

# Public Document Pack

Mid Devon District Council

## Audit Committee

Monday, 16 July 2018 at 10.00 am  
Phoenix Chamber 1, Phoenix House, Tiverton

Next ordinary meeting  
Tuesday, 18 September 2018 at 5.30 pm

Those attending are advised that this meeting will be recorded

## Membership

Cllr R Evans (Chairman)  
Cllr Mrs J B Binks  
Cllr Mrs C Collis  
Cllr R M Deed  
Cllr T G Hughes  
Cllr R F Radford  
Cllr L D Taylor

## A G E N D A

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

1. **Apologies**  
To receive any apologies for absence.
2. **Declaration of Interests under the Code of Conduct**  
Councillors are reminded of the requirement to declare any interest, including the type of interest, and reason for that interest, either at this stage of the meeting or as soon as they become aware of that interest.
3. **Public Question Time**  
To receive any questions relating to items on the Agenda from members of the public and replies thereto.
4. **Chairman's Announcements**  
To receive any announcements that the Chairman may wish to make.
5. **Minutes of the previous meeting (Pages 5 - 10)**  
Members to consider whether to approve the minutes as a correct record of the meeting held on 29 May 2018.

6. **Annual Governance Statement for 2017/18 including the Corporate Governance Framework** (Pages 11 - 38)  
To receive a report from the Group Manager for Performance, Governance and Data Security presenting the Committee with the draft Annual Governance Statement for 2017/18 and accompanying Corporate Governance Framework.
7. **Annual Report and Accounts for 2017/18** (Pages 39 - 162)  
To receive a report from the Deputy Chief Executive (S151) presenting the final version of the annual report and accounts to Members, highlighting any areas which have been amended since the draft accounts were presented to the Audit Committee in May.
8. **Grant Thornton Audit Findings 2017/18** (Pages 163 - 188)  
To receive a report from Grant Thornton summarising their findings following an audit of the 2017/18 financial accounts.
9. **Update on outstanding audit recommendations** (Pages 189 - 190)  
To receive an update on outstanding audit recommendations as requested at the previous meeting. This to include an update on recommendations made within the Developmental Control area (please see attached as a response from the Head of Planning, Economy and Regeneration).
10. **Identification of items for the next meeting**  
Members are asked to note that the following items are already identified in the work programme for the next meeting:
  - Progress update on the Annual Governance Statement Action Plan
  - Performance and Risk
  - Internal Audit Progress Report
  - Financial Regulations Review
  - Annual Audit Letter from Grant Thornton
  - External Audit Progress Report and Update

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

**Stephen Walford**  
Chief Executive  
Friday 6<sup>th</sup> July 2018

Anyone wishing to film part or all of the proceedings may do so unless the press and public are excluded for that part of the meeting or there is good reason not

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

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

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

An induction loop operates to enhance sound for anyone wearing a hearing aid or using a transmitter. If you require any further information, or

If you would like a copy of the Agenda in another format (for example in large print) please contact Sarah Lees on:

Tel: 01884 234310

E-Mail: [slees@middevon.gov.uk](mailto:slees@middevon.gov.uk)

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## MID DEVON DISTRICT COUNCIL

**MINUTES** of a **MEETING** of the **AUDIT COMMITTEE** held on 29 May 2018 at 5.30 pm

### **Present**

#### **Councillors**

R Evans (Chairman)  
Mrs J B Binks, Mrs C Collis, R M Deed, T G Hughes,  
R F Radford and L D Taylor

### **Also in**

#### **Attendance**

G Daly and A Davies (Grant Thornton)

### **Present**

#### **Officers**

Andrew Jarrett (Director of Finance, Assets and Resources),  
Catherine Yandle (Group Manager for Performance,  
Governance and Data Security), Joanne Nacey (Group Manager  
for Finance), David Curnow (Deputy Head of Devon Audit  
Partnership), Rob Fish (Principal Accountant) and Sarah Lees  
(Member Services Officer)

## 1. **ELECTION OF CHAIRMAN (CHAIRMAN OF THE COUNCIL IN THE CHAIR)**

**RESOLVED** that Cllr R Evans be elected Chairman of the Committee for 2018/19.

Cllr Evans then took the chair.

## 2. **ELECTION OF VICE CHAIRMAN**

**RESOLVED** that Cllr Mrs C A Collis be elected Vice Chairman of the Committee for 2018/19.

## 3. **APOLOGIES**

There were no apologies for absence.

## 4. **PUBLIC QUESTION TIME**

There were no members of the public present.

## 5. **DECLARATION OF INTERESTS UNDER THE CODE OF CONDUCT**

There were no interests declared under this item.

## 6. **MINUTES OF THE PREVIOUS MEETING**

The minutes of the meeting held on 20 March 2018 were confirmed as a true and accurate record and **SIGNED** by the Chairman.

## 7. **CHAIRMAN'S ANNOUNCEMENTS**

The Chairman had the following announcements to make:

- a) There was a need to re-elect two members of the Committee to the Devon Audit Partnership. It was agreed that Councillors R Evans (as Chairman of the Committee) and R M Deed be the Committee's representatives.
- b) There would be a Special Meeting of the Committee on Monday 16<sup>th</sup> July 2018 to sign off the Annual Governance Statement and the Financial Accounts. The scheduled meeting for 24<sup>th</sup> July would now be cancelled.
- c) There would be a briefing on the Annual Governance Statement to the Committee on Tuesday 19<sup>th</sup> June at 5.30pm. It was expected that comments made by the Committee would be incorporated into the finalised version of the AGS report presented to the Committee on 16<sup>th</sup> July 2018.

## 8. PERFORMANCE AND RISK FOR 2017/18 (00:10:45)

The Committee had before it and **NOTED** a report \* from the Director of Corporate Affairs & Business Transformation providing Members with an update on performance against the Corporate Plan and local service targets for 2017/18 as well as providing an update on the key business risks.

Discussion took place with regard to the following:

- The figure showing for the actual number of affordable homes delivered should have stated 115 and not 92 as was stated in the report.
- There had been 7 outstanding gas safety certificates as at the end of March 2018.
- Poor weather had caused a delay in the completion of the Palmerston Park and Birchen Lane developments.
- A previous request to provide specific information in relation to trade waste had been passed on to the relevant service area but the requested data was not routinely collected, however, it was possible to provide information in relation to how many businesses had their waste recycled. It was suggested that any queries relating to this area be addressed directly to the Group Manager for Street Scene and Open Spaces since such commercial information was highly sensitive in nature.
- The annual cost of providing a waste service to each household was below target for the year and the Committee wished for its congratulations to be passed on to the Waste and Recycling team.
- The Economic Development team were working hard to address the increasing number of empty shops within the three major towns.
- The 'Scores on the Doors' scheme had shown some improvement in the rating scheme bandings.
- A target of 60% had been set for determining major planning applications within 13 weeks, however the actual outturn figure was 83%. It was suggested that a more realistic target needed to be set and that this needed to be looked at.
- It was also noted that the number of days lost due to sickness was showing as 8.82 and it was felt that this was disappointing given that in the private sector the average figure was 4.3 per person. The Director of Finance, Assets and Resources stated that he would take the Committee's comments back to the Leadership Team and provided reassurance to the Committee that an action plan had been put in place to try and bring that figure back to target.
- The Risk Appendix showed that there were 8 high risks and 3 of these did not have a manager's note against them. It was requested that all high risk items

have an explanatory note providing clarity as to the issues involved and the action being taken to resolve them.

Note: \* Report previously circulated; copy attached to the signed minutes.

9. **PROGRESS UPDATE ON THE ANNUAL GOVERNANCE STATEMENT ACTION PLAN (00:30:30)**

The Committee had before it and **NOTED** a report \* from the Group Manager for Performance, Governance and Data Security providing the Committee with an update on progress made against the Annual Governance Statement 2016/17 action plan.

Discussion took place regarding:

- Any outstanding items in the action plan would be brought forward into 2018/19. Most items had been completed, some had not and one was not due.
- The Staff Charter had now been formally launched.
- The new Learning and Development system had not included the ethics module that had been hoped for. This would have to be written in-house and would be an action listed in the AGS action plan for 2018/19.

Note: \* Report previously circulated; copy attached to the signed minutes

10. **INTERNAL AUDIT ANNUAL REPORT 2017/18 (00:35:42)**

The Committee had before it and **NOTED** a report \* from the Audit Manager updating it on the work performed by Internal Audit during the 2017/18 financial year as required by the Public Sector Internal Audit Standards.

The officer outlined the contents of the report with particular reference to the following:

- This report should be used by the Committee as one of the strands of assurance to consider alongside the Annual Governance Statement when receiving the final version on 16<sup>th</sup> July 2018.
- Overall, based on work performed during 2017/18 the Head of Internal Audit's Opinion was of 'Significant Assurance' on the adequacy and effectiveness of the Authority's internal control framework. This meant that the risk management and the system of internal control were generally sound and designed to meet the organisations objectives. However, some weaknesses in design and/or inconsistent application of controls did not mitigate all risks identified putting the achievement of particular objectives at risk.
- The plan of work had changed through the year as a result of changing priorities.

Consideration was given to risks identified in relation to the Development Control area. A project to address this was ongoing through the use of specialised software, although populating the system was time consuming and complex. The current position was being closely monitored by senior management and additional

temporary staff engaged to clear the backlog. It was **AGREED** that an update on this situation be brought by the Service Manager to the next meeting.

Note: \* Report previously circulated; copy attached to the signed minutes.

#### 11. MEETING MANAGEMENT

The Chairman stated that he would take item 12, 'Update on outstanding audit recommendations' as the next item of business to be followed by the draft Annual Accounts.

#### 12. UPDATE ON OUTSTANDING AUDIT RECOMMENDATIONS (00:48:06)

The Group Manager for Financial Services provided the Committee with an update regarding outstanding internal audit recommendations. She stated that she had met with the Deputy Head of Internal Audit and the Group Manager for Performance, Governance and Data Security to assess the best way of resolving outstanding issues. They were hoping to bring these issues to the attention of Leadership Team on a regular basis. The Director of Finance, Assets and Resources reiterated that this would become a standing item on the Leadership Team agenda. The profile with regard to outstanding recommendations had been raised and simply doing 'nothing' about them was no longer an option and would not be tolerated.

It was stated that more information would be forthcoming on this matter at the next meeting.

The Chairman stated that the situation had very much improved in the last 2 years but that officers now needed to focus their attention on the medium risks as well as the high risks and the Committee would continue to take a keen interest in this.

#### 13. DRAFT ANNUAL REPORT AND ACCOUNTS 2017/18 (00:52:25)

The Committee had before it a report \* from the Director of Finance, Assets and Resources presenting the draft annual report and accounts.

The following was highlighted within the report:

- The external auditors had commenced their audit on the accounts today.
- The draft accounts needed to be signed by the Section 151 officer and could then be available for inspection by the public as from 31<sup>st</sup> May 2018.
- Financial Services were confident that they could meet the deadline of 31<sup>st</sup> July for signing off and finalising the accounts, in fact a special meeting for 16<sup>th</sup> July to do this had been arranged.
- The Group Manager for Financial Services took the Committee through each of the Primary Statements which included:
  - **Movement in Reserves Statements** – the total of the Council's useable reserves had increased as well as Earmarked Reserves and Capital Receipts.
  - **Comprehensive Income and Expenditure Statement** – HRA net expenditure had reduced. The Pension Fund assumptions had reduced by £21m but this had not had a significant effect on the deficit.

- **The Balance Sheet** – long term borrowing had reduced and there were reduced pension fund liabilities.
  - **Cash Flow Statement** – cash and cash equivalents at the end of the financial were showing as having increased.
- During the compilation of the 2017/18 Statement of Account, the Council discovered that the advice previously received from External Auditors in relation to the classification of the CCLA Fund investment as ‘Cash and Cash Equivalents’ was not consistent with the treatment by other authorities and was contrary to the Council’s own accounting policies. Following discussions with the External Auditors it was felt that the correct classification for the CCLA Fund was as a long term investment rather than ‘Cash and Cash Equivalents’ as previously reported.
  - The HRA continued to perform well. This had been due in part to the significant upward valuation of properties in the previous financial year.
  - Council Tax was in line with last year’s position.
  - Collection of Business rates was going well and the Council would be a pilot for the 100% retention of these in the current year.
  - The Committee were taken through the Group Accounts for the 3 Rivers Development Ltd which was a wholly owned subsidiary of the Council.

The Committee thanked the Group Manager for Financial Services for her thorough and understandable explanation of the accounts.

**RESOLVED** that the draft annual report and accounts be approved.

(Proposed by the Chairman)

Note: \* Report previously circulated; copy attached to the signed minutes.

#### 14. **EXTERNAL AUDIT PROGRESS REPORT & UPDATE (01:18:05)**

The Committee had before it and **NOTED** a report from Grant Thornton \* providing an update on progress in delivering their responsibilities as the Council’s external auditors.

The Engagement Lead from Grant Thornton explained that they had just started the audit and would be continuing on site for the next three weeks. Currently their work was on track and they would continue to focus on areas of risks such as the arrangements to secure ‘Value for Money’ and the 3 Rivers Development Ltd. They were confident that they would be able to deliver their opinion on the Council’s accounts at the special meeting planned for 16<sup>th</sup> July 2018.

Note: \* Report previously circulated; copy attached to the signed minutes.

#### 15. **GRANT THORNTON - 2018/19 FEE LETTER (01:20:25)**

The Committee had before it, and **NOTED**, the annual fee letter \* from Grant Thornton. This provided information in relation to the costs that would be incurred as a result of their planned audit for 2018/19.

The Chairman enquired as to why the fee relating to grant work, including housing benefit certification was not included as it had been in the previous financial year. It was explained that from 2018/19 this area of work now fell outside of the Public Sector Audit Appointments contract and was a separate appointment.

16. **START TIME OF MEETINGS (01:23:25)**

It was **AGREED** to continue to hold meetings of the Committee at 5.30pm on Tuesday evenings.

17. **IDENTIFICATION OF ITEMS FOR THE NEXT MEETING (01:24:14)**

In addition to the items listed in the work programme it was requested that the following be on the agenda for the next meeting:

- Update on outstanding audit recommendations
- Update on the audit recommendation for Development Control

(The meeting ended at 7.00 pm)

**CHAIRMAN**

## AUDIT COMMITTEE

16 JULY 2018

### ANNUAL GOVERNANCE STATEMENT

**Cabinet Member** Cllr Clive Eginton  
**Responsible Officer** Catherine Yandle, Group Manager for Performance, Governance and Data Security

**Reason for Report:** To present the Committee with the finalised Annual Governance Statement and Action Plan (Appendix A) and accompanying Corporate Governance Framework (Appendix B) for 2017/18

**RECOMMENDATION(S):** That the Committee approve the Annual Governance Statement and the Leader of the Council and the Chief Executive sign the Statement as per the statutory guidance.

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

**Financial Implications:** None

**Legal Implications:** None

**Risk Assessment:** Failure to produce an Annual Governance Statement would result in the Council breaching the Accounts and Audit Regulations 2015.

**Equality Impact Assessment:** No equality issues identified for this report.

#### 1.0 Introduction

- 1.1 Mid Devon District Council is required to prepare an Annual Governance Statement as per the requirements laid out in the Delivering Good Governance in Local Government: Framework (2016) and the CIPFA/LASAAC Code of Practice on Local Authority Accounting for 2017/2018.
- 1.2 In addition Regulation 6(1) (a) of the Accounts and Audit Regulations 2015 require an authority to conduct a review at least once in a year of the effectiveness of its system of internal control, and to include a statement reporting on the review with any published Statement of Accounts. Regulation 6(1) (b) of the Accounts and Audit Regulations 2015 require that for a local authority in England the statement is an Annual Governance Statement (AGS).
- 1.3 Delivering Good Governance in Local Government: Framework (2016) was an update to the 2007 publication. The Good Governance Framework sets out seven principles of Corporate Governance which are underpinned by supporting principles and requirements. Authorities are expected to comply

with the requirements of the Framework and thus meet the principles of good Corporate Governance, which are:

- Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law
- Ensuring openness and comprehensive stakeholder engagement
- Defining outcomes in terms of sustainable economic, social and environmental benefits
- Determining the interventions necessary to optimise the achievement of the intended outcomes
- Developing the entity's capacity, including the capability of its leadership and the individuals within it
- Managing risks and performance through robust internal control and strong public financial management
- Implementing good practices in transparency, reporting and audit to deliver effective accountability.

## **2.0 What is an Annual Governance Statement?**

2.1 The AGS should be an open and honest self-assessment of an authority's performance across all of its activities, with a clear statement of the actions being taken or that are required to address areas of concern. The AGS has been prepared in accordance with the CIPFA guidance entitled '*Delivering Good Governance in Local Government*'.

2.2 The AGS includes the following:

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

## **3.0 Conclusion**

3.1 Following the review of the sources of assurance and evidence to support the AGS, it is the opinion of the Group Manager for Performance, Governance and Data Security that the Council's control environment was adequate in the 2017/18 financial year.

3.2 The areas where improvements are required are highlighted in the Action Plan accompanying the AGS. The action plan includes reference to the lead officers for each action and the target date for completion. The Committee will receive an update on the progress made against this action plan at their meetings throughout 2018/19.

3.3 It is a statutory requirement that the AGS is signed off by the Chief Executive (as most senior officer) and the Leader of the Council (as most senior

member), along with the Report and Accounts once they have been approved by the Audit Committee on the 16 July 2018.

- 3.4 The AGS has been subject to review by the Council's external auditor and their comments have been reflected in this document.

**Contact for more Information:** Catherine Yandle Group Manager for Performance, Governance and Data Security ext 4975

**Circulation of the Report:** Management Team and Cllr Clive Eginton

**List of Background Papers:** CIPFA Delivering Good Governance in Local Government: Framework 2016.

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## Annual Governance Statement (2017/18)

This gives the results of our yearly assessment of how well we are managing and controlling risks, achieving our aims and meeting the responsibilities we have by law.

We are responsible for making sure that we:

- carry out our business in line with the law and proper standards;
- protect public money and account for it properly; and
- use public money economically, efficiently and effectively.

Regulation 6(1)(a) of the Accounts and Audit Regulations 2015, require an authority to conduct a review at least once in a year of the effectiveness of its system of internal control, and to include a statement reporting on the review with any published Statement of Accounts. Regulation 6(1) (b) of the Accounts and Audit Regulations 2015 require that for a local authority in England the statement is an Annual Governance Statement.

In England, the Accounts and Audit Regulations 2015 stipulate that the Annual Governance Statement (AGS) must be “prepared in accordance with proper practices in relation to accounts”. Therefore for a local authority in England this requires the statement to be in accordance with Delivering Good Governance in Local Government: Framework (2016) and the CIPFA/LASAAC Code of Practice on Local Authority Accounting for 2016/2017. In preparing and publishing this Statement, we therefore meet these statutory requirements.

Delivering Good Governance in Local Government: Framework (2016) is an update to the 2007 publication and 2016/2017 is the first financial year for which this framework applies. The framework is intended to assist authorities individually in reviewing and accounting for their own unique approach. The overall aim is to ensure that resources are directed in accordance with agreed policy and according to priorities, that there is sound and inclusive decision making and that there is clear accountability for the use of those resources in order to achieve desired outcomes for service users and communities.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of Mid Devon District Council’s policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised. It ensures they are managed efficiently, effectively and economically.

## Annual Governance Statement (2017/18)

The review of internal controls provides assurance that the Statement of Accounts gives a true and fair view of the Authority's financial position at the reporting date and its financial performance during the year.

The assurance opinions derived from the work of Internal Audit are among the significant items that inform the AGS. The Head of Internal Audit's Opinion statement for 2017/18 stated:

Overall, based on work performed during 2017/18 and our experience from previous years' audit, the Head of Internal Audit's Opinion is of "Significant Assurance" on the adequacy and effectiveness of the Authority's internal control framework.

The governance framework has been in place for the whole of the year ended 31 March 2018 and up to the date of approval of the Statement of Accounts. MDDC continually seeks to improve its governance arrangements and evidence of continued "best practice" is found within the governance review below. Arrangements are reviewed on a continual basis and where weaknesses have been found they are addressed as is demonstrated below in the Action Plan.

The Policy Development Groups are asked to feedback areas of concern to Cabinet, the Scrutiny Committee can and does challenge Cabinet decisions and the Audit Committee can and does challenge management over areas of concern identified in audit reports throughout the year.

This is the first year that the Council's wholly owned subsidiary 3 Rivers Developments Ltd has been in operation and that the Council has prepared consolidated accounts. The proposed shareholders' agreement with 3 Rivers (which is nearing final form) includes mechanisms to ensure the Company is accountable to the Council but is also able to function as an arms-length development company.

During the year progress against the previous year's AGS Aaction Plan is taken to every Audit Committee so that the action points can be monitored, not all the action points from the 2016/17 AGS Action Plan have been completed at this time; one item is not due for completion yet but 3 were and required more work. All were partially addressed and are included below in the Action Plan for 2017/18.

Overall the Aauthority has a robust Governance Framework and is not afraid to subject itself and its decisions to scrutiny or Peer review, this enables the Council to have assurance that its governance arrangements are sound but also treated as a live and evolving framework which can respond to the environment it finds itself in.

Following a review of the sources of assurance and evidence to support the AGS, it is the opinion of the Group Manager for Performance, Governance and Data Security that the Council's control environment was adequate in the 2017/18 financial year.

☺ = Assurance Received ☹ = Some additional work required

Annual Governance Statement (2017/18)

Principle A: Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law		
How We Meet these Principles	Where You Can See Governance in action	Assurance Received and Issues Identified
<p><b>Behaving with integrity</b></p> <ul style="list-style-type: none"> <li>• We operate an appraisal scheme for all staff to identify development and skills needs and assess performance.</li> <li>• We provide new Members and staff with induction training on appointment.</li> <li>• We have Codes of Conduct for Members and Staff</li> <li>• Declarations of interest made at meetings are published with minutes and on our website.</li> <li>• We have registers of interests and gifts &amp; hospitality for Members and Staff.</li> <li>• Our Whistleblowing policy was extensively rewritten in 2017.</li> <li>• We have a clear complaints procedure on our website and an up-to-date Customer Care Policy.</li> <li>• We take the Health and Safety of our</li> </ul>	<p><a href="#">Staff Induction Policy</a></p> <p><a href="#">Your Councillors - MIDDEVON.GOV.UK</a></p> <p><a href="#">Fraud, Money Laundering and Whistleblowing - All Documents</a></p> <p><a href="#">Complaints Procedure</a></p> <p><a href="#">Customer Care Policy</a></p>	<p style="text-align: center;"></p> <p>Gifts &amp; Hospitality and Declarations are audited regularly by Internal Audit</p> <p>Adherence to legislation is confirmed in each audit undertaken</p> <p>The Code of Conduct for Councillors and Co-opted Members was recommended to Full Council for Approval in April 2017</p> <p><u>Members Code of Conduct training is carried out by the Monitoring Officer</u></p> <p style="text-align: center;"></p> <p>Increase ethics awareness training in the staff <u>and Members</u> induction process</p>

**Annual Governance Statement (2017/18)**

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<p>Staff extremely seriously.</p> <ul style="list-style-type: none"><li>• We evaluate the training needs of Members and run briefings on key topics to ensure they have the knowledge and information to make effective decisions.</li><li>• We operate a protocol to govern the relationship between Members and officers that ensures access to appropriate information.</li></ul> <p><b>Demonstrating strong commitment to ethical values</b></p> <p>The Council has the following documents which are relevant:</p> <ul style="list-style-type: none"><li>• Officers' Code of Conduct</li><li>• Members' Code of Conduct</li><li>• Protocol on Member/Officer Relations</li><li>• Guidance for Members <u>and staff</u> on hospitality and gifts</li><li>• Protocol of good practice for councillors dealing in planning matters</li><li>• Staff Charter to communicate expected values and behaviours.</li><li>• Financial regulations</li></ul>	<p><a href="#">Member Development Policy</a></p> <p><a href="#">Protocol on Member/Officer Relations</a></p> <p><a href="#">Staff Charter</a></p>	
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**Annual Governance Statement (2017/18)**

<p><b>Respecting the rule of law</b></p> <ul style="list-style-type: none"><li>• The Constitution is under continuous review.</li><li>• We ensure we comply with Statutory Provisions.</li><li>• Compliance with CIPFA’s <i>Statement on the Role of the Chief Financial Officer in Local Government</i> (CIPFA, 2015)</li><li>• We have effective and up-to-date anti-fraud and corruption policies and procedures</li><li>• Legal advice is given either as a stand-alone piece of advice or in relation to a case on which Legal Services are instructed to advise.</li><li>• We recognised the importance of having effective arrangements in place for the Monitoring Officer function by updating and strengthening the role of the Monitoring Officer in the Council and recruiting a suitably qualified person for the post.</li></ul>	<p><a href="#">Constitution</a></p> <p><a href="#">The role of the Chief Financial Officer in local government</a></p> <p><a href="#">Fraud, Money Laundering and Whistleblowing - All Documents</a></p>	
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Annual Governance Statement (2017/18)

Principle B: Ensuring openness and comprehensive stakeholder engagement		
How We Meet these Principles	Where You Can See Governance in action	Assurance Received and Issues Identified
<p><b>Openness</b></p> <ul style="list-style-type: none"> <li>We publish agendas and minutes for all our meetings on our website.</li> <li>We publish key decisions on the website</li> <li>We have a FOI publication scheme</li> <li>We have a standard report template</li> <li>We have a calendar of dates for submitting, publishing and distributing timely reports.</li> </ul> <p><b>Engaging comprehensively with institutional stakeholders</b></p> <ul style="list-style-type: none"> <li>We meet with our local colleges of FE and key local employers to discuss how the Council can support their work</li> </ul> <p><b>Engaging with individual citizens and service users effectively</b></p> <ul style="list-style-type: none"> <li>We publish details of consultations and</li> </ul>	<p><a href="#">Browse Meetings, 20187 - MIDDEVON.GOV.UK</a></p> <p><a href="#">Forthcoming Decisions</a></p> <p><a href="#">Publication Scheme - MIDDEVON.GOV.UK</a></p> <p><a href="#">Report template</a></p> <p><a href="#">Committee Report Procedure - All Documents</a></p>	<p style="text-align: center;"></p> <p>We publish recordings of all our meetings on the website <u>(with the exception of Part 2 business)</u>.</p> <p style="text-align: center;"></p> <p>Evidence of balancing feedback from more active stakeholders <u>s groups</u> with other stakeholder <u>s groups</u> to ensure inclusivity.</p>

**Annual Governance Statement (2017/18)**

<p>petitions on our website</p> <ul style="list-style-type: none"> <li>• We have policies for communication and Social Media</li> <li>• <u>We have an active Tenant involvement group – Tenants Together which produces regular newsletters</u></li> <li>• <u>Mid Devon Gypsy and Traveller Forum established</u></li> </ul>	<p><a href="#">Consultation &amp; Involvement</a></p> <p><a href="#">Communication strategy</a></p> <p><a href="#">Housing News 4U</a></p>	
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Annual Governance Statement (2017/18)

Principle D: Determining the interventions necessary to optimise the achievement of the intended outcomes		
How We Meet these Principles	Where You Can See Governance in action	Assurance Received and Issues Identified
<p><b>Determining interventions</b></p> <ul style="list-style-type: none"> <li>• <u>Our governance structure is based on the strong leader and Cabinet with Policy Development Groups (PDGs) and Scrutiny Committee providing robust challenge.</u></li> <li>• <u>The call in process for Scrutiny and reviews of performance by PDGs.</u></li> <li>• <u>3 Rivers shall prepare a Business Plan to include such content as the Council may require from time to time and notify to 3 Rivers in writing. The Business Plan shall cover a period of 5 years and shall be updated annually</u></li> </ul> <p><b>Planning interventions</b></p> <ul style="list-style-type: none"> <li>• Calendar of dates for developing and submitting plans and reports that are adhered to.</li> <li>• We publish details of consultations and petitions on our website.</li> </ul>	<p><u>Committee Report Procedure - All Documents</u></p> <p><u>Consultation &amp; Involvement</u></p> <p><del><u>Committee Report Procedure - All Documents</u></del></p> <p><u>Consultation &amp; Involvement</u></p>	<p style="text-align: center;"></p> <p>Regular reports on progress against the Corporate Plan including a set of agreed standard measures</p> <p>The process for aligning service budgets, plans and objectives has been reviewed and is more effective</p> <p style="text-align: center;"></p> <p>Service plans do not <u>yet</u> demonstrate consideration of 'social value'.</p> <p>-Evidence of balancing feedback from more active stakeholders <u>s groups</u> with other stakeholders <u>s groups</u> to ensure inclusivity.</p>

**Annual Governance Statement (2017/18)**

- Key Performance Indicators have been established and approved for each service element and included in the service plan and are reported upon regularly to Committees.

