

Public Document Pack

Mid Devon District Council

Audit Committee

Tuesday, 28 July 2015 at 5.30 pm
Exe Room, Phoenix House

Next ordinary meeting
Tuesday, 29 September 2015 at 5.30 pm

Those attending are advised that this meeting will be recorded

Membership

Cllr R Evans
Cllr Mrs J B Binks
Cllr Mrs C Collis
Cllr R M Deed
Cllr T G Hughes
Cllr F Letch
Cllr R F Radford

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. **Public Question Time**
To receive any questions relating to items on the Agenda from members of the public and replies thereto.
3. **Chairman's Announcements**
To receive any announcements that the Chairman may wish to make.
4. **Election of Vice Chairman for 2015/16**
To elect a Vice Chairman for the Municipal Year 2015/16.
5. **Minutes of the previous meeting** (*Pages 5 - 10*)
To approve as a correct record the Minutes of the meeting held on 23 June 2015 (copy attached).
6. **Annual Governance Statement** (*Pages 11 - 36*)
To receive and approve the finalised version of the Annual Governance Statement and accompanying action plan from the Head of

Communities and Governance.

7. **Annual Report and Accounts 2014/15** (Pages 37 - 146)
To receive a report from the Head of Finance outlining any changes made to the accounts subsequent to the draft set presented to the Audit Committee at its meeting on 23 June 2015 and then to seek formal approval of the finalised Accounts.
8. **Grant Thornton - 2014/15 Audit Findings** (Pages 147 - 176)
To receive a report from the external auditors summarising their findings following the 2014/15 external audit of the Council's accounts.
9. **Internal Audit Progress Report** (Pages 177 - 184)
To receive a report from the Audit Team Leader updating the Committee on the work performed by Internal Audit during the 2015/16 financial year thus far as required by the Public Sector Internal Audit Standards.
10. **Internal Audit reports (standing item)**
Committee to discuss any issues arising from any Audit reports they have received since the last meeting. During discussion of this item it may be necessary to pass the following resolution to exclude the press and public having reflected on Article 12 12.02(d) (a presumption in favour of openness) of the Constitution. This decision may be required because consideration of this matter in public may disclose information falling within one of the descriptions of exempt information in Schedule 12A to the Local Government Act 1972. The Committee will need to decide whether, in all the circumstances of the case, the public interest in maintaining the exemption, outweighs the public interest in disclosing the information.

ACCESS TO INFORMATION ACT – EXCLUSION OF THE PRESS AND PUBLIC

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

(Please note: This is a standing item which may not be needed should discussion have taken place regarding internal audit reports under another item on the agenda)

11. **Grant Thornton - fee letter** (Pages 185 - 188)
To receive the annual Audit Fee letter from Grant Thornton setting out details of the audit fee for carrying out their work.

12. **Identification of items for the next meeting - 29 September 2015**

Members are asked to note that the following items are already identified in the work programme for the next meeting:

- Performance and Risk
- Progress update on the Annual Governance Statement Action Plan
- Internal Audit progress report
- Internal Audit reports
- Minor amendments to the Financial Regulations
- External Audit update

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

Kevin Finan
Chief Executive
Monday 20 July 2015

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 meeting room on the first floor of the building is available from the main ground floor entrance. Toilet facilities, with wheelchair access, are also available. There is time set aside at the beginning of the meeting to allow the public to ask questions.

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

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

Public Wi-Fi is available in all meeting rooms.

MID DEVON DISTRICT COUNCIL

MINUTES of a **MEETING** of the **AUDIT COMMITTEE** held on 23 June 2015 at 6.00 pm

Present

Councillors Mrs J B Binks, Mrs C Collis, R M Deed, R Evans, F Letch and R F Radford

Also Present Officer

Andrew Jarrett (Head of Finance), Amy Tregellas (Head of Communities and Governance and Monitoring Officer), Catherine Yandle (Internal Audit Team Leader) and Sarah Lees (Member Services Officer)

Also in

Attendance G Daly and S Johnson (Grant Thornton)

1. **ELECTION OF CHAIRMAN FOR 2015/16**

RESOLVED that Cllr R Evans be elected Chairman of the Audit Committee for the municipal year 2015/16.

(Proposed by Cllr R F Radford and seconded by Cllr Mrs C Collis)

2. **ELECTION OF VICE- CHAIRMAN FOR 2015/16**

As not all Members of the Committee were present it was **AGREED** to place this item on the agenda for the next meeting.

3. **APOLOGIES**

There were no apologies for absence.

4. **PUBLIC QUESTION TIME**

There were no members of the public present.

5. **CHAIRMAN'S ANNOUNCEMENTS (00:03:30)**

The Chairman had the following announcements to make:

- He was pleased that the size of the Committee had increased from 5 to 7 Members following the election in May as there had been occasions in the past when the Committee had been close to being inquorate.
- He informed the new Members that it was within their power as a Committee to hold to account any Heads of Service or the Chief Executive if there was something within an internal audit report that caused them concern, even if this involved holding a Special Meeting as had happened in the past.

6. MINUTES OF THE PREVIOUS MEETING (00:04:30)

The Minutes of the previous meeting held on 24 March 2015 were approved as a true and accurate record and **SIGNED** by the Chairman.

7. PERFORMANCE AND RISK OUTTURN REPORT FOR 2014-15 (00:05:40)

The Committee had before it, and **NOTED**, a report * from the Head of Communities and Governance providing Members with an update on performance against the Corporate Plan and local service targets for 2014/15 as well as providing an update on any key business risks.

For the benefit of new Members to the Committee it was explained that the performance report was split into Portfolio Holder areas. The rationale between the risk matrix was also explained.

Discussion took place regarding:

- Figures in relation to residual household waste per head - the target that had been set for the year was 455.0kg per head, the actual figure for the end of the year had been 462.6kg per head meaning that more residual waste had been collected per person than the target. However, this was compared to 482.3 kg per head in the previous year, therefore the figures were moving in the right direction and it was felt that in hindsight the target may have been a little ambitious.
- The percentage of food premises inspections that should have been carried out for high risk premises was way below target. It was explained that this was due to an ongoing illegal meat case that had taken significant resources away from the food inspection programme. Recruitment was under way to appoint an Environmental Health officer to this area to alleviate some of the strain. Nevertheless it was felt that lack of resource in this area was alarming. Concern was expressed that one case was taking up so much time leaving the Council in a vulnerable position. Risks in this area could potentially have a significant impact. The Chairman stated that he would write to the relevant Cabinet Member and Head of Service outlining the concerns of the Committee.
- Working days lost to sickness absence – concern was expressed by the Committee that the figures quoted were twice the national average and were above the figure for last year. It was explained that out of a total of 4169 days lost, 2193 of those were attributable to long term absence. Again, the Chairman stated that he would write to the relevant Cabinet Member and Head of Service to pass on the Committees concerns.

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

8. INTERNAL AUDIT OUTTURN REPORT FOR 2014/15 (00:27:45)

The Committee had before it, and **NOTED**, a report * from the Audit Team Leader updating the Committee on the work performed by Internal Audit during the 2014/15 financial year as required by the Public Sector Internal Audit Standards.

Discussion took place regarding:

- The internal audit report regarding the Lords Meadow leisure centre had identified a weakness in terms of till and cashing up procedures, for example, till sessions where one user logs in and other members of staff use the same till without starting a new session. The Committee questioned whether it was practical for each user to have to log in and log out every time? It was explained that different leisure centres operated differently depending upon staffing but that CCTV was in place to monitor activity around the till areas.
- The Head of Business Information Systems regularly provided awareness training in the area of Data Protection and information security was constantly being promoted.
- Generally there had been an overall improvement and action had been taken in all the areas that had received a 'poorly controlled' opinion.

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

9. **INTERNAL AUDIT REPORTS (00:42:20)**

There were no further comments made by the Committee in relation to internal audit reports other than those made under the previous item.

In relation to the Main Accounting audit, the external auditors stated that the Government had brought forward the deadline for external auditors to have completed public sector audits to 31 July from 2017/18 onwards. This had created a significant amount of work for external auditors nationally in terms of planning work in order to meet this statutory deadline.

10. **ANNUAL GOVERNANCE STATEMENT (00:45:37)**

The Committee had before it a report * from the Head of Communities and Governance presenting it with the Annual Governance Statement for 2014/15 and accompanying action plan. It was stated that this document provided detailed comments on the Council's control environment and was presented to the Committee annually along with the financial accounts.

RESOLVED that the Annual Governance Statement be approved and signed by the Leader of the Council and the Chief Executive as per the statutory guidance.

(Proposed the Chairman)

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

11. **ANNUAL REPORT AND ACCOUNTS 2014/2015 (00:51:35)**

The Committee had before it a report * from the Head of Finance presenting the annual report and accounts to Members. It was explained that the Council was still heading towards 4 more years of austerity with continued likely reductions in formula grant. The Government would be releasing an emergency budget on 8 July, however, it would be unlikely to contain much detail as to how local authority budgets would be affected.

Other key highlights within the report related to the following areas:

- The General Fund balance had closed at £2.38m and the HRA at circa £2m.
- High capital spend during 2014/15 had been due to essential and long term maintenance of the Council's housing stock. It had also been due to building more Council houses, 22 at Wellparks, Crediton, 14 houses being brought back into use at St Andrews Street and 6 new houses at Fir Close in Willand.
- Regarding the Collection Fund, it had been a good year for Council Tax collection and Business Rates.
- Regarding investments there would be a need to look at other options in the coming year, for example, commercial property funds.
- A fifteenth dividend would be returned regarding the Heritable Bank investment meaning, in the worst case scenario, £22k would have been lost out of the £1.1m original investment.
- A detailed breakdown was provided showing transfers to and from ear marked reserves.

Discussion took place regarding;

- Figures in relation to redundancies - it was explained that the redundancies during 2014/15 had related to exceptional circumstances and an attempt to reduce long term salary costs. It was confirmed that the individuals concerned had not retired but had been made redundant. A performance management system was in place to identify and deal with issues of poor performance.
- The question was asked as to where within the 2014/15 'Savings and Additional Costs' table at section 2.1 were the waste and recycling costs relating to the route optimisation project? The Head of Finance (HoF) explained that these were split between the figures shown for the relocation of recycling service to Tiverton, the one-off vehicle & equipment purchases, additional spend on vehicle hire and repairs.
- The long term borrowing situation – it was explained that there was a concept known as the 'liquidity of the ratio being 2:1', meaning assets should total twice as much as the long term borrowing amount. The HoF explained that the Council was well within this ratio.
- The pension liability – there would be a need to see this as a long term deficit reduction. It may be necessary to increase contributions from both the employer and employees. It was also hoped that any up-turn in the economy would have a positive impact on the deficit.
- What seemed like a high valuation by the District Valuer of Market Square in Crediton.
- Why the new street sweeper had not been seen in Crediton. The HoF said he would ask the Waste and Transport Manager to contact the Ward Member.

It was **AGREED** that note 14 within the accounts should be amended to read 'Grant Thornton' and not the 'Audit Commission'.

RESOLVED that the draft annual report and accounts be approved.

(Proposed by the Chairman)

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

12. **UPDATE FROM THE EXTERNAL AUDITORS (02: 05:43)**

The Committee had before it, and **NOTED**, a * report from the external auditors, Grant Thornton. This provided the Committee with a summary of the progress made in delivering their responsibilities as the Council's external auditors. Their audit work had started in January 2015 and their opinion on the accounts was due to be delivered on 28 July 2015, at the next Audit Committee. They would also be delivering a Value for Money conclusion. Two other areas of work they would be undertaking related to certifying the 'Whole of Government' accounts which they aim to have completed by September 2015 and the 'Grants and Claims Certification'.

Several separate documents were highlighted within the report including Grant Thornton's 'Local Government Governance Review 2015' and 'Developing Local Authority Trading Companies'.

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

13. **START TIME OF MEETINGS (02:19:35)**

It was **AGREED** to hold Audit Committee meetings at 5.30pm for the remainder of the municipal year.

(The meeting ended at 8.20 pm)

CHAIRMAN

This page is intentionally left blank

AUDIT COMMITTEE
28TH JULY 2015:

AGENDA ITEM:

ANNUAL GOVERNANCE STATEMENT

Cabinet Member Cllr Clive Eginton
Responsible Officer Head of Communities & Governance

Reason for Report: To present the Committee with the finalised Annual Governance Statement (Appendix A) and accompanying action plan (Appendix B) for 2014/15

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

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

Financial Implications: None

Legal Implications: None

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

1.0 Introduction

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

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

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

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

2.0 What is an Annual Governance Statement?

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

2.2 The Annual Governance Statement includes the following:

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

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

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

3.0 Conclusion

3.1 Following the review of the sources of assurance and evidence to support the Annual Governance Statement, it is the opinion of the Head of Communities & Governance that the Council's control environment was adequate in the 2014/15 financial year.

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

progress made against this action plan at their meeting on 17th November 2015.

- 3.3 It is a statutory requirement that the Annual Governance Statement is signed off by the Chief Executive (as most senior officer) and the Leader of the Council (as most senior member), along with the Report and Accounts once they have been approved by the Audit Committee on the 28th July 2015.
- 3.4 The Annual Governance Statement has been subject to review by the Council's external auditor during the review of the Annual Report and Accounts and no recommendations have been made in respect of this document.

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

Circulation of the Report: Management Team and Cllr Clive Eginton

**MID DEVON DISTRICT COUNCIL
ANNUAL GOVERNANCE STATEMENT 2014/15**

1.0 SCOPE OF RESPONSIBILITY

- 1.1 Mid Devon District Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. Mid Devon District Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.
- 1.2 In discharging this overall responsibility, Mid Devon District Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, and which includes arrangements for the management of risk.
- 1.3 Mid Devon District Council has approved and adopted a code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE Framework *Delivering Good Governance in Local Government*. A copy of the code is on our website at www.middevon.gov.uk or can be obtained from the Head of Communities & Governance. This statement explains how Mid Devon District Council has complied with the code and also meets the requirements of Accounts and Audit (England) Regulations 2015, regulation 6(1), which requires all relevant bodies to prepare an annual governance statement.

2.0 THE PURPOSE OF THE GOVERNANCE FRAMEWORK

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

**MID DEVON DISTRICT COUNCIL
ANNUAL GOVERNANCE STATEMENT 2014/15**

2.3 The governance framework has been in place at Mid Devon District Council for the year ended 31 March 2015 and up to the date of approval of the Annual Report and Statement of Accounts for the 2014/15 financial year.

3.0 THE GOVERNANCE FRAMEWORK

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

3.2 The Local Code of Corporate Governance is reviewed on an annual basis by the Audit and Committee and was last reviewed in March 2015. Members and senior officers are responsible for putting in place proper arrangements for the stewardship of the resources at its disposal.

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

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

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

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

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

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

3.4.4 Performance Indicator reports are published on the performance page of the Councils website on a quarterly basis.

**MID DEVON DISTRICT COUNCIL
ANNUAL GOVERNANCE STATEMENT 2014/15**

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

3.5.1 The last full review of the Corporate Plan took place during the 2011/12 financial year for the period of 2012 to 2015. Work has commenced on the Corporate Plan for 2015 to 2019 with a timetable drawn up for adopting the Plan in October 2015.

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

- The Corporate Plan is linked to both the Medium Term Financial Plan and the Workforce Plan to ensure that the implications on the Council's finances and workforce are considered when the vision and priorities are set.
- The Full Corporate Plan and summary document are available to local people on paper or on the internet, and copies can be made available for people in alternative formats.
- Every report (whether it be to the Cabinet, Scrutiny Committee, Audit Committee, the Policy Development Groups or a Regulatory Committee) includes a section on the relationship to the Corporate Plan.
- The Council's performance reporting system (SPAR.net) includes all of the performance indicators associated with the Corporate Plan. Reporting of performance against targets is mandatory throughout the Council, and has been reported to the PDGs, Scrutiny Committee, Audit Committee and Cabinet on a quarterly basis in 2014/15. Where performance against target is unsatisfactory or not reported, the responsible officer is required to offer an explanation to Management Team.
- There are strategies and action plans that sit below the Corporate Plan forming the policy framework. This is reviewed annually and was last approved by Cabinet on 5th February 2015.

3.5.3 In February 2014 a Scrutiny Committee working group was set up to review the Council's performance and risk management arrangements. The key objective of the group was to streamline the performance indicator reports that are reported to the various committees. An interim report was presented to the Scrutiny Committee on 16th June 2014 outlining the performance Indicators for 2014/15. A final Report went to the Scrutiny Committee on 15th September 2014 with six recommendations which were approved by the Cabinet on 2nd October 2014.

**MID DEVON DISTRICT COUNCIL
ANNUAL GOVERNANCE STATEMENT 2014/15**

- 3.6 Translating the vision into objectives for the authority and its partnerships**
- 3.6.1 The Council's Corporate Plan contains the vision of the Council and sets out the top level objectives for delivering this vision in the areas listed in section 3.4.2 with targets covering the three year period of the Corporate Plan. Where appropriate there are strategies and action plans that link to the corporate priorities as per the Council's Policy Framework.
- 3.7 Measuring the quality of services for users, for ensuring they are delivered in accordance with the authority's objectives and for ensuring that they represent the best use of resources and value for money**
- 3.7.1 As outlined in sections 3.4 and 3.5 there are a number of Performance Indicators on the Council's performance reporting system (SPAR.net) that measure the outcomes of service delivery.
- 3.7.2 Services within the Council have their own processes for measuring their performance and the quality of services that they provide for users and this information is included in their Service Business Plans. The Service Business Plans for the 2015/16 financial year have been presented to Management Team.
- 3.7.3 The Council has a Community Engagement Strategy which clearly outlines how the Council will consult with its citizens and also includes a timetable for consultations throughout the year e.g. wider consultation on the budget as well as more service focused consultation. The Strategy was last updated in 2013 and is next due for review in 2016. The action plan was reviewed and updated and presented to the Community Well Being PDG for approval on 24 March 2015.
- 3.7.4 The Council asks for feedback from citizens and service users through the citizens panel (surveyed three times a year) and a number of service specific customer satisfaction surveys.
- 3.7.5 The Council is committed to using its resources in the most economic, efficient and effective way and has undertaken a number of projects in the last year to either reduce expenditure or generate income. A requirement for all projects is a business case to ensure that the Council is getting value for money at all times. Wherever possible, when a member of staff leaves the authority an assessment is done to see if the role can be absorbed within the existing establishment before reviewing options for replacement.
- 3.8 Defining and documenting the roles and responsibilities of the executive, non-executive, scrutiny and officer functions, with clear**

**MID DEVON DISTRICT COUNCIL
ANNUAL GOVERNANCE STATEMENT 2014/15**

delegation arrangements and protocols for effective communication in respect of the authority and partnership arrangements

- 3.8.1 At a full Council meeting held on the 15 December 2010 it was resolved to adopt the 'Strong Leader' model and Cabinet Executive arrangements after the local elections in May 2011 based on the requirements of the Local Government and Public Involvement in Health Act.
- 3.8.2 The Council has adopted a Constitution which sets out how it operates, and assigns clear roles and responsibilities for decision making bodies and individuals within the Council.
- 3.8.3 A Members Working Group has been working with the Monitoring Officer to review the Council's Constitution and this work is in the final stages of completion. The Standards Committee will then review the new Constitution prior to the Constitution going to Council for approval.
- 3.8.4 The Articles and Terms of Reference within the Council's constitution clearly define the roles and responsibilities of:
- Full Council
 - The Cabinet
 - Scrutiny Committee
 - Audit Committee
 - The Policy Development Groups
 - Standards Committee
 - The Regulatory Committees (including Planning Committee, Licensing Committee, Licensing Regulatory Committee and other Bodies)
- 3.8.5 The Council has a clearly defined Scheme of Delegation, which is also contained within the Constitution. This document sets out the powers of the Council, the powers of the Cabinet, delegations to Cabinet Members and Officers and the matters delegated to the Committees. The Scheme of Delegation to Officers includes specific reference to the statutory posts of Head of Paid Service, Monitoring Officer and Section 151 Officer.
- 3.8.6 Cabinet Members are able to make decisions individually subject to certain provisos. The scheme of delegation within the Constitution outlines the details and also contains the decision recording form. Delegated decisions are published on the website and are also discussed at Cabinet, if and when any decision is taken by a Cabinet Member.

**MID DEVON DISTRICT COUNCIL
ANNUAL GOVERNANCE STATEMENT 2014/15**

- 3.8.7 The main decision-making committee is the Cabinet. Each Cabinet Member is assigned a portfolio of services (which has been aligned with the Management Team structure) requiring them to work very closely with their relevant Head(s) of Service in the pursuance of the Council's goals. Regular meetings between Cabinet Members and Heads of Service take place during which service performance, risk and budgetary control are discussed as well as any other issues affecting service delivery. The Cabinet and Management Team also meet on a monthly basis.
- 3.8.8 The Council also has a Scrutiny Committee which comprises of non-cabinet members whose duties include: reviewing and scrutinising decisions made by the Cabinet, exercising the right to call in decisions if necessary, and appointing review groups to look at particular issues of local concern.
- 3.8.9 As well as the Scrutiny Committee the Council also has an Audit Committee which provides an independent assurance on the adequacy of the Council's governance arrangements including its risk management framework and associated control environment. The Committee also provides an independent scrutiny of the Council's financial and non-financial performance.
- 3.8.10 The Council also has a Standards Committee which is responsible for promoting and maintaining high standards of conduct by Councillors and co-opted Members.
- 3.8.11 A protocol on member and officer relations is included in the Constitution to assist in understanding and promoting effective communication.
- 3.8.12 The Council's Management Team provides corporate leadership and meets on a regular basis and considers performance management, risk management, financial management, internal control, efficiency and value for money issues. Where officers attend external meetings with Partners updates are provided to colleagues at Management Team meetings.
- 3.8.13 Staff are kept regularly updated on all relevant issues via the Core Brief which is discussed at the Senior Officers Forum and also through the Council's weekly staff newsletter 'the Link'. Members are kept informed via the Members Weekly Information Sheet.
- 3.9 Developing, communicating and embedding codes of conduct, defining the standards of behaviour for members and staff**
- 3.9.1 The Council has a Members Code of Conduct and this was last reviewed and approved by Full Council in April 2013.

**MID DEVON DISTRICT COUNCIL
ANNUAL GOVERNANCE STATEMENT 2014/15**

- 3.9.2 The Codes of Conduct for both Officers and Elected Members are contained within the Council's Constitution. These are both kept under review and updated as necessary. The Officers Code of Conduct is issued and explained to officers during their induction. Thereafter, the Codes of Conduct are available on the Council's website.
- 3.9.3 As outlined in section 3.8.2. a Members working group has been working with the Monitoring Officer to review the Constitution and this work is in the final stages of completion..
- 3.9.4 The Council holds both a register of interests and gifts and hospitality register for both officers and members. Internal Audit reviewed the Council's arrangements for gifts and hospitality and the Register of Interests in the 2014/15 financial year. The Head of Communities & Governance and Monitoring Officer reminded all officers of the need to declare any gifts & hospitality or register any interests.
- 3.9.5 As outlined in section 3.8.10, the Council has a Standards Committee which is responsible for promoting and maintaining high standards of conduct by Councillors and co-opted Members.
- 3.9.6 The Monitoring Officer and Deputy Monitoring Officer carry out training/briefing sessions for District Councillors and Town and Parish Councillors as and when required. The Monitoring Officer provides information to Town and Parish Clerks in response to any queries, through Parish Matters magazine and at the Town and Parish Clerks Meetings (held in November 2014 and March 2015).
- 3.9.7 The Council's website has comprehensive information available as to how members of the public can make a complaint about a Councillor whether it relates to a District, Town or Parish Councillor. Following the changes to the Standards Regime the procedure for dealing with a complaint about a Councillor was reviewed and amended and is published on the Council's website.
- 3.9.8 The Council has disciplinary and grievance procedures in place in respect of officers, which are accessible to officers through the Intranet pages. Any instances of alleged breaches of the Code of Conduct would be dealt with in accordance with these procedures.
- 3.10 Reviewing the effectiveness of the authority's decision-making framework, including delegation arrangements, decision-making in partnerships and robustness of data quality**
- 3.10.1 The Constitution details how decisions will be made by the Council – specifically Article 12. Article 4 of the Constitution outlines the decisions that will be made by Full Council.

**MID DEVON DISTRICT COUNCIL
ANNUAL GOVERNANCE STATEMENT 2014/15**

- 3.10.2 The Cabinet is the main decision making committee. Article 7 of the Constitution details the role of the Cabinet and the scheme of delegation also outlines which Cabinet Members are responsible for which areas. The Constitution also contains information on Cabinet Procedure Rules.
- 3.10.3 The Scrutiny Committee have the right to call in decisions made by Cabinet or individual Cabinet members that non-cabinet members feel have not been made in accordance with Article 12 within 5 working days of the Cabinet decision or delegated decision form being published.
- 3.10.4 The Council has a Data Quality Policy in place which is reviewed every 4 years. This last went to Audit Committee for approval in December 2014. The Committee report procedure requires that reports going to Committee must go to Audit for Data Quality checking prior to the agenda going out.
- 3.11 Reviewing the effectiveness of the framework for identifying and managing risks and demonstrating clear accountability**
- 3.11.1 The Council has a Risk and Opportunity Management Strategy, which is updated annually and clearly outlines the roles and responsibilities within the Council for Risk Management as well as the Risk Management process, which includes guidance on:
- Identifying corporate and operational risks
 - Assessing the risks for likelihood and impact
 - Identifying mitigating controls
 - Allocating responsibility for the mitigating controls
- 3.11.2 The Audit Committee is responsible for reviewing and approving the Risk and Opportunity Management Strategy and the current document was approved on 24th March 2015.
- 3.11.3 The Head of Communities & Governance attends the staff induction sessions to ensure that all new staff are aware of the risk management strategy and their responsibilities.
- 3.11.4 Each Service Business Plan contains an appendix on Risk Management and a report is downloaded from SPAR.net which contains all risks relating to the service area.
- 3.11.5 The key business risks were reported to the Management Team, Cabinet, Audit Committee and the Scrutiny Committee on a quarterly basis in the 2014/15 financial year and to the PDGs if and when appropriate during the year as per the recommendation of the Scrutiny Working Group.

