

Public Document Pack

Mid Devon District Council

Audit Committee

Tuesday, 30 May 2017 at 5.30 pm
Exe Room, Phoenix House, Tiverton

Next special meeting
Monday, 17 July 2017 at 10.00 am

Those attending are advised that this meeting will be recorded

Membership

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

A G E N D A

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

1. Election of Chairman

To elect a Chairman of the Audit Committee for the municipal year 2017/18.

2. Election of Vice Chairman

To elect a Vice Chairman of the Audit Committee for the municipal year 2017/18.

3. Apologies

To receive any apologies for absence.

4. Public Question Time

To receive any questions relating to items on the Agenda from members of the public and replies thereto.

5. **Minutes of the previous meeting** (*Pages 7 - 12*)

To approve as a correct record the Minutes of the meeting held on 21 March 2017 (copy attached).

6. **Chairman's Announcements**

To receive any announcements that the Chairman may wish to make.

7. **Report on Internal Audit Provision from 2017/18** (*Pages 13 - 16*)

To receive a report regarding the appointment of the Council's internal auditor from 1st May 2017.

8. **Progress update on the Annual Governance Statement and Action Plan** (*Pages 17 - 22*)

To receive a report from the Internal Audit Team Leader providing the Committee with an update on progress made against the Annual Governance Statement Action Plan for 2016/17.

9. **Strategic Audit Plan for 2017/18** (*Pages 23 - 28*)

To receive a report from the Internal Audit Team Leader presenting the Strategic Audit Plan for 2017/18 to 2020/21 and detailed Audit Work Plan for 2017/18.

10. **Internal Audit Outturn Report 2016/17** (*Pages 29 - 50*)

To receive a report from the Internal Audit Team Leader updating the Committee on the work performed by Internal Audit during the 2016/17 financial year as required by the Public Sector Internal Audit Standards.

11. **Internal Audit Reports**

Committee to discuss any issues arising from any Audit reports they have received since the last meeting. During discussion of this item it **may** be necessary to pass the following resolution to exclude the press and public 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 the previous item on the agenda)

12. **Performance and Risk for 2016-17** (Pages 51 - 78)

To receive a report from the Director of Corporate Affairs & Business transformation providing Members with an update on performance against the Corporate Plan and local service targets for 2016-17 as well as providing an update on the key business risks.

13. **Draft Annual Accounts 2016/17** (Pages 79 - 196)

To receive a report from the Director of Finance, Assets and Resources presenting the annual report and accounts.

14. **External Audit Progress Report** (Pages 197 - 208)

To receive a report from Grant Thornton on progress in delivering their responsibilities as the Council's external auditors.

15. **Grant Thornton - 2017/18 Fee Letter** (Pages 209 - 212)

To receive the annual fee letter from Grant Thornton.

16. **Start time of meetings**

To agree the start time of meetings for the remainder of the municipal year.

17. **Identification of items for the next meeting**

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

- Finalised Annual Report and Accounts for 2016/17
- Finalised Annual Governance Statement
- Code of Corporate Governance
- Grant Thornton Audit Findings 2016/17

- Grant Thornton – Value for Money report
- Performance and Risk

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

Stephen Walford
Chief Executive
Friday 19 May 2017

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

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

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

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

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

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

MID DEVON DISTRICT COUNCIL

MINUTES of a **MEETING** of the **AUDIT COMMITTEE** held on 21 March 2017 at 5.30 pm

Present

Councillors

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

Apology

Councillor

R M Deed

Also Present

Councillor

P H D Hare-Scott

Also in

Attendance

Geraldine Daly (Grant Thornton)

Also Present

Officers

Andrew Jarrett (Director of Finance, Assets and Resources), Sarah Lees (Member Services Officer) and Catherine Yandle (Internal Audit Team Leader)

81. **APOLOGIES**

Apologies were received from Councillor R M Deed.

82. **PUBLIC QUESTION TIME**

There were no members of the public present.

83. **CHAIRMAN'S ANNOUNCEMENTS**

The Chairman requested that any Committee Member who had not responded to the Committee Clerk regarding a special meeting on 17 July 2017 to reply as soon as possible as to their availability.

84. **MINUTES OF THE PREVIOUS MEETING**

The minutes of the meeting held on 21 February 2017 were confirmed as a true and accurate record and **SIGNED** by the Chairman.

85. **PROGRESS UPDATE ON THE ANNUAL GOVERNANCE STATEMENT ACTION PLAN**

The Committee had before it, and **NOTED**, a report * from the Internal Audit Team Leader providing it with an update on progress made against the 2015/16 Annual Governance Statement Action Plan.

It was explained that there were two outstanding actions. One of these related to the staff survey, the results of which had now been circulated to all staff and the Peer Review team. The other related to the standards complaints procedure. A peer review of the standards regime had been carried out and the report had been presented to the Standards Committee on 25 January and full Council on 22 February 2017. Another meeting of the Standards Committee was due to take place on 4 April 2017 to progress this matter further.

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

86. **INTERNAL AUDIT PROGRESS REPORT**

The Committee had before it, and **NOTED**, a report * from the Internal Audit Team Leader updating it on the work performed by Internal Audit for the 2016/17 financial year.

It was explained that no further work on System Audits would take place until the Core Audits were complete. There had been some slippage in achieving the targeted volume of work as outlined in the plan due to completed audits taking approximately 45 days longer than planned and the Audit Team Leader spending unscheduled time on future audit provision and Governance issues.

Discussion took place regarding:

- Pressure on the Audit team as a result of job evaluations which had increased due to a number of restructures. However, it was explained that this role would not fall under their remit once the outsourcing arrangements were complete.
- Two post audit surveys were still being followed up. The Director of Finance, Assets and Resources agreed to follow this up. The Chairman requested that they did not appear before the Committee again.

The Committee discussed each of the Internal Audits they had received reports for since the last ordinary meeting:

Council Tax, NNDR & Recovery

The Chairman stated that it should be noted that there had been significant improvements in this area and that the Committee's appreciation of that should be passed back.

Housing Rents

There was a query about the value of pre 2006 overpayments written off.

Income and Cash Collection

Concern was raised regarding the fact that some service departments were still raising invoice instructions after the service had been provided meaning that there was a risk that the debt may not be paid although the service had been delivered. The Director of Finance, Assets and Resources stated that he would speak to the service managers involved.

One area of weakness was the reasons given sometimes for a refund/reversal on the cash receipting system not being very descriptive.

The Chairman stated that he was pleased to see the lowest number of overdue outstanding recommendations since January 2015. However, 3 were still outstanding from 2014 and 9 from 2015. He requested that should the circumstances relating to them have been superseded, or that they not be relevant any longer, they be removed from the list. In general however, the movement was in the right direction and this needed to be recognised.

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

87. INTERNAL AUDIT REPORTS

The discussion regarding internal audit reports had taken place under the previous item; there had been no need to move into Part II.

88. WHISTLE BLOWING POLICY

The Committee had before it a report * from the Director of Corporate Affairs & Business Transformation presenting it with the updated Whistleblowing Policy. The Internal Audit Team Leader explained that the policy had recently been presented to the Scrutiny Committee. They had requested that a definition of 'Whistleblowing' be inserted at the beginning of the policy and this had been actioned.

Discussion took place with regard to:

- The protection of the identity of the whistleblower.
- If individuals did not want to talk to somebody within the Council it was possible to go to an external body or Grant Thornton.
- There had been no whistleblowing incidents in the previous six months.

RESOLVED that the updated Whistleblowing Policy be approved.

(Proposed by the Chairman)

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

89. INTERNAL AUDIT OUTSOURCING UPDATE

The Internal Audit Team Leader informed the Committee that she had sent out a specification to the two potential providers, it having been approved by the Leadership Team. They had also been sent a copy of the draft work plan. She was now waiting to receive their responses.

90. RISK AND OPPORTUNITY MANAGEMENT STRATEGY

The Committee had before it a report * from the Internal Audit Team Leader presenting it with the updated Risk & Opportunity Management Strategy for approval.

The contents of the report were outlined with reference to the following:

- The biggest change to the Strategy related to the reporting criteria. In order that resources were concentrated on the risks most likely to jeopardise the Council's priorities it was proposed that the risk tolerance and risk scoring matrix be changed so that only risks scoring 10 and above be reported.
- Other minor changes to the Strategy chiefly related to job titles.
- Policy Development Groups analysed the risks falling under their remits and reported back any concerns to the Cabinet. However, the Audit Committee had a more overarching role and should seek reassurance that risks were being managed for the Council as a whole.

RESOLVED that the updated Risk & Opportunity Management Strategy be approved.

(Proposed by the Chairman)

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

91. **PERFORMANCE AND RISK FOR 2016/17**

The Committee had before it, and **NOTED**, a report * from the Director of Corporate Affairs & Business Transformation providing it with an update on performance against the Corporate Plan and local service targets for 2016-17 as well as providing an update on the key business risks. It was explained that data was now being populated on a monthly basis rather than quarterly.

A brief discussion took place regarding days lost due to sickness and it was confirmed that the average number of days lost was slightly higher than this time last year.

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

92. **DRAFT STRATEGIC AUDIT PLAN FOR 2017/18 TO 2020/21**

The Committee had before it, and **NOTED**, a report * from the Internal Audit Team Leader presenting the draft Strategic Audit Plan for 2017/18 to 2020/21.

It was explained that this was the draft four year rolling plan and that normally the Committee would be asked to approve the plan in March each year. However, there had been a need to consult with the potential suppliers of the internal audit function since they would be responsible for delivering a lot of the content. The final plan would be brought to the Committee for approval at the next meeting.

A brief discussion took place regarding the Legal and Democratic Services area and the number of contingency days planned for. In order to achieve a better spread of audit resource it was suggested that an audit of the Member Allowances area be brought forward to follow the next District Council election in May 2019 rather than 2020/2021. This was **AGREED** by the Committee.

The Audit Team Leader stated that she also needed to add in a review of the safeguarding procedures.

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

93. **GRANT THORNTON - EXTERNAL AUDIT PROGRESS REPORT AND UPDATE**

The Committee had before it, and **NOTED**, a report * from the external auditors providing a progress report and update.

Reference was made to the following:

Progress was as expected and the interim audit had now been completed. They would be starting their final audit in early June and they expected to issue their opinion at the special meeting planned for 17 July 2017.

Discussion took place regarding business rates:

- Risk being mitigated if the Council had a diverse range of business entities within its portfolio.
- At the moment the Council was part of a Devon business rate pool which shared in financial losses and gains, however, there was no guarantee that the pool would exist in the years to come. Additionally businesses did not look at district council boundaries to site their businesses they would go wherever it was most beneficial to them.

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

94. **GRANT THORNTON - AUDIT PLAN FOR MID DEVON DISTRICT COUNCIL**

The Committee had before it, and **NOTED**, a report * from Grant Thornton setting out an overview of the planned scope and timing of the external as required by International Standard on Auditing.

A summary was provided of the key developments within the sector.

Financial resilience was identified as a significant risk in common with other local authorities. As external auditors they would be analysing the Medium Term Financial Plan process as well as the financial monitoring undertaken.

A brief discussion took place regarding the use of reserves and New Homes Bonus to support the budget setting process. This was not ideal and was usually only done to support projects with a finite life. Should there be an over reliance on this course of action the external auditors would bring it to the attention of the Audit Committee.

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

95. **CHAIRMAN'S ANNUAL REPORT FOR 2016/17**

The Group had before it a draft annual report * by the Chairman on the work of the Committee during 2016/17. There being no suggested amendments to the report it was **AGREED** that it would be included with the Council Summons for the meeting on 26 April 2017.

96. **IDENTIFICATION OF ITEMS FOR THE NEXT MEETING**

In addition to the items already listed in the work programme, the following item was requested to be on the agenda for the next meeting:

- Final Strategic Audit Plan for 2017/18 to 2020/21.

(The meeting ended at 7.00 pm)

CHAIRMAN

AUDIT COMMITTEE 30 MAY 2017

REPORT ON INTERNAL AUDIT PROVISION FROM 2017/18

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

Reason for Report: To report to the Audit Committee the appointment of its internal auditor from 1st May 2017.

RECOMMENDATION(S): The Audit committee recommends to Council that:

1. Mid Devon DC appoints Devon Audit Partnership (DAP) as the Audit Manager from 1st May until it joins DAP (nominally 31st July 2017);
2. Mid Devon joins DAP
 - a. as a non-voting member from 1 August 2017 until 31st March 2018;
 - b. as a voting member from 1st April 2018.
3. The Chair of the Audit Committee be appointed as the nominated Member to represent Mid Devon on the Partnership Committee;
4. The Vice Chair of the Audit Committee be nominated substitute Member to represent Mid Devon on the Partnership Committee in the absence of the Chair.

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

Financial Implications: The Council's budget for Internal Audit in its current form is £124,380 the primary objective here is not to save money but to ensure effective service provision.

Legal Implications:

1. The provision of an internal audit service within Local Government is a requirement of the Accounts and Audit Regulations 2015.
2. S151 of the Local Government Act 1972 requires every local authority to make arrangements for the proper administration of its financial affairs.
3. MDDC will have to enter into a financial agreement with an external supplier for the provision of services. The form of agreement will depend upon which route is chosen.

Risk Assessment: There is no immediate risk to the Council; however, early consideration by the Council of its preferred approach will enable detailed planning to take place so as to achieve successful transition to the new arrangement in a timely and efficient manner.

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

1.0 Introduction

- 1.1 In common with all other services of the Council regular consideration must be given to whether the current model for the internal audit service is the most efficient one and also the best value for money.
- 1.2 At the Special Audit Committee on 21 February 2017 it was resolved that the Management Team be informed that having carefully considered the options available, it was the Audit Committee's opinion that the Council should pursue procuring Audit management via a Service Level Agreement (SLA) or enter into Partnership Arrangements with an External Provider.
- 1.3 Further meetings and negotiations with the potential suppliers have taken place and more detailed costings been obtained. As a result of these it was decided that provision via DAP would be pursued.
- 1.4 This is an exciting development for future Internal Audit provision at MDDC.

2.0 Governance Arrangements

2.1 Devon Audit Partnership

This is a shared service arrangement (currently) between Devon, Torbay, Plymouth and Torridge councils constituted under section 20 of the Local Government Act 2000; DAP was founded in April 2009.

- 2.2 Devon County Council acts as "host" to the Partnership, and provides services such as payroll, insurance, HR and legal services.

2.3 Partnership Committee

This consists of 2 Members each from Plymouth, Torbay, Devon and Torridge councils. For 2017/18, Mid Devon will be invited to send two members to the Committee, in a "non-voting" capacity. From 2018/19, Mid Devon will have 2 voting representatives on the committee. Terms of reference are:-

- receive and consider reports from the Management Board, the Head of Internal Audit Partnership, external assessment reports and the Host Council;
- approving the annual accounts of the Partnership;
- approving the budget in respect of the Audit Partnership functions;
- approving the future appointment and dismissal or removal of the Head of Internal Audit Partnership;
- approving changes to the Partnership Client base, trading agreements, charging policies and other necessary matters pertaining to the future operations of the Partnership;
- resolving any disputes that are still unresolved after reference to the Management Board.

2.4 Partnership Board

This is composed of the S151 officers from Plymouth, Torbay, Devon and Torridge councils plus the Head of Partnership. For 2017/18 the S151 officer

from Mid Devon will be invited to attend the meetings (but as a non-voting representative), but from 1 April 2018, the S151 officer for Mid Devon will be a voting member. Terms of reference are:-

- Recommending the budget subject to the Partnership approval
- Approving all changes to budgets subject to the approval of the Partnership where appropriate
- Receiving and approving performance reports from the Head of Internal Audit Partnership
- The carrying out of any Performance Reviews
- Setting and reviewing the performance of the Partnership
- Resolving Disputes
- Accommodation responsibility

2.5 The Future

- 2.3.1 The (current) Partners agreed to an extension of the Partnership for a further 7 years from April 2017, with a review after 5 years.
- 2.3.2 The contract has been agreed and has a “rolling” element that enables the Partnership to enter into longer term contracts in an effective manner.
- 2.3.3 It is important that internal audit remains “relevant” – the need to make financial savings is recognised and has been achieved; careful consideration will be required when setting future resourcing levels to ensure that the service is properly resourced and funded to continue to provide professional, effective, and pro-active and value added services.
- 2.3.4 There will be pressure to reduce audit days, however this must be considered against sound risk management processes and the need to have effective and adequate independent assurance to meet Senior Management, s151 Officer and Audit Committee requirements.
- 2.3.5 In order to ensure that the Partnership can plan effectively in the way it delivers services, the agreement requires Partners to provide 12 months’ notice if they wish to leave the Partnership.

3.0 Conclusion and Recommendations

- 3.1 Further work will be undertaken to ensure a smooth transitional process is achieved this will take about 3 months.
- 3.2 Transitional internal audit management provision has already started under an SLA for an initial period of three months which could be extended if necessary to properly complete due diligence and governance arrangements.

- 3.3 Subject to the DAP Partnership Committee agreeing to admit MDDC to membership, at their meeting on 21 June, that the recommendations detailed at the start of the report are recommended for approval to Full Council on 28 June 2017.

Contact for more Information: Catherine Yandle, Audit Team Leader, x4975

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

List of Background Papers: Previous Audit Committee papers on this item

AUDIT COMMITTEE 30 MAY 2017

PROGRESS UPDATE ON THE ANNUAL GOVERNANCE STATEMENT ACTION PLAN

Cabinet Member Cllr Clive Eginton, Leader
Responsible Officer Catherine Yandle, Internal Audit Team Leader

Reason for Report: To provide the Committee with an update on progress made against the Annual Governance Statement Action Plan for 2016/17.

RECOMMENDATION(S): The Committee note the progress update

Relationship to the 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 arising from this report.

Legal Implications: None arising from this report.

Risk Assessment: Failure to monitor progress against the Annual Governance Statement Action Plan could result in comment from the external auditors when they next review the Annual Governance Statement.

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

1.0 Introduction

- 1.1 The purpose of this report is to provide Members of the Committee with an update on the progress that has been made against the actions in the Annual Governance Statement Action Plan since the Audit Committee approved it in July 2016.
- 1.2 The Action Plan is attached as Appendix A and progress updates have been noted on the document. Only one action is incomplete but progress is being made.
- 1.3 The Annual Governance Statement for the 2016/17 financial year will be presented to the Audit Committee at the meeting on 17 July 2017 with the Statement of Accounts as required by Regulation 6(1)(a) of the Accounts and Audit Regulations 2015.

Contact for more Information: Catherine Yandle Internal Audit Team Leader ext 4975

Circulation of the Report: Management Team and Cllr Clive Eginton

List of Background Papers: None

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Action Plan: Actions for 2016-2017

Performance and Risk Management

- The Corporate Plan risk assessment needs to be taken to Management Team and then for the risks to be entered onto SPAR
- The risks from the Service Business Plans need to be entered onto SPAR

Agreed Approach	Responsible Officer	Target Date	Progress
1. Take the Corporate Plan risk assessment to Management Team	Head of Communities and Governance	End June 2016	The necessity for this was reviewed in the light of 2 and 3 below; it is felt that these actions fulfil this.
2. Review the risks in the service business plans	Internal Audit Team Leader	End June 2016 - Done	This is done as part of every audit. But was also done to address the following task.
3. Enter the Corporate and service risks onto SPAR	Internal Audit Team Leader	End June 2016 - Done	The new risks and PIs were entered on SPAR as far as possible in time to report for the June quarter end.
4. Ensure that any risks associated with exit from the EU are fed into the risk register as and when the picture becomes clearer and take action to mitigate those risks, where appropriate	Management Team	As and when appropriate	Still unknown at present

Business Planning

Suggestions for improvement:

- Review and improve the service business plan template

Develop a timetable for key dates throughout the year i.e. business plan preparation, training plans, budget preparation, etc.