**Optimising achievement of intended outcomes**

- budgeting medium term
- financial strategy
- process is all-inclusive, taking into account the full cost of operations over the medium and longer term

Medium Term Financial Plan

~~“You said we did“~~

Annual Governance Statement (2017/18)

Principle E: Developing the entity’s capacity, including the capability of its leadership and the individuals within it		
How We Meet these Principles	Where You Can See Governance in action	Assurance Received and Issues Identified
<p><b>Developing the entity’s capacity</b></p> <ul style="list-style-type: none"> <li>We are committed to improving staff welfare which should reduce our sickness absence which is a direct cost to the Council.</li> <li><u>All Managers have been put through a Management Training Programme</u></li> </ul> <p><b>Developing the capability of the entity’s leadership and other individuals</b></p> <ul style="list-style-type: none"> <li>We provide all staff with job descriptions setting out their duties clearly and document the personal qualities and attributes required for each post.</li> <li>We operate an appraisal scheme for all staff to identify development and skills needs and assess performance.</li> <li>We operate a protocol to govern the relationship between Members and officers which ensures access to</li> </ul>	<p><del>Management Training Programme</del></p> <p><a href="#">Protocol on Member/Officer Relations</a></p> <p><a href="#">Equality and Diversity</a></p>	<p style="text-align: center;"></p> <p><del>We have signed up to gaining Wellbeing charter status.</del></p> <p>A programme of training and briefing sessions for elected Members has been agreed to ensure Members remain up to date with current issues, are clear about their roles, and have sufficient information to make informed decisions.</p> <p><u>3 Members have signed up to the Developing Your Leadership Potential Programme being run as part of a shared Member development service with other Devon and Somerset Authorities.</u></p> <p>The qualifications, skills, behaviours and personal attributes required by staff in their roles are identified and documented, and reviewed regularly.</p> <p style="text-align: center;"></p> <p>The current economic situation is likely to</p>

**Annual Governance Statement (2017/18)**

<p>appropriate information.</p> <ul style="list-style-type: none"> <li>• We treat everyone fairly and equally.</li> <li>• We take the Health and Safety of our Staff extremely seriously.</li> <li>• We provide new Members with induction training on appointment.</li> <li>• We evaluate the training needs of Members and run briefings on key topics to ensure they have the knowledge and information to make effective decisions.</li> <li>• The Corporate Peer Challenge report in 2017 identified the extent to which we have radically-improved and confirms that we are in a strong position to address future challenges.</li> <li>• The Head of Paid Service has an annual appraisal and is set performance targets by the Cabinet</li> </ul>	<p><a href="#">Member Development Policy</a></p>	<p>continue to see a reduction in the number of staff employed by the Authority. We have identified that this presents a potential risk to our ability to retain the skills and experience needed. Measures are being implemented to combat this risk.</p> <p><a href="#">A Sickness Absence Action Plan is being developed by HR and the Health and Safety Officer</a></p>
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Annual Governance Statement (2017/18)

Principle F: Managing risks and performance through robust internal control and strong public financial management		
How We Meet these Principles	Where You Can See Governance in action	Assurance Received and Issues Identified
<p><b>Managing risk</b></p> <ul style="list-style-type: none"> <li>All reports which go to Committee include a risk assessment as part of the required components on our report template.</li> <li>Our Risk &amp; Opportunity Management Strategy was reviewed and approved by Audit Committee on 20 March 2018.</li> <li><u>Risks on our risk register are allocated to individual managers who are named on reports.</u></li> <li><u>The Audit Committee actively monitors risks and controls at their meetings.</u></li> </ul> <p><b>Managing performance</b></p> <ul style="list-style-type: none"> <li>Our Performance has been mapped to the Corporate Plan; all our Aims have performance measures.</li> <li>Benchmarking information is included where available <u>a recent Council –wide subscription to LG Inform Plus is improving the use of benchmarking and</u></li> </ul>	<p><a href="#">Report Template</a></p> <p><a href="#">Risk &amp; Opportunity Management Strategy</a></p> <p><a href="#">Committee Report Procedure - All</a></p>	<p style="text-align: center;"></p> <p>The Leader’s annual report to Scrutiny is mapped against the Corporate Plan priorities to make the link easier to see.</p> <p>Publication of agendas and minutes of meetings was 100 % on time.</p> <p>We have recently entered into internal audit management arrangements with Devon Audit Partnership which will further strengthen the effectiveness of our Internal Audit Service</p> <p style="text-align: center;"></p> <p>Still more benchmarking information is needed and stronger links between financial and performance monitoring.</p> <p>GDPR legislation now needs to be followed up with compliance and enforcement work.</p>

**Annual Governance Statement (2017/18)**

<p><u>is regularly promoted at Group Manager meetings.</u></p> <ul style="list-style-type: none"> <li>• Calendar of dates for submitting, publishing and distributing timely reports that are adhered to.</li> <li>• All agenda and minutes of Scrutiny committee are published on our websites, including recordings of the meetings.</li> <li>• <u>3 Rivers shall ensure that the Managing Director shall attend meetings or parts of meeting(s) up to a maximum of four times per year as the Council may require on not less than 5 Business Days' notice and shall answer questions put by the Council and provide information regarding its activities as reasonably requested.</u></li> <li>• Performance and Risk Reports go to PDGs, Cabinet, Audit and Scrutiny Committees.</li> <li>• Leadership Team is committed to the performance framework.</li> </ul> <p><b>Robust internal control</b></p>	<p><u>Documents</u></p> <p><u>Meetings, agendas, and minutes - MIDDEVON.GOV.UK</u></p> <p><u>RISK - All Documents</u></p> <p><u>Fraud, Money Laundering and Whistleblowing - All Documents</u></p>	<p><u>The Internal Audit report for Development Control identified "Improvements Required" with regard to the inability of the legacy systems to provide a full overview of the 'trigger points' for all of the s106 agreements.</u></p>
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**Annual Governance Statement (2017/18)**

<ul style="list-style-type: none"> <li>• Our Risk &amp; Opportunity Management Strategy was reviewed and approved by Audit Committee on 20 March 2018.</li> <li>• We have effective and up-to-date anti-fraud and corruption policies and procedures</li> <li>• We have entered into a partnership to provide our Internal Audit Service in-house.</li> <li>• Our Audit Committee attend training offered internally and externally.</li> </ul> <p><b>Managing data</b></p> <ul style="list-style-type: none"> <li>• We have Data Protection and Information Security Policies in place.</li> <li>• We have mandatory Data Protection and Information Security training for all staff, Members and contractors (with access to our computer network)</li> <li>• We have a Data Quality Policy in</li> </ul>	<p><a href="#">Internal Audit Outturn Report <del>2016/17</del>2017/18</a></p> <p><a href="#">Policies &amp; Strategies - Home</a></p> <p><a href="#">Policies &amp; Strategies - Home</a></p> <p><a href="#">medium term financial strategy</a></p>	
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**Annual Governance Statement (2017/18)**

<p>place.</p> <ul style="list-style-type: none"><li>• We check performance information as part of every audit we do.</li></ul> <p><b>Strong public financial management</b></p> <ul style="list-style-type: none"><li>• We publish a Medium Term Financial Strategy covering 5 years each year.</li><li>• We publish Monitoring Reports from July to February each year</li><li>• The budget book is published on the website</li></ul>	<p><a href="http://MIDDEVON.GOV.UK/Budgets">Budgets - MIDDEVON.GOV.UK</a></p>	
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**Annual Governance Statement (2017/18)**

<p>of the Head of Internal audit</p> <ul style="list-style-type: none"><li>• We completed our annual self-assessment against the Public Sector Internal Audit Standards</li></ul>	<p><a href="#">CIPFA</a></p> <p><a href="#">Internal Audit Checklist v PSIAS 2017</a></p> <p><a href="#">Internal Audit Outturn Report 2017/18</a></p>	
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Annual Governance Statement (2017/18)

Annual Governance Statement 2017-18 Action Plan			
Issues Identified	Action to be taken	By whom	When
<u>1. The Internal Audit report for Development Control identified "Improvements Required" with regard to the inability of the legacy systems to provide a full overview of the 'trigger points' for all of the s106 agreements.</u>	<u>A project to address this is ongoing through use of specialised software, although populating the system is time consuming as many of the s106 agreements are complex. The current position is being reviewed by senior management and additional temporary staff engaged to clear the backlog.</u>	<u>The Head of Planning, Economy and Regeneration</u>	<u>August 2018</u>
<u>1.2. Increase ethics awareness training in the staff and Members induction process</u>	Write an ethics training module in the new <u>Learning Management S</u> system for the mandatory induction process	Director of Business Transformation and Corporate Affairs	August 2018
<u>2.3. Evidence of balancing feedback from more active stakeholder<u>s groups</u> with other stakeholder<u>s groups</u> to ensure inclusivity</u>	The Community Engagement Strategy and Action Plan are due to go to Community PDG	Director of Business Transformation and Corporate Affairs	November 2018
<u>3.4. We need processes for dealing with competing demands on the budget from the community</u>	The Community Engagement Strategy and Action Plan are due to go to Community PDG  <u>All Members' Budget Prioritisation Away Day</u>	Director of Business Transformation and Corporate Affairs/ <u>Deputy Chief Executive</u>	November 2018  <u>September 2018</u>

**Annual Governance Statement (2017/18)**

<p>4.5. Still more benchmarking information is needed and stronger links between financial and performance monitoring</p>	<p>Link between finance and performance to be reinforced in Service Business Plans for 2019/20.</p>	<p>Director of Corporate Assets and Resources</p>	<p>September 2018</p>
<p>5.6. Service plans do not <u>yet</u> demonstrate consideration of 'social value'</p>	<p>Link between finance and performance to be reinforced in Service Business Plans for 2019/20.</p>	<p>Director of Corporate Assets and Resources</p>	<p>September 2018</p>
<p>6.7. The current economic situation is likely to continue to see a reduction in the number of staff employed by the Authority. We have identified that this presents a potential risk to our ability to retain the skills and experience needed. Measures are being implemented to combat this risk.</p>	<p>Skills Audit to be completed by collecting information as part of the appraisal process and utilisation of the LMS system to record qualifications and experience.</p> <p><u>Succession Planning Policy is required to be included in the revised HR Strategy.</u></p>	<p>Director of Business Transformation and Corporate Affairs</p>	<p><u>Date? December 2018</u></p> <p><u>September 2018</u></p>
<p>7.8. <u>A Sickness Absence Action Plan is being developed by HR and the Health and Safety Officer</u></p>	<p><u>This is in draft and is due to go to Leadership Team for approval in July</u></p>	<p><u>Director of Business Transformation and Corporate Affairs</u></p>	<p><u>Date? September 2018</u></p>

**Annual Governance Statement (2017/18)**

<p>8.9. GDPR legislation now needs to be followed up with compliance and enforcement work.</p>	<p>A programme of Information audits is planned from Autumn 2018 to ensure, and enforce, compliance with the Data Protection Act 2018</p>	<p>Director of Business Transformation and Corporate Affairs</p>	<p>October 2018</p>
<p>9.10. Of the 7 areas where Partial compliance <u>with the Public Sector Internal Audit Standards</u> were identified; 5 are now fully compliant and 2 have identified further actions to achieve full compliance</p>	<p>Address remaining areas with “P” assessment via Quality Assurance Improvement Plan (QAIP)</p>	<p>DAP Deputy Head of Partnership</p>	<p>September 2018</p>

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# CORPORATE GOVERNANCE FRAMEWORK

## Purpose of the Governance Framework

The governance framework comprises the systems and processes and culture and values by which the Council is directed and controlled; also the activities through which it accounts to, engages with and leads the community. It enables the Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.

### Annual Documents

- Annual Governance Statement
- Annual Outturn Performance and Finance Reports
- Business Plans
- Committee Report Procedure
- Corporate Plan Performance Report
- Corporate Risk Register
- Delegations from/to Directors
- Equality Information
- Medium Term Financial Plan
- Members Allowances Scheme
- PSIAS checklist
- Single Equalities Scheme
- Statement of Accounts
- Treasury Management Strategy Statement and Annual Investment Strategy

### Periodic Documents

- Anti-Fraud and Corruption Policy
- Business Continuity Plans
- Communications Strategy
- Community Engagement Framework
- Constitution
- Corporate Plan 2016-2020
- Data Quality Policy
- Declarations of Independence
- Financial Regulations
- Health and Safety Policies
- Information Governance Framework
- Information Security Policy
- Internet Transparency Pages
- Member/Officer Relations Protocol
- Members' Code of Conduct
- Officer Employment Procedure Rules
- Officers' Code of Conduct
- Performance Management Framework
- Record of Decisions
- Risk & Opportunity Management Policy
- Staff Charter
- Whistle Blowing Policy

### Contributory Processes

- Audit Committee
- Budget Monitoring Process
- Corporate Asset Strategy Group
- Corporate H&S
- Corporate Intranet
- Council Tax Leaflet/Information
- Customer Feedback Process
- Data Protection Officer
- Director of Finance, Assets and Resources (\$151)
- Consultative Forums
- External Audit
- Finance and Resources
- Gypsy and Traveller Forum
- Head of Paid Service
- H&S Committee
- Independent Remuneration Panel
- Internal Audit
- Job Descriptions
- Job Evaluation Process
- Law & Governance
- Member Training Scheme
- Monitoring Officer
- Partnership arrangements
- Planning Policy Advisory Group
- Report Template
- Schedule of Council Meetings
- Scrutiny Framework
- Standards Committee
- Staff Induction
- Staff Surveys
- Tenants Together

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## AUDIT COMMITTEE

16 July 2018

### Annual Report and Accounts 2017/18

**Leader** Cllr Clive Egington  
**Cabinet Member** Cllr Peter Hare-Scott  
**Responsible Officer** Andrew Jarrett, Deputy Chief Executive (S151)

**Reason for Report:** To present the final version of the annual report and accounts to Members, highlighting any areas which have been amended since the accounts were presented to Audit Committee in May.

**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 (the Code) 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 Code mitigates the risk of receiving a qualified set of accounts. The Finance Team has also reviewed its overall calculations/workings against the CIPFA published Disclosure Checklist for 2017/18 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 2017/18 have been produced in full compliance with the Code of Practice on Local Authority Accounting in the United Kingdom (the Code) and all other relevant accounting legislation. There were actually very few accounting changes for 2017/18.

## **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 2017/18 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 2018/19 accounts and this will be facilitated by an officer meeting(s) with the Audit Lead and Manager from Grant Thornton.
- 2.1.1 Upon review Grant Thornton have identified that due to the complexity of our Fixed Assets computations, we had omitted to depreciate seven assets, therefore understating depreciation by £52k. This error has been amended in the accounts. There is no impact on the Balance Sheet or the overall value of our assets as this depreciation was negated by our end of year revaluation exercise. The impact of the reversing increase in depreciation is best illustrated in the Property Plant and Equipment note 23 and the offsetting impact on our reserves is shown in Note 43. This has no impact on the "bottom line". The auditors have recommended we investigate simplifying our Fixed Asset register and we will strive to do this before the next year end.
- 2.1.2 We have also amended the classification of the land owned by 3 Rivers Ltd from Assets under Construction to Work in Progress (WIP). This can be seen in the Group Accounts section. This again has no impact on the "bottom line". Some small note disclosure and typographical corrections have also been identified and corrected by officers. These are now included in the revised final set of accounts for your approval.
- 2.2 In addition Grant Thornton have also stated that "despite the challenges faced by the Council" there are adequate arrangements in place to achieve financial resilience.
- 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 2018.

**Contact for more information:** Andrew Jarrett  
01884 234242  
[ajarrett@middevon.gov.uk](mailto:ajarrett@middevon.gov.uk)

**Background Papers:**

**Circulation of the Report:** Cllr Peter Hare-Scott

**DRAFT**

**STATEMENT OF ACCOUNTS  
FOR THE YEAR ENDED 31 MARCH 2018**  
**(Subject to Audit)**



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Cover Photo: Our housing development at Fir Close in Willand

## Introduction by the Leader of the Council



It is my pleasure to introduce our annual accounts for 2017/18 which reflects another successful budget outcome and maintains our strong financial position.

We have managed to deliver 2017/18 within a reduced budget and still seen improved services. Our Local Land Charges service and our Legal service won regional and national awards for performance and best practice. We also secured nearly £19million in Central Government funding to deliver important infrastructure projects in the district.

A number of exciting service delivery and property related improvements were delivered during 2017/18. In partnership with Devon County Council, our Waste service and Property service teams have installed a new Waste Transfer Station at Carlu Close; January saw the opening of a major new leisure extension at our Exe Valley site in Tiverton; we have increased

our retail property holdings to generate commercial rental return; and very recently seen the start on site of the new Premier Inn development. All of these initiatives reflect the Council's efforts to continue to reduce cost and increase income earning opportunities.

Our continued efforts to work more closely with our neighbouring authorities continues apace. We now are members of the Devon Audit Partnership; deliver building control services in partnership with North Devon District Council; and are working to create a joint economic strategy with East Devon, Exeter and Teignbridge colleagues.

All of this jointly delivered service provision helps to not only reduce operational cost, it also creates greater capacity and brings a wider level of expertise as we work more collectively.

The Local Plan is now with the National Inspector and we await confirmation of a formal hearing date. Importantly this document will set the shape and context of future development across the district moving forward and will ensure the Council has more control over key areas of place shaping which I know is of fundamental importance to our residents.

We continue to be recognised, regionally and nationally, for setting high levels of financial stewardship and I am proud that we have finished 2017/18 within budget, whilst making increased provision for some of the challenges that lie ahead.

**Clive Eginton**  
**Leader of the Council**

## Views from the Chief Executive



It is a pleasure to provide a foreword to the Council's accounts. Accounts that have, for the last two years, been among the first in the country to be closed and published to a more ambitious (shorter) deadline, with an accompanying clean bill of health from our auditors. This year, as the shorter deadline becomes mandatory across the sector, we shall see how easy it is for everyone to match our pace...

As is so often the case with financial matters, the success of delivering council services effectively is also the financial success that sees efficiencies achieved, innovation in approach, or costs reduced. Rarely is a financial success celebrated in glorious isolation, in the same way that the Council's financial health is an imperative not only for accountants and auditors, but for the business and organisation as a whole - as it provides the context for all decision-making about the services we provide and the means and methods associated with those decisions.

Efficiencies, innovation, cost reduction; three strands providing the backdrop to the effective management of finances in the context of one of the

most challenging periods in local government finance for a generation.

Our efficiencies this year have seen us deliver on partnership projects with the County Council on waste collection and disposal; maximising efficiency across the entire system of route scheduling and collection, waste transfer, and logistics on final disposal. As well as financial savings this has meant that no waste from Mid Devon now ends up in landfill.

We have also invested additional resources in bringing empty homes back into use, maximising the efficient use of the existing private sector housing stock across the district. The 128 homes we managed to bring back into use not only provide immediate extra housing, they also generate a financial return to the Council via the New Homes Bonus mechanism.

Our innovation in approach can be seen in the procurement methodology adopted to commission the provisioning of leisure equipment and technology. Rather than tender for a straightforward equipment supplier to fit out our (fantastic) new extension to the gym facilities at Eve Valley Leisure Centre, we approached the market seeking a strategic leisure partner. With a contract volume wrapping in supply across all our sites, and a dialogue process that allowed us to discuss with each supplier what they could add by way of value into the offering, we secured a vastly better deal for our users with a strategic partner that brings forward top-end kit and technological advancements in digital fitness tracking and analysis for users that our customers expect of any premium product.

Our cost reduction projects have, among many other improvements, seen us move to auto-renewal on various permit systems. On garden waste alone, this accounts for over 1000 customer contacts taken out of our call centre. Having spent some time with our outstanding call centre staff last year, I know first-hand how frustrating it was for our customers who had to call in to renew their garden waste permit, when they couldn't choose to auto-renew or agree to renew it online.

The financial landscape of local government continues to look challenging, with long-term certainty over how the sector is to be funded still notable for its absence. As we pilot the Government's (currently) intended approach of local retention of any growth in business rates in 2018/19, I am confident that our robust financial performance will stand us in good stead to deliver for Mid Devon's residents and businesses now and into the future.

**Stephen Walford**  
Chief Executive

## **Narrative Report**

### **Financial Commentary by Director of Finance, Assets & Resources Andrew Jarrett**



The Council continues to demonstrate a very strong culture of financial stewardship. 2017/18 has seen service performance delivered on budget which has enabled us to ensure we maintain resources at sound levels.

We again managed to close our accounts in advance of the soon to be implemented 30 June deadline and have delivered a whole range of revenue saving or income generating initiatives during 2017/18.

Exe Valley Leisure Centre extension was opened in January, two surplus depots were sold off, three additional retail units were acquired, and we have worked with a number of Town and Parish councils towards shared delivery of a number of essential public buildings and services. Our Waste service has seen a significant period of change, which is still ongoing. 2016/17 saw a fundamental remodelling of material collections, the introduction of a chargeable garden waste service and an agreed shared savings agreement with Devon County Council. 2017/18 has seen the creation of a Waste Transfer Station and the preparation work of assimilating the grounds

maintenance services into the operation.

3 Rivers Developments Ltd has now been formally incorporated and is working on the delivery of a number of residential developments. Any future profits will then be recycled back into the overall Council coffers.

As I have alluded to previously, local government funding is experiencing a highly uncertain future. Changes to New Homes Bonus, the Fairer Funding Review, the elimination of Revenue Settlement Grant and the potential move to 100% business rates localisation, all make medium term financial planning a difficult challenge. On top of these funding initiatives, the Council is also having to plan for the introduction of two major legislative changes; the implementation of both the Homelessness Reduction Act and Universal Credit. It will be interesting to see whether the 'new burdens' funding passported from Central Government will mitigate all of these new costs.

During 2017/18 the Council has completed work on its Local Plan – a major piece of planning work that sets the context of where future residential and commercial growth is likely to place. In addition to this, significant work is ongoing to plan for and deliver the Eastern Urban Extension, Tiverton and the Garden Village at Cullompton. The Council has received an additional £400K of capacity funding from Central Government to offset some of these set-up costs and has recently secured circa £19 million for key infrastructure projects to unlock key housing delivery sites.

In summary, the Council finishes 2017/18 in a strong financial position. It has delivered services within a much reduced budget envelope and still maintained or added to its reserve in order to plan for an uncertain financial future. We are proud of our ability to continue to deliver a wide range of services whilst still demonstrating an affordable level of council tax at a time when central government funding continues to decline.

**Andrew Jarrett**  
**Director of Finance, Assets and Resources**

## **NARRATIVE REPORT 2017/18**

### **1.1 Introduction**

The Council's Narrative Report sets out the overall financial position and details the financial transactions relating to the District Council's activities for the year ended 31 March 2018. 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 2017/18.

### **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 usable 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 (CIES) is a summary of the resources generated and consumed by the Council in the year. This year there are two new notes that accompany the CIES, as follows.

- The Expenditure and Funding Analysis
- Expenditure and Income Analysed by Nature

The objective of the Expenditure and Funding Analysis is to demonstrate to council tax and rent payers how the funding available to the authority (i.e. government grants, rents, council tax and business rates) for the year has been used in providing services in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices. The Expenditure and Funding Analysis also shows how this expenditure is allocated for decision making purposes between the council's services. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

The Expenditure and Income Analysed by Nature note shows the amounts that make up the surplus or deficit on the provision of services on the CIES, but here they are categorised by nature instead of by service segment.

### **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 non-current assets and net current assets employed in its operation together with summarised information on the non-current 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, central government 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 Group Accounts

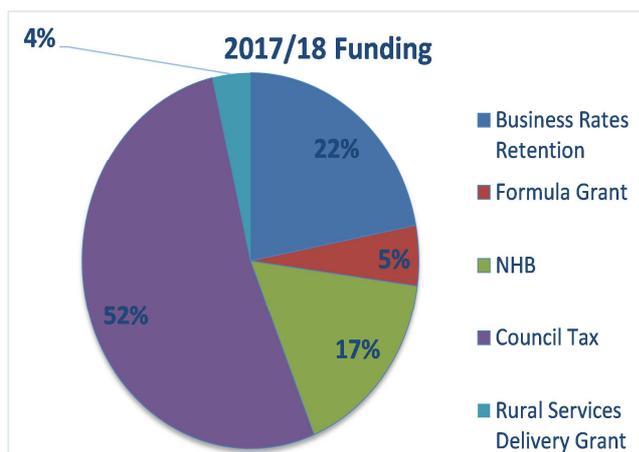
The Council is required to consolidate into its own accounts (as a single entity) the financial activities of outside organisations such as subsidiaries, joint ventures and associates. This is the first year that the council's wholly owned subsidiary, 3 Rivers Ltd has been in operation. The first year accounts for the company have been consolidated into the 2017/18 accounts.

## 2.0 Review of the Year

The purpose of the narrative report 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.

## FINANCIAL PERFORMANCE

The Council's Budgeted funding streams for 2017/18 are detailed below and contrasted with 2016/17. In setting the budget for 2017/18 the Council increased Council tax by £5 for a Band D property. This meant that the Band D Council Tax rate became £192.15.



	2016/17 £k	2017/18 £k
Business Rates Retention	1,956	2,265
Formula Grant	1,049	529
New Homes Bonus	1,831	1,722
Council Tax	5,156	5,409
Rural Services Delivery Grant	464	375
<b>Total Funding</b>	<b>10,456</b>	<b>10,300</b>

The table below shows that the Council received £11.108m of actual funding, the main increase relating to Retained Business Rates. The Council's actual expenditure in 2017/18 was £10.659m which results in a reported net underspend of £449k.

There were over/underspends in several areas and these are highlighted in the table below.

## GENERAL FUND REVENUE ACCOUNT OUTTURN SUMMARY 2017/18

	Budget 2017/18 £	Actual 2017/18 £	Variance £
Community Development	268,090	399,996	131,906
Corporate Management	1,428,300	1,499,055	70,755
Car Parks	(237,790)	(144,661)	93,129
Customer Services	37,300	(10,298)	(47,598)
Environmental Services	1,444,570	1,324,747	(119,823)
Finance & Performance	7,020	(18,378)	(25,398)
Grounds Maintenance	27,410	75,845	48,435
General Fund Housing	261,490	149,493	(111,997)
Human Resources	46,210	55,389	9,179
I.T.Services	47,820	76,961	29,141
Legal & Democratic Services	916,880	899,040	(17,840)
Planning & Regeneration	1,580,840	747,037	(833,803)
Property Services	10,250	387,344	377,094
Revenues & Benefits	667,940	583,086	(84,854)
Recreation and Sport	1,020,890	1,239,516	218,626
Waste Services	2,522,570	2,565,844	43,274
<b>TOTAL COST OF SERVICES</b>	<b>10,049,790</b>	<b>9,830,016</b>	<b>(219,774)</b>
<b>OTHER INCOME &amp; EXPENDITURE</b>			
PWLB bank loan interest payable & finance lease interest	143,680	143,818	138
Interest from funding provided for HRA	(54,000)	(56,573)	(2,573)
Interest received on investments	(254,000)	(342,341)	(88,341)
Reversal of capital charges reflected in services	(1,675,800)	(1,724,596)	(48,796)
Capital grants unapplied	0	1,750,595	1,750,595
Capital financing of finance leases	84,790	85,205	415
MRP for capital funding and loan repayments	313,580	268,883	(44,697)
CTS Funding parishes	46,960	46,768	(192)
Transfers to & from earmarked reserves, including earmarked reserves used to fund capital programme 2017/18	1,645,010	618,959	(1,026,051)
Capital Grants & Cont'S Rec'D	0	(1,750,595)	(1,750,595)
Reclassification of CCLA fund	0	(360,529)	(360,529)
EMR used to fund 2017/18 capital programme	0	2,149,622	2,149,622
<b>TOTAL OTHER INCOME &amp; EXPENDITURE</b>	<b>250,220</b>	<b>829,217</b>	<b>578,997</b>
<b>TOTAL BUDGETED EXPENDITURE</b>	<b>10,300,010</b>	<b>10,659,233</b>	<b>359,223</b>
<b>FUNDED BY:-</b>			
Revenue Support Grant	(497,550)	(497,553)	(3)
NNDR Revenue	(2,265,210)	(2,952,656)	(687,446)
Assumed NNDR Pooling Growth		(106,582)	(106,582)
New Homes Bonus	(1,721,980)	(1,726,976)	(4,996)
Collection Fund Surplus	(52,860)	(52,857)	3
Council Tax - (Band D at £182.15)	(5,356,390)	(5,356,390)	0
Other non-ringfenced gov grants	(31,510)	(40,381)	(8,871)
Rural Services Delivery Grant	(374,510)	(374,509)	1
<b>TOTAL FUNDING</b>	<b>(10,300,010)</b>	<b>(11,107,904)</b>	<b>(807,894)</b>
<b>NET INCOME AND EXPENDITURE</b>	<b>0</b>	<b>(448,672)</b>	<b>(448,672)</b>

Further information on spending on services, and other operating costs and income is shown within the Comprehensive Income and Expenditure Statement and Notes.

## Revenue Expenditure – General Fund Financial Performance

During the year regular monthly financial monitoring information has been produced and reported to senior management and members. This monitoring report declared forecasts of varying amounts dependent on the information known at each point in time during 2017/18. The month 9 monitoring report tabled at the 1 February 2018 Cabinet meeting declared an estimated outturn deficit of £182k on the General Fund (this detailed report can be found on the Council’s website).

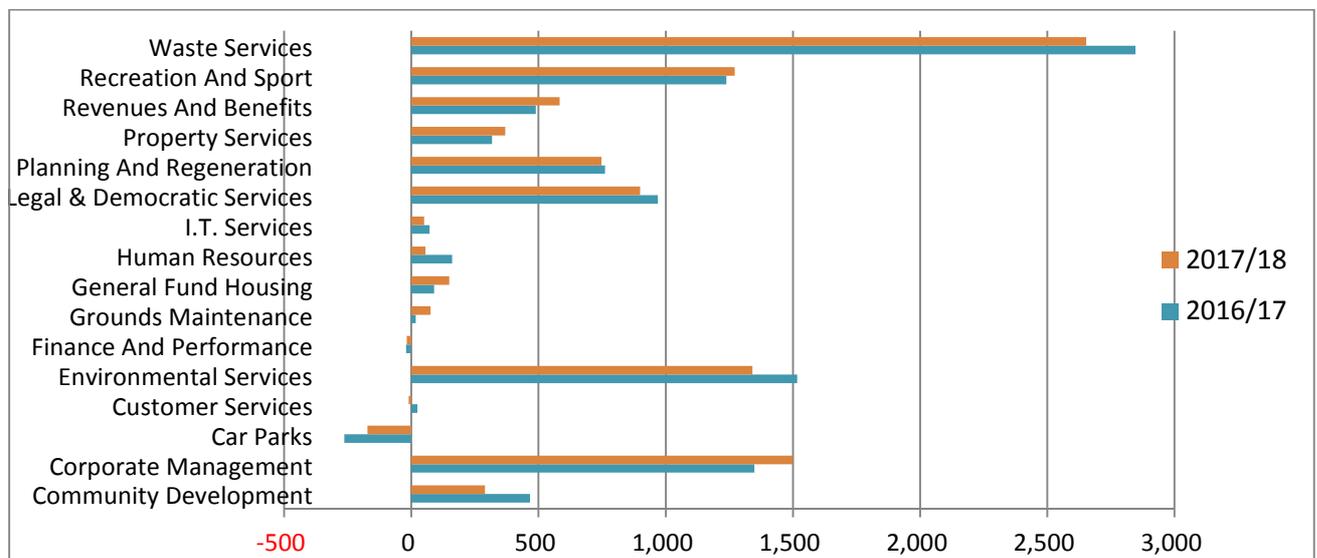
Since that time we have completed our Retained Business Rates computations and this has shown a significant surplus due to growth and a more favourable Pooling dividend. We have also reclassified our CCLA investment and this has led to a surplus in the outturn. This reclassification is explained in the note on Prior-Year Adjustments. We envisage that our Pool’s approval from Central Government as a Pilot Scheme for 100% Rates Retention will see greater gains in 2018/19 across the area.

The General Fund Reserves have increased from £2.602m at the start of the year to £2.690m at 31 March 2018.