**MID DEVON DISTRICT COUNCIL
ANNUAL GOVERNANCE STATEMENT 2014/15**

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

3.12.1 The Council has policies with regard to Anti-Fraud & Anti-Corruption and Anti-Money Laundering (and covering the Bribery Act). Both policies were reviewed, updated and approved by the Audit Committee on 2nd December 2014. They are scheduled to be reviewed every four years and are next due to be reviewed and taken back to Committee in December 2018.

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

3.13 Ensuring effective management of change and transformation

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

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

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

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

3.13.5 In 2014/15 the Council continued with its work on two key projects for delivering future improvements and benefits. The first is the digital transformation project which is ongoing over the next couple of years. A project board meets regularly to monitor progress. The second is the changes to the waste and recycling service, which were due to come into effect in October 2015. The introduction of plastics collection has

**MID DEVON DISTRICT COUNCIL
ANNUAL GOVERNANCE STATEMENT 2014/15**

been brought forward and comes into effect in June 2015. A project working group (including Councillors) has worked to implement the changes.

- 3.14 Ensuring the authority's financial management arrangements conform with the governance arrangements of the CIPFA *Statement on the Role of the Chief Financial Officer in Local Government (2010)* and, where they do not, explain why and how they deliver the same impact**
- 3.14.1 The Council has appointed the Head of Finance as the Chief Financial Officer and Section 151 Officer. The Head of Finance reports directly to the Chief Executive and is a Member of the Council's Management Team.
- 3.14.2 The Head of Finance is a qualified Accountant and has a line of professional accountability for finance staff throughout the organisation.
- 3.14.3 The Head of Finance meets regularly with the Cabinet Member for Finance to ensure that he is fully briefed on all financial matters.
- 3.14.4 The Head of Finance has direct access to the Audit Committee and the External Auditors.
- 3.14.5 Regular financial monitoring reports go to the Cabinet to provide Members with timely, accurate and impartial financial advice and information to assist in decision making.
- 3.14.6 Regular financial information and update reports are presented to the Scrutiny Committee and the Policy Development Groups.
- 3.14.7 The Authority has a Medium Term Financial Plan which is populated with prudent financial information and forecasts to ensure that the Authority has a clear picture of the financial challenges that it faces going forward.
- 3.14.8 The MTFP forms a key part of the Budget setting process and Service Managers, Management Team and Members all have an input into this process before the Budget is set and agreed by Full Council each year in February.
- 3.14.9 The Council has a robust Treasury Management Strategy in accordance with the CIPFA Guidance in place and this is reviewed every six months.
- 3.15 Ensure the authority's assurance arrangements conform with the governance requirements of the *CIPFA Statement on the Role of the Head of Internal Audit (2010)* and, where they do not, explain why and how they deliver the same impact**

**MID DEVON DISTRICT COUNCIL
ANNUAL GOVERNANCE STATEMENT 2014/15**

- 3.15.1 The Audit Team Leader is the equivalent of the Head of Internal Audit and the postholder is a qualified accountant. The Audit Team Leader manages the Internal Audit section and they do not have any other line management responsibilities.
- 3.15.2 The Audit Team leader reports to the Head of Communities and Governance except where Internal Audit are reviewing one of her areas and then they report directly to the Chief Executive.
- 3.15.3 The Audit Team Leader has access to the Chief Executive, Head of Finance (as Section 151 Officer) and the chairman and vice chairman of the Audit Committee and reports to the Audit Committee in her own right.
- 3.15.4 The Audit Team Leader ensures that the Audit Service work to the Public Sector Internal Audit Standards and a self-assessment is completed as a source of assurance for the Annual Governance Statement
- 3.16 Ensuring effective arrangements are in place for the discharge of the Monitoring Officer function**
- 3.16.1 Article 11 in the Council's Constitution outlines the functions of the Head of Communities & Governance as the Monitoring Officer.
- 3.16.2 The Monitoring Officer has one deputy Monitoring Officer (the Assistant Solicitor) to support her. The Monitoring Officer is responsible for ensuring the Council conducts its business lawfully and she has a duty to report to Full Council any proposal, decision or emission that would give rise to unlawfulness or maladministration.
- 3.16.3 If any Committee wants to make a decision the members must, when reaching decisions, have regard to any relevant advice provided to them by the Authority's Monitoring Officer and/or the Head of Finance (as Section 151 Officer).
- 3.17 Ensuring effective arrangements are in place for the discharge of the Head of Paid Service function**
- 3.17.1 Article 11 in the Council's Constitution outlines the functions of the Chief Executive as the Head of Paid Service.
- 3.17.2 The Head of Paid Service role and responsibilities are laid out in the Chief Executive's job description and he also receives an annual appraisal from Members.
- 3.17.3 The Chief Executive does not hold the post of Section 151 Officer or Monitoring Officer.

**MID DEVON DISTRICT COUNCIL
ANNUAL GOVERNANCE STATEMENT 2014/15**

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

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

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

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

3.18.4 The Audit Committee are acting in accordance with the CIPFA guidance listed above as well as the guidance from the CIPFA Better Governance Forum March 2013 – *Audit Committee Update – helping audit committees to be effective*.

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

3.19.1 The Council has a comprehensive set of financial and contract procedure rules which are contained within the Council's Constitution. These were last reviewed, updated and approved in the 2012/13 financial year. This document sets out the overall framework that governs the management of the Council's finances.

3.19.2 The Council has a clearly defined Scheme of Delegation, which is also contained within the Constitution. This document is reviewed and updated, as and when required in light of any specific amendments that need to be made if the structure of the Council changes for any reason. The Constitution also outlines the roles and responsibilities of the statutory posts of Head of Paid Service, Monitoring Officer and Section 151 Officer.

3.19.3 The internal audit process examines procedure notes and manuals held by service areas and highlights any areas where the notes/manuals are missing or are found to be inadequate. They also highlight any breaches against the Financial Regulations, Contract Procedure Rules and Constitution. Any areas in which improvement can be made are highlighted in the audit report along with recommendations for improvement.

**MID DEVON DISTRICT COUNCIL
ANNUAL GOVERNANCE STATEMENT 2014/15**

- 3.19.4 Committee reports are considered for risks and financial and legal issues by Management Team prior to being distributed to Members.
- 3.19.5 Internal Audit examines the Council's policies and procedures in the course of its work and highlights any areas where these are not being adhered to. Any areas in which improvement can be made are highlighted in the audit report along with recommendations for improvement.
- 3.20 Whistle-blowing, and the process for receiving and investigating complaints from the public**
- 3.20.1 The Council has a Whistle-blowing Policy which was last reviewed, updated and approved by the Audit Committee on 2nd December 2014. This policy is subject to review every four years and is next due to be presented to the Audit Committee in December 2018.
- 3.20.2 The Head of Communities & Governance provided the Scrutiny Committee with an update on the Whistle-blowing Policy on 19th May 2014.
- 3.20.3 The Head of Communities & Governance attends the Corporate Induction sessions with new members of staff to inform them of the policies and they are accessible to all staff through the audit pages on the Intranet (Sharepoint).
- 3.20.4 The Council has a clearly defined complaints procedure, which lists the steps for making a complaint and how to make a formal complaint. The procedure also gives guidance on how to contact the Ombudsman if the member of the public wishes to take the matter further.
- 3.20.5 There is also information available on how to make a complaint about a Councillor. The matter would be referred to the Monitoring Officer in the first instance and ultimately the Monitoring Officer would refer the matter to the Standards Committee, if appropriate.
- 3.21 Identifying the development needs of members and senior officers in relation to their strategic roles, supported by appropriate training**
- 3.21.1 Each member has an induction as well as training that is relevant to their particular role (i.e. dependent on which Committee they are serving on). Members that serve on the Policy Development Groups are given specific training on the topics that fall under their remit.
- 3.21.2 Members that serve on the regulatory committees such as Planning and Licensing are given specific training due to the specialist nature of these areas.

**MID DEVON DISTRICT COUNCIL
ANNUAL GOVERNANCE STATEMENT 2014/15**

- 3.21.3 Each member has had a one to one with an officer from our Member Services team with the result being to draw up a personal development plan for the member, which includes training needs and also any areas of training that they request.
- 3.21.4 Briefing sessions for members are held on a regular basis which all members are invited to attend. Details of these sessions are publicised through the member's newsletter called the Weekly Information Sheet (WIS).
- 3.21.5 The Council has a Member Development Group and the Chairman of this group is the lead member for member development. The lead member provides updates to the Cabinet on the outputs from the work of this group and the Scrutiny Committee review feedback from training courses on a six monthly basis.
- 3.21.6 The Council successfully retained its accreditation for the new Member Development Charter in March 2014 and will next be assessed in 2017.
- 3.21.7 All Senior Officers (Management Team) have job descriptions and an annual appraisal with the Chief Executive which identifies training needs. All Management Team members have regular one to ones with the Chief Executive where feedback is given. Each Head of Service is also responsible for keeping their knowledge up to date and booking to attend courses, seminars etc if needed.
- 3.22 Establishing clear channels of communication with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation**
- 3.22.1 The Council has a Community Engagement Strategy and accompanying action plan which was approved by the Community Well Being PDG in March 2015, which clearly outlines how the Council will consult with its citizens and also includes a timetable for consultations throughout the year.
- 3.22.2 The Council has a dedicated Consultation and Youth Involvement Officer who has worked with, and is continuing to work with, various stakeholder groups in the Mid Devon area on a number of consultations.
- 3.22.3 There is a customer feedback section on the Council's website and also a 'get involved' page for links to current consultations.
- 3.22.4 The Citizens' Panel receive a feedback note stating the findings for each questionnaire explaining how the Council has reacted to the findings i.e. if we made a change due to the findings or if not, why not.

**MID DEVON DISTRICT COUNCIL
ANNUAL GOVERNANCE STATEMENT 2014/15**

- 3.22.5 The Consultation and Youth Involvement Officer has formed a group of Consultation Champions and created a number of methods for departments to use including street surveys and online surveys. The Citizens' Panel is reviewed on a regular basis to ensure that it is balanced in line with the profile of the Mid Devon community.
- 3.22.6 The Council has an approved Single Equalities Scheme following the changes to the Equalities Bill and the Public Sector Equality Duty which came into effect in April 2011. This was last reviewed and approved by Cabinet in March 2015.
- 3.23 Enhancing the accountability of service delivery and effectiveness of other public service providers**
- 3.23.1 As listed in Article 6 of the Constitution the Council's Scrutiny Committee and Policy Development Groups (PDGs) are able to "review and scrutinise the performance of other public sector bodies in the area and invite local reports from them by requesting them to address Scrutiny and local people about their activities and performance".
- 3.23.2 Members of the Scrutiny Committee are on the Joint East and Mid Devon Crime and Disorder Scrutiny Panel which reviews what has been delivered by the Community Safety Partnership.
- 3.23.3 In August 2014 the Scrutiny Committee had the Local MP in to answer questions. Also in August 2014 representatives from South West Water, the Environment Agency and Devon County Council came to address the Scrutiny Committee on flooding issues. The Scrutiny Committee also received information from the Police, Police and Crime Commissioners Office, the South West Ambulance NHS Trust, Clinical Commissioning Group and Devon County Council. They have also had working groups looking at the Night Time Economy, Procurement and Performance Management and updates from the Communications and Legal Services working groups.
- 3.23.4 The Community Well Being PDG have reviewed the grants that the Council pay to outside organisations and have also called in organisations receiving grants to challenge them on benefits and costs.
- 3.24 Incorporating good governance arrangements in respect of partnerships and other group working as identified by the Audit Commission's report on the governance of partnerships, and reflecting these in the authority's overall governance arrangements.**
- 3.24.1 The Council has very few strategic partnerships but these are assessed using the partnership toolkit and have been reviewed during the collation of the Annual Governance Statement. This includes information on the contribution the Council makes to the partnership,

**MID DEVON DISTRICT COUNCIL
ANNUAL GOVERNANCE STATEMENT 2014/15**

whether the partnership has formal terms of reference and how the Council benefits from continued involvement.

4.0 REVIEW OF EFFECTIVENESS

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

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

- The Head of Communities & Governance in her role as Monitoring Officer has a duty to monitor and review the operation of the Council's Constitution to ensure that its aims and principles are given full effect. The Council reviews the Constitution regularly to incorporate any necessary changes.
- The Head of Finance in his role as the Chief Financial Officer and Section 151 Officer has a duty to lead and direct financial strategy and operations. This includes regular communication and provision of financial information to officers and Members
- The role of the Cabinet is to exercise all of the Council's functions which are not the responsibility of any other part of the Council. The Cabinet provides leadership to the overall activities of the Council.
- The Council has a Scrutiny Committee, which has the role of reviewing and scrutinising decisions made or actions taken in connection with the discharge of any of the Council's functions. They can look at particular decisions in depth, before making recommendations to the Cabinet as well as being able to 'call-in' a decision that has been made by the Cabinet but not yet implemented, to enable consideration as to whether the decision has been made in accordance with the proper process as laid out in Article 12 of the Constitution.
- The Council has an Audit Committee to provide effective leadership to the Council on audit and governance issues, and independently contributes to the overall process for ensuring

**MID DEVON DISTRICT COUNCIL
ANNUAL GOVERNANCE STATEMENT 2014/15**

that effective systems are maintained for internal control, risk management and corporate governance.

- The Council's Standards Committee role is to promote and maintain high standards of conduct by Councillors and co-opted members as well as reviewing and monitoring the Code of Conduct for members. The Code of Conduct includes specific reference to the Register of Members' Interests, procedures for declaring interests at Committee meetings and protocols for accepting gifts and hospitality and member/employee relations. The Standards Committee also advises and trains members of the Code of Conduct and deals with any alleged breaches to the Code. The Standards Committee also had an overview of complaints handling and Ombudsman investigations, as well as dealing with local investigations.
- The Council has an Internal Audit section, which is totally independent of any service area, with the Audit Team Leader reporting to the Head of Communities & Governance who reports directly to the Chief Executive. The Head of Communities & Governance and Audit Team Leader regularly report to the Audit Committee and present the following reports on an annual basis:
 - Four-year Strategic Audit Plan (March)
 - Annual Audit work plan (March)
 - Internal Audit Strategy (March)
 - Internal Audit Charter (three yearly next due March 2016)
 - Regular reports outlining progress against the annual audit work plan
 - Outturn Internal Audit report (covering the whole financial year) (June)
 - Risk and Opportunity Management Strategy (March)
 - Code of Corporate Governance (March)
 - Annual Governance Statement plus progress reports
 - Performance and Risk Report
 - Whistle-blowing Policy (four yearly next due 2018)
 - Anti-fraud and Anti-Corruption Policy (four yearly next due 2018)
 - Anti-Money Laundering Policy (four yearly next due 2018)
 - Data Quality Strategy and Action Plan (four yearly next due 2018)
- Reviews of the Council's key (core) financial systems by Internal Audit against known evolving risks on an annual basis. Cyclical reviews by Internal Audit of internal controls in operation within each service area against known and evolving risks – e.g. changes to systems of staff

**MID DEVON DISTRICT COUNCIL
ANNUAL GOVERNANCE STATEMENT 2014/15**

- The relevant Head of Service, Chief Executive and all five Members of the Audit Committee receive copies of Audit reports. Any issues arising from these reports are discussed at the Audit Committee.
- Annual Internal Audit outturn report, to the Audit Committee for 2014/15, highlights the work of Internal Audit including an opinion on the overall adequacy and effectiveness of the Council's internal control environment
- Annual reviews of the Council's financial accounts and records by the external auditor leading to their opinion as published in the Annual Audit and Inspection Letter and Governance Report
- Strategic risk review and evaluation of controls in place to manage risks together with the commencement of specific project risk assessment
- External Audit and Inspection also contributes to the review of effectiveness.

4.3 We have been advised on the implications of the result of the review of the effectiveness of the governance framework by the Audit Committee, and that the arrangements continue to be regarded as fit for purpose in accordance with the governance framework. The areas already addressed and those to be specifically addressed with new actions planned are outlined below.

5.0 SIGNIFICANT GOVERNANCE ISSUES

- 5.1 At the current time, there are no significant governance issues but a number of recommendations for improvement are set out in Appendix B. The action plan details the governance issues that have been identified, the proposed action, the responsible officer and the target date for completion.
- 5.2 The work of Internal Audit identified one system that was classed as poorly controlled – Time Management.
- 5.3 The key issues highlighted in the Time Management report were not all managers being set up to receive the monthly anomaly reports, there was evidence to suggest that some employees may not be taking a mandatory lunch break, as they are failing to log out of the Wintime system during their working day for the minimum 20 minutes and there were issues around the logging in and out using the Business Absence facility. A number of improvements have been made since the audit but there are still recommendations outstanding.

MID DEVON DISTRICT COUNCIL
ANNUAL GOVERNANCE STATEMENT 2014/15

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

Signed:

Name: Kevin Finan
 Position: Chief Executive
 Date: 28th July 2015

Clive Eginton
 Leader of the Council
 28th July 2015

To accompany the Annual Governance Statement 2014-15

Draft Action Plan: Actions for 2015-2016

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

Performance and Risk Management		
<ul style="list-style-type: none"> • There is a need to improve the information provided to officers and members in terms of how to manage performance • The Corporate Risk Register has been reviewed with Head of Service – there is now a need to reinforce this by recording strategic risks at service level and encouraging services to treat the risk register as a “live” data source through SPAR • The work on the Emergency Plan needs completing – section 4 recovery 		
Agreed Approach	Responsible Officer	Target Date
6. Following the implementation of the new Corporate Plan and for the Service Business Plans for 2016/17 ensure that there is an up to date risk assessment completed	Head of Communities and Governance	End March 2016
7. Complete the final section of the Emergency Plan – the recovery section	Community Safety and Emergency Planning Officer	End March 2016

Constitution/Members		
Suggestions for improvement: <ul style="list-style-type: none"> • The Constitution has been reviewed by the Constitution Working Group with changes to layout and content proposed – complete this work and obtain approval from Members • Review and update the complaints process for complaints about Councillors 		
Agreed Approach	Responsible Officer	Target Date
8. Complete the work on the revised Constitution and then present it to the Standards Committee and Full Council for approval	Monitoring Officer	End September 2015
9. As part of the work of the Constitution working group produce job descriptions for Councillors i.e. a general job description for councillors and specific job descriptions for Cabinet Members and Committee Chairmen	Monitoring Officer	Completed subject to approval of the Constitution
10. Following approval by Full Council communicate key changes in Constitution to Officers and Members including training sessions for those officers who require a specialist knowledge	Head of Communities and Governance	By end December 2015
11. Review and update the complaints process for complaints about Councillors and present to the Standards Committee for approval	Head of Communities and Governance	End September 2015

Staff		
<p>Suggestions for improvement:</p> <ul style="list-style-type: none"> • Complete a staff survey • Update the Officer Code of Conduct 		
Agreed Approach	Responsible Officer	Target Date
12. Complete a staff survey	Head of HR and Development	End October 2015
13. Review and update the Officers Code of Conduct as part of the review of the Constitution	Head of Communities and Governance	Completed subject to approval of the Constitution

This page is intentionally left blank

Audit Committee 28 July 2015

Annual Report and Accounts 2014/15

Leader Cllr Clive Egington
Cabinet Member Cllr Peter Hare-Scott
Responsible Officer Head of Finance

Reason for Report: To outline any changes made to the accounts subsequent to the draft set presented to the Audit Committee at its meeting on the 23 June 2015 and then seek formal approval of the finalised Accounts.

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

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

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

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

Risk Assessment: The Section 151 officer is responsible for the administration of the financial affairs of the Council. Adhering to the SORP mitigates the risk of receiving a qualified set of accounts. The Accountancy Team has also reviewed its overall calculations/workings against the CIPFA published Disclosure Checklist for 2014/15 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 2014/15 have been produced in full compliance with the Statement of Recommended Practice (SORP) and all other relevant accounting legislation. There were actually very few accounting changes for 2014/15.

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 2014/15 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 2015/16 accounts and this will be facilitated by an officer meeting(s) with the Audit Lead and Manager from Grant Thornton.
- 2.1.1 Grant Thornton have identified a couple of minor misstatements relating to our accounting for Section 106s and depreciation charges on some plant/equipment items. Neither of these items would materially affect the Accounts, so it is the Head of Finance's recommendation to adjust for the impact of this in the 2015/16 Accounts. Some small typographical corrections have also been identified and corrected by officers. These are now included in the revised final set of accounts for your final approval.
- 2.2 In addition Grant Thornton have also stated that the Council has adequate arrangements in place to achieve financial resilience. Due to time constraints, Grant Thornton have included a summarised version of their value for money assessment (a more detailed analysis will be reported to the next Audit Committee in September).
- 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 2015.

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

Background Papers:

File Reference:

Circulation of the Report: Cllr Peter Hare-Scott

2014/15 STATEMENT OF ACCOUNTS

1.0 **EXPLANATORY FOREWORD**

1.1 **Introduction**

The Council's Annual Report and Accounts sets out the overall financial position and details the financial transactions relating to the District Council's activities for the year ended 31 March 2015. 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 2014/15.

1.2 **The Core Financial Statements**

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

1.3 **Movement in Reserves Statement**

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

1.4 **Comprehensive Income and Expenditure Statement**

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

1.5 **The Balance Sheet**

This statement is fundamental to the understanding of the Council's financial position at the year-end. It shows all balances and reserves at the Council's disposal, its long-term indebtedness and the 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 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.

2.0 **Review of the Year**

The purpose of the explanatory foreword to the Annual Report and Accounts is to provide a commentary on the main financial highlights contained within

the Report and to identify any significant events that may affect the reader's interpretation of the Accounts.

2.1 **Revenue Expenditure – General Fund**

During the year regular monthly financial monitoring information has been produced and reported to senior management and members. This monitoring report consistently forecasted a small under spend during 2014/15. The month 12 outturn report tabled at the 4 June 2015 Cabinet meeting declared an estimated outturn deficit of £90k on the General Fund (this detailed report can be found on the council's website).

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

2014/15 Savings & Additional Costs	Budget variances £k
One-off staff redundancies	172
Relocation of Recycling service to Tiverton	80
Property maintenance under spends – most carried forward to 2015/16	(138)
Fees/charges below budget	185
Under spends in CTax, Business Rates & Housing Benefits	(284)
Additional spend on vehicle hire and repairs	77
Net salary savings delivered in year	(181)
Fees/charges above budget	(369)
One-off vehicle & equipment purchases (incl. property improvements)	87
Interest receipts below budget	50
Additional sums transferred to Earmarked Reserves	557
Sundry grants and other miscellaneous income	(223)
Other minor costs/income variances	67
Overall Deficit	80

Note – since this outturn position was declared a number of minor revisions have been made which have resulted in an overall loss of £80k for the year on the General Fund as shown in the Movement in Reserves Statement (so a change of £10k).

The overall General Fund position delivered in 2014/15 reflects the continued efforts of both officers and members to provide high quality services at an affordable cost and demonstrates the Council's on-going commitment to further reduce operational cost to mitigate against further cuts in Central Government funding.

