

## **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.

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**Background Papers:**

**File Reference:**

**Circulation of the Report:** Cllr Neal Davey



**DRAFT ANNUAL REPORT & ACCOUNTS**

**FOR THE YEAR ENDED**

**31 MARCH 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.

<b>2013/14 Savings &amp; Additional Costs</b>	<b>Budget variances £k</b>
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 <sup>nd</sup> hand refuse vehicles	88
Other misc. variances	94
Urgent one-off repairs/maintenance/improvements across a number of services	105
<b>Overall Savings</b>	<b>(42)</b>

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.

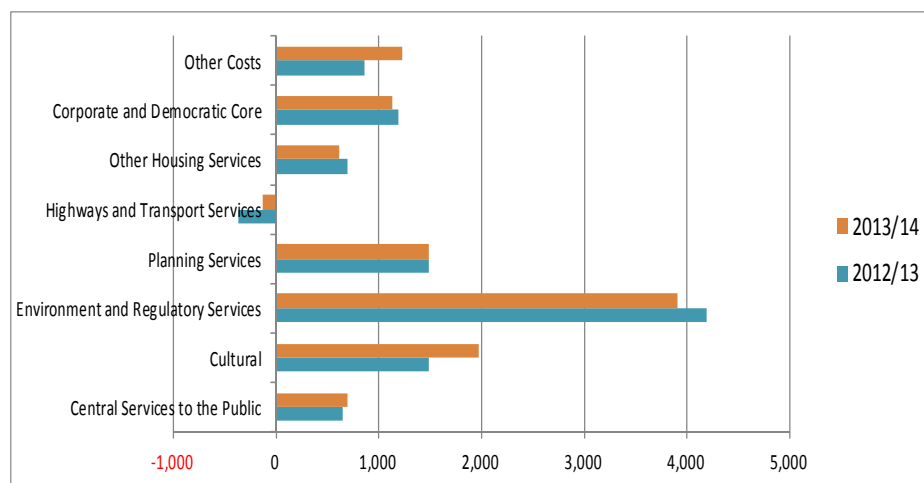
The overall General Fund saving delivered in 2013/14 (prior to this final transfer of £223k into Ear Marked Reserves) reflects the efforts of both officers and members to provide high quality services at an affordable cost and demonstrates the Council's on-going commitment to further reduce operational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

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

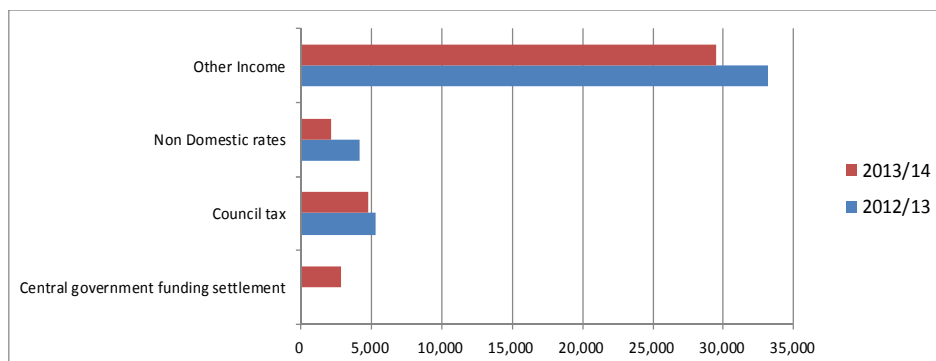
GFB as at 31 March 2013	(£2,623k)
General Fund overspend in 2013/14 – incl. EMRs	<u>£163k</u>
Closing GFB as at 31 March 2014	<u>(£2,460k)</u>

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

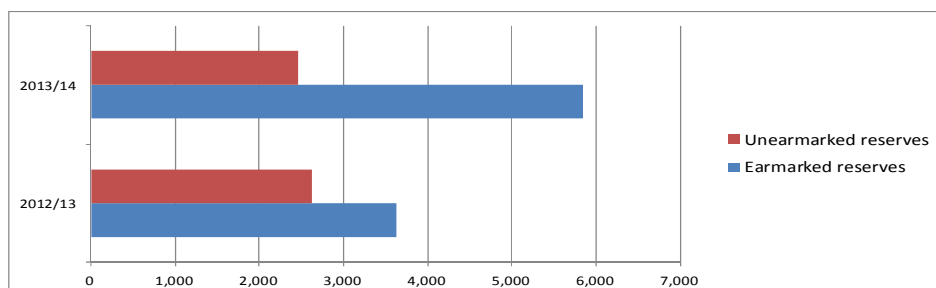
### General Fund Net Service Expenditure £k



### 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
<b>2013/14 Savings &amp; Additional Costs</b>	
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)
<b>Overall Savings</b>	<b>(689)</b>



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.