Agreed Approach	Responsible Officer	Target Date	Progress
5. Review and improve the service business plan template	Head of Communities and Governance	End July 2016 - Done	An all day workshop to present Service Business Plans was held at Senior Officer Forum on 14 April with renewed formats and peer review/questions
Develop a timetable for key dates throughout the year i.e. business plan preparation, training plans, budget preparation, etc.	Head of Communities and Governance	End July 2016 - Done	There are separate timetables for Training plan template completion (October) and Budgets (February)

Staff			
Suggestions for improvement: <ul style="list-style-type: none"> • Deliver the actions set out in the staff survey action plan 			
Agreed Approach	Responsible Officer	Target Date	Progress
7. Deliver the actions set out in the staff survey action plan	Director of Corporate Affairs & Business Transformation	End June 2017	The overall survey results have been circulated to all staff and the Peer Review team, the service level results have been sent to managers and workshops to discuss concerns have been commenced.

Constitution/Members**Suggestions for improvement:**

- Training provided for officers re the new Constitution

Review and update the complaints process for complaints about Councillors

Agreed Approach	Responsible Officer	Target Date	Progress
8. 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	End July 2016 - Done	The amended constitution was approved by Standards in February 2016 with briefings on the code of Conduct and Register of Interests completed by the end of October 2016
9. Review and update the complaints process for complaints about Councillors and present to the Standards Committee for approval	Director of Corporate Affairs & Business Transformation	End April 2017 - Done	A peer review of the standards regime was carried out and an initial report went to Standards on 25 January and Full council on 22 February 2017. An extra meeting for Standards was scheduled on 4 April to progress this as further appendices had been requested. Subject to the amendment of some wording the Code of Conduct for Councillors and Co-opted Members was recommended to Full Council for Approval. This duly took place on 26 April 2017.

9
Page
19

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AUDIT COMMITTEE 30 MAY 2017

STRATEGIC AUDIT PLAN FOR 2017/18

Cabinet Member Councillor Peter Hare-Scott
Responsible Officer Audit Team Leader, Catherine Yandle

Reason for Report: To present the Strategic Audit Plan for 2017/18 to 2020/21 and the detailed Audit Work Plan for 2017/18.

RECOMMENDATION: The Committee approves the Audit Plans.

Relationship to Corporate Plan: Effective Internal Audit is a fundamental element of being an economic, efficient and effective council and can assist with reducing costs and doing things differently and better.

Financial Implications: Inadequate Internal Audit coverage would mean that the Internal Audit Manager cannot form an opinion as to the effectiveness of MDDC's internal control environment.

Legal Implications: Failure to produce a risk based audit plan would cause the Council to be in breach of the Public Sector Internal Audit Standards (PSIAS).

Risk Assessment: Without a strategic audit plan to adhere to, the Council is at risk of providing inadequate audit coverage on high-risk areas and no assurance on the control environment.

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

1.0 Introduction

- 1.1 The PSIAS require that the head of internal audit prepares a risk based strategic audit plan, which should take account of the adequacy and outcomes of the organisation's risk management, performance management and other assurance processes.
- 1.2 The draft four year plan was presented to this Committee for consideration at the meeting on 21 March; a minor change was proposed to move Members' allowances to 2019/20, which fits in well with the next district election date, so this has been done along with other minor adjustments such as service structure changes.
- 1.3 The detailed Internal Audit Work Plan for 2017/18 has now been prepared from this in consultation with management and is attached at Appendix A for your consideration.

2.0 Recommendation

- 2.1 That the Committee approves the detailed Internal Audit Work Plan for 2017/18 which is attached at Appendix A and the four year Strategic Audit Plan 2017/18 to 2020/21 attached at Appendix B.

Contact for more Information: Catherine Yandle, Audit Team Leader

Circulation of the Report: Cabinet Member and Management Team, Devon Audit Partnership

INTERNAL AUDIT WORK PLAN FOR 2017/18 FINANCIAL YEAR

Audit/Task	Number of Days	Quarter 1 Apr to Jun	Quarter 2 Jul to Sept	Quarter 3 Oct to Dec	Quarter 4 Jan to Mar
Core Audits	155				
Council Tax/NNDR/Recovery	30			X	X
Income and Cash Collection	15			X	X
Main Accounting System incl deeds testing	20	X		X	X
Housing Benefits	20			X	X
Creditors	10			X	X
Housing Rents	20			X	X
Treasury & Cashflow Management	5			X	X
Payroll	15			X	X
Car Parking Income/Trade Waste	15			X	X
ICT Core	5			X	X
Systems Audits	215				
DOs	10	X			
Electronic payments/online forms/social media	15	X			
Contract Register & Contracts (2-yearly)	20	X			
Health & Safety (Housing)	10	X			
Environmental Health	15	X			
Enforcement	10	X			
Community Engagement & Consultation	10		X		
Travel & Subsistence	10		X		
Insurance	10		X		
Enforcement	10		X		
Safeguarding	10		X		
Housing Options	10		X		
Markets	10		X		
Customer Care Complaints	10		X		
Lords Meadow Leisure Centre	20		X		
Computer Inventory	5			X	
Electoral Registration & Elections	10			X	
Care Services	5				X
Development control	15				X
Other Work	25				
Fraud/Irregularity/Consultancy/Contingency	25	X	X	X	X

Audit Work	395	91.25	106.25	96.25	101.25
Completed /started	45	45			
Scheduled	25	25			
Not scheduled yet	300	15	100	90	95
Other	25	6.25	6.25	6.25	6.25

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Audit Code	Audit Area	Year Last Audited	Days 2017/18	Days 2018/19	Days 2019/20	Days 2020/21	TOTAL
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CORE FINANCIAL AUDITS (- Annual)

CORE 1	Council Tax and NNDR	2016/17	20	20	20	20	80
CORE 2	Income and Cash Collection	2016/17	15	15	15	15	60
CORE 3	Main Accounting System (including Deeds Testing)	2016/17	20	20	20	20	80
CORE 4	Housing Benefits	2016/17	20	20	20	20	80
CORE 5	Creditors	2016/17	10	10	10	10	40
CORE 6	Housing Rents (including rent arrears)	2016/17	20	20	20	20	80
CORE 7	Treasury and Cashflow Management	2016/17	5	5	5	5	20
CORE 8	Payroll	2016/17	15	15	15	15	60
CORE 9	Recovery	2016/17	10	10	10	10	40
CORE 10	Car Parking Income} alternate years	2016/17		15		15	30
CORE 10	Trade Waste }	2015/16	15		15		30
CORE 11	ICT Core Audit	2016/17	5	5	5	5	20
TOTAL CORE FINANCIAL AUDITS			155	155	155	155	620

SYSTEMS AUDITS (Risk Based- mainly 4-yearly)**Human Resources (Jane Cottrell)**

HUR1	Time Recording System	2014/15		10			10
HUR2	Sickness and Other Time Off	2016/17				15	15
HUR3	Recruitment, Selection	2015/16		5			5
HUR4	Appraisals and Training	2015/16			10		10
HUR5	Travel and Subsistence (incl Pool cars)	2013/14	10				10
HUR6	JE	2015/16			10		10
HUR7	Corporate Health & Safety incl Homeworking/Loneworking (2yrs)	2015/16		10		10	20
HUR8	Safeguarding		10				10
Human Resources Total			20	25	20	25	90

Financial Services & Procurement (Vacancy)

FIN1	VAT(2-yearly)	2017/18			10		10
FIN2	Insurance(2-yearly)	2015/16	10		10		20
FIN3	Leasing and asset management (Vehicles/Equipment/IT)	2014/15		10			10
FIN4	Procurement (2-yearly)	2015/16		20		20	40
FIN5	Contract Register & Contracts (2-yearly)	2014/15	20		20		40
Financial Services & Procurement Total			30	30	40	20	120

ICT (Liz Reeves)

ICT1	Telephones - Fixed and Mobile	2014/15			5		5
ICT2	Computer Inventory - hardware and software	2012/13	5				5
ICT3	Data Protection & IS (2-yearly)	2016/17		10		10	20
ICT4	Freedom of Information	2015/16			10		10
ICT5	Gazateer Management - Street Naming & Numbering	2014/15		5			5
ICT Total			5	15	15	10	45

Planning (Jenny Clifford)

PLA1	Building Control (incl income and all other areas)	2012/13		10		10	20
PLA2	Development Control	2013/14	15				15
PLA3	Listed Buildings and Conservation Areas	2015/16			10		10
PLA4	Forward Planning	2013/14		10			10
PLA5	Enforcement		10			10	20
Planning Total			25	20	10	20	75

Public Health Services (Simon Newcombe)

PHS1	Environmental Health	2008/09	15				15
PHS2	Licensing Services	2016/17				10	10
PHS3	Private Sector Housing	2016/17			10		10
PHS4	Emergency Planning (also Business Continuity Planning) (2yrs)	2015/16		10		10	20
Public Health Services Total			15	10	10	20	35

Leisure (Andrew Pritchard) one a year

LEI1	Exe Valley Leisure Centre (incl income and all other areas)	2016/17			20		20
LEI2	Culm Valley Sports Centre (incl income and all other areas)	2015/16		20			20
LEI3	Lords Meadow Leisure Centre (incl income and all other areas)	2014/15	20			20	40
Leisure Total			20	20	20	20	80

Legal & Democratic Services (Jill May)

L&D1	Members Allowances	2016/17			10		10
L&D2	Gifts & Hospitality/Register of Interests (2 yearly)	2016/17		5		5	10
L&D3	Electoral Registration & Elections	2013/14	10				10
L&D4	Local Land Charges	2016/17				10	10
L&D5	Legal Services	2015/16		10			10
Legal & Democratic Total			10	15	10	15	50

Audit Code	Audit Area	Year Last Audited	Days 2017/18	Days 2018/19	Days 2019/20	Days 2020/21	TOTAL
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Street Scene (Stuart Noyce)

SSS1	Refuse & Recycling (2 yearly)	2016/17		20		20	40
SSS2	Vehicles & Fuel (including inventory & maintenance)	2015/16			20		20
SSS3	District Officers	2011/12	10				10
SSS4	Street Cleansing & Public Cleaning		5				5
SSS5	Grounds Maintenance (Parks & Open Spaces)	2013/14	10				10
Street Scene Total			25	20	20	20	75

Customer Services (Liz Reeves)

CSE1	Customer Care/Complaints	2012/13	10				10
CSE2	Electronic payments/online forms/social media		10		10		20
Customer Services Total			20	0	10	0	30

Housing & Property Services (Andrew Pritchard)

HPS1	Care Services (Alarm Income)	2010/11	5				5
HPS2	Repairs and Maintenance	2014/15		20			20
HPS3	Stores	2016/17				10	10
HPS4	Health & Safety Management Arrangements incl Estate Inspections (2-yearly)	2014/15	10		10		20
HPS6	Cemeteries & Bereavement Services	2016/17				10	10
HPS8	Voids Management Arrangements	2016/17				10	10
HPS9	Lettings	2016/17			10		10
HPS10	Housing Options	2013/14	10				10
HPS11	Service Charges			10			10
HPS12	Standby	2016/17				5	5
Housing & Property Services Total			25	30	20	35	110

Economic & Community Development (John Bodley-Scott)

CDE1	Grants, subscriptions & donations	2015/16			10		10
CDE2	Community Engagement & Consultation		10				10
CDE3	Economic Regeneration	2014/15		10			10
CDE4	Markets	2014/15	10				10
Economic & Community Development Total			20	10	10	0	40

SYSTEMS AUDITS TOTAL

215	195	185	185	750
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ASSURANCE WORK

	Spar/Data Quality		0	0	0	0	0
Assurance Work Total			0	0	0	0	0

OTHER WORK

	Fraud/Irregularity/Consultancy/Contingency		25	45	55	55	180
Other Work Total			25	45	55	55	180

SUMMARY							
Available Audit Days			343	343	343	343	
Management			52	52	52	52	
Core Systems			155	155	155	155	
Systems Audits			215	195	185	185	
Assurance Work			0	0	0	0	
Other Work			25	45	55	55	
TOTAL			395	395	395	395	

AUDIT COMMITTEE 30 MAY 2017

INTERNAL AUDIT OUTTURN REPORT 2016/17

Cabinet Member **Cllr Peter Hare-Scott**
Responsible Officer **Audit Team Leader, Catherine Yandle**

Reason for Report: To update the Committee on the work performed by Internal Audit during the 2016/17 financial year as required by the Public Sector Internal Audit Standards.

RECOMMENDATION(S): That the Audit Team Leader continues to report back to the Committee on any outstanding audit recommendations as part of the regular progress reports.

Relationship to Corporate Plan: Effective Internal Audit plays a fundamental role in assisting the Council with its governance and assurance process.

Financial Implications: None

Legal Implications: None

Risk Assessment: Potential breach of the Public Sector Internal Audit Standards.

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

1.0 Introduction

- 1.1 This report summarises the activities of Internal Audit for the year ended 31 March 2017, as required by the Public Sector Internal Audit Standards (PSIAS).
- 1.2 The PSIAS define Internal Audit as; *‘an independent, objective assurance and consulting activity designed to add value and improve an organisation’s operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.’*
- 1.3 The conclusion from the work conducted by Internal Audit is that generally the systems reviewed contained a satisfactory level of internal control, achieved their desired objectives and complied with the requirements of the Financial and Contract Procedure Rules as laid down in the Authority’s Constitution.
- 1.4 Where during the course of our work we have identified areas where financial and management controls could be improved or laid down procedures were not fully followed, recommendations for change and improvement have been agreed with appropriate officers and corrective action planned and/or implemented accordingly.
- 1.5 We use our Service Performance and Risk software (SPAR) to monitor and report on outstanding recommendations which has improved the management

of audit action plans. Information from SPAR regarding recommendations, completed and outstanding, is attached as Appendix 1 to this report.

2.0 Compliance with Professional Standards

- 2.1 The practices and procedures of Internal Audit are periodically reviewed against the PSIAS by self-assessment done annually as part of the evidence gathering process for the Annual Governance Statement.
- 2.2 Every public sector body is required to ensure an ongoing commitment to the PSIAS and, at least once every 5 years, arrange for the external assessment of the internal audit service against the standards. MDDC took the approach of an independent validation of the self-assessment findings with a formal report in November 2014.
- 2.3 The consultant was of the opinion that the content of the 2014 self-assessment of the Internal Audit service against the PSIAS presented a true and fair view.
- 2.4 PSIAS 2450 requires the Audit Team Leader to provide an annual report to the Audit Committee timed to inform the Annual Governance Statement, This must include:
 - An opinion on the overall adequacy and effectiveness of the Council's framework of governance, risk management and control
 - The expectations of senior management, the board and other stakeholders
 - Disclose any qualifications to that opinion, together with reasons for the qualification
 - Present a summary of the audit work from which the opinion is derived, including reliance placed on work by other assurance
 - Draw attention to any issues the Audit Team Leader judges particularly relevant to the preparation of the Annual Governance Statement Compare the work actually undertaken with the work that was planned and summarise the performance of the internal audit function against its performance measures and targets
 - Comment on the compliance with the PSIAS
 - The results of the internal audit quality assurance and improvement programme

3.0 Scope of Internal Audit Activities

- 3.1 The scope of Internal Audit within the Council is unrestricted in that the Audit Team Leader is responsible for the review of all aspects of internal control across the Council's activities.
- 3.2 Internal Audit was afforded unrestricted access to all relevant personnel, records, documents and correspondence to enable audit reviews to be conducted effectively in the 2016/17 financial year.
- 3.3 The Audit Team Leader also has access to the Chief Executive, the Section 151 Officer, the Leader of the Council and Chairperson/Vice Chairperson of

the Audit Committee as outlined in Section 18.3.3 of the Financial Regulations (approved by Cabinet on 24 April 2013).

4.0 Basis and Completion of the Annual Internal Audit Plan 2016/17

- 4.1 The 2016/17 Strategic Audit Plan was presented to the Audit Committee at its meeting on 15 March 2016, where it was approved. The Internal Audit Section has 2.7 FTE staff.
- 4.2 The sections below give a summary of the work completed by Internal Audit in the financial year against the approved Audit Plan: A total of 24 audit reviews were conducted for the 2016/17 financial year. The audit opinions are reproduced in full below.
- 4.3 Four of these, included at 24-27 below, have not previously been discussed at Audit Committee.
- 4.4 **Core Audits** – All core audits for 2016/17 were completed i.e. Housing Benefits, Payroll, Car Parking Income (biennial with Trade Waste), Council tax/NNDR & Recovery (combined), Housing Rents, Income & Cash Collection, Creditors, Treasury Management, ICT Core and Main Accounting. Deeds was not done till May 2017 for a sample selected by Grant Thornton.
- 4.5 **Systems Audits** – The following 14 were completed: Refuse & Recycling, Stores, Data Protection & Information Security, Private Sector Housing, Cemeteries & Bereavement Services, Standby, Voids Management, Licensing, Sickness & Other Time Off, Lettings, Land Charges, Members' Allowances, Gifts & Hospitality and Exe Valley Leisure Centre.
- 4.6 The systems audits not completed in 2016/17 have been prioritised in the 2017/18 Audit Work Plan also presented at this meeting, 3 are complete already.
- 4.7 **Corporate Work** – Included work on SPAR, analysing and reviewing the adequacy of the council's risk management arrangements, job evaluation panels for Human Resources, data quality, investigations, and the annual Stores stock take.

5.0 Refuse & Recycling

- 5.1 The area of refuse and recycling seems to be well managed and have good processes and procedures in place for areas such as safe systems of work and driver licence checking using an outside company. The website page provides a lot of information for members of the public which is informative and up to date. Recycling awareness is also promoted by carrying out talks to groups e.g. WI.
- 5.2 The introduction of charging for garden waste and changes to food/recycling and rounds has all been implemented really well. Income for 2015/16 has increased slightly on the previous 2 years.

- 5.3 There are a couple of areas where weakness was found and improvement is required. At present there is not a good record of training that has been carried out by members of staff, the person responsible for this area is no longer with the Council and it is important that this duty is re-allocated to improve the current process. Also there doesn't seem to be a service level agreement for implementing assisted collections.
- 5.4 It is the overall opinion of the auditor that the Refuse and Recycling system is adequately controlled.

Summary of Recommendations		
High	Medium	Low
0	1	2

6.0 Stores

- 6.1 Stores use the Orchard system for the control of stock. Booking stock in and out, issuing stock as requested for specific jobs, consumables or van stock. Stocks of PPE and cleaning products are also kept and issued to members of staff in other Council services who require these items.
- 6.2 There are automated interfaces in place which transfer information from Orchard to e-Procurement and e-Financials. The handheld device used to book the items out to jobs is also interfaced with Orchard. There seems to be good control of stock with little intervention to stock lines. The Stores Supervisor runs a regular report for re-order levels of stock to ensure items are replenished at suitable intervals and a lot of work has been carried out to improve the tidiness and layout of stores to achieve more efficient processes/use of time.
- 6.3 There are still some obsolete and very low usage stock items held in stores, which need to be disposed of, (or at least reduced in quantity), in accordance with the Financial Regulations.
- 6.4 An area of improvement would be to have procedure notes in place as a measure to cover unexpected absences.
- 6.5 It is the overall opinion of the auditor that the stores system is well controlled.

Summary of Recommendations		
High	Medium	Low
0	1	1

7.0 Data Protection & Information Security

- 7.1 As part of the ongoing channel shift agenda, customers of MDDC are being encouraged to do more things online, such as updating personal information and completing forms on line to enable the council to streamline services and make them more efficient. The Council's Website has been updated since the previous Audit in 2014 to address this. With the increase in online activity the provisions of the Data Protection Act 1998 and principles of information

security are an integral part of the process, so that customers can be assured that their information is kept securely and used appropriately.