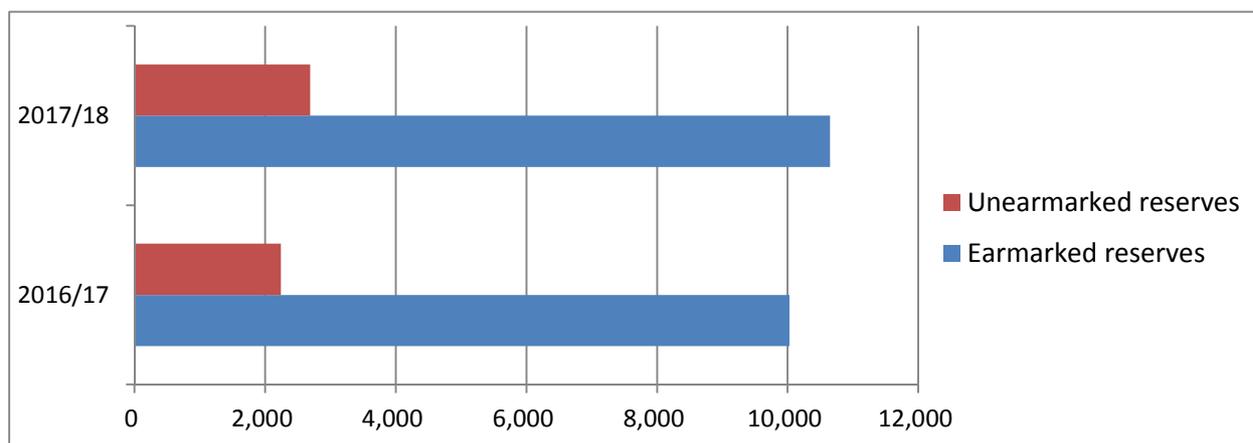
The overall General Fund position delivered in 2017/18 reflects the continued efforts of both officers and members to provide high quality services at an affordable cost and demonstrates the Council’s ongoing commitment to reducing operational cost to mitigate against further cuts in Central Government funding.

Note – Minimum GFB agreed at 25% of net expenditure = £2.2m.

### General Fund Net Service Expenditure £k



## General Fund Account Reserves £k



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

The Council is a major provider of social housing, working closely with housing associations and other social landlords to provide affordable housing for tenants in the District. The Housing Revenue Account (HRA) only accounts for the costs and income related to provision of council-owned accommodation. The Local Government Act 1989 requires this expenditure is ring-fenced and cannot be subsidised by the General Fund.

The Net Budget for the HRA is £Nil, reflecting the self-financing nature of the account. However, financial performance is measured against the Gross Income budget, which is £12.369m for the year. The HRA has reported a net surplus of £256k for 2017/18, which is 2% of gross income. The surplus is retained within the HRA and relates mainly to savings made within Planned Maintenance and Tenancy. The following table provides a summary of performance against budget for the year.

HRA Outturn 2017/18	Budget £k	Outturn £k	Variance	
			£k	%
Gross Income	(12,369)	(12,387)	(19)	0.1
Service Expenditure	5,668	5,631	(37)	0.6
Other Operating Costs and Income	(749)	(753)	(3)	0.4
Earmarked Reserve Transfers	2,953	2,518	(435)	14.7
Capital Financing and Debt Repayment	4,472	4,682	210	4.7
Technical Accounting Adjustments	25	53	28	112
<b>Net Variance</b>	<b>0</b>	<b>(256)</b>	<b>(256)</b>	

The surplus will increase the contribution to the Housing Maintenance Fund earmarked reserve and so the HRA reserve balance will remain at £2m. The HRA earmarked reserves will then total £15,227k. These reserves are committed in a number of areas including long term major works to dwellings, new house building, the HRA's debt premium deficit, renewable energy projects and sewage treatment plant upgrades.

### 2.3 Revenue Expenditure – Non Financial Performance And Risk

When reviewing the performance of the Council in 2017/18, we need not only to see how we perform against budget, we must also assess how we performed against the operational/strategic targets set within the context of the Corporate Plan during the year. The final performance and Risk Report for 2017/18 was presented to Audit Committee on 29 May 2018, alongside the draft accounts. The details are available on our website.

In addition the Council pro-actively reports any major risk to its Cabinet, Policy Development Groups and Scrutiny meetings at regular intervals throughout the year.

## 2.4 Capital Expenditure

In addition to our spending on day-to-day provision, the Council spends money on assets such as buildings, major improvements to parks, and contributions to jointly-financed schemes. Capital expenditure in the year totalled £8.523m (£5.293m 2016/17). Capital expenditure comprises £4.534m in General Fund schemes and £3.989m on HRA capital works, as summarised in the table below.

The General Fund capital spending related to a wide range of projects which included costs of the impressive new extension and gym equipment at Exe Valley Leisure Centre; acquisition of additional properties in Fore Street Tiverton; new Refuse vehicles; and Disabled Facilities Grants. HRA capital works are largely related to maintaining housing standards, including replacing kitchens, bathrooms, windows, doors, heating systems and other related works. In addition, HRA expenditure this year also includes the development at Palmerston Park which will create 26 affordable dwellings.

General Fund Capital Schemes	£k
Grants to Housing Associations	16
ICT – Equipment; Mobile working etc.	52
Replacement Car park Machines	64
Pannier Market improvements	72
Acquisition of Coggans Well building	268
Acquisition of 30 Fore Street Tiverton	386
Acquisition of 36 & 38 Fore Street Tiverton	777
Shop front refit of unit 10 Market Walk	72
Lords Meadow Leisure Centre car park resurfacing	46
Exe Valley Leisure Centre Fitness extension and equipment	1,046
Refuse Vehicles	994
Disabled Facilities Grants - Council Houses	300
Disabled Facilities Grants–Private Sector	441
<b>General Fund Capital Schemes - Total</b>	<b>4,534</b>
HRA Capital Schemes	£k
Major repairs to Housing Stock	2,273
Renewable Energy Fund Spend	100
Birchen Lane - re development of unit for housing conversion (4 units)	168
Palmerston Park Tiverton - affordable dwellings (26 units)	1,334
Burlescombe (6 units)	62
Iveco Tipper 3.5t (or equivalent)	21
Queensway (Beech Road) Tiverton (3 units)	5
Repairs mobile replacement	26
<b>HRA Capital Schemes - Total</b>	<b>3,989</b>
<b>General Fund and HRA Capital Schemes - Total</b>	<b>8,523</b>

Capital expenditure is funded from a variety of sources as shown in the table below.

Sources of Capital Funding	£k
Revenue funding	2,655
Capital Grants and Contributions	1,195
Capital Receipts	2,400
Major Repairs Reserve (HRA)	2,273
<b>Total</b>	<b>8,523</b>

## **2.5 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 usable reserves have increased by £5.671m to £36.994m during 2017/18.

## **2.6 The Comprehensive Income and Expenditure Statement**

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

The Comprehensive Income and Expenditure Statement (CIES) shows an overall surplus of £17.718m. 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. Once all of these adjustments are accounted for, the overall outturn is a £449k surplus on the General Fund and a zero variance on the HRA.

For information purposes, in addition to the various fees and charges levied by services, the General Fund was funded by £913k from Central Government Formula Grant (RSG, Rural Services Delivery Grant and Transition Grant), £3.059m from Business Rates, and Council Tax of £5.356m (excluding Parish Precepts). In addition we received £1.727m of New Homes Bonus.

## **2.7 Balance Sheet**

The financial highlights for the Balance Sheet are shown below:

- The Property, Plant and Equipment valuation, after adjustment for additions, disposals, and finance leases increased by £7.647m during 2017/18.
- The overall Pension Scheme deficit decreased by £3.525m.

## **2.8 Cash Flow Statement**

The Council had a net cash inflow during 2017/18 of £3.149m.

## **2.9 Housing Revenue Account (HRA) Income and Expenditure Account**

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

- The HRA achieved a £256k surplus in 2017/18 and this has been added to the HRA Earmarked Reserves.

## **3.0 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 2017/18, the Council credited £2,273k to the MRR, which was fully utilised. As a result, there was no carrying balance on the MRR as at the 31/3/2018.

### 3.1 The Collection Fund

The financial highlights for the Collection Fund are given below:

- There was a £135k surplus on the Council Tax Collection Fund in 2017/18. This results in an overall surplus on the fund of £438k at 31/3/2018, of which 13.72% is due to MDDC, amounting to £60k.
- The Council Tax collection rate achieved in the year was 98.0% (98.1% in 2016/17).
- The Council set a Band D equivalent council tax rate of £192.15 in 2017/18.
- There was a £413k deficit on the Business Rates Collection Fund in 2017/18. This results in an overall deficit on the fund of £769k at 31/3/2018, of which 40% is due to MDDC, amounting to £308k.
- The Business Rates collection rate achieved in the year was 99.2% (99.2% in 2016/17).

### 3.2 Pension Fund

The financial highlights of the pension fund are:

- Pension assets have increased to £62,161k (£59,578k in 16/17)
- Pension liabilities have decreased to £122,170k (£123,112k in 16/17)
- Unfunded liabilities have decreased to £1,148k (£1,226k in 16/17)
- The net deficit on the fund is £60,009k (£63,534k in 16/17)

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.

### 3.3 Valuation of Property Portfolio

The Council instructed the District Valuer to undertake a full valuation of 1/5<sup>th</sup> of its asset portfolio and review the remaining assets in order to establish a “true and fair” view for the 31 March 2018 Balance Sheet.

### 3.4 Treasury Activities

The table below gives an overview of the Council’s treasury activities during 2017/18:

31/03/17 £k	Investment Categories	31/03/18 £k
3	Cash floats	3
3,743	Bank deposits	4,889
0	Short term deposits	2,000
<b>3,746</b>	<b>Total</b>	<b>6,892</b>

In addition to above cash equivalents, the Council also held £19m of short term investments as at the 31 March 2018.

The Council generated investment interest of £158k (excluding CCLA dividends), which gave an average rate of return of 0.58%.

### **3.5 Borrowing**

At the end of 2017/18, the Council had five Public Works Loan Board loans outstanding with a principal of £42.45m, including a new loan for £207k taken to improve the fitness facilities at Exe Valley Leisure Centre. The Council has paid off £1.731m of the outstanding balances during the year and interest of £1.3m. The interest rates on these loans range from 1.7% to 2.94% pa.

### **3.6 Principal Risks and Uncertainties**

A risk and opportunity management strategy is in place to identify and evaluate risks. There are clearly defined steps to support better decision making through the understanding of risks, whether a positive opportunity or a threat and the likely impact.

Risks are managed at all levels within the Council. The most serious and/or cross-cutting risks are escalated to the Corporate Risk Register. The Corporate Risk Register is subject to regular review by the Leadership Team and the risks regularly reported to all Policy Development Groups (PDGs); Audit Committee; Cabinet; and Scrutiny. Each risk has an owner and is supported by actions designed to reduce uncertainty and the Council's exposure to risk.

The key areas of corporate risk at March 2018 centred on:

- Financial uncertainty / budgetary pressures
- Asset Management – regulatory compliance
- Impact of welfare reform – impact on our residents and our rental income
- Local Plan Review
- Pressures on the Housing Service
- General Data Protection Regulation (GDPR) compliance

### **3.7 The Financial Future of Mid Devon**

2017/18 was another successful year for the Council; our core services were delivered within budget set against a funding backdrop which has seen circa £3.5 million of Central Government funding cuts since 2010/11.

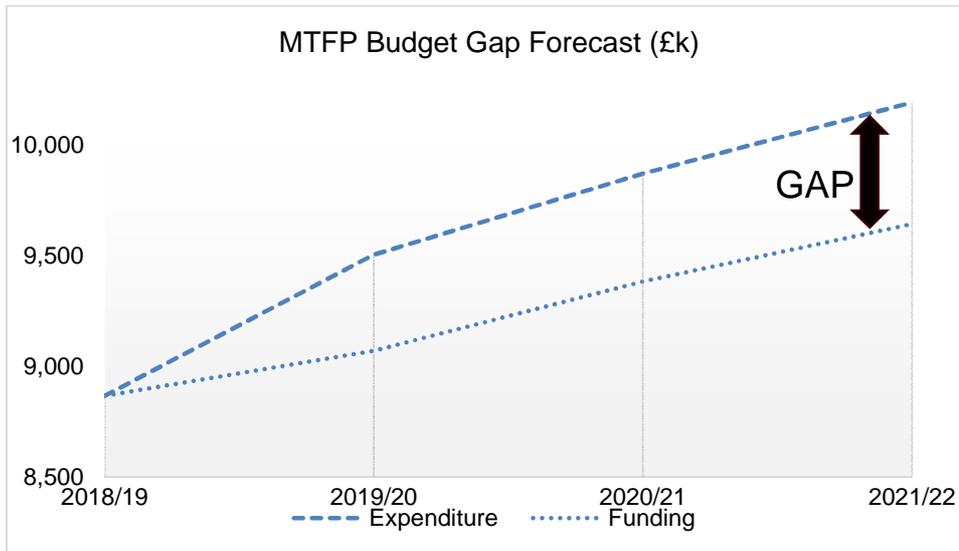
In order to reduce our operational costs, the Council has looked to rationalise its surplus property assets and acquire more income generating ones. Major changes to our waste collection service are now paying dividends and more enhanced shared working with our near neighbours in areas such as Building Control, Audit and Spatial Planning are helping to further reduce costs and, importantly, build greater capacity.

The future of local government funding remains a very uncertain one. Major changes to New Homes Bonus, the elimination of RSG, the Fairer Funding review and the ongoing discussions regarding the move to 100% business rate localisation, all make any attempt at structured medium term financial planning an increasingly difficult challenge. To this end, the Council has managed to deliver some surpluses across a number of services which we have been able to earmark to provide some contingency, whilst further savings are required in order to plan for balanced budgets in the future.

The recently restructured Leadership Team is already considering a number of options in order to ensure that the Council remains in a strong financial position moving forward. And continuing the journey with healthy financial balances gives

the Council a degree of flexibility in decision making, which enables us to continue to provide excellent services at an affordable cost.

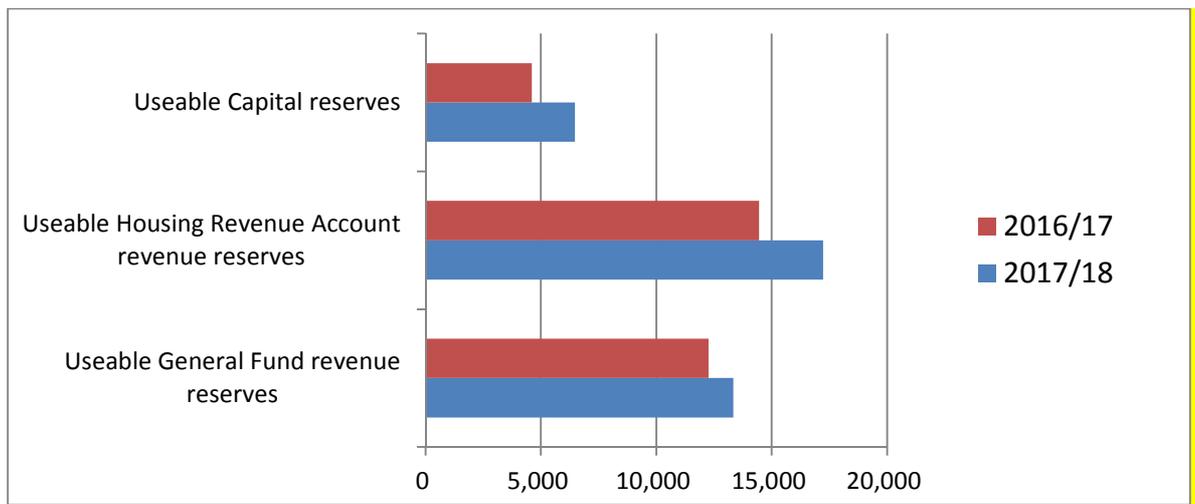
### Medium Term Forecast Expenditure and Funding £k



#### 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 approximately £550k in 2021/22, meaning a cumulative shortfall of £1.4m over the next four years.
2. Central Government will reduce Revenue Support Grant (RSG) to nil in 2019/20 from £6.2m in 2010/11. This has only been partly offset with increased Retained Business Rates which have seen growth in 2017/18 and the prospect of the 100% Business Rates Pilot Scheme in 2018/19. With increasing demands on services the removal of RSG puts increased pressure on our ability to generate Business Rates as one of the few remaining funding streams.

### Total Usable Reserves £k



**Andrew Jarrett**  
**Director of Finance, Assets and Resources**

## **4.0 STATEMENT OF ACCOUNTING POLICIES**

### **4.1 General Principles**

The Statement of Accounts summarises the Council's transactions for the 2017/18 financial year and its position at the year ending 31 March 2018. The Authority is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015 in accordance with proper accounting practices. These practices under Section 21 of the 2003 Act primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2017/18, 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 in which 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 when payments are 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.

### **4.3 Overheads and Support Services**

The costs of overheads and support services are charged to those users that benefit from the supply or service as required by the CIPFA Code of Code of Practice on Local Authority Accounting 2017/18.

### **4.4 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 recognised 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. They are charged on an accruals basis and form part of the Corporate Management line in the Comprehensive Income and Expenditure Statement (CIES) 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.

## **4.5 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.

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 Corporate Management.
- 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.

**4.6 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 recognised 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 their nature. When conditions are satisfied, the grant or contribution is credited to the relevant service 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.

#### **4.7 Revenue Expenditure Funded from Capital under Statute (REFCUS)**

REFCUS represents expenditure that may be capitalised under statutory provisions but that does not result in the creation of a non-current asset 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.

#### **4.8 Value Added Tax**

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

#### **4.9 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 basis of estimation adopted by the Authority comprises three elements:

1. There is a minimum revenue provision of 4% on assets acquired prior to 1 April 2008.
2. Finance leases have their capital financing applied on a straight line basis over the life of the lease contract.
3. New assets, acquired after 1 April 2008, that are not finance leases, have their capital financing calculated on a straight line basis over the life of the asset.

#### **4.10 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.

#### **4.11 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.

#### **4.12 Reclassifiable Amounts in the Surplus or Deficit on the Provision of Services**

##### **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. The Council has a discretionary de minimis level for recognising Property, Plant and Equipment of £20,000.

## **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.

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).
- 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 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 recognise unrealised gains. In some cases, gains may be credited to the CIES where they arise from the reversal of a loss previously charged to a service.

Where decreases in value are identified, they are accounted for as follows:

- 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 only contains revaluation gains recognised since 1 April 2007, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

### **Componentisation**

The move to IFRS accounting has seen the introduction of componentisation. This policy states that where a large asset is made up of a number of components that have differing economic lives, 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.

The only exception to this is where major components of council dwellings are separated out from the whole asset for the purposes of setting a more accurate depreciation figure. These major components have been identified as roofs, kitchens, bathrooms, windows and boilers.

### **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 as follows:

- 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 1/5th of the property portfolio at 31 March 2018.

## Depreciation

Depreciation is provided for on all Property, Plant and Equipment assets by the systematic 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	10 years
Structure	60 years

Applying this model, with current rebuilding costs, a depreciation charge of £2,222k 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 property's 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 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 10 years
CVSC Boilers & Solar Panels on Council Buildings (Phoenix House, 3 Leisure Buildings & Moorhayes Community Centre)	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.

#### **4.13 Disposals and Non-Current Assets Held for Sale**

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

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

Assets that are to be abandoned or scrapped are not reclassified as Assets Held for sale. When an asset is disposed of or decommissioned, the value of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for sale) is written off to the Other Operating Expenditure in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts in excess of £10k 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.

#### **4.14 Heritage Assets**

A tangible heritage asset is defined as an asset with historical, artistic, scientific, technological, geophysical or environmental qualities, which 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 4.14 above.

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

### **Art Collection**

The 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 and then revalued in 2016/17.

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.

## **4.15 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).

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.

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.

#### **4.16 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. We also consider that leases for land for a period of at least 125 years are pragmatically a substantial period of the asset life and use discretion to treat these as finance leases, whether as lessor or 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 (in this case 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. if 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.

#### **4.17 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. Those investments which have three months or less to maturity at their initial contract date are treated as cash and cash equivalents. Any cash and bank balances whose term, at their initial contract date, is less than three months are categorised as cash and cash equivalents.

#### **4.18 Council Tax and Non-domestic Rates**

Billing authorities act as agents, collecting council tax and non-domestic rates (NDR) on behalf of the major preceptors (including government for NDR) and, as principals, collecting council tax and NDR for themselves. Billing authorities are required by statute to maintain a separate fund (i.e. the Collection Fund) for the collection and distribution of amounts due in respect of council tax and NDR. Under the legislative framework for the Collection Fund, billing authorities, major preceptors and Central Government share proportionately the risks and rewards that the amount of council tax and NDR collected could be less or more than predicted.

##### **Accounting for Council Tax and NDR**

The council tax and NDR income included in the Comprehensive Income and Expenditure Statement is the Authority's share of accrued income for the year. However, regulations determine the amount of council tax and NDR that must be included in the authority's General Fund. Therefore, the difference between the income included in the Comprehensive Income and Expenditure Statement and the amount required by regulation to be credited to the General Fund is taken to the Collection Fund Adjustment Account and included as a reconciling item in the Movement in Reserves Statement.

The Balance Sheet includes the authority's share of the end of year balances in respect of council tax and NDR relating to arrears, impairment allowances for doubtful debts, overpayments and prepayments and appeals.

The income for Council Tax and NDR is recognised when it is probable that the economic benefits or service potential associated with the transaction will flow to the Authority, and the amount of the revenue can be measured reliably.

Revenue relating to such things as council tax, general rates, etc. shall be measured at the full amount receivable (net of any impairment losses) as they are non-contractual, non-exchange transactions and there can be no difference between the delivery and payment dates.

#### **4.19 Inventories**

Inventories are included in the Balance Sheet at cost. This is a departure from the CIPFA Code of Practice, which requires 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.

#### **4.20 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 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.

## 4.21 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

### **Available-for-Sale-Assets**

Available-for-sale assets are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Where the asset has fixed or determinable payments, 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 amortised cost of the asset multiplied by the effective rate of interest for the instrument. Where there are no fixed or determinable payments, income (e.g. dividends) is credited to the Comprehensive Income and Expenditure Statement when it becomes receivable by the Authority.

Assets are maintained in the Balance Sheet at fair value. Values are based on the following technique:

Instruments with quoted market prices – the market price

The input to the measurement technique is categorised in accordance with the following technique:

Level 1 input – quoted price (unadjusted) in active markets for identical assets that the authority can access at the measurement date.

Changes in fair value are balanced by an entry in the Available-for-Sale Financial Instruments Reserve and the gain or loss is recognised in the Surplus or Deficit on revaluation of Available-for-Sale Financial Assets. The exception is where impairment losses have been incurred – these are debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, along with any net gain or loss for the asset accumulated in the Available-for-Sale Financial Instruments Reserve.

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 (fixed or determinable payments) or fair value falls below cost, the asset is written down and a charge made to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The impairment loss is measured as any shortfall of fair value against the acquisition cost of the instrument (net of any principal repayment and amortisation).

Any gains or losses that arise on the derecognition of the asset are credited or debited to the Financing and Investment and Expenditure line in the Comprehensive Income and Expenditure Statement, along with any accumulated gains or losses previously recognised in the Available-for-Sale Financial Instruments Reserve

## **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.

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 de-recognition of the asset would be credited or debited to the Financing and Investment Income line in the Comprehensive Income and Expenditure Statement.

### **4.22 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 amount 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

### **4.23 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.

#### **4.24 General Fund Reserve**

Council has approved a policy whereby the level of the General Fund balance should not fall below 25% of the net General Fund budget. The balance at 31/03/17 was £2.690m.

#### **4.25 Housing Revenue Account (HRA)**

Council has approved a policy of the HRA maintaining a reserve balance of £2m and this has been maintained throughout 2017/18.

**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 Director of Finance, Assets and Resources.
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- approve the statement of accounts.

**5.2 The Director of Finance, Assets and Resources' Responsibilities**

The Director of Finance, Assets and Resources 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 Director of Finance, Assets and Resources 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 Director of Finance, Assets and Resources 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 2018.

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

Andrew Jarrett CPFA  
Director of Finance, Assets and Resources  
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 2018.

The date on which the Statement of Accounts was authorised for issue by the Director of Finance was 30 May 2018.

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

**Approved by the Director of Finance, Assets and Resources**

..... Dated  
Andrew Jarrett CPFA

**Approved by the Chairman of the Audit Committee**

..... Dated  
Bob Evans

**Approved by the Leader of the Council**

..... Dated  
Clive J Eginton

Approved at a meeting of the Audit Committee on the 24 July 2018

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# Mid Devon District Council Financial Statements 2017-18



## 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. This is different from the statutory amounts required to be charged to the General Fund Balance and the Housing Revenue Account for council tax setting and dwellings rent setting purposes. The net Increase/Decrease before Transfers to Earmarked Reserves line shows the statutory General Fund Balance and Housing Revenue Account Balance before any discretionary transfers to or from earmarked reserves undertaken by the Council.

2017/18		USABLE RESERVES											
		REVENUE RESERVES				CAPITAL RESERVES			Total Usable Reserves	Unusable Reserves	Total Authority Reserves		
		General Fund Balance	Earmarked General Fund Reserves	Housing Revenue Account	Earmarked HRA Reserves	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied					
Notes	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000			
	Balance at 31 March 2017	(2,602)	(10,029)	(2,000)	(12,453)	(2,438)	-	(2,162)	(31,684)	(75,160)	(106,844)		
	<b>Movement in Reserves during 2017/18</b>												
	(Surplus) or deficit on the provision of services	788		(9,864)					(9,076)		(9,076)		
	Other Comprehensive Income and Expenditure								-	(8,683)	(8,683)		
	<b>Total Comprehensive Income and Expenditure</b>	788	-	(9,864)	-	-	-	-	(9,076)	(8,683)	(17,759)		
	Adjustments between accounting basis and funding basis under regulations	5	(1,536)		7,090			(1,063)	-	(773)	3,719	(3,719)	(0)
	<b>Net Increase/Decrease before Transfers to Earmarked Reserves</b>		(748)	-	(2,774)	-		(1,063)	-	(773)	(5,357)	(12,402)	(17,759)
	Transfers (to) / from Earmarked Reserves	6	660	(660)	2,774	(2,774)					(0)		
	<b>(Increase)/Decrease in 2017/18</b>		(88)	(660)	(0)	(2,774)	(1,063)	0	(773)	(5,357)	(12,402)	(17,759)	
	<b>Balance at 31 March 2018 Carried forward</b>		<b>(2,690)</b>	<b>(10,689)</b>	<b>(2,001)</b>	<b>(15,227)</b>	<b>(3,501)</b>	<b>0</b>	<b>(2,935)</b>	<b>(37,041)</b>	<b>(87,562)</b>	<b>(124,603)</b>	
	<b>Held for Revenue Purposes</b>		<b>(2,690)</b>	<b>(10,689)</b>	<b>(2,001)</b>	<b>(15,227)</b>				<b>(30,606)</b>			
	<b>Held for Capital Purposes</b>						<b>(3,501)</b>	<b>0</b>	<b>(2,935)</b>	<b>(6,436)</b>			



Comprehensive Income and Expenditure Statement

This section is a summary of our spending on services and where we got the money from to do so.

2016/17 Restated				Notes	2017/18		
Gross Expenditure	Gross Income	Net Expenditure			Gross Expenditure	Gross Income	Net Expenditure
£'000	£'000	£'000			£'000	£'000	£'000
613	(147)	466	Community Development	546	(144)	402	
1,370	(21)	1,349	Corporate Management	2,064	(41)	2,023	
536	(800)	(264)	Car Parks	604	(749)	(145)	
24	-	24	Customer Services	28	-	28	
2,169	(652)	1,517	Environmental Services	2,233	(462)	1,771	
(12)	(8)	(20)	Finance And Performance	14	(9)	5	
52	(35)	17	Grounds Maintenance	203	(103)	100	
403	(314)	89	General Fund Housing	490	(313)	177	
(9,314)	(13,825)	(23,139)	Housing Revenue Account	3,568	(13,575)	(10,007)	
161	-	161	Human Resources	75	-	75	
76	(4)	72	I.T. Services	103	(1)	102	
1,328	(359)	969	Legal & Democratic Services	1,310	(385)	925	
2,509	(1,730)	779	Planning And Regeneration	2,753	(1,911)	842	
1,078	(761)	317	Property Services	1,514	(1,076)	438	
19,174	(18,685)	489	Revenues And Benefits	18,377	(17,751)	626	
3,697	(2,459)	1,238	Recreation And Sport	3,963	(2,613)	1,350	
5,085	(2,239)	2,846	Waste Services	5,454	(2,653)	2,801	
<b>28,949</b>	<b>(42,039)</b>	<b>(13,090)</b>	<b>Costs of Services</b>	<b>43,299</b>	<b>(41,786)</b>	<b>1,513</b>	
		825	Other Operating Expenditure			1,013	
		2,713	Financing and Investment Income and Expenditure			2,634	
		(13,733)	Taxation and Non-Specific Grant Income			(14,236)	
		<b>(23,285)</b>	<b>(Surplus) or Deficit on Provision of Services</b>			<b>(9,076)</b>	
		250	(Surplus) or deficit on revaluation of available for sale financial assets			(220)	
		14,697	Remeasurements of the net defined benefit liability			(6,729)	
		(3,247)	(Surplus) or deficit on revaluation of Property, Plant and Equipment			(1,734)	
		<b>11,700</b>	<b>Other Comprehensive Income and Expenditure</b>			<b>(8,683)</b>	
		<b>(11,585)</b>	<b>Total Comprehensive Income and Expenditure</b>			<b>(17,759)</b>	

## Balance Sheet

This section shows our financial position at the end of the financial year.

31 March 2016 Restated £'000	31 March 2017 Restated £'000		Notes	31 March 2018 Restated £'000
169,120	189,011	Property, Plant & Equipment	23	196,656
491	454	Heritage Assets	26	330
-	-	Intangible assets	27	-
2,390	4,639	Long-term Investments	33	4,860
158	176	Long-term Debtors	34	1,065
<b>172,159</b>	<b>194,280</b>	<b>Non-Current Assets</b>		<b>202,911</b>
13,500	18,000	Short-term Investments	35	19,000
-	419	Assets held for sale	35a	240
195	200	Inventories	36	227
2,596	2,762	Short-term Debtors	37	4,171
6,387	3,746	Cash and Cash Equivalents	38	6,892
<b>22,678</b>	<b>25,127</b>	<b>Current Assets</b>		<b>30,530</b>
(5,397)	(4,230)	Short-term Creditors	39	(5,273)
(41)	(28)	Provisions	41	(28)
(1,683)	(1,731)	Short-term Borrowing	30	(1,731)
<b>(7,121)</b>	<b>(5,989)</b>	<b>Current Liabilities</b>		<b>(7,032)</b>
(641)	(627)	Long-term Creditors	40	(968)
(43,973)	(42,242)	Long-term Borrowing	30	(40,718)
(47,032)	(63,534)	Other Long Term Liabilities	47	(60,009)
(807)	(171)	Capital Grants Receipts in Advance	40	(111)
<b>(92,453)</b>	<b>(106,574)</b>	<b>Long Term Liabilities</b>		<b>(101,806)</b>
<b>95,263</b>	<b>106,844</b>	<b>Net Assets</b>		<b>124,603</b>
25,586	31,684	Usable Reserves	42	37,041
69,677	75,160	Unusable reserves	43	87,562
<b>95,263</b>	<b>106,844</b>	<b>Total Reserves</b>		<b>124,603</b>

## Cash Flow Statement

This section shows what cash we spend and receive

Restated		Notes	2017/18
2016/17			£'000
£'000			£'000
23,285	Net surplus or (deficit) on the provision of services		9,076
(12,443)	Adjustments to net surplus or deficit on the provision of services for non-cash movements	51	4,746
(2,338)	Adjustments for items included in the net surplus on the provision of services that are investing and financing activities (See note references)	52	(4,314)
<b>8,504</b>	<b>Net cash flows from Operating Activities</b>		<b>9,508</b>
(9,373)	Investing Activities	54	(4,752)
(1,772)	Financing Activities	55	(1,609)
<b>(2,641)</b>	<b>Net increase or (decrease) in cash and cash equivalents</b>		<b>3,147</b>
6,387	Cash and cash equivalents at the beginning of the reporting period	38	3,746
<b>3,746</b>	<b>Cash and cash equivalents at the end of the reporting period</b>	<b>38</b>	<b>6,893</b>

**SUPPLEMENTARY STATEMENT**

**Expenditure and Funding Analysis**

The objective of the Expenditure and Funding Analysis is to demonstrate to council tax and rent payers how the funding available to the authority has been used. The Expenditure and Funding Analysis also shows how this expenditure is allocated for decision making purposes. Therefore, the top half shows expenditure on the same basis as in our CIES and the bottom half shows how this impacts on our reserves.