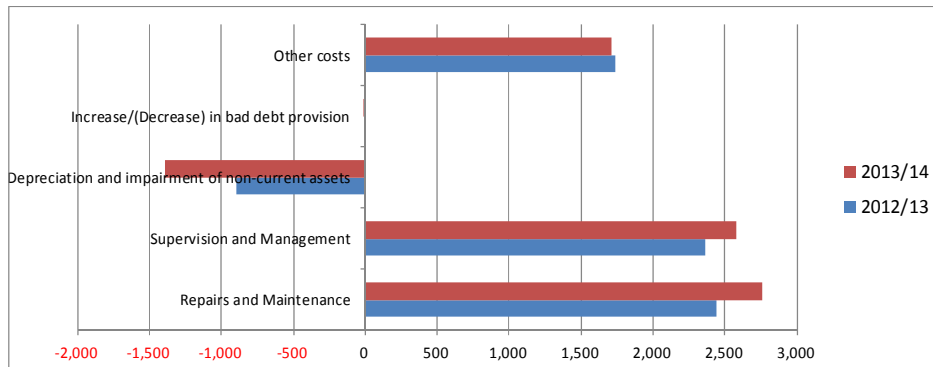
The Housing Service continues to prioritise its spending to ensure the delivery of the Decent Homes Standard and to this end has continued to target additional resources into increased expenditure on major stock improvements.

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.

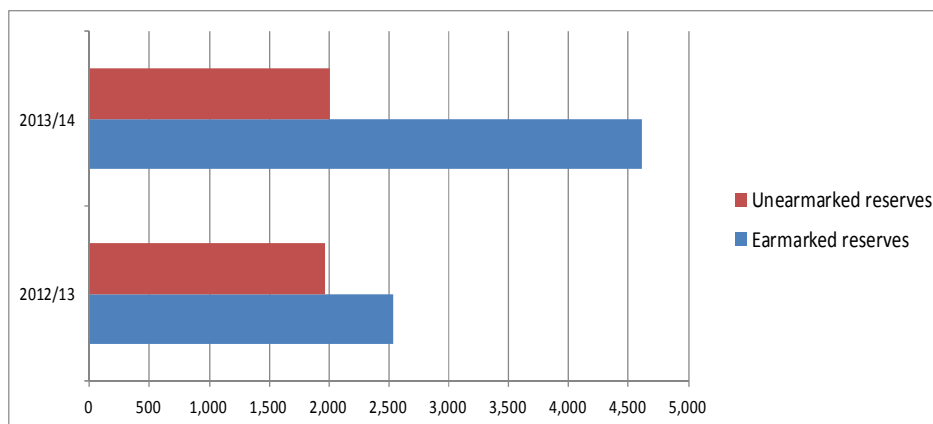
The closing HRA Balance (HRAB) of £2,004k can be reconciled by:

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

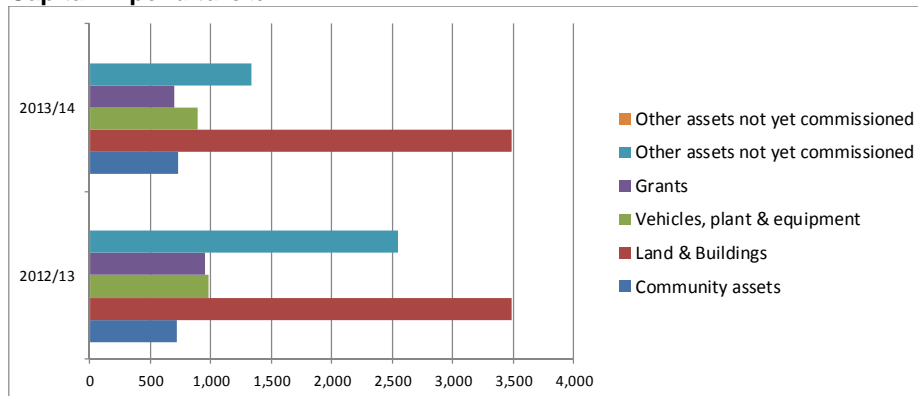
During the year capital expenditure amounted to £5,767k. The Council used £240k of capital receipts to fund the capital programme with the balance of the expenditure met by a combination of external grants and earmarked reserves.

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.