- 7.2 The Council's Data Protection Policy (DPP) has been updated (January 2016) in line with the policy review program, and all employees and Councillors are required to read and accept this policy.
- 7.3 As a 'data controller' Mid Devon District Council and Councillors are required to be registered with the Information Commissioner; it was confirmed that MDDC and all the Councillors were registered.
- 7.4 However, there are still some Councillors who have not yet completed the Council's on-line Data Protection Policy course. As data controllers, they have responsibilities for personal information that they need to be aware of in order to avoid a breach of the Act and possible financial penalty, as well as posing a reputational risk to the individual and organisation.
- 7.5 Although all but one of the online forms sampled contained a Fair Processing Notice, there is not currently an overarching statement available on the Website, and this needs to be addressed.
- 7.6 It is the overall opinion of the auditor that the DPA & IS system is adequately controlled.

Summary of Recommendations		
High	Medium	Low
1	4	0

8.0 Private Sector Housing

- 8.1 The Private Sector Housing Service works with multiple agencies to deliver improvements across the sector. At times this can present a challenge when attempting to align processes and objectives to deliver improved housing outcomes.
- 8.2 The work of the Private Sector Housing Team provides an essential and invaluable impact on the wider public health agenda. Outcomes from the delivery of disabled facilities grants and improved housing conditions through enforcement activity can assist in reducing bed-blocking, improving the amount of time individuals can remain independent in their own home and delaying the period of time before someone has to enter a care home by an average of four years.
- 8.3 In addition to the public health benefits the service also contributes to regeneration by raising the quality of the private housing stock. It can also improve community safety by ensuring homes are safe to live in and by bringing empty homes back into use.
- 8.4 It is the overall opinion of the auditor remains that the Private Sector Housing system is adequately controlled.

Summary of Recommendations		
High	Medium	Low
0	2	2

9.0 Cemeteries & Bereavement Services

- 9.1 The procedure notes for the administration of this service are extremely comprehensive and each process that needs to be followed for booking and arranging interments at the Tiverton and Crediton cemeteries is well documented. Fees for the service are paid in advance and the system for collecting these payments is well controlled.
- 9.2 The system used to input all the information relating to burials and which also creates the Grounds Maintenance works orders numbers is an Access Database. Although the database contains most of the information required, there is a performance issue with it, as it is extremely slow when accessing/processing information and updating which creates time inefficiency; a further limitation of the database is that there is no 'read only' functionality, so all users can make changes to records and there is no audit trail for these. Another concern is that the system is not supported.
- 9.3 All of the documentation received is filed on hard copies and currently 8 years of paperwork is filed within Phoenix House. The documents relating to previous years have been taken for storage off site. These documents should be scanned onto the document management system to enable them to be available to view and to ensure that the Service keeps up with the digitisation program.
- 9.4 Following on from these points and as a continuation of the digitisation project, it would be beneficial to carry out an independent lean process review to eradicate any duplication of work and to investigate the possibility of having a fully digitised Cemeteries System. A register of all deaths must be maintained and be available for members of the public to view. This is an extra process that is carried out at present. To have a system with a portal where members of the public were able to access the information on-line would be a vast improvement.
- 9.5 It is the overall opinion of the auditor that the Cemeteries and Bereavement system is adequately controlled.

Summary of Recommendations		
High	Medium	Low
0	5	0

10.0 Standby

- 10.1 The area of Standby seems to be well run and managed; there is an adequate level of cover provided for the provision of out of hours call outs and an audit trail of rotas. There have been vast improvements made to rectify the areas to do with staffing and equal pay which was identified on the last audit which was carried out in August 2012.

- 10.2 The Taunton Deane Telephone service seems to be good value for money but there does seem to be an element of double handling as 69% of the Taunton Deane calls are passed through to the Standby Officer.
- 10.3 There is also an MDDC out of hours lone working procedure which is run through Taunton Deane which at present is not being utilised. This has been put in place to ensure the safety of our employees and therefore should be utilised.
- 10.4 Something that may need to be monitored is the period of time worked by an employee for out of hours cover to ensure that the working time regulations are not breached.
- 10.5 It is the overall opinion of the auditor that the Standby system is adequately controlled.

Summary of Recommendations		
High	Medium	Low
0	5	0

11.0 Voids Management

- 11.1 The performance in relation to the time taken to re-let voids (standard and major voids) is monitored closely by the Housing Service, and reported on a monthly basis (see the performance management section below). Any repairs required on standard voids will be given priority over major voids to ensure a quick turn-around time and to reduce any rent lost through properties being unoccupied. It is worth bearing in mind that the work done as part of the voids program is reactive, so setting accurate targets is difficult.
- 11.2 It was established that there is regular liaison between the Voids Supervisor and the Planned Maintenance supervisor to ensure any properties which become void and are part of the planned maintenance work program are identified, and so can be transferred into the planned maintenance program. This ensures on-going efficiency and reduces the rent lost through properties being void as the major work can be done while the property is occupied. There were 12 properties where this situation occurred in 2015/16.
- 11.3 One of the reasons highlighted for performance issues in respect of major voids in 2014 - 15 was the poor state in which some of the properties were left once the tenant had vacated.
- 11.4 Following the review of the Voids Management Policy by the Tenants Together working group during 2015 which aimed to address some of the issues and reduce costs to the Council, one of the recommendations which was adopted was to ensure that pre-vacate inspections were carried out with the tenant by the Housing Options Officers. These inspections give the opportunity to remind tenants of their responsibilities under their tenancy agreement, to leave the property in good condition and to also identify and agree with them any rechargeable repairs that they would be responsible for.

- 11.5 Although there was evidence that this had been done for all the samples selected during testing, some of the forms were incomplete which could lead to the risk of property information and any rechargeable repairs being challenged by tenants.
- 11.6 It is the overall opinion of the auditor that the Voids Management system is well controlled.

Summary of Recommendations		
High	Medium	Low
0	1	1

12.0 Licensing

- 12.1 The Lead Licensing Officer has been in post since 1 June 2014. At the start of this audit it was found that an external review for the area of Licensing had been carried out in April 2015; any areas where recommendations were made have been followed up during this audit.
- 12.2 The area of Licensing is very well administrated with Licences being provided in very good time. The external review identified that the service level agreement (SLA) for producing licences was very prompt and this was extended to bring Mid Devon in-line with other Local authorities. It was hoped that this would provide the time required to carry out more inspections; this is now in place and regular inspections are being carried out which is good practice.
- 12.3 A lot of work has gone into the setting of fees. This is an area that could be open to challenge but there is a robust system in place to justify the level of fees set.
- 12.4 Procedure notes are not available for all Licensing processes and these should be in place to cover any unexpected absence. However, the Licensing team are aware of this and are working towards putting these in place.
- 12.5 There is a good Licensing system (Lalpac) which is used to efficiently process all the Licensing applications and provide the Licences. Unfortunately, the reporting side of the system is not as functional meaning that the team have to rely on spreadsheets to record some of their performance figures.
- 12.6 It is the overall opinion of the auditor that the Licensing system is adequately controlled.

Summary of Recommendations		
High	Medium	Low
1	6	0

13.0 Sickness & Other Time Off

- 13.1 Since the previous audit on Sickness and other time off was carried out in 2012/13 the Northgate Aurora system has been implemented and some of the paper based forms that used to be used for recording sickness have been replaced by an on-line self-service portal. Employees and managers can now

update sickness records on line, which should increase efficiency. Although the system is up and running adequately there is still a lot of development required to achieve the full potential of the system which, in turn, will enable the HR service/processes to be more automated and streamlined. A Systems Administrator has recently been employed in HR (12/6/16) to address the development of the system.

- 13.2 The Health and Safety Officer (H&SO) currently reports absence to the Health and Safety Committee, with the number of days lost through sickness, the type of sickness and the department affected. Any accidents at work or work related injury has to be notified to the H&SO using the accident reporting form.
- 13.3 However, currently there is no report that shows whether illness is work related but this is in the process of being developed. The problem of absenteeism due to stress will be further addressed by the H&SO through training for managers on ways to identify this type of absence.
- 13.4 All policies relating to sickness and other time off can be found on SharePoint under the Policies and Strategies tab. The main policies for anyone employed by the Council are the National Conditions and the Local Conditions. It appears that employees find these difficult to interpret and therefore HR have produced numerous policies to mirror the information within the National and Local conditions but in a more user friendly way. Alongside the policies there is also guidance for employees and managers for various processes. It is a lot of work to keep these up to date.
- 13.5 Monitoring of sickness absence trigger points is currently a largely manual process, which involves one of the HR Business Partners (HRBPs) running a Business Objects report. The HRBPs then populate a memo for each employee and disseminate these to the relevant managers. The problem of managers failing to apply the Sickness and other time off policies consistently still remains. HR can only advise and has no means to enforce these policies. However, with the current programme for training all managers, their responsibility and accountability for this process will be made clear.
- 13.6 It is the overall opinion of the auditor that the sickness and other time off system in terms of HR's responsibility is adequately controlled, although the part of the process which involves managerial responsibility is weak, and therefore poorly controlled.

Summary of Recommendations		
High	Medium	Low
0	8	0

14.0 Lettings

- 14.1 The Devon Home Choice computer system was audited by the South West Audit Partnership (SWAP) on behalf of EDDC in 2014/15 as part of a Tenancy Fraud Audit. Since then all of the high risk recommendations identified have been addressed; the system itself is well controlled and security for users and applicants is robust.

- 14.2 In terms of the administration of the lettings system by MDDC, the applications and allocations process works well.
- 14.3 All of the 20 of lets sampled from a 6 month period between July – December 2015 were allocated in line with the Council's procedures.
- 14.4 Since the revised Housing Allocation Policy was adopted in July 2016, there have been further amendments to the processes to ensure transparency in terms of the allocations process. One of these was to save all of the shortlisting reports with the reasons why an applicant had been 'skipped' (e.g. no local connection, where this was a condition). There was some inconsistency in this process, as 11 of the 20 shortlisting reports were missing. While the reports can be run retrospectively, it would mean the officer responsible would have to duplicate work already done if an applicant challenged the process.
- 14.5 It is the overall opinion of the auditor that the Lettings system is adequately controlled.

Summary of Recommendations		
High	Medium	Low
1	3	0

15.0 Land Charges

- 15.1 The Land charges team maintain a very efficient service, and meet their high target of 100% for turning requests around in 5 working days for most quarters. In 2015/16 they received 1,866 requests, with 1,221 (65%) being turned around within 1 working day. Only 2 (0.10%) searches failed to meet the 5 day target, and these were actually on day 6.
- 15.2 As well as carrying out 1,866 search requests in 2015/16, the Land Charges officers facilitated 356 personal searches where members of the public came into the office to conduct searches for themselves. Although the Land Charges Officers do not gather the information for members of the public, they are required to monitor and assist where necessary.
- 15.3 There is an adequate level of insurance to provide cover against any claim of inadequate information provided on a search. There have been no claims since 1995 so this would indicate that the Service is providing the correct information.
- 15.4 It is the overall opinion of the auditor that the Land Charges system is well controlled.

Summary of Recommendations		
High	Medium	Low
0	1	0

16.0 Members' Allowances

- 16.1 There are areas of payment of Members Allowance that are well monitored and well run. There is an independent Remuneration Panel who reviews and puts forward recommendations with regard to the level of Members Allowances. These recommendations are approved by Council and form the Members Allowances Schedule.
- 16.2 The Members monthly salary information held on the Payroll system is also available on the Finance system, eAnalyser. The information is uploaded automatically on a monthly basis and is well managed and controlled with the costs being allocated to the correct codes.
- 16.3 Payments to Members of basic and special responsibility allowances must be closely monitored to ensure correct payments are being made especially at a time of change e.g. after an election. A check was run earlier in the year between Member Services and Payroll to double check that payments being processed are correct. This is a very good process and should be carried out on a regular basis.
- 16.4 It is evident that Member Services have made improvements to the monitoring of travel, subsistence and other claims since the last audit. Where there has been a late expenses claim authorisation has been obtained with the exception of one claim. It is important to keep reinforcing the rules within the scheme to ensure that breaches do not occur. It is felt that there could be more checking of attendance at general Council meetings.
- 16.5 It is the overall opinion of the auditor that the Members Allowances system is adequately controlled.

Summary of Recommendations		
High	Medium	Low
0	1	1

17.0 Gifts & Hospitality

- 17.1 All Members were required to declare any 'Disclosable Pecuniary Interest' and 'non Pecuniary Interests' after election in 2015. Whilst there have not been any new Members since the last audit, Members do amend their Register of Interest forms as changes occur.
- 17.2 New employees are required to agree to the terms and conditions of the Officers' Code of Conduct before they start work. This area seems to be generally well monitored, although in the absence of checklists, the exclusively computerised HR files run the risk of being incomplete; indeed the only missing form was on one of these files.
- 17.3 There were 15 declarations received from members of staff. There were 4 declarations of over £10 but only one exceeded the £25 threshold. There were no declarations of gifts from Members.

- 17.4 As was observed the last 2 years it is difficult to monitor the area of gifts and hospitality as it relies on staff and Members declaring fully any items/hospitality received. A lack of disclosure would probably only be apparent if for example there was an instance of whistle-blowing. This highlights the importance of regular reminders.
- 17.5 It is the overall opinion of the auditor that the Gifts & Hospitality system is adequately controlled.

Summary of Recommendations		
High	Medium	Low
0	2	1

18.0 Exe Valley Leisure Centre

- 18.1 The Leisure Service covers 3 facilities, two with swimming pools (Exe Valley Leisure Centre and Lords Meadow Leisure Centre) and one without (Culm Valley Sports Centre). The service has undergone a major restructure in the past 12 months, in order to achieve a more strategic approach which will incorporate more consistent practices across all 3 sites.
- 18.2 Due to the latest restructure and the high levels of changeover of staff, training issues in respect of financial procedures have been identified and measures have begun to be put into place to address these; e.g. the revision and updating of procedure notes.
- 18.3 The nature of the business means that, the rota system used by the leisure centre for staff rota's is manual and time consuming. Using the Council's Etarmis system may be a possibility, but would require complex configuration. Although there is always a risk of human error when doing the rota's manually, no evidence was found in the samples selected during the audit that any errors had occurred.
- 18.4 Despite previous recommendations following audits of the other Leisure Centres, some staff are still not using the card 'clocking in' system at EVLC (the swimming teachers in particular). Although all of the sessions for fitness classes and swimming lessons are covered, the risk remains that if there was a last minute change to the person taking a class, the wrong person could be paid if the rota is not updated and the employees haven't clocked in. Therefore it must be enforced that all staff use the card clocking in system.
- 18.5 It is the overall opinion of the auditor that the Exe Valley Leisure systems are adequately controlled.

Summary of Recommendations		
High	Medium	Low
0	9	0

19.0 Housing Benefit

- 19.1 The process in place for monitoring and chasing Housing Benefit overpayments carried out by the Benefit Assessors and Supervisors is robust and well managed, through the use of CRM and a workflow process.
- 19.2 This area of Housing Benefit overpayment is particularly difficult to recover, as there is a threshold (set by DWP annually) that cannot be exceeded for the amount recovered from on-going benefit, therefore it can take a long time to claw back any money which has been overpaid. If the person is in employment it is possible to apply a direct earnings attachment, this has been helpful in obtaining repayment of overpayments and is applied wherever possible. Overpayments of over £2,000 as a result of fraud, are referred to DWP for investigation/prosecution. However, it is disappointing that for the cases referred, it is very rare that they result in prosecution.
- 19.3 As mentioned, debts are regularly monitored and are only written off when the point has been reached where collection is unlikely or uneconomical, and in line with the Financial Regulations.
- 19.4 The reconciliations between the Housing Benefit System and e-Financials continue to be carried out in a timely manner and any variances are investigated and quickly resolved; the provision for bad debt is prudent.
- 19.5 It is the overall opinion of the auditor that the Housing Benefits System is well controlled. There were no recommendations on this audit.

20.0 Payroll

- 20.1 The Payroll service continues to operate well and has robust processes in place. Systems access is well controlled, the year-end processes are well documented and the parameter changes which take place at the beginning of each financial year are verified and checked to ensure accuracy.
- 20.2 All Real Time Information (RTI) Submissions made by Payroll to HMRC have been carried out and sent within the given time lines.
- 20.3 One of the weaknesses highlighted in previous audits has been the lack of publishing regularly updated establishment listings, which was partly due to system limitations. The testing and implementation of third party software has helped to address this issue, although some manual intervention is still required. However, it is an improvement on the previous process and the System Administrator will be looking at ways to further automate the procedure and agree a timetable with the HR Business Partners to publish updated structure charts.
- 20.4 It is the overall opinion of the auditor that the Payroll system is well controlled.

Summary of Recommendations		
High	Medium	Low
0	2	0

21.0 Car Park Income

- 21.1 The process for approving the pricing increases for car parking has been comprehensive, and was extensively reviewed by the Car Parking working group, and the procedure for approval by Cabinet has been followed correctly.
- 21.2 The reconciliation of the income for pay and display car parks is completed on a monthly basis and in a timely manner by the Accountant responsible for posting the car parking income. Any differences between the amounts collected and amounts banked are recorded as overs or unders, in line with a recommendation from the previous audit.
- 21.3 In July 2016, an issue was identified with the number of vends recorded in 4 car parks as they seemed to be incorrect. Further investigation by the Accountant revealed that there had been a problem with the software installed in the P&D machines and the supplier was contacted. Due to a technical issue, the data for vends was 'lost'. After meeting with the supplier, they have given assurances that their technicians have been reminded of the correct procedure when updating the software. The bankings were unaffected.
- 21.4 The collection and counting of money from the pay and display machines is carried out by one contractor according to an agreed schedule, but the machines are owned by a different contractor. The Environmental Enforcement team and Accountant responsible for the car parking income reconciliations have recently been given online access to the P & D machine company's system which records the time and date of all collections which will help to monitor the number of vends and pick up any potential anomalies much more quickly.
- 21.5 Areas for improvement would be to populate the Pay & Display Cash Receipts spreadsheet promptly and deal with any missed collections or discrepancies, as they occur, by liaising with the appropriate contractor to resolve any issues. Invoices should then be monitored to ensure that we are only paying for services received and that credit notes are being received for all missed collections.
- 21.6 It is the overall opinion of the auditor that the Car Parking Income system is adequately controlled.

Summary of Recommendations		
High	Medium	Low
0	5	0

22.0 Council Tax, NNDR & Recovery

- 22.1 There are areas within Council Tax/NNDR and the Recovery section that are well run; the Revenues Team have recently overhauled their Procedure Notes (Council Tax), these seem to be comprehensive and adequate to enable others to cover duties should the need arise. NNDR have procedure notes in place and they are updated to reflect any legislative changes. There is adequate separation of duties in place.

- 22.2 Reliefs and exemptions for NNDR are being applied promptly. There were a small number of Council Tax accounts where the relief/exemption had not been applied promptly, but this was very low percentage.
- 22.3 The area of Valuation schedules being updated within the SLA of 5 working days has vastly improved. This has been since the restructure of the department and there now being cover available to carry out this work. The samples tested on average fell well within the 5 day SLA but in isolation there were samples where they exceeded the 5 day SLA.
- 22.4 Proof of posting documentation has also improved, with comprehensive workings to show the total number of bills produced, number of properties and referred extract records. There are a few recommendations which will hopefully improve this area further.
- 22.5 It is the overall opinion of the auditor that the Council Tax, NNDR and Recovery systems are adequately controlled.

Summary of Recommendations		
High	Medium	Low
0	5	0

23.0 Housing Rents

- 23.1 Overall, the process for current and former tenant arrears is well controlled and this is reflected in the Housing Service's PI's for Rent Arrears as a Proportion of Rent Owed, and the % of Former Tenant Arrears as a Proportion of Annual Rent Debit where the service has historically and currently performed very well.
- 23.2 There were a small number of Housing Benefit overpayments on some tenant accounts, which pre-date 2006 when the Housing Service was responsible for recovery of certain Housing Benefit overpayments. These should be written off.
- 23.3 It is the overall opinion of the auditor that the Housing Rents system is well controlled.