Restated 2016/17				2017/18		
Net expenditure chargeable to the GF and HRA balances	Adjustments between funding and accounting basis	Net expenditure in the CIES		Net expenditure chargeable to the GF and HRA balances	Adjustments between funding and accounting basis	Net expenditure in the CIES
£'000	£'000	£'000		£'000	£'000	£'000
466	(1)	465	Community Development	402	-	402
1,349	-	1,349	Corporate Management	2,023	-	2,023
(264)	-	(264)	Car Parks	(145)	-	(145)
24	(1)	23	Customer Services	28	-	28
1,517	-	1,517	Environmental Services	1,771	-	1,771
(20)	-	(20)	Finance And Performance	5	-	5
17	-	17	Grounds Maintenance	100	-	100
89	-	89	General Fund Housing	177	-	177
(23,328)	189	(23,139)	Housing Revenue Account	(9,862)	(145)	(10,007)
161	(1)	160	Human Resources	75	-	75
72	1	73	I.T. Services	102	-	102
969	-	969	Legal & Democratic Services	925	-	925
779	-	779	Planning And Regeneration	842	-	842
317	-	317	Property Services	438	-	438
489	-	489	Revenues And Benefits	626	-	626
1,238	1	1,239	Recreation And Sport	1,350	-	1,350
2,846	1	2,847	Waste Services	2,801	-	2,801
<b>(13,279)</b>	<b>189</b>	<b>(13,090)</b>	<b>Costs of Services</b>	<b>1,658</b>	<b>(145)</b>	<b>1,513</b>
8,619	(18,814)	(10,195)	Other Income and Expenditure	(5,150)	(5,439)	(10,589)
<b>(4,660)</b>	<b>(18,625)</b>	<b>(23,285)</b>	<b>(Surplus) or Deficit on Provision of Services</b>	<b>(3,492)</b>	<b>(5,584)</b>	<b>(9,076)</b>
(22,424)			Opening balance (combined General Fund and HRA reserves) as at 31/03/17	(27,084)		
(4,660)			Plus (surplus) or deficit on General Fund and HRA in year	(3,492)		
<b>(27,084)</b>			<b>Closing balance (combined General Fund and HRA reserves) as at 31/03/18</b>	<b>(30,576)</b>		

## Expenditure and Income Analysed by Nature

Paragraph 3.4.2.43 of the Code requires that we report the authority's expenditure and income analysed by the nature of the expenditure or income. Thus, the following shows the amounts that make up the surplus or deficit on the provision of services on the CIES, but categorised by nature instead of service segment.

	Notes	2016/17	2017/18
		Restated	
		£'000	£'000
<b>Expenditure</b>			
Employee benefits		14,391	16,168
Other services		30,050	29,790
Depreciation, amortisation and impairment		(13,390)	(724)
Interest payments	9	1,347	1,302
Precepts and levies	8	1,358	1,454
<b>Total expenditure</b>		<b>33,756</b>	<b>47,990</b>
<b>Income</b>			
Fees, charges and other service income		(42,225)	(41,776)
Interest and investment income	9	(318)	(382)
Income from council tax, NNDR, RSG and other government grants including NHB	10	(13,733)	(14,236)
Gain on the disposal of assets	8	(766)	(672)
<b>Total income</b>		<b>(57,042)</b>	<b>(57,066)</b>
<b>Surplus or deficit on the provision of services</b>		<b>(23,286)</b>	<b>(9,076)</b>

# Mid Devon District Council Financial Statements 2017-18

## Prior Period Adjustment - Reclassification of CCLA Fund Investment

During the compilation of the 2017/18 Statement of Accounts, the Council discovered that the advice previously received from the External Auditors in relation to the classification of the CCLA Fund investment as "Cash and Cash Equivalents" was not consistent with the treatment by other authorities and was contrary to the Council's own accounting policies. Following discussions with the External Auditors it was felt that the correct classification for the CCLA Fund was as a long term investment rather than "Cash and Cash Equivalents" as previously reported.

The change in classification moves the cumulative fair value loss on this investment from a "real cost" to the General Fund Reserve to a "notional cost" which is held in the Available for Sale Financial Instruments Adjustment Account.

We made our first investment in the Fund in 2015/16 and therefore for transparency purposes we have restated the Balance Sheets for 2015/16 and 2016/17.

There is no effect on the Comprehensive Income and Expenditure Statement for previous years although we have changed the classification of the revaluation to fall under "Other Comprehensive Income and Expenditure" rather than "Surplus/Deficit on Provision of Services. The bottom line is therefore unchanged.

The CIPFA Code of Practice on Local Authority Accounting in the United Kingdom requires that an authority present a Balance Sheet at the beginning of the preceding period when an authority makes a retrospective restatement. The reclassification impacted on the figures for Cash and Cash Equivalents; Long Term Investments; Usable Reserves and Unusable Reserves (General Fund Balance)

The following table demonstrates the effects on the following line items in the Balance Sheets at 31 March 2016 and 31 March 2017. The restated prior period Balance Sheet is provided with the current year information of the Financial Statements.

### The effect on the Balance Sheet 31 March 2016

	As Originally Stated 2015/16 £'000	As Restated 2015/16 £'000	Amount of Restatement £'000
Long Term Investments	0	2,390	2,390
<b>Non-Current Assets</b>	<b>169,769</b>	<b>172,159</b>	<b>2,390</b>
Cash and Cash Equivalents	8,777	6,387	(2,390)
<b>Current Assets</b>	<b>25,068</b>	<b>22,678</b>	<b>(2,390)</b>
Usable Reserves	25,476	25,586	110
Unusable Reserves	69,787	69,677	(110)

### The effect on the Balance Sheet 31 March 2017

	As Originally Stated 2016/17 £'000	As Restated 2016/17 £'000	Amount of Restatement £'000
Long Term Investments	0	4,639	4,639
<b>Non-Current Assets</b>	<b>189,641</b>	<b>194,280</b>	<b>4,639</b>
Cash and Cash Equivalents	8,385	3,746	(4,639)
<b>Current Assets</b>	<b>29,767</b>	<b>25,128</b>	<b>(4,639)</b>
Usable Reserves	31,323	31,684	361
Unusable Reserves	75,521	75,160	(361)

The following restatement was also required for the Movement in Reserves Statement for Usable and Unusable Reserves.

The restated (for the relevant line items) prior period Movement in Reserves Statement is provided with the current year information .

**Movement in Reserves Statement - Usable Reserves 31 March 2016 and 31 March 2017**

	Usable Reserves As Originally Stated 2015/16 £'000	Usable Reserves As Restated 2015/16 £'000	Difference £'000	Unusable Reserves As Originally Stated 2015/16 £'000	Unusable Reserves As Restated 2015/16 £'000	Difference 2015/16 £'000
Balance at 31 March 2015 carried forward	(20,482)	(20,482)	0	(66,858)	(66,858)	0
<b>Total Comprehensive Income and Expenditure (15/16)</b>	(788)	(898)	(110)	(7,135)	(7,025)	110
Balance at 31 March 2016 carried forward	(25,476)	(25,586)	(110)	(69,787)	(69,677)	110

	Usable Reserves As Originally Stated 2016/17 £'000	Usable Reserves As Restated 2016/17 £'000	Difference £'000	Unusable Reserves As Originally Stated 2016/17 £'000	Unusable Reserves As Restated 2016/17 £'000	Difference 2016/17 £'000
Balance at 31 March 2016 carried forward	(25,476)	(25,586)	(110)	(69,787)	(69,677)	110
<b>Total Comprehensive Income and Expenditure (16/17)</b>	(23,036)	(23,287)	(251)	11,452	11,702	250
Balance at 31 March 2017 carried forward	(31,323)	(31,684)	(361)	(75,521)	(75,160)	361

Overall this means that the opening balance as at 1 April 2017 is £361k higher in the General Fund Balance (Usable Reserves) and £361k lower in Unusable Reserves

## Notes to the Accounts

### 1 Accounting Standards That Have Been Issued But Have Not Yet Been Adopted

Paragraph 3.3.4.3 of 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. The 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 2018 for 2017/18).

In compiling the 2017/18 accounts the following accounting policies would have been treated as not yet adopted:

- **IFRS 9** Financial Instruments
- **IFRS 15** Revenue from contracts with Customers (including amendments to IFRS 15: Clarifications to IFRS15 Revenue from Contracts with Customers)

**IFRS 9** Financial Instruments has been adopted by the 2018/19 Accounting Code, with an application date of 1 April 2018. IFRS 9 was devised to correct weaknesses in accounting practices that contributed to the global financial crisis. In particular it:

- changes the default accounting treatment for investments from one where gains and losses in value are not recognised as income or expenditure until an investment matures or is disposed of to one where income or expenditure is recognised as fair value gains and losses arise
- changes the model for impairment loss allowances for financial assets from one based on incurred losses to one based on expected losses.

Under the new treatment we will be required to restate the balance of £140k in our Available-for-Sale Financial Instruments Reserve as a charge to the General Fund - Revenue section of our Usable Reserves (if no statutory override is granted).

**IFRS 15** Revenue from Contracts with Customers has been adopted by the 2018/19 Accounting Code, with an application date of 1 April 2018. IFRS 15 introduces a new model for the recognition of contractual income, based on allocating the overall transaction price for the goods and/or services to be provided against the satisfaction of the various performance obligations in the contract. The new model has the potential to change the date at which revenue is recognised compared to the current accounting requirements. Since both of these relate to pension fund authorities only, they are not applicable for this set of accounts. The analysis carried out to date indicates that there will be no material impact on the revenue recognised in relation to the significant contracts entered into by the Council. We do not expect this standard to have a material impact on our accounts when we apply it retrospectively from 1 April 2018.

## 2 Critical Judgements in Applying Accounting Policies

The following judgements have been used to prepare the accounts.

- a) estimates for accrued expenditure/income - based on service managers' and accountants' calculations at year end;
- b) bad debt provision - based on historic trends, adjusted for any material movements during 2017/18;
- c) asset lives for the calculation of depreciation charges - based on service managers' experience of previously used assets.
- d) Estimating the total amount of the housing benefit subsidy claim for the year prior to its final determination after 31 March using data for the first eleven months.

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 Grant Thornton during their audit of the Council's Accounts.

The Council has leased land to Premier Inn for 125 years and has received the market value of this land in full, in 2017/18.

As outlined in our accounting policies we consider the lease of land and buildings separately and land generally has an indefinite life and land leases are often treated in local government accounts as operating leases showing the receipt of funds on an annual basis over the term of the lease. In this case we consider that the term of the lease is the "major part of the economic life" of the land and that we cannot reasonably expect the land to have any value at the end of the 125 year term. Before planning permission was granted we held the land in our accounts at nil value.

There is no break clause in the lease so Premier Inn is considered to control the land for that period. This is another indication that this lease has the traits of a sale/finance lease.

As we have no control over the land during that 125 years and as the Council considers that we have transferred all the risks and rewards to Premier Inn and that the substance of the transaction is equivalent to a freehold sale, the Council has treated this as a Finance lease, removing the asset from our balance sheet and recognising the funds received in full in 2017/18.

The alternative would have been to treat this as an operating lease and "drip feed" the £900k we received into the accounts at £7k per year for 125 years. We judged this to be inappropriate, as it does not reflect the substance and risk and reward of the transaction.

There is a high degree of uncertainty about future levels of funding for local government. However, the Authority has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Authority might be impaired as a result of a need to close facilities and reduce levels of service provision.

**Notes to the Accounts**

**3 Material Items of Income and Expense**

There were no material items this year.

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

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

The items in the Authority's Balance sheet at 31 March 2018 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Note	Item	Uncertainties	Effect if Actual results Differ
23	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 and plant based on a gross value of £39,662k (excl. Council Houses) would increase by £161k for every year that useful lives had to be reduced.
22	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 closing defined benefit obligation 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 closing defined benefit obligation to £119,953k and a 1 year increase in mortality rates would increase the closing defined benefit obligation to £126,852k. However the assumptions interact in complex ways.
4	Business Rates Appeals Provision	Estimates have been made for the provision for refunding ratepayers who have successfully appealed against the rateable value of their properties. This includes the current and previous financial years. The estimate is based on those ratepayers who have appealed.	There is uncertainty and risk surrounding the calculation of the provision as future events may affect the amount required to settle an obligation.

Notes to the Accounts

Note	Item	Uncertainties	Effect if actual results differ from
	Arrears	At 31 March 2018, the Authority had a gross sundry debtors balance of £983k. A review of significant balances suggested that a provision for doubtful debts of 20% or £192k was appropriate (£154k of which relates to DARS). However, in the current economic climate it is not certain whether such an allowance would be sufficient.	If we were to provide for 1% more of the arrears, the provision value would increase by approximately £10k.
	Housing Benefit Subsidy Claim	To help meet the earlier preparation of the accounts the Housing Benefit Subsidy claim has been estimated at 25 March 2018, having regard to the financial ledger and expectation of the final annual figure.	Estimating before the year end has led to an immaterial amount of £9k which will now be accounted for in 2018/19.
	Fair Value Asset Valuation	The Authority engages the District Valuer, a qualified RICS surveyor, to provide valuations of land and property assets at the year end. The values of assets are adjusted to their current values by reviewing the sales of similar assets in the region, applying indexation and considering impairment of individual assets. The District Valuer works closely with the finance staff on all valuation matters.	Significant changes in the assumptions of future income streams/growth, occupancy levels, ongoing property maintenance and other factors would result in a significantly higher or lower fair value measurement for these assets.
	Impairments	All non current assets need to be reviewed for possible impairment. A review with service managers is undertaken each year to consider the possible impairment of assets. The District Valuer also considers possible impairment when undertaking his valuations.	If a significant impairment of an asset were not to be adjusted then the non current assets would be materially overstated in the financial statements.
	Accruals	Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. A de minimis level of £10k is normally applied to adjust for timing differences between accounting years.	Although a review of cash paid and cash received after the year end is performed, if significant unrecorded liabilities were not identified then material misstatement of our liabilities in the balance sheet of the accounts would occur.

## 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 arrive at the resources that are specified by statutory provisions as being available to the Authority to meet future capital and revenue expenditure.

#### General Fund Balance

The General Fund is the statutory fund into which all of the receipts of an authority are required to be paid and out of which all liabilities are to be met, except for the Housing Revenue Account (HRA) see below and where statutory rules provide otherwise. These rules can also specify the financial year in which liabilities and payments should impact on the General Fund Balance, which is not necessarily in accordance with proper accounting practice. The General Fund balance therefore summarises the resources that the Council is statutorily empowered to spend on its services or on capital investment at the end of the financial year. However the General Fund balance is not available to fund the HRA services (see below).

#### Housing Revenue Account Balance

The Housing Revenue Account Balance reflects the statutory obligation to maintain a revenue account for local authority council housing provision in accordance with Part VI of the Local Government and Housing Act 1989. It contains the balance of income and expenditure as defined by the 1989 Act that is available to fund future expenditure in connection with the Council's landlord function.

#### Major Repairs Reserve

The authority is required to maintain a Major Repairs Reserve, which controls an element of the capital resources limited to being used on capital expenditure on HRA assets or the financing of historical capital expenditure by the HRA. The balance shows the capital resources that have yet to be applied at the year-end.

#### Capital Receipts Reserve

The Capital Receipts Reserve holds the proceeds from the disposal of land or other assets, which are restricted by statute from being used other than to fund new capital expenditure or to be set aside to finance historic capital expenditure. The balance on the reserve show the resources that have yet to be applied for these purposes at the year-end.

#### Capital Grants Unapplied

The Capital Grants Unapplied Account holds the grants and contributions received towards capital projects for which the Council has met the conditions that would otherwise require repayment of the monies but which have yet to be applied to meet expenditure. The balance may be restricted by grant terms as to the capital expenditure against which it can be applied and /or the financial year in which this can take place.

## Notes to the Accounts

### 5 Adjustments between Accounting Basis and Funding Basis under Regulations

This section shows the adjustments we have to make to arrive at the final charge to Council tax

2017/18	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	£'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	(1,780)	(2,437)					4,217
Revaluation (losses)/gains on Property, Plant and Equipment	(85)	5,026					(4,941)
Amortisation of intangible assets							0
Capital grants and contributions applied							0
Income in relation to donated assets							
Useable Capital Receipts applied in year				(5)			5
Revenue expenditure funded from capital under statute	(457)						457
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	(1,780)	(1,270)					3,050
<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	354	987					(1,341)
Capital expenditure charged against the General Fund and HRA balances	2,150	505					(2,655)
<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	1,751	218			(1,751)		(218)
Application of grants to capital financing transferred to the Capital Adjustment Account					978		(978)
<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	1,639	2,084	(3,723)				
Use of the Capital Receipts Reserve to finance new capital expenditure			2,400				(2,400)
Contribution from the Capital Receipts Reserve towards administrative costs of non current asset disposals		(34)	34				
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	(231)		231				
Right to Buy Discounts repaid							
<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							1
Balance carried forward	1,300	8,079	(1,063)	0	(773)	0	(4,804)

2017/18	Usable Reserves						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	Total Usable Reserves £'000	
Balance brought forward	1,560	5,079	(1,063)		(773)		(4,804)
<b><u>Adjustment involving the Major Repairs Reserve:</u></b>							
Reversal of Major Repairs Allowance credited to the HRA		2,273		(2,273)			
Use of the Major Repairs Allowance to finance new capital expenditure				2,273			(2,273)
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							
<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	(5,438)	(270)					5,708
Employer's pension contributions and direct payments to pensioners payable in the year.	2,504						(2,504)
<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	18						(18)
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	(213)						213
<b><u>Adjustment involving the Accumulating Compensated Absences Adjustment Account:</u></b>							
Amount by which officer remuneration charged to the Comprehensive Income an Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements.	32	8					(40)
<b>Total Adjustments</b>	<b>(1,537)</b>	<b>7,090</b>	<b>(1,063)</b>	<b>0</b>	<b>(773)</b>	<b>0</b>	<b>(3,718)</b>

## Notes to the Accounts

### 5 Adjustments between Accounting Basis and Funding Basis under Regulations

This section shows the adjustments we have to make to arrive at the final charge to Council tax

2016/17	Usable Reserves						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	Total Usable Reserves £'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	(1,580)	(2,414)					3,994
Revaluation (losses)/gains on Property, Plant and Equipment	(299)	17,808					(17,509)
Amortisation of intangible assets	(125)						125
Capital grants and contributions applied							
Income in relation to donated assets							0
Revenue expenditure funded from capital under statute	(333)						333
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	(101)	(1,219)					1,320
<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	361	985					(1,346)
Capital expenditure charged against the General Fund and HRA balances	397	109					(506)
<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	978	636			(1,614)		
Application of grants to capital financing transferred to the Capital Adjustment Account					1,171		(1,171)
<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	116	1,970	(2,086)				
Use of the Capital Receipts Reserve to finance new capital expenditure			820				(820)
Contribution from the Capital Receipts Reserve towards administrative costs of non current asset disposals		(36)	36				
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	(233)		233				
Transfer of deferred sale proceeds as part of the gain/loss on disposal to the Comprehensive income and Expenditure Statement							
<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	(1)						1
<b>Balance carried forward</b>	<b>(820)</b>	<b>17,839</b>	<b>(997)</b>	<b>0</b>	<b>(443)</b>	<b>0</b>	<b>(15,579)</b>

2016/17	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	£'000
Balance brought forward	(820)	17,839	(997)	0	(443)	0	(15,579)
<b><u>Adjustment involving the Major Repairs Reserve:</u></b>							
Reversal of Major Repairs Allowance credited to the HRA		2,797		(2,797)			
Use of the Major Repairs Allowance to finance new capital expenditure				2,797			(2,797)
Interest credited to the Major Repairs Reserve							
Balance brought forward							
<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							
<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	(4,155)	(23)					4,178
Employer's pension contributions and direct payments to pensioners payable in the year.	2,373						(2,373)
<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	34						(34)
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	576						(576)
<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.	10	(2)					(8)
<b>Total Adjustments</b>	<b>(1,982)</b>	<b>20,611</b>	<b>(997)</b>	<b>0</b>	<b>(443)</b>	<b>0</b>	<b>(17,189)</b>

## Notes to the Accounts

### 6 Transfers to/from Earmarked Reserves

This section shows movements in these reserves

General Fund - Revenue Earmarked Reserves	Balance at 1/4/16 £'000	Transfers In £'000	Transfers Out £'000	Reclassification £'000	Balance at 31/03/17 £'000	Transfers In £'000	Transfers Out £'000	Reclassification £'000	Balance at 31/03/18 £'000
Capital Earmarked Reserves	567	0	(21)	(75)	471	104	(93)		482
Maintenance & Amenity Reserve	918	136	(108)	0	946	117	(104)		959
Misc. General Fund Reserves	2,786	700	(375)	45	3,156	1,056	(515)		3,697
Vehicle, plant, equipment and maintenance sinking funds	1,471	696	(26)	100	2,241	632	(883)		1,990
New Homes Bonus	1,601	1,842	(915)	(70)	2,458	1,766	(1,550)		2,674
Insurance excess claims fund	86	0	0	0	86	0	0		86
Statutory Development Plan	60	50	0	0	110	130	0		240
NNDR Reserve	876	0	(316)	0	560	0	0		560
<b>Total Revenue Earmarked Reserves</b>	<b>8,365</b>	<b>3,424</b>	<b>(1,761)</b>	<b>0</b>	<b>10,028</b>	<b>3,804</b>	<b>(3,144)</b>	<b>0</b>	<b>10,688</b>

The £2.7m held in the New Homes Bonus will be used to help fund the Private Sector Housing and Economic Development components of the future capital programme. The maintenance and amenity 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 vehicle, plant, equipment and maintenance sinking funds are for the future replacement of major assets. Miscellaneous General Fund items are a large number of items that relate to specific projects that will be delivered in 2018/19. A full breakdown of the constituents is provided in the outturn report for the Cabinet meeting of 14 June 2018.

Housing Revenue Account - Revenue Earmarked Reserves	Balance at 1/4/16 £'000	Transfers In £'000	Transfers Out £'000	Reclassification £'000	Balance at 31/03/17 £'000	Transfers In £'000	Transfers Out £'000	Reclassification £'000	Balance at 31/03/18 £'000
Sewage Treatment Works	25	0	0	0	25	5	0		30
Renewable Energy Fund	342	183	(70)	0	455	170	(99)		526
HRA Affordable Rent surplus	0	73	(39)	0	34	72	(106)		0
Housing Maintenance Fund	8,886	2,084	(0)	0	10,970	2,441	(278)		13,134
HRA - PWLB Loan Premium Deficit	483	486	0	0	969	569	0		1,537
<b>Total Revenue Earmarked Reserves</b>	<b>9,736</b>	<b>2,826</b>	<b>(109)</b>	<b>0</b>	<b>12,453</b>	<b>3,257</b>	<b>(484)</b>	<b>0</b>	<b>15,227</b>

### 7 Transfers to/from Capital Grants Unapplied

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

Total Funds Unapplied	Balance at 1/4/16 £'000	Transfers In £'000	Transfers Out £'000	Reclassification £'000	Balance at 31/03/17 £'000	Transfers In £'000	Transfers Out £'000	Reclassification £'000	Balance at 31/03/18 £'000
Regional Housing Pot	23	0	0		23	50	0		73
Afford Housing Contributions	821	260	(220)		861	729	(516)		1,074
Air Quality Fund - Cullompton	62	8	0		70	219	0		289
Air Quality Fund - Crediton	526	58	(4)		580	181	0		761
Planning Delivery Grant	198	0	0		198	0	0		198
Cap Grants Unapplied Nonspecific	42	0	(21)		21	0	(21)		0
DCC Funding	20	0	0		20	0	0		20
DCLG DFG grant	30	652	(294)		388	571	(441)		518
<b>Total Capital Grants Unapplied</b>	<b>1,722</b>	<b>978</b>	<b>(539)</b>	<b>0</b>	<b>2,161</b>	<b>1,750</b>	<b>(978)</b>	<b>0</b>	<b>2,933</b>

## Notes to the Accounts

### 8 Other Operating Expenditure

2016/17		2017/18
£'000		£'000
1,358	Parish Council precepts payable	1,454
233	Payments to the Government Housing capital receipts pool	231
(766)	(Gains)/Losses on the disposal of non current assets	(672)
<b>825</b>	<b>Total</b>	<b>1,013</b>

### 9 Financing and Investment Income and Expenditure

2016/17		2017/18
£'000		£'000
1,348	Interest payable and similar charges	1,302
1,684	Net interest on the net defined benefit liability	1,714
(319)	Interest receivable and similar income	(382)
<b>2,713</b>	<b>Total</b>	<b>2,634</b>

### 10 Taxation and Non Specific Grant Income

2016/17		2017/18
£'000		£'000
(6,493)	Council tax income (including Parish Council Precepts receivable)	(6,835)
(2,535)	Non domestic rates	(2,846)
(1,017)	Revenue Support Grant	(498)
(2,338)	Non-ring-fenced government grants	(2,142)
(1,350)	Capital grants and contributions	(1,915)
<b>(13,733)</b>	<b>Total</b>	<b>(14,236)</b>

Further details of specific grant income are shown at note 56

### 11 Surplus or deficit on revaluation of available for sale financial assets

2016/17		2017/18
£'000		£'000
250	Deficit on revaluation of available for sale financial assets	(220)
<b>250</b>	<b>Total</b>	<b>(220)</b>

The Council has invested £5m in the Church Charities and Local Authority (CCLA) Local Authorities' Mutual Investment Trust (LAMIT) Property Fund, which is carried in the Balance Sheet at its fair value of £4,860k. It is anticipated that this investment, which is intended to be held for the long term, will provide a return equal or superior to those achieved by the Council's other current investments. The fair value is based upon public price quotations in an active market for this financial instrument and without this investment counting as capital expenditure.

## Notes to the Accounts

### 12 Operating Leases

#### Authority as Lessee

The Authority holds a number of vehicles and land and buildings under the terms of operating leases.

#### Payments under Operating Leases

The Authority has made payments of £131k under operating leases in 2017/18 (£131k in 2016/17) comprising of the following elements:

2016/17		2017/18	
£'000		£'000	
109	Land & Buildings		120
22	Vehicles, Plant & Equipment		11
<b>131</b>	<b>Total</b>		<b>131</b>

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

#### Authority as Lessor

The gross value of assets held for use in operating leases as at 31 March 2018 was £13,838k (£12,321k at 31 March 2017)

	2016/17			2017/18		
	Gross Value	Net Book Value	Rental Income	Gross Value	Net Book Value	Rental Income
	£'000	£'000	£'000	£'000	£'000	£'000
HRA Shops	1,201	1,201	(109)	1,221	1,221	(108)
General Fund Shops	3,839	3,839	(428)	5,116	5,116	(345)
Other GF Land & Buildings	5,970	5,970	(126)	6,097	6,097	(132)
Industrial Units	1,311	1,311	(94)	1,404	1,404	(93)
<b>Total</b>	<b>12,321</b>	<b>12,321</b>	<b>(757)</b>	<b>13,838</b>	<b>13,838</b>	<b>(678)</b>

The increase in General Fund land & buildings & General Fund Shops is due to the acquisition of shops & flats in Fore Street, Tiverton and the land and building of Coggan's Well House.

The Council also received £12,812k from the rental of 1,146 Garages Rents and 3,005 Council Houses (£13,012k 2016/17). For more information see the Housing Revenue Account notes.

## Notes to the Accounts

### 13 Officers' Emoluments

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

Remuneration Band	2016/17		2017/18	
	Number of Employees	Left During Year	Number of Employees	Left During Year
£50,000 - £54,999	0	0	1	0
£55,000 - £59,999	0	0	0	0
£60,000 - £64,999	1	0	1	0
£65,000 - £69,999	1	0	0	0
£70,000 - £74,999	2	0	2	1
£75,000 - £79,999	1	1	2	0
£80,000 - £84,999	0	0	0	0
£85,000 - £89,999	1	1	0	0
£95,000 - £99,999	1	0	0	0
£105,000 - £109,999	0	0	1	0

The above table includes one employee who received a termination payment in 2017-18. This employee is included in the termination benefit note.

Two employees in the above table are not Senior Officers so have not been included in the Senior Officers table, all of the other employees are included.

In completing the 2017/18 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 2017/18

Notes to the Accounts

13 Officers' Emoluments

Senior Officers Earning in Excess of £50,000

Post Title	Financial Year	Salary (Including Allowances)	Compensation for Loss of Employment	Taxable Expenses	Benefits in Kind	Total Remuneration excluding pension contributions	Pension Contributions	Total Remuneration including pension contributions
		£	£	£	£	£	£	£
Chief Executive.	2017/18	105,625				105,625	15,527	121,152
	2016/17	96,206				96,206	18,087	114,293
Head of Planning and Regeneration.	2017/18	63,855				63,855	9,387	73,242
	2016/17	61,985				61,985	11,653	73,638
Director of Finance, Assets and Resources.	2017/18	75,063				75,063	10,961	86,023
	2016/17	70,037				70,037	13,167	83,204
Director of Corporate Affairs and Business Transformation.	2017/18	75,063				75,063	10,961	86,023
	2016/17	70,037				70,037	13,167	83,204
Head of Communities and Governance. <b>Note 1</b>	2016/17	53,862	33,393			87,255	-	87,255
Head of Housing & Property Services. <b>Note 2</b>	2017/18	29,564				29,564	4,308	33,872
	2016/17	68,650				68,650	12,837	81,487
Director of Operations. <b>Note 3</b>	2017/18	74,563				74,563	10,961	85,523
	2016/17	6,167				6,167	1,159	7,326

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

The primary pension rate of 14.7% has been used for the 2017-18 pension contributions figures. For 2016-17 the pension contribution figures were restated to 18.8% which was the common contribution rate applicable from 1-4-14 to 31-3-17.

Note 1. The Head of Communities and Governance left the Authority on the 31-12-16. Compensation for loss of office is included in the above figures.