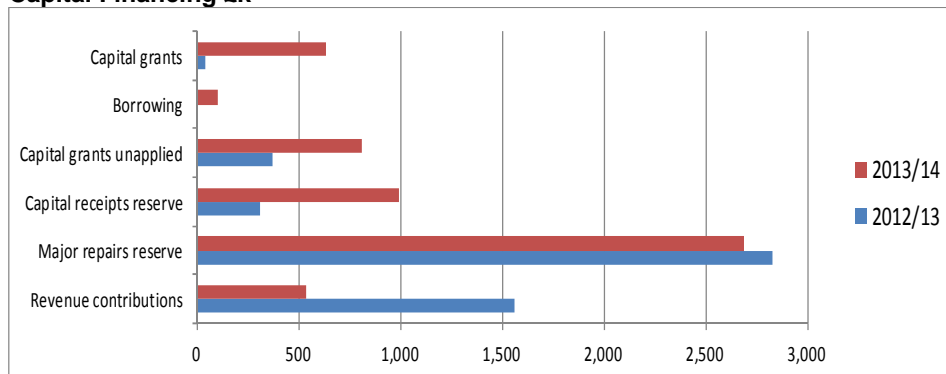
Due to the low level of capital receipts we have begun to make revenue contributions from both the General Fund and the HRA over the past few years and to this end the Council now has a Capital Contingency Reserve of £981k at the 31 March 2014. This has been a proactive budgetary measure on the basis 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
<b>Major Repairs Reserve @ 31 March 2014</b>	<b>Nil</b>

## 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
<b>6,187</b>	<b>Total</b>	<b>5,748</b>

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 14<sup>th</sup> 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

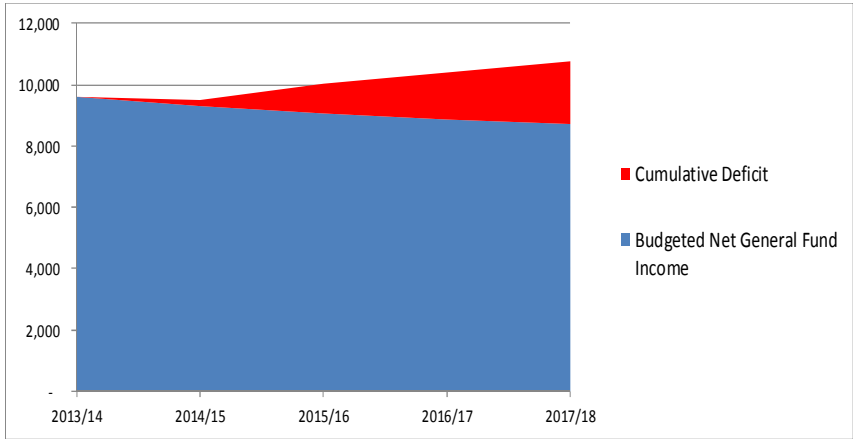
2013/14 was again a challenging financial year for the Council. The continuing large reductions in grant funding settlements from Central Government (a cut of circa £2.0m from the 2010/11 level of £6.186m) have resulted in the need to make very significant cuts in the level of expenditure that can be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

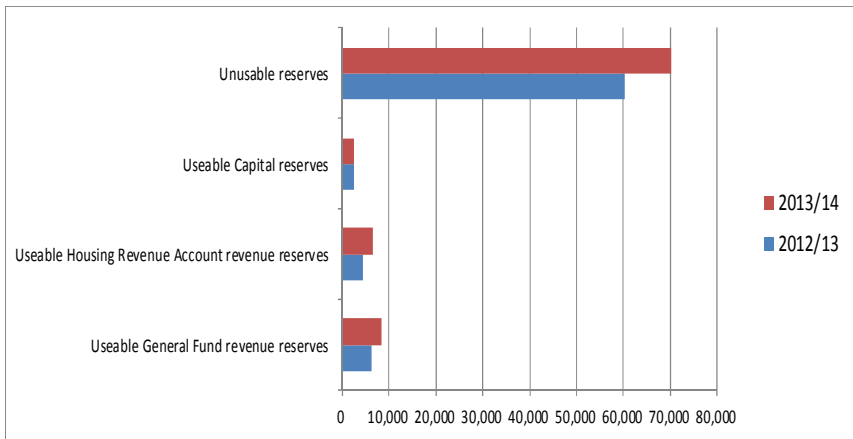
**Medium Term Forecast Expenditure and Funding £k (As discussed at the October 2013 Cabinet meeting)**