Summary of Recommendations		
High	Medium	Low
0	3	0

24.0 Income & Cash Collection

- 24.1 There are areas of Income and Cash Collection that are well controlled including security of incoming post, banking's and the promptness and accuracy of invoicing by the Debtors section (once instructed), there is also much more automation of this process which is encouraging to see. However, service departments are still raising invoice instructions after the service has been provided. This increases the risk that the debt may not be paid although the service has been delivered.

- 24.2 The cash receipting process is also very good and extremely accurate.
- 24.3 One area of weakness is the reasons given at times for a refund/reversal on the cash receipting system.
- 24.4 It is the overall opinion of the auditor that the Income and Cash Collection system is adequately controlled.

Summary of Recommendations		
High	Medium	Low
0	4	0

25.0 Creditors

- 25.1 The Creditors section performs extremely well against their increased target of paying 99% of suppliers within agreed payment terms (last year the target was set at 97.5%). The Officers responsible have maintained this high performance rate throughout the year and in 4 of the last 10 months have paid 100% of invoices within payment terms, which is excellent.
- 25.2 In order to ensure separation of duties and in line with good practice, Creditors staff do not have sufficient access rights to set up or update supplier records on the e-Financials system; this is done by the Officers in the Procurement section and ensures that the same person cannot set up bank details and also process the actual payment.
- 25.3 Although the Creditors team work hard to ensure that invoices are paid on time, a further efficiency in the process for scanning invoices could be achieved by the installation of Optical Character Recognition software (Db Capture), which would mean that invoices would be transferred straight onto the invoice register with the minimum of manual input. This would enable Creditors to encourage more suppliers to email their invoices rather than sending hard copies, save paper and shredding, and also mean a decrease in time spent manually scanning documents.
- 25.4 It is the overall opinion of the auditor that the Creditors system is well controlled.

Summary of Recommendations		
High	Medium	Low
0	2	0

26.0 Treasury & Cashflow Management

- 26.1 The Treasury Management function is found to be very well monitored and managed. Whilst it is evident that the security of the Council's financial assets is paramount, the rate of return is also monitored to obtain the best value for the Council.
- 26.2 In line with the CIPFA Prudential Code for Treasury Management, the Council's treasury strategy for 2016/17 was approved by Cabinet in Feb 2016. A change that was recommended was to increase the amount to invest with

the Churches, Charities & Local Authorities (CCLA) from £2.5m to £4m; this was agreed by Cabinet. This change was recommended due to the return being very competitive compared to other investments. A 6 monthly performance report was produced and sent to Cabinet in Oct 2016, which also complies with the Code.

- 26.3 Investments were all carried out in line within the guidance outlined in the Treasury Management Strategy. The only point was that not all of the broker confirmations could be found.
- 26.4 The accuracy of the quarterly borrowing and lending return was good and an improvement on past years.
- 26.5 There are some procedure notes for Treasury, these are from the 2012 audit so would benefit from a review to ensure that they are still accurate and up to date.
- 26.6 It is the overall opinion of the auditor that Treasury & Cashflow Management is well controlled.

Summary of Recommendations		
High	Medium	Low
0	0	2

27.0 ICT Core

- 27.1 The ICT Core system operates very well, meeting the requirements for a Public Services Network (PSN) connection and with high reported system availability (99.2%) and customer satisfaction (93.3%).
- 27.2 However, there could be alternative ways of measuring performance e.g. efficiency rather than availability and only Priority 1 call times are recognised as affecting system down time when there could be other factors e.g. Patch Wednesday, down time affecting only some users, lack of out of hours support.
- 27.3 The need to comply with the General Data Protection Regulations from May 2018, Brexit or not, will require a lot of work and housekeeping for MDDC, the time required for this to be undertaken must not be underestimated but work has already begun.
- 27.4 Business continuity represents a risk at present with changing technology and changes to the buildings the council owns, this needs to be looked at as an urgent priority.
- 27.5 It is the overall opinion of the auditor that the ICT Core system is adequately controlled.

Summary of Recommendations		
High	Medium	Low
2	5	0

28.0 Main Accounting system

- 28.1 In 2016, the Finance team succeeded in issuing the draft accounts to Audit Committee for the meeting on 31 May (in preparation to meet the new challenging deadline which will become a statutory requirement from 2017/18) and the audited accounts on 15 July 2016; this was an excellent achievement.
- 28.2 The overall budgetary position is monitored regularly throughout the year, with significant variances (over £10k) identified and investigated as the purpose of the Financial Monitoring report is to concentrate on material issues.
- 28.3 The bank reconciliation and other system reconciliations are completed regularly and any balances on suspense accounts are investigated and cleared in a timely manner.
- 28.4 It is the overall opinion of the auditor that the Main Accounting System remains well controlled.

Summary of Recommendations		
High	Medium	Low
0	0	1

29.0 Comment on the Council's Control Environment

- 29.1 Following on from the individual audit opinions above, the table below provides a summary of the Auditor's judgement on the control environment from the areas being reviewed (i.e. well controlled, adequately controlled or poorly controlled). Data for previous years are included to provide a comparison.

	2012/13	2013/14	2014/15	2015/16	2016/17
Well Controlled	4	6	8	6	9
Adequately Controlled	14	11	15	13	14
Poorly Controlled	2	3	1	4	1
Total	20	20	24	23	24

- 29.2 Regarding overdue audit recommendations the position overall has not changed much from last year after a tremendous improvement the year before; 25% of recommendations were overdue last year compared to 22% this year with no high priority recommendations overdue compared to 3 last year.
- 29.3 It is the opinion of the Audit Team Leader that the Council's control environment was, on the whole, adequate and effective in the 2016/17 financial year. 9 areas were assessed as well controlled in 2016/17, an increase over both the previous two years, including more than half the Core audits for the second year running. The area for which a poor opinion was given is considered further below.

- 29.4 Sickness & Other Time Off – There were 8 “medium” recommendations, 5 have been completed, but 1 out of the remainder is overdue. This relates to a complicated issue with regard to sickness reporting from the HR system which tends to over-report. Further training has taken place but there is more work to be done.
- 29.5 4 Audits were given a poor opinion in 2015/16; updates follow:
- 29.6 Vehicles & Fuel – Most of the recommendations have been completed with only 3 out of the 12 recommendations made remaining outstanding, 1 of these is overdue. The delay has occurred because of the depot move and major events in other services managed by the same manager, some of which could not have been foreseen.
- 29.7 Council Tax/NNDR – This was graded as poor due to escalation as recommendations had been outstanding for some years. It is pleasing to note that all of the recommendations have been completed and this year the opinion was adequate.
- 29.8 Appraisals & Training – A new manager is in place, 13 recommendations have been completed and 2 are remaining which are overdue; these relate to procedure notes and setting of performance indicators.
- 29.9 Procurement – All recommendations have been completed.
- 29.10 The recommendations for all “poor” audits for earlier years have been cleared.

30.0 Work Undertaken by Other Assurance Bodies

- 30.1 There were again some external inspections during 2016/17 which were taken into account when planning the Internal Audit work plan for 2017/18. The reviews included health & safety reviews by the Corporate Health & Safety Officer, and an audit by Mazars on Building Control on NDC.

31.0 Performance Information

- 31.1 The Internal Audit Charter outlines the quality assurance process. The Audit Team Leader supervises the Internal Audit Team and reviews the work for each audit prior to the draft report being issued to the audit client.
- 31.2 Where the Audit Team Leader has carried out an audit one of the other members of the Audit Team reviews her work. If the work is on another service which comes under the Team Leader’s line manager the report is agreed with the Chief Executive rather than the line manager.
- 31.3 We aim to send out surveys after audits. 23 were sent out and 19 have been returned so far. All bar two were scored by the client as 4-5 for all questions meaning they were satisfied or very satisfied with the process.
- 31.4 All surveys are reviewed for any actions that needed to be taken and we reflect any comments made in our audit processes wherever possible. For

both the surveys this year where there was less satisfaction, this was to do with the timing of the audit and lack of notice given in the main.

32.0 Conclusion

- 32.1 This report contains a summary of the work undertaken by Internal Audit in the 2016/17 financial year as well as ensuring that the requirements of the PSIAS are met.
- 32.2 I would like to take this opportunity to formally record my thanks to the Audit Team for their hard work and for the consistent quality of the work that they have produced, as usual, during the 2016/17 financial year.

**Contact for more Information: Catherine Yandle cyandle@middevon.gov.uk
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Circulation of the Report: Management Team and Cabinet Member, DAP

CORE SYSTEM

54%
24%
22%

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AUDIT COMMITTEE 30 MAY 2017

PERFORMANCE AND RISK FOR 2016-17

Cabinet Member Cllr Peter Hare-Scott
Responsible Officer Director of Corporate Affairs & Business Transformation,
Jill May

Reason for Report: To provide Members with an update on performance against the corporate plan and local service targets for 2016-17 as well as providing an update on the key business risks.

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

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

Financial Implications: None identified

Legal Implications: None

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

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

1.0 Introduction

- 1.1 Appendices 1-5 provide Members with details of performance against the Corporate Plan and local service targets for the 2016-17 financial year.
- 1.2 When benchmarking information is available it is included.
- 1.3 Appendix 6 shows the higher impact risks from the Corporate Risk Register. This includes Operational and Health & Safety risks where the score meets the criteria for inclusion. See 3.0 below.
- 1.4 Appendix 7 shows the risk matrix for the Council.
- 1.5 All appendices are produced from the Corporate Service Performance And Risk Management system (SPAR).

2.0 Performance

Environment Portfolio - Appendix 1

- 2.1 The **Residual household waste per household (measured in Kilograms)** and **% of household waste reused, recycled and composted** are both above target and have been all year. March figures are not yet available from Devon County Council. The **Net annual cost of waste service per household** is also above target.
- 2.2 Most of the PIs are above target with only 2 showing below target: **% of missed collections reported (refuse and organic)**; which is only marginally above target. **Number of Households on Chargeable Garden Waste**; sales/renewals have steadily increased since December 2016 and it is hoped that this will continue through the spring. Although the target hasn't been achieved a saving of £500k has been achieved.
- 2.3 There is an annual performance indicator: **to improve energy efficiency and continue to reduce consumption by 0.5% post degree day adjustment** this is below target this year, the degree day allowance is less than the previous year and an indication that more people are using the facilities; an overall benefit to the Council.

Homes Portfolio - Appendix 2

- 2.4 Due to issues with the building contractor, there have been no new Council Houses built in 2016/17. However, a new contract has been agreed with a different supplier, and they have given completion dates on the outstanding projects in Birchen Lane and Palmerston Park, as 17/11/17 and 18/05/18 respectively.
- 2.5 The **Percentage of Properties with a Valid Gas Safety Certificate** has fallen below 100% as there are currently 3 properties where tenants are refusing access to the Council. However, all the cases have been referred to Legal services to obtain access.
- 2.6 The performance indicators for Rents show that the service has performed very well once again and the **Rent Collected as a Proportion of Rent Owed** was over 100% for the fourth consecutive month in March 2017.
- 2.7 **Rent Arrears as a Proportion of Annual Rent Debit** in March 2017 were 0.60%, against a target of 1% which is encouraging as it shows arrears have steadily reduced compared to the figures in January (0.95%) and February (0.94%).
- 2.8 Following a major exercise by the Private Sector Housing team of inspecting all those properties that had been empty for 2 years or more, a new revised **empty homes** plan was implemented from September 2016. This has proven to be extremely successful with 33 empty homes being brought back into use, against an annual target of 15 for 2016/17.

Economy Portfolio - Appendix 3

- 2.1 As this was the first year for the Economy PDG, we are continuing to consider what measures best reflect the Corporate Plan targets but existing metrics are included in Appendix 1.
- 2.2 For **empty shops**, which were counted at the start of quarter Q4, for all three towns the number went down to the same as at the same quarter last year, all three PIs also met or were better than target. However in April 2017 this position has deteriorated.
- 2.3 There will be statistics to reflect the general state of MDDC's economy available from time to time.

Community Portfolio - Appendix 4

- 2.9 **Compliance with food safety law** is just below the target for 90% of premises being rated 4 or above under the Food Hygiene Rating Scheme. **"Scores on the doors"** data is at Appendix 8.
- 2.10 The results for leisure are mixed.

Corporate - Appendix 5

- 2.11 The **working days lost due to sickness** is lower than target.
- 2.12 The **Response to FOI requests** remains on target compared to being 'well below target' for 2015/16 which was due to a vacancy.
- 2.13 The **Performance Planning Guarantee determined within 26 weeks** was below target but **applications determined within 13 weeks** were well above the required target.
- 2.14 The PIs for Customer First are all on target or above with both visitors to Phoenix House and digital payments remaining steady.
- 2.15 The **Local Plan** was submitted to the Inspector on time.

3.0 Risk

- 3.1 The Corporate risk register is reviewed by Management Team (MT) and updated, risk reports to committees include risks with a total score of 10 or more. (Appendix 6)
- 3.2 Appendix 7 shows the risk matrix for MDDC for this quarter. If risks are not scored they are included in the matrix at their inherent score which will be higher than their current score would be.

4.0 Conclusion and Recommendation

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

Contact for more Information: Catherine Yandle Audit Team Leader ext 4975

Circulation of the Report: Management Team and Cabinet Member

Corporate Plan PI Report Environment

Monthly report for 2016-2017
 Arranged by Aims
 Filtered by Aim: Priorities Environment
 For MDDC - Services

Key to Performance Status:

Performance Indicators:

No Data

Well below
target

Below target

On target

Above target

Well above
target

*
 Indicates that an entity is linked to the Aim by its parent Service

Corporate Plan PI Report Environment																		
Priorities: Environment																		
Aims: Increase recycling and reduce the amount of waste																		
Performance Indicators																		
Title	Prev Year (Period)	Prev Year End	Annual Target	Apr Act	May Act	Jun Act	Jul Act	Aug Act	Sep Act	Oct Act	Nov Act	Dec Act	Jan Act	Feb Act	Mar Act	Actual to Date	Head of Service / Manager	Officer Notes
<u>Residual household waste per household (measured in Kilograms)</u>	329.42 (3/4)	424.08	421.00	0.00	0.00	95.36	0.00	0.00	183.10	211.13	242.85	273.41	305.85	333.88		333.88 (11/12)	Stuart Noyce	(April - March) March figure not yet available. (SK)
<u>% of Household Waste Reuse, Recycled and Composted</u>	50.9% (3/4)	50.6%	52.0%			55.9%			56.2%	55.8%	55.3%	53.7%	53.6%	52.7%		52.7% (11/12)	Stuart Noyce	(March) March figure not yet available. (SK)
<u>Net annual cost of waste service per household</u>	£60.88	£60.88	£58.17	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	£56.37	£56.37	Stuart Noyce	(2016 - 2017) Figure based on current outturn and maybe subject to change up until the accounts are finalised. (SK)
<u>Number of Households on Chargeable Garden Waste</u>	7,021	7,021	10,000	0	0	8,431	0	0	8,533	8,615	8,298	8,280	8,327	8,409	8,536	8,536	Stuart Noyce	(March) Some customers have waited until April to renew their permit. Same number of customers as previous year despite delays in renewal. 10,000 target was based on lower price. £500k saving has been achieved. (SN)
<u>% of missed collections reported (refuse and organic waste)</u>	0.02%	0.02%	0.03%			0.03%			0.03%	0.03%	0.03%	0.03%	0.04%	0.04%	0.04%	0.04%	Stuart Noyce	(March) still slightly above target by 0.01%. This is due to staff changes and route knowledge in service. (SN)
<u>% of Missed Collections logged (recycling)</u>	0.12%	0.12%	0.03%			0.04%			0.04%	0.03%	0.03%	0.03%	0.03%	0.03%	0.03%	0.03%	Stuart Noyce	(March) Much improved on previous year after

Corporate Plan PI Report Environment

Priorities: Environment

Aims: Increase recycling and reduce the amount of waste

Performance Indicators

Title	Prev Year (Period)	Prev Year End	Annual Target	Apr Act	May Act	Jun Act	Jul Act	Aug Act	Sep Act	Oct Act	Nov Act	Dec Act	Jan Act	Feb Act	Mar Act	Actual to Date	Head of Service / Manager	Officer Notes
																		roll out of new scheme. (SN)

Aims: Reduce our carbon footprint

Performance Indicators

Title	Prev Year (Period)	Prev Year End	Annual Target	Apr Act	May Act	Jun Act	Jul Act	Aug Act	Sep Act	Oct Act	Nov Act	Dec Act	Jan Act	Feb Act	Mar Act	Actual to Date	Head of to Service / Date Manager	Officer Notes
<u>To improve energy efficiency and continue to reduce consumption by 0.5% post degree day adjustment</u>	3.4%	3.4%	0.5%	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	-2.9%	-2.9%	Andrew Busby	(2016 - 2017) Degree day allowance is less than the previous year and an indication that more people are using the facilities (an overall benefit to the authority). (SK)

Aims: Protect the natural environment

Performance Indicators

Title	Prev Year (Period)	Prev Year End	Annual Target	Apr Act	May Act	Jun Act	Jul Act	Aug Act	Sep Act	Oct Act	Nov Act	Dec Act	Jan Act	Feb Act	Mar Act	Actual to Date	Head of to Service / Date Manager	Officer Notes
<u>Number of Fixed Penalty Notices (FPNs) Issued (Environment)</u>	21	21	n/a	0	0	2	2	2	5	5	5	7	8	9	10	10	Stuart Noyce	

Corporate Plan PI Report Homes

Monthly report for 2016-2017
 Arranged by Aims
 Filtered by Aim: Priorities Homes
 For MDDC - Services

Key to Performance Status:

Performance Indicators:

No Data

Well below
target

Below target

On target

Above target

Well above
target

*
 indicates that an entity is linked to the Aim by its parent Service

Corporate Plan PI Report Homes

Priorities: Homes

Aims: Build more council houses

Performance Indicators

Title	Prev Year (Period)	Prev Year End	Annual Target	Apr Act	May Act	Jun Act	Jul Act	Aug Act	Sep Act	Oct Act	Nov Act	Dec Act	Jan Act	Feb Act	Mar Act	Actual to Date	Head of Service / Manager	Officer Notes
<u>Build Council Houses</u>	14	14	30	n/a	n/a	0	n/a	n/a	0	n/a	n/a	0	n/a	n/a	0	0	Nick Sanderson	(Quarter 4) New contractor, Enelco Building Contractors (EBC) will take site possession of Palmerston Park and Birchen Lane on 22/05/17. the completion date for 4 Houses in Birchen Lane is 17/11/17 and for 26 houses at Palmerton Park it is 18/05/18. (AB)

Aims: Facilitate the housing growth that Mid Devon needs, including affordable housing

Performance Indicators

Title	Prev Year (Period)	Prev Year End	Annual Target	Apr Act	May Act	Jun Act	Jul Act	Aug Act	Sep Act	Oct Act	Nov Act	Dec Act	Jan Act	Feb Act	Mar Act	Actual to Date	Head of Service / Manager	Officer Notes
<u>Number of affordable homes delivered (gross)</u>	27	27	80	n/a	n/a	16	n/a	n/a	19	n/a	n/a	27	n/a	n/a	49	49	Angela Haigh	(Quarter 1 - 4) The target was not met this year due to the stalling or delay on a number of residential developments. (AH)
<u>Deliver 15 homes per year by bringing Empty Houses into use</u>	8	8	15	0	1	2	3	5	5	5	10	17	21	25	33	33	Simon Newcombe	

Aims: Other

Performance Indicators

Title	Prev Year (Period)	Prev Year End	Annual Target	Apr Act	May Act	Jun Act	Jul Act	Aug Act	Sep Act	Oct Act	Nov Act	Dec Act	Jan Act	Feb Act	Mar Act	Actual to Date	Head of Service / Manager	Officer Notes

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Corporate Plan PI Report Homes