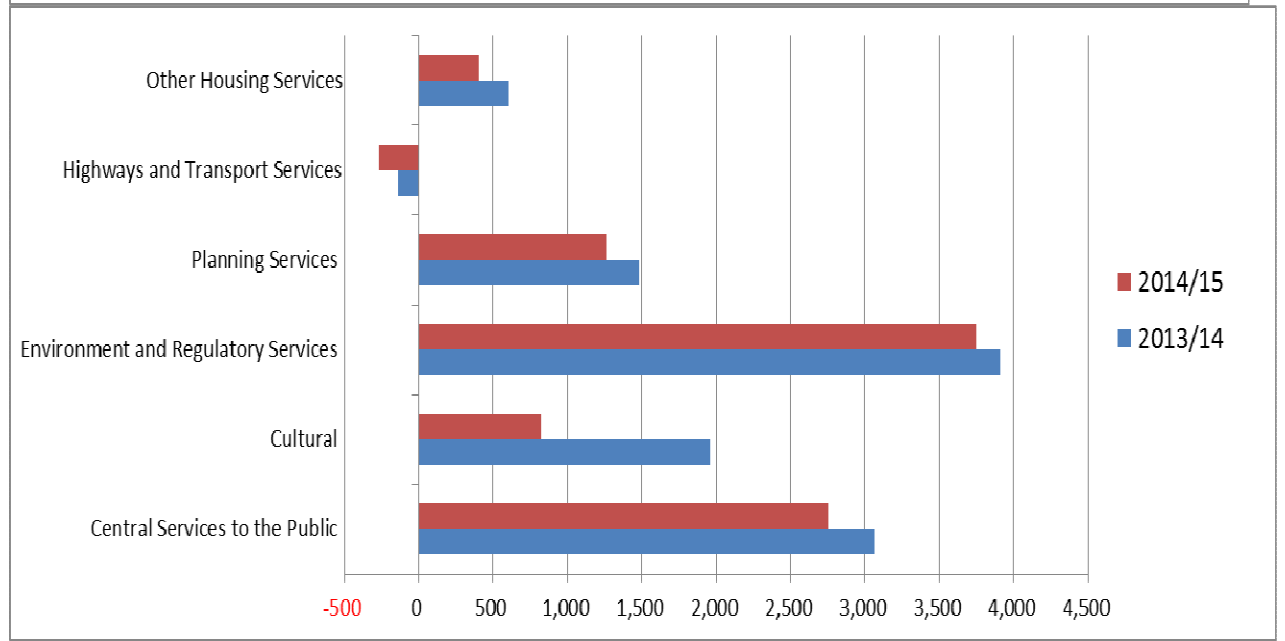
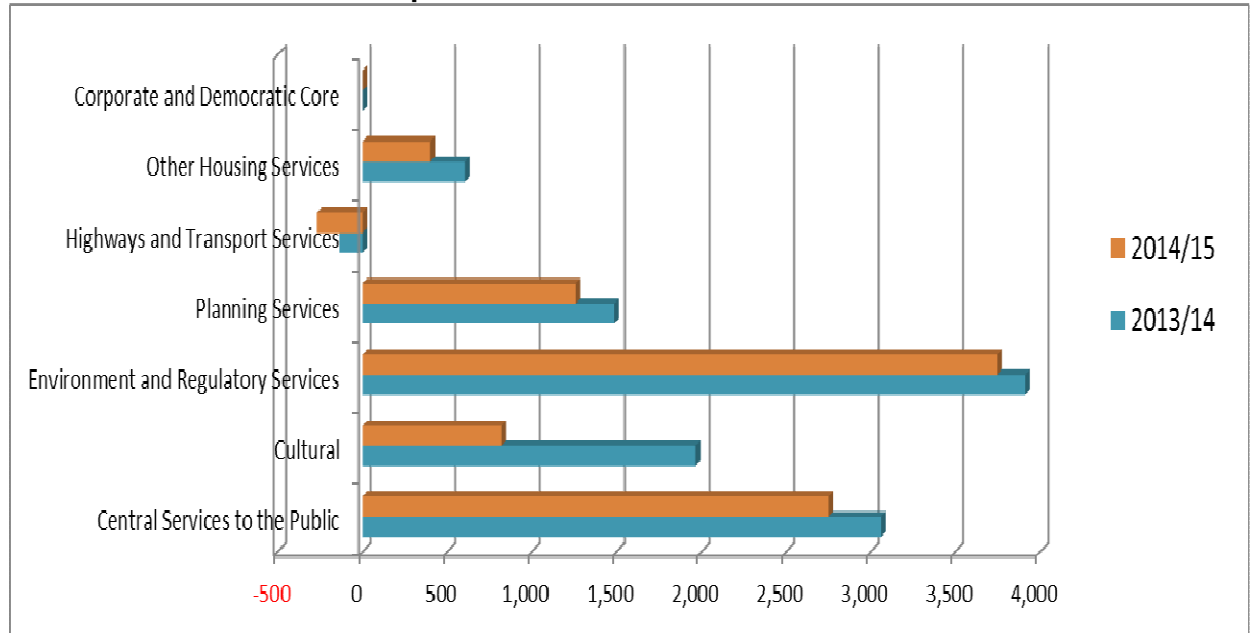
The closing General Fund Balance (GFB) of £2,380k can be reconciled by:

GFB as at 31 March 2014	(£2,460k)
General Fund overspend in 2014/15 – incl. EMRs	£80k

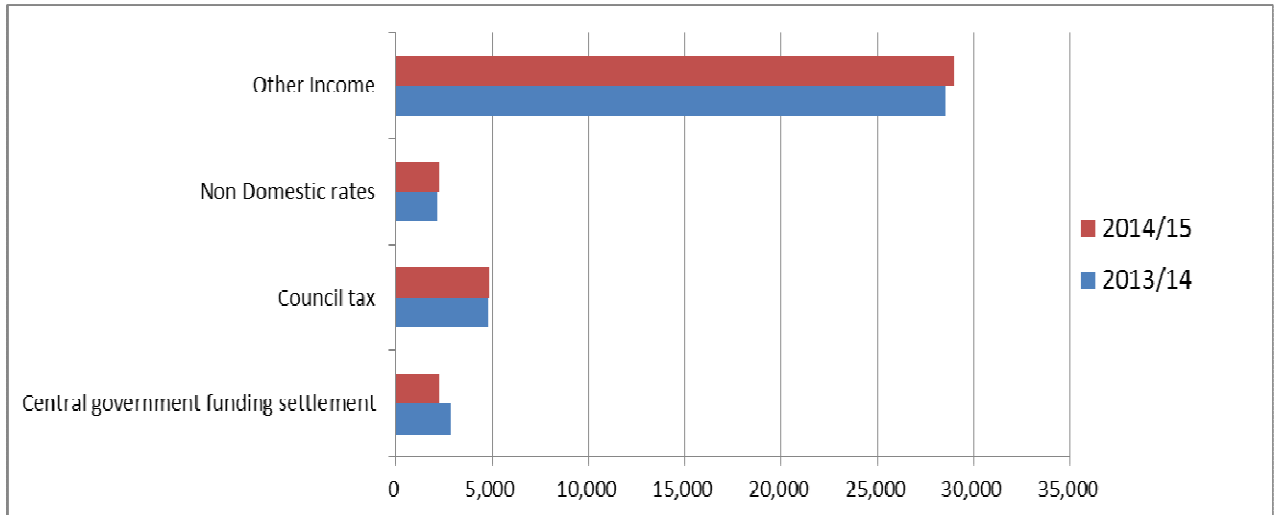
Closing GFB as at 31 March 2015	(£2,380k)

Note – Minimum GFB agreed at 25% of net expenditure = £2.3m.

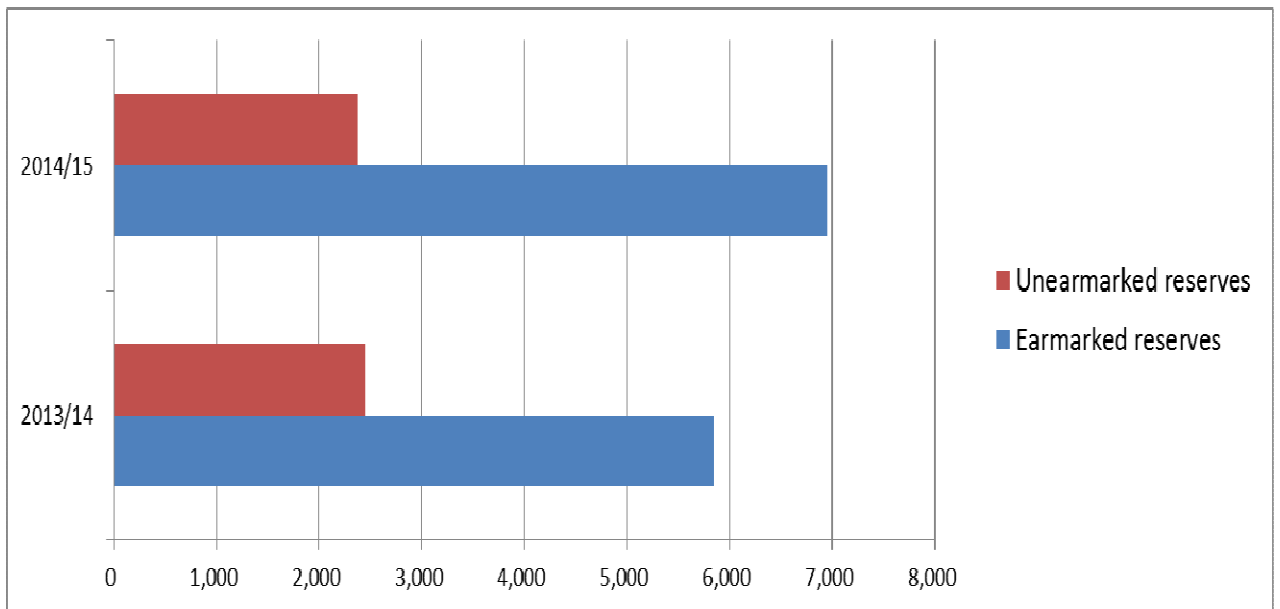
General Fund Net Service Expenditure £k



General Fund Revenue Income £k



General Fund Account Reserves £k



2.2 Revenue Expenditure - Housing Revenue Account (HRA)

The 2014/15 financial year has seen a very positive financial position delivered by the HRA. Overall spending levels have been below budget

during the year and the HRA Balance has ended the year well above the minimum approved level of £1m. The outturn report showed a year end under spend of £4k (after an additional transfer of £871k into the 30yr Modernisation reserve).

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

	Budget variances £k
2014/15 Savings & Additional Costs	
Staff savings	(104)
Additional work carried out by Planned Maintenance	(83)
Reduction in bad debt provision	(36)
Change in Accounting treatment for depreciation on HRA properties.	(501)
Rents slightly below budget	45
Additional income from solar panels	(182)
Additional transfer to 30yr modernisation EMR	871
Other minor costs/income variations	(6)
Overall deficit	4

Note - A detailed explanation of the end of year financial position on the HRA was reported to the Cabinet at its meeting on the 4 June 2015 which can be accessed on the Council's website.

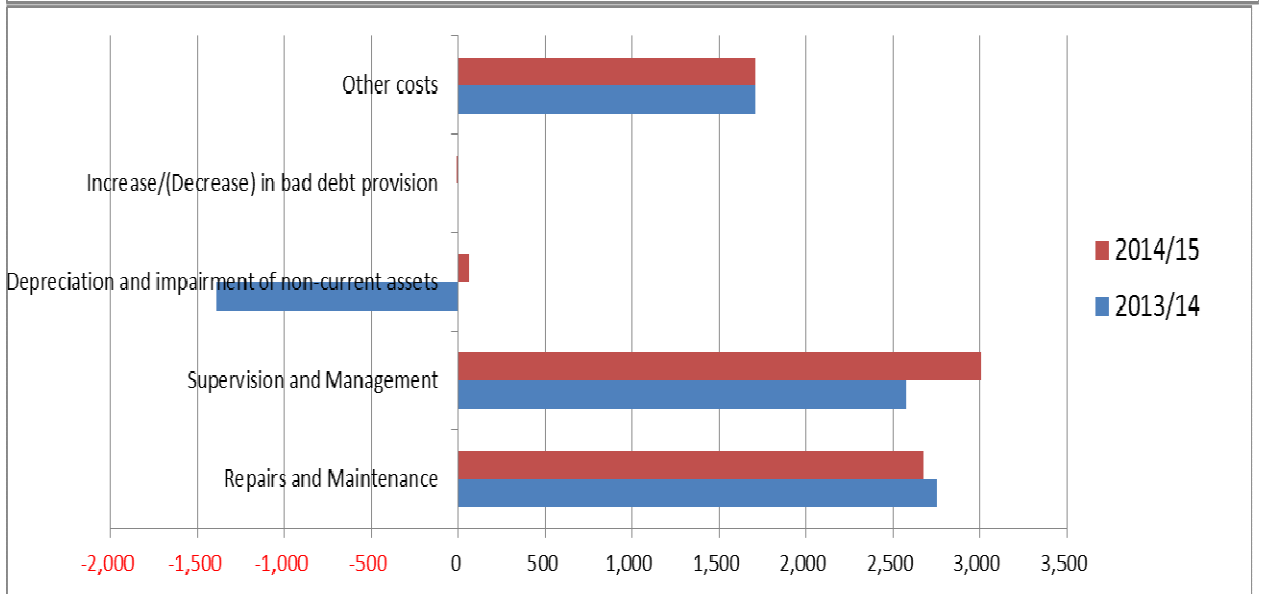
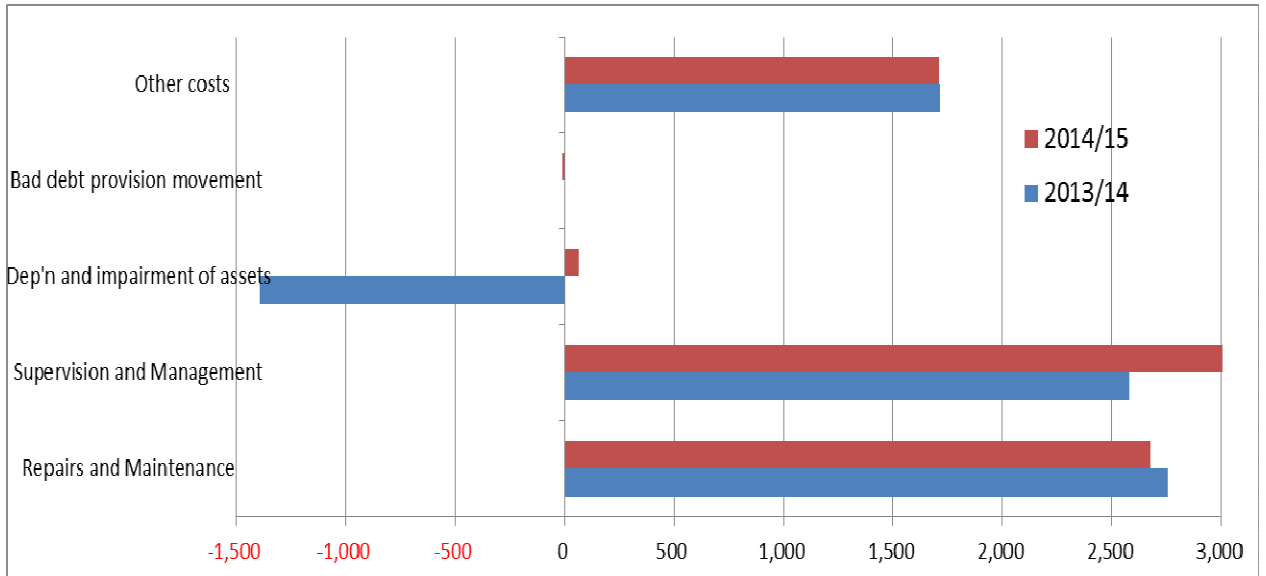
The Housing Service continues to prioritise its spending to ensure the delivery of the Decent Homes Standard and to this end has continued to target additional resources into increased expenditure on major stock improvements. This additional investment has resulted in 100% of our Council housing stock achieving the Decent Homes Standard.

The final year end position after accounting for transfers into earmarked reserves is a minor overspend of £4k on the HRA for 2014/15.

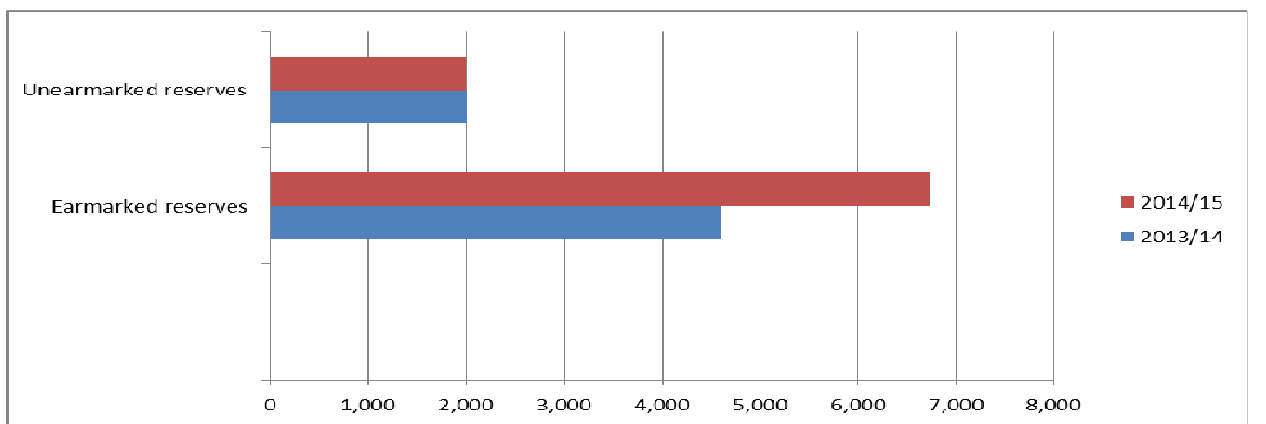
The closing HRA Balance (HRAB) of £2,000k can be reconciled by:

HRAB as at 31 March 2014	(£2,004k)
HRA over spend delivered in 2014/15	4k
Closing HRAB as at 31 March 2015	<u>(£2,000k)</u>

Housing Revenue Account Service Expenditure £k



Housing Revenue Account Reserves £k



2.3 Capital Expenditure

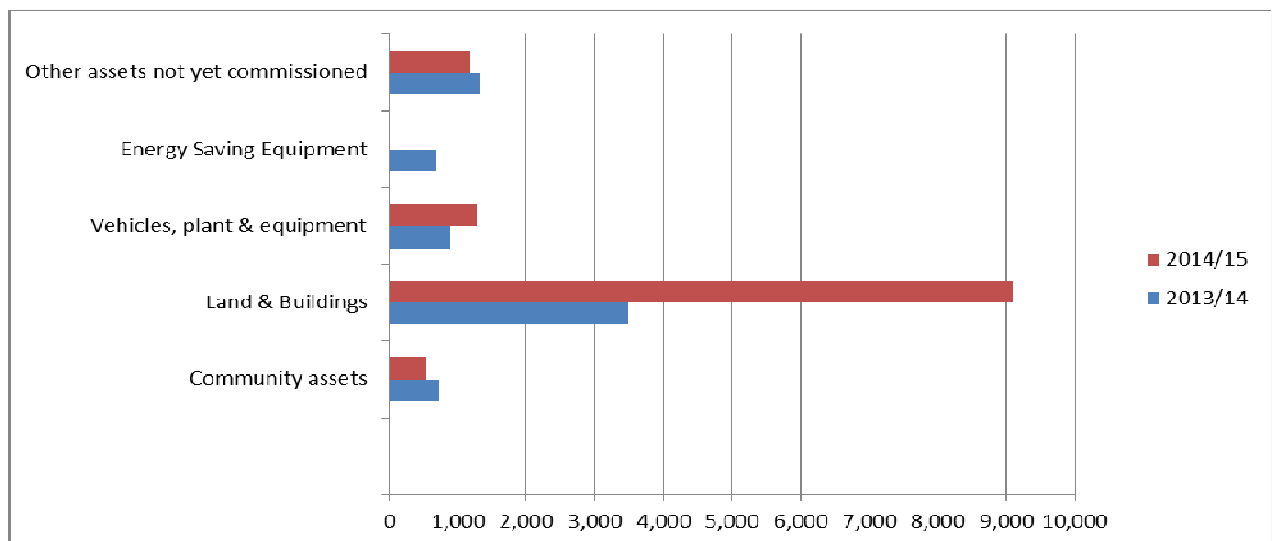
During the year capital expenditure amounted to £12,088k. The Council used £535k of capital receipts to fund the capital programme with the balance of the expenditure met by a combination of borrowing, external grants and earmarked reserves.

The three largest areas of expenditure in the 2014/15 capital programme were: £5,671k spent on improvements and additions to our existing housing stock, £4,206k on commercial property acquisitions, £988k on recycling vehicles and equipment and £761k spent on various housing related grants/projects.

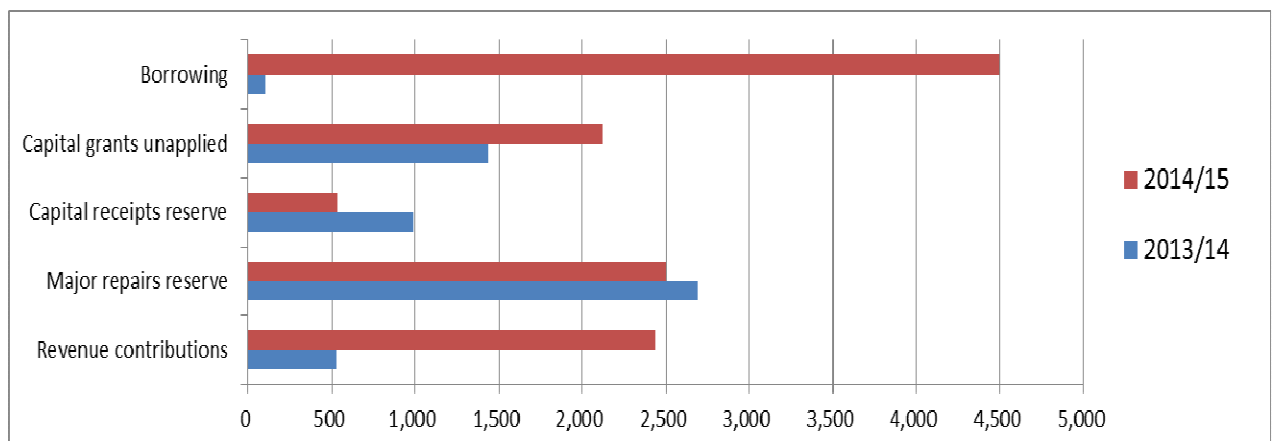
Due to the low level of capital receipts we have begun to make revenue contributions from both the General Fund and the HRA over the past few years and to this end the Council now has a Capital Contingency Reserve of £1,123k at the 31 March 2015.

A review of each of the financial statements will provide further details of the financial position of the Council for 2014/15.

Capital Expenditure £k



Capital Financing £k



2.4 The Movement in Reserves Statement

This statement is the key to establishing the aggregate financial position of the Council, as it produces a summary of all the “cash backed” Reserves that the Council holds. It shows that the Council’s useable reserves have increased by £3,134k to £20,482k during 2014/15.

2.5 The Comprehensive Income and Expenditure Statement

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

Page 3 of the Accounts shows an overall deficit on the Comprehensive I & E Account of £40k, however this position also includes the consolidation of the Council’s HRA. In addition there are a number of technical accounting adjustments made to the final accounts which need to be “reversed out” in order to reflect the final cash position. These entries are included in the Adjustments between Accounting Basis and Funding Basis under Regulations, shown on pages 8 to 13. Once all of these adjustments are accounted for, then the final outturn deficits of £80k on the General Fund and £4k on the HRA shown on the Movement in Reserves Statement is delivered.

For information purposes, in addition to the various fees and charges levied by services, the General Fund was funded by £2,271k from Central Government Formula Grant, £2,289k from Business Rates, and Council Tax of £5,946k. In addition there were miscellaneous grants totalling £1,392k (which included £1,281k of New Homes Bonus).

2.6 Balance Sheet

The financial highlights for the Balance Sheet are shown below:

- The Property, Plant and Equipment valuation, after adjustment for additions, disposals, and finance leases, increased by £10,390k during 2014/15, predominantly due to the increase in valuation of £4,426k across the Council housing stock and the acquisitions relating to Market Walk and Fore Street, Tiverton of £4.1m.
- The overall Pension Scheme deficit increased by £10,323k due in the main to the fall in the discount rate assumption.

2.7 Cash Flow Statement

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

- The Council had a net cash outflow during 2014/15 of £399k.

2.8 Housing Revenue Account (HRA) Income and Expenditure Account

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

- The Council experienced a £8,233k surplus on the HRA during 2014/15.

But after accounting for the adjustments made in the Movement on the HRA Statement of £6,120k and the transfers to Earmarked Reserves of £2,117k you arrive at the end of year over spend of £4k.

2.9 Major Repairs Reserve (MRR)

The Housing Revenue Account also holds a MRR, which is ring fenced for capital expenditure on HRA properties. This reserve effectively carries forward any unspent major repairs allowance. During 2014/15 the Council credited £2,496k to the MRR which was fully utilised. Therefore, there was no carrying balance on the MRR as at the 31/3/15.

2.10 The Collection Fund

The financial highlights for the Collection Fund are given below:

- The Council Tax Collection Fund made a deficit of £478k in the year after crediting £74k to the General Fund in relation to prior year surpluses.
- The Council Tax collection rate achieved in the year was 97.8% (97.6% in 2013/14).
- The Council set a Band D equivalent council tax rate of £182.15 in 2014/15 (i.e. frozen for the 5th successive year).
- The Business Rates Collection Fund made a surplus of £257k in the year.
- The Business rates collection rate achieved in the year was 99.0% (98.4% in 2013/14).

2.11 Pension Fund

The financial highlights of the pension fund are:

- Pension assets have increased to £52,379k (£47,998k in 13/14)
- Pension liabilities have increased to £101,722k (£87,083k in 13/14)
- Unfunded liabilities have increased to £1,285k (£1,220k in 13/14)
- The net deficit on the fund is £50,628k (£40,305k in 13/14)

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

2.12 Valuation of Property Portfolio

The Council instructed the District Valuer to undertake a full valuation of its asset portfolio and review the remaining assets in order to establish a "true and fair" view for the 31 March 2015 Balance Sheet.

2.13 Treasury Activities

The table below gives an overview of the Council's treasury activities during 2014/15:

31/3/14 £k	Investment categories	31/3/15 £k
3	Cash floats	3
1,745	Bank deposits	4,846
4,000	Short term deposits	500
5,748	Total	5,349

In addition to above cash equivalents the Council also held £9.5m of short term investments as at the 31 March 2015.

The Council generated investment interest of £173k, which gave an average rate of return of 0.6%. It also paid out £1,374k relating to five PWLB loans.

2.14 Post Balance Sheet Events

None.

3.0 The Financial Future of Mid Devon

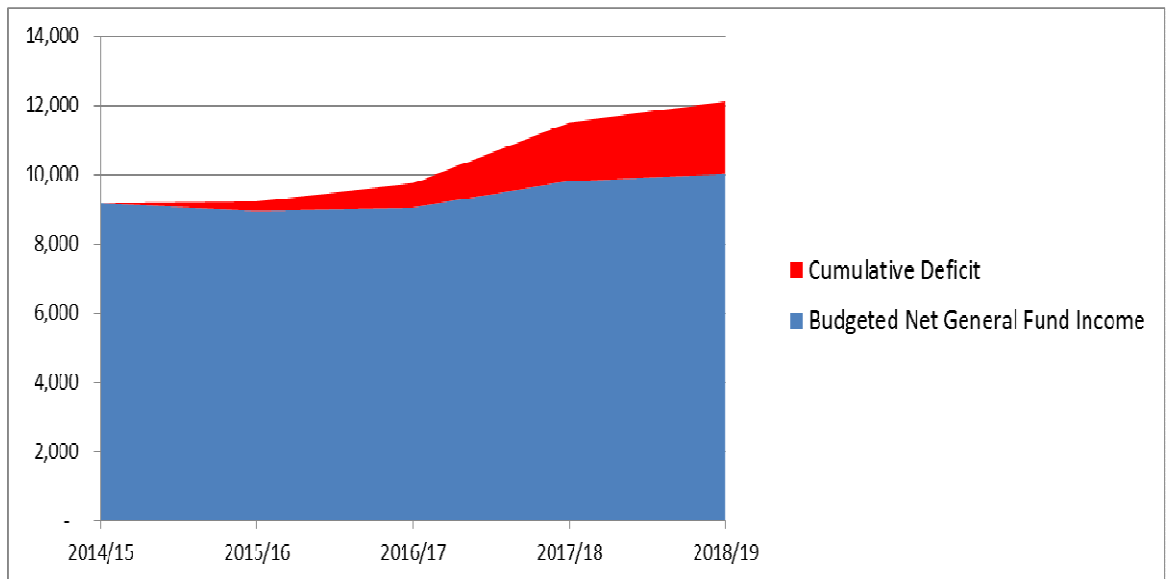
2014/15 was again a challenging financial year for the Council. The continuing large reductions in grant funding settlements from Central Government (a cut of circa £2.5m from the 2010/11 level of £6.186m) have resulted in the need to make very significant cuts in the level of expenditure that can be directed to general service provision.