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

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 charged 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
<b>Balance at 31 March 2012</b>	<b>(2,455)</b>	<b>(4,255)</b>	<b>(1,956)</b>	<b>0</b>	<b>(418)</b>	<b>(831)</b>	<b>(1,294)</b>	<b>(11,209)</b>	<b>(57,806)</b>	<b>(69,015)</b>
<b><u>Movement in Reserves during 2012/13</u></b>										
Surplus on the provision of services	1,162		(7,329)					(6,167)		(6,535)
Other Comprehensive Income and Expenditure								0	1,341	1,341
<b>Total Comprehensive Income and Expenditure</b>	<b>1,162</b>	<b>0</b>	<b>(7,329)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(6,167)</b>	<b>1,341</b>	<b>(5,194)</b>
Adjustments between accounting basis and funding basis under regulations	5	(697)	4,655		(212)	784	(343)	4,187	(3,878)	309
<b>Net Increase/Decrease before Transfers to Earmarked Reserves</b>	<b>465</b>	<b>0</b>	<b>(2,674)</b>	<b>0</b>	<b>(212)</b>	<b>784</b>	<b>(343)</b>	<b>(1,980)</b>	<b>(2,537)</b>	<b>(4,885)</b>
Transfers to /(from) Earmarked Reserves	6	(633)	633	(2,535)	(127)			0		0
<b>(Increase)/Decrease in 2012/13</b>	<b>(168)</b>	<b>633</b>	<b>(12)</b>	<b>(2,535)</b>	<b>(339)</b>	<b>784</b>	<b>(343)</b>	<b>(1,980)</b>	<b>(2,537)</b>	<b>(4,517)</b>
<b>Balance at 31 March 2013 Carried forward</b>	<b>(2,623)</b>	<b>(3,622)</b>	<b>(1,968)</b>	<b>(2,535)</b>	<b>(757)</b>	<b>(47)</b>	<b>(1,637)</b>	<b>(13,189)</b>	<b>(60,343)</b>	<b>(73,532)</b>
<b>Held for Revenue Purposes</b>	<b>(2,623)</b>	<b>(3,622)</b>	<b>(1,968)</b>	<b>(2,535)</b>				<b>(10,748)</b>		
<b>Held for Capital Purposes</b>					<b>(757)</b>	<b>(47)</b>	<b>(1,637)</b>	<b>(2,441)</b>		

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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)	
<b>46,215</b>	<b>(44,458)</b>	<b>1,757</b>	<b>1,757</b>	<b>Costs of Services</b>		<b>42,721</b>	<b>(40,750)</b>	
		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			
		<b>(6,535)</b>	<b>(6,167)</b>	<b>(Surplus) or Deficit on Provision of Services</b>				
		(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			
		<b>1,709</b>	<b>1,341</b>	<b>Other Comprehensive Income and Expenditure</b>				
		<b>(4,826)</b>	<b>(4,826)</b>	<b>Total Comprehensive Income and Expenditure</b>				

\* 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 ho 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

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1,971

1,367

2,888

(12,571)

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**(6,345)**

(4,225)

(3,270)

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**(7,495)**

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

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.

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

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

### 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	
<b>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</b>							
<b>Adjustments involving the Capital Adjustment Account:</b>							
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
<b>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</b>							
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)
<b>Adjustments primarily involving the Capital Grants Unapplied Account</b>							
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)
<b>Balance carried forward</b>	<b>(1,646)</b>	<b>2,121</b>	<b>0</b>	<b>0</b>	<b>280</b>	<b>0</b>	<b>(755)</b>

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			
<b>Balance brought forward</b>	(1,646)	2,121	0	0	280	0	(755)	
<b><u>Adjustments involving the Capital Receipts Reserve:</u></b>								
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					
<b><u>Adjustments involving the Deferred Capital Receipts Reserve:</u></b>								
Transfer of deferred sale proceeds as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement		40					(40)	
<b><u>Adjustment involving the Major Repairs Reserve:</u></b>								
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								
<b><u>Adjustments involving the Financial Instruments Adjustment Account:</u></b>								
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)	
<b>Balance carried forward</b>	<b>(1,833)</b>	<b>6,345</b>	<b>(314)</b>	<b>47</b>	<b>280</b>	<b>0</b>	<b>(4,525)</b>	

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		
<b>Balance brought forward</b>	(1,833)	6,345	(314)	47	280	0	(4,525)
<b><u>Adjustment involving the Pensions Reserve:</u></b>							
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)
<b><u>Adjustment involving the Collection Fund Adjustment Account:</u></b>							
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
<b><u>Adjustment involving the Accumulating Compensated Absences Adjustment Account:</u></b>							
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)
<b>Total Adjustments</b>	<b>(4,109)</b>	<b>6,282</b>	<b>(314)</b>	<b>47</b>	<b>280</b>	<b>0</b>	<b>(2,186)</b>

## 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
<b>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</b>							
<b>Adjustments involving the Capital Adjustment Account:</b>							
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
<b>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</b>							
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)
<b>Adjustments primarily involving the Capital Grants Unapplied Account</b>							
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)
<b>Balance carried forward</b>	<b>1,132</b>	<b>1,878</b>	<b>0</b>	<b>0</b>	<b>(343)</b>	<b>0</b>	<b>(2,667)</b>

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		
<b>Balance brought forward</b>	1,132	1,878	0	0	(343)	0	(2,667)
<b>Adjustments involving the Capital Receipts Reserve:</b>							
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
<b>Adjustments involving the Deferred Capital Receipts Reserve:</b>							
Transfer of deferred sale proceeds as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement							
<b>Adjustment involving the Major Repairs Reserve:</b>							
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)			
<b>Adjustments involving the Financial Instruments Adjustment Account:</b>							
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)
<b>Adjustment involving the Pensions Reserve:</b>							
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)
<b>Balance carried forward</b>	<b>(832)</b>	<b>4,634</b>	<b>(212)</b>	<b>784</b>	<b>(343)</b>	<b>0</b>	<b>(4,399)</b>