Priorities: Homes

Aims: Other

Performance Indicators

Title	Prev Year (Period)	Prev Year End	Annual Target	Apr Act	May Act	Jun Act	Jul Act	Aug Act	Sep Act	Oct Act	Nov Act	Dec Act	Jan Act	Feb Act	Mar Act	Actual to Date	Head of Service / Manager	Officer Notes
<u>Local Plan Review</u>	n/a	n/a		n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	Yes	Yes	Jenny Clifford	
<u>Number of Successful Homelessness Prevention Cases</u>	295	295	No Target - for information only	n/a	n/a	70	n/a	n/a	136	n/a	n/a	224	n/a	n/a	295	295	Angela Haigh	
<u>% Decent Council Homes</u>	100.0%	100.0%	100.00%	99.93%	100.00%	100.00%	100.00%	99.97%	99.97%	99.97%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	Angela Haigh, Nick Sanderson	
<u>% Properties With a Valid Gas Safety Certificate</u>	99.9%	99.9%	100.00%	99.86%	99.78%	99.91%	99.87%	99.82%	99.96%	99.68%	99.95%	99.95%	99.95%	99.95%	99.86%	99.86%	Angela Haigh	(March) As at 31 March 2017 there were three properties for which we did not have a valid gas certificate. All these cases were due to tenants not allowing us access and are currently with Legal Services who are trying to obtain access. (AH)
<u>Rent Collected as a Proportion of Rent Owed</u>	99.7%	99.7%	100.00%	95.52%	96.76%	97.31%	97.77%	99.76%	99.56%	99.66%	99.67%	100.52%	100.05%	100.08%	100.18%	100.18%	Angela Haigh	
<u>Rent Arrears as a</u>	0.7%	0.7%	1.00%	0.87%	1.00%	1.04%	1.08%	0.10%	1.02%	1.00%	1.00%	0.70%	0.95%	0.94%	0.60%	0.60%	Angela Haigh	

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Corporate Plan PI Report Homes																		
Priorities: Homes																		
Aims: Other																		
Performance Indicators																		
Title	Prev Year (Period)	Prev Year End	Annual Target	Apr Act	May Act	Jun Act	Jul Act	Aug Act	Sep Act	Oct Act	Nov Act	Dec Act	Jan Act	Feb Act	Mar Act	Actual to Date	Head of Service / Manager	Officer Notes
<u>Proportion of Annual Rent Debit</u>																		
<u>Dwelling rent lost due to voids</u>	0.75%	0.75%	no target - for information only	0.7%	0.7%	0.7%	0.7%	0.6%	0.6%	0.6%	0.6%	0.6%	0.5%	0.5%	0.5%	0.5%	Angela Haigh	
<u>Average Days to Re-Let Local Authority Housing</u>	15.5days	15.5days	16.0days	21.9days	19.4days	18.3days	18.0days	17.6days	17.3days	16.6days	16.6days	16.5days	16.4days	15.8days	15.7days	15.7days	Angela Haigh	

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Corporate Plan PI Report Economy

Monthly report for 2016-2017
 Arranged by Aims
 Filtered by Aim: Priorities Economy
 For MDDC - Services

Key to Performance Status:

Performance Indicators:

No Data

Well below
target

Below target

On target

Above target

Well above
target

* indicates that an entity is linked to the Aim by its parent Service

Corporate Plan PI Report Economy

Priorities: Economy

Aims: Attract new businesses to the District

Performance Indicators

Title	Prev Year (Period)	Prev Year End	Annual Target	Apr Act	May Act	Jun Act	Jul Act	Aug Act	Sep Act	Oct Act	Nov Act	Dec Act	Jan Act	Feb Act	Mar Act	Actual to Date	Head of Service / Manager	Officer Notes
<u>Number of business rate accounts</u>	2,872	2,872	2,850	2,860	2,863	2,868	2,864	2,870	2,880	2,880	2,889	2,899	2,906	2,923	2,930	2,930	John Chumbley	

Aims: Focus on business retention and growth of existing businesses

Performance Indicators

Title	Prev Year (Period)	Prev Year End	Annual Target	Apr Act	May Act	Jun Act	Jul Act	Aug Act	Sep Act	Oct Act	Nov Act	Dec Act	Jan Act	Feb Act	Mar Act	Actual to Date	Head of Service / Manager	Officer Notes
<u>Number of Apprentices starts at MDDC</u>	13	13	9	0	0	1	1	1	1	4	4	4	5	5	5	5	Jill May	(June) Government target proposed is 2.3% of FTEs from 1 April 2017 (SK)

Aims: Improve and regenerate our town centres

Performance Indicators

Title	Prev Year (Period)	Prev Year End	Annual Target	Apr Act	May Act	Jun Act	Jul Act	Aug Act	Sep Act	Oct Act	Nov Act	Dec Act	Jan Act	Feb Act	Mar Act	Actual to Date	Head of Service / Manager	Officer Notes
<u>Increase in Car Parking Vends</u>	n/a	n/a		0	0	129,488	0	0	159,929	53,786	52,876	55,112	48,951	48,066		48,066 (11/12)	Andrew Jarrett	(March) Still waiting on these as closing the accounts takes priority (JN)
<u>Tiverton Town Centre Masterplan</u>	n/a	n/a		n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	No	No	Jenny Clifford	(2016 - 2017) The masterplan was delayed due to a corporate decision to expand its remit. Progress is now being made with consultants WYG. It is proposed that the masterplan SPD will be adopted by the end of the year. (CY)
<u>The Number of Empty Shops (TIVERTON)</u>	16	16	18	n/a	n/a	18	n/a	n/a	17	n/a	n/a	18	n/a	n/a	16	16	John Bodley- Scott	(Quarter 4) 16 out of 231 making a vacancy rate of 6.5% (JB)
<u>The Number of Empty Shops (CREDITON)</u>	7	7	8	n/a	n/a	9	n/a	n/a	7	n/a	n/a	8	n/a	n/a	7	7	John Bodley- Scott	(Quarter 4) 7 out of 117 units making a vacancy rate of 6.0% (Jan 2017)

Page 59

Corporate Plan PI Report Economy**Priorities: Economy****Aims: Improve and regenerate our town centres****Performance Indicators**

Title	Prev Year (Period)	Prev Year End	Annual Target	Apr Act	May Act	Jun Act	Jul Act	Aug Act	Sep Act	Oct Act	Nov Act	Dec Act	Jan Act	Feb Act	Mar Act	Actual to Date	Head of Service / Manager	Officer Notes
The Number of Empty Shops (CULLOMPTON)	8	8	8	n/a	n/a	10	n/a	n/a	10	n/a	n/a	10	n/a	n/a	8	8	John Bodley-Scott	(JB) (Quarter 4) 8 out of 84 units making a vacancy rate of 9.5% (Jan 2017) (JB)

Aims: Other**Performance Indicators**

Title	Prev Year (Period)	Prev Year End	Annual Target	Apr Act	May Act	Jun Act	Jul Act	Aug Act	Sep Act	Oct Act	Nov Act	Dec Act	Jan Act	Feb Act	Mar Act	Actual to Date	Head of Service / Manager	Officer Notes
Local Plan Review	n/a	n/a		n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	Yes	Yes	Jenny Clifford	
Funding awarded to support economic projects	n/a	n/a	No target - for information only	n/a	n/a	£53,092	n/a	n/a	£56,842	n/a	n/a	£56,842	n/a	n/a		£56,842 (3/4)	John Bodley-Scott	

Corporate Plan PI Report Community

Monthly report for 2016-2017
 Arranged by Aims
 Filtered by Aim: Priorities Community
 For MDDC - Services

Key to Performance Status:

Performance Indicators:	No Data	Well below target	Below target	On target	Above target	Well above target
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* indicates that an entity is linked to the Aim by its parent Service

Corporate Plan PI Report Community																	
Priorities: Community																	
Aims: Promote physical activity, health and wellbeing																	
Performance Indicators																	
Title	Prev Year (Period)	Prev Year End	Annual Target	Apr Act	May Act	Jun Act	Jul Act	Aug Act	Sep Act	Oct Act	Nov Act	Dec Act	Jan Act	Feb Act	Mar Act	Actual to Date	Head of Service / Manager
Total number of users is at least 900,000	824,612	824,612	900,000	79,389	157,532	236,901	314,077	383,003	463,739	545,267	631,504	690,620	780,484	864,034	941,733	941,733	Jill May
Operational Recovery Rate	87.52%	87.52%	88%	84%	84%	84%	83%	83%	83%	82%	83%	84%	87%	87%	86%	86%	Lee Chester, Karen Sparkes
Adult Zest Members	n/a	n/a	3,800	3,612	3,546	3,607	3,460	3,459	3,418	3,350	3,269	3,248	3,260	3,294	3,289	3,289	Lee Chester, Karen Sparkes
Junior Zest Members	n/a	n/a	2,450	2,495	2,460	2,444	2,349	2,301	2,344	2,357	2,340	2,326	2,417	2,409	2,448	2,448	Lee Chester, Karen Sparkes
Attrition Adult Members	n/a	n/a	4.50%	4.48%	4.88%	6.01%	6.59%	4.94%	9.31%	6.90%	5.83%	4.52%	7.36%	5.74%	6.96%	6.96%	Lee Chester, Karen Sparkes
Attrition Junior Members	n/a	n/a	5.00%	4.05%	3.41%	4.58%	4.43%	4.13%	4.74%	4.41%	2.95%	3.31%	2.91%	2.76%	3.02%	3.02%	Lee Chester, Karen Sparkes
Introduce Trimtrails across the District	n/a	n/a	1	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	0	0	Jill May, Simon Newcombe

Aims: Other

Performance Indicators																	
Title	Prev Year (Period)	Prev Year End	Annual Target	Apr Act	May Act	Jun Act	Jul Act	Aug Act	Sep Act	Oct Act	Nov Act	Dec Act	Jan Act	Feb Act	Mar Act	Actual to Date	Head of Service / Manager
Number of social media communications MDDC send out	n/a	n/a	For information only	117	115	67	86	87	95	190	342	293	269	192	191	191	Liz Reeves
Number of web hits per month	0	0	For information only	9,196	9,261	9,523	9,389	15,986	26,856	26,432	26,296	22,671	33,752	25,284	28,543	28,543	Liz Reeves
Local Plan Review	n/a	n/a		n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	Yes	Yes	Jenny Clifford
Compliance with food safety law	n/a	n/a	90%	90%	91%	91%	90%	91%	91%	90%	90%	90%	90%	89%	89%	89%	Simon Newcombe

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Corporate Plan PI Report Corporate

Monthly report for 2016-2017

Arranged by Aims

Filtered by Aim: Priorities Delivering a Well-Managed Council
For MDDC - Services

Key to Performance Status:

Performance Indicators:

No Data

Well below
target

Below target

On target

Above target

Well above
target*
Indicates that an entity is linked to the Aim by its parent Service

Corporate Plan PI Report Corporate

Priorities: Delivering a Well-Managed Council

Aims: Put customers first

Performance Indicators

Title	Prev Year (Period)	Prev Year End	Annual Target	Apr Act	May Act	Jun Act	Jul Act	Aug Act	Sep Act	Oct Act	Nov Act	Dec Act	Jan Act	Feb Act	Mar Act	Actual to Date	Head of Service / Manager	Officer Notes
<u>% of complaints resolved w/in timescales (10 days - 12 weeks)</u>	95%	95%	90%	0%	0%	94%	94%	94%	92%	93%	93%	93%	93%	93%	92%	92%	Liz Reeves	(January) one complaint with legal services manager - the rest resolved within timescale (RT)
<u>Number of Complaints</u>	95	95	For information only	55	26	25	16	30	27	26	20	16	20	35	21	21	Liz Reeves	(January) 22 complaints 1x test & 1x duplicate so only recording 20 (RT)
<u>Planning Applications: over 13 weeks old</u>	40	40	45	n/a	n/a	37	n/a	n/a	39	n/a	n/a	33	n/a	n/a	29	29	Jenny Clifford	
<u>New Performance Planning Guarantee determine</u>	97%	97%	100%	n/a	n/a	93%	n/a	n/a	97%	n/a	n/a	98%	n/a	n/a	98%	98%	Jenny Clifford	

Corporate Plan PI Report Corporate

Priorities: Delivering a Well-Managed Council

Aims: Put customers first

Performance Indicators

Title	Prev Year (Period)	Prev Year End	Annual Target	Apr Act	May Act	Jun Act	Jul Act	Aug Act	Sep Act	Oct Act	Nov Act	Dec Act	Jan Act	Feb Act	Mar Act	Actual to Date	Head of Service / Manager	Officer Notes
<u>within 26 weeks</u>																		
<u>Major applications determined within 13 weeks (over last 2 years)</u>	n/a	n/a	50%	n/a	n/a	51%	n/a	n/a	66%	n/a	n/a	71%	n/a	n/a	74%	74%	None	
<u>Response to FOI Requests (within 20 working days)</u>	84%	84%	90%	95%	98%	97%	97%	96%	97%	96%	95%	94%	94%	94%	94%	94%	Liz Reeves	(March) (LR)
<u>Working Days Most Due to Sickness Absence</u>	8.12days	8.12days	8.00days	0.00days	0.00days	1.71days	1.71days	1.71days	3.73days	4.50days	5.17days	5.83days	6.64days	7.39days	7.89days	7.89days	Jill May	
<u>% total Council tax collected - monthly</u>	98.12%	98.12%	98.50%	11.33%	20.55%	29.70%	38.70%	47.82%	56.94%	66.81%	76.20%	85.05%	94.05%	97.23%	98.10%	98.10%	John Chumbley	
<u>% total NNDR collected - monthly</u>	99.10%	99.10%	99.20%	12.42%	19.96%	33.96%	42.37%	49.64%	61.48%	71.40%	76.81%	84.78%	92.87%	99.59%	102.43%	102.43%	John Chumbley	
<u>Number of visitors per month < 4,000</u>	4,191	4,191	4,000	2,843	2,940	3,014	2,906	2,883	2,890	2,906	2,906	2,813	2,797	2,738	2,761	2,761	Liz Reeves	
<u>Satisfaction with front-line services</u>	80.75%	80.75%	80.00%	82.35%	78.57%	75.68%	81.25%	81.67%	80.56%	81.40%	82.00%	82.86%	82.46%	80.15%	81.58%	81.58%	Liz Reeves	
<u>Number of Digital payments</u>	43,087	43,087	For information only	5,628	11,894	17,622	23,513	29,062	34,858	42,473	49,804	54,711	60,034	64,525	69,567	69,567	Liz Reeves	(September) Includes Internet, customer assisted & touch tone payments - internet

Corporate Plan PI Report Corporate																		
Priorities: Delivering a Well-Managed Council																		
Aims: Put customers first																		
Performance Indicators																		
Title	Prev Year (Period)	Prev Year End	Annual Target	Apr Act	May Act	Jun Act	Jul Act	Aug Act	Sep Act	Oct Act	Nov Act	Dec Act	Jan Act	Feb Act	Mar Act	Actual to Date	Head of Service / Manager	Officer Notes
																		payments include figures from the online submission form (increasing figures by approx. 5k per month) (RT)

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Risk Report Appendix 6

Report for 2016-2017

Filtered by Flag: Include: * CRR 5+ / 15+

For MDDC - Services

Filtered by Performance Status: Exclude Risk Status: Low
Not Including Risk Child Projects records or Mitigating Action records

Key to Performance Status:

Risks: No Data (0+) High (15+) Medium (6+) Low (1+)

Risk Report Appendix 6

Risk: Dangerous Equipment Risks associated with using powered equipment and machinery or that which has moving parts eg fans, woodworking machines, abrasive wheels. Also risks with using powered portable tools eg electric drill, off-hand grinders as well as manual tools eg knife, guillotine. There are risks that some equipment may produce electromagnetic interference with pace-makers.

Effects (Impact/Severity): High if no PPE worn or risk assessments not followed

Causes (Likelihood): medium if procedures followed.

Service: Property Services

Current Status: No Data **Current Risk Severity:** 4 - High **Current Risk Likelihood:** 3 - Medium

Head of Service: Nick Sanderson

Review Note: Due to the nature of our work, there is always the risk of having an accident with the tools we use. We intend to review the risk assessments we have and share knowledge with the housing team to improve and update our risk assessments.

Risk: Five year housing land Supply Risk: Housing land supply. Inability to demonstrate the required 5 year housing land supply (+20%) until Local Plan Review in place

Effects (Impact/Severity): Effects (Impact /severity):

- Receipt of speculative housing applications in unplanned locations with less community benefit and less infrastructure / coordination compared with allocated sites.
- Objections
- Pressure on major application appeal performance (Government indicator of quality of decision making). Risk of intervention: loss of fee and less local control over major application decision making.

Causes (Likelihood): - Lack of sufficient housing completions, housing market conditions.

Service: Planning

Current Status: High (15) **Current Risk Severity:** 3 - Medium **Current Risk Likelihood:** 5 - Very High

Head of Service: Jenny Clifford

Review Note: Found to not have sufficient housing supply at appeal. Mitigation principally via new Local Plan once adopted. Close monitoring of applications, decisions and associated appeal performance.

Risk Report Appendix 6

Risk: H&S RA - Recycling Depot Operatives Risk assessment for role - Highest Risk scored - Vehicle Movements inside Depot

Effects (Impact/Severity):

Causes (Likelihood):

Service: Street Scene Services

Current Status: Medium (10)

Current Risk Severity: 5 - Very High

Current Risk Likelihood: 2 - Low

Head of Service: Stuart Noyce

Review Note: No incidents or further mitigating actions added.

Risk: H&S RA - Refuse Driver/Loader Risk Assessment for Role - Highest risk from role RA. - Risk of RTA from severe weather conditions

Effects (Impact/Severity):

Causes (Likelihood):

Service: Street Scene Services

Current Status: Medium (10)

Current Risk Severity: 5 - Very High

Current Risk Likelihood: 2 - Low

Head of Service: Stuart Noyce

Review Note: Annual review - No incidents or further mitigating actions added.

Risk: H&S RA - Street Cleansing Operative Risk assessment for role - highest risk from role - Risk of RTA from severe weather conditions

Effects (Impact/Severity):

Causes (Likelihood):

Service: Street Scene Services

Current Status: Medium (10)

Current Risk Severity: 5 - Very High

Current Risk Likelihood: 2 - Low

Head of Service: Stuart Noyce

Review Note: Risk with control measures added

Risk: Homelessness Insufficient resources to support an increased homeless population could result in failure to meet statutory duty to provide advice and assistance to anyone who is homeless. It is likely that the new Homelessness Reduction Bill currently being read in Parliament will also have an impact on service demands in its current form.

Effects (Impact/Severity): - Dissatisfied customers and increase in complaints.

- This will involve an increase in officer time in dealing with Homelessness prevention and early intervention.

- Possible increase in temporary accommodation usage.

Causes (Likelihood): - Social and economic factors like the recession and mortgage repossessions increase the number of homeless.

- Lack of private sector housing.

Service: Housing Services

Current Status: High (16)

Current Risk Severity: 4 - High

Current Risk Likelihood: 4 - High

Head of Service: Nick Sanderson

Review Note: Housing Options team keep up to date with case law updates and comply with legislation changes as and when required.

Risk Report Appendix 6

Risk: Impact of Welfare Reform and other emerging National Housing Policy Changes to benefits available to tenants could impact upon their ability to pay.
Other initiatives could impact upon our ability to deliver our 30 year Business Plan.

Effects (Impact/Severity):

Causes (Likelihood):

Service: Housing Services

Current Status: High (15)

Current Risk Severity: 5 - Very High

Current Risk Likelihood: 3 - Medium

Head of Service: Nick Sanderson

Review Note:

Risk: Information Security Inadequate Information Security could lead to breaches of confidential information, damaged or corrupted data and ultimately Denial of Service. If the council fails to have an effective information strategy in place.