Note 2 . As from 03-09-17 the Head of Housing and Property Services became the Acting Managing Director for the Council's property company, 3 Rivers Developments Ltd. Remuneration details for the appointment with 3 Rivers Development Ltd are included in the Group Accounts.

Note 3. The Director of Operations started on 4-3-17.

Notes to the Accounts

14 Termination Benefits

2017/18				
Exit Package Cost Band	Number of Compulsory redundancies	Number of other departures agreed	Total number of exit packages by cost band	Total cost of exit packages in each band £'000
£0 - £19,999	2	10	12	33
£20,000 - £39,999	0	1	1	33
£40,000 - £59,999	0	0	0	0
£60,000 - £79,999	0	0	0	0
				<b>66</b>

A number of settlement agreements and redundancies associated with service restructures and changes during 2017/18 in order to reduce future employee costs to match ongoing expenditure against the well documented cuts in Central Government funding.

2016/17				
Exit Package Cost Band	Number of Compulsory redundancies	Number of other departures agreed	Total number of exit packages by cost band	Total cost of exit packages in each band £'000
£0 - £19,999	0	2	2	2
£20,000 - £39,999	2	2	4	128
£40,000 - £59,999	0	0	0	0
£60,000 - £79,999	0	0	0	0
				<b>130</b>

15 External Audit Costs

Fees paid to Mid Devon's appointed external auditor, Grant Thornton, were as follows:

2016/17		2017/18
£'000		£'000
48	Fees payable with regard to the annual audit fee	48
7	Fees payable for the certification of claims and returns	7
10	Tax advice	0
<b>65</b>	<b>Total</b>	<b>55</b>

## Notes to the Accounts

### 16 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 significant influence 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 55 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, which is available for public inspection via our website. In addition, members are asked to declare separately any transactions with the Authority. The Director of Finance, Assets & Resources has reviewed these existing declarations and has decided none warrant disclosure in this years Accounts.

Officers of the Council are bound by the Council's Code of Conduct. Leadership Team and Group Managers are required to declare any related party transactions with the Council. No transactions have required disclosure.

The Council is part of a designated pool for the retention of business rates, which allows local authorities to be treated as if they were a single entity for the purpose of calculating tariffs, top-ups, levies and safety net payments.

District Council are appointed as directors of 3 Rivers Development Ltd. In 2017 a loan of £750k was made to 3 Rivers and will be repaid on a commercial basis.

### 17 Members Allowances and Expenses

2016/17	2017/18
£'000	£'000
<b>287 Allowances</b>	<b>291</b>
<b>24 Expenses</b>	<b>22</b>
<b>311 Total</b>	<b>313</b>

### 18 Acquired and/or Discontinued Activities

The Council did not acquire any new activities or discontinue any existing ones during 2017/18

Notes to the Accounts

19 Depreciation and Impairment of Non Current Assets

2016/17		2017/18
£'000		£'000
3,995	Depreciation	4,216
125	Amortisation of intangible assets	-
(37)	Heritage assets	-
(17,548)	Net reversal of impairment of non current assets	(4,940)
<b>(13,465)</b>	<b>Total</b>	<b>(724)</b>

20 Minimum Revenue Provision

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

2016/17		2017/18
£'000		£'000
	<b>Housing Revenue Account - Minimum Revenue Provision</b>	
916	HRA self financing settlement	916
69	Housing developments after 1/4/13	61
-	Finance leases	
<b>985</b>		<b>977</b>
	<b>General Fund - Minimum Revenue Provision</b>	
72	Assets acquired prior to 1/4/13	69
200	Assets acquired by PWLB loans after 1/4/13	200
89	Finance leases	85
<b>361</b>		<b>354</b>
<b>1,346</b>	<b>Total</b>	<b>1,331</b>

21 Insurance

All major risks have been identified and are insured with applicable excesses. There were no major claims outstanding as at the 31/3/18. An £86k reserve is held in respect of our liability going back some years with Municipal Mutual Insurance Limited (MMI).

## Notes to the Accounts

### 22 Pensions

All of the pension figures included in the 2017/18 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 statutory 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 Income and Expenditure Account and the AABFBR:

Notes to the Accounts

22 Pensions continued

Pension Assets and Liabilities Recognised in the Balance Sheet

	Local Government Pension Scheme		Discretionary Benefit	
	2016/17	2017/18	2016/17	2017/18
	£'000	£'000	£'000	£'000
Present value of the defined benefit obligation	121,886	121,022	1,226	1,148
Fair value of plan assets	(59,578)	(62,161)	0	0
Sub-total	<b>62,308</b>	<b>58,861</b>	<b>1,226</b>	<b>1,148</b>
Other movements in the liability (asset)	0	0	0	0
<b>Net liability from defined benefit obligation</b>	<b>62,308</b>	<b>58,861</b>	<b>1,226</b>	<b>1,148</b>

Comprehensive Income and Expenditure Statement

	Local Government Pension Scheme		Discretionary Benefit	
	2016/17	2017/18	2016/17	2017/18
	£'000	£'000	£'000	£'000
<i>Cost of Services</i>				
<i>Service cost comprising:</i>				
Current service cost	2,494	3,994	0	0
Past service costs	0	0	0	0
(Gain) / loss from settlements	0	0	0	0
<i>Financing and Investment Income and Expenditure</i>				
Net interest expense	1,651	1,682	0	0
Administrative expenses	33	32	0	0
<b>Total Post-employment Benefits charged to the Surplus or Deficit on the Provision of Services</b>	<b>4,178</b>	<b>5,708</b>	<b>0</b>	<b>0</b>
<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)	(7,842)	(843)	0	0
Actuarial gains and losses arising on changes in demographic assumptions	(133)	0	0	0
Actuarial gains and losses arising on changes in financial assumptions.	22,672	(5,886)	0	0
<b>Total Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement</b>	<b>14,697</b>	<b>(6,729)</b>	<b>0</b>	<b>0</b>
<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.	(16,502)	3,525	0	0
<i>Actual amount charged against the General Fund Balance for pensions in the year:</i>				
Employers' contributions payable to the scheme	2,373	2,504	0	0
Retirement benefits payable to pensioners			3,461	2,978

## Notes to the Accounts

## 22 Pensions continued

## Reconciliation of the Movements in the Fair Value of Scheme Assets

	Local Government Pension		Discretionary Benefit Arrangements	
	2016/17	2017/18	2016/17	2017/18
	£'000	£'000	£'000	£'000
Opening fair value of scheme assets	52,033	59,578	0	0
Interest income	1,864	1,611	0	0
Remeasurement gain / (loss):	(1,629)	0	0	0
- The return on plan assets, excluding The amount included in The net interest expense	7,842	843	0	0
- Other	(33)	(32)	0	0
Contributions from employer	2,373	2,504	0	0
Contributions from employees into the scheme	589	635	0	0
Benefits paid	(3,461)	(2,978)	0	0
Other	0	0	0	0
<b>Closing fair value of scheme assets</b>	<b>59,578</b>	<b>62,161</b>	<b>0</b>	<b>0</b>

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

	Funded Liabilities: Local Government Pension Scheme		Unfunded Liabilities: Discretionary Benefits	
	2016/17	2017/18	2016/17	2017/18
	£'000	£'000	£'000	£'000
<b>Opening balance at 1 April</b>	99,338	123,474	(273)	(362)
Current service cost	2,494	3,994	0	0
Interest cost	3,515	3,293	0	0
Contributions from scheme participants	589	635	0	0
Remeasurement (gains) and losses:				
- Actuarial gains and losses arising on changes in demographic assumptions	(133)	0	0	0
- Actuarial gains and losses arising on changes in financial assumptions.	24,227	(5,886)	0	0
- Other	0	0	0	0
Past service cost	0	0	0	0
Losses / (gains) on curtailment	0	0	0	0
Experience loss / (gain) on defined benefit obligation	(3,184)	0	0	0
Benefits paid	(3,372)	(2,893)	(89)	(85)
<b>Closing balance at 31 March</b>	<b>123,474</b>	<b>122,617</b>	<b>(362)</b>	<b>(447)</b>

*Synopsis on performance*

The main reason for the decrease in the net liability this year is the change in financial assumptions applied by the actuaries. The change of these assumptions since the previous year's valuation has had the effect of decreasing the overall liability of the Pension Fund recorded in the Council's accounts. In particular:

- The discount rate assumption has fallen from 2.7% p.a. to 2.55% p.a. which has caused a significant decrease in the value of liabilities. The approach has changed from the "spot rate" approach adopted at the previous accounting date to reflect national auditor preferences.
- The pension increase assumption has decreased from 2.7% p.a. to 2.3%. This assumption is based on the Consumer Prices Index. The combined effect of these changes has decreased the value of the liabilities significantly and therefore also the value of the net liability.
- The salary increase assumption has also decreased from 4.2% p.a. to 3.8%. This assumption has a positive effect on the valuation due to the assumed reduction in future cashflows.

## Notes to the Accounts

### 22 Pensions continued

#### Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using their 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 2017 and has then been updated for estimated fund returns, asset statement, market returns, income and expenditure or as at the 31 March 2018.

The significant assumptions used by the actuary have been:

	Local Government Pension Scheme		Discretionary Benefit Arrangements	
	2016/17	2017/18	2016/17	2017/18
Mortality assumptions:				
Longevity at 65 for current pensioners				
- Men	23.4	23.5		
- Woman	25.5	25.6		
Longevity at 65 for future pensioners				
- Men	25.6	25.7		
- Woman	27.8	27.9		
Rate of inflation	2.7%	2.6%		
Rate of increase in salaries	4.2%	3.8%		
Rate of increase in pensions	2.7%	2.3%		
Rate for discounting scheme liabilities	2.7%	2.6%		

#### Local Government Pension Scheme assets comprised:

	Fair value of scheme assets	
	2016/17 £'000	2017/18 £'000
Cash and cash equivalents	1,591	1,518
Equities:		
UK	14,326	13,327
Overseas	20,718	23,006
<b>Sub-total equities</b>	<b>35,044</b>	<b>36,333</b>
Bonds:		
- Gilts	1,778	1,952
- Other Bonds	1,523	1,271
<b>Sub-total bonds</b>	<b>3,301</b>	<b>3,223</b>
Other investments:		
- Infrastructure	2,318	2,229
- Property	5,213	5,784
- Target Return Portfolio	8,846	9,283
- Alternative Assets	3,265	3,377
- Private Equity	0	414
<b>Sub-total other investment funds</b>	<b>19,642</b>	<b>21,087</b>
<b>Total assets</b>	<b>59,578</b>	<b>62,161</b>

## Notes to the Accounts

### 22 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 the previous page. 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	Decrease in Assumption
	£'000	£'000
Longevity (increase or decrease in 1 year)	126,852	117,666
Rate of increase in salaries (increase or decrease by 0.1%)	122,403	121,938
Rate of increase in pensions (increase or decrease by 0.1%)	124,200	120,177
Rate for discounting scheme liabilities (increase or decrease by 0.1%)	119,953	124,430

#### 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 2019. 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 (or service after 31 March 2015 for other main existing public service pension schemes in England and Wales). 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 paying £2,613k contributions to the scheme in 2018/19.

The weighted average duration of the defined benefit obligation for scheme members is 19 years. (2016/17 - 19 years)

## Notes to the Accounts

### 23 Property, Plant and Equipment

#### Movements in Balances

2017/18	Assets Under Construction	Council Dwellings	Other Land & Buildings	Vehicles Plant & Equip	Community Assets	Infra-structure Assets	Surplus Assets	Total Property, Plant and Equipment
Cost or Valuation	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>At 1 April 2017</b>	<b>1,967</b>	<b>141,024</b>	<b>41,890</b>	<b>5,402</b>	<b>516</b>	<b>292</b>	<b>1,075</b>	<b>192,166</b>
Additions	1,595	2,672	2,438	1,361				<b>8,066</b>
Donations								<b>0</b>
Revaluation increases/(decreases) recognised in the Revaluation reserve		(2,222)	459	(257)				<b>(2,020)</b>
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services		5,017	(77)					<b>4,940</b>
Derecognition - Disposals	(110)	(1,270)	(163)	(85)			(1,075)	<b>(2,703)</b>
Derecognition - Other								<b>0</b>
Reclassification	(227)		(85)	75				<b>(237)</b>
<b>At 31 March 2018</b>	<b>3,225</b>	<b>145,221</b>	<b>44,462</b>	<b>6,496</b>	<b>516</b>	<b>292</b>	<b>0</b>	<b>200,212</b>

#### Accumulated Depreciation and Impairment

<b>At 1 April 2017</b>				(3,045)	(87)	(23)		<b>(3,155)</b>
Depreciation charge		(2,271)	(1,230)	(694)	(10)	(11)	0	<b>(4,216)</b>
Depreciation written out to the Revaluation Reserve		2,271	1,223	257			0	<b>3,751</b>
Depreciation written out to the Surplus/Deficit on the Provision of Services								<b>0</b>
Impairment losses/(reversals) recognised in the Revaluation Reserve								<b>0</b>
Impairment losses/(reversals) recognised in the Provision of Services								<b>0</b>
Derecognition - Disposals				64			0	<b>64</b>
Derecognition - Other								<b>0</b>
<b>At 31 March 2018</b>	<b>0</b>	<b>0</b>	<b>(7)</b>	<b>(3,418)</b>	<b>(97)</b>	<b>(34)</b>	<b>0</b>	<b>(3,556)</b>

#### Net Book Value

<b>At 31 March 2018</b>	<b>3,225</b>	<b>145,221</b>	<b>44,455</b>	<b>3,078</b>	<b>419</b>	<b>258</b>	<b>0</b>	<b>196,656</b>
<b>At 31 March 2017</b>	<b>1,967</b>	<b>141,024</b>	<b>41,890</b>	<b>2,357</b>	<b>429</b>	<b>269</b>	<b>1,075</b>	<b>189,011</b>

## Notes to the Accounts

### 23 Property, Plant and Equipment

Nature of asset holding	Assets Under Construction	Council Dwellings	Other Land & Buildings	Vehicles Plant & Equip	Community Assets	Infra-structure Assets	Surplus Assets	Total Property, plant and Equipment
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Owned</b>	<b>3,225</b>	<b>145,221</b>	<b>44,455</b>	<b>2,702</b>	<b>419</b>	<b>258</b>	<b>0</b>	<b>196,280</b>
<b>Subject to Finance Leases</b>				<b>376</b>				<b>376</b>

(See note 58 for finance lease information.)

At 31 March 2018 the Council had £3,225k of assets under construction - £3,171k in respect of Council House building, £52k on digital transformation projects, and £2k in respect of a number of smaller projects.

#### Revaluations

The Council's assets are revalued on a five year rolling basis. Valuations of land and buildings were carried out by the District Valuer and the 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	Surplus Assets	Total Property, plant and Equipment
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Valued at Historical Cost</b>	<b>3,225</b>			<b>3,078</b>	<b>419</b>			<b>6,722</b>
<b>Valued at fair value in year</b>								
<b>2017/18</b>		145,221	44,455			258	-	189,934
<b>2016/17</b>		141,024	41,890			269	1,075	184,258
<b>2015/16</b>		139,422	41,489			238		181,149
<b>2014/15</b>		123,747	41,063			292		165,102
<b>2013/14</b>		119,320	36,749			291		156,360

## Notes to the Accounts

### 23 Property, Plant and Equipment

#### Movements in Balances

2016/17	Assets Under Construction	Council Dwellings	Other Land & Buildings	Vehicles Plant & Equip	Community Assets	Infra-structure Assets	Surplus Assets	Total Property, plant and Equipment
Cost or Valuation	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>At 1 April 2016</b>	<b>506</b>	<b>123,488</b>	<b>41,518</b>	<b>5,305</b>	<b>516</b>	<b>292</b>	<b>0</b>	<b>171,625</b>
Additions	1,518	3,166	104	100				4,888
Revaluation increases/(decreases) recognised in the Revaluation reserve		(2,220)	1,862					(358)
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services		17,796	(98)				(150)	17,548
Derecognition - Disposals	(5)	(1,206)	(114)	(3)				(1,328)
Derecognition - Other								
Reclassification	(52)		(1,382)				1,225	(209)
<b>At 31 March 2017</b>	<b>1,967</b>	<b>141,024</b>	<b>41,890</b>	<b>5,402</b>	<b>516</b>	<b>292</b>	<b>1,075</b>	<b>192,166</b>

#### Accumulated Depreciation and Impairment

At 1 April 2016			(30)	(2,387)	(77)	(11)		(2,505)
Depreciation charge		(2,223)	(1,089)	(661)	(10)	(12)		(3,995)
Depreciation written out to the Revaluation Reserve		2,223	1,119					3,342
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				3				3
Derecognition - Other								0
<b>At 31 March 2017</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(3,045)</b>	<b>(87)</b>	<b>(23)</b>	<b>0</b>	<b>(3,155)</b>

#### Net Book Value

<b>At 31 March 2017</b>	<b>1,967</b>	<b>141,024</b>	<b>41,890</b>	<b>2,357</b>	<b>429</b>	<b>269</b>	<b>1,075</b>	<b>189,011</b>
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(See note 58 for finance lease information.)

#### Nature of asset holding

<b>Owned</b>	<b>1,967</b>	<b>141,024</b>	<b>41,890</b>	<b>2,840</b>	<b>429</b>	<b>269</b>	<b>1,075</b>	<b>189,494</b>
<b>Subject to Finance Leases</b>				<b>(483)</b>				<b>(483)</b>

Notes to the Accounts

**24 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 and works on properties not owned by the authority.

	Balance at 1/4/16	Expend	Transfer in Year	Amount Financed or Written Off	Balance at 31/03/17	Expend	Transfer in Year	Amount Financed or Written Off	Balance at 31/03/18
Description	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Affordable housing	0	20		(20)	0	16		(16)	0
Private Sector Housing Grants & DFG's	0	313		(313)	0	441		(441)	0
Other REFCUS	0	0		0	0			0	0
<b>Total</b>	<b>0</b>	<b>333</b>	<b>0</b>	<b>(333)</b>	<b>0</b>	<b>457</b>	<b>0</b>	<b>(457)</b>	<b>0</b>

Capital grants received to finance these projects amounted to £53k (2016/17 £264k).

**25 Summary of Capital Expenditure and Financing**

The total amount of capital expenditure incurred in the year is shown in the table below (including the value of assets acquired under finance leases), together with the resources that have been used to finance it. Where capital is to be financed in future years by charges to revenue as assets used by the Authority, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Authority that has yet to be financed. The CFR is analysed in the second part of this note.

2016/17 £'000		2017/18 £'000
<b>51,960</b>	Opening Capital Financing Requirement	<b>50,616</b>
	Capital investment	
4,888	Property, Plant and Equipment	8,066
73	Intangible assets	0
333	Revenue Expenditure Funded from Capital under Statute	457
	Sources of Finance	
(819)	- Capital receipts applied	(2,618)
(2,797)	Use of Major Repairs Allowance to finance HRA new capital expenditure	(2,272)
(1,170)	- Government grants and contributions	(978)
	Sums set aside from revenue:	
(506)	Direct revenue contributions	(2,655)
(1,346)	Statutory provision for the financing of capital investment	(1,341)
<b>50,616</b>	<b>Closing Capital Financing Requirement</b>	<b>49,275</b>
	Explanation of movements in year	
(1,344)	(Decrease)/Increase in underlying need to borrowing (unsupported by government financial assistance)	(1,341)
<b>(1,344)</b>	<b>(Decrease)/Increase in Capital Financing Requirement</b>	<b>(1,341)</b>

**Notes to the Accounts**

**26 Heritage Assets**

The Authority's accounting policies for recognition and measurement of heritage assets are set out in the Authority's summary of accounting policies.

Art Collection Movements

2016/17		2017/18
£'000		£'000
	<b>Cost or Valuation</b>	
491	<b>At 1 April 2017</b>	454
	Additions	
	Donations	
	Disposals	(124)
	Revaluation increases/(decreases) recognised in the Revaluation reserve	
(37)	Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	
<b>454</b>	<b>At 31 March 2018</b>	<b>330</b>

**Heritage Assets: Summary of Transactions**

	2013/14	2014/15	2015/16	2016/17	2017/18
	£'000	£'000	£'000	£'000	£'000
<b>Value of Heritage Assets Acquired by Donation</b>					
Art Collection	475	491	491	454	330
<b>Carrying Value of assets at 31 March</b>	<b>925</b>	<b>475</b>	<b>491</b>	<b>454</b>	<b>330</b>

**Art Collection**

On the 28th March 2018 the Authority sold the Town Hall, Tiverton to Tiverton Town Council. The sale included a number of paintings, busts and items of furniture. The Authority is still the owner of some paintings which are now on loan to Tiverton Town Council and remain at the Town Hall, Tiverton. In previous years the assets have been valued for insurance purposes by Chilcotts professional Fine Art Valuers and Auctioneers. Their last valuation was at 31 March 2012. The paintings were revalued by Bearnas Hampton and Littlewood Auctioneers and Valuers as at December 2016.

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.

**Notes to the Accounts**

**26 Heritage Assets**

**Civic Regalia**

The civic regalia was valued by G W Pack Jewellers for the sum of £23.2k on 23 May 2013.

**Heritage Assets of Particular Importance**

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

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

A full length portrait in ornate giltwood and plaster frame.

	2016/17 £'000	2017/18 £'000
	250	250

**Preservation and Management**

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

**27 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 items of Property, Plant and Equipment.

The carrying amount of intangible assets is amortised in full in the first year.

	2016/17 £'000	2017/18 £'000
IT Software Support & Maintenance	125	0
<b>Total</b>	<b>125</b>	<b>0</b>

*Movements in Balances*

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

	2016/17 Other Assets £'000	2017/18 Other Assets £'000
<b>Balance at start of year:</b>		
- Gross carrying amounts	415	540
- Accumulated amortisation	(415)	(540)
Net carrying amount at start of year		
Additions		
- Internal development		
- Purchases	73	
Reclassification	52	
Derecognition - Disposals		
Amortisation charge for the period	(125)	
<b>Net carrying amount at the end of year</b>	<b>0</b>	<b>0</b>

## Notes to the Accounts

### 27 Intangible Assets

Comprising:	2016/17 £'000	2017/18 £'000
Gross carrying amounts	540	540
Accumulated amortisation	(540)	(540)
	<b>0</b>	<b>0</b>

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

	2016/17 £'000	2017/18 £'000
Central Services - IT Software Support	125	0
<b>Total</b>	<b>125</b>	<b>0</b>

### 28 Commitments under Capital Contracts

	2016/17 £'000	2017/18 £'000
Various MRA works	-	2,100
Palmerston Park Council House Building Project	-	1,747
	<b>-</b>	<b>3,847</b>

## Notes to the Accounts

### 29 Non Current Asset Valuation

The Council instructed the District Valuer to complete a full property valuation exercise for 1/5 of its freehold properties and a review of all other freehold properties. Where applicable property assets are therefore included in the 2017/18 accounts at their 31/03/18 valuation. The Valuation Office have made their 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 Valuation Office, and MRICS FAAV qualified, undertook a valuation exercise to reassess the value of the housing stock as at 31 March 2018. 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 adjustment factor of 35% to adjust the value of Council House values to EUV - SH has been used as the discount factor for 2017/18.

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 Valuation Office has undertaken a comprehensive impairment review of the Council's assets as at the 31 March 2018.

### 30 Short-Term and Long-Term Borrowing

As at the 31/3/18 the Council had 5 long-term loans outstanding from the Public Works Loan Board (PWLB) with an outstanding balance of £42.45m

1 - £38.291m to fund the Housing Revenue Account stock purchase - 25 year loan @ 2.94% maturing 28/3/37

2 - £46k to fund a new street sweeper - 7 year loan @ 2.18% maturing 11/3/21

3 - £103k to fund a recycling baler - 10 year loan @ 2.68% maturing 25/3/24

4 - £3.803m to fund the purchase of properties at Market Walk Tiverton and 32-34 Fore Street Tiverton - 25 year loan @ 2.61% maturing 27/3/40

5 - £207k to fund the purchase of leisure equipment at Exe Valley Leisure Centre - 5 year loan @ 1.7% maturing 29/3/23

The overall maturity profile for these loans is shown in the table below:-

Lender	Maturity date	Balance at	Balance at
		31/03/17	31/03/18
		£'000	£'000
Public Works Loan Board	< 1 year	1,731	1,731
	2 - 5 years	7,051	7,408
	Over 5 years	35,191	33,310
<b>Total loan value outstanding</b>		<b>43,973</b>	<b>42,449</b>

## Notes to the Accounts

### 31 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 £270k at 31 March 2018 and comprised land and buildings.

### 32 Financial Instruments

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

2017/18	Financial Liabilities		Financial Assets			Total
	Liabilities measured at amortised cost	Finance lease assets	Loans and receivables	Financial assets carried at contract amounts	Available - for-sale assets	
	£'000	£'000	£'000	£'000	£'000	
Interest payable	1,265					1,265
Interest payable on finance leases		37				37
<b>Interest payable and similar charges</b>	<b>1,265</b>	<b>37</b>				<b>1,302</b>
Interest income			(157)		(225)	(382)
<b>Interest and investment income</b>			<b>(157)</b>		<b>(225)</b>	<b>(382)</b>
Fair Value adjustment					(220)	(220)
<b>Net (gain)/loss for the year</b>	<b>1,265</b>	<b>37</b>	<b>(157)</b>		<b>(445)</b>	<b>700</b>

2016/17	Financial Liabilities		Financial Assets			Total
	Liabilities measured at amortised cost	Finance lease assets	Loans and receivables	Financial assets carried at contract amounts	Available - for-sale assets	
	£'000	£'000	£'000	£'000	£'000	
Interest payable	1,313					1,313
Interest payable on finance leases		34				34
<b>Interest payable and similar charges</b>	<b>1,313</b>	<b>34</b>				<b>1,347</b>
Interest income			(143)		(175)	(318)
<b>Interest and investment income</b>			<b>(143)</b>		<b>(175)</b>	<b>(318)</b>
Fair Value adjustment		0	0		250	250
<b>Net (gain)/loss for the year</b>	<b>1,313</b>	<b>34</b>	<b>(143)</b>		<b>75</b>	<b>1,279</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 0.58% 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.

## Notes to the Accounts

### 32 Financial Instruments continued

The fair values calculated are as follows:

	Restated					
	31/03/2016		31/03/2017		31/03/2018	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
	£'000	£'000	£'000	£'000	£'000	£'000
<b>Financial Assets</b>						
Long term investment	2,389	2,389	4,639	4,639	4,860	4,860
Short term investment	13,500	13,500	18,000	18,000	19,000	19,000
Cash and cash equivalents	8,777	8,777	3,746	3,746	6,892	6,892
Loans and trade receivables	322	322	747	747	1,191	1,191
<b>Total</b>	<b>24,988</b>	<b>24,988</b>	<b>27,132</b>	<b>27,132</b>	<b>31,943</b>	<b>31,943</b>
<b>Financial Liabilities</b>						
Long term borrowing	(45,656)	(52,558)	(43,973)	(52,555)	(42,449)	(49,035)
Finance leases	(570)	(570)	(483)	(483)	(376)	(376)
Trade payables	(694)	(694)	(579)	(579)	(592)	(592)
<b>Total</b>	<b>(46,920)</b>	<b>(53,822)</b>	<b>(45,035)</b>	<b>(53,617)</b>	<b>(43,417)</b>	<b>(50,003)</b>

#### Disclosure of Nature and Extent of Risks Arising from Financial Instruments

- 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 is formally approved annually by the Executive. This identifies all treasury risks and forms the basis of the day to day operating guidance applied by the Treasury Accountant when making decisions on placing any surplus funds (i.e. 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 treasury policy has evolved to the present where the use of the main UK Banks and Building Societies (with a FITCH rating of F1 or higher) up to a maximum deposit value of £5m with any one institution. Once again this evidences our prudent approach to lending of surplus funds. The Council has continued to apply this lending strategy during the whole of 2017/18

#### Fair Value Disclosure of PWLB Loans

The fair value of Public Works Loan Board (PWLB) loans of £49.035m measures the economic effect of the terms agreed with the PWLB compared with estimates of the terms that would be offered for market transactions undertaken at the Balance Sheet date (Level 2 fair value hierarchy input). The difference between the carrying amount and the fair value measures the reduced interest that the authority will pay over the remaining terms of the loans under the agreements with the PWLB, against what would be paid if the loans were at prevailing market rates.

**Notes to the Accounts**

**32 Financial Instruments continued**

The Authority has a continuing ability to borrow at concessionary rates from the PWLB rather than from the market. A supplementary measure of the reduced interest that the Authority will pay as a result of its PWLB commitments for fixed rate loans is to compare the terms of these loans with the new borrowing rates available from the PWLB. If a value is calculated on this basis, the carrying amount of £42.449m would be valued at £49.035m. If the Authority were to seek to avoid the projected loss by repaying the loans to the PWLB, the PWLB would raise a penalty charge for early redemption in addition to charging a premium for the additional interest that will not now be paid.

**33 Long Term Investments**

	Restated value		Restated value
	31/03/2016	31/03/2017	31/03/2018
	£'000	£'000	£'000
<b>CCLA Property Fund</b>	<b>2,389</b>	<b>4,639</b>	<b>4,860</b>

At the 31st of March 2018 the Council held 1,634,480 units in the CCLA Local Authorities' Mutual Investment Trust Commercial Property Fund. During 2017/18, the income received amounted to £225k, a 4.47% return for the year. The carrying value of the investment in the Balance Sheet is based upon the fair value. The fair value at 31 March 2018 amounted to £4,860k.

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

31/03/2017		31/03/2018
£'000		£'000
176	Other entities and individuals	1,065
<b>176</b>	<b>Total</b>	<b>1,065</b>

## Notes to the Accounts

### 35 Short Term Investments

	31/03/2017		31/03/2018	
	£'000		£'000	
	<b>18,000</b>		<b>19,000</b>	

	Term		Fixed Interest	31/03/2017	31/03/2018
Bank/Building Society	From	To	Rate %	£'000	£'000
Conwy BC	01/11/2017	01/05/2018	0.43%	1,000	2,000
Coventry	15/06/2017	14/06/2018	0.54%	2,000	2,000
Santander	17/07/2017	16/07/2018	0.47%	3,000	1,000
Coventry	28/07/2017	30/07/2018	0.45%	2,000	1,000
Barclays	01/08/2017	01/08/2018	0.57%	2,000	2,500
Barclays	31/08/2017	31/08/2018	0.54%	1,500	1,500
Lloyds	19/09/2017	19/09/2018	0.65%	500	1,500
Lloyds	02/10/2017	24/09/2018	0.75%	1,000	500
Lloyds	13/10/2017	24/09/2018	0.75%	1,000	1,000
Goldman Sachs	03/10/2017	03/10/2018	1.05%	500	3,000
Coventry	25/10/2017	25/10/2018	0.58%	500	1,000
Coventry	01/12/2017	26/11/2018	0.67%	1,000	1,000
Lloyds	01/12/2017	30/11/2018	0.90%	2,000	500
Lloyds	14/02/2018	14/02/2019	0.85%		500
	<b>Total</b>			<b>18,000</b>	<b>19,000</b>

### 35a Assets Held for Sale

Assets newly classified as held for sale during the year:

	2016/17		2017/18	
	£'000		£'000	
	419	Property, Plant and Equipment		240
<b>Total</b>	<b>419</b>	<b>Total</b>		<b>240</b>

Station Yard land was sold in June 2017. Crediton Office sale is highly probable during 2018/19.