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		
<b>Balance brought forward</b>	(832)	4,634	(212)	784	(343)	0	(4,399)
<b><u>Adjustment involving the Collection Fund Adjustment Account:</u></b>							
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							
<b><u>Adjustment involving the Accumulating Compensated Absences Adjustment Account:</u></b>							
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
<b>Total Adjustments</b>	<b>(697)</b>	<b>4,655</b>	<b>(212)</b>	<b>784</b>	<b>(343)</b>	<b>0</b>	<b>(4,246)</b>

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
<b>Total Revenue Ear Marked Reserves</b>	<b>4,255</b>	<b>1,423</b>	<b>(2,056)</b>	<b>0</b>	<b>3,622</b>	<b>3,281</b>	<b>(1,060)</b>	<b>0</b>	<b>5,843</b>

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
<b>Total Revenue Ear Marked Reserves</b>	<b>0</b>	<b>2,535</b>	<b>0</b>	<b>0</b>	<b>2,535</b>	<b>2,994</b>	<b>(916)</b>	<b>0</b>	<b>4,613</b>

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
<b>Total Funds Unapplied</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
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
<b>Total Capital Grants Unapplied</b>	<b>1,294</b>	<b>714</b>	<b>(371)</b>	<b>0</b>	<b>1,637</b>	<b>1,159</b>	<b>(1,439)</b>	<b>0</b>	<b>1,357</b>

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
<b>836</b>	<b>Total</b>	<b>1,367</b>

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)
<b>2,635</b>	<b>3,003</b>	<b>Total</b>	<b>2,888</b>

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)
<b>(11,763)</b>	<b>Total</b>	<b>(12,571)</b>

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
<b>67</b>	<b>Total</b>	<b>109</b>

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
<b>Total</b>	<b>2,354</b>	<b>197</b>	<b>2,277</b>	<b>2,612</b>	<b>204</b>	<b>2,612</b>

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
				<b>£000</b>
£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
				<b>£000</b>
£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.

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

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.

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

### 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**

	<b>2012/13</b>	<b>2013/14</b>	<b>2012/13</b>	<b>2013/14</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
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)				
<b>Net liability from defined benefit obligation</b>	<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	
	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	
	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				
<b>Closing fair value of scheme assets</b>	<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
<b>Opening balance at 1 April</b>	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)
<b>Closing balance at 31 March</b>	<b>88,329</b>	<b>88,395</b>	<b>(93)</b>	<b>(92)</b>

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
<b>Mortality assumptions:</b>				
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%		
<b>Rate of increase in salaries</b>	4.8%	4.6%		
<b>Rate of increase in pensions</b>	2.6%	2.8%		
<b>Rate for discounting scheme liabilities</b>	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>
<b>Equities:</b>		
UK	28,616	12,479
Overseas		16,319
<b>Sub-total equities</b>	<u>28,616</u>	<u>28,798</u>
<b>Bonds:</b>		
- Gilts	6,099	3,360
- Other Bonds		2,400
<b>Sub-total bonds</b>	<u>6,099</u>	<u>5,760</u>
<b>Other investments:</b>		
- Infrastructure		960
- Property	3,753	4,320
- Target Return Portfolio	7,037	7,200
<b>Sub-total other investment funds</b>	<u>10,790</u>	<u>12,480</u>
<b>Total assets</b>	<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
<b>Cost or Valuation</b>								
<b>At 1 April 2013</b>	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
<b>At 31 March 2014</b>	<b>624</b>	<b>119,320</b>	<b>36,752</b>	<b>4,413</b>	<b>516</b>	<b>291</b>	<b>0</b>	<b>161,916</b>

Accumulated Depreciation and Impairment

<b>At 1 April 2013</b>			(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
<b>At 31 March 2014</b>	<b>0</b>	<b>0</b>	<b>(3)</b>	<b>(1,924)</b>	<b>(58)</b>	<b>0</b>	<b>0</b>	<b>(1,985)</b>

Net Book Value

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

Nature of asset holding

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

(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
<b>Valued at Historical Cost</b>	624			2,489			0	3,113
<b>Valued at fair value in year</b>								
<b>2013/14</b>		119,320	36,749		458	291	0	156,818
<b>2012/13</b>		112,475	6,924		45	26		119,470
<b>2011/12</b>			5,237			84		5,321
<b>2010/11</b>			3,541			73		3,614
<b>2009/10</b>								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
<b>Cost or Valuation At 1 April 2012</b>	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)
<b>At 31 March 2013</b>	<b>2,715</b>	<b>112,475</b>	<b>34,819</b>	<b>3,469</b>	<b>516</b>	<b>206</b>	<b>0</b>	<b>154,200</b>

Accumulated Depreciation and Impairment

<b>At 1 April 2012</b>			(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
<b>At 31 March 2013</b>	<b>0</b>	<b>0</b>	<b>(953)</b>	<b>(1,474)</b>	<b>(49)</b>	<b>(14)</b>	<b>0</b>	<b>(2,490)</b>

(See note 59 for finance lease information.)