Risk of monetary penalties and fines, and legal action by affected parties

Effects (Impact/Severity):

Causes (Likelihood):

Service: I C T

Current Status: High (20)

Current Risk Severity: 5 - Very High

Current Risk Likelihood: 4 - High

Head of Service: Liz Reeves

Review Note: Increased awareness training for all staff and members, Information Security training calendar to ensure all year reminders.
Trialling systems to send phishing emails to staff as training tool.

Risk: Legionella Legionella

Effects (Impact/Severity):

Causes (Likelihood):

Service: Leisure Services

Current Status: Medium (10)

Current Risk Severity: 5 - Very High

Current Risk Likelihood: 2 - Low

Head of Service: Jill May

Review Note:

Risk Report Appendix 6

Risk: Lone Working Risks associated with working alone (eg on site visits, call-outs, evening, weekend and emergency work and working from home).

Effects (Impact/Severity): Medium (3) – Particularly relates to changing the backup tapes at the St Andrews Site. Potentially, an officer may suffer an injury or accident without support and may not be able to call for assistance.

Causes (Likelihood): Low (2) – Limited lone working is restricted to site visits of other council buildings. Officers working off site place information in the whiteboard as to their whereabouts.

Service: I C T

Current Status: Medium (10)

Current Risk Severity: 5 - Very High

Current Risk Likelihood: 2 - Low

Head of Service: Liz Reeves

Review Note: Lone worker policy refers to checking on staff absent for overdue periods.

Risk: Pannier market general risk assessment General risk assessment for the market's day to day operation

Effects (Impact/Severity): Score of 5 as their appears to be a movement in the structure causing the glass doors to bow

Causes (Likelihood): Survey done, not weight bearing. Market manager is inspecting regularly.

Service: Pannier Market

Current Status: High (16)

Current Risk Severity: 4 - High

Current Risk Likelihood: 4 - High

Head of Service: Zoë Lentell

Review Note: A door gave in on Fri 23 December 2016 but no injuries were sustained.

Risk: Pool Inflatable Pool Activities

Effects (Impact/Severity):

Causes (Likelihood):

Service: Leisure Services

Current Status: Medium (10)

Current Risk Severity: 5 - Very High

Current Risk Likelihood: 2 - Low

Head of Service: Jill May

Review Note:

Risk: School Swimming Sessions School Swimming Sessions

Effects (Impact/Severity):

Causes (Likelihood):

Service: Leisure Services

Current Status: Medium (10)

Current Risk Severity: 5 - Very High

Current Risk Likelihood: 2 - Low

Head of Service: Jill May

Review Note:

Risk Report Appendix 6

Risk: Swimming Lessons Swimming Lessons

Effects (Impact/Severity):

Causes (Likelihood):

Service: Leisure Services

Current Status: Medium (10)

Current Risk Severity: 5 - Very High

Current Risk Likelihood: 2 - Low

Head of Service: Jill May

Review Note:

Risk: Swimming Pool Swimming pool & spectator walkway

Effects (Impact/Severity):

Causes (Likelihood):

Service: Leisure Services

Current Status: Medium (10)

Current Risk Severity: 5 - Very High

Current Risk Likelihood: 2 - Low

Head of Service: Jill May

Review Note:

Risk: Widespread fire in block of flats Fire in our multiple occupancy properties, could result in widespread damage, injury or even death

Effects (Impact/Severity):

Causes (Likelihood):

Service: Housing Services

Current Status: Medium (10)

Current Risk Severity: 5 - Very High

Current Risk Likelihood: 2 - Low

Head of Service: Nick Sanderson

Review Note: The Corporate H & S Officer has now carried out Fire Risk Assessments in the common rooms at Broad Lane and Westfield Road.

Housing Caretakers inspect communal areas on a 5 week cycle, which includes checking fire exit doors and signage.

Any issues are reported to the relevant Neighbourhood Officer.

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Risk Matrix

Report
For MDDC - Services
Current settings

Risk Likelihood	5 - Very High	No Risks	No Risks	1 Risk	No Risks	No Risks
	4 - High	No Risks	1 Risk	No Risks	2 Risks	2 Risks
	3 - Medium	No Risks	4 Risks	5 Risks	5 Risks	2 Risks
	2 - Low	1 Risk	7 Risks	16 Risks	12 Risks	9 Risks
	1 - Very Low	3 Risks	2 Risks	5 Risks	5 Risks	12 Risks
		1 - Very Low	2 - Low	3 - Medium	4 - High	5 - Very High
		Risk Severity				

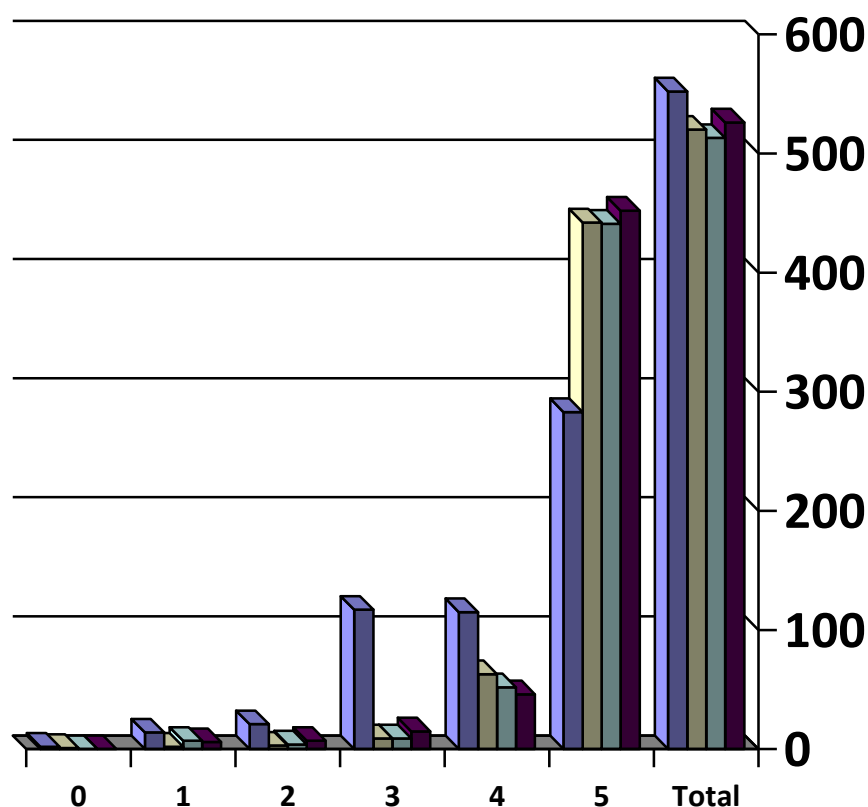
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Food Hygiene Rating Scheme 2010-2016



	0	1	2	3	4	5	Total
2010	2	14	21	117	115	283	552
2014	1	2	3	9	63	442	520
2015	0	7	4	9	52	441	513
2016	0	6	7	15	46	452	526

FOOD HYGIENE RATING SCHEME BANDINGS

- 0 Urgent improvement necessary
- 1 Major improvement necessary
- 2 Improvement necessary
- 3 Generally satisfactory
- 4 Good
- 5 Very good

* The national food hygiene rating scheme was launched in 2010

Audit Committee 30 May 2017

Annual Report and Accounts 2016/17

Leader	Cllr Clive Eginton
Cabinet Member	Cllr Peter Hare-Scott
Responsible Officer	Andrew Jarrett – Director of Finance, Assets and Resources
Reason for Report:	To present the annual report and accounts to members.
RECOMMENDATION:	That the draft annual report and accounts be approved.
Relationship to Corporate Plan:	The financial resources of the Council impact directly on its ability to deliver the corporate plan pledges.
Financial Implications:	Good financial management and administration underpins the entire document.
Legal Implications:	It is a statutory requirement to follow the Code of Practice on Local Authority Accounting in the United Kingdom: A Statement of Recommended Practice (SORP) when producing the annual accounts.
Risk Assessment:	The Section 151 officer is responsible for the administration of the financial affairs of the Council. Adhering to the SORP mitigates the risk of receiving a qualified set of accounts. The Accountancy Team has also reviewed its overall calculations/workings against the CIPFA published Disclosure Checklist for 2016/17 and entered into detailed discussions with the appointed Audit Manager prior to and during the completion of the accounts. In addition the Accountancy Team has also performed a “dry run” process to establish whether it can finalise the Accounts by the end of May, as legislation has been passed to bring the closedown process forward a month for the production of the 2017/18 Accounts. This has been a useful trial and a number of lessons have been learned.

1.0 Introduction

- 1.1 The annual accounts for 2016/17 have been produced in full compliance with the Statement of Recommended Practice (SORP) and all other relevant accounting legislation. There are actually very few accounting changes for 2016/17.

2.0 The Annual Report and Accounts

- 2.1 The main highlights of the annual accounts are to be found in the narrative report to the accounts beginning on page iii. In overall terms, 2016/17 has been another challenging year. However, a small under-spend has been achieved and we have been able to increase some of our reserves.
- 2.2 The detailed management accounts were included in the outturn report presented to the Cabinet on the 15 June 2017. This report indicates the continuing financial pressure that the Council faces due to Central Government's continuing austerity programme. As a direct result this Council has managed to reduce expenditure and increase income in a number of services and continue to maintain a "prudent" levels of balances. It is also beginning to explore and accept some more commercial opportunities to either increase revenue or cut cost in order to protect frontline service provision.
- 2.3 In order to provide a summary financial position of how the Council ended 2016/17 a list of all available reserves is detailed below.

Balances held as at 31 March 2017

Useable Reserves	B/fwd 31/3/16 £k	In Year Movement (Surplus)/Deficit £k	C/fwd 31/3/17 £k
General Fund Balance	(2,211)	(30)	(2,241)
General Fund Earmarked Reserves	(8,365)	(1,953)	(10,318)
Housing Revenue Account Balance	(2,000)	Nil	(2,000)
HRA Earmarked Reserves	(9,736)	(2,2717)	(12,452)
Major Repairs Reserve	Nil	Nil	Nil
Capital Receipts Reserve	(1,442)	(997)	(2,439)
Capital Grants Unapplied	(1,722)	(443)	(2,165)
Total cash-backed reserves	(25,476)	(6,138)	(31,614)

- 2.4 As can be seen from the above balances, the Council remains in a strong position to deal with the funding challenges it faces. A strong culture of financial awareness is now embedded in senior managers, members and operational service managers. This is enhanced with regular budget monitoring reports tabled at Management Team meetings, meetings of the Cabinet and the Policy Development Groups.
- 2.5 This Council continues to take proactive steps to strategically plan for further reductions in Central Government financial support. The leadership, with the Chief Executive and Heads of Service will be meeting all service managers to discuss funding reduction scenarios in order to balance our ongoing expenditure needs associated with the current Corporate Plan. This planning will need to fundamentally review ongoing service provision regarding volume, frequency, quality and process and in addition look at housing and commercial business growth as NHB and Business Rates now form a very major part of the Council's future funding.

3.0 The Audit

- 3.1 Grant Thornton will commence the formal audit of our draft Accounts week commencing the 29th of May 2017 and will be on site for approximately 4 weeks. They anticipate having their final report in time to present to the special Audit Committee on the 17th July 2017. Both parties have been working hard together to facilitate the earliest reporting for the Audit Committee.

4.0 Conclusion

- 4.1 Members are asked to approve the draft annual report and accounts which reflect a true and fair view of the financial position of the Council as at 31 March 2017.

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Background Papers:

File Reference:

Circulation of the Report: Cllr Peter Hare-Scott

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STATEMENT OF ACCOUNTS
FOR THE YEAR ENDED 31 MARCH 2017
(Subject to Audit)



CONTENTS - OVERVIEW

	Page
Preface	
Introduction by the Leader of the Council	i
Views from the Chief Executive	ii
Narrative Report	iii
Statements to the Accounts	
Statement of Accounting Policies	xxxv
Statement of Responsibilities for the Statement of Accounts	lii
Chief Financial Officer's Certificate	liii
Auditor's Statement (final version only)	liv
Core Financial Statements and Explanatory Notes	
Movement in Reserves Statement	1
Comprehensive Income and Expenditure Statement	3
Balance Sheet	7
Cash Flow Statement	8
Notes to the Core Financial Statements	9
Supplementary Financial Statements and Explanatory Notes	
The Housing Revenue Account (HRA) Income and Expenditure Account	56
Movement on the HRA Statement	57
Notes to the HRA	58
The Collection Fund – Council Tax	65
The Collection Fund – Non Domestic Rates	66
Notes to the Collection Fund	67
Other Statements	
Glossary of Terms	68

Cover Photo: Our new housing development at Fir Close in Willand

Introduction by the Leader of the Council



It is my pleasure to introduce our annual accounts for 2016/17 in what has been another year of significant change and achievement for Mid Devon.

During the year the Council has managed a number of changes while continuing or improving service delivery; the relocation of waste and streetscene services to our new depot at Carlu Close was achieved with virtually no impact on customers – in fact our recycling rates have increased by 4%, a measure that saw us being the most improved district in Devon. We also accommodated the arrival of the Department for Work & Pensions in our offices at Phoenix House; a move that not only co-locates vital services for customers, but also reduces the Council's overheads and

provides greater efficiency in our own operations.

A new joint economic strategy was agreed with our partners in the Greater Exeter area and, as the mood music ebbed and flowed on strategic 'devolution' prospects, we found ourselves working closely in collaboration with authorities across Devon and Somerset to gain more influence over our future. To this end I am very pleased to see the emergence of a new productivity plan for the area to be finalised later this year. It will be critical to see Mid Devon benefit from measures to increase productivity as it so closely correlates to higher wages and all the other benefits that this can bring.

Finally, this year also saw the submission of our local plan – a plan that will shape the look and feel of Mid Devon over many years to come. While we await the formal examination by the Planning Inspectorate later this year, it is vital that we move forward and plan positively for growth. The slow rate of housing build directly contributed to us having challenges on our '5-year land supply' last summer, which puts the whole district at risk of inappropriate development. I look forward to securing this new planning framework for Mid Devon and ensuring that we can control our own destiny on one of the areas that matters most to our residents.

We were recognised as being among the best nationally in closing our accounts last year, and I am confident that our financial robustness and rigour will stand us in good stead during the challenging times ahead.

Clive Eginton
Leader of the Council

Views from the Chief Executive



This year has seen local government finance in the news more than ever before. While the context has been the pressure on adult social care and (inevitably) Brexit, the reality for Mid Devon is a drastic change to the way we are funded for delivering growth through the New Homes Bonus, as well as the spectre of all government grants ceasing by 2020. Last October we accepted (along with >98% of councils in the country) the government's offer of a 4-year fixed finance settlement, which confirmed our budget position over this timeframe and made clear the need for self-sufficiency as central government funding diminishes to zero.

However, the intent is that the much-lauded 100% local retention of business rates will provide councils with increased incentive to support, enable and (where necessary) cajole their economies into growth. While this may be a challenge for some councils, I firmly believe Mid Devon has the scope and appetite to grow its business base through both the expansion and growth of our indigenous businesses, but also through the incubating of new start-ups and the attracting of relocating companies into our area. It is no coincidence that I am currently bringing together the planning and economy functions of the

council within a single department to share this ethos, aim, and understanding.

It has been an eventful year on the asset side of the business, with capital released from assets where appropriate gains could be realised, but with tactical acquisitions that are providing attractive yields in the short-term whilst providing scope for regeneration and value-creation in the medium term.

My new senior team was fully completed in March with the arrival of a new Director of Operations and I am now seeking to ensure we move from being a 'can-do' council, to a 'does-do' one. We have proven we can move with pace; from signing the deal with DWP to them being fully operational within our offices took less than 8 months. We have proven we can compete; our Electric Nights Street Food events won at the 2016 Devon Life Food awards and in 2017 Mid Devon is hosting the Wales & West heat of the British Street Food competition. We have proven our ambition; we were one of only 14 areas in the country to secure government support for new garden settlement proposals. We have proven our absolute pride in place; investing more in rubbish clearance and issuing more penalty notices for littering and dog fouling. We have also proven, through our recently-completed peer review, that we are a 'radically improved organisation and in a strong position to address future challenges'.

However, there remains much to be done; our new property company intends to disrupt and intervene in the broken housing market; a substantial capital investment in leisure facilities seeks to provide new opportunities for health and fitness as part of our commercial product offering; masterplanning seeks to shape and drive investment and regeneration in our market towns; maximising the opportunity of growth and ensuring delivery rather than simply planning for it; placing Mid Devon confidently within the Greater Exeter partnership and its emerging strategic plan framework; and of course working to secure a flagship outcome at the J27 development site.

Amongst all this there is an increasing 'back-office' transformational agenda to drive forward, and I will continue to be challenging in the exploration of new options for efficiency and partnership that will allow us to deliver the best possible outcomes for Mid Devon's residents, businesses and visitors.

Stephen Walford
Chief Executive

Narrative Report

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



Once again strong financial stewardship has enabled the Authority to end 2016/17 with core spending close to budget and with healthy reserves to face an uncertain future. During the year our annual Accounts closedown process was singled out as best practice across the South West by the external auditors and a recent independent Peer Review challenge process referred to our “strong financial position”.

In order to matching spending aspirations against the ongoing national austerity programme we have taken a number of positive measures with regard to current and future service delivery. Major changes to the waste collection service are now delivering significant improvements; a 4% increase in the recycling rate, reduced landfill tonnages and around 8,700 customers on the garden waste collection service. All of this hard work has also culminated in the Council negotiating a pan-Devon shared savings waste agreement with Devon County Council where all parties financially benefit from any service changes that reduce the overall cost of waste collection. In addition to waste the Council has also increased its investment with the CCLA

property investment fund to £5m, generating a return of 4.32% and also undertook an internal office move in order to relocate the local DWP offices into our Phoenix House HQ resulting in a new annual rental stream.

The Council is still exposed to a large degree of uncertainties – both on the local and national context. A national Election, future Brexit outcomes, the move to 100% Business Rates localisation, the fair funding review, the full roll-out of Universal Credit and the elimination of revenue support grant by 2019/20. Based on these well documented issues the Council is already taking significant proactive steps to plan for the medium to longer term future. Senior Leadership have already mapped out a revised medium term funding envelope and set against this we are looking to; increase national benchmarking and review alternative service delivery models, deliver a major extension to Exe Valley Leisure Centre, generate circa £1.5m capital receipts from surplus asset disposals, set up a property Special Purpose Vehicle (to deliver a step change in market housing supply and recycle all profits back in to the Council). As the Council is now intrinsically linked to future expansion or contraction of the businesses that operate in its boundaries, exciting new potential relating to the Premier Inn development and in the more medium term, allocations associated with the 2 M5 motorway junctions will undoubtedly see major increases in the Business Rates fortune of the District.

So in summary, the Council has finished 2016/17 in a relatively healthy financial position, with sensible levels of reserves and continues to financially plan for a challenging future in order to provide its residents with the services they need/want at an acceptable level of Council Tax or charge mapped against an ever diminishing level of Government funding.

Andrew Jarrett

Director of Finance

1.1 Introduction

The Council's Narrative Report sets out the overall financial position and details the financial transactions relating to the District Council's activities for the year ended 31 March 2017. 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 2016/17.

1.2 The Core Financial Statements

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

1.3 Movement in Reserves Statement

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

1.4 Comprehensive Income and Expenditure Statement

The Comprehensive Income and Expenditure Statement (CIES) is a summary of the resources generated and consumed by the Council in the year. This year there are two new notes that accompany the CIES, as follows.

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

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

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

1.5 The Balance Sheet

This statement is fundamental to the understanding of the Council's financial position at the year-end. It shows all balances and reserves at the Council's disposal, its long-term indebtedness and the non current assets and net current assets employed in its operation together with summarised information on the non current assets held.

1.6 Cash Flow Statement

This consolidated statement summarises the inflows and outflows of cash arising from transactions with third parties for revenue and capital purposes.

1.7 The Housing Revenue Account (HRA) Income and Expenditure Account

This account reflects the statutory obligation to account separately for the Council's provision of housing. The HRA Income and Expenditure Account shows in more detail the income and expenditure on HRA services included in the whole authority Comprehensive Income and Expenditure Statement.