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

After the recent national elections the Chancellor has pledged to continue the current austerity programme and has also tasked a number of Ministers to find an additional £13bn of public sector budget savings that he can announce in the emergency budget timetabled for the 8 July 2015. Therefore, further significant budget cuts remain highly likely and must at least be factored into updated Medium Term Financial Plans.

Strategic financial planning meetings are already underway, in order to establish what level and range of services can be delivered in the future against this back drop of ever reducing funding levels. These meetings will not simply be about exploring ways of delivering existing services at a reduced cost, they will also need to consider different delivery models, including greater partnership working and reviewing more commercial opportunities.

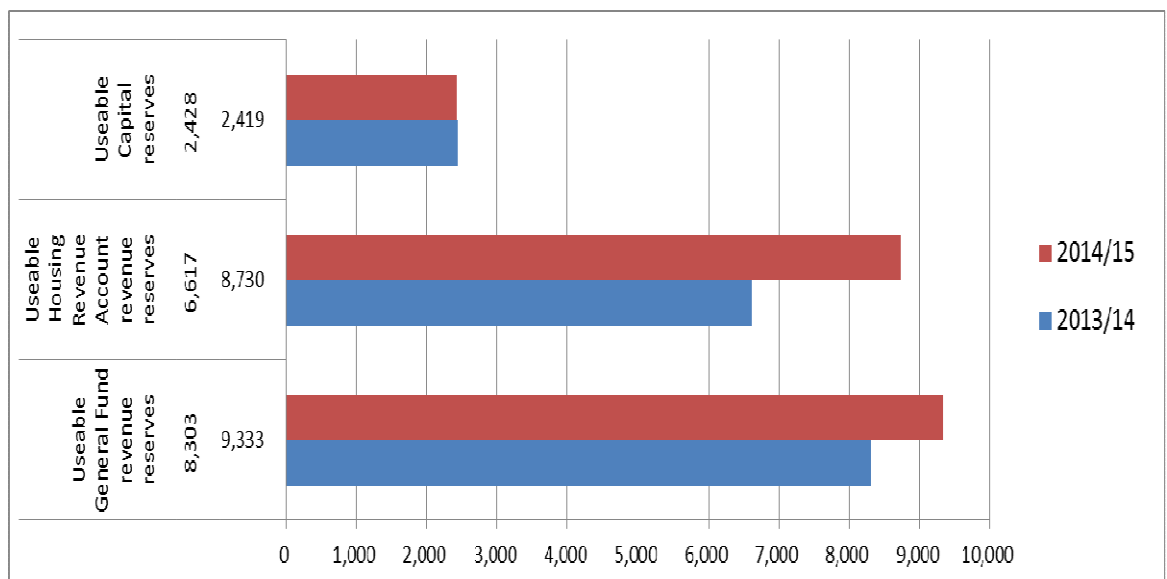
Medium Term Forecast Expenditure and Funding £k (As discussed at the October 2014 Cabinet meeting)



Notes

1. This diagram shows that delivering our existing range and level of services, without any remedial action, would result in the Council's expenditure exceeding the available resources by £2m by the end of 2018/19.
2. Central government has reduced the main Revenue Support Grant from £6.2m, in 2010/11 down to a £3.7m for 2015/16. This is a funding cut of just over 40% over the last five years.

Total Useable Reserves £k



Andrew Jarrett
Head of Finance

4.0 STATEMENT OF ACCOUNTING POLICIES

4.1 General Principles

The Statement of Accounts summarises the Council's transactions for the 2014/15 financial year and its position at the year end of 31 March 2015. The Authority is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2003, which those Regulations require to be prepared in accordance with proper accounting practices. These practices primarily comprise the "Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 and the Service Reporting Code of Practice for Local Authorities 2014/15 (SeRCOP), supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under section 12 of the 2003 Act. The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments. These statements have been compiled on the basis of the Council remaining a going concern and all amounts have been rounded to the nearest £1,000.

4.2 Accruals and Prepayments of Income and Expenditure

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

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

Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption they are carried as inventories on the Balance Sheet.

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

Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.

Where income and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

A de minimis of £10k is normally applied to any adjustments made.

4.3 Overheads and Support Services

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA Service Reporting Code of Practice for Local Authorities 2014/15 (SeRCOP). The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

- Corporate and Democratic Core – costs relating to the Council's status as a

multi-functional, democratic organization.

- Non-Distributed Costs – the cost of discretionary benefits awarded to employees retiring early and any depreciation and impairment losses chargeable to non-operational properties.

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

4.4 Charges to Revenue for Non Current Assets

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

- depreciation attributable to the assets used by the relevant service
- revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off
- amortisation of intangible fixed assets attributable to the service

The Council is not required to raise council tax to cover depreciation, revaluations, impairment losses or amortisations. However, it is required to make an annual provision from revenue to contribute towards the reduction in its overall borrowing requirement (equal to at least 4% of the underlying amount measured by the adjusted Capital Financing Requirement, excluding amounts attributable to HRA activity). Depreciation, revaluation and impairment losses and amortisations are therefore replaced by the Minimum Revenue Provision in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

4.5 Employee Benefits

Benefits Payable during Employment

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

Termination Benefits

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

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable

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

Post-Employment Benefits

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

4.6 The Local Government Pensions Scheme (LGPS)

The LGPS is accounted for as a defined benefits scheme:

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

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

Service cost comprising:

- *current service cost* – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked
- *past service cost* – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs.
- *net interest on the net defined benefit liability*, i.e. net interest expense for the authority – the change during the period in the net defined benefit liability that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement – this is calculated by applying the discount rate used to measure the defined benefit liability at the beginning of the period –

taking into account any changes in the net defined benefit liability during the period as a result of contribution and benefit payments.

Remeasurements comprising:

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

- *actuarial gains and losses* – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions reserve as Other Comprehensive Income and Expenditure

Contributions paid to the Local Government Pensions Scheme - cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

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

Discretionary Benefits

The Council also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

4.7 Grants and Contributions

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

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

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

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as either short term or long term creditors depending upon the conditions. When conditions are satisfied, the grant or

contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non-Specific Grant Income (non-ring fenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

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

4.8 Revenue Expenditure Funded from Capital under Statute (REFCUS)

REFCUS represents expenditure that may be capitalised under statutory provisions but does not result in the creation of tangible assets controlled by the Council. Service revenue accounts have been charged on the basis of the benefit that the service received as a result of the expenditure, net of any capital grants received during the year. As the asset created is not owned by the Authority at the end of the accounting period the expenditure, net of any capital grants received during the year, is immediately written off in full in the year of creation. Where the Council has determined to meet the cost of the REFCUS from existing capital resources or by borrowing, a transfer to the Capital Adjustment Account then reverses out the amounts charged in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account.

4.9 Value Added Tax

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

4.10 Exceptional Items

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

4.11 Minimum Revenue Provision

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

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

The basis of estimation adopted by the Authority comprises three elements:

1. To make 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.

4.12 Events after the Balance Sheet Date

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

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

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

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

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

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

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

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

Property, Plant and Equipment

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

Recognition

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Authority and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (e.g. repairs and maintenance) is charged as an expense when it is incurred. Expenditure is treated as *revenue* in nature unless the expenditure exceeds £20k. (Except in the case of some projects where the total funding grant exceeds £20k but an individual project using this money may amount to less than this.)

Measurement

Assets are initially measured at cost comprising:

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

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

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

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

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

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

Where non-property assets have short asset lives or low values (or both),

depreciated historical cost basis is used as a proxy for fair value.

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

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

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

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

Componentization

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

Impairment

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

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

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

The Council had the District Valuer estimate current values of all of the property portfolio at 31 March 2015.

Depreciation

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

Depreciation is calculated on the following bases:

- council dwellings - depreciation has been calculated based upon the expected lives of key components of our housing units

Roofs	50 years
Kitchens	20 years
Bathrooms	30 years
Windows	30 years
Boilers	105 years
Structure	60 years

Applying this model, with current rebuilding costs, a depreciation charge of £1,959,809k for the year has been determined. This charge has been allocated pro rata across all of the council dwellings, including new additions based upon the 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 the sort of time scales are given below:

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

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

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

Revaluation gains are also depreciated with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

Disposals and Non-Current Assets Held for Sale

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

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

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

Amounts in excess of £20k are categorised as capital receipts. A proportion of receipts relating to housing disposals and other assets, net of statutory deductions and allowances is payable to the Government. Part of the retained balance of receipts is required to be credited to the Capital Receipts Reserve, and can then only be used for new capital investment or set aside to reduce the Council's underlying need to borrow and part is required to be set aside in a ring fenced reserve for future Council house building. Receipts are appropriated to the Reserve from the Adjustments between Accounting Basis and Funding Basis under Regulations.

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

Heritage Assets

A tangible heritage asset is defined as an asset with historical, artistic, scientific, technological, geophysical or environmental qualities that is held and maintained principally for its contribution to knowledge and culture.

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

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

Any impairment is recognised and measured in accordance with the Authority's general policies on impairment shown in note 4.15 above.

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

Art Collection

4.16

The Authority's art collection includes paintings (oil on canvas, oil on board), statues and busts and some furniture, most of which are contained within the Town Hall at Tiverton. The assets which were donated in years past were valued for insurance purposes by Chilcotts professional Fine Art Valuers and Auctioneers in March 2012. These asset values will be re-visited at 5 yearly intervals.

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

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

Acquisition, Preservation and Management

The Authority does not have a defined policy to acquire further Heritage assets. Those owned by the Authority have been bequeathed or donated to the Authority. The Authority's Estates team maintain a record of the assets, working with relevant professional advisers to ensure their continued preservation. Members of the public do not currently have access to the assets contained within the Town hall.

4.17 Intangible Assets

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

Internally generated assets are capitalised where it is demonstrable that the project is technically feasible and is intended to be completed (with adequate resources being available) and the Authority will be able to generate future economic benefits or deliver service potential by being able to sell the asset or use the asset. Expenditure is capitalised where it can be measured reliably as attributable to the asset and is restricted to that incurred during the development phase (research expenditure cannot be capitalised).

Expenditure on the development of websites is not capitalised if the website is solely or primarily intended to promote or advertise the Authority's goods or services. Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by the Authority can be determined by reference to an

active market. In practice, no intangible asset held by the Authority meets this criterion, and they are therefore carried at amortised cost.

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

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

4.18 Leases

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

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

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

The Authority as Lessee

Finance Leases

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

Lease payments are apportioned between:

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

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

The authority is not required to raise council tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead a prudent annual

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

Operating Leases

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

The Authority as Lessor

Finance Leases

Where the Authority grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal.

Lease rentals are apportioned between:

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

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

The written off value of disposals is not a charge against council tax, as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are therefore appropriated to the Capital Adjustment Account from the General Fund balance in the Movement in Reserves Statement. For this set of accounts the Council has no lessor finance leases.

4.19 Investments including Cash on Deposit with Banking Institutions

Where investments are held at the balance sheet date they are treated as long term if, at the initial contract date, their term is more than twelve months. If, at the initial contract date, their term is more than three months but less than twelve months they

are regarded as short term investments. Any cash and bank balances whose term, at their initial contract date is less than three months are categorised as cash and cash equivalents.

4.20 Accounting for Local Taxes

Non Domestic Rates (NDR)

- Retained Business Rate income included in the Comprehensive Income & Expenditure Statement for the year will be treated as accrued income.
- Top Up Income included in the Comprehensive Income & Expenditure Statement for the year will be treated as accrued income.

Non Domestic Rates (NDR)

- Council Tax income included in the Comprehensive Income & Expenditure Statement for the year will be treated as accrued income.

Both NDR, Top Up Income and Council Tax will be recognised in the Comprehensive Income & Expenditure Statement in the line Taxation & Non-Specific Grant Income. As a billing authority the difference between the NDR and Council Tax included in the Comprehensive Income and Expenditure Statement and the amount required by regulation to be credited to the General Fund shall be taken to the Collection Fund Adjustment Account and reported in the Movement in Reserve Statement. Each major preceptor's share of the accrued NDR and Council Tax income will be available from the information that is required to be produced in order to prepare the Collection Fund Statement. The income for Council Tax, 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.

4.21 Inventories

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

4.22 Cash and Cash Equivalents

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

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

4.23 Financial Instruments

Financial Assets

Financial assets are classified into two types:

- loans and receivables – assets that have fixed or determinable payments but are not quoted in an active market
- available-for-sale-assets – assets that have a quoted market price and/or do not have fixed or determinable payments

Loans and receivables

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

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the relevant service (for receivables specific to that service) or the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate.

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

4.24 Provisions

Provisions are made where an event has taken place that gives the Council an obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. For instance, the Authority may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

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

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

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

For this set of accounts the Council has no provisions.

4.25 Contingent Liabilities

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

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

5.0 THE STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

5.1 The Authority’s Responsibilities

The authority is required to:

- make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority that officer is the Head of Finance.
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- approve the statement of accounts.

5.2 The Head of Finance’s Responsibilities

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

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

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

The Head of Finance has also:

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

5.3 Opinion

In my opinion the Statement of Accounts gives a true and fair view of the financial position of the authority at the accounting date and its income and expenditure for the year ended 31 March 2015.

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

Andrew Jarrett – CPFA
Head of Finance
Mid Devon District Council

6.0 CHIEF FINANCIAL OFFICER’S CERTIFICATE

I certify that the accounts set out in the following pages, gives a true and fair view of the financial position of the Council at 31 March 2015.

The date on which the Statement of Accounts was authorised for issue by the Head of Finance was 23 June 2015.

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

Approved by the Head of Finance

.....
Andrew Jarrett – CPFA Dated

Approved by the Chairman of the Audit Committee

.....
Bob Evans Dated

Approved by the Leader of the Council

.....
Clive J Eginton Dated

Approved at a meeting of the Audit Committee on the 28 July 2015

Mid Devon District Council Financial Statements 2014-15

Movement in Reserves Statement

This section shows how our reserves have moved over the year

2014/15	Notes	USEABLE RESERVES						Total Usable Reserves	Unusable Reserves	Total Authority 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	
Balance at 31 March 2014		(2,460)	(5,843)	(2,004)	(4,613)	(1,071)	0	(1,357)	(17,348)	(70,032)	(87,380)
<u>Movement in Reserves during 2014/15</u>											
Surplus) or deficit on the provision of services		(3,471)		(8,233)					(11,704)		(11,704)
Other Comprehensive Income and Expenditure									0	11,744	11,744
Total Comprehensive Income and Expenditure		(3,471)	0	(8,233)	0	0	0	0	(11,704)	11,744	40
Adjustments between accounting basis and funding basis under regulations	5	2,441		6,120		86	0	(77)	8,570	(8,570)	0
Net Increase/Decrease before Transfers to Earmarked Reserves		(1,030)	0	(2,113)	0	86	0	(77)	(3,134)	3,174	40
Transfers (to) / from Earmarked Reserves	6	1,110	(1,110)	2,117	(2,117)				0		
(Increase)/Decrease in 2014/15		80	(1,110)	4	(2,117)	86	0	(77)	(3,134)	3,174	40
Balance at 31 March 2015 Carried forward		(2,380)	(6,953)	(2,000)	(6,730)	(985)	0	(1,434)	(20,482)	(66,858)	(87,340)
Held for Revenue Purposes		(2,380)	(6,953)	(2,000)	(6,730)				(18,063)		
Held for Capital Purposes						(985)	-	(1,434)	(2,419)		

Mid Devon District Council Financial Statements 2014-15

Movement in Reserves Statement continued

This section shows how our reserves have moved over the year

2013/14		USEABLE RESERVES							Total Usable Reserves	Unusable Reserves	Total Authority 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			
Notes	£000	£000	£000	£000	£000	£000	£000	£000	£000		
		(2,623)	(3,622)	(1,968)	(2,535)	(757)	(47)	(1,637)	(13,189)	(60,343)	(73,532)
Movement in Reserves during 2013/14											
		2,051		(8,396)					(6,345)		(6,345)
									0	(7,503)	(7,503)
		2,051	0	(8,396)	0	0	0	0	(6,345)	(7,503)	(13,848)
	5	(4,109)		6,282		(314)	47	280	2,186	(2,186)	0
		(2,058)	0	(2,114)	0	(314)	47	280	(4,159)	(9,689)	(13,848)
	6	2,221	(2,221)	2,078	(2,078)				0		0
		163	(2,221)	(36)	(2,078)	(314)	47	280	(4,159)	(9,689)	(13,848)
		(2,460)	(5,843)	(2,004)	(4,613)	(1,071)	0	(1,357)	(17,348)	(70,032)	(87,380)
		(2,460)	(5,843)	(2,004)	(4,613)				(14,920)		
						(1,071)	-	(1,357)	(2,428)		

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.

2013/14				Notes	2014/15		
Gross Expenditure	Gross Income	Net Expenditure			Gross Expenditure	Gross Income	Net Expenditure
£000	£000	£000			£000	£000	£000
3,742	(678)	3,064	Central Services to the Public	3,497	(745)	2,752	
4,362	(2,394)	1,968	Cultural	3,283	(2,460)	823	
5,876	(1,963)	3,913	Environment and Regulatory Services	5,824	(2,074)	3,750	
3,360	(1,872)	1,488	Planning Services	3,019	(1,758)	1,261	
707	(841)	(134)	Highways and Transport Services	443	(710)	(267)	
4,278	(13,215)	(8,937)	Local Authority Housing (HRA)	6,123	(13,731)	(7,608)	
20,396	(19,787)	609	Housing	20,083	(19,681)	402	
42,721	(40,750)	1,971	Costs of Services	42,272	(41,159)	1,113	
		1,367	Other Operating Expenditure			1,042	
		2,888	Financing and Investment Income and Expenditure			(37)	
		(12,571)	Taxation and Non-Specific Grant Income			(13,822)	
		(6,345)	(Surplus) or Deficit on Provision of Services			(11,704)	
		(4,225)	(Surplus) or deficit on revaluation of Property, Plant and Equipment			80	
		(3,270)	Remeasurements of the net defined benefit liability			11,664	
		(7,495)	Other Comprehensive Income and Expenditure			11,744	
		(13,840)	Total Comprehensive Income and Expenditure			40	

Balance Sheet

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

31 March 2014 £000		Notes	31 March 2015 £000
159,931	Property, Plant & Equipment	22	170,321
475	Heritage Assets	25	491
0	Intangible assets	26	0
0	Long-term Investments	32	500
170	Long-term Debtors	33	158
160,576			171,470
7,014	Short-term Investments	34	9,500
199	Inventories	35	184
2,528	Short-term Debtors	36	3,340
5,748	Cash and Cash Equivalents	37	5,349
15,489	Current Assets		18,373
(3,209)	Short-term Creditors	38	(3,775)
0	Provisions	40	(82)
(1,449)	Short-term Borrowing	29	(1,637)
(4,658)	Current Liabilities		(5,494)
(740)	Long-term Creditors		(725)
(42,982)	Long-term Borrowing	29	(45,656)
(40,305)	Other Long Term Liabilities	47	(50,628)
(84,027)	Long Term Liabilities	39	(97,009)
87,380	Net Assets		87,340
17,348	Usable Reserves	41	20,482
70,032	Unusable reserves	42	66,858
87,380	Total Reserves		87,340

Cash Flow Statement

This section shows what cash we spend and receive

2013/14			2014/15
£000		Notes	£000
6,345	Net surplus on the provision of services		11,704
3,710	Adjustments to net surplus or deficit on the provision of services for non-cash movements	50	(365)
(735)	Adjustments for items included in the net surplus on the provision of services that are investing and financing activities	51	(1,123)
9,320	Net cash flows from Operating Activities		10,216
(8,295)	Investing Activities	53	(8,920)
(1,464)	Financing Activities	54	(1,695)
(439)	Net decrease in cash and cash equivalents		(399)
6,187	Cash and cash equivalents at the beginning of the reporting period	37	5,748
5,748	Cash and cash equivalents at the end of the reporting period	37	5,349

Notes to the Accounts

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

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 2015 for 2014/15). The disclosure requirements are expected to be included in a subsequent edition of the Code.

In compiling the 2014/15 accounts the following accounting policies have not been adopted:

- IFRS 1: Meaning of effective IFRSSs
- IFRS 13: Fair Value Measurement (May 2011) and scope of paragraph 52 (portfolio exception)
- IAS 40: Clarifying the interrelationship of IFRS 3 Business Combinations and IAS 40 Investment property when classifying property or owner-occupied property
- IFRIC 21 Levies.

2 Critical Judgements in Applying Accounting Policies

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

- a) estimates for accrued expenditure/incomes - based on service managers and accountants calculations at year end;
- b) bad debt provision - based on historic trends, adjusted for any material movements during 2014/15;
- c) asset lives for the calculation of depreciation charges - based on service managers experience of previously used assets.

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

Property valuations made by the District Valuer;

Pension valuations supplied by Barnett Waddingham - Actuary engaged by Devon County Council.

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

Notes to the Accounts

3 Material Items of Income and Expense

There are no exceptional items of income and expense.

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 2015 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 from Assumptions
22	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 £36,112k (excl. Council Houses) would increase by £754k for every year that useful lives had to be reduced.
21	Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Authority with expert advice about the assumptions to be applied. The value of pension assets is estimated based upon information available at the balance Sheet date, but these valuations may be earlier than the Balance Sheet date. The actual valuations at the Balance Sheet date, which may not be available until some time later, may give a different value of pension assets, but this is not considered to be material.	The effects on the net pensions liability of changes in individual assumptions can be measured. For instance, a 0.1% increase in the discount rate assumption would result in a decrease in the pension liability of £101k and a 1 year increase in mortality rates would reduce the scheme obligation by £99k. However the assumptions interact in complex ways.
36	Arrears	At 31 March 2015, the Authority had a gross balance of sundry debtors of £828k. A review of significant balances suggested that a provision for doubtful debts of 39.7% or £329k was appropriate (£270k of which relates to Deposit and Rent Scheme (DARS)). However, in the current economic climate it is not certain that such an allowance would be sufficient.	If collection rates were to deteriorate, a doubling of the amount of the provision for doubtful debts (excluding DARS arrears) would require an additional £59k to be set aside. In addition, if we were to make provision for 100% of DARS arrears, £14k more would need to be allowed for.