Nature of asset holding

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

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 REFUS	0	0		0	0	142		(142)	0
<b>Total REFUS</b>	<b>0</b>	<b>723</b>	<b>0</b>	<b>(723)</b>	<b>0</b>	<b>734</b>	<b>0</b>	<b>(734)</b>	<b>0</b>

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	<b>Opening Capital Financing Requirement</b>	<b>50,914</b>
<b>Capital investment</b>			
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
<b>Sources of Finance</b>			
(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)
<b>4,329</b>	<b>50,914</b>	<b>Closing Capital Financing Requirement</b>	<b>50,020</b>
<b>Explanation of movements in year</b>			
(955)	(953)	(Increase) / decrease in underlying need to borrowing (unsupported by government financial assistance)	894
<b>(955)</b>	<b>(953)</b>	<b>(Increase) / Decrease in Capital Financing Requirement</b>	<b>894</b>

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
<b>Cost or Valuation At 1 April 2013</b>	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
<b>At 31 March 2014</b>	<b>475</b>

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

Notes to the Accounts

Comparative movements in 2012/13

	Art Collection £000
<b>Cost or Valuation</b>	
<b>At 1 April 2012</b>	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	
<b>At 31 March 2013</b>	<b>925</b>

**Heritage Assets: Five Year Summary of Transactions**

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

**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
<b>An oil painting on canvas of George III by Sir Joshua Reynolds, (British, 1723 - 1792)</b>	
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.

<b>Statue of Edward VII, by Harry Hems at Lowman Green, Tiverton</b>	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.

<b>Statue of Saint Boniface in Crediton Public Park by Alan Durst</b>	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
<b>Balance at start of year:</b>		
- Gross carrying amounts	152	271
- Accumulated amortisation	(152)	(271)
Net carrying amount at start of year	<u>0</u>	<u>0</u>
<b>Additions</b>		
- Internal development		
- Purchases	62	
Reclassification	56	
Derecognition - Disposals		
Amortisation charge for the period	(118)	
<b>Net carrying amount at the end of year</b>	<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
	<b>Total loan value outstanding</b>	<b>45,306</b>	<b>44,431</b>

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	
	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
<b>Interest payable and similar charges</b>	<b>0</b>	<b>20</b>	<b>1,377</b>	<b>0</b>	<b>1,397</b>
Interest income	0		(145)	0	(145)
<b>Interest and investment income</b>	<b>0</b>	<b>0</b>	<b>(145)</b>	<b>0</b>	<b>(145)</b>
Impairment charge (interest accrual) reversal in Adjustments between Accounting basis and Funding Basis under Regulations					0
<b>Net (gain)/loss for the year</b>	<b>0</b>	<b>20</b>	<b>1,232</b>	<b>0</b>	<b>1,252</b>

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
<b>Interest payable and similar charges</b>	<b>0</b>	<b>42</b>	<b>1,412</b>	<b>0</b>	<b>1,454</b>
Interest income			(149)		(149)
<b>Interest and investment income</b>	<b>0</b>	<b>0</b>	<b>(149)</b>	<b>0</b>	<b>(149)</b>
Impairment charge (interest accrual) reversal in Adjustments between Accounting basis and Funding Basis under Regulations					0
<b>Net (gain)/loss for the year</b>	<b>0</b>	<b>42</b>	<b>1,264</b>	<b>0</b>	<b>1,306</b>

**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
<b>Financial Assets</b>				
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
	<b>9,754</b>	<b>9,754</b>	<b>11,406</b>	<b>11,406</b>
<b>Financial Liabilities</b>				
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)
	<b>(46,632)</b>	<b>(51,050)</b>	<b>(46,069)</b>	<b>(45,907)</b>

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 £000		31/03/2014 £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>	<b>Total</b>	<u>170</u>

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

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

34 Inventories

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

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

31/03/2013 £000		31/03/2014 £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>	<b>Total</b>	<u>2,528</u>

36 Cash and Cash Equivalents

31/03/2013 £000		31/03/2014 £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
	<b>Total</b>			<b>5,000</b>	<b>4,000</b>

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

31/03/2013 £000		31/03/2014 £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>	<b>Total</b>	<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
<b>(85,894) Total</b>	<b>(84,027)</b>

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
<b>(60,344) Total Unusable Reserves</b>	<b>(70,032)</b>

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	
<b>(6,648) At 31 March 2014</b>	<b>(10,692)</b>