1.8 Collection Fund

This account reflects the statutory requirement for the Council to maintain a separate Collection Fund which shows its transactions in relation to national non-domestic rates and council tax, and illustrates how these have been distributed to Devon County

Council, Devon and Cornwall Police Authority, Devon and Somerset Fire Authority, central government and the Council itself. The Balance Sheet and the Cash Flow Statement only reflect Mid Devon's share of any Collection Fund surplus or deficit.

2.0 Review of the Year

The purpose of the narrative report to the Annual Report and Accounts is to provide a commentary on the main financial highlights contained within the Report and to identify any significant events that may affect the reader's interpretation of the Accounts.

2.1 Revenue Expenditure – General Fund Financial Performance

During the year regular monthly financial monitoring information has been produced and reported to senior management and members. This monitoring report declared forecasts of varying amounts dependent on the information known at each point in time during 2016/17. The month 9 monitoring report tabled at the 2 February 2017 Cabinet meeting declared an estimated outturn deficit of £64k 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.

2016/17 Savings & Additional Costs	Budget variances £k
Capacity funding relating to the Eastern Urban Extension	(224)
Cullompton Garden Village Funding	(214)
Leisure memberships, classes and sales income down on budget	125
Leisure management restructure	92
Environmental Services staffing and other overspends	128
Move and fit out costs for new Waste depot	156
Significant reduction in DARS bad debt provision	(88)
Grant received for Community Housing projects	(131)
HR salaries and management development programme	62
Town and Parish Fund grant awards	79
Minor variances	(15)
Net overall surplus for the year	(30)

These and other variances have resulted in an overall surplus of £30k for the year on the General Fund as shown in the Movement in Reserves Statement (so a change of £94k from the month 9 monitoring report).

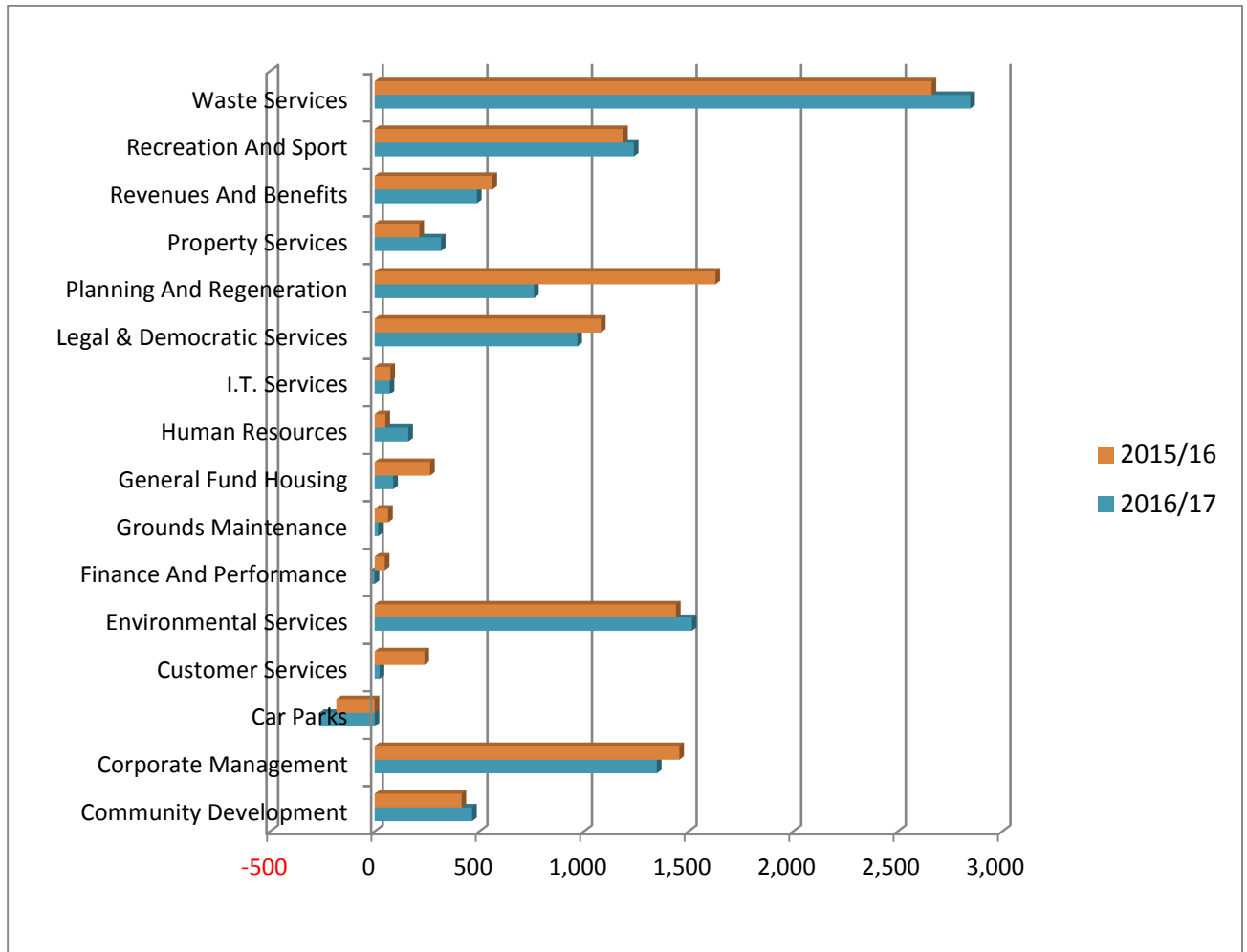
The overall General Fund position delivered in 2016/17 reflects the continued efforts of both officers and members to provide high quality services at an affordable cost and demonstrates the Council's ongoing commitment to further reduce operational cost to mitigate against further cuts in Central Government funding.

The closing General Fund Balance (GFB) of £2,241k can be reconciled by:

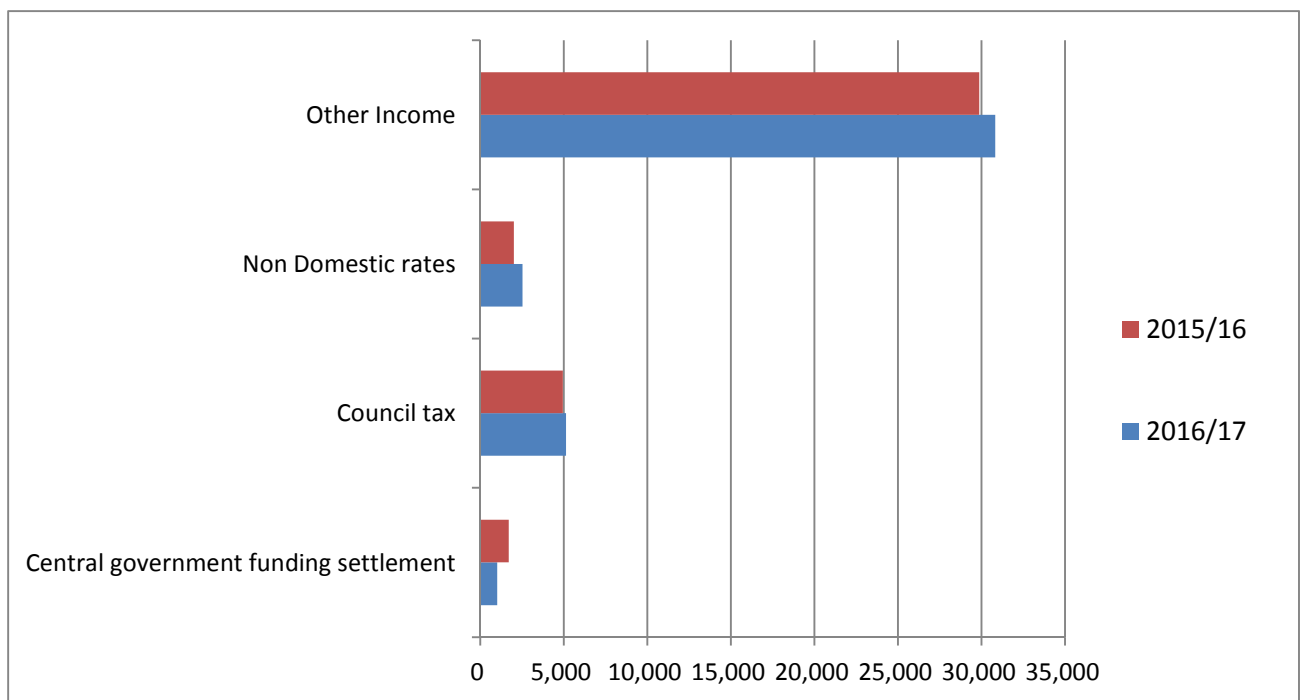
GFB @ 31/03/16	£ (2,211)k
Budget saving achieved in 2016/17	£ (30)k
GFB @ 31/03/17	£ (2,241)k

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

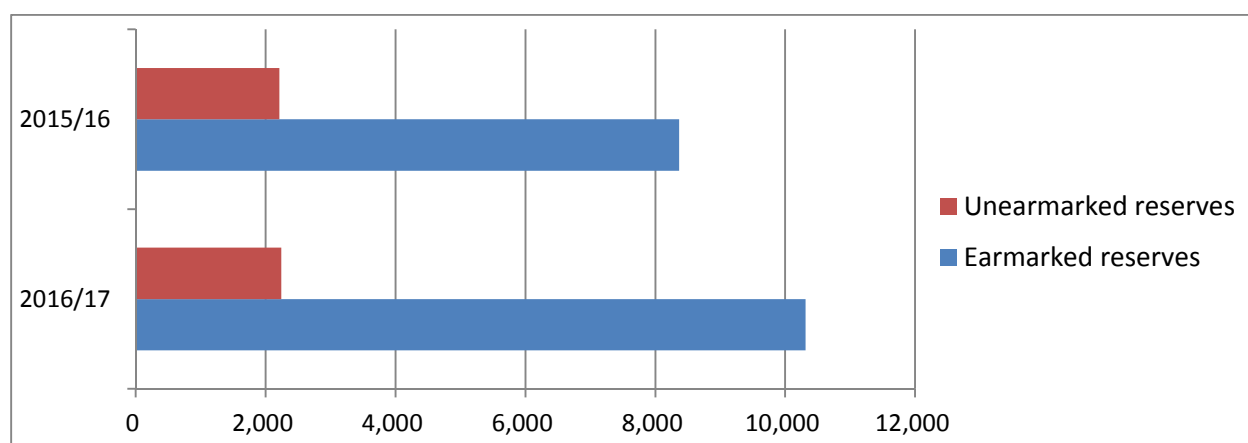
General Fund Net Service Expenditure £k



General Fund Revenue Income £k



General Fund Account Reserves £k



2.2 Revenue Expenditure - Housing Revenue Account (HRA)

The 2016/17 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 at the same level it started at, £2m. The month 9 monitoring report showed a year end forecast under-spend of £255k which, following three further months of activity and year-end accounting adjustments, has grown to £380k and this surplus has been transferred to the 30yr Modernisation reserve (this reserve now sits at £10,970k).

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

2016/17 Savings & Additional Costs	Budget variances £k
Renewable energy income was greater than expected	(50)
Repairs and Maintenance under-spend	(33)
Tenancy staffing and other savings	(174)
Savings on purchase and maintenance of alarms	(52)
Bad debt provision decreased instead of increasing	(28)
Non-dwelling rent income was ahead of target	(19)
Investment income yields were better than expected	(19)
Minor variances	(5)
Overall surplus	(380)

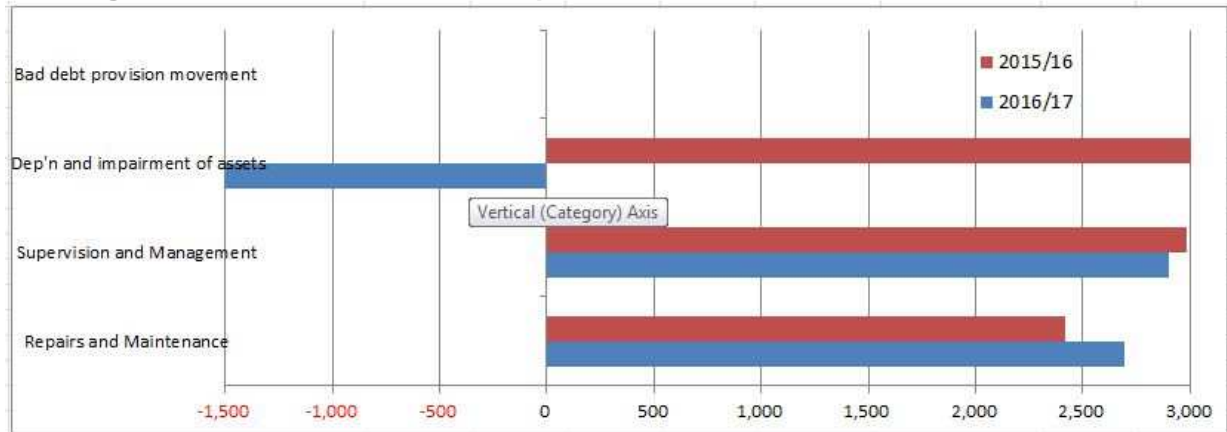
Note - A detailed explanation of the end of year financial position on the HRA is being reported to the Cabinet at its meeting on the 15 June 2017 and this information will be available on the Council's website.

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

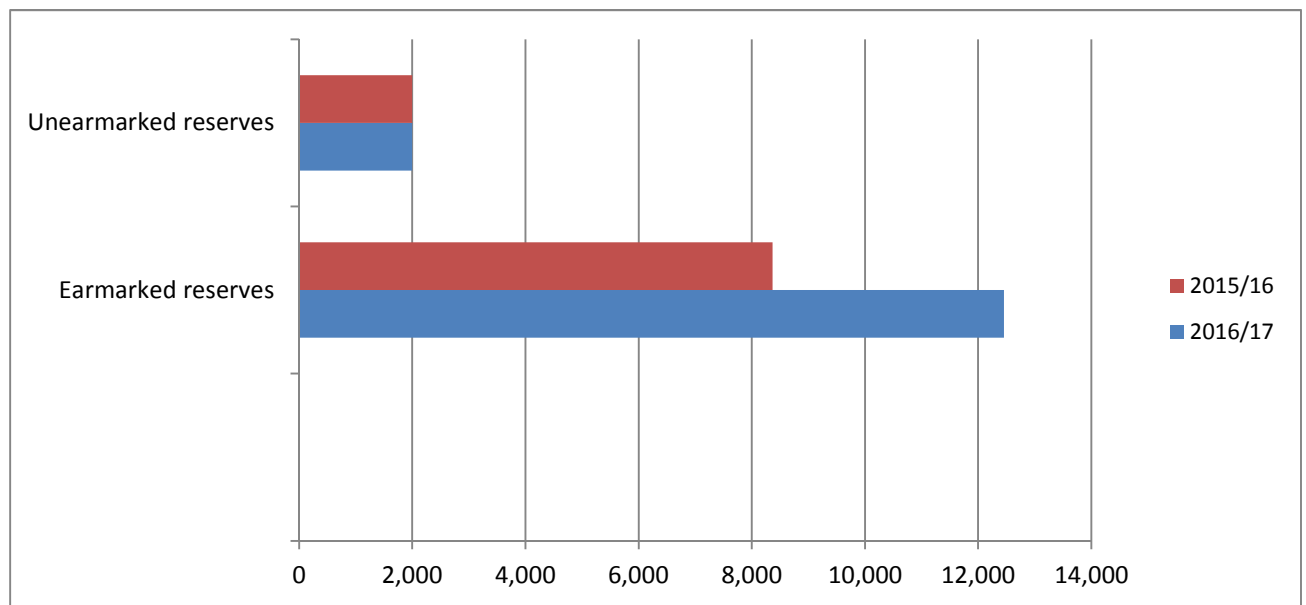
HRAB @ 31/03/16	£ (2,000)k
Movement in reserve balance for the year	£ 0K
HRAB @ 31/03/17	£ (2,000)k

Housing Revenue Account Service Expenditure £k



Since the values for depreciation and impairment are significantly higher than the other values in this chart, the scale has been amended so as to present a meaningful picture. However, this does mean that in both years the value for depreciation and impairment runs beyond the edge of the chart (the values are -£15,394k for 2016/17 and £4,310k for 2015/16).

Housing Revenue Account Reserves £k



2.3 Revenue Expenditure – Non Financial Performance And Risk

When reviewing the performance of the Council in 2016/17, one needs not only to see how we perform against budget, one must also assess how we performed against the operational/strategic targets set within the context of the Corporate Plan during the year. The performance reports tabled at Cabinet and the PDGs are shown as an

addendum to this report highlight the achievements for the financial year against the targets set for both the General Fund and the Housing Revenue account.

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

2.4 Capital Expenditure

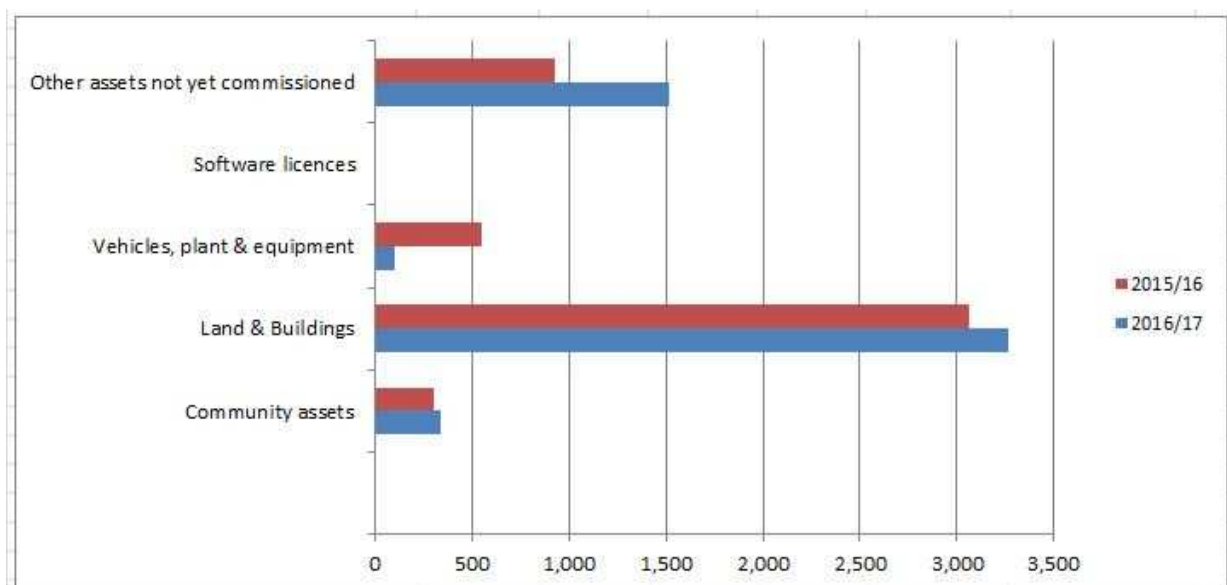
During the year, capital expenditure amounted to £5,293k. The Council used £820k of capital receipts to fund the capital programme, with the balance of the expenditure met by a combination of external grants and earmarked reserves.

The largest areas of expenditure in the 2016/17 capital programme were: £3,166k spent on improvements, additions and disabled adaptations to our existing housing stock, £1,293k on council house building projects, £97k on plant and equipment and £333k spent on various housing related grants/projects.