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

2014/15	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
<u>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement: Adjustments involving the Capital Adjustment Account:</u>							
Charges for depreciation and impairment of non current assets	(1,353)	(2,165)					3,518
Revaluation losses on Property, Plant and Equipment	987	1,944					(2,931)
Amortisation of intangible assets	(118)	0					118
Income in relation to donated assets	9						(9)
Revenue expenditure funded from capital under statute	(536)						536
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	0	(386)					386
<u>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</u>							
Statutory provision for the financing of capital investment	262	947					(1,209)
Capital expenditure charged against the General Fund and HRA balances	1,453	984					(2,437)
<u>Adjustments primarily involving the Capital Grants Unapplied Account</u>							
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	566	1,634			(2,200)		
Application of grants to capital financing transferred to the Capital Adjustment Account					2,123		(2,123)
<u>Adjustments involving the Capital Receipts Reserve:</u>							
Transfer of sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	10	659	(669)				
Use of the Capital Receipts Reserve to finance new capital expenditure			535				(535)
Contribution from the Capital Receipts Reserve towards administrative costs of non current asset disposals		(13)	13				
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	(207)		207				
Balance carried forward	1,073	3,604	86	0	(77)	0	(4,686)

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

2014/15	Usable Reserves					Total Usable Reserves	Movement in Unusable Reserves
	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied		
	£000	£000	£000	£000	£000	£000	£000
Balance brought forward	1,073	3,604	86	0	(77)	0	(4,686)
<u>Adjustment involving the Major Repairs Reserve:</u>							
Reversal of Major Repairs Allowance credited to the HRA		2,496		(2,496)			
Use of the Major Repairs Allowance to finance new capital expenditure				2,496			(2,496)
<u>Adjustment involving the Pensions Reserve:</u>							
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(835)	20					815
Employer's pension contributions and direct payments to pensioners payable in the year.	2,156						(2,156)
<u>Adjustment involving the Collection Fund Adjustment Account:</u>							
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statements is different from council tax income calculated for the year in accordance with statutory requirements	(66)						66
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	111						(111)
<u>Adjustment involving the Accumulating Compensated Absences Adjustment Account:</u>							
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements.	2	0					(2)
Total Adjustments	2,441	6,120	86	0	(77)	0	(8,570)

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

2013/14	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	
<u>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</u>							
<u>Adjustments involving the Capital Adjustment Account:</u>							
Charges for depreciation and impairment of non current assets	(1,239)	(2,008)					3,247
Revaluation losses on Property, Plant and Equipment	(598)	3,370					(2,772)
Revenue expenditure funded from capital under statute	(733)						733
Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(741)	(955)					1,696
<u>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</u>							
Statutory provision for the financing of capital investment	260	1,430					(1,690)
Capital expenditure charged against the General Fund and HRA balances	447	84					(531)
<u>Adjustments primarily involving the Capital Grants Unapplied Account</u>							
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	958	200			(1,158)		
Application of grants to capital financing transferred to the Capital Adjustment Account					1,438		(1,438)
<u>Adjustments involving the Capital Receipts Reserve:</u>							
Transfer of sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement		1,562	(1,562)				
Use of the Capital Receipts Reserve to finance new capital expenditure			991				(991)
Contribution from the Capital Receipts Reserve towards administrative costs of non current asset disposals		(31)	31				
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	(187)		187				
Transfer of deferred sale proceeds as part of the gain/loss on disposal to the Comprehensive income and Expenditure Statement		(39)	39				
<u>Adjustments involving the Deferred Capital Receipts Reserve:</u>							
Transfer of deferred sale proceeds as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement		40					(40)
Balance carried forward	(1,833)	3,653	(314)	0	280	0	(1,786)

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

2013/14	Usable Reserves					Total Usable Reserves	Movement in Unusable Reserves
	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied		
	£000	£000	£000	£000	£000	£000	£000
Balance brought forward	(1,833)	3,653	(314)	0	280	0	(1,786)
Adjustment involving the Major Repairs Reserve:							
Reversal of Major Repairs Allowance credited to the HRA		2,641		(2,641)			
Use of the Major Repairs Allowance to finance new capital expenditure				2,688			(2,688)
Adjustments involving the Financial Instruments Adjustment Account:							
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements		51					(51)
Adjustment involving the Pensions Reserve:							
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(4,087)	(65)					4,152
Employer's pension contributions and direct payments to pensioners payable in the year.	1,901						(1,901)
Adjustment involving the Collection Fund Adjustment Account:							
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statements is different from council tax income calculated for the year in accordance with statutory requirements	(31)						31
Amount by which NNDR income credited to the Comprehensive Income and Expenditure Statements is different from NNDR income calculated for the year in accordance with statutory requirements	(67)						67
Adjustment involving the Accumulating Compensated Absences Adjustment Account:							
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements.	8	2					(10)
Total Adjustments	(4,109)	6,282	(314)	47	280	0	(2,186)

Notes to the Accounts

6 Transfers to / from Earmarked Reserves

This section shows movements in these reserves

General Fund - Revenue Earmarked Reserves	Balance at 1/4/13 £000	Transfers In £000	Transfers Out £000	Reclassification £000	Balance at 31/03/14 £000	Transfers In £000	Transfers Out £000	Reclassification £000	Balance at 31/3/15 £000
Capital Contingency Reserve	1,491	350	(318)	(560)	963	375	(215)		1,123
Maintenance & Amenity Reserve	777	640	(157)		1,260	113	(136)		1,237
Misc. General Fund Reserves	874	(183)	(410)	746	1,027	667	(310)		1,384
Vehicle and plant sinking funds		695			695	635	(304)	(135)	891
New Homes Bonus		1,275	(51)		1,224	1,281	(618)		1,887
General Vehicle Replacement	58	224	(124)		158		(293)	135	0
Insurance excess claims fund	155				155		(34)		121
Statutory Development Plan	81	30			111	60	(111)		60
NNDR Reserve	0	250			250				250
Refuse Vehicle Replacements	186			(186)	0				0
Total Revenue Earmarked Reserves	3,622	3,281	(1,060)	0	5,843	3,131	(2,021)	0	6,953

The £1.9m held in the New Homes Bonus reserve is currently earmarked to help fund the Private Sector Housing and Economic Development components of the future capital programme. The capital contingency reserve makes provision for an identified funding cap for future capital programmes shown in the medium term financial plan. The maintenance reserve is a collection of Section 106 contributions being used to fund revenue costs of additional play parks and amenity provision included in various planning provisions. Miscellaneous General Fund items are a large number of items that relate to specific projects that will be delivered in 2015/16. A full breakdown of the constituents was provided in the outturn report which was considered at the Cabinet meeting 4 June 2015.

Housing Revenue Account - Revenue Earmarked Reserves	Balance at 1/4/13 £000	Transfers In £000	Transfers Out £000	Reclassification £000	Balance at 31/03/14 £000	Transfers In £000	Transfers Out £000	Reclassification £000	Balance at 31/3/15 £000
Sewage Treatment Works	100		(84)		16		(16)		0
Solar Panel Income - Renewables	237	217	(109)		345	183	(158)		370
30yr Maintenance Programme	2,198	2,777	(723)		4,252	2,892	(784)		6,360
Total Revenue Earmarked Reserves	2,535	2,994	(916)	0	4,613	3,075	(958)	0	6,730

7 Transfers to/from Capital Grants Unapplied

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

	Balance at 1/4/13 £000	Transfers In £000	Transfers Out £000	Reclassification £000	Balance at 31/03/14 £000	Transfers In £000	Transfers Out £000	Reclassification £000	Balance at 31/3/15 £000
Total Funds Unapplied									
Regional Housing Pot	509	35	(385)	0	159	0	(159)	0	0
Afford Housing Contributions	507	315	(256)	0	566	142	(26)	0	682
Tiverton Enhancement Scheme	14	0	0	0	14	0	0	0	14
Air Quality Fund - Cullompton	126	40	(122)	0	44	10	0	0	54
Air Quality Fund - Crediton	240	58	0	0	298	110	0	0	408
Planning Delivery Grant	241	0	(43)	0	198	0	0	0	198
Cap Grants Unapplied Nonspecific	0	711	(633)	0	78	1,905	(1,905)	0	78
DCC Funding	0	0	0	0	0	33	(33)	0	0
Total Capital Grants Unapplied	1,637	1,159	(1,439)	0	1,357	2,200	(2,123)	0	1,434

Notes to the Accounts

8 Other Operating Expenditure

2013/14		2014/15
£000		£000
1,046	Parish Council precepts	1,119
187	Payments to the Government Housing capital receipts pool	206
134	(Gains)/Losses on the disposal of non current assets	(283)
1,367	Total	1,042

9 Financing and Investment Income and Expenditure

2013/14		2014/15
£000		£000
1,397	Interest payable and similar charges	1,374
1,805	Net interest on the net defined benefit liability	(1,238)
(145)	Interest receivable and similar income	(173)
(169)	Heritable Bank loss - write back of provision not required	0
2,888	Total	(37)

10 Taxation and Non Specific Grant Income

2013/14		2014/15
£000		£000
(5,808)	Council tax income	(5,946)
(2,137)	Non domestic rates	(2,289)
(2,867)	Revenue Support Grant	(2,271)
(847)	Non-ringfenced government grants	(1,392)
(912)	Capital grants and contributions	(1,924)
(12,571)	Total	(13,822)

Further details of specific grant income are shown at note 57.

Notes to the Accounts

11 Operating Leases

Authority as Lessee

Vehicles, Plant, Furniture and Equipment

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

Payments under Operating Leases

The Authority has made payments of £38k under operating leases in 2014/15 (£109k in 2013/14) comprising of the following elements:

2013/14		2014/15
£000		£000
25	Land & Buildings	36
84	Vehicles, Plant & Equipment	2
109	Total	38

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

Authority as Lessor

The gross value of assets held for use in operating leases as at 31 March 2015 was £7,136k (£3,580k in 2013/14)

	2013/14			2014/15		
	Gross Value	Net Book Value	Rental Income	Gross Value	Net Book Value	Rental Income
	£000	£000	£000	£000	£000	£000
HRA Shops	1,165	1,165	(107)	1,209	1,209	(108)
General Fund Shops	0	0		3,745	3,745	(33)
Other GF Land & Buildings	968	968	(54)	865	865	(68)
Industrial Units	1,447	1,447	(97)	1,317	1,317	(93)
Total	3,580	3,580	(258)	7,136	7,136	(302)

The Council also received £12,953k from the rental of 1,157 Garages Rents and 3,065 Council Houses. For more information see the Housing Revenue Account notes.

Notes to the Accounts

12 Officers' Emoluments

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

Remuneration Band	2013/14		2014/15	
	Number of Employees	Left During Year	Number of Employees	Left During Year
£50,000 - £54,999	1	0	1	0
£55,000 - £59,999	1	0	1	0
£60,000 - £64,999	4	0	2	0
£65,000 - £69,999	1	0	1	0
£95,000 - £99,999	1	0	1	0
£115,000 - £119,999	0	0	1	1
£135,000 - £139,999	0	0	1	1

The above table includes two employees who received termination payments in 2014-15.

All of the employees in the above table are included in the Senior Officers table.

In completing the 2014/15 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 2014/15

Notes to the Accounts

12 Officers' Emoluments

Senior Officers Earning in Excess of £50,000

Post Title	Financial Year	Salary (Including Allowances)	Compensation for Loss of Employment	Expenses	Benefits in Kind	Total Remuneration excluding pension contributions	Pension Contributions	Total Remuneration including pension contributions
Chief Executive	2014/15	97,637				97,637	18,356	115,993
	2013/14	97,637				97,637	17,868	115,505
Head of Business Information Services	2014/15	54,175				54,175	10,185	64,360
	2013/14	53,322				53,322	9,758	63,080
Head of Planning and Regeneration. Note 1	2014/15	62,819	73,471			136,291	11,810	148,101
	2013/14	62,476				63,476	11,433	73,909
Head of Financial Services	2014/15	62,819				62,819	11,810	74,630
	2013/14	62,476				62,476	11,433	73,909
Head of HR & Development	2014/15	62,819				62,819	11,810	74,630
	2013/14	61,249				61,249	11,209	72,458
Head of Communities and Governance	2014/15	58,034				58,034		58,034
	2013/14	56,586				56,586		56,586
Head of Environmental Services. Note 2	2014/15	46,857	71,890			118,747	8,809	127,556
	2013/14	61,249			1,078	62,327	11,209	73,536
Head of Housing & Property Services	2014/15	66,453				66,453	12,423	78,876
	2013/14	64,420			1,078	65,498	11,787	77,285

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

The pension contribution figures have increased from 18.3% to 18.8% which is the new common contribution rate applicable from 2014-15 onwards.

Note 1. The Head of Planning left this Authority on the 31-3-15.

Note 2. The Head of Environmental Services left this Authority on the 31-12-14.

Notes to the Accounts

13 Termination Benefits

2014/15

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	1	6	7	38
£20,000 - £39,999	1		1	29
£40,000 - £59,999				0
£60,000 - £79,999	2		2	145
				212

2013/14

Exit Package Cost Band	Number of Compulsory redundancies	Number of other departures agreed	Total number of exit packages by cost band	Total cost of exit packages in each band £000
£0 - £19,999	4	3	7	55
£20,000 - £99,999	0	1	1	22
				77

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

14 External Audit Costs

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

2013/14 £000		2014/15 £000
63	Fees payable with regard to the annual audit fee	64
21	Fees payable for the certification of claims and returns	9
84	Total	73

Notes to the Accounts

15 Related Party Transactions

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

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

Members of the Council have direct control over the Council's financial and operating policies. The Council's constitution requires members to declare their interests in related parties in a register of interests. In addition, members are asked to declare separately any transactions with the Authority. The Head of Finance has reviewed these existing declarations and has decided none warrant disclosure in this years Accounts.

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

16 Members Allowances

2013/14		2014/15
£000		£000
264	Allowances	267
27	Expenses	24
291	Total	291

17 Acquired and/or Discontinued Activities

The Council did not acquire any new activities or discontinue any existing ones during 2014/15.

Notes to the Accounts

18 Depreciation and Impairment of Fixed Assets

2013/14		2014/15
£000		£000
3,247	Depreciation	3,518
-	Amortisation of intangible assets	118
(2,771)	Net reversal of impairment of fixed assets	(2,931)
£476	Total	£705

19 Capital Financing

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

2013/14		2014/15
£000		£000
	Housing Revenue Account - Capital Financing Requirement	
1,398	HRA self financing settlement - see note below	916
33	Finance leases	31
1,431		947
	General Fund - Capital Financing Requirement	
142	Assets acquired prior to 1/4/13	78
	Assets acquired by PWLB loans after 1/4/13	100
118	Finance leases	84
260		262
£1,691	Total	£1,209

The method of calculating the capital financing charge has been changed this year - please see the accounting policy note number 4.11 . As a result of this change the capital financing charge on the HRA self financing settlement is now being charged over the life of the underlying assets, 50 years, rather than the term of the loan 25 years. Overall the sum that needs to be financed has remained the same.

20 Insurance

All major risks have been identified and are insured with applicable excesses. There were no major claims outstanding as at the 31/3/15.

Notes to the Accounts

21 Pensions

All of the pension figures included in the 2014/15 Accounts are prepared in accordance with International Accounting Standard 19 (IAS 19). This complies with all generic Technical Actuarial Standards (TASs) and the Pensions TAS. The data provided by the Pension Fund's Actuary (Barnett Waddingham) also fully complies with their understanding of Financial Reporting Standard 17 and International Financial Reporting Standards.

Participation in the Pension Scheme

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

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

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

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

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

Discretionary Post-retirement Benefits

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

Transactions relating to Retirement Benefits

The Council recognises the cost of retirement benefits in the Net Cost of Services when they are earned by employees rather than when the benefits are eventually paid as pensions. However, the charge the Council is required to make against council tax is based on the cash payable in the year, so the real cost of retirement benefits is reversed out in the note titled Adjustments between Accounting Basis and Funding Basis under Regulations (AABFBR). The following transactions have been made in the Income and Expenditure Account and the AABFBR:

Notes to the Accounts

21 Pensions continued

Pension Assets and Liabilities Recognised in the Balance Sheet

	Local Government Pension Scheme		Discretionary Benefit Arrangements	
	2013/14	2014/15	2013/14	2014/15
	£000	£000	£000	£000
Present value of the defined benefit obligation	87,083	101,722	1,220	1,285
Fair value of plan assets	47,998	52,379	-	-
Sub-total	39,085	49,343	1,220	1,285
Other movements in the liability (asset)				
Net liability from defined benefit obligation	39,085	49,343	1,220	1,285

Comprehensive Income and Expenditure Statement

	Local Government Pension Scheme		Discretionary Benefit Arrangements	
	2013/14	2014/15	2013/14	2014/15
	£000	£000	£000	£000
<i>Cost of Services</i>				
<i>Service cost comprising:</i>				
Current service cost	2,292	2,053	0	0
Past service costs	55	0	0	0
(Gain) / loss from settlements	0	0	0	0
<i>Expenditure</i>				
Net interest expense	1,779	1,727	0	0
Administrative expenses	26	27	0	0
<i>to the Surplus or Deficit on the Provision</i>	4,152	3,807	0	0
<i>to the Comprehensive Income and</i>				
Remeasurement of the net defined benefit liability comprising:	0	0	0	0
Return on plan assets (excluding the amount included in the net interest expense)	(123)	(2,992)	0	0
Actuarial gains and losses arising on changes in demographic assumptions	75	0	0	0
Actuarial gains and losses arising on changes in financial assumptions.	(3,222)	11,664	0	0
<i>to the Comprehensive Income and</i>	(3,270)	8,672	0	0
<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.	1,019	(10,323)	0	0
<i>Actual amount charged against the General Fund Balance for pensions in the year:</i>	0	0	0	0
Employers' contributions payable to the scheme	1,901	2,156	0	0
Retirement benefits payable to pensioners			(3,154)	21(3,388)

Notes to the Accounts

21 Pensions continued

Reconciliation of the Movements in the Fair Value of Scheme Assets

	Local Government Pension		Discretionary Benefit Arrangements	
	2013/14	2014/15	2013/14	2014/15
	£000	£000	£000	£000
Opening fair value of scheme assets	46,912	47,998	0	0
Interest income	2,048	2,097	0	0
Remeasurement gain / (loss):	(321)	0	0	0
- The return on plan assets, excluding	123	2,992	0	0
- Other	(26)	(27)	0	0
Contributions from employer	1,901	2,156	0	0
Contributions from employees into the scheme	515	551	0	0
Benefits paid	(3,154)	(3,388)	0	0
Other	0	0	0	0
Closing fair value of scheme assets	47,998	52,379	0	0

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

	Funded Liabilities: Local Government Pension Scheme		Unfunded Liabilities: Discretionary Benefits	
	2013/14	2014/15	2013/14	2014/15
	£000	£000	£000	£000
Opening balance at 1 April	88,236	88,395	0	(92)
Current service cost	2,292	2,053	0	0
Interest cost	3,827	3,824	0	0
Contributions from scheme participants	515	551	0	0
Remeasurement (gains) and losses:				
- Actuarial gains and losses arising on changes in demographic assumptions	75	0	0	0
- Actuarial gains and losses arising on changes in financial assumptions.	1,553	11,639	0	0
- Other	0	0	0	0
Past service cost	55	0	0	0
Losses / (gains) on curtailment	0	0	0	0
Experience loss / (gain) on defined benefit obligation	(5,096)	25	0	0
Benefits paid	(3,062)	(3,297)	(92)	(91)
Closing balance at 31 March	88,395	103,190	(92)	(183)

Notes to the Accounts

21 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 2013 and has then been updated for estimated fund returns, asset statement, market returns, income and expenditure or as at the 31 March 2014.

The significant assumptions used by the actuary have been:

	Local Government Pension Scheme		Discretionary Benefit	
	2013/14	2014/15	2013/14	2014/15
Mortality assumptions:				
Longevity at 65 for current pensioners				
- Men	22.7	22.8	-	-
- Woman	26.0	26.1	-	-
Longevity at 65 for future pensioners				
- Men	24.9	25.1	-	-
- Woman	28.3	28.4	-	-
Rate of inflation	2.8%	2.4%	-	-
Rate of increase in salaries	4.6%	4.2%	-	-
Rate of increase in pensions	2.8%	2.4%	-	-
Rate for discounting scheme liabilities	4.4%	3.3%	-	-

Local Government Pension Scheme assets comprised:

	Fair value of scheme assets	
	2013/14 £000	2014/15 £000
Cash and cash equivalents	960	903
Equities:		
UK	12,479	12,912
Overseas	16,319	18,068
Sub-total equities	28,798	30,980
Bonds:		
- Gilts	3,360	3,332
- Other Bonds	2,400	1,821
Sub-total bonds	5,760	5,153
Other investments:		
- Infrastructure	960	1,452
- Property	4,320	5,236
- Target Return Portfolio	7,200	7,724
- Alternative Assets	0	931
Sub-total other investment funds	12,480	15,343
Total assets	47,998	52,379

Notes to the Accounts

21 Pensions continued

Estimation of Assets and Liabilities

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table on page 22. 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)	(3,605)	3,637
Rate of inflation (increase or decrease by 0.1 %)	n/a	n/a
Rate of increase in salaries (increase or decrease by 0.1%)	249	(247)
Rate of increase in pensions (increase or decrease by 0.1%)	1,603	(1,574)
Rate for discounting scheme liabilities (increase or decrease by 0.1%)	(1,804)	1,838
Impact on the Authority's Cash Flows		

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

The authority anticipates paying £1,965k contributions to the scheme in 2015/16

The weighted average duration of the defined benefit obligation for scheme members is 18 years. (2013/14 18 years)

Notes to the Accounts

22 Property, Plant and Equipment

Movements in Balances

2014/15	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
At 1 April 2014	624	119,320	36,752	4,413	516	291		161,916
Additions	1,785	4,206	4,286	1,264				11,541
Revaluation increases/(decreases) recognised in the Revaluation reserve		(1,960)	(1,039)			(4)		(3,003)
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services		1,944	1,110					3,054
Derecognition - Disposals	(14)	(386)				(71)		(471)
Derecognition - Other				(252)				(252)
Reclassification	(1,019)	622	226			76		(95)
At 31 March 2015	1,376	123,746	41,335	5,425	516	292	0	172,690

Accumulated Depreciation and Impairment

At 1 April 2014			(3)	(1,924)	(58)			(1,985)
Depreciation charge		(1,959)	(1,020)	(513)	(9)	(11)		(3,512)
Depreciation written out to the Revaluation Reserve		1,959	1,018			11		2,988
Derecognition - Disposals				140				140
At 31 March 2015			(5)	(2,297)	(67)			(2,369)
Net Book Value								
At 31 March 2015	1,376	123,746	41,330	3,128	449	292	0	170,321
At 31 March 2014	624	119,320	36,749	2,489	458	291	0	159,931

Notes to the Accounts

22 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
	£000	£000	£000	£000	£000	£000	£000	£000
Owned	£1,376	£123,746	£41,330	£2,447	£449	£292	£0	£169,640
Subject to Finance Leases	£-	£-	£-	£681	£-	£-	£-	£681

(See note 59 for finance lease information.)

At 31 March 2015 the Council had £1,376k of assets under construction - £1,272k in respect of Council House building in St Andrew's Street, £41k for Council house building at Palmerston Park, Tiverton, £25k relating to the Web transformation project and £38k in respect of a number of smaller projects.

Revaluations

The Council carried out a full valuation of all land and buildings included in Property, Plant and Equipment. Valuations of land and buildings were carried out by the District Valuer and Valuation Office. Valuations were carried out in accordance with methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors.

	Assets Under Construction	Council Dwellings	Other Land & Buildings	Vehicles Plant & Equip	Community Assets	Infra-structure Assets	Surplus Assets	Total Property, plant and Equipment
	£000	£000	£000	£000	£000	£000	£000	£000
Valued at Historical Cost	1,376			3,128			0	4,504
Valued at fair value in year								
2014/15		123,746	41,330		449	292		165,817

Notes to the Accounts

22 Property, Plant and Equipment

Movements in Balances

2013/14	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
At 1 April 2013	2,715	112,475	34,819	3,469	516	206		154,200
Additions	1,337	3,182	302	891				5,712
Revaluation increases/(decreases) recognised in the Revaluation reserve		(1,807)	2,319			85		597
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services		3,378	(607)					2,771
Derecognition - Disposals	(162)	(955)	(130)	(28)				(1,275)
Derecognition - Other				(89)				(89)
Reclassification	(3,266)	3,047	49	170				0
At 31 March 2014	624	119,320	36,752	4,413	516	291	0	161,916

Accumulated Depreciation and Impairment

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

(See note 59 for finance lease information.)

Nature of asset holding

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

Notes to the Accounts

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

23 Revenue Expenditure Funded From Capital Under Statute (REFCUS)

This is expenditure that does not result in, or remain matched with assets controlled by the Council. Examples of this would include financial assistance towards capital investment incurred by other parties, works on properties not owned by the basis of the benefit that the service received as a result of the expenditure net of any capital grants received.

	Balance at 1/4/13	Expend	Transfer in Year	Amount Financed or Written Off	Balance at 31/03/14	Expend	Transfer in Year	Amount Financed or Written Off	Balance at 31/3/15
Description	£000	£000	£000	£000	£000	£000	£000	£000	£000
Affordable housing	0	255		(255)	0	27		(27)	0
Private Sector Housing Grants & DFG's	0	337		(337)	0	476		(476)	0
Other REFUS	0	142		(142)	0	33		(33)	0
Total	0	734	0	(734)	0	536	0	(536)	0

Capital grants received to finance these projects amounted to £287k (2013/14 £337k).

24 Summary of Capital Expenditure and Financing

2013/14		2014/15
£000		£000
50,914	Opening Capital Financing Requirement	50,020
	Capital investment	
5,712	Property, Plant and Equipment	11,541
0	Intangible assets	23
734	Revenue Expenditure Funded from Capital under Statute	536
	Sources of Finance	
(991)	- Capital receipts applied	(535)
(2,688)	Use of Major Repairs Allowance to finance HRA new capital expenditure	(2,496)
(1,438)	- Government grants and contributions	(2,123)
	Sums set aside from revenue:	
(532)	Direct revenue contributions	(2,437)
(1,691)	Statutory provision for the financing of capital investment	(1,209)
50,020	Closing Capital Financing Requirement	53,320
	Explanation of movements in year	
894	Increase in underlying need to borrowing (unsupported by government financial assistance)	3,300
894	(Decrease)/Increase in Capital Financing Requirement	3,300

Notes to the Accounts

25 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 (See note 4.18a page Xvi).

Art Collection Movements

2013/14		2014/15
£000		£000
	Cost or Valuation	
925	At 1 April 2014	475
	Additions	
0	Additions (Donated assets)	10
(450)	Disposals	0
0	Revaluation increases/(decreases) recognised in the Revaluation reserve	6
0	Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	0
475	At 31 March 2015	491

Heritage Assets: Summary of Transactions

	2009/10	2010/11	2011/12	2013/14	2014/15
	£000	£000	£000	£000	£000
Value of Heritage Assets Acquired by Donation					
Art Collection	925	925	925	475	491
Carrying Value of assets at 31 March	925	925	925	475	491

Art Collection

The Authorities art collection includes paintings (oil on canvas, oil on board), statues and busts and some furniture, most of which are contained within the Town Hall at Tiverton. The assets which were donated in years past have been valued for insurance purposes by Chilcotts professional Fine Art Valuers and Auctioneers at 31 March 2012. It is the Council's intention to only have these assets re-valued on a rolling five yearly basis.

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

Notes to the Accounts

25 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.

	2013/14 £000	2014/15 £000
	250	250

Preservation and Management

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

26 Intangible Assets

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

The carrying amount of intangible assets is amortised in full in the first year. The amortisation of £118k charged to revenue in 2014/15 was charged to the following service headings:

	2013/14 £000	2014/15 £000
IT Software Support & Maintenance		118
Total	0	118

Movements in Balances

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

	2013/14 Other Assets £000	2014/15 Other Assets £000
Balance at start of year:		
- Gross carrying amounts	271	271
- Accumulated amortisation	(271)	(271)
Net carrying amount at start of year	0	0
Additions		
- Internal development		
- Purchases		23
Reclassification		95
Derecognition - Disposals		
Amortisation charge for the period		(118)
Net carrying amount at the end of year	0	0

Notes to the Accounts

26 Intangible Assets

Comprising:	2013/14 £000	2014/15 £000
Gross carrying amounts	271	389
Accumulated amortisation	(271)	(389)
	0	0

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

	2013/14 £000	2014/15 £000
Central Services - IT Software Support and Maintenance		(118)
Total	0	(118)

27 Commitments under Capital Contracts

	2013/14 £000	2014/15 £000
Various MRA works	1,185	1,240
St Andrews Street Council House building project		1,324
	1,185	2,564

Various MRA works

Costs to date		0
Retentions accrued		0
Commitment outstanding		1,240
		1,240

St Andrews Street Council House Building Project

Costs to date		816
Retentions accrued		43
Commitment outstanding		465
		1,324

28 Non Current Asset Valuation

The Council instructed the District Valuer to complete a full property valuation exercise for 1/5 of its freehold properties and a review of all other freehold properties. Where applicable property assets are therefore included in the 2014/15 accounts at their 31/3/15 valuation. The District Valuer has made his valuation in accordance with the Statements of Asset Valuation Practice and Guidance Notes of the Royal Institution of Chartered Surveyors.