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)	<b>At 1 April 2013</b>	(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)	<b>Adjusting amounts written out of the Revaluation Reserve</b>	(187)
(88,216)	<b>Net written out amount of the cost of non current assets consumed in the year</b>	(92,356)
	<b>Capital financing applied in the year:</b>	
(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)	<b>At 31 March 2014</b>	(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	<b>At 1 April 2013</b>	51
	Proportion of premiums incurred in previous financial years to be changed against the HRA balance in accordance with statutory requirements	
(54)		(51)
(54)	<b>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</b>	(51)
51	<b>At 31 March 2014</b>	0

## 45 Deferred Capital Receipts Reserve

31/03/2013 £000		31/03/2014 £000
(7)	<b>At 1 April 2013</b>	0
7	Transfer to the Capital Receipts Reserve upon receipt of cash MDDC net share of rent to buy properties	0
0	<b>At 31 March 2014</b>	(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	<b>At 1 April 2013</b>	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)
<u>41,324</u>	<b>At 31 March 2014</b>	<u>40,305</u>

47 Collection Fund Adjustment Account

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

31/03/2013 £000		31/03/2014 £000
(89)	<b>At 1 April 2013</b>	(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
<u>(130)</u>	<b>At 31 March 2014</b>	<u>(32)</u>

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	<b>At 1 April 2013</b>	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)
<u>132</u>	<b>At 31 March 2014</b>	<u>122</u>



## 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)

	<b>31/03/2013</b>	<b>31/03/2014</b>
	<b>£000</b>	<b>£000</b>
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><u>8,654</u></u>	<u><u>8,626</u></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
(6,897)	Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the Analysis	(6,655)
0	Amounts included in the analysis not included in the Comprehensive Income and Expenditure Statement	0
<u>1,757</u>	<b>Cost of services in Comprehensive Income and Expenditure account</b>	<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)
<b>Total Income</b>	<b>(41,330)</b>	<b>0</b>	<b>173</b>	<b>0</b>	<b>0</b>	<b>(41,157)</b>	<b>(12,716)</b>	<b>(53,873)</b>
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
<b>Total Expenditure</b>	<b>49,956</b>	<b>0</b>	<b>(6,828)</b>	<b>0</b>	<b>0</b>	<b>43,128</b>	<b>4,277</b>	<b>47,405</b>
<b>Surplus deficit on the provision of services</b>	<b>8,626</b>	<b>0</b>	<b>(6,655)</b>	<b>0</b>	<b>0</b>	<b>1,971</b>	<b>(8,439)</b>	<b>(6,468)</b>



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

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

<b>Credited to Taxation and Non Specific Grant Income</b>		
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)
<b>(11,763)</b>	<b>Total</b>	<b>(12,571)</b>
<b>Credited to Services</b>		
2012/13		2013/14
£000		£000
(23,987)	Housing Benefit and Council Tax Subsidy. <b>Note 1</b>	(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)
<b>(25,092)</b>	<b>Total</b>	<b>(20,338)</b>

**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:

<b>Capital Grants Receipts in Advance due in less than one year</b>		
2012/13		2013/14
£000		£000
0		0
<b>Capital Grants Receipts in Advance due in more than one year</b>		
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)
<u>0</u>	Finance costs payable in future years	<u>0</u>
<u>(196)</u>	<b>Minimum lease payments</b>	<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
<u>0</u>	Later than five years	<u>348</u>
<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
<u>0</u>	Later than five years	<u>348</u>
<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
<u>2</u>	Later than five years	<u>2</u>
<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
125	162

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
1,426	1,277

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)
3,476	2,771

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
	<b>Expenditure</b>			
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	<b>Total Expenditure</b>			3,940
	<b>Income</b>			
(11,439)	Dwelling Rents	72	(11,892)	
(523)	Non-dwelling Rents		(523)	
(701)	Other Chargeable Services and Facilities		(800)	
(12,663)	<b>Total Income</b>			(13,215)
(8,750)	<b>Net Cost of HRA Services as included in the Comprehensive Income and</b>			(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)	<b>Net Cost / (Income) of HRA Services</b>			(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)
<b>(7,329)</b>	<b>Deficit / (Surplus) for the year on HRA Services</b>			<b>(8,396)</b>

**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).

<b>2012/13</b>	<b>Note</b>	<b>2013/14</b>	
<b>£'000</b>		<b>£'000</b>	<b>£'000</b>
(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	<b>61</b>	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)
<b>(1,968)</b> Balance on the HRA at the end of the current year			<b>(2,004)</b>

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		
<b><u>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</u></b>							
<b><u>Adjustments involving the Capital Adjustment Account:</u></b>							
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
<b><u>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</u></b>							
Statutory provision for the financing of capital investment		1,430					(1,430)
Capital expenditure charged against the General Fund and HRA balances		84					(84)
<b><u>Adjustments primarily involving the Capital Grants Unapplied Account</u></b>							
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)
<b><u>Adjustments involving the Capital Receipts Reserve:</u></b>							
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
<b>Balance carried forward</b>	<b>0</b>	<b>3,613</b>	<b>(1,492)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(2,121)</b>



