and support
 - Make referrals to advice and/or other support agencies, as appropriate.
- 3.12.1 The Council will also consider the suspension of existing or future service(s) whilst any existing debts are outstanding.

- 3.13 When working to maximise income, our officers will take into account the needs of each individual customer. What this means, in reality, is that certain people will need more sympathetic and sensitive treatment. In particular, this may mean that allowances are made in cases where a customer has experienced a recent bereavement, a major illness or where they have capacity issues and find it difficult to manage their financial affairs.
- 3.14 The Council recognises that some of the options available for debt recovery could have very severe and far-reaching consequences for debtors and will therefore give due consideration to the circumstances relating to each case before deciding what action to take.
- 3.15 In all cases where bankruptcy, committal to prison or a charging order is considered to be appropriate, there will be a case conference to discuss the individual circumstances of the debtor. This meeting will be arranged by the Senior Manager who will have responsibility for agreeing this course of action. Prior to that meeting, every attempt should be made to speak to the debtor in person and this will include making at least one home visit whenever practical/possible. The meeting will also consider the Council's equality duty and the impact of the proposed action upon the individual debtor and any member of their household.
- 3.16 The debtor will be notified in advance and informed about who will be attending the meeting. Notes recording the discussions which take place during the meeting will be kept, together with the reasons for the decision reached. There must be evidence to show that it was agreed during the meeting that any action taken was both fair and proportionate.
- 3.17 In addition, if bankruptcy is being considered as a means of recovering the debt, the meeting will take into account some additional considerations in terms of whether the action would be fair and proportionate:
- The history of the origin of the debt and attempts to recover it
 - Information regarding the past, present, disputed or outstanding benefit claims or any discounts or exemptions which may be relevant
 - Whether or not the debtor has any assets which would clear the debt if bankruptcy is pursued
 - An assessment of the other options the debtor may have to clear the debt in a reasonable timescale
 - An assessment of the health of the debtor and whether or not their failure to pay has arisen from a disability (including a mental health issue)
 - An assessment of their personal circumstances and whether or not these protect them from the consequences of the proposed action.
- 3.18 If bankruptcy proceedings, committal to prison or a charging order are being considered, the debtor should be provided with written information setting out the serious consequences of this action and their continued failure to make arrangements to pay the debt. They should also be urged to seek independent

advice and “signposted” to local advice agencies which can provide information and support.

4.0 Write Offs (all debts)

- 4.1 The Council will make provision for bad debts. The Council recognises that where a debt is irrecoverable, prompt and regular write off of such debts is good practice.
- 4.2 The Council will seek to minimise the cost of write-offs to the local council tax and housing rent payers by taking all necessary action to recover what is due.
- 4.3 All debts will be subject to the full recovery, collection and legal procedures relative to the type of debt and staff will follow procedures provided to each service.
- 4.4 Irrecoverable debts will be referred to the Council’s Section 151 Officer (Head of Finance) and the Council’s Financial Regulations will apply.

Debts may be referred for write-off in the following circumstances:

- The debt has been remitted by a Magistrate
- The Council has evidence to confirm the claimant is suffering a severe physical or mental illness which renders enforcement action inappropriate
- The Council is unable to trace the debtor
- The debt is not cost-effective to pursue due to small balance or the circumstances of the customer (for example, they may be in a nursing home or serving a long prison sentence)
- The debt is not cost-effective to pursue due to the likelihood of payment balanced against the cost of proceedings
- The claimant has died and there are no or insufficient funds in the estate to settle the debt
- The claimant is subject to formal insolvency proceedings and there is little likelihood of a dividend

(This list is not exhaustive).

5.0 Policies & Procedures

- 5.1 Policies and procedures for the following services are on the Council website:
 - Council Tax and Non Domestic Rates
 - Housing

- Housing Benefit Overpayments
- Miscellaneous Income

5.2 These are normally set by Managers and agreed by Heads of Service. They do not require Member approval as they are made in line with relevant legislation.

1. DOCUMENT HISTORY

Date	Version	Update
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