Andrew Doak, a Senior Surveyor, with the District Valuer's Office, and MRICS FAAV qualified, undertook a valuation exercise to reassess the value of the housing stock as at 31 March 2015. 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 31% to adjust the value of Council House values to EUV - SH, effective from 2011/12, has been confirmed to remain at the same level of discount for 2014/15.

Properties regarded by the Council as operational were valued on the basis of open market value for the existing use or, where this could not be assessed because there was no market for the subject asset, the depreciated replacement cost. Properties regarded by the Council as non-operational have been valued on the basis of open market value. The District Valuer has undertaken a comprehensive impairment review of the Council's assets as at the 31 March 2015.

Notes to the Accounts

29 Long Term Borrowing

As at the 31/3/15 the Council had 5 long term loans from the Public Works Loan Board (PWLB) comprising:

- 1 - £46.59m to fund the Housing Revenue Account stock purchase - 25 year loan @ 2.94% maturing 28/3/37
- 2 - £430k to fund new gym equipment and 2 refuse vehicles - 5 year loan @ 1.32% maturing 28/3/18
- 3 - £102k to fund a new street sweeper - 7 year loan @ 2.18% maturing 11/3/21
- 4 - £163k to fund a recycling baler - 10 year loan @ 2.68% maturing 25/3/24
- 5 - £4,173k 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

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

Lender	Maturity Date	Balance @	Balance @
		31/03/14	31/03/15
		£000	£000
Public Works Loan Board	< 1 year	1,449	1,637
	2 - 5 years	4,661	6,845
	Over 5 years	38,321	38,811
Total loan value outstanding		44,431	47,293

30 Trusts for which the Council is the Sole Trustee

Mid Devon is the sole trustee for the Peoples Park and Recreation Grounds charity. The purpose of the Trust is to provide recreational open space for the people of Tiverton. The net assets of the trust were £250k at 31 March 2015 and comprised land and buildings.

31 Financial Instruments

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

2014/15	Financial Liabilities		Financial Assets		Total
	Liabilities measured at amortised cost	Finance lease assets	Loans and receivables	Available for-sale assets	
	£000	£000	£000	£000	
Interest payable	0		1,336	0	1,336
Interest payable on finance leases		38			38
Impairment losses	0		0	0	0
Interest payable and similar charges	0	38	1,336	0	1,374
Interest income	0		(173)	0	(173)
Interest and investment income	0	0	(173)	0	(173)
Impairment charge (interest accrual) reversal in Adjustments between Accounting basis and Funding Basis under Regulations	0	0	0	0	0
Net (gain)/loss for the year	0	38	1,163	0	1,201

Notes to the Accounts

31 Financial Instruments

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

Fair Value of Assets and Liabilities Carried at Amortised Cost

Financial liabilities and financial assets represented by loans and receivables are carried in the Balance Sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments using the following assumptions:

- an estimated interest rate of 0.6% for loans receivable (this percentage is based on an average rate of interest on all fixed term deposits outstanding)
- where an instrument will mature in the next 12 months, the carrying amount is assumed to approximate the fair value. The Authority only deals in these kind of instruments.
- the fair value of trade and other receivables is taken to be the invoiced or billed amount less any bad debt provision.

Notes to the Accounts

The fair values calculated are as follows:

	31/03/14		31/03/15	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial Assets	£000	£000	£000	£000
Long term investment	0	0	500	500
Short term investment	7,014	7,014	9,500	9,500
Cash and cash equivalents	4,000	4,000	4,849	4,849
Loans and trade receivables	392	392	470	470
Total	11,406	11,406	15,319	15,319
Financial Liabilities				
Long term borrowing	(44,431)	(44,269)	(47,293)	(53,756)
Finance leases	(742)	(742)	(681)	(681)
Trade payables	(896)	(896)	(637)	(637)
Total	(46,069)	(45,907)	(48,611)	(55,074)

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 2014/15.

32 Long Term Investments

	31/03/14		31/03/15		
	£000		£000		
	0		500		
Bank/Building Society	Term From	To	Fixed Interest Rate %	31/03/14 £000	31/03/15 £000
Lloyds	06/02/15	08/02/16	1.00%		500

Notes to the Accounts

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

31/03/14 £000		31/03/15 £000
170	Other entities and individuals	158
170	Total	158

34 Short Term Investments

31/03/14 £000	31/03/15 £000
7,014	9,500

Bank/Building Society	Term	Fixed Interest	31/03/14	31/03/15
	From	To	£000	£000
Coventry	15/01/15	21/04/15		1,500
Lloyds	20/02/15	29/05/15		500
Lloyds	16/03/15	16/09/15		1,500
Lloyds	15/01/15	10/08/15		1,000
Barclays	01/12/14	01/09/15		500
Barclays	15/08/14	14/08/15		500
Nationwide	15/05/14	15/05/15		3,000
Lloyds	15/07/14	15/07/15		1,000
			7,014	
	Total		7,014	9,500

35 Inventories

	31/03/14 £000	31/03/15 £000
Raw materials	199	184

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

31/03/14 £000		31/03/15 £000
453	Central government bodies	1,051
167	Other local authorities	148
8	NHS bodies	8
0	Public corporations and trading funds	0
2,942	Other entities and individuals	3,165
(1,042)	Less: bad debt provisions	(1,032)
2,528	Total	3,340

37 Cash and Cash Equivalents

31/03/14 £000		31/03/15 £000
3	Cash held by the Authority	3
1,745	Bank current accounts	4,846
4,000	Short-term deposits with financial institutions (See below)	500
5,748		5,349

Notes to the Accounts

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

Bank/Building Society	Term		Fixed Interest	31/03/14	31/03/15
	From	To	Rate %	£000	£000
Barclays	02/03/15	21/04/15	0.38%		500
	Total			4,000	500

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

31/03/14 £000		31/03/15 £000
(402)	Central government bodies	(694)
(134)	Other local authorities	(291)
(13)	NHS bodies	(8)
(2,660)	Other entities and individuals	(2,782)
(3,209)	Total	(3,775)

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

31/03/14 £000		31/03/15 £000
(43,100)	Central government bodies	(45,774)
(622)	Other entities and individuals	(607)
(43,722)		(46,381)
(40,305)	Other Long Term Liabilities	(50,628)
0	Capital Grants Receipts in Advance (Note 57)	0
(84,027)	Total	(97,009)

40 Provisions

The Council has made a provision for the settlement of a group legal action that was brought against UK local authorities in connection with local land charges. Although the case has been decided, and local authorities will be expected to pay a settlement, the court now has to decide on the level of legal charges to be reimbursed. The amount of the provision includes the share of the claim in respect of Mid Devon District Council. The government has awarded local authorities some money towards the cost of the claim. It is unclear whether a further sum will be received. The award of legal costs and payment by Mid Devon District council is expected to be concluded within the year ended 31 March 2016 and a provision of £82k has been made in accordance with the Global Settlement Schedule produced by Bevan Brittan solicitors who represent the local authorities.

31/03/14 £000		31/03/15 £000
0	Local land charges provision	(82)

41 Usable Reserves

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

Notes to the Accounts

42 Unusable Reserves

31/03/14 £000		31/03/15 £000
(10,692)	Revaluation reserve (note 43)	(10,418)
(99,695)	Capital Adjustment Account (note 44)	(107,071)
0	Financial Instruments Adjustment Account (note 45)	0
(40)	Deferred Capital Receipts Reserve (note 46)	(40)
40,305	Pensions Reserve (note 47)	50,628
(32)	Collection Fund Adjustment Account (note 48)	(77)
122	Accumulating Compensated Absences Adjustment Account (note 49)	120
(70,032)	Total Unusable Reserves	(66,858)

43 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.

31/03/14 £000		31/03/15 £000
(6,648)	At 1 April 2014	(10,692)
(6)	Opening adjustment	
(4,564)	Upward revaluation of assets	(1,086)
339	Downward revaluation of assets and impairment losses not posted to the Surplus on the Provision of Services	1,166
(10,879)	Surplus or deficit on revaluation of non-current assets not posted to the Surplus on the Provision of Services	(10,612)
187	Difference between fair value depreciation and historical cost depreciation	194
(10,692)	At 31 March 2015	(10,418)

Notes to the Accounts

44 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.

31/03/14		31/03/15
£000		£000
(95,073)	At 1 April 2014	(99,695)
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement	
3,247	Charges for Depreciation and impairment of non current assets	3,518
(2,772)	Revaluation losses on Property, Plant and Equipment	(2,931)
0	Amortisation of intangible assets	118
733	Revenue expenditure funded from capital under statute	536
1,696	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	386
(92,169)		(98,068)
(187)	Adjusting amounts written out of the Revaluation Reserve	(194)
(92,356)	Net written out amount of the cost of non current assets consumed in the year	(98,262)
	Capital financing applied in the year:	
(991)	Use of the Capital Receipts Reserve to finance new capital expenditure	(535)
(2,688)	Use of the Major Repairs Reserve to finance new capital expenditure	(2,496)
0	Donated assets funding	(9)
(1,438)	Application of grants to capital financing from the Capital Grants Unapplied Account	(2,123)
(1,691)	Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	(1,209)
(531)	Capital expenditure charged against the General Fund and HRA balances	(2,437)
(99,695)	At 31 March 2015	(107,071)

Notes to the Accounts

45 Financial Instruments Adjustment account

The Authority used this Account to manage premiums paid on the early redemption of loans. Premiums were debited to the HRA Income and Expenditure Account when they are incurred, but reversed out of the HRA balance to the Movement of Reserves Statement. Over time, the expense is posted back to the Housing Revenue Account in accordance with statutory arrangements for spreading the burden on the Council's tenants. This period was ten years and as a result the balance at 31 March 2014 has been fully eliminated from the HRA.

31/03/14		31/03/15
£000		£000
51	At 1 April 2014	0
(51)	Proportion of premiums incurred in previous financial years to be changed against the HRA balance in accordance with statutory requirements	0
(51)	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	0
0	At 31 March 2015	0

46 Deferred Capital Receipts Reserve

31/03/14		31/03/15
£000		£000
0	At 1 April 2014	(40)
0	Transfer to the Capital Receipts Reserve upon receipt of cash	0
(40)	MDDC net share of rent to buy properties	
(40)	At 31 March 2015	(40)

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 Department of Communities and Local Government under the Pooling legislation.

Notes to the Accounts

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.

31/03/14		31/03/15
£000		£000
41,324	At 1 April 2014	40,305
(3,147)	Remeasurement of net defined liability	11,664
4,029	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	815
(1,901)	Employer's pension contributions and direct payments to pensioners payable in the year	(2,156)
40,305	At 31 March 2015	50,628

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

31/03/14		31/03/15
£000		£000
(130)	At 1 April 2014	(99)
31	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	66
(99)	At 31 March 2015	(33)

The (£33k) represents MDDC's share (13.73%) of the overall Collection Fund Surplus of (£241k) at 31/03/15 (see page 68).

Notes to the Accounts

Collection Fund Adjustment Account - NNDR

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.

31/03/14		31/03/15
£000		£000
	At 1 April 2014	67
67	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	(111)
67	At 31 March 2015	(44)

This balance is made up of (£18k) which represents MDDC's share (40%) of the overall NNDR Surplus of (£44k) at 31/03/15 (see page 69) & (£26k) which represents additional income from renewable energy schemes.

49 Accumulating Compensating Absences Adjustment Account

31/03/14		31/03/15
£000		£000
132	At 1 April 2014	122
(132)	Settlement or cancellation of accrual made at the end of the preceding year	(122)
(10)	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)
122	Amounts accrued at the end of the current year	120
122	At 31 March 2015	120

Notes to the Accounts

50 Cash Flow - Adjustments to Net Surplus on the Provision of Services for Non cash movements

31/03/14		31/03/15
£000		£000
3,247	Depreciation	3,518
-	Amortisation	118
(2,772)	Impairment	(3,054)
	Bad debts written off	87
(608)	(Decrease)/increase in creditors	611
23	Decrease /(increase) in debtors	(800)
(48)	(Increase)/decrease in inventories	15
1,696	Carrying amount of non-current assets sold	386
2,251	Pension liability reversal	(1,341)
(79)	Other adjustments	95
3,710		(365)

Cashflow Workings

= '8-9 Adj Current Yr!K17
 = '8-9 Adj Current Yr!K19
 Total of nominal 6506/6508 on system
 Total of nominal 4655 on system
 See '45 cashflow 2 B29 E67
 See '45 cashflow 2 B29 E58
 Closing stock £199 - Opening stock £184.
 See fixed asset disposal schedule in FAR (All HRA RTB receipts) ('8-9 Adj Current Yr!I23)
 = '8-9 Adj Current Yr!I51+'8-9 Adj Current Yr!I52
 Non-cash Provision of £82k PR2104604,
 £13k capital funding reversed

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

31/03/14		31/03/15
£000		£000
(1,159)	Other receipts from financing activities	(2,191)
734	REFCUS adjustment	536
(1,562)	Proceeds from the sale of property, plant and equipment, investment property and intangible	(669)
1,397	Interest Paid	1,374
(145)	Interest received	(173)
	Difference between preceptors share and amount of NNDR paid to them	
(735)		(1,123)

= '45 Cashflow 2!E13
 = '30 Refcus!H18
 = '8-9 Adj Current Yr!E31
 = '15 Notes 4!G19
 = '15 Notes 4!G21

52 Cash Flow Statement - Operating Activities

The cash flows for operating activities include the following items:

31/03/14		31/03/15
£000		£000
(145)	Interest received	(173)
1,397	Interest paid	1,374
1,252		1,201

= '15 Notes 4!G21

= '15 Notes 4!G19

Notes to the Accounts

53 Cash Flow Statement - Investing Activities

31/03/14		31/03/15
£000		£000
(5,712)	Purchase of property, plant and equipment, investment property and intangible assets	(11,554)
(734)	Other cash payments (REFCUS)	(536)
1,562	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	669
1,159	Capital grants received	2,191
(4,014)	Purchase of temporary investments	(2,986)
696	Other investing activities	4,497
145	Interest received	173
(1,397)	Interest paid	(1,374)
(8,295)	Net cash flows from investing activities	(8,920)

Cashflow Workings

==-'27 Property Plant Equip Curr Yr!J14-'32 Intangibles 1!E48
 ==-'30 Refcus!H18
 ==-'44 Cashflow 1!E12
 New Capital monies per H2 (Note £10k re donated Heritage Asset)
 Closing temporary investments £10,000k - opening temporary investments £7,014k
 New Finance lease and PWLB additions (£161k + £4,336k)
 ==-'15 Notes 4!G21
 ==-'15 Notes 4!G19

54 Cash Flow Statement - Financing Activities

31/03/14		31/03/15
£000		£000
(151)	Cash payments for the reduction of the outstanding liabilities relating to finance leases	(221)
(1,313)	PWLB debt repayment	(1,474)
	Other payments for financing activities	
(1,464)	Net cash flows from financing activities	(1,695)

Principal repaid finance lease register (-741-161+681)
 Principal repaid PWLB loan register See also Q2-CR496 spreadsheet.

Movements of Debtors and Creditors

2014		2015	Movement
170	Debtors > 1Yr	158	
2,528	Debtors < 1 Yr	3,340	
2,698		3,498	(800)

(119) Finance leases < 1 Yr	(111)	
(622) Finance leases > 1Yr	(570)	
<u>(741)</u>	<u>(681)</u>	
(3,090) Creditors < 1Yr	(3,664)	
(118) Creditors > 1Yr	(155)	
<u>(3,208)</u>	<u>(3,819)</u>	611
(1,449) PWLB < 1Yr	(1,637)	
(42,982) PWLB > 1Yr	(45,656)	
<u>(44,431)</u>	<u>(47,293)</u>	
<u>0 Provisions</u>	<u>(82)</u>	
<u>(40,305) Pension >1Yr</u>	<u>(50,628)</u>	
<u>(88,685) Total Creditors</u>	<u>(102,503)</u>	
(4,658) Creditors < 1 Yr	(5,494)	
(84,027) Creditors > 1 Yr	(97,009)	
<u>(88,685)</u>	<u>(102,503)</u>	
<u>(88,685) Total Creditors</u>	<u>(102,503)</u>	
(4,658) Creditors < 1 Yr	(5,494)	
(84,027) Creditors > 1 Yr	(97,009)	
<u>(88,685)</u>	<u>(102,503)</u>	

Notes to the Accounts

55 Amounts Reported for Resource Allocation Decisions

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

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

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

Service Income and Expenditure

	31/03/14	31/03/15
	£000	£000
Community Development	372	392
Corporate Management	1,133	1,183
Car Parks	(204)	(222)
Customer Services	(86)	(4)
Environmental Services	1,418	1,348
Finance And Performance	46	-
Grounds Maintenance	60	(8)
General Fund Housing	313	260
Human Resources	36	81
I.T. Services	(54)	(22)
Legal & Democratic Services	804	879
Planning And Regeneration	920	847
Property Services	452	391
Revenues And Benefits	573	522
Recreation And Sport	955	890
Waste Services	2,577	2,613
HRA	(689)	(92)
Total	8,626	9,058

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

2013/14		2014/15
£000		£000
8,626	Net expenditure in the service	9,058
0	Net expenditure of services and support services not included in the Analysis	-
(6,655)	Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the Analysis	(7,945)
0	Amounts included in the analysis not included in the Comprehensive Income and Expenditure Statement	-
1,971	Cost of services in Comprehensive Income and Expenditure account	1,113

Notes to the Accounts

56 Reconciliation to Subjective Analysis

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

2014/15	Service Analysis	Support Services not in Analysis	Amounts not reported to management for decision making	Amounts not included in the I and E	Allocation of recharges	Cost of services	Corporate Amounts	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Fees and charges	(20,131)		(1,068)			(21,199)		(21,199)
Interest and investment income							(173)	(173)
Income from Council Tax							(5,946)	(5,946)
Government grants and contributions	(22,095)		1,633			(20,462)	(7,876)	(28,338)
Total Income	(42,226)	0	565	0	0	(41,661)	(13,995)	(55,656)
Employees	13,503		(101)			13,402		13,402
Other expenses	37,781		(9,115)			28,666	(1,238)	27,428
Support Services			0			0		0
Depreciation, amortisation & impairment			706			706		706
Interest payments							1,374	1,374
Payments to Housing Pool							206	206
Parish Council Precepts							1,119	1,119
Loss on disposal of assets							(283)	(283)
Total Expenditure	51,284	0	(8,510)	0	0	42,774	1,178	43,952
Surplus deficit on the provision of services	9,058	0	(7,945)	0	0	1,113	(12,817)	(11,704)

Mid Devon District Council Financial Statements 2014-15

Notes to the Accounts

56 Reconciliation to Subjective Analysis continued

2013/14	Service Analysis	Support Services not in Analysis	Amounts not reported to management for decision making	Amounts not included in the I and E	Allocation of recharges	Cost of services	Corporate Amounts	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Fees and charges	(20,417)		(171)			(20,588)		(20,588)
Interest and investment income							(145)	(145)
Income from Council Tax							(5,808)	(5,808)
Government grants and contributions	(20,913)		344			(20,569)	(6,763)	(27,332)
Total Income	(41,330)	-	173	0	0	(41,157)	(12,716)	(53,873)
Employees	13,254		436			13,690		13,690
Other expenses	36,702		(7,739)			28,963	1,636	30,599
Support Services			-			0		0
Depreciation, amortisation & impairment			475			475		475
Interest payments							1,397	1,397
Payments to Housing Pool							187	187
Parish Council Precepts							1,046	1,046
Loss on disposal of assets							134	134
Total Expenditure	49,956	-	(6,828)	0	0	43,128	4,400	47,528
Surplus deficit on the provision of services	8,626	-	(6,655)	0	0	1,971	(8,316)	(6,345)

Notes to the Accounts

57 Grant Income

The Authority credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2014/15

Credited to Taxation and Non Specific Grant Income

2013/14		2014/15
£000		£000
(5,808)	Council Tax	(5,946)
(2,137)	Non Domestic Rates	(2,289)
(2,867)	Revenue Support Grant	(2,271)
(53)	Council Tax Freeze Grant	(54)
(715)	New Homes Bonus	(1,281)
	Homes & Communities Agency	(1,530)
(991)	Other	(451)
(12,571)	Total	(13,822)

Credited to Services

2013/14		2014/15
£000		£000
(18,916)	Housing Benefit Subsidy	(18,890)
(630)	Section 106s	(300)
(57)	Homelessness	(56)
(444)	Housing Benefit Admin Grant + Additional Grant	(391)
(106)	Business Rates - Cost of Collection Grant	(106)
(185)	Others	(682)
(20,338)	Total	(20,425)

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

Capital Grants Receipts in Advance due in less than one year

2013/14		2014/15
£000		£000
0		0

Capital Grants Receipts in Advance due in more than one year

2013/14		2014/15
£000		£000
0		0

Revenue Grants Receipts in Advance due in less than one year

2013/14		2014/15
£000		£000
0		0

Notes to the Accounts

Revenue Grants Receipts in Advance due in more than one year

2013/14	2014/15
£000	£000
0	0

58 Contingent Liabilities

There are no contingent liabilities at 31 March 2015.

59 Leases

Authority as Lessee

The Council has acquired a number of vehicles and items of equipment under finance leases. The assets acquired under these leases are carried as Property Plant and Equipment in the Balance sheet at the net amounts below. During 2012/2013 6 refuse vehicle's finance leases have expired and these have now transferred to operating leases.

2013/14	2014/15
£000	£000
741 Vehicles, Plant and Equipment	681

59 Leases continued

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:

2013/14	2014/15
£000	£000
(119) - current	(111)
(622) - non current	(570)
0 Finance costs payable in future years	0
(741) Minimum lease payments	(681)

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

Minimum Lease Payments

2013/14	2014/15
£000	£000
119 Not later than one year	111
274 Later than one year and not later than five years	323
348 Later than five years	247
741	681

Notes to the Accounts

Finance Lease Liabilities

2013/14		2014/15
£000		£000
119	Not later than one year	111
274	Later than one year and not later than five years	323
348	Later than five years	247
741		681

59 Leases continued

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

2013/14		2014/15
£000		£000
1	Not later than one year	48
3	Later than one year and not later than five years	47
2	Later than five years	1
6		96

Minimum Lease Payments incurred during the year

2013/14		2014/15
£000		£000
109	Operating Leases for vehicles, equipment, land and buildings	38
53	Hire payments for vehicles, plant and equipment	70
162		108

Notes to the Accounts

Authority as Lessor

Finance Leases

The Authority has no material finance leases as a lessor.

Operating Leases

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

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

2013/14		2014/15
£000		£000
238	Not later than one year	590
487	Later than one year and not later than five years	1,249
552	Later than five years	690
1,277		2,529

59 Leases continued

The minimum lease payments receivable do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. For HRA income from Council Dwellings and Garage rents please see Note 11.

60 Impairment Losses and Reversals

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

Notes to the Accounts

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

2013/14		2014/15	
£000		£000	
3,379	Council Dwellings	1,944	
(608)	Other Land & Buildings	1,110	
2,771		3,054	

The £1,110k impairment reversal (increase in value) across a number of Council property assets (shops, toilets etc.) has arisen as a result of the Valuer obtaining more market information and changes to income streams derived from these assets.

Housing Revenue Account (HRA) Income and Expenditure Account

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

2013/14			2014/15	
£'000		Note	£'000	£'000
	<u>Expenditure</u>			
2,755	Repairs and Maintenance		2,679	
2,580	Supervision and Management		3,008	
(1,394)	Depreciation and impairment of non-current assets	74	67	
(1)	Increase/(Decrease) in bad debt provision		(11)	
3,940	Total Expenditure			5,743
	<u>Income</u>			
(11,892)	Dwelling rents	73	(12,422)	
(523)	Non-dwelling rents		(531)	
(800)	Charges for services and facilities		(778)	
(13,215)	Total Income			(13,731)
(9,275)	<u>Net Cost of HRA Services as included in the Comprehensive Income and Expenditure Statement</u>			(7,988)
183	HRA services share of Corporate and Democratic Core			184
155	HRA share of other amounts included in the whole Authority Net Cost of Services but not allocated to specific services			196
(8,937)	Net Cost / (Income) of HRA Services			(7,608)
(607)	(Gain)/loss on sale of HRA fixed assets			(273)
	Other operating income			
1,375	Interest payable and similar charges - see note below	76		1,330
(27)	Interest and investment income			(48)
(200)	Capital grants and contributions receivable			(1,634)
(8,396)	Deficit / (Surplus) for the year on HRA Services			(8,233)

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).

2013/14		2014/15	
£'000		Note	£'000
(1,968)	Balance on the HRA at the end of the previous year		(2,004)
(8,396)	Deficit / (Surplus) for the year on the HRA Income and Expenditure Account		(8,233)
6,282	Adjustments between accounting basis and funding basis under statute	61	6,120
(2,114)	Net (increase) or decrease before transfers to or from reserves		(2,113)
2,078	Transfers (to) or from reserves		2,117
(36)	(Increase) or decrease in year on the HRA		4
(2,004)	Balance on the HRA at the end of the current year		(2,000)

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.