### 36 Inventories

	31/03/2017		31/03/2018	
	£'000		£'000	
<b>Raw materials</b>	<b>200</b>		<b>227</b>	

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

	31/03/2017		31/03/2018	
	£'000		£'000	
	343	Central Government bodies		1,158
	456	Other local authorities		522
	10	NHS bodies		13
	0	Public corporations and trading funds		0
	2,672	Other entities and individuals		3,292
	(719)	Less: bad debt provisions		(814)
	<b>2,762</b>	<b>Total</b>		<b>4,171</b>

## Notes to the Accounts

### 38 Cash and Cash Equivalents

31/03/2017 £'000		31/03/2018 £'000
3	Cash held by the Authority	3
3,743	Bank current accounts	4,889
	Short-term deposits with financial institutions	2,000
<b>3,746</b>		<b>6,892</b>

The Council treats any investments with a term of less than 3 months as a cash equivalent

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

31/03/2017 £'000		31/03/2018 £'000
(601)	Central Government bodies	(1,546)
(339)	Other local authorities	(466)
	NHS bodies	(20)
(55)	Public corporations and trading funds	
(3,235)	Other entities and individuals	(3,241)
<b>(4,230)</b>	<b>Total</b>	<b>(5,273)</b>

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

31/03/2017 £'000		31/03/2018 £'000
(42,242)	Central Government bodies	(40,718)
(627)	Other entities and individuals	(968)
<b>(42,869)</b>		<b>(41,686)</b>
(63,534)	Other Long Term Liabilities	(60,009)
(171)	Capital Grants Receipts in Advance	(111)
<b>(106,574)</b>	<b>Total</b>	<b>(101,806)</b>

### 41 Provisions

31/03/2017 £'000		31/03/2018 £'000
<b>(28)</b>	Local land charges provision	<b>(28)</b>

A provision of £28k remains regarding the outstanding costs relating to a Local Land Charges claim.

**Notes to the Accounts**

**42 Usable Reserves**

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

**43 Unusable Reserves**

31/03/2017 Restated £'000		31/03/2018 £'000
(14,317)	Revaluation reserve (note 44)	(14,319)
(124,952)	Capital Adjustment Account (note 45)	(133,761)
(39)	Deferred Capital Receipts Reserve (note 46)	(39)
63,534	Pensions Reserve (note 47)	60,009
93	Collection Fund Adjustment Account (note 48)	288
160	Accumulating Compensated Absences Adjustment Account (note 49)	120
361	Available for Sale Financial Instruments Reserve (note 50)	140
<b>(75,160)</b>	<b>Total Unusable Reserves</b>	<b>(87,562)</b>

**44 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.

31/03/2017 £'000		31/03/2018 £'000
(11,466)	At 1 April 2017	(14,317)
(3,278)	Upward revaluation of assets	(1,880)
31	Downward revaluation of assets and impairment losses not posted to the Surplus on the Provision of Services	146
<b>(14,713)</b>	Surplus or deficit on revaluation of non-current assets not posted to the Surplus on the Provision of Services	<b>(16,051)</b>
109	Accumulated gains on assets sold	1,343
287	Difference between fair value depreciation and historical cost depreciation	389
<b>(14,317)</b>	<b>At 31 March 2018</b>	<b>(14,319)</b>

## Notes to the Accounts

### 45 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.

31/03/2017		31/03/2018
£'000		£'000
(106,185)	At 1 April 2017	(124,952)
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement	
3,994	Charges for Depreciation and impairment of non current assets	4,222
(17,509)	Revaluation gains on Property, Plant and Equipment	(4,941)
125	Amortisation of intangible assets	0
333	Revenue expenditure funded from capital under statute	457
0	Heritage asset revaluation	125
1,212	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	1,582
(118,030)		(123,507)
(287)	<b>Adjusting amounts written out of the Revaluation Reserve</b>	(389)
<b>(118,317)</b>	<b>Net written out amount of the cost of non current assets consumed in the year</b>	<b>(123,896)</b>
	<b>Capital financing applied in the year:</b>	
(819)	Use of the Capital Receipts Reserve to finance new capital expenditure	(2,618)
(2,796)	Use of the Major Repairs Reserve to finance new capital expenditure	(2,273)
0	Capital grants and contributions credited to Comprehensive Income and Expenditure Statement that have been applied to capital financing	0
0	Donated assets funding	0
(1,170)	Application of grants to capital financing from the Capital Grants Unapplied Account	(978)
(1,345)	Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	(1,341)
(505)	Capital expenditure charged against the General Fund and HRA balances	(2,655)
<b>(124,952)</b>	<b>At 31 March 2018</b>	<b>(133,761)</b>

## Notes to the Accounts

### 46 Deferred Capital Receipts Reserve

31/03/2017		31/03/2018
£'000		£'000
(39)	<b>At 1 April 2017</b>	(39)
0	Transfer to the Capital Receipts Reserve upon receipt of cash	0
<b>(39)</b>	<b>At 31 March 2018</b>	<b>(39)</b>

This deferred capital receipts reserve relates to the rent to mortgage scheme that operated some time ago. Under the scheme home owners were helped with the provision of a mortgage which was secured on the property by way of a legal charge registered at the Land Registry. In the future when the property is sold Mid Devon will receive the balance outstanding, although part of the proceeds will be payable to the Ministry of Housing, Communities and Local Government under the Pooling legislation.

### 47 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.

31/03/2017		31/03/2018
£'000		£'000
47,032	<b>At 1 April 2017</b>	63,534
14,697	Remeasurement of net defined liability	(6,729)
4,178	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	5,708
(2,373)	Employer's pension contributions and direct payments to pensioners payable in the year	(2,504)
<b>63,534</b>	<b>At 31 March 2018</b>	<b>60,009</b>

## Notes to the Accounts

### 48 Collection Fund Adjustment Account - Council Tax

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.

31/03/2017		31/03/2018
£'000		£'000
(8)	<b>At 1 April 2017</b>	(42)
(34)	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	(18)
<b>(42)</b>	<b>At 31 March 2018</b>	<b>(60)</b>

The balance of (£60k) represents MDCC's share (13.72%) of the overall Council Tax Collection Fund Surplus of (£438k) at 31/03/18 (£303k) at 31/03/17 (see the Collection Fund income and expenditure account).

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

31/03/2017		31/03/2018
£'000		£'000
711	<b>At 1 April 2017</b>	135
(576)	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	213
<b>135</b>	<b>At 31 March 2018</b>	<b>348</b>

This balance of £348k represents MDCC's share (40%) of the overall NNDR Collection Fund Deficit of £772k.

## Notes to the Accounts

## 49 Accumulating Compensating Absences Adjustment Account

31/03/2017		31/03/2018
£'000		£'000
<b>168</b>	<b>At 1 April 2017</b>	<b>160</b>
(168)	Settlement or cancellation of accrual made at the end of the preceding year	(160)
0	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	0
160	Amounts accrued at the end of the current year	120
<b>160</b>	<b>At 31 March 2018</b>	<b>120</b>

The Accumulated Absences 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.

## 50 Available for Sale Financial Instruments Reserve

31/03/2017		31/03/2018
£'000		£'000
<b>110</b>	<b>At 1 April 2017</b>	<b>361</b>
251	Change in valuation charged to Other Comprehensive Income and Expenditure	(221)
<b>361</b>		<b>140</b>

The Available for Sale Financial Instruments Reserve contains the gains/losses made by the Authority arising from increases or decreases in the value of its investments that have quoted market prices or otherwise do not have fixed or determinable payments.

## Notes to the Accounts

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## Notes to support cashflow statement

## 51 Movements:

Restated		
31/03/2017		31/03/2018
£'000		£'000
3,994	Depreciation	4,218
125	Amortisation	0
(17,548)	Impairment	(4,940)
239	Bad debts written off	120
(2,042)	(Decrease)/increase in creditors	1,430
(185)	Decrease /(increase) in debtors	(2,297)
5	Decrease in inventories	27
1,320	Carrying amount of non-current assets sold	3,050
1,805	Pension liability reversal	3,204
(156)	Other adjustments	(66)
<b>(12,443)</b>		<b>4,746</b>

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

31/03/2017		31/03/2018
£'000		£'000
(1,614)	Other receipts from financing activities	(1,968)
333	REFCUS adjustment	457
(2,086)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(3,723)
1,348	Interest Paid	1,302
(319)	Interest received	(382)
	Difference between preceptors share and amount of NNDR paid to them	
<b>(2,338)</b>		<b>(4,314)</b>

## Notes to the Accounts

## Notes to support cashflow statement

## 53 Cash Flow Statement - Operating Activities

The cash flows for operating activities include the following items:

31/03/2017		31/03/2018
£'000		£'000
(319)	Interest received	(382)
1,348	Interest paid	1,302
<b>1,029</b>		<b>920</b>

## 54 Cash Flow Statement - Investing Activities

31/03/2017		31/03/2018
£'000		£'000
(4,961)	Purchase of property, plant and equipment, investment property and intangible assets	(8,066)
(333)	Other cash payments (REFCUS)	(457)
2,086	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	3,723
1,614	Capital grants received	1,968
0	Sale of long-term investments	
(2,250)	Reclassification to long term investment	
(4,500)	Purchase of temporary investments	(1,000)
0	Other investing activities	0
319	Interest received	382
(1,348)	Interest paid	(1,302)
<b>(9,373)</b>	<b>Net cash flows from investing activities</b>	<b>(4,752)</b>

## 55 Cash Flow Statement - Financing Activities

31/03/2017		31/03/2018
£'000		£'000
(89)	Cash payments for the reduction of the outstanding liabilities relating to finance leases	(85)
(1,683)	PWLB debt repayment	(1,524)
<b>(1,772)</b>	<b>Net cash flows from financing activities</b>	<b>(1,609)</b>

## Notes to the Accounts

## 56 Grant Income

The Authority credited the following grants, contributions, donations and other taxation income to the Comprehensive Income and Expenditure Statement in 2017/18

**Credited to Taxation and Non Specific Grant Income**

2016/17		2017/18
£'000		£'000
(6,493)	Council Tax	(6,835)
(2,535)	Non Domestic Rates	(2,846)
(1,017)	Revenue Support Grant	(498)
(1,836)	New Homes Bonus	(1,727)
(636)	Homes and Communities Agency	(218)
(464)	Rural Services Delivery Grant	(375)
(261)	Affordable Housing	(729)
(67)	Air Quality	(400)
(387)	Disabled Facilities Grants	(568)
(38)	Other	(40)
<b>(13,734)</b>	<b>Total</b>	<b>(14,236)</b>

**Credited to Services**

2016/17		2017/18
£'000		£'000
(17,835)	Housing Benefit Subsidy	(16,937)
(600)	Section 106s	(114)
(306)	Housing Benefit & CTB Admin Grant	(284)
(108)	Business Rates - Cost of Collection Grant	(107)
(416)	Others	(764)
<b>(19,265)</b>	<b>Total</b>	<b>(18,206)</b>

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

**Capital Grants Receipts in Advance due in more than one year**

2016/17		2017/18
£'000		£'000
(171)	Homes and Communities Agency grant monies	(111)

**Notes to the Accounts**

**57 Contingent Liabilities/Assets**

We are contesting one employment tribunal brought by a former employee.  
 We have a contingent asset which is the purchase of a piece of land which is contingent upon prior practical completion by the seller of certain works.

**58 Leases**

Authority as Lessee

The Council has acquired various 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.

2016/17	2017/18
£'000	£'000
<b>(483)</b>	<b>(376)</b>
Vehicles, Plant and Equipment	

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

**Finance Lease Liabilities (net present value of minimum lease payments):**

2016/17	2017/18
£'000	£'000
(89) - current	(65)
(394) - non current	(311)
0 Finance costs payable in future years	0
<b>(483) Minimum lease payments</b>	<b>(376)</b>

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

**Minimum Lease Payments**

2016/17	2017/18
£'000	£'000
89 Not later than one year	65
246 Later than one year and not later than five years	212
148 Later than five years	99
<b>483</b>	<b>376</b>

**Finance Lease Liabilities**

2016/17	2017/18
£'000	£'000
89 Not later than one year	65
246 Later than one year and not later than five years	212
148 Later than five years	99
<b>483</b>	<b>376</b>

## Notes to the Accounts

### 58 Leases continued - Operating

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

2016/17		2017/18
£'000		£'000
114	Not later than one year	144
441	Later than one year and not later than five years	543
440	Later than five years	406
<b>995</b>		<b>1,093</b>

### Minimum Lease Payments incurred during the year

2016/17		2017/18
£'000		£'000
131	Operating Leases for vehicles, equipment, land and buildings	131
148	Hire payments for vehicles, plant and equipment	134
<b>279</b>		<b>265</b>

### Authority as Lessor

#### Finance Leases

During 2017/18 we granted a 125 year lease of land and part of a property to Premier Inn Hotels Ltd. They made an upfront payment of the market value of the land and therefore subsequent payments will be at a peppercorn level. Due to the nature of the lease, we have classified this as a finance lease, transferring the risk and reward to Premier Inn Hotel Ltd, and have removed it from our Balance Sheet for 125 years. In subsequent years these peppercorn payments will not be material and therefore not feature in our accounts.

#### Operating Leases

The Authority leases out land and buildings 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

2016/17		2017/18
£'000		£'000
440	Not later than one year	395
798	Later than one year and not later than five years	1,000
450	Later than five years	938
<b>1,688</b>		<b>2,333</b>

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 HRA income and expenditure account.

## Notes to the Accounts

### 59 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 Tax payer 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 29 for further details of the non current asset valuation.

2016/17		2017/18
£'000		£'000
17,796	Council Dwellings	5,017
(98)	Other Land & Buildings	(77)
(150)	Assets Held For Sale	-
17,548		4,940

The net £4,915k increase in value across a number of Council property assets (shops, toilets etc.) has arisen as a result of an increase in the prevailing market values in the area.

### 60 Non-Adjusting Post Balance Sheet Events

There were no Non-Adjusting Post Balance Sheet events for 2017/18.

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

This section is a summary of our spending on housing services and where we got the money from to do so.

2016/17			2017/18	
£'000		Note	£'000	£'000
	<b>Expenditure</b>			
2,695	Repairs and Maintenance		2,608	
2,902	Supervision and Management		3,023	
(15,394)	Depreciation and impairment/(revaluation) of non-current assets	74	(2,589)	
(3)	Increase/(Decrease) in bad debt provision		53	
(9,800)	<b>Total Expenditure</b>			3,095
	<b>Income</b>			
(12,604)	Dwelling Rents	73	(12,387)	
(573)	Non-dwelling Rents		(590)	
(499)	Other Chargeable Services and Facilities		(520)	
(13,676)	<b>Total Income</b>			(13,497)
	<b>Net Expenditure or Income of HRA Services as included in the Whole Authority Comprehensive Income and Expenditure Statement</b>			<b>(10,402)</b>
150	HRA services share of Corporate and Democratic Core			133
187	HRA share of other amounts included in the whole Authority Net expenditure of continuing operations but not allocated to specific services			262
(23,139)	<b>Net Income of HRA Services (NB: Expenditure if positive)</b>			(10,007)
(751)	(Gain)/loss on sale of HRA fixed assets			(814)
1,258	Interest payable and similar charges - see note below	75		1,213
(59)	Interest and investment income			(38)
(636)	Capital grants and contributions receivable			(218)
<b>(23,327)</b>	<b>(Surplus) for the year on HRA Services</b>			<b>(9,864)</b>

**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).

2016/17		2017/18	
£'000		Note	£'000
(2,000)	Balance on the HRA at the end of the previous year		(2,000)
(23,327)	Deficit / (Surplus) for the year on the HRA Income and Expenditure Account		(9,864)
20,611	Adjustments between accounting basis and funding basis under statute	61	7,090
(2,716)	Net (increase) or decrease before transfers to or from reserves		(2,774)
2,716	Transfers (to) or from reserves		2,774
0	(Increase) or decrease in year on the HRA		0
<b>(2,000)</b>	<b>Balance on the HRA at the end of the current year</b>		<b>(2,000)</b>

## Notes to the Accounts

### 61 Adjustments between Accounting Basis and Funding Basis under Regulations

This section shows the statutory adjustments we have to make to arrive at the final charge for Council Housing.

2017/18	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>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		(2,437)					2,437
Revaluation (losses)/gains on Property, Plant and Equipment		5,026					(5,026)
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		(1,270)					1,270
<b>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</b>							
Statutory provision for the financing of capital investment							(987)
Capital expenditure charged against the General Fund and HRA balances		505					(505)
<b>Adjustments primarily involving the Capital Grants Unapplied Account</b>							
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement		218			(218)		
Application of grants to capital financing transferred to the Capital Adjustment account							
<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		2,084	(2,084)				
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		(34)	34				
Transfer of deferred sale proceeds as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement							
Repayment of Mortgage Principal							
<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		2,273		(2,273)			
Use of the Major Repairs Allowance to finance new capital expenditure							
Interest credited to the Major Repairs Allowance							
<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							
<b>Adjustment involving the Pensions Reserve:</b>							
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement		(270)					270
<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							(8)
<b>Total Adjustments</b>	<b>0</b>	<b>7,090</b>	<b>(2,050)</b>	<b>(2,273)</b>	<b>(218)</b>	<b>0</b>	<b>(2,549)</b>

## Notes to the Accounts

### 61 Adjustments between Accounting Basis and Funding Basis under Regulations

This section shows the statutory adjustments we have to make to arrive at the final charge for Council Housing.

2016/17	Housing Revenue Account £'000	Capital Receipts Reserve £'000	Major Repairs Reserve £'000	Capital Grants Unapplied £'000	Total Usable Reserves £'000	Movement in Unusable Reserves £'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	(2,414)					2,414
Revaluation (losses)/gains on Property, Plant and Equipment	17,808					(17,808)
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	(1,219)					1,219
<b>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</b>						
Statutory provision for the financing of capital investment	985					(985)
Capital expenditure charged against the General Fund and HRA balances	109					(109)
<b>Adjustments primarily involving the Capital Grants Unapplied Account</b>						
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	636			(636)		
Application of grants to capital financing transferred to the Capital Adjustment account						
<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	1,970	(1,970)				
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	(36)	36				
Transfer of deferred sale proceeds as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement						
<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	2,797		(2,797)			
Use of the Major Repairs Allowance to finance new capital expenditure						
Interest credited to the Major Repairs Allowance						
<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						
<b>Adjustment involving the Pensions Reserve:</b>						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(23)					23
<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
<b>Total Adjustments</b>	<b>20,611</b>	<b>(1,934)</b>	<b>(2,797)</b>	<b>(636)</b>	<b>0</b>	<b>(15,244)</b>

**Notes to the Accounts**

**62 Housing Stock**

The Housing Revenue account owned the following property:

	Council Housing	Other Land & Buildings	Total
<b>At 1 April 2017</b>	3,030	1,187	4,217
<b>Additions</b>	1		1
<b>Sales</b>	(26)		(26)
<b>Improvement changes</b>			0
<b>Transfers</b>			0
<b>At 31 March 2018</b>	<b>3,005</b>	<b>1,187</b>	<b>4,192</b>

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

**63 Number of dwellings by type**

31 March 2017		31 March 2018
1,427	Houses	1,406
1,011	Bungalows	1,010
592	Flats	589
<b>3,030</b>	<b>Total</b>	<b>3,005</b>

**64 HRA Dwelling Valuation**

The vacant possession value of dwellings in the HRA is £414,918k as at the 1st April 2018, up from £402,926k in the previous year. This definition assumes that vacant possession would be provided on completion of the sale of all the dwellings. A second value of £145,221k represents the value of the property portfolio as social housing. The difference between these two figures reflects the economic costs to the sector of providing social housing at less than market rents. For 2017/18, the discount applied to determine this second valuation is 35%.

Notes to the Accounts

HRA Dwelling Valuation continued

31 March 2017		31 March 2018
£'000		£'000
402,926	Vacant Possession Value	414,918
141,024	Existing Use Value for Social Housing (EUV-SH) @ 35%	145,221

The 31 March 2018 dwellings valuation has been calculated by the Valuation Office who have supplied the Council with beacon property values across the range of housing stock. After applying these indices the average dwelling value has increased to £145m on the vacant possession basis.

65 HRA Non-Current Asset Values

31 March 2017	HRA Non-Current Assets	31 March 2018
£'000		£'000
141,024	Dwellings	145,221
6,400	Other land and buildings	6,532
-	Vehicles, plant and equipment	-
196	Infrastructure assets	186
1,628	Assets under Construction	3,214
<b>149,248</b>		<b>155,153</b>

66 Capital Expenditure

2017/18			2017/18
£'000	Expenditure	Funding	£'000
2,672	Improvements to dwellings	Major repairs reserve	2,273
1,569	Assets under Construction	Capital grants	718
26	IT Projects	Revenue contribution	505
21	Vehicle Purchase	Usable capital receipts	793
<b>4,289</b>			<b>4,289</b>

2016/17			2016/17
£'000	Expenditure	Funding	£'000
3,166	Improvements to dwellings	Major repairs reserve	2,797
-	Construction of dwellings	Capital grants	837
1,311	Assets under Construction	Revenue contribution	109
		Usable capital receipts	734
<b>4,477</b>			<b>4,477</b>

67 Major Repairs Reserve

The Authority is required to hold a Major Repairs Reserve, which ensures a sufficient element of the HRA's resources are being used on capital expenditure to maintain the standard of HRA dwellings. 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 has been fully spent in recent years and so holds a balance of zero.

2016/17		2017/18
£'000		£'000
0	At 1 April 2017	0
2,797	Amount transferred from Housing Revenue Account	2,272
(2,797)	Capital expenditure incurred during the year	(2,272)
0	At 31 March 2018	0

## Notes to the Accounts

## 68 Capital Receipts

2016/17		2017/18
£'000		£'000
1,946	Sale of council houses	2,084
24	Sale of land	-
-	Sale of council houses - discount repaid	-
-	Council house loan repayments	-
<b>1,970</b>	<b>Total</b>	<b>2,084</b>

## 69 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 note 61.

2016/17		2017/18
£'000		£'000
(23)	Net interest on the defined benefit liability	(270)

## 70 HRA Arrears

At 31st March 2018 the total arrears as a proportion of gross dwelling rent income totalled 2.6% (1.8% at 31st March 2017). Rent written off during 2017/18 amounted to £23k (£49k in 2016/17). The breakdown of the total arrears is shown below.

31 March 2017		31 March 2018
£'000		£'000
122	Rent (dwellings & garages)	202
9	Housing benefit overpayments	11
15	Court costs	18
58	Rechargeable Repairs	70
17	Other	21
<b>221</b>	<b>Total</b>	<b>322</b>

## 71 Bad Debt Provision

The provision for bad debt for the housing service stands at £165k as at 31 March 2018 (£112k 31 March 2017).

## Notes to the Accounts

### 72 Rents Paid in Advance

2016/17		2017/18
£'000		£'000
156	Dwellings rental income paid in advance	140

### 73 Dwelling Rents

This represents the total rent income due for the year after allowing for voids and other adjustments. The rents set averaged at £79.05 per week based on a 52 week year (2016/17 £79.85).

### 74 Depreciation and Impairment of Fixed Assets

#### Depreciation and Amortisation

2016/17		2017/18
£'000	Operational Assets	£'000
2,223	Dwellings	2,271
148	Other Land and Buildings	156
10	Infrastructure	10
0	Intangible assets	0
33	Vehicles, Plant and Equipment	0
<b>2,414</b>	<b>Total</b>	<b>2,437</b>

#### Impairment and (revaluation)

2016/17		2017/18
£'000	Operational Assets	£'000
(17,796)	Dwellings	(5,026)
(12)	Other Land and Buildings	0
<b>(17,808)</b>		<b>(5,026)</b>

### 75 Interest payable and similar charges

2016/17		2017/18
£'000		£'000
1,202	PWLB loan interest - HRA self financing	1,158
56	Internal self financing - General Fund	55
0	Finance lease interest	0
<b>1,258</b>	<b>Total</b>	<b>1,213</b>

## Notes to the Accounts

**76 Self Financing Settlement Payment**

As part of the replacement of the HRA subsidy system in 2012, MDDC made a one-off settlement payment of £46.59m. The size of this is based on a valuation of Mid Devon's housing service over the 30 years from 2012-2042. In order to fund it, MDDC have taken on a debt from the Public Works Loan Board (PWLB) and will be required to make payments of £2.6m per annum (made up of £1.1m interest and £1.5m principal).

2016/17		2017/18
£'000		£'000
(41,220)	Opening Balance	(39,777)
1,443	Repaid in Year	1,486
(39,777)	<b>Closing Balance</b>	(38,291)

## The Collection Fund Income and Expenditure Account - Council Tax

This section summarises how the money we collected through Council Tax is distributed between precepting authorities.

2016/17			2017/18
£'000	INCOME	Notes	£'000
(47,117)	Council Tax receivable		(49,989)
(47,117)	<b>Total Income</b>		(49,989)
	<b>EXPENDITURE</b>		
	<b>Precepts, Demands and Shares</b>	<b>80</b>	
33,218	- Devon County Council		35,345
5,148	- Mid Devon District Council		5,356
4,754	- Devon and Cornwall Police		4,914
2,200	- Devon Fire and Rescue		2,274
1,303	- Parish Precepts		1,408
46,623			49,297
	<b>Charges to Collection Fund</b>		
142	- Write offs of uncollectable amounts		124
49	- Increase in provision for bad debts		51
191			175
	<b>Apportionment of previous year's surplus</b>		
43	- Devon County Council		272
8	- Mid Devon District Council		53
6	- Devon and Cornwall Police		39
3	- Devon Fire and Rescue		18
60			382
46,874	<b>Total Expenditure</b>		49,854
(243)	<b>(Surplus) / Deficit for the year</b>		(135)
(60)	Opening Balance at 1st April		(303)
(303)	<b>Closing Balance at 31 March</b>	<b>48</b>	(438)

The £438k represents the overall surplus on the Council Tax element of the Collection Fund at 31/03/18 (2016/17 £303k surplus). Of this 13.72% is attributable to MDDC, which equates to £60k (2016/17 £42k - see note 48).

## The Collection Fund Income and Expenditure Account - Non Domestic Rates

This section summarises how the money we collected through our share of Non Domestic Rates is distributed between precepting authorities.

2016/17			2017/18
£'000	INCOME	Notes	£'000
(14,261)	Business Rates receivable	78	(14,547)
55	Transitional Protection Payments		(28)
<b>(14,206)</b>	<b>Total Income</b>		<b>(14,575)</b>
	<b>EXPENDITURE</b>		
	<b>Precepts, Demands and Shares</b>		
7,633	- Central Government		7,409
1,374	- Devon County Council		1,334
6,107	- Mid Devon District Council		5,928
153	- Devon Fire and Rescue		148
<b>15,267</b>			<b>14,819</b>
	<b>Charges to Collection Fund</b>		
142	- Write offs of uncollectable amounts		127
(63)	- Increase in provision for bad debts		10
(1,539)	- Increase in provision for appeals		109
108	- Cost of Collection		107
136	- Disregarded Amounts		115
<b>(1,216)</b>			<b>468</b>
	<b>Apportionment of previous year's Surplus/(Deficit)</b>		
(671)	- Central Government		(148)
(121)	- Devon County Council		(27)
(536)	- Mid Devon District Council		(118)
(13)	- Devon Fire and Rescue		(3)
<b>(1,341)</b>			<b>(296)</b>
<b>12,710</b>	<b>Total Expenditure</b>		<b>14,991</b>
<b>(1,496)</b>	<b>(Surplus) / Deficit for the year</b>		<b>416</b>
1,852	Opening Balance at 1st April		356
<b>356</b>	<b>Closing Balance at 31 March</b>	<b>48</b>	<b>772</b>

The £772k represents the overall deficit on the Non-domestic rate element of the Collection Fund at 31/03/18 (2016/17 £356k deficit). Of this 40% is attributable to MDDC, which equates to £309k. (2016/17 £143k - see note 48).

## Notes to the Collection Fund

### 77 General

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

### 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 receivable; less certain reliefs and other deductions is distributed between Central Government, Devon County Council, Devon & Somerset Fire Authority and Mid Devon District Council. The authority is also a member of the Devon Business Rates Pool administered by Plymouth City Council which helps to minimise risk of financial loss on appeals or reductions in our overall rateable value. Mid Devon District Council's overall gross collectable business rates at 31 March 2018 is £20,624k (31 March 2017 £20,362k). This is calculated by taking the rateable value at that date of 43,056,022 multiplied by the uniform business rate of 47.9p per £. The total income detailed on the Non Domestic Rates statement takes account of the fact that circa £5,420k is awarded each year in various discretionary and mandatory reliefs.

### 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
<b>A</b>	3,852.9	2,568.3
<b>B</b>	7,315.0	5,689.4
<b>C</b>	5,546.9	4,930.6
<b>D</b>	5,435.7	5,435.7
<b>E</b>	4,152.5	5,075.3
<b>F</b>	2,191.1	3,164.9
<b>G</b>	888.3	1,480.4
<b>H</b>	50.3	100.5
<b>Total</b>	<b>29,432.7</b>	<b>28,445.0</b>

### 80 Precepting Authorities

2016/17		2017/18
£'000		£'000
33,218	Devon County Council	35,345
5,148	Mid Devon District Council	5,356
4,754	Devon and Cornwall Police	4,914
2,200	Devon Fire and Rescue	2,274
1,303	Parish Precepts	1,408
<b>46,623</b>	<b>Total</b>	<b>49,297</b>

## Group Accounts

These Group Accounts which consist of Primary Statements and notes, are provided in addition to the notes to the Accounting Statements within the single entity Statement of Accounts.

Notes have been omitted if there are no material differences to the disclosure already made.

Mid Devon District Council owns one company which has been categorised as a wholly owned subsidiary of the Authority and has been consolidated into the Group Accounts.

3 Rivers Developments Ltd was incorporated on 28th April 2017 as a development company to support the Council's Corporate Plan. The Board was constituted during the year and consists of the Director of Finance & Assets, Andrew Jarrett; the former Head of Housing and Property Services, Nick Sanderson and an elected Member, Councillor Ray Stanley.

The Financial Statements of the company are available from:  
3 Rivers Developments Ltd, Phoenix House, Phoenix Lane, Tiverton, Devon. EX16 6PP

The Group accounts have been prepared by combining 3 Rivers Ltd's income and expenditure and assets and liabilities with those of the Council on a line-by-line basis, eliminating inter-organisation transactions.