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)
<b>Adjustments involving the Deferred Capital Receipts Reserve:</b>							
Transfer of deferred sale proceeds as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement		40					(40)
<b>Adjustment involving the Major Repairs Reserve:</b>							
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			
<b>Adjustments involving the Financial Instruments Adjustment Account:</b>							
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)
<b>Adjustment involving the Pensions Reserve:</b>							
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement		(65)					65
<b>Adjustment involving the Accumulated Absences Account:</b>							
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
<b>Total Adjustments</b>	<b>0</b>	<b>6,282</b>	<b>(1,492)</b>	<b>47</b>	<b>0</b>	<b>0</b>	<b>(4,837)</b>

## 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	
<b>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</b>							
<b>Adjustments involving the Capital Adjustment Account:</b>							
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
<b>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</b>							
Statutory provision for the financing of capital investment		1,353					(1,353)
Capital expenditure charged against the General Fund and HRA balances		70					(70)
<b>Adjustments involving the Capital Receipts Reserve:</b>							
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
<b>Balance carried forward</b>	<b>0</b>	<b>2,561</b>	<b>(687)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(1,874)</b>

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)
<b><u>Adjustments involving the Deferred Capital Receipts Reserve:</u></b>							
Transfer of deferred sale proceeds as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement							
<b><u>Adjustment involving the Major Repairs Reserve:</u></b>							
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)			
<b><u>Adjustments involving the Financial Instruments Adjustment Account:</u></b>							
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)
<b><u>Adjustment involving the Pensions Reserve:</u></b>							
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement		(23)					23
<b><u>Adjustment involving the Accumulated Absences Account:</u></b>							
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)
<b>Total Adjustments</b>	<b>0</b>	<b>4,655</b>	<b>(687)</b>	<b>(2,042)</b>	<b>0</b>	<b>0</b>	<b>(1,926)</b>

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>	<b>Total</b>	<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	
3,182	Improvements to dwellings				2,688
820	Construction of dwellings				820
					294
					200
<u>4,002</u>					<u>4,002</u>
2012/13				2012/13	
£000 Expenditure				Funding	
2,826	Improvements to dwellings				2,826
2,227	Construction of dwellings				2,227
127	Purchase of land (St Andrew St)				127
70	Purchase of land (Palmerston Park)				70
64	Alarm installation				64
<u>5,314</u>					<u>5,314</u>

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)
<u>47</u> At 31 March 2014					<u>0</u>

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
<u>697</u> Total					<u>1,562</u>

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)
<u>(23)</u>					<u>(65)</u>

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
<b>235 Total</b>	<b>260</b>

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
<b>2,223 Total</b>	<b>1,976</b>

Impairment

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

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).

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

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
<b>Housing Revenue Account Income and Expenditure Account</b>	
3 Finance lease interest	3
35 Depreciation on finance lease assets	33
<b>Adjustments between Accounting Basis and Funding Basis under Regulations</b>	
(35) Depreciation reversed	(33)
35 Capital financing of finance lease assets	33
<b>Balance Sheet</b>	
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
<b>INCOME</b>		
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	<b>Total Income</b>	41,950
<b>EXPENDITURE</b>		
<b>Precepts, Demands and Shares</b>		
	<b>80</b>	
	- 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
<b>Charges to Collection Fund</b>		
82	- Write offs of uncollectable amounts	23
23	- Increase in provision for bad debts	94
	- Cost of Collection	
105		117
<b>Apportionment of previous year's surplus</b>		
	- 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	<b>Total Expenditure</b>	42,179
299	<b>(Deficit)/Surplus for the year</b>	(229)
649	Balance at 1st April	948
948	<b>Balance at 31 March</b>	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	<b>Income</b>		
		Business Rates Receivable		14,532
		Transitional Protection Payments		78
<u>13,663</u>	<u>13,895</u>	<b>Total Income</b>		<u>14,610</u>
		<b>EXPENDITURE</b>		
		<b>Precepts, Demands and Shares</b>		
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>
		<b>Charges to Collection Fund</b>		
	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>
		<b>Apportionment of previous year's surplus</b>		
		- 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>	<b>Total Expenditure</b>		<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>	<b>Movement on fund balance</b>		<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
<b>Total</b>	<b>28,197.2</b>	<b>26,687.6</b>

\* 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
<b>44,476</b>	<b>Total</b>	<b>41,142</b>

## 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/



Mrs G Daly  
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BS1 6FT

Contact: Andrew Jarrett  
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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.

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**Please telephone 01884 255255 or email [customerfirst@middevon.gov.uk](mailto: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