2014/15	Usable Reserves					Movement in Unusable Reserves
	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Total Usable Reserves	
	£000	£000	£000	£000	£000	£000
<u>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</u>						
<u>Adjustments involving the Capital Adjustment Account:</u>						
Charges for depreciation and impairment of non current assets	(2,165)					2,165
Revaluation losses on Property, Plant and Equipment	1,944					(1,944)
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	(386)					386
<u>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</u>						
Statutory provision for the financing of capital investment	947					(947)
Capital expenditure charged against the General Fund and HRA balances	984					(984)
<u>Adjustments primarily involving the Capital Grants Unapplied Account</u>						
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	1,634			(1,634)		
<u>Adjustments involving the Capital Receipts Reserve:</u>						
Transfer of sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	659	(659)				
Contribution from the Capital Receipts Reserve towards administrative costs of non current asset disposals	(13)	13				
Transfer of deferred sale proceeds as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement						
Repayment of Mortgage Principal						0
<u>Adjustment involving the Major Repairs Reserve:</u>						
Reversal of Major Repairs Allowance credited to the HRA	2,496		(2,496)			
<u>Adjustment involving the Pensions Reserve:</u>						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	20					(20)
Total Adjustments	6,120	(646)	(2,496)	(1,634)	0	(1,344)

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.

2013/14	Usable Reserves					Movement in Unusable Reserves
	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Total Usable Reserves	
	£000	£000	£000	£000	£000	£000
<u>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</u>						
<u>Adjustments involving the Capital Adjustment Account:</u>						
Charges for depreciation and impairment of non current assets	(2,008)					2,008
Revaluation losses on Property, Plant and Equipment	3,370					(3,370)
Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(955)					955
<u>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</u>						
Statutory provision for the financing of capital investment	1,430					(1,430)
Capital expenditure charged against the General Fund and HRA balances	84					(84)
<u>Adjustments primarily involving the Capital Grants Unapplied Account</u>						
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	200			(200)		
Application of grants to capital financing transferred to the Capital Adjustment account				200		(200)
Balance carried forward	2,121	0	0	0	0	(2,121)

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.

2013/14	Usable Reserves					Movement in Unusable Reserves
	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Total Usable Reserves	
	£000	£000	£000	£000	£000	£000
Balance brought forward	2,121	0	0	0	0	(2,121)
<u>Adjustments involving the Capital Receipts Reserve:</u>						
Transfer of sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	1,562	(1,562)				
Contribution from the Capital Receipts Reserve towards administrative costs of non current asset disposals	(31)	31				
Transfer of deferred sale proceeds as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(39)	39				
<u>Adjustments involving the Deferred Capital Receipts Reserve:</u>						
Transfer of deferred sale proceeds as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	40					(40)
<u>Adjustment involving the Major Repairs Reserve:</u>						
Reversal of Major Repairs Allowance credited to the HRA	2,641		(2,641)			
Use of the Major Repairs Allowance to finance new capital expenditure			2,688			(2,688)
<u>Adjustments involving the Financial Instruments Adjustment Account:</u>						
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	51					(51)
<u>Adjustment involving the Pensions Reserve:</u>						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(65)					65
<u>Adjustment involving the Accumulated Absences Account:</u>						
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	2					(2)
Total Adjustments	6,282	(1,492)	47	0	0	(4,837)

Notes to the Accounts

62 Housing Stock

The Housing Revenue account owned the following property:

	Council Housing	Other Land & Buildings	Total
At 1 April 2014	3,068	1,197	4,265
Additions	7	1	8
Sales	(10)		(10)
Improvement changes			-
Transfers			-
At 31 March 2015	3,065	1,198	4,263

The Authority has previously sold 3 properties under the **Rent to Mortgage** Scheme whereby the tenants were able to purchase the property, the treatment of these is that the authority has an assigned debt when these properties are sold. Therefore a debtor exists in the Balance Sheet for **£158k** that represent MDDC's share due when these are sold, a Creditor has also been created for **£119k** to represent the Pooling Liability (at 75%) that will be due to be paid upon receipt of MDDC share when these properties are sold.

63 Number of dwellings by type

31 March 2014		31 March 2015
1,465	Houses	1,463
1,012	Bungalows	1,012
591	Flats	590
3,068	Total	3,065

64 HRA Dwelling Valuation

The vacant possession value of dwellings in the HRA is £399,180k (based on a 1 April 2015 valuation of £123,746k). This definition assumes that vacant possession would be provided on completion of the sale of all the dwellings. The difference between these two figures reflects the economic costs to Government of providing social housing at less than market rents.

31 March 2014		31 March 2015
£000		£000
384,903	Vacant Possession Value	399,180
119,320	Existing Use Value for Social Housing (EUV-SH)	123,746

The 31 March 2015 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 overall dwelling valuation has increased by 3.7% or £14,277k.

Notes to the Accounts

65 HRA Non-Current Assets

2013/14		31 March 2015
£000	HRA Non-Current Assets	£000
119,320	Dwellings	123,746
6,386	Other land and buildings	6,436
100	Vehicles, plant and equipment	82
216	Infrastructure assets	215
5	Assets under Construction	1,327
126,027		131,806

66 Capital Expenditure

2014/15			2014/15
£000	Expenditure	Funding	£000
4,109	Improvements to dwellings	Major repairs reserve	2,496
711	Construction of dwellings	Capital grants	2,132
1,327	Assets under construction	Revenue contribution	984
		Useable Capital Receipts	535
6,147			6,147

2013/14			2013/14
£000	Expenditure	Funding	£000
3,182	Improvements to dwellings	Major repairs reserve	2,688
820	Construction of dwellings	Internal borrowing	820
	Purchase of land (St Andrew St)	Transfer to Capital Receipts Reserve	294
	Purchase of land (Palmerston	Revenue contribution	200
4,002			4,002

67 Major Repairs Reserve

This account is credited with a value equal to depreciation for the year. The reserve is used to fund major upgrade works to council properties. The idea being that if an amount at least equal to depreciation for the year is spent on upgrading the properties, their value should be maintained at a consistent level. This reserve held an available balance of £0 at 31 March 2015.

2013/14		2014/15
£000		£000
47	At 1 April 2014	0
2,641	Amount transferred from Housing Revenue Account	2,496
(2,688)	Capital expenditure incurred during the year	(2,496)
0	At 31 March 2015	0

Notes to the Accounts

68 Capital Receipts

2013/14		2014/15
£000		£000
1,547	Sale of council houses	659
15	Sale of land	0
0	Sale of council houses - discount repaid	0
0	Council house loan repayments	0
1,562	Total	659

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 the table in note 61.

2013/14		2014/15
£000		£000
(108)	Net interest on the defined benefit liability	20

70 Arrears

At 31st March 2015 the rent arrears as a proportion of gross rent income totalled 1.2% (1.5% at 31st March 2014). Rent written off during 2014/15 amounted to £43k (£21k in 2013/14). The breakdown of the total arrears is shown below.

31 March 2014		31 March 2015
£000		£000
173	Rent (dwellings & garages)	150
12	Housing benefit overpayments	10
11	Court costs	19
47	Rechargeable Repairs	43
17	Other	20
260	Total	242

71 Bad Debt Provision

The provision for bad debt for the housing service stands at £119k as at 31 March 2015 (£129k 31 March 2014).

72 Rents Paid in Advance

2013/14		2014/15
£000		£000
(112)	Dwellings rental income paid in advance	(108)

Notes to the Accounts

73 Gross Rents

This represents the total rent income due for the year after allowing for voids and other adjustments. At the year-end 0.8% of properties were vacant compared to a figure of 1.3% in 2013/14. The rents set averaged at £78.51 per week based on a 52 week year (2013/14 £74.91).

74 Depreciation & Impairment of Fixed Assets

Depreciation and Amortisation

2013/14		2014/15
£000	Operational Assets	£000
1,809	Dwellings	1,959
122	Other Land and Buildings	133
12	Infrastructure	9
0	Intangible assets	0
33	Vehicles, Plant and Equipment (Finance Leases)	33
1,976	Total	2,134

Impairment

2013/14		2014/15
£000	Operational Assets	£000
(3,379)	Dwellings	(1,944)
9	Other Land and Buildings	(123)
(3,370)	Total	(2,067)

75 Deferred Premiums

When the Council became debt free in 2004 some loans associated with the HRA were redeemed. Premiums were charged on the repayment of the loans which have previously been charged to the HRA over a ten year period. The SORP now requires that the balance of the premiums be written off immediately to the HRA Income and Expenditure Account. However, there is a statutory override which means that an adjustment is made through the Adjustments between Accounting Basis and Funding Basis under Regulations on the HRA Balance so that the net annual charge to the HRA is the same as before. The deferred premiums are now carried forward in the new financial instruments adjustment account (see note 44). The charge for 2014/15 was £0k (2013/14 £51k).

76 Interest payable and similar charges

2013/14		2014/15
£000		£000
1,322	PWLB loan interest - HRA self financing	1,269
(10)	Interest adjustment	0
60	Internal self financing - General Fund	58
3	Finance lease interest	3
1,375		1,330

Notes to the Accounts

77 Finance Lease Costs

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

2013/14		2014/15
£000		£000
	Housing Revenue Account Income and Expenditure Account	
3	Finance lease interest	3

33	Depreciation on finance lease assets	31
----	--------------------------------------	----

2013/14		2014/15
£000	Adjustments between Accounting Basis and Funding Basis under Regulations	£000
(33)	Depreciation reversed	(31)

33	Capital financing of finance lease assets	31
----	---	----

Balance Sheet		
44	Asset - Plant and Equipment	16
(30)	Liability < 1 year	(16)
(14)	Liability > 1 year	0

78 Self Financing Settlement Payment

The HRA subsidy system has been replaced with Self Financing. The financial effect of this was that the subsidy payment of circa £4m per annum has been replaced by a one-off settlement payment of £46,590,000. The size of this is based on a valuation of Mid Devon's housing service over the 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 £1.2m interest and £1.4m principal).

2013/14		2014/15
£000		£000
(45,315)	Opening Balance	(43,983)
10	Adjustment based upon revised PWLB schedule	0
1,322	Repaid in Year	1,361
(43,983)	Closing Balance	(42,622)

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.

2013/14			2014/15
£000	INCOME	Notes	£000
(41,950)	Council Tax receivable		(43,387)
(41,950)	Total Income		(43,387)
	EXPENDITURE		
	Precepts, Demands and Shares	82	
29,197	- Devon County Council		30,737
4,764	- Mid Devon District Council		4,917
4,261	- Devon and Cornwall Police		4,486
1,972	- Devon Fire and Rescue		2,076
948	- Parish Precepts		1,021
41,142			43,237
	Charges to Collection Fund		
23	- Write offs of uncollectable amounts		71
94	- Increase in provision for bad debts		26
117			97
	Apportionment of previous year's Surplus		
656	- Devon County Council		377
127	- Mid Devon District Council		74
94	- Devon and Cornwall Police		55
43	- Devon Fire and Rescue		25
920			531
42,179	Total Expenditure		43,865
229	(Surplus) / Deficit for the year		478
(948)	Opening Balance at 1st April		(719)
(719)	Closing Balance at 31 March	48	(241)

The £241k represents the overall surplus on the Council Tax element of the Collection Fund at 31/03/15. Of this 13.73% is due to MDDC, which equates to £33k (see note 48 on page 40).

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.

2013/14			2014/15
£000	INCOME	Notes	£000
(14,532)	Business Rates receivable	80	(15,128)
(78)	Transitional Protection Payments		(6)
(14,610)	Total Income		(15,134)
	EXPENDITURE		
	Precepts, Demands and Shares		
7,271	- Central Government		7,242
1,309	- Devon County Council		1,304
5,817	- Mid Devon District Council		5,794
145	- Devon Fire and Rescue		145
14,542			14,485
	Charges to Collection Fund		
93	- Write offs of uncollectable amounts		142
26	- Increase in provision for bad debts		13
15	- Increase in provision for appeals		351
106	- Cost of Collection		106
41	- Disregarded Amounts		68
281			680
	Apportionment of previous year's Deficit		
	- Central Government		(144)
	- Devon County Council		(26)
	- Mid Devon District Council		(115)
	- Devon Fire and Rescue		(3)
0			(288)
14,823	Total Expenditure		14,877
213	(Surplus) / Deficit for the year		(257)
0	Opening Balance at 1st April		213
213	Closing Balance at 31 March	48	(44)

The £44k represents the overall Surplus on the Non-domestic rate element of the Collection Fund at 31/03/15. Of this 40% is attributable to MDDC, which equates to £18k (see note 48 on page 41)

Notes to the Collection Fund

79 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.

80 Income from Business Rates

The Council collects non domestic rates for its area, which are based on local rateable values multiplied by a uniform rate. The total amount, less certain relief's and other deductions, is paid to a combination of Central Government, Devon County Council and Devon & Somerset Fire Service via the Devon Wide Pool. This is managed by Plymouth City Council, which in turn pays back authorities their share of any gain or loss.

The total rateable value for Mid Devon value at 31/03/14 is £40,640k and the non-domestic rating multiplier is 48.2p per £, therefore this gives a total collectable rates of circa £19,589k. (this illustration excludes the small business non-domestic rating multiplier)

81 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
A	5,103.8	3,401.6
B	7,963.8	6,194.0
C	6,007.8	5,340.2
*D	2,833.3	2,833.3
E	4,099.0	5,009.9
F	2,199.8	3,177.4
G	889.5	1,482.5
H	54.0	108.0
Total	29,150.8	27,547.0

* LCTS scheme taken out of the band D figures

82 Precepting Authorities

2013/14		2014/15
£000		£000
29,197	Devon County Council	30,737
4,764	Mid Devon District Council	4,917
4,261	Devon and Cornwall Police	4,486
1,972	Devon Fire and Rescue	2,076
948	Parish Precepts	1,021
41,142	Total	43,237

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.

Best Value Accounting Code of Practice

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

Budget

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

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.

Comprehensive Spending Review (CSR)

CSR is the public expenditure planning process introduced by the government in 1997.

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.

Council Tax Support Scheme (CTSS)

The means tested scheme that replaced Council tax Benefit and reduces the Council Tax bill of those who qualify.

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 Charges (now known as REFCUS see below)

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

Deferred 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.

Department for Communities and Local Government (DCLG)

A department of Central Government with an overriding responsibility for determining the allocation of general resources to Local Authorities.

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.

Financial Regulations

These are the written code of procedures, approved by the Council, intended to provide a framework for proper financial management. Financial regulations usually set out rules on accounting, audit, administrative and budgeting procedures.

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.

Joint Venture

This is an entity in which the reporting Authority has an interest on an longer term basis and is jointly controlled by the reporting Authority and one or more entities under a contractual or other binding arrangement.

Local Authority (Scotland) Accounts Advisory Committee (LASAAC)

A joint committee with CIPFA which produces the Code of Practice on Local Authority Accounting in the United Kingdom (referred to as the 'Code').

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.

Liquid Resources

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

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.

Management Team

A meeting of the Chief Executive and Heads of service.

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.

Operational Boundary

This reflects the maximum anticipated level of external debt consistent with budgets and forecast cash flows.

Pension Strain

Additional employers pension contributions as a result of an employee's early retirement.

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 made after 1 April 2007 not yet realised through sales.

Revenue Contributions

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

Revenue Expenditure

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

Revenue 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.

Treasury Management Strategy (TMS)

A strategy, approved by Cabinet, prepared with regard to legislative and CIPFA requirements setting out the framework for treasury activity for the Council.

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.

Virement

The authorised transfer of budget from one area of service to another.

This page is intentionally left blank

Mid Devon District Council
Phoenix House
Phoenix Lane
Tiverton
Devon
EX16 6PP

17 July 2015

Dear members

Audit Findings for Mid Devon District Council for the year ending 31 March 2015


This Audit Findings report highlights the significant findings arising from the audit for the benefit of those charged with governance (in the case of Mid Devon District Council, the Audit Committee), as required by International Standard on Auditing (UK & Ireland) 260. Its contents have been discussed with management.

As auditors we are responsible for performing the audit, in accordance with International Standards on Auditing (UK & Ireland), 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.

The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed primarily for the purpose of expressing our opinion on the financial statements. Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify any control weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose defalcations or other irregularities, or to include all possible improvements in internal control that a more extensive special examination might identify. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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

Yours sincerely



Geraldine Daly

Grant Thornton UK LLP
Hartwell House
55-61 Victoria Street
Bristol
BS1 6FT
T +44 (0)117 305 7600
F +44 (0)117 305 7784
DX 78112 Bristol
www.grant-thornton.co.uk

Chartered Accountants

Grant Thornton UK LLP is a limited liability partnership registered in England and Wales; No.OC307742. Registered office: Grant Thornton House, Melton Street, Euston Square, London NW1 2EP. A list of members is available from our registered office. Grant Thornton UK LLP is authorised and regulated by the Financial Conduct Authority.
Grant Thornton UK LLP is a member firm of Grant Thornton International Ltd (GTIL). GTIL and the member firms are not a worldwide partnership. Services are delivered by the member firms. GTIL and its member firms are not agents of, and do not obligate, one another and are not liable for one another's acts or omissions. Please see grant-thornton.co.uk for further details.

Contents

Section	Page
1. Executive summary	5
2. Audit findings	8
3. Value for Money	18
4. Fees, non-audit services and independence	22
5. Communication of audit matters	24
Appendices	
A Action plan	26
B Audit opinion	27

Section 1: Executive summary

Page 150

- 01. Executive summary
- 02. Audit findings
- 03. Value for Money
- 04. Fees, non-audit services and independence
- 05. Communication of audit matters

Executive summary

Purpose of this report

This report highlights the key matters arising from our audit of Mid Devon District Council's (the Council) financial statements for the year ended 31 March 2015. It is also used to report our audit findings to management and those charged with governance in accordance with the requirements of International Standard on Auditing 260 (ISA UK&I).

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

Introduction

In the conduct of our audit we have not had to alter or change our planned audit approach, which we communicated to you in our Audit Plan dated 24 March 2015. Our audit is substantially complete although we are finalising our work in the following areas:

- Receipt of confirmations from Nationwide and Barclays for cash deposits held as investments;
- Completion of our grant income testing;
- Finalisation of our housing benefit payments testing;
- Completion of Debtors testing;
- Finalisation of our reviews of disclosures including financial instruments and Officer Remuneration;
- Receipt of the Santander bank letter;

- Receipt of assurances from the pension fund auditor;
- Review of the final version of the financial statements;
- obtaining and reviewing the final management letter of representation;
- review of final version of the Annual Governance Statement updating our post balance sheet events review, to the date of signing the opinion; and
- Whole of Government Accounts

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

Key issues arising from our audit

Financial statements opinion

We anticipate providing an unqualified opinion in respect of the financial statements.

The key messages arising from our audit of the Council's financial statements are:

- The accounts were prepared early to enable a faster delivery of the audit opinion and this has been achieved;
- The accounts were relatively free of significant errors; and
- our testing identified two errors which if adjusted would have an impact upon the Council's draft reported financial position (details are recorded in section 2 of this report). Management have decided not to adjust for these errors. Further assurance as to the Committee's agreement to this will be obtained as part of the Letter of Representation.

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

Value for Money conclusion

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

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

Whole of Government Accounts (WGA)

We will complete our work in respect of the Whole of Government Accounts in accordance with the national timetable.

Controls

Roles and responsibilities

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

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

Findings

Our work identified one control weakness in relation to Section 106 monies which we have documented on page 14.

The way forward

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

We have made a number of recommendations, which are set out in the action plan in Appendix A. Recommendations have been discussed and agreed with the Head of Finance and the finance team.

Acknowledgment

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

Grant Thornton UK LLP
17 July 2015

Section 2: Audit findings

01. Executive summary

02. **Audit findings**

03. Value for Money

04. Fees, non-audit services and independence

05. Communication of audit matters

Audit findings

In this section we present our findings in respect of matters and risks identified at the planning stage of the audit and additional matters that arose during the course of our work. We set out on the following pages the work we have performed and the findings arising from our work in respect of the audit risks we identified in our audit plan, presented to the Audit Committee on 24 March 2015. We also set out the adjustments to the financial statements arising from our audit work and our findings in respect of internal controls.

Changes to Audit Plan

We have not made any changes to our Audit Plan as previously communicated to you on 24 March except that, following our walk through of the controls, we considered that the welfare benefit expenditure improperly computed did not pose a significant risk of material misstatement.

Audit opinion

Our draft proposed audit opinion is set out in Appendix B.

Audit findings against significant risks

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

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

	Risks identified in our audit plan	Work completed	Assurance gained and issues arising
Page 155	<p>1. Improper revenue recognition Under ISA (UK&I) 240 there is a presumed risk that revenue may be misstated due to improper recognition</p>	<p>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.</p> <p>Our work has comprised:</p> <ul style="list-style-type: none"> • A substantive analytical review of housing rental income; • A review and testing of revenue recognition policies; • Analytical review of total collectable council tax revenues; • Identification of fees, charges and other service income reconciled to the General ledger. 	<p>Our audit work has not identified any issues in respect of revenue recognition.</p>
	<p>2. Management override of controls Under ISA (UK&I) 240 there is a presumed risk of management over-ride of controls</p>	<ul style="list-style-type: none"> • A review of accounting estimates, judgments and decisions made by management; • Testing of journal entries; and • Review of unusual, significant journal transactions. 	<p>Our audit work has not identified any evidence of management override of controls. In particular the findings of our review of journal controls and testing of journal entries has not identified any significant issues.</p> <p>We set out later in this section of the report our work and findings on key accounting estimates and judgments.</p>



Audit findings against other risks

In this section we detail our response to the other risks of material misstatement which we identified in the Audit Plan. Recommendations, together with management responses, are attached at Appendix A.

Transaction cycle	Description of risk	Work completed	Assurance gained & issues arising
<p>Operating expenses</p> <p style="writing-mode: vertical-rl; transform: rotate(180deg);">Page 156</p>	<p>Creditors understated or not recorded in the correct period</p>	<p>Work completed:</p> <ul style="list-style-type: none"> • Review of system documentation and walkthrough of transaction; • Agreement of creditors to the ledger; • Review of payments before and after year end to ensure that they have been allocated to the correct year and correctly recognised; • Substantive testing of a sample of operating expenses; and • Testing of the year end accruals process and the amounts included. 	<p>Our audit work has not identified any evidence that operating expenses are recorded in the wrong period</p>
<p>Employee remuneration</p>	<p>Employee remuneration accrual understated</p>	<p>Work completed:</p> <ul style="list-style-type: none"> • Review of system documentation and walkthrough of transaction; • Predictive analytical review; • Substantive testing of a sample of remuneration transactions; • Review of the calculation of redundancy costs. 	<p>Our audit work has not identified any evidence that employee remuneration accruals are understated.</p>

Accounting policies, estimates & judgements

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

Accounting area	Summary of policy	Comments	Assessment
Revenue recognition	Activity is accounted for in the year it takes place, not simply when cash payments are made or received.	We have no issues over the: <ul style="list-style-type: none"> • Appropriateness of policy under relevant accounting framework; • Adequacy of disclosure of accounting policy 	 Green
Estimates and judgements	Management have disclosed their accounting policy, and disclosed key estimates and judgements around: <ul style="list-style-type: none"> – Asset valuations; – Depreciation; – Bad debt provisions; – Pension fund valuations; and – NDR provisions. 	We have no issues over the: <ul style="list-style-type: none"> • Appropriateness of policies under relevant accounting framework • Extent of judgements involved • Adequacy of disclosure of accounting policies 	 Green

Page 157



Assessment

● Marginal accounting policy which could potentially attract attention from regulators

● Accounting policy appropriate and disclosures sufficient

● Accounting policy appropriate but scope for improved disclosure

Accounting policies, estimates & judgements continued

Accounting area	Summary of policy	Comments	Assessment
Going concern	Management have a reasonable expectation that the services provided by the Council will continue for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.	We have reviewed managements' assessment and are satisfied with managements' assessment that the going concern basis is appropriate for the 2014/15 financial statements.	 Green
Other accounting policies	We have reviewed the Council's policies against the requirements of the CIPFA Code and accounting standards.	Our review of accounting policies has not highlighted any issues which we wish to bring to your attention	 Green

Page 158

Assessment

● Marginal accounting policy which could potentially attract attention from 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 are required by auditing standards to communicate to those charged with governance.

	Issue	Commentary
1.	Matters in relation to fraud	<ul style="list-style-type: none"> 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.
2.	Matters in relation to laws and regulations	<ul style="list-style-type: none"> We are not aware of any significant incidences of non-compliance with relevant laws and regulations.
3.	Written representations	<ul style="list-style-type: none"> A letter of representation has been requested from the Council and this will include the Audit Committee's agreement not to amend the two errors identified as part of our testing.
4.	Disclosures	<ul style="list-style-type: none"> Our review found no non-trivial omissions in the financial statements.
5.	Matters in relation to related parties	<ul style="list-style-type: none"> We are not aware of any related party transactions which have not been disclosed.

Page 159

Internal controls

The purpose of an audit is to express an opinion on the financial statements.

Our audit included consideration of internal controls relevant to the preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control.

The matters that we identified during the course of our audit are set out in the table below. These and other recommendations, together with management responses, are included in the action plan attached at Appendix A.

Page 160	Assessment	Issue and risk	Recommendations
1.	●	<ul style="list-style-type: none"> Two Section 106 receipts had not been invoiced or accrued at the year end. Management believe that this happened as a result of staff shortages. Both were invoiced post year end. 	<ul style="list-style-type: none"> Where staff shortages occur for longer than a short period, management review or oversight should be applied to ensure that invoices are raised as promptly as possible.

Assessment

- Significant deficiency – risk of significant misstatement
- Deficiency – risk of inconsequential misstatement

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.