# Mid Devon District Council Financial Statements 2017-18

## Group 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. This is different from the statutory amounts required to be charged to the General Fund Balance and the Housing Revenue Account for council tax setting and dwellings rent setting purposes. The net Increase/Decrease before Transfers to Earmarked Reserves line shows the statutory General Fund Balance and Housing Revenue Account Balance before any discretionary transfers to or from earmarked reserves undertaken by the Council. It also contains the Reserve of the Council's wholly owned subsidiary, 3 Rivers Ltd

2017/18	USABLE RESERVES							Total Usable Reserves	Unusable Reserves	Total Authority Reserves	Authority's Share of Subsidiary	Total Group Reserves
	REVENUE RESERVES				CAPITAL RESERVES							
	General Fund Balance	Earmarked General Fund Reserves	Housing Revenue Account	Earmarked HRA Reserves	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied					
£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
Balance at 31 March 2017	(2,602)	(10,029)	(2,000)	(12,453)	(2,438)	-	(2,162)	(31,684)	(75,160)	(106,844)	0	(106,844)
<b>Movement in Reserves during 2017/18</b>												
(Surplus) or deficit on the provision of services	788		(9,864)					(9,076)		(9,076)	307	(8,769)
Other Comprehensive Income and Expenditure								-	(8,683)	(8,683)	-	(8,683)
Total Comprehensive Income and Expenditure	788	-	(9,864)	-	-	-	-	(9,076)	(8,683)	(17,759)	307	(17,452)
Adjustments between accounting basis and funding basis under regulations	(1,536)		7,090		(1,063)	-	(773)	3,719	(3,719)	(0)	-	(0)
Net Increase/Decrease before Transfers to Earmarked Reserves	(748)	-	(2,774)	-	(1,063)	-	(773)	(5,357)	(12,402)	(17,759)	307	(17,452)
<b>Transfers (to) / from Earmarked Reserves</b>	660	(660)	2,774	(2,774)				(0)				
(Increase)/Decrease in 2017/18	(88)	(660)	(0)	(2,774)	(1,063)	0	(773)	(5,357)	(12,402)	(17,759)	307	(17,452)
<b>Balance at 31 March 2018 Carried forward</b>	<b>(2,690)</b>	<b>(10,689)</b>	<b>(2,001)</b>	<b>(15,227)</b>	<b>(3,501)</b>	<b>0</b>	<b>(2,935)</b>	<b>(37,041)</b>	<b>(87,562)</b>	<b>(124,603)</b>	<b>307</b>	<b>(124,296)</b>
<b>Held for Revenue Purposes</b>	<b>(2,690)</b>	<b>(10,689)</b>	<b>(2,001)</b>	<b>(15,227)</b>				<b>(30,606)</b>				
<b>Held for Capital Purposes</b>					<b>(3,501)</b>	<b>0</b>	<b>(2,935)</b>	<b>(6,436)</b>				

## Group Comprehensive Income and Expenditure Statement

This section is a summary of our spending on services and where we got the money from to do so.

2016/17			2017/18		
Gross Expenditure	Gross Income	Net Expenditure	Gross Expenditure	Gross Income	Net Expenditure
£'000	£'000	£'000	£'000	£'000	£'000
613	(147)	466	546	(144)	402
1,370	(21)	1,349	2,064	(41)	2,023
536	(800)	(264)	604	(749)	(145)
24	0	24	28	-	28
2,169	(652)	1,517	2,233	(462)	1,771
(12)	(8)	(20)	14	(9)	5
52	(35)	17	203	(103)	100
403	(314)	89	490	(313)	177
(9,314)	(13,825)	(23,139)	3,568	(13,575)	(10,007)
161	0	161	75	-	75
76	(4)	72	103	(1)	102
1,328	(359)	969	1,310	(385)	925
2,509	(1,730)	779	2,753	(1,911)	842
1,078	(761)	317	1,161	(723)	438
19,174	(18,685)	489	18,377	(17,751)	626
3,697	(2,459)	1,238	3,963	(2,613)	1,350
5,085	(2,239)	2,846	5,454	(2,653)	2,801
	0	0	307		307
<b>28,949</b>	<b>(42,039)</b>	<b>(13,090)</b>	<b>43,253</b>	<b>(41,433)</b>	<b>1,820</b>
		825			1,013
		2,713			2,634
		(13,733)			(14,236)
		<b>(23,285)</b>			<b>(8,769)</b>
		14,697			(6,729)
		(3,247)			(1,734)
		250			(220)
		<b>11,700</b>			<b>(8,683)</b>
		<b>(11,585)</b>			<b>(17,452)</b>

**Group Balance Sheet**

This section shows our financial position at the end of the financial year.

31 March 2016	31 March 2017		31 March 2018
£'000	£'000		£'000
169,120	189,011	Property, Plant & Equipment	196,656
491	454	Heritage Assets	330
-	-	Intangible assets	0
2,390	4,639	Long-term Investments	4,860
158	176	Long-term Debtors	315
<b>172,159</b>	<b>194,280</b>	<b>Non-Current Assets</b>	<b>202,161</b>
13,500	18,000	Short-term Investments	19,000
-	419	Assets held for sale	240
-	-	Work In Progress	227
195	200	Inventories	227
2,596	2,762	Short-term Debtors	3,840
6,387	3,746	Cash and Cash Equivalents	7,414
<b>22,678</b>	<b>25,127</b>	<b>Current Assets</b>	<b>30,948</b>
(5,397)	(4,230)	Short-term Creditors	(5,320)
(41)	(28)	Provisions	(28)
(1,683)	(1,731)	Short-term Borrowing	(1,731)
<b>(7,121)</b>	<b>(5,989)</b>	<b>Current Liabilities</b>	<b>(7,079)</b>
(641)	(627)	Long-term Creditors	(968)
(43,973)	(42,242)	Long-term Borrowing	(40,718)
(47,032)	(63,534)	Other Long Term Liabilities	(59,937)
(807)	(171)	Capital Grants Receipts in Advance	(111)
<b>(92,453)</b>	<b>(106,574)</b>	<b>Long Term Liabilities</b>	<b>(101,734)</b>
<b>95,263</b>	<b>106,844</b>	<b>Net Assets</b>	<b>124,297</b>
25,586	31,684	Usable Reserves	36,735
69,677	75,160	Unusable reserves	87,562
<b>95,263</b>	<b>106,844</b>	<b>Total Reserves</b>	<b>124,297</b>

## Group Cash Flow Statement

This section shows what cash we spend and receive

2016/17			2017/18
£'000			£'000
23,285	Net surplus or (deficit) on the provision of services		8,769
(12,443)	Adjustments to net surplus or deficit on the provision of services for non-cash movements		5,802
(2,338)	Adjustments for items included in the net surplus on the provision of services that are investing and financing activities (See note references)		(4,314)
<b>8,504</b>	<b>Net cash flows from Operating Activities</b>		<b>10,257</b>
(9,373)	Investing Activities		(4,980)
(1,772)	Financing Activities		(1,609)
<b>(2,641)</b>	<b>Net increase or (decrease) in cash and cash equivalents</b>		<b>3,668</b>
6,387	Cash and cash equivalents at the beginning of the reporting period		3,746
<b>3,746</b>	<b>Cash and cash equivalents at the end of the reporting period</b>		<b>7,414</b>

# Mid Devon District Council Financial Statements 2017-18

## Notes to the Accounts

### Group Officers' Emoluments

#### Senior Officers Earning in Excess of £50,000

Post Title	Financial Year	Salary (Including Allowances)	Compensation for Loss of Employment	P11D Taxable Benefits	Total Remuneration excluding pension contributions	Pension Contributions	Total Remuneration including pension contributions
Chief Executive.	2017/18	105,625			105,625	15,527	121,152
	2016/17	96,206			96,206	18,087	114,293
Head of Planning and Regeneration.	2017/18	63,855			63,855	9,387	73,242
	2016/17	61,985			61,985	11,653	73,638
Director of Finance, Assets and Resources.	2017/18	75,063			75,063	10,961	86,023
	2016/17	70,037			70,037	13,167	83,204
Director of Corporate Affairs and Business Transformation.	2017/18	75,063			75,063	10,961	86,023
	2016/17	70,037			70,037	13,167	83,204
Head of Communities and Governance. Note 1	2016/17	53,862	33,393		87,255		87,255
							-
Head of Housing & Property Services. Note 2	2017/18	29,564			29,564	4,308	33,872
	2016/17	68,650			68,650	12,837	81,487
Acting Managing Director Rivers Ltd. Note 2 <sup>3</sup>	2017/18	38,399			38,399	5,625	44,024
Director of Operations.	2017/18	74,563			74,563	10,961	85,523
	2016/17	6,167			6,167	1,159	7,326

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

The primary pension rate of 14.7% has been used for the 2017-18 pension contributions figures. For 2016-17 the pension contribution figures were restated to 18.8% which was the common contribution rate applicable from 1-4-14 to 31-3-17.

Note 1. The Head of Communities and Governance left the Authority on the 31-12-16. Compensation for loss of office is included in the above figures.

Note 2 . As from 03-09-17 the Head of Housing and Property Services became the Acting Managing Director for the Council's property company, 3 Rivers Developments Limited. Remuneration details for the appointment with 3 Rivers Development Ltd are included above.

#### Work in Progress

The company owns land in Tiverton which has been classified in our Group Accounts as Work in Progress.

## **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.

### **Actual**

The actual, rather than budgeted, expenditure or income attributable to the accounting period. Sometimes referred to as "Actuals".

### **Actuarial Gains and Losses**

Changes in actuarial deficits or surpluses due to actual experience or events that have not been exactly the same as the assumptions adopted at the previous valuation, or the actuarial assumptions have changed.

### **Actuary**

An expert on rates of death and insurance statistics who assesses whether we have enough money in our pension fund.

### **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.

### **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 at 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.

### **Appointed Auditors**

The Audit Commission appoints external auditors to every Local Authority, from one of the major firms of registered auditors.

### **Assets**

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

- **Current assets** will be consumed within the next financial year (e.g.: 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 (e.g.: 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 (e.g.: 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 (e.g.: buildings under construction and surplus assets).
- **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 Committee**

A Committee of the Council who consider financial matters and reports from Internal Audit, and approve and monitor our Financial Regulations and risk management. The Committee delegated to approve the Accounts following external Audit review.

### **Audit of Accounts**

An independent examination of the Council's financial affairs.

### **Authorised Limit**

This represents the legislative limit on the Council's external debt under the Local Government Act 2003.

### **Balances**

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

### **Balance Sheet**

A statement of all of our assets, liabilities and balances at the end of the financial year, 31 March.

### **Budget**

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

### **Cabinet**

The Cabinet comprises seven Members of the Council (including the Leader), who are responsible for making most of the essential decisions about running the Council. Each member of the Cabinet is responsible for specific service areas.

### **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 Financing Costs**

These are costs, such as interest, which we charge because we have spent money on non current assets.

## **Capital Receipts**

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

## **Carrying Amount**

The Balance Sheet value recorded of either an asset or a liability.

## **Cash-flow Statement**

This is a statement that shows the changes in our cash and bank balances during the year.

## **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.

## **Community Assets**

These are fixed assets that the Council intends to hold in perpetuity which have no determinable finite useful life and in addition, may have restrictions on their disposal. An example is a park.

## **Comprehensive Income and Expenditure Statement (CIES)**

The account that reports the income and spending on our services.

## **Contingency**

This is money set aside in the budget to meet the cost of unforeseen items of expenditure, or shortfalls in income, and to provide for inflation where this is not included in budgets.

## **Contingent Liabilities or Assets**

These are amounts potentially due to or from individuals or organisations which may arise in the future but which at this time cannot be determined accurately, and for which provision has not yet been made in the Council's accounts.

## **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.

## **Council Tax**

This is the main source of local taxation to local Authorities. Council Tax is levied on households within its area by the Billing Authority and the proceeds are paid into its Collection Fund for distribution to precepting Authorities and for use by its own General fund.

## **Council Tax Requirement**

This is the estimated revenue expenditure on General fund services that needed to be financed from the Council Tax after deducting income from fees and charges, certain specific grants and any funding from reserves.

## **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.

## **Current Assets**

These are the short-term assets we have at date of the balance sheet which we can use in the following year.

## **Current Liabilities**

These are the short-term liabilities we have at date of the balance sheet which we will pay in the following year.

## **Current Service Cost**

Current Service Cost is the increase in the present value of a defined benefit pension scheme's liabilities expected to arise from employee service in the current period i.e. the ultimate pension benefits "earned" by employees in the current year's employment.

## **Curtailment**

Curtailments will show the cost of the early payment of pension benefits if any employee has been made redundant in the previous financial year.

## **Debtor**

Sums of money due to the authority but unpaid at the balance sheet date.

## **Deferred Capital Receipts**

These represent capital income still to be received after disposals have taken place and wholly consist of principal outstanding from the sale of council houses

## **Deferred Contributions**

Amounts paid to us for future activities.

## **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.

**Defined Benefit Scheme**

This is a pension or other retirement benefit scheme other than a defined contribution scheme. Usually the scheme rules define the benefits independently of the contributions payable and the benefits are not directly related to the investments of the scheme. The scheme may be funded or unfunded.

**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.

**Derecognition**

Financial assets and liabilities needed to be removed from the balance sheet once performance under a contract is complete or the contract is terminated.

**Earmarked Reserves**

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

**Employee Costs**

Those costs incurred employing staff including salaries, employer's national insurance, pension contributions, and training.

**Exceptional Items**

Material items deriving from events or transactions that will fall within the ordinary activities of the Authority, but which need to be separately disclosed by virtue of their size and/or incidence to give a fair presentation of the accounts.

**Expenditure**

This refers to amounts paid by the Authority for goods and services rendered of either capital or revenue nature. This does not necessarily involve a cash payment since expenditure is deemed to have been incurred once the goods and services have been received even if they have not been paid for.

**External Audit**

The independent examination of the activities and accounts of local Authorities to ensure the accounts have been prepared in accordance with legislative requirements and proper practices and to ensure the Authority has made proper arrangements to secure value for money in its use of resources.

**Fair value**

Fair value is the price at which an asset could be exchanged in an arm's length transaction, less any grants receivable towards the purchase or use of the asset.

**Fees and Charges**

The Council's charges for certain services e.g. car parking.

**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.

**Financial Instruments**

A financial instrument is any contract that gives to a financial asset of one entity and a financial liability or equity instrument of another. The term 'financial instrument' covers both financial assets and financial liabilities and includes both the most

straightforward financial assets and liabilities such as trade receivables and trade payables and the most complex ones such as derivatives.

### **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 Benefit**

This is an allowance to persons on low income (or none) to meet, in whole or in part, their rent. Benefit is allowed or paid by local Authorities but Central Government refunds part of the cost of the benefits and of the running costs of the services to Local Authorities. Benefits paid to the Authority's own tenants are known as rent rebate and that paid to private tenants as rent allowance.

### **Housing Revenue Account (HRA)**

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**

These are amounts due to the Council for goods supplied or services rendered of either a capital or revenue nature. This does not necessarily involve a cash payment. Income is deemed to have been earned once the goods or services have been supplied even if the payment has not been received (in which case the recipient is a debtor to the Council).

### **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.

## **Infrastructure**

Non current assets which generally cannot be sold and from which benefit can be obtained only by continued use of the asset created. Examples of such assets are highways, footpaths, bridges and water and drainage facilities.

## **Intangible Assets**

These are non current assets that do not have physical substance but are identifiable and controlled by the Council. Computer software is the most common example.

## **Interest**

An amount received or paid for the use of a sum of money when it is invested or borrowed.

## **International Financial reporting Standard (IFRS)**

Defined accounting standards that must be applied by all reporting entities to all financial statements in order to provide a true and fair view of the entity's financial position, and a standardised method of comparison with financial statements of other entities.

## **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.

## **Leasing Costs**

This is where a rental is paid for the use of an asset for a specified period of time. Two forms of lease exist: finance leases and operating leases. Operating leases are those where the risks of ownership rest with the owner of the asset whereas in the case of finance leases the asset appears in our Balance Sheet.

## **LGPS (Local Government Pension Scheme)**

The fund that manages and pays our staff pensions. Our LGPS scheme is now managed by Peninsula Pensions.

## **Liabilities**

These are amounts due to individuals or organisations which will have to be paid at some time in the future. Current liabilities are usually payable within one year of the Balance Sheet date.

## **Local Development Plan**

A plan which includes documents that establishes the local policy towards the use of land and the vision for involving communities in the plan making process.

## **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.

## **Leadership Team**

Chief Executive and Directors.

## **Medium Term Financial Strategy (MTFS)**

This is a financial planning document that sets out the future years financial forecasts for the Council. It considers local and national policy influences and projects their impact on the general fund revenue budget, capital programme and HRA. It usually covers a four year time frame.

## **Member**

An elected councillor of the Council.

## **Minimum Revenue Provision (MRP)**

MRP is the minimum amount which must be charged to the Authority's revenue account each year and set aside as provision for credit liabilities as required by the Prudential Code.

## **National Non Domestic rate (NNDR)**

NNDR is the levy on business property, based upon a national rate in the pound applied to the 'rateable value' of the property. The government determines a national rate poundage each year which is applicable to all Local Authorities. Mid Devon is a member of the Devon NNDR Pool of Local Authorities whose share of the NNDR is allocated between the members.

## **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.

## **Net Debt**

Net debt is the Council's borrowings less cash and liquid resources.

## **Net Realisable Value (NRV)**

NRV is the open market value of an asset in its existing use less any costs to be incurred in selling the asset.

## **Non Current Assets**

Assets that yield benefits to the Council and the services it provides for a period of more than one year. Examples include land, buildings and vehicles.

## **Non-distributed Costs**

In the main this represents support service area charges. E.g.: Corporate Management, Finance, Legal, ICT, HR services, etc. In addition to this a number of non-service specific corporate fees are included as well as any extra payments made to maintain the value of the pension fund.

## **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. e.g.: the County Council is the precepting authority and the District Council is the collecting authority.

**Prior Period Adjustments**

These are material adjustments which are applicable to an earlier period arising from changes in accounting policies or for the correction of fundamental errors.

**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.

**Public Works Loan Board (PWLB)**

An arm of Central Government which is the major provider of loans to finance long term funding requirements for Local Authorities.

**Rateable Value**

A value placed upon all properties subject to rating. The value is based on a national rent that property could be expected to yield after deducting the cost of repairs.

**Related Parties**

Related parties comprise Central Government, other Local Authorities, precepting and levying bodies subsidiary and associated companies, elected Members, all senior officers and the Pension Fund. In respect of individuals identified as related parties the following are also presumed to be related parties:

- Members of the close family, or the same household; and
- Partnerships, companies, trusts or other entities in which the individual, or member of their close family, or the same household, has a controlling interest.

**Revenue Contribution to Capital (RCCO)**

Capital spending that is directly paid for from revenue.

**Revenue Expenditure**

Spending on the day-to-day running of services – mainly wages, operating expenses of buildings and equipment, and debt charges. These costs are met from the Council tax, government grants and our own fees and charges.

**Revenue Support Grant**

The major grant received each year from Central Government, which is not ring-fenced, to help finance our activities. Commonly referred to as the Council's "Formula Grant"

**Reporting Standards**

The Code of Practice prescribes the accounting treatment and disclosures for all normal transactions of a Local Authority. It is based upon International Financial reporting standards (IFRS), International Standards (IAS) and International Financial Reporting Interpretations Committee (IFRIC), UK Generally Accepted Accounting Practice (GAAP) and Financial Reporting Standards (FRS).

## **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.

## **Restatement**

We normally show the amounts that were in last year's accounts as the same figure, but where there is a change in the accountancy rules, we have to change last year's figures to meet the current rules and ensure comparability.

## **Revaluation Reserve**

This records net gains from revaluations 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 Expenditure Funded from Capital Under Statute (REFCUS)**

Expenditure incurred during the year that may be capitalised under statutory provision but that does not result in the creation of an asset that belongs to the Authority.

## **Revenue Support Grant (RSG)**

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

## **Service Reporting Code of Practice (SeRCOP)**

SeRCOP replaced the previous Best Value Accounting Code of Practice (BVACOP). Its aim is to provide consistent financial reporting for services in England and Wales and is given legislative backing by "proper practices" under the Local Government Act 2003.

## **Settlements**

Generally this occurs where there is a bulk transfer out of the Pension Fund or from the employer's share of the Fund to a new contractor's share of the fund as a result of outsourcing a section of the Council. It reflects the difference between the IAS 19 liability and the assets transferred to settle the liability.

## **Tax Base**

The number of houses we can charge our Council Tax on.

## **Treasury Management**

This is the process by which the Authority controls its cash flow and its borrowing and lending activities.

## **Trust Funds**

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

**Unsupported (Prudential) Borrowing**

This is borrowing for which no financial support is provided by Central Government. The borrowing costs are to be met from current revenue budgets.

**Value for Money**

The benefit obtained (not just in financial terms) for a given input of cash.

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# Audit Findings

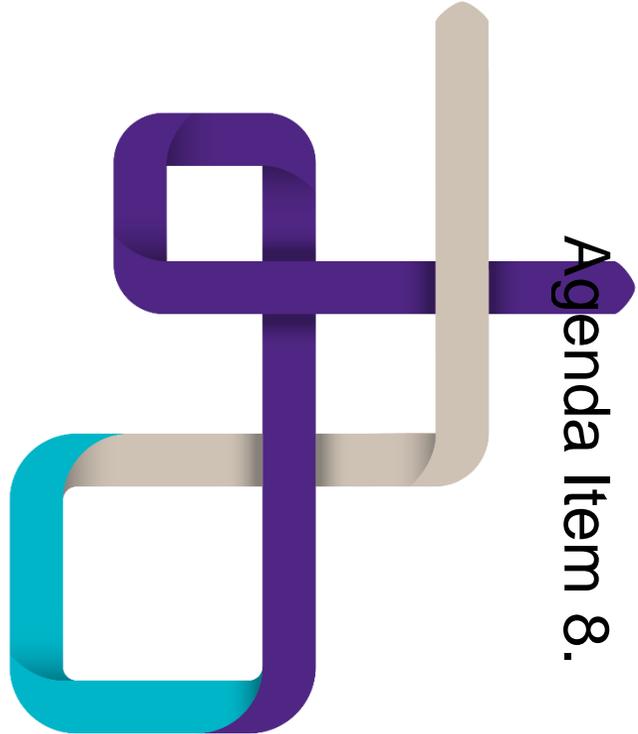
*Year ending 31 March 2018*

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Mid Devon District Council

16 July 2018

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Agenda Item 8.

# Contents



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team members are:

Page 164  
Your key Grant Thornton  
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## Section

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## Appendices

- A. Action plan
- B. Follow up of prior year recommendations
- C. Audit adjustments
- D. Fees

The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed for the purpose of expressing our opinion on the financial statements. Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify control weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose all defalcations or other irregularities, or to include all possible improvements in internal control that a more extensive special examination might identify. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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# Headlines

This table summarises the key issues arising from the statutory audit of Mid Devon District Council ('the Council') and the preparation of the group and Council's financial statements for the year ended 31 March 2018 for those charged with governance.

Page 165	<p><b>Financial Statements</b></p> <p>Under the International Standards of Auditing (UK) (ISAs), we are required to report whether, in our opinion:</p> <ul style="list-style-type: none"> <li>the group and Council's financial statements give a true and fair view of the group's and Council's financial position and of the group and Council's expenditure and income for the year, and</li> <li>have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting and prepared in accordance with the Local Audit and Accountability Act 2014.</li> </ul> <p>We are also required to report whether other information published together with the audited financial statements (including the Statement of Accounts, Annual Governance Statement (AGS) and Narrative Report), is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.</p>	<p>Our audit work was completed on site during June. Our findings are summarised in the financial statement section of this report. We have identified one adjustment to the financial statements that have resulted in a net £30k adjustment to the Statement of Comprehensive Income and Expenditure. Audit adjustments are detailed in Appendix C. We have also raised recommendations for management as a result of our audit work in Appendix A. Our follow up of recommendations from the prior year's audit are detailed in Appendix B.</p> <p>Subject to outstanding queries being resolved, we anticipate issuing an unqualified audit opinion following the Audit Committee meeting on 16 July 2018.</p> <p>At the time of writing this report, these items include:</p> <ul style="list-style-type: none"> <li>Conclusion of our ongoing review of the classification of the premier inn lease;</li> <li>Completion of Whole of Government Accounts review;</li> <li>Receipt of confirmation from the DV regarding qualifications and independence as well as the appropriateness of the 35% social housing factor;</li> <li>updating or subsequent event review;</li> <li>receipt of management representation letter; and</li> <li>review of the final set of financial statements.</li> </ul> <p>We have concluded that the other information published with the financial statements, which includes the Statement of Accounts, Annual Governance Statement and Narrative Report, are consistent our knowledge of your organisation and with the financial statements we have audited.</p>
	<p><b>Value for Money arrangements</b></p> <p>Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report whether, in our opinion:</p> <ul style="list-style-type: none"> <li>the Council has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources ('the value for money (VFM) conclusion')</li> </ul>	<p>We have completed our risk based review of the Council's value for money arrangements. We have concluded that Mid Devon District Council has proper arrangements to secure economy, efficiency and effectiveness in its use of resources. We therefore anticipate issuing an unqualified value for money conclusion. Our findings are summarised in the VFM section of this report.</p>
	<p><b>Statutory duties</b></p> <p>The Local Audit and Accountability Act 2014 ('the Act') also requires us to:</p> <ul style="list-style-type: none"> <li>report to you if we have applied any of the additional powers and duties ascribed to us under the Act; and</li> <li>certify the closure of the audit</li> </ul>	<p>We have not exercised any of our additional statutory powers or duties.</p> <p>We have completed the majority of work under the Code and expect to be able to certify the completion of the audit when we give our audit opinion.</p>

## Acknowledgements

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

# Summary

## Overview of the scope of our audit

This Audit Findings presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process, as required by International Standard on Auditing (UK) 260 and the Code of Audit Practice ('the Code'). Its contents have been discussed with management.

As auditor we are responsible for performing the audit, in accordance with International Standards on Auditing (UK), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities for the preparation of the financial statements.

## Audit approach

Our audit approach was based on a thorough understanding of the group and Council's business and is risk based, and in particular included:

At the time of writing our Audit Plan the Council were proposing to not produce group accounts. The Council subsequently took the decision to produce group accounts on the grounds of materiality and to ensure that prior year comparators were available for 2018/19 when the financial impact of 3 Rivers Ltd is expected to be larger. We have therefore had to revise our audit approach to include group procedures.

- An evaluation of the component of the group based on a measure of materiality considering each as a percentage of total group assets and revenues to assess the significance of the component and to determine the planned audit response. From this evaluation we determined that analytical procedures were required for 3 Rivers Ltd. This was due to the immaterial amounts consolidated. Group and single entity materiality are both set at £935k. This is again due to the immaterial impact on the groups statements of the company; with the single entity making up a significant proportion of the balances.
- An evaluation of the group's internal controls environment including its IT systems and controls; and
- Substantive testing on significant transactions and material account balances, including the procedures outlined in this report in relation to the key audit risks

## Conclusion

We have substantially completed our audit of your financial statements and subject to outstanding queries set out on page 3 of this report being resolved, we anticipate issuing an unqualified audit opinion following the Audit Committee meeting on 16 July 2018.

## Our approach to materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law.

Materiality calculations remains the same as reported in our audit plan. We detail in the table below our assessment of materiality for Mid Devon District Council.

	Group Amount (£)	Council Amount (£)
Materiality for the financial statements	935,000	935,000
Performance materiality	701,000	701,000
Trivial matters	46,750	46,750

# Going concern

## Our responsibility

As auditors, we are required to “obtain sufficient appropriate audit evidence about the appropriateness of management's use of the going concern assumption in the preparation and presentation of the financial statements and to conclude whether there is a material uncertainty about the entity's ability to continue as a going concern” (ISA (UK) 570). Although we did not identify a significant risk in relation to a material uncertainty of going concern, ISA 570 requires auditors to detail commentary on going concern.

## Going concern commentary

### Management's assessment process

Management have carried out a detailed assessment of the Council's ability to continue as a going concern. This process included undertaking a detailed cash flow forecasts through to March 2019. As part of this assessment management have considered their general fund and earmarked reserves balances as well as their net current asset position on their balance sheet.

### Auditor commentary

- We have concluded that management's process is adequate and that the assessment is supported by robust assumptions.

### Work performed

We have:

- discussed with management the financial standing of the Council;
- reviewed and challenged management's assessment of going concern assumptions and supporting information, e.g. medium term financial planning assumptions and cash flow forecasts;
- reviewed savings targets over the medium term as part of drawing our VFM conclusion.

### Auditor commentary

- We have reviewed managements assessment and have not identified any issues that would lead us to believe that there is a material uncertainty in the Council's assumption in preparing the financial statements on a going concern basis.

### Concluding comments

- Following our review we are satisfied with management's assessment of use of going concern basis of accounting.

### Auditor commentary

- Based on the work completed we plan to issue an unmodified audit opinion in relation to going concern.
- Our audit work detailed in the VFM section this report provides more commentary regarding the financial challenge faced by the Council.

# Significant audit risks

## Risks identified in our Audit Plan

## Commentary

### Improper revenue recognition

**Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue. This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.**

### Auditor commentary

Having considered the risk factors set out in ISA240 and the nature of the revenue streams at the Council, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because:

- there is little incentive to manipulate revenue recognition.
- opportunities to manipulate revenue recognition are very limited as a large proportion of income comes from general government grants, HB subsidy Council Tax and NDR ; and
- The culture and ethical frameworks of local authorities, including Mid Devon District Council, mean that all forms of fraud are seen as unacceptable.

Therefore we do not consider this to be a significant risk for Mid Devon District Council.

### Management override of controls

Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities. Management over-ride of controls is a risk requiring special audit consideration.

### Auditor commentary

We have undertaken the following work in relation to this risk:

- reviewed accounting estimates, judgements and decisions made by management,
- tested journal entries,
- reviewed unusual significant transactions, and
- reviewed significant related party transactions outside the normal course of business.

Our audit work has not identified any issues in respect of management override of controls.

### Valuation of pension fund net liability

The Council's pension fund asset and liability as reflected in its balance sheet represent a significant estimate in the financial statements.

We identified the valuation of the pension fund net liability as a risk requiring special audit consideration.

### Auditor commentary

We have undertaken the following work in relation to this risk:

- Identified the controls put in place by management to ensure that the pension fund net liability is not materially misstated and assessed whether those controls were implemented as expected and whether they were sufficient to mitigate the risk of material misstatement.
- Review of the competence, expertise and objectivity of the actuary who carried out the Council's pension fund valuation.
- Gaining an understanding of the basis on which the IAS 19 valuation was carried out, undertaking procedures to confirm the reasonableness of the actuarial assumptions made.
- Review of the consistency of the pension fund net liability disclosures in notes to the financial statements with the actuarial report from your actuary.

Our audit work has not identified any issues in respect of this risk.