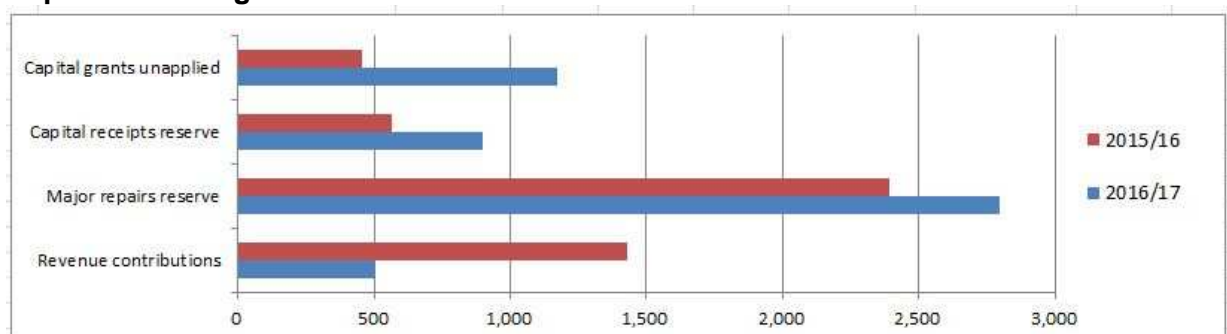
In its medium term financial plan the Council identifies spending plans of circa £47m over the next four years. In order to help fund this we have already been reserving sums from specific grants/receipts and from the New Homes Bonus to ensure that sufficient funding is available when and where required.

A review of each of the financial statements will provide further details of the financial position of the Council for 2016/17.

Capital Expenditure £k



Capital Financing £k



2.5 The Movement in Reserves Statement

This statement is the key to establishing the aggregate financial position of the Council, as it produces a summary of all the “cash backed” Reserves that the Council holds. It shows that the Council's usable reserves have increased by £6,139k to £31,615k during 2016/17.

2.6 The Comprehensive Income and Expenditure Statement

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

The Comprehensive Income and Expenditure Statement (CIES) shows an overall surplus of £11,604k. However, this position also includes the consolidation of the Council's HRA. In addition, there are a number of technical accounting adjustments made to the final accounts which need to be “reversed out” in order to reflect the final cash position. These entries are included in the Adjustments between Accounting Basis and Funding Basis under Regulations. Once all of these adjustments are accounted for, the overall outturn is a £30k surplus on the General Fund and a zero variance on the HRA.

For information purposes, in addition to the various fees and charges levied by services, the General Fund was funded by £1,017k from Central Government Formula Grant, £2,535k from Business Rates, and Council Tax of £5,136k (excluding Parish Precepts). In addition there were miscellaneous grants totalling £3,688k.

2.7 Balance Sheet

The financial highlights for the Balance Sheet are shown below:

- The Property, Plant and Equipment valuation, after adjustment for additions, disposals, and finance leases, increased by £20,310k during 2016/17, largely due to a change in discount basis from 31% to 35% for council dwellings.
- The overall Pension Scheme deficit decreased by £16,502k.

2.8 Cash Flow Statement

The Council had a net cash outflow during 2016/17 of £394k.

2.9 Housing Revenue Account (HRA) Income and Expenditure Account

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

- The HRA achieved a £23,327k surplus in 2016/17, but adjustments made in the Movement on the HRA Statement of £20,611k and the transfers to Earmarked Reserves of £2,716k, result in a break even position.

3.0 Major Repairs Reserve (MRR)

The Housing Revenue Account also holds a MRR, which is ring fenced for capital expenditure on HRA properties. This reserve effectively carries forward any unspent major repairs allowance. During 2016/17, the Council credited £2,797k to the MRR, which was fully utilised. As a result, there was no carrying balance on the MRR as at the 31/3/2017.

3.1 The Collection Fund

The financial highlights for the Collection Fund are given below:

- There was a £243k surplus on the Council Tax Collection Fund in 2016/17. This results in an overall surplus on the fund of £303k at 31/3/2017, of which 13.84% is due to MDDC, amounting to £42k.
- The Council Tax collection rate achieved in the year was 98.1% (98.1% in 2015/16).
- The Council set a Band D equivalent council tax rate of £187.15 in 2016/17.
- There was a £1,496k surplus on the Business Rates Collection Fund in 2016/17. This results in an overall deficit on the fund of £356k at 31/3/2017, of which 40% is due to MDDC, amounting to £143k.
- The Business Rates collection rate achieved in the year was 99.2% (99.1% in 2015/16).

3.2 Pension Fund

The financial highlights of the pension fund are:

- Pension assets have increased to £59,578k (£52,033k in 15/16)
- Pension liabilities have increased to £123,474k (£97,897k in 15/16)
- Unfunded liabilities have increased to £1,226k (£1,168k in 15/16)
- The net deficit on the fund is £63,534k (£47,032k in 15/16)

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

3.3 Valuation of Property Portfolio

The Council instructed the District Valuer to undertake a full valuation of 1/5th of its asset portfolio and review the remaining assets in order to establish a "true and fair" view for the 31 March 2017 Balance Sheet.

3.4 Treasury Activities

The table below gives an overview of the Council's treasury activities during 2016/17:

31/03/16 £k	Investment Categories	31/03/17 £k
3	Cash floats	3
4,884	Bank deposits	3,743
1,500	Short term deposits	0
2,390	CCLA LAMIT property fund	4,639
8,777	Total	8,385

In addition to above cash equivalents, the Council also held £18m of short term investments as at the 31 March 2017.

The Council generated investment interest of £143k, which gave an average rate of return of 0.63%.

3.5 Borrowing

At the end of 2016/17, the Council had five Public Works Loan Board loans outstanding with a principal of £43.97m, having paid off £1,683k of the outstanding balances during

the year. Interest of £1.3m was paid during 2016/17. The interest rates on these loans range from 1.32% to 2.68% pa.

3.6 Post Balance Sheet Events

On 21/04/17 Mid Devon completed the purchase of Coggans Well House for £290k. Since the transaction was completed after the 31/03/17 it is not reflected in the balance sheet of that date. Because the value of the transaction is not material, it is considered to be a non-adjusting event.

At the 31/03/17, the Council had exchanged contracts with Tiverton Town Council to sell Tiverton Town Hall to that party for a sum of £175k. Since the transaction had not been completed, it is not reflected in our balance sheet. At the date of publication, the transaction remains yet to complete.

3.7 The Financial Future of Mid Devon

2016/17 was another challenging but ultimately successful year for the Council, services were delivered within a much reduced budget envelope and we managed to finish the year with a healthy level of reserves to cope with a much more uncertain financial future. Continued cuts in Central Government funding, of circa £3m, since 2010/11, has forced all Councils to explore more creative cost saving measures and income generating opportunities.

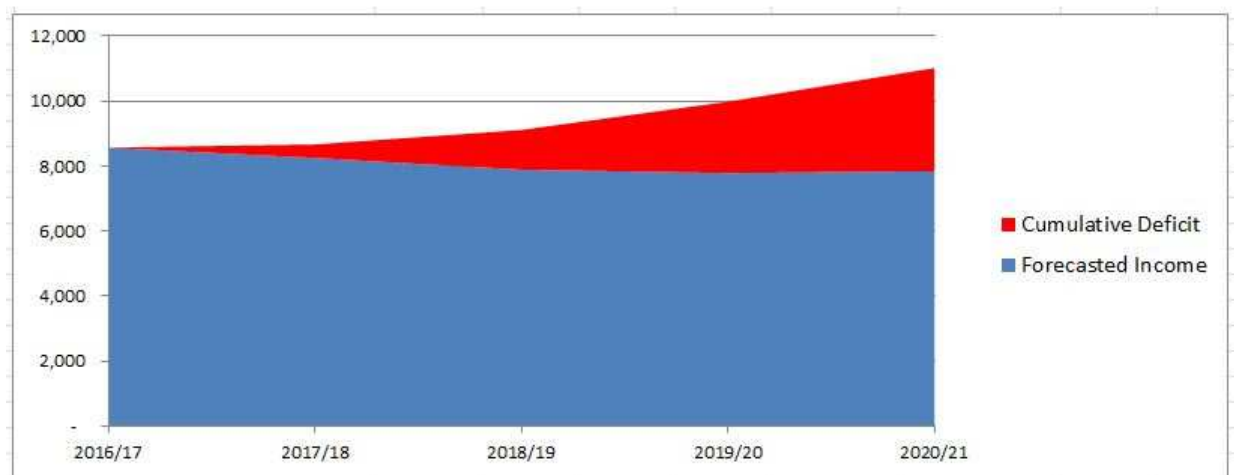
During 2016/17 the Council has taken a number of proactive steps to: rationalise surplus property assets, work more closely with local and neighbouring Councils, make major changes to our Waste collection service, increased the investment in a national property rental fund, maintained and in a number of areas improved income collection rates and further reduced our operational headcount. In addition to these service improvements we have also delivered on our Local Plan, which allocates a number of exciting large scale commercial and residential allocations.

Looking forward there still remains much financial uncertainty regarding the future of local government funding. An imminent national election may well change priorities, the elimination of Revenue Support Grant, the 100% localisation of business rates and a Fair Funding review all timetabled for 2019/20 may all collectively alter the shape of national and local government funding.

Although the myriad of uncertainties affecting local government make medium term financial planning far more challenging, the fairly recent confirmation of a fixed 4 year funding settlement has at least given some clarity to one of the Councils major funding sources. And to this end the Council's senior leadership team is already working to set a strategic 5-7 year vision which is both deliverable and affordable.

This Council continues to take pride in delivering value for money services, set against a challenging funding backdrop. With strong financial management and stewardship we will enter 2017/18 with a sound and healthy balance sheet, appropriate levels of reserves and a wide range of future plans to ensure we continue to provide high quality services which our residents, customers and visitors want, need and value.

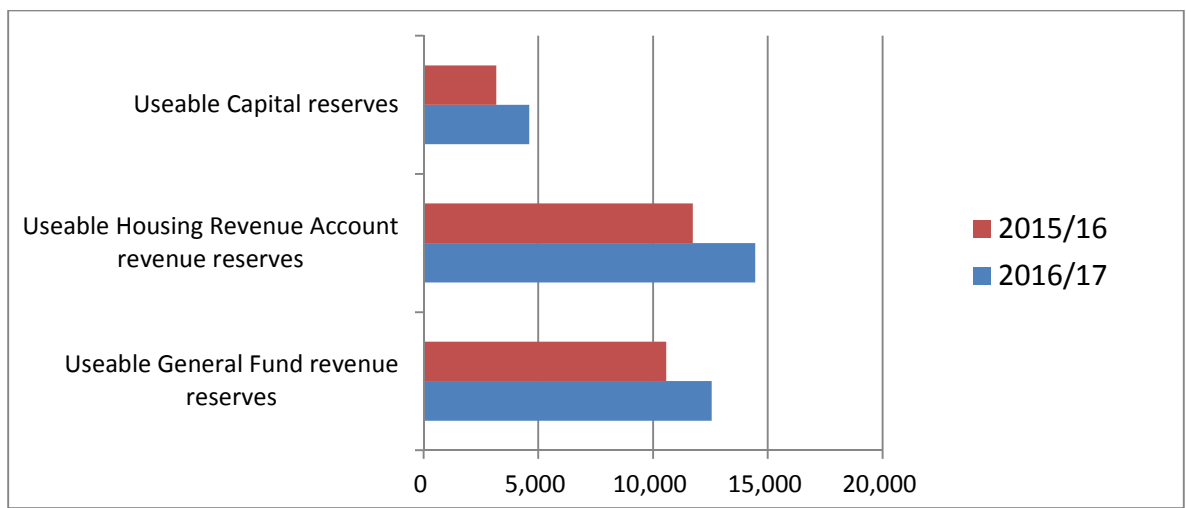
Medium Term Forecast Expenditure and Funding £k (As discussed at the October 2016 Cabinet meeting)



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 approximately £1m in 2020/21, meaning a cumulative shortfall of £3.2m over the next four years.
2. Central government has reduced the main Revenue Support Grant from £6.2m, in 2010/11 down to £1.0m for 2016/17, but we retain £2.1m of business rates. This therefore equates to a funding cut of 50% over the past five years.

Total Usable Reserves £k



Andrew Jarrett
Director of Finance

4.0 STATEMENT OF ACCOUNTING POLICIES

4.1 General Principles

The Statement of Accounts summarises the Council's transactions for the 2016/17 financial year and its position at the year ending 31 March 2017. 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 2016/17 and the Service Reporting Code of Practice for Local Authorities 2016/17 (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 in which it takes place, not simply when cash payments are made or received. In particular:

- Revenue from the sale of goods is recognised when the Authority transfers the significant risks and rewards of ownership to the purchaser, and it is probable that economic benefits or service potential associated with the transaction will flow to the Authority.
- Supplies are recorded as expenditure when they are consumed. Where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet.
- Expenses in relation to services provided (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument, rather than the cash flows fixed or determined by the contract.
- Where income and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

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

4.3 Overheads and Support Services

The costs of overheads and support services are charged to those users that benefit from the supply or service in accordance with the costing principles of the CIPFA Service Reporting Code of Practice for Local Authorities 2015/16 (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 recognised as an expense for services in the year in which employees render service to the Authority. An accrual is made for the cost of holiday entitlements (or any form of leave e.g. time off in lieu) earned by employees but not taken before the year-end, which employees carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the accounting year. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

Termination Benefits

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

Where termination benefits involve the enhancement of pensions, statutory

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

Post-Employment Benefits

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

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

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

depending upon their nature. When conditions are satisfied, the grant or contribution is credited to the relevant service in the Comprehensive Income and Expenditure Statement.

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

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

4.10 Exceptional Items

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

capital financing calculated on a straight line basis over the life of the asset.

4.12 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 increased from 31% to 35%.
- all other assets - fair value, determined as the amount that would be paid for the asset in its existing use (existing use value - EUV)

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

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

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

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

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

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

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

Componentisation

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

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

Impairment

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

Where impairment losses are identified, they are accounted for as follows:

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

The Council had the District Valuer estimate current values of 1/5th of the property portfolio at 31 March 2017.

Depreciation

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

Depreciation is calculated on the following bases:

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

Roofs	50 years
Kitchens	20 years
Bathrooms	30 years
Windows	30 years
Boilers	10 years
Structure	60 years

Applying this model, with current rebuilding costs, a depreciation charge of £2,222k for the year has been determined. This charge has been allocated pro rata across all of the council dwellings, including new additions based upon the property's value

- other buildings – straight-line allocation over the life of the property as estimated by the Valuer
- Vehicles, plant and equipment – straight-line allocation over the life of the asset as estimated by suitably qualified and experienced officers. Examples of time scales are given below:

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

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

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

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

4.15 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 £10k are categorised as capital receipts. A proportion of receipts relating to housing disposals and other assets, net of statutory deductions and allowances, is payable to the Government. Part of the retained balance of receipts is required to be credited to the Capital Receipts Reserve, and can then only be used for new capital investment or set aside to reduce the Council's underlying need to borrow, and part is required to be set aside in a ring fenced reserve for future Council house building. Receipts are appropriated to the Reserve from the Adjustments between Accounting Basis and Funding Basis under Regulations.

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

Heritage Assets

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

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

valuations.

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

Any impairment is recognised and measured in accordance with the Authority's general policies on impairment shown in note 4.14 above.

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

4.16 Art Collection

The Authority's art collection includes paintings (oil on canvas, oil on board), statues and busts and some furniture, most of which are contained within the Town Hall at Tiverton. The assets which were donated in years past were valued for insurance purposes by Chilcotts professional Fine Art Valuers and Auctioneers in March 2012. During 2016/17 the paintings were revalued, resulting in a £37k impairment.

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).

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 (in this case ownership of the asset does not transfer to the authority at the end of the lease period).

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

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

Operating Leases

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

The Authority as Lessor

Finance Leases

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

Lease rentals are apportioned between:

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

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

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

4.19 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.

Council Tax

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

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

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

4.21 Inventories

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

4.22 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 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

Available-for-Sale-Assets

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

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

Instruments with quoted market prices – the market price

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

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

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

Where assets are identified as impaired because of a likelihood, arising from a past event, that payments due under the contract will not be made (fixed or determinable payments) or fair value falls below cost, the asset is written down and a charge made to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The impairment loss is measured as any shortfall of fair value against the acquisition cost of the instrument (net of any principal repayment and amortisation).

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

Loans and receivables

Loans and receivables are recognised on the Balance Sheet when the Authority

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

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

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

4.24 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 amount required to settle the obligation, taking into account relevant risks and uncertainties.

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

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

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.

4.26 General Fund Reserve

Council has approved a policy whereby the level of the General Fund balance should not fall below 25% of the net General Fund budget. The balance at 31/03/17 was £2,241k.

4.27 Housing Revenue Account (HRA)

Council has approved a policy of the HRA maintaining a reserve balance of £2m and this has been maintained throughout 2016/17.

5.0 THE STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

5.1 The Authority's Responsibilities

The authority is required to:

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

5.2 The Director of Finance's Responsibilities

The Director of Finance, Assets and Resources is responsible for the preparation of the Authority's Statement of Accounts in accordance with the proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom ("the Code of Practice").

In preparing this Statement of Accounts, the Director of Finance, Assets and Resources has:

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

The Director of Finance, Assets and Resources has also:

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

5.3 Opinion

In my opinion the Statement of Accounts gives a true and fair view of the financial position of the authority at the accounting date and its income and expenditure for the year ended 31 March 2017.

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

Andrew Jarrett – CPFA
Director of Finance, Assets and Resources
Mid Devon District Council

6.0 CHIEF FINANCIAL OFFICER'S CERTIFICATE

I certify that the accounts set out in the following pages, gives a true and fair view of the financial position of the Council at 31 March 2017.

The date on which the Statement of Accounts was authorised for issue by the Director of Finance was 30 May 2017.

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

Approved by the Director of Finance, Assets and Resources

.....

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 30 May 2017

Mid Devon District Council Financial Statements 2016-17

Movement in Reserves Statement

This statement shows the movement in the year on the different reserves held by the Authority, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The surplus or (Deficit) on the Provision of Services line shows the true economic cost of providing the authority's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. This is different from the statutory amounts required to be charged to the General Fund Balance and the Housing Revenue Account for council tax setting and dwellings rent setting purposes. The net Increase/Decrease before Transfers to Earmarked Reserves line shows the statutory General Fund Balance and Housing Revenue Account Balance before any discretionary transfers to or from earmarked reserves undertaken by the Council.

2016/17		USABLE 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	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
	Notes	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 31 March 2016		(2,211)	(8,365)	(2,000)	(9,736)	(1,442)	-	(1,722)	(25,476)	(69,787)	(95,263)
<u>Movement in Reserves during 2016/17</u>											
(Surplus) or deficit on the provision of services		272		(23,326)					(23,054)		(23,054)
Other Comprehensive Income and Expenditure									-	11,451	11,451
Total Comprehensive Income and Expenditure		272	-	(23,326)	-	-	-	-	(23,054)	11,451	(11,603)
Adjustments between accounting basis and funding basis under regulations	5	(2,254)		20,610		(997)	-	(443)	16,916	(16,916)	-
Net Increase/Decrease before Transfers to Earmarked Reserves		(1,982)	-	(2,716)	-	(997)	-	(443)	(6,138)	(5,465)	(11,603)
Transfers (to) / from Earmarked Reserves	6	1,952	(1,952)	2,716	(2,716)				-		
(Increase)/Decrease in 2016/17		(30)	(1,952)	(0)	(2,716)	(997)	-	(443)	(6,138)	(5,465)	(11,603)
Balance at 31 March 2017 Carried forward		(2,241)	(10,317)	(2,000)	(12,452)	(2,439)	-	(2,165)	(31,614)	(75,252)	(106,866)
Held for Revenue Purposes		(2,241)	(10,317)	(2,000)					(14,558)		
Held for Capital Purposes					(12,452)	(2,439)	-	(2,165)	(17,056)		

Mid Devon District Council Financial Statements 2016-17

Movement in Reserves Statement continued

This statement shows the movement in the year on the different reserves held by the Authority, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The surplus or (Deficit) on the Provision of Services line shows the true economic cost of providing the authority's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. This is different from