Unadjusted misstatements

The table below provides details of adjustments identified which we request be processed but which have not been made within the final set of financial statements. The Audit Committee is required to approve management's proposed treatment of all items recorded within the table below:

Detail	Comprehensive Income and Expenditure Account £'000	Balance Sheet £'000	Reason for not adjusting
1 Depreciation of Vehicles, Plant and Equipment purchased in the year did not have a full year's depreciation as set out in the accounting policy.	165	165	Amount is not material, assets have been depreciated for a part of the year, and will be depreciated in future years.
S106 receipt was not invoiced in January 2015 as required. therefore the receipt was not recognised in the 2014/15 accounts	165	165	These receipts are not predictable and the omission does not impact on the 2014/15 reported out-turn.
Overall impact	£330	£330	

Misclassifications & 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.

Adjustment type	Value £'000	Account balance	Impact on the financial statements
1 Amendment		Pensions note 21	The disclosure of expected contributions for 2015/16 was incorrectly stated. The disclosure was information only and was amended
2 NDR Pooled arrangements		NDR Pool detail	The notes to the account needed updating to reflect the 2014/15 position.
Disclosure amendments		Various notes	Some minor amendments to narrative and presentation. These did not impact on the understanding of the accounts.
Audit Fees	3.5	External Audit Costs	Disclosure note added to show clearly the total amount of audit fees charged in 2014/15.
5 Disclosure amendment	188.0	Note 57 Grant Income	The amount disclosed as "Other" was reduced from £870k to £682k
All the above items have been adjusted			

Section 3: Value for Money

01. Executive summary

02. Audit findings

03. Value for Money

04. Fees, non-audit services and independence

05. Communication of audit matters

Value for Money

Value for money conclusion

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

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

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

These criteria are:

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

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

Key findings

Securing financial resilience

We have undertaken a review which considered the Council's arrangements against the three expected characteristics of proper arrangements as defined by the Audit Commission:

- Financial governance;
- Financial planning; and
- Financial control.

The Council reported a small deficit of £80k for 2014/15, whilst the Housing Revenue account was overspent by £4k. Whilst this comprises a number of over and underspends, this reflects good financial planning and robust monitoring through the year. There have been one-off gains such as higher than expected new-homes bonus, these have been set-aside for the Council's specific plans.

Usable reserves at 31 March 2015 were £9.3m and HRA of £8.7m, which is an increase on 31 March 2014, so overall, the Council's financial position at the year end remains healthy. However, the Council's forward-looking financial plan recognises the need for savings in 2015/16 of £0.26m and the medium term financial strategy recognises further budget pressures of £2.1m over the next four years to 2018/19.

Challenging economy, efficiency and effectiveness

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

- Prioritising resources
- Improving efficiency & productivity

The Council's plans prioritise its resources reflecting the financial constraints. The Quarterly Performance and Risk report measures and monitors service delivery to ensure that the Council's target performance does not suffer as a result of savings.

Overall VfM conclusion

On the basis of our work, and having regard to the guidance on the specified criteria published by the Audit Commission, we are satisfied that in all significant respects the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2015.

We set out below our detailed findings against six risk areas which have been used to assess the Council's performance against the Audit Commission's criteria. We summarise our assessment of each risk area using a red, amber or green (RAG) rating, based on the following definitions:

Green	Adequate arrangements
Amber	Adequate arrangements, with areas for development
Red	Inadequate arrangements

The table below and overleaf summarises our overall rating for each of the themes reviewed:

Theme	Summary findings	RAG rating
Key indicators of performance	<p>The VfM profiles and Financial ratios have not highlighted areas of unexplained weak performance.</p> <p>Financial ratios have all strengthened during 2014/15.</p> <p>The Value for Money profile highlights a few areas for which the Council's performance is below its nearest neighbours. These are known and link to the Council's priorities.</p>	Green
Strategic financial planning	<p>The Council's strategic financial planning builds on its annual revision of the five year medium term financial plan.</p> <p>The summary position for the MTFP, over the next 5 years, shows an overall deficit totalling £2.1m over the life of the plan.</p> <p>The plan details the savings required on an annual basis, and identifies a number of plans already identified. Although there remains a significant gap.</p> <p>Annual savings plans are completed as part of the annual budget setting exercise that commences in July..</p>	Green
Financial governance	<p>The Budget comes under great scrutiny. There is a thorough quarterly financial out-turn report that highlights areas of over and underspend, projects the year end position, and any future uncertainties and sets out action being taken to redress any identified problems.</p> <p>The Council has a performance and risk report. This monitors on-going delivery of key Performance Indicators</p> <p>The Performance and risk report monitors closely the service delivery, any drop in performance is discussed and addressed.</p>	Green

Theme	Summary findings	RAG rating
Financial control	<p>The Council has a good track record of achieving its plans.</p> <p>The Medium Term Financial plan assumes a constant level of General Fund and Housing Revenue Account reserves.</p> <p>The Budget setting process does not rely on one-off fixes to achieve the projected funding gap.</p> <p>The Finance team remains stable and out-turn reports are prepared quarterly and reported to members.</p> <p>The Council's Audit Committee monitors the corporate risk register and ensures that agreed action plans are completed.</p>	Green
Prioritising resources	<p>Management team receive and assess the in year savings. These are analysed to ensure there is a strategic fit with the Council's priorities.</p> <p>The annual budget and the updated MTFP are monitored and reviewed by management team and subsequently by members.</p> <p>Service managers and supervisors are involved in the first round of identifying savings.</p>	Green
Improving efficiency & productivity	<p>The Council understands its areas of high cost. Analysis shows these are linked to priority areas, or reflect decisions made to keep services in-house compared to Councils that have outsourced.</p> <p>The Performance report tracks key Performance indicators, a few have not reached target. Actions are put in place and underperformance addressed.</p>	Green

To support our VfM conclusion against the specified criteria we performed a risk assessment against VfM risk indicators specified by the Audit Commission and additional indicators identified by ourselves. Following completion of our work, we have not noted any residual risks.

A more detailed financial resilience report expanding on the conclusions will be brought to the next Audit Committee meeting

Section 4: Fees, non-audit services and independence

01. Executive summary

02. Audit findings

03. Value for Money

04. Fees, non-audit services and independence

05. Communication of audit matters

Fees, non-audit services and independence

We confirm below our final fees charged for the audit and provision of non-audit services.

Fees

	£
Council audit	63,600
Grant certification	9,210
Total fees (excluding VAT)	72,810

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 Standards and therefore we confirm that we are independent and are able to express an objective opinion on the financial statements.

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

Fees for other services charged in 2014/15

Service	Fees £
Challenge over the relocation of the TIC	1,500
Challenge to the variation of car parking charges	2,000

Section 5: Communication of audit matters

01. Executive summary

02. Audit findings

03. Value for Money

04. Fees, non-audit services and independence

05. Communication of audit matters

Communication of audit matters to those charged with governance

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

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

Respective responsibilities

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

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

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

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

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

Appendices

page 171

Appendix A: Action plan

Rec No.	Recommendation	Priority	Management response	Implementation date & responsibility
1	Where staff shortages occur for longer than a short period, management review or oversight should be applied to ensure that invoices are raised as promptly as possible.	Medium	A thorough review of all S106s will be performed over the next few weeks. New software has recently been purchased to improve the admin and reconciliation of both s106s and CIL.	This will be carried out by the 30/9 and owned by both the HofF and the Head of Planning.

Page 172

Appendix B: Audit opinion

We anticipate we will provide the Council with an unmodified audit report

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

We have audited the financial statements of Mid Devon District Council for the year ended 31 March 2015 under the Audit Commission Act 1998. The financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, the Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement, the Collection Fund] and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15.

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

Respective responsibilities of the Head of Finance and auditor

As explained more fully in the Statement of the Head of Finance's Responsibilities, the Head of Finance is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards also require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements: give a true and fair view of the financial position of Mid Devon District Council as at 31 March 2015 and of its expenditure and income for the year then ended; and have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 and applicable law.

Opinion on other matters

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

Matters on which we report by exception

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

We have nothing to report in these respects.

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

Respective responsibilities of the Authority and the auditor

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

We are required under Section 5 of the Audit Commission Act 1998 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires us to report to you our conclusion relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission in October 2014.

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

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

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in October 2014, as to whether the Authority has proper arrangements for:
 securing financial resilience; and
 challenging how it secures economy, efficiency and effectiveness.

The Audit Commission has determined these two criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2015.

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

Conclusion

On the basis of our work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2014, we are satisfied that, in all significant respects, Mid Devon District Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2015.

Certificate

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

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

28 July 2015



© 2015 Grant Thornton UK LLP. All rights reserved.

'Grant Thornton' means Grant Thornton UK LLP, a limited liability partnership.

Grant Thornton is a member firm of Grant Thornton International Ltd (Grant Thornton International). References to 'Grant Thornton' are to the brand under which the Grant Thornton member firms operate and refer to one or more member firms, as the context requires. Grant Thornton International and the member firms are not a worldwide partnership. Services are delivered independently by member firms, which are not responsible for the services or activities of one another. Grant Thornton International does not provide services to clients.

grant-thornton.co.uk

This page is intentionally left blank

AUDIT COMMITTEE 28TH JULY 2015

INTERNAL AUDIT PROGRESS REPORT

Cabinet Member Cllr Peter Hare-Scott
Responsible Officer Audit Team Leader

Reason for Report: To update the Committee on the work performed by Internal Audit for the 2015/16 financial year.

RECOMMENDATION(S): The Committee notes the contents of this report.

Relationship to Corporate Plan: Effective Internal Audit plays a fundamental role in assisting the Council to deliver its corporate plan.

Financial Implications: None arising from the report

Legal Implications: None arising from the report

Risk Assessment: The role of Internal Audit is providing assurance that the risk management and internal control framework are operating effectively.

1.0 Introduction

1.1 The four-year strategic audit plan for 2015/16 to 2018/19 and annual work plan for 2015/16 were presented to the Audit Committee at its meeting on 24 March 2015, where they were approved.

1.2 The purpose of this report is to provide the Committee with a progress report on performance against the 2015/16 Internal Audit work plan for the period from 1 April 2015 to end of June 2015.

2.0 Progress to date and scope of audit activities

2.1 The Audit Plan is split into the following sections:

- Core Audits
- Systems Audits
- Other Work (including fraud/ irregularity/ consultancy/contingency)

2.2 Core Audits

2.2.1 The Core Audits are given priority as they cover the Council's key financial controls or are areas where the level of income is material in the context of the Council's annual accounts. As these audits are allocated a larger number of days, as part of the risk based audit planning process, they are carried out annually. Trade Waste and Car Park Income are carried out biennially; this year we are due to do Trade Waste.

2.2.2 The Core audits for 2015/16 do not start until August; this is 3 months earlier than last year, partly to reflect the compressed accounts/audit timetable in the future.

2.3 Systems Audits

2.3.1 Systems Audits have been completed for Emergency Planning, Vehicles & Fuel, Listed Buildings & Conservation and Recruitment, Selection & JE.

2.3.2 Work on the audits of Grants & Donations, Legal Services and Culm Valley Sports Centre have commenced.

2.4 Other Work

2.4.1 The Internal Audit team continue to report on performance and risk using the Spar system and present the quarterly corporate performance and risk reports to PDGs and Committees.

2.4.2 Data quality checks are carried out on committee and other reports as requested.

2.4.3 The Audit Team have assisted with 1 investigation and sat on 1 job evaluation panel so far this year.

2.5 Performance Indicators

As at end of June the Internal Audit PIs are as follows:

	Current	Target
Core	0%	0%
System	25%	34%

There was a little slippage on the 2014/15 core audits as anticipated which has had a knock on effect on the systems audits for 2015/16; this should not cause great concern at this stage of the year.

3.0 **Audit Opinions**

The following opinions have been issued since the last report:

3.1 **Emergency Planning**

3.1.1 For this audit we felt that the scope was limited in that the Emergency Plan is being completely re-written and Part 3 was not yet available. In addition the Emergency Plan is un-tried, and at this point in time un-tested. Therefore we could not express an audit opinion and the report took the form of a review and bullet points. An extract follows:

3.1.2 *This is very much a work in progress due to Emergency Planning being re-established and revitalised in March 2014 when it was passed over to the Community Safety Officer, therefore the audit will be conducted on the*

information currently available. For this reason our usual "Action Plan" is not considered appropriate.

- 3.1.2 Considerable progress has been made since the review particularly as regards wheeling out training plans for key staff.

Summary of Recommendations		
High	Medium	Low
0	2	3

3.2 Vehicles & Fuel

- 3.2.1 The responsibility for fleet management has recently been re-assigned to the Waste and Transport Manager, who is currently involved with the new Waste Collection pilot scheme.

- 3.2.2 An improved system for obtaining the best price for the Council's fuel has been adopted by using a County wide preferred list which ensures value for money when filling the fuel tank at Station Yard.

A 12 monthly inspection of the vehicle fuelling bulk tank was carried out on 3 March 2015 which is also considered best practice.

- 3.2.3 The Waste Management Officer is about to start a monthly usage chart of fuel for HGVs which will help to analyse the efficiency of the vehicles.

The Council's Transport Policy has been outstanding for some time, and with the pressures of other projects and a changing remit for the Waste and Transport Manager, this policy is unlikely to be reviewed until the third quarter of the current financial year. However, some of the background planning and work to support the Transport Policy is being put in place.

With this in mind, the findings of this Audit report should help influence the processes implemented going forward, to ensure best practise and that the Council operates within Driver and Vehicle Standard Agency (DVSA, formerly the Vehicle and Operator Services Agency VOSA) & Department of Transport (DoT) guidelines.

There are a number of weaknesses which require attention, these being:

- A vehicle maintenance agreement needs to be in place with regard to the HGV vehicles and a copy kept in the possession of the Council.
- General vehicle maintenance needs to be looked at and an informed decision as to the most efficient and cost effective option going forward needs to be put in place i.e. tender process or leasing option etc.
- 6 weekly inspections must be adhered to and records kept should there be a delay in the inspection. All inspection sheets must be obtained promptly and kept for 15 months.

Some of these weaknesses are already reflected in the Service Business Plan to be addressed in 2015-16. (See section 1.3 above).

- 3.2.4 It is the overall opinion of the auditor that Fleet Management, in its inherited state, is poorly controlled. However, since the appointment of the Waste and Transport Manager; measures and controls are being addressed but inevitably it will take time to bring the service up to a good standard.

Summary of Recommendations		
High	Medium	Low
4	8	0

3.3 Listed Buildings & Conservation Areas

- 3.3.1 There are three Conservation Officers and each one is allocated to an area. All three Conservation Officers are part time and it is felt that, at times, there can be a workload beyond the time available, as it is mainly reactive, especially when you consider time out for training and holidays. This could cause the workload to be very time pressured and affect achievement of targets.

The process for signing off officer reports has been that Area Planning Officer's (APO) sign off reports for their own Team. As of 1 April 2015 the Head of Planning decided to give delegated authority for APO's to sign decision notices on all planning and other applications together with related matters. This delegation will help to reduce any delays in signing off decisions and provide cover for other areas in the absence of an APO.

- 3.3.2 There must be an adequate audit trail on CAPS to provide an explanation where an application has exceeded the target date and the applicant has been advised.
- 3.3.3 It is the overall opinion of the auditor that the Listed Buildings and Conservation Areas system is adequately controlled.

Summary of Recommendations		
High	Medium	Low
0	2	0

3.4 Recruitment, Selection & JE (Exit meeting will be on 13/07/15)

- 3.4.1 There are a number of area's within recruitment and selection where robust processes are in place, particularly in the interview selection scoring for shortlisting and also the scoring system for interview questions. This ensures transparency and equality and also demonstrates that these processes are fair and consistent.
- 3.4.2 One area of the process which does lack consistency is the guidance on the Vacancy Approval Form. There have been updates via Management team for the process of filling vacancies which has changed because of budget constraints, but it is unclear if these have been adopted and therefore the guidance is confusing.

- 3.4.3 Since new legislation was introduced in April 2014 to protect government information, it is now a requirement for Local Government to carry out DBS checks on all new employees. Human Resources have been doing this for all new starters and for existing employees who access the GSI mailbox system. Another requirement is to obtain 3 years employment for each new employee; this requirement has been found to be challenging in some cases when previous employers ignore requests for information.
- 3.4.4 Overall the JE process looks fair and consistent with procedures and guidance in place for employees and JE panellists although there is sometimes a delay between JE forms being submitted and being referred to a panel. Transparency is important in case of challenge or an equal pay audit, so all processes need to be carefully recorded, including Pay and Grading meetings.
- 3.4.5 However, it is the opinion of the Auditor that other means of evaluating jobs should be considered, including software and benchmarking, to establish if there is a more efficient alternative.
- 3.4.6 It is the overall opinion of the auditor that the Recruitment and Selection process is adequately controlled.

Summary of Recommendations		
High	Medium	Low
0	9	5

4.0 Conclusion

- 4.1 We will continue to monitor and report on our progress at each Audit Committee meeting.
- 4.2 Three post-audit surveys have been sent out so far, all have been returned, and were scored by the client as 4-5 for all questions meaning they were satisfied or very satisfied with the process.
- 4.3 Outstanding audit recommendations are summarised at Appendix 1
- 4.4 Overdue high priority recommendations are at Appendix 2.

Contact for more Information: Catherine Yandle, Audit Team Leader, x4975
Circulation of the Report: Management Team and Cllr Peter Hare-Scott
List of Background Papers: None

Incomplete Audits	Year	Recommendations											
		High			Medium			Low			Total		
		C	N	O	C	N	O	C	N	O	C	N	O
Building Control	2012	1			2	2		7	3		10	0	5
Car Park Income	2014	1					7				1	0	7
Contracts	2014			1				1	3		1	3	1
Council tax/NNDR	2014					1					0	1	0
Creditors	2014					2			1		0	0	3
Customer Care - Complaints	2013				4	1		4			8	0	1
Data Protection	2014	2		1			4				2	0	5
Elections	2013				2			2	2		4	0	2
Emergency Planning	2015				1	1			3		1	4	0
Gifts & Hospitality	2014					1		2	2		2	0	3
Homelessness	2013					1		2			2	0	1
Housing Benefits	2014					4					0	0	4
Housing H & S Management	2014	2				2		1	2		3	2	2
Housing Repairs & Maintenance	2014				1	3			2		1	0	5
Housing Rents	2014				4	2					4	0	2
ICT Core	2014	1				4			3		1	0	7
Income & Cash Collection	2013					1					0	0	1
Leasing and Asset Management	2014					1		1			1	0	1
Leisure LMLC	2014				3			2			5	0	0
Listed Buildings & Conservation	2015					2					0	2	0
Main Accounting	2014					1					0	1	0
Payroll	2013				2	1					2	1	0
Payroll	2014				1	4					1	0	4
Procurement	2013			1	2	1		2	1		4	0	3
Recovery	2009					1					0	0	1
Recovery	2013					1		1			0	1	1
Recovery	2014					1					0	1	0
Sickness & Other Time Off	2012				2			2	2		4	0	2
Standby	2012				3	1					3	0	1
Time Recording	2014				3	6					3	0	6
Tiverton Pannier Market	2014				7	2		2			9	0	2
Trade Waste	2013				4	1		6	2	1	10	2	2
Treasury	2014					1					0	1	0
Vehicles & Fuel	2015	5			4	3					9	3	0
		12	0	3	45	13	50	34	9	19	91	22	72

CORE
SYSTEM

C = Completed 49%
N = Not yet due 12%
O = Overdue 39%

Audit Report - High Priority Outstanding Recommendations Appendix 2

Annual report for 2015-2016

Arranged by Service

Filtered by Flag: Include: Audit Recommendations

Filtered by Performance Status: Include Project Status: No Data available,
Milestone Missed, Behind schedule, On / ahead of schedule

Exclude Project Status: Cancelled, Completed and evaluated

Key to Performance Status:

Projects:		No Data available	Milestone Missed	Behind schedule	On / ahead of schedule	Completed and evaluated
-----------	--	--------------------------	-------------------------	------------------------	-------------------------------	--------------------------------

Audit Report - High Priority Outstanding Recommendations Appendix 2

Service: I C T	Head of Service: Christina Cross	Portfolio: n/a
-----------------------	---	-----------------------

Projects						
Project Status	Code	Objective	Project End	Last Review Date	Achieved	Arising
Milestone Missed	A - 2014 - DP - 1.2 - H	<u>Review the members code of conduct to ensure that they have to accept all Council policies including DPP and Information Security Policy in line with the council officers</u>	30/04/2015 (due)			

Service: Procurement	Head of Service: Andrew Jarrett	Portfolio: n/a
-----------------------------	--	-----------------------

Projects						
Project Status	Code	Objective	Project End	Last Review Date	Achieved	Arising
Behind schedule	A - 2013 - PC - 1.1 - H	<u>Put contracts in place where spend is over £50,000 in a year in accordance</u>	31/05/2014 (due)	11/06/2015		The Procurement Manager has just returned to work and a new Support Officer was

Audit Report - High Priority Outstanding Recommendations Appendix 2

Service: Procurement		Head of Service: Andrew Jarrett		Portfolio: n/a		
Projects						
Project Status	Code	Objective	Project End	Last Review Date	Achieved	Arising
		<u>with the Financial Rules.</u>				recently appointed. This will provide the required resource to re-commence this piece of work
Behind schedule	A - 2014 - CON - 2.1 - H	<u>Ensure that the supplier spend monitoring process resumes as soon as possible to ensure that the Council obtains the best prices and value for money.</u>	31/08/2014 (due)	11/06/2015		The Procurement Manager has just returned to work and a new Support Officer was recently appointed. This will provide the required resource to re-commence this piece of work



Kevin Finan
Chief Executive
Mid Devon District Council
Phoenix House
Phoenix Lane
Tiverton
EX16 6PP

Grant Thornton UK LLP
Hartwell House
55-61 Victoria Street,
Bristol
BS1 6FT

+44 (0)117 3057600
www.grant-thornton.co.uk

14 April 2015

Dear Kevin

Planned audit fee for 2015/16

Before it closed on 31 March 2015, the Audit Commission was asked to set the scale fees for audits for 2015/16. The Commission published its work programme and scales of fees for 2015/16 at the end of March 2015. In this letter we set out details of the audit fee for the Council along with the scope and timing of our work and details of our team.

Scale fee

The Audit Commission defines the scale audit fee as “the fee required by auditors to carry out the work necessary to meet their statutory responsibilities in accordance with the Code of Audit Practice. It represents the best estimate of the fee required to complete an audit where the audited body has no significant audit risks and it has in place a sound control environment that ensures the auditor is provided with complete and materially accurate financial statements with supporting working papers within agreed timeframes.”

The Council's scale fee for 2015/16 has been set by the Audit Commission at £47,700, which compares to the audit fee of £63,600 for 2014/15. The reduction in fees has been enabled by the procurement exercises run by the Commission across both the Local Government and Health sectors.

After the Commission's closure, the 2015/16 work programme and fees will be accessible from the archived Audit Commission website from the National Archives http://webarchive.nationalarchives.gov.uk/*/http://www.audit-commission.gov.uk/ and on the Public Sector Audit Appointments PSAA website psaa.co.uk

The audit planning process for 2015/16, including the risk assessment, will continue as the year progresses and fees will be reviewed and updated as necessary as our work progresses.

Scope of the audit fee

The scale fee covers:

- our audit of your financial statements
- our work to reach a conclusion on the economy, efficiency and effectiveness in your use of resources (the value for money conclusion)
- our work on your whole of government accounts return.

Value for Money conclusion

Under the Audit Commission Act, we must be satisfied that the Council has adequate arrangements in place to secure economy, efficiency and effectiveness in its use of resources, focusing on the arrangements for:

- securing financial resilience; and
- prioritising resources within tighter budgets.

We undertake a risk assessment to identify any significant risks which we will need to address before reaching our value for money conclusion. We will assess the Council's financial resilience as part of our work on the VfM conclusion and provide feedback in our Audit Findings Report.

Certification of grant claims and returns

The Council's indicative grant certification fee is £7,418.

Billing schedule

Fees will be billed as follows:

Main Audit fee	£
September 2015	11,925
December 2015	11,925
March 2016	11,925
June 2016	11,925
Grant Certification Indicative Fee	
December 2016	£7,418
Total	£55,118

Outline audit timetable

We will undertake our audit planning and interim audit procedures in January 2016 to March 2016. Upon completion of this phase of our work we will issue a detailed audit plan setting out our findings and details of our audit approach. Our final accounts audit and work on the VfM conclusion will be completed in July 2016 and work on the whole of government accounts return in September 2016.

Phase of work	Timing	Outputs	Comments
Audit planning and interim audit	January to March 2016	Audit plan	The plan summarises the findings of our audit planning and our approach to the audit of the Council's accounts and VfM.

Phase of work	Timing	Outputs	Comments
Final accounts audit	June to July 2016	Audit Findings (Report to those charged with governance)	This report sets out the findings of our accounts audit and VfM work for the consideration of those charged with governance.
VfM conclusion	January to July 2016	Audit Findings (Report to those charged with governance)	As above
Whole of government accounts	September 2016	Opinion on the WGA return	This work will be completed alongside the accounts audit.
Annual audit letter	October 2016	Annual audit letter to the Council	The letter will summarise the findings of all aspects of our work.
Grant certification	June to November 2016	Grant certification report	A report summarising the findings of our grant certification work

Our team

The key members of the audit team for 2015/16 are:

	Name	Phone Number	E-mail
Engagement Lead	Geraldine Daly	0117 305 7741	geri.n.daly@uk.gt.com
Engagement Manager	Steve Johnson	07880 456134	steve.p.johnson@uk.gt.com
In Charge Auditor	Victoria Redler	0117 350 7744	Victoria.j.redler@uk.gt.com

Additional work

The scale fee excludes any work requested by the Council that we may agree to undertake outside of our Code audit. Each additional piece of work will be separately agreed and a detailed project specification and fee agreed with the Council.

Quality assurance

We are committed to providing you with a high quality service. If you are in any way dissatisfied, or would like to discuss how we can improve our service, please contact me in the first instance. Alternatively you may wish to contact John Golding, our Public Sector Assurance regional lead partner (john.golding@uk.gt.com).

Yours sincerely

Geraldine Daly
For Grant Thornton UK LLP

This page is intentionally left blank