# Significant audit risks (cont)

## Risks identified in our Audit Plan

Valuation of property, plant and equipment  
The Council revalues its land and buildings on an annual basis to ensure that carrying value is not materially different from fair value. This represents a significant estimate by management in the financial statements.

We identified the valuation of land and buildings revaluations and impairments as a risk requiring special audit consideration.

## Commentary

### Auditor commentary

We have undertaken the following work in relation to this risk:

- Review of management's processes and assumptions for the calculation of the estimate.
- Review of the competence, expertise and objectivity of any management experts used.
- Review of the instructions issued to valuation experts and the scope of their work
- Discussions with the Council's valuer about the basis on which the valuation was carried out, challenging the key assumptions.
- Review and challenge of the information used by the valuer to ensure it was robust and consistent with our understanding.
- Testing of revaluations made during the year to ensure they were input correctly into the Council's asset register
- Evaluation of the assumptions made by management for those assets not revalued during the year and how management satisfied themselves that these were not materially different to current value.

Our work to date has not identified any significant issues. However, there are two areas where, at the time of writing this report, we had not concluded our work:

We are awaiting a response from the DV in relation to his independence, objectivity and qualification, as well as confirmation regarding the appropriateness in using the South West social housing factor of 35% for Mid Devon; and

The Council have accounted for the Premier Inn lease as finance in nature. We continue to review this judgement and have recommended that the Council make additional disclosures relating to why this transaction should be classified as a finance lease and classify this as a critical judgement. The amount of this transaction is £900k and is not material. This land value has been written out of the balance sheet by the council. We continue to re-evaluate our review of the length of the lease (125 years) and the risks and rewards associated with the transaction, in accordance with accounting standards.

Our work identified that depreciation had not been charged across a number of assets. The Council have therefore understated depreciation by £52k. The accounts have been amended for this error. The Council's fixed asset register is extremely complicated which contributed to this error. We have therefore recommended that the Council review the Fixed Asset Register to ensure it produces accurate figures for inclusion in the financial statements.

# Reasonably possible audit risks

## Risks identified in our Audit Plan

## Commentary

### Employee remuneration

Payroll expenditure represents a significant percentage (31%) of the Council's operating expenses.

As the payroll expenditure comes from a number of individual transactions and an interface with a sub-system there is a risk that payroll expenditure in the accounts could be understated. We therefore identified completeness of payroll expenses as a risk requiring particular audit attention.

### Auditor commentary

We have undertaken the following work in relation to this risk:

- evaluated the Council's accounting policy for recognising payroll expenditure for appropriateness,
- documented our understanding of processes and key controls over the transaction cycle,
- undertaken walkthrough of the key controls to assess the whether those controls were in line with our documented understanding,
- reconciled payroll expenditure reported in the financial statements to total expenditure recorded in the payroll system, and
- performed substantive analytical procedures.

Our audit work has not identified any issues in respect of this risk.

### Operating expenses

Non-pay expenses on other goods and services also represents a significant percentage of the Council's operating expenses. Management uses judgement to estimate accruals of un-invoiced costs.

We identified completeness of non- pay expenses as a risk requiring particular audit attention.

### Auditor commentary

We have undertaken the following work in relation to this risk:

- gained an understanding of the Council's system for accounting for non-pay expenditure and evaluate the design of the associated controls,
- evaluated the Council's accounting policy for recognition of non-pay expenditure for appropriateness,
- agreed creditors to the ledger,
- substantively tested significant creditor balances, and
- reviewed after date payments to ensure all liabilities have been identified.

Our audit work has not identified any issues in respect of this risk. However, please see the issue raised under PPE in relation to depreciation as this also impacts on expenditure.

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# Significant matters discussed with management

This section provides commentary on the significant matters we discussed with management during the course of the audit.

Significant matter	Commentary	
Significant events or transactions that occurred during the year	<ul style="list-style-type: none"> <li>• During the year the Council received £0.900m in relation to a lease with Premier Inn. The lease was for the land adjacent to the multi-storey carpark on which Premier Inn are currently building a hotel.</li> <li>• The Council have accounted for this as a finance lease and as such have derecognised the land and accounted for the £0.900m as a capital receipt. The Council have put together a detailed paper setting out why it is felt that the lease meets the criteria of the accounting lease standard.</li> <li>• There are a number of criteria to be considered when assessing the classification of a lease. Not one of these criteria is more important than another. In all aspects of lease accounting, each case and contract has to be reviewed individually. The Council's view is that the length of the lease - 125 years constitutes a significant part of the land's economical value and that a significant amount of risk and rewards have been transferred to Premier Inn as part of this transaction.</li> <li>• We have requested and obtained detailed considerations from the Council and the Council's adviser as to why management believe that this lease would fall into the category of a finance lease. As part of our ongoing audit, we have considered these views in detail and challenged further where necessary and appropriate. As lease arrangements are often complex and often a "grey" area, we want to ensure that all aspects of the lifetime of the lease, the risks and rewards and any wider practices are considered as part of the audit work. We acknowledge that the consideration of the value of the land has been provided at the inception of the lease agreement and that the 125 year period does need to be considered as part of the life value of the land asset. We continue to review the balance of this against the risk and rewards attributable to the land and the lease.</li> </ul>	<p><b>Auditor view</b></p> <p>Our work is ongoing on this matter. We will provide an update on our considerations ahead of the Audit Committee meeting. Management have concluded that they believe that this transaction constitutes a finance lease and have therefore written out the value of the land from the Council's balance sheet. This transaction is not material. The matter is related to the land transaction only and does not have an impact upon the build or building of the hotel.</p> <p>In terms of the hotel building, the lease does allow Premier Inn to build into 82 car park spaces in the multi storey car park adjacent to the land. These spaces are currently still in use as parking spaces and were as at 31 March 2018. Management are aware that the value of these car park spaces will need to be written out of the Council's balance sheet during 2018/19 and we would recommend that management continue to review the use of these spaces.</p> <p><b>Management response</b></p> <p>We have undertaken extensive research, received expert advice and compared our treatment with those of other local authorities. Following this work we provided various briefing notes to Grant Thornton, detailing our judgements and rationale. This culminated in a summarised report to the Grant Thornton Associate Director on 27 June 2018, with our final proposal. We are confident therefore that we have treated this transaction correctly from a technical accounting point of view but also in the most transparent manner for the reader of the accounts.</p> <p>Our annual revaluation process will identify what level of impairment is appropriate in relation to the loss of car parking spaces.</p>

# Findings arising from the group audit

Component	Component auditor	Findings	Group audit impact
3 Rivers Ltd	N/A	<ul style="list-style-type: none"> <li>We have concluded that the basis for consolidation was correct as the Council have treated the company as a subsidiary.</li> <li>We have undertaken analytical procedures in relation to the consolidation of 3 rivers.</li> <li>We identified one issue in that £227k of costs have been consolidated as Assets Under Construction. As these relate to costs in building houses for sale at market rates they do not meet the definition of PPE and as such should be accounted for as work in progress.</li> </ul>	<ul style="list-style-type: none"> <li>The group financial statements have been adjusted for this classification error.</li> <li>We have raised recommendations as part of our VFM work in relation to the Council considering the future funding of the company.</li> </ul>

# Accounting policies

Accounting area	Summary of policy	Comments	Assessment
Revenue recognition	<ul style="list-style-type: none"> <li>Council Tax income included in the Comprehensive Income &amp; Expenditure Statement for the year will be treated as accrued income.</li> <li>Retained Business Rate income included in the Comprehensive Income &amp; Expenditure Statement for the year will be treated as accrued income.</li> <li>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:               <ul style="list-style-type: none"> <li>the Authority will comply with the conditions attached to the payments, and</li> <li>the grants or contributions will be received.</li> </ul> </li> <li>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.</li> </ul>	<p>The policies are:</p> <ul style="list-style-type: none"> <li>appropriate under the Local Authority Accounting code of Practice (the code);</li> <li>adequately disclosed in the accounting policies;</li> <li>consistent with the code; and</li> <li>have been applied appropriately.</li> </ul>	

## Assessment

-  Marginal accounting policy which could potentially be open to challenge by regulators
-  Accounting policy appropriate but scope for improved disclosure
-  Accounting policy appropriate and disclosures sufficient

# Accounting policies

Accounting area	Summary of policy	Comments	Assessment
<b>Judgements and estimates</b>	<ul style="list-style-type: none"> <li>• Key estimates and judgements include:               <ul style="list-style-type: none"> <li>– Useful life of PPE</li> <li>– Revaluations</li> <li>– Impairments</li> <li>– Accruals</li> <li>– Valuation of pension fund net liability</li> <li>– Provision for NNDR appeals</li> <li>– Other provisions</li> </ul> </li> </ul>	<p>We have reviewed the Council's judgements and estimates and concluded that these are reasonable in respect of the financial statements and the disclosure of financial position of the Council. We would comment as follows:</p> <ul style="list-style-type: none"> <li>• We considered the assumptions made by the District Valuer as reasonable for Mid Devon.</li> <li>• The Council's accruals process at year end is appropriate.</li> <li>• The estimation of possible NNDR appeals is reasonable.</li> <li>• The valuation of the pension fund liability. The estimates used by Barnett Waddingham are in line with other actuaries and we consider will produce a reasonable estimation of the potential liability.</li> </ul>	
<b>Other critical policies</b>		<p>We have reviewed the Council's policies against the requirements of the CIPFA Code of Practice. The Council's accounting policies are appropriate and consistent with previous years.</p> <p>We have requested that the Council include a critical judgement in relation to accounting for the Premier Inn lease.</p>	

## Assessment

-  Marginal accounting policy which could potentially be open to challenge by regulators
-  Accounting policy appropriate but scope for improved disclosure
-  Accounting policy appropriate and disclosures sufficient

# Other communication requirements

We set out below details of other matters which we, as auditors, are required by auditing standards and the Code to communicate to those charged with governance.

Issue	Commentary
① <b>Matters in relation to fraud</b>	<ul style="list-style-type: none"> <li>We have previously discussed the risk of fraud with the Audit Committee. We have not been made aware of any other incidents in the period and no other issues have been identified during the course of our audit procedures.</li> </ul>
② <b>Matters in relation to related parties</b>	<ul style="list-style-type: none"> <li>We are not aware of any related parties or related party transactions which have not been disclosed.</li> </ul>
③ <b>Matters in relation to laws and regulations</b>	<ul style="list-style-type: none"> <li>You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work.</li> </ul>
④ <b>Written representations</b>	<ul style="list-style-type: none"> <li>A standard letter of representation has been requested from the Council, including specific representations in respect of the Group, which is included in the Audit Committee papers.</li> <li>Specific representations have been requested from management in respect of accounting for the Premier Inn lease.</li> </ul>
⑤ <b>Confirmation requests from third parties</b>	<ul style="list-style-type: none"> <li>We requested from management permission to send confirmation request(s) to banks and financial institutions with which the Council have investments. This permission was granted and the requests were sent. We have received positive confirmations in all cases.</li> </ul>
⑥ <b>Disclosures</b>	<ul style="list-style-type: none"> <li>Our review found no material omissions in the financial statements.</li> </ul>

# Other responsibilities under the Code

We set out below details of other matters which we, as auditors, are required by the Code to communicate to those charged with governance.

Issue	Commentary
① <b>Other information</b>	<ul style="list-style-type: none"> <li>We are required to give an opinion on whether the other information published together with the audited financial statements (including the Statement of Accounts, Annual Governance Statement (AGS) and Narrative Report), is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.</li> </ul> <p>No inconsistencies have been identified. We plan to issue an unqualified opinion in this respect.</p>
② <b>Matters on which we report by exception</b>	<p>We are required to report on a number of matters by exception in a numbers of areas:</p> <ul style="list-style-type: none"> <li>If the Annual Governance Statement does not meet the disclosure requirements set out in the CIPFA/SOLACE guidance or is misleading or inconsistent with the other information of which we are aware from our audit, and</li> <li>If we have applied any of our statutory powers or duties</li> </ul> <p>We have nothing to report on these matters.</p>
③ <b>Specified procedures for Whole of Government Accounts</b>	<p>We are required to carry out specified procedures (on behalf of the NAO) on the Whole of Government Accounts (WGA) consolidation pack under WGA group audit instructions.</p> <p>No detailed work is required in this area as the Council id below the thresholds set by the NAO.</p>
④ <b>Certification of the closure of the audit</b>	<p>We intend to certify the closure of the 2017/18 audit of Mid Devon District Council's in the audit opinion.</p>

# Value for Money

## Background to our VFM approach

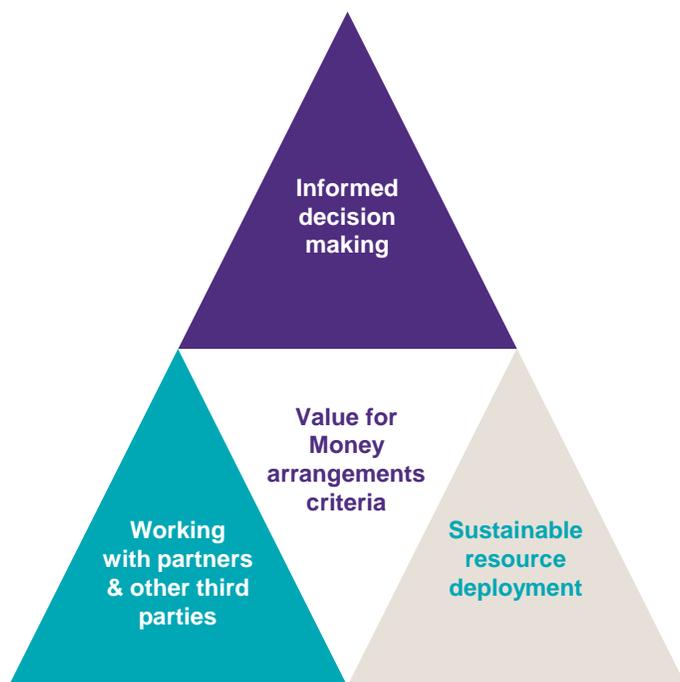
The NAO issued its guidance for auditors on Value for Money work for 2017/18 in November 2017. The guidance states that for local government bodies, auditors are required to give a conclusion on whether the Council has proper arrangements in place.

The guidance identifies one single criterion for auditors to evaluate:

*“In all significant respects, the audited body takes properly informed decisions and deploys resources to achieve planned and sustainable outcomes for taxpayers and local people.”*

This is supported by three sub-criteria, as set out below:

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## Risk assessment

We carried out an initial risk assessment in December 2017 and identified a number of significant risks in respect of specific areas of proper arrangements using the guidance contained in AGN03. We communicated these risks to you in our Audit Plan dated 23 January 2018.

We have continued our review of relevant documents up to the date of giving our report, and have not identified any further significant risks where we need to perform further work.

We carried out further work only in respect of the significant risks we identified from our initial and ongoing risk assessment. Where our consideration of the significant risks determined that arrangements were not operating effectively, we have used the examples of proper arrangements from AGN 03 to explain the gaps in proper arrangements that we have reported in our VFM conclusion.

# Value for Money

## Our work

AGN 03 requires us to disclose our views on significant qualitative aspects of the Council's arrangements for delivering economy, efficiency and effectiveness.

We have focused our work on the significant risks that we identified in the Council's arrangements. In arriving at our conclusion, our main considerations were:

- Financial outturn position and medium term financial plan;
- Arrangements for delivering and monitoring savings plans;
- Information provided to members for decision making in relation to setting up 3 Rivers Ltd;
- Arrangements for monitoring the performance of 3 Rivers Ltd.

We have set out more detail on the risks we identified, the results of the work we performed and the conclusions we drew on the following pages.

## Overall conclusion

Based on the work we performed to address the significant risks, we concluded that:

- the Council had proper arrangements in all significant respects to ensure it delivered value for money in its use of resources.

## Recommendations for improvement

We discussed findings arising from our work with management and have agreed recommendation for improvement as follows.

Our recommendations and management's response to these can be found in the Action Plan at Appendix A

## Significant difficulties in undertaking our work

We did not identify any significant difficulties in undertaking our work on your arrangements which we wish to draw to your attention.

## Significant matters discussed with management

There were no matters where no other evidence was available or matters of such significance to our conclusion or that we required written representation from management or those charged with governance.

## Key findings

We set out below our key findings against the significant risks we identified through our initial risk assessment and further risks identified through our ongoing review of documents.

	Significant risk	Findings	Conclusion
1	<b>Financial resilience</b>  Like the majority of Councils Mid Devon District Council face a significant financial challenge over the medium term. The Council is forecasting an overspend of £181k in 2017/18 and has a funding gap of £4.1m through to 2021/22. The Council currently has a General Fund Reserve of £2,241k, which is above the approved minimum level of £2,100k. Without action General Fund Reserves will be eroded 2020/21.  In response to this risk we will review the significant assumptions made in the Council's medium term financial plan and progress towards closing the funding gap.	Mid Devon District Council face a significant financial challenge over the medium term.  The Council started 2017/18 with a £2.6m general fund balance and ended the year with £2.7m.  The Council have a significant savings target (circa £5m), which at present is not monitored separately.  A key assumption made as part of the MTFP is that 100% pilot status is granted for business rates.  The Council have a number of initiatives in play to increase revenues. For example the premier inn transaction which will increase business rates, and 3 Rivers which will increase revenues through new homes bonus and council tax revenues.	<b>Auditor view</b>  Despite the challenges faced by the Council there are adequate arrangements in place to achieve financial resilience.  Currently the Council does not monitor its savings programme on a scheme by scheme basis. There is a risk that there could be a perceived lack of transparency. Clearly identifying savings schemes allows each scheme to be monitored but also to ensure that there is no adverse impact on services.  <b>Management response</b>  All material savings plans are communicated to Cabinet and the appropriate PDGs during the budget discussions. Monthly budget monitoring is undertaken and reported with a materiality of between £5k and £10k. Detailed reports are provided for each service and we are confident that these are suitably transparent to provide the reader with an understanding of how the service is performing in relation to delivering the savings previously agreed. This Council has an excellent record of saving delivery and consistently reports an outturn which has limited overspends. We therefore do not see this as a risk which is of a concern to this authority.
2	<b>Housing Company arrangements</b>  During 2017/18 the Council set up 3 Rivers Development Company Ltd. This was incorporated at Companies House on 28 April 2017. This represents a new, innovative way to deliver services.  In response to this risk we will review the Councils arrangements for setting up, monitoring and reporting the performance. We will also review the governance arrangements in place.	Like a number of Councils Mid Devon District Council have set up a company with its primary purpose being to generate revenues.  Our review of the papers presented to cabinet found that the adequate information was provided to inform decision making.  Our review further found that the ongoing governance and monitoring arrangements are currently being developed.	<b>Auditor view</b>  We have reviewed the arrangements in place for setting up the company and have found them to be adequate. The arrangements are however in their infancy and as such ongoing work needs to be undertaken by the Council to ensure that arrangements remain adequate. The key areas for the Council to consider going forward are: <ul style="list-style-type: none"> <li>• How the loan to the company will be funded,</li> <li>• The ongoing monitoring of the companies performance (as noted in the revised AGS action plan), and</li> <li>• A review of the governance arrangements to ensure that these remain appropriate and on an arms length basis.</li> </ul> <b>Management response</b>  Agreed. These recommendations are as we proposed. We will apply the same robust governance to the company as we do to the MDDCs financial affairs.

# Independence and ethics

## Independence and ethics

- We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Financial Reporting Council's Ethical Standard and confirm that we, as a firm, and each covered person, are independent and are able to express an objective opinion on the financial statements

We confirm that we have implemented policies and procedures to meet the requirements of the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.

Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in December 2017 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

Details of fees charged are detailed in Appendix D

## Audit and Non-audit services

For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Council. No non-audit services were identified.

Service	£	Threats	Safeguards
<b>Audit related</b>			
Certification of Housing capital receipts grant	1,500	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £1,500 in comparison to the total fee for the audit of £47,700 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors mitigate the perceived self-interest threat to an acceptable level.

The amounts detailed are fees agreed to-date for audit related services to be undertaken by Grant Thornton UK LLP in the current financial year. These services are consistent with the Council's policy on the allotment of non-audit work to your auditors.

# Action plan

We have identified 5 recommendations for the Council as a result of issues identified during the course of our audit. We have agreed our recommendations with management and we will report on progress on these recommendations during the course of the 2018/19 audit. The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

Assessment	Issue and risk	Recommendations
●	The Council's fixed asset register (FAR) is extremely complicated which contributed towards an error identified in the calculation of depreciation. The FAR produces large figures feeding into the financial statements.	<p>We have therefore recommended that the Council review the Fixed Asset Register to ensure it produces accurate figures for inclusion in the financial statements.</p> <p><b>Management response</b></p> <p>Agreed. In advance of next year's closing, we will review the workings of our Fixed Asset Register, conferring with our other local authority peers for advice on alternative methods of delivering this complex area of the accounts.</p>
●	In our testing of creditors we identified one instance of an accrual which was found to be invalid. We have assessed the error and consider the error to be significantly trivial however we noted the error arose due to an internal control failure within the process of recording accruals. Management stated the process of an order becoming an accrual is that the order sits on the system as a commitment up to the point at which the goods are received at which the point the order becomes an accrual until the invoice is paid. Management will review purchase orders which are no longer valid and will delete them from the listing however we identified the control did not pick up this item and it was incorrectly accrued for.	<ul style="list-style-type: none"> <li>It is recommended management review the controls put in place to identify invalid purchases orders.</li> </ul> <p><b>Management response</b></p> <p>Agreed. We will impose a more robust process to our regular monthly reports to managers so that we can be assured that any outstanding orders are still valid. This will follow discussion with the Group Managers.</p>

#### Controls

- High – Significant effect on control system
- Medium – Effect on control system
- Low – Best practice

# Action plan (cont)

Assessment	Issue and risk	Recommendations
●	Currently the Council does not monitor its savings programme on a scheme by scheme basis. There is a risk that there could be a perceived lack of transparency. Clearly identifying savings schemes allows each scheme to be monitored but also to ensure that there is no adverse impact on services.	<p>We have therefore recommended that the Council set out detailed savings plans and monitor progress against each of these.</p> <p><b>Management response</b> Disagree. Please see managements response on page 17 of this report.</p>
●	The Council plan to fund 3 Rivers Ltd through the use of loan capital.	<p>The Council should review funding plans to ensure the loan can be funded from capital resources. Where applicable to Council should obtain appropriate technical and accounting advice.</p> <p><b>Management response</b> Agreed. We will be taking 3<sup>rd</sup> party technical advice to ensure that we are compliant with our plans going forward.</p>
●	The Council's 3 Rivers Ltd has been set up during the year. With all new companies arrangements will change over time as the company grows and develops.	<p>The Council should review governance and monitoring arrangements to ensure that these remain appropriate and on an arms length basis.</p> <p><b>Management response</b> Agreed. Please see managements response on page 17 of this report.</p>
●	The lease with Premier Inn allows the hotel to built into 82 car park spaces in the multi story carpark adjacent to the Phoenix House. Management are aware that this will impair the value of the asset and this will need to be considered in 2018/19	<p>Management should continue to monitor the operation performance of the car park and consider the impact of changes in capacity as part of their ongoing impairment reviews.</p> <p><b>Management response</b> Agreed.</p>

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## Controls

- High – Significant effect on control system
- Medium – Effect on control system
- Low – Best practice

# Follow up of prior year recommendations

We identified the following issues in the audit of Mid Devon District Council's 2016/17 financial statements, which resulted in 3 recommendations being reported in our 2016/17 Audit Findings report. We have followed up on the implementation of our recommendations and note the 3 issues are still to be completed.

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
1 ✓	<p><b>Weak Password Management</b></p> <p>Where possible, the organisation should enable align all password policies in the applications in use and provide guidance in the security policies to ensure that all user passwords meet the following minimum requirements:</p> <ul style="list-style-type: none"> <li>• Are at least 8 characters long</li> <li>• Are complex i.e. must contain a combination of upper and lower case characters, numbers and special characters</li> <li>• Meet a standard set out in the Acceptable Use Policy</li> </ul> <p>If any system cannot enforce such a restriction, the organisation should explore the use of other controls designed to address the risk of password compromise.</p>	<p><b>Management response</b></p> <p>The eFinancials system has been updated and now requires all users to comply with these security policies, e.g. passwords of at least 8 characters; a mixture of special and alpha numeric characters etc. We will continue to review our other systems to ensure there are adequate controls in place. The overarching password for access to our network provides additional security.</p>
2 ✓	<p><b>Review of information security logs</b></p> <p>The logs relating to information security events should be formally reviewed for the purpose of detecting inappropriate or anomalous activity.</p> <p>These reviews should be performed by one or more knowledgeable individuals who are independent of the day-to-day use or administration of these systems.</p>	<p><b>Management response</b></p> <p>The IT department undertake regular checks and annual security reviews to test the integrity of our firewall and other defences. They continually implement upgrades in order to ensure we are adequately protected.</p> <p>We also carry out formal tests of who has access to the system and what levels of access they have, testing for appropriateness, authority levels and adequate segregation. This was agreed following last year's audit.</p>
3 X	<p><b>Savings plans</b></p> <p>Forward planning needs to set out the annual savings programme in a manner that allows the achieved savings to be monitored against plans. Management need to ensure that they monitor this through regular reporting to the Council and Members.</p>	<p>We have reassessed the Council's medium term financial plan as part of our 2017/18 VFM work. Further recommendations have been raised in relation to monitoring savings.</p>

#### Assessment

- ✓ Action completed
- X Not yet addressed

# Audit Adjustments

We are required to report all non trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management.

## Impact of adjusted misstatements

All adjusted misstatements are set out in detail below along with the impact on the key statements and the reported net expenditure for the year.

Detail	Comprehensive Income and Expenditure Statement £'000	Balance Sheet £' 000	Impact on total net expenditure £'000
1 We identified one issue in that £227k of costs have been consolidated as Assets Under Construction. As these relate to costs in building houses for sale at market rates they do not meet the definition of PPE and as such should be accounted for as work in progress.			
2 Our work identified that depreciation had not been charged across a number of assets. The Council have therefore understated depreciation by £52k. The accounts have been amended for this error. The Council's fixed asset register is extremely complicated which contributed to this error. We have therefore recommended that the Council review the Fixed Asset Register to ensure it produces accurate figures for inclusion in the financial statements.	(£30k)	(Adjustments net to Nil)	(£30k)
<b>Overall impact</b>	<b>(£30k)</b>	<b>(Adjustment net to Nil)</b>	<b>(£30k)</b>

# Audit Adjustments (cont)

## Misclassification and disclosure changes

The table below provides details of misclassification and disclosure changes identified during the audit which have been made in the final set of financial statements.

Disclosure omission	Detail	Auditor recommendations	Adjusted?
<b>Financial statements - various</b>	During the course of the audit a number of small disclosure amendments were made to the financial statements. These have not been reported separately due to their insignificant nature.	None.	✓
<b>Annual Governance Statement</b>	Our review of the Council's Annual Governance Statement identified that no reference was made of assurances gained over the 3 Rivers Company.	None.	✓
<b>Financial Instruments</b>	Our review identified that £298k of trade receivables had been incorrectly excluded from the financial instruments note. These were contractual obligations and as such should have been included in the financial instruments note.	None.	✓
<b>Critical Judgements</b>	As part of reviewing the Council's accounting policies we requested that the Council include a critical judgement in relation to accounting for the Premier Inn lease.	None.	✓

## Impact of unadjusted misstatements

At the time of writing this report there were no unadjusted misstatements.

# Fees

We confirm below our final fees charged for the audit. There were no fees for the provision of non audit services.

## Audit Fees

	Proposed fee	Final fee
Council Audit	47,700	47,700.
Grant Certification	6,908	TBC
<b>Total audit fees (excluding VAT)</b>	<b>£54,608</b>	<b>TBC</b>

The proposed fees for the year were in line with the scale fee set by Public Sector Audit Appointments Ltd (PSAA). Our fees for grant certification cover only housing benefit subsidy certification, which falls under the remit of Public Sector Audit Appointments Limited. Fees in respect of other grant work, such as reasonable assurance reports, are shown under 'Fees for other services'.

## Non Audit Fees

Fees for other services	Fees £'000
<b>Audit related services:</b>	
Certification of Housing capital receipts grant	1,500
	<b>£1,500</b>



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## **Audit recommendations – Developmental Control**

Response from the Head of Planning, Economy and Regeneration.....

Dear Councillor Evans,

Cabinet has asked that I respond to the email to them from you as Chair of Audit Committee following a discussion of its contents at a recent meeting. I will be covering the planning performance elements.

In respect of the application time taken targets for planning applications; the 60% 'majors' in 13 weeks, 65% 'minors' in 8 weeks and 80% 'others' in 8 weeks are all targets that are set nationally by the Government rather than being local performance indicators. They are some of the longest running performance indicators in planning and have been established nationally as the benchmark for assessing the speed of decision making for a long time. They form the backbone of the statistics we provide to the Government on a quarterly basis.

Whilst the Government has reviewed planning performance targets over the past couple of years, they have not amended these indicators. Their attention has been on developing new 'speed' indicators and new 'quality' of decision making indicators. These newer indicators take performance over a rolling 2 year period at look at time taken for application determination (speed) and the percentage of application decisions overturned at appeal (quality of decision making). Mid Devon is meeting the requirements of these indicators.

In the absence of a lack of change nationally over the indicators Audit Committee has questioned, there is no merit seen in developing tighter performance targets for planning application decision making that would place us at odds with the national picture. This would also be likely to divert attention away from quality of decision making and place greater strain on staff. At present the service seeks to balance both quality and speed of decision making in accordance with the Government's requirements. By all means let us aim higher than the national targets, but it is not intended that this aim to be expressed as tighter indicators.

The Service carefully manages time taken over planning applications and where appropriate negotiates extensions of time with applicants. This also reduces risk over returning a significant amount of planning fees. In recording and reporting on time taken to determine applications, the methodology set out by the Government allows for extensions of time agreed with applicants to count within the target timescale for an application to be decided. The return of planning fees to applicants only applies if there has been no decision after 26 weeks and there has not been an agreed extension of time. I believe the financial risk on fee return to be less than Audit Committee members believe due to the monitoring and proactive management undertaken within the Service.

The nationally applied 20% increase in planning fees was implemented from 17<sup>th</sup> January 2018 and is being used to offset some of the cost of the service as historically income from planning fees has not covered the cost of this part of the service. A restructure in 2017 realigned resources and saw the economy,

regeneration and planning functions amalgamated within a single service. A growth and delivery team was been created with key staff resources focused on key projects. The restructure also considered casework capacity needs within the Development Management section. The structure of the service shows 10FTE caseworkers, albeit the Group Manager for Development and the Area Team Leaders also have managerial responsibilities and accordingly are not full time dealing with casework. The 2 FTE major projects officers also take casework directly related to the projects they are dealing with as part of their wider duties.

Regards  
Jenny

**Jenny Clifford (Mrs) / Head of Planning, Economy and Regeneration / Mid Devon District Council / Phoenix House / Phoenix Lane / Tiverton / Devon EX16 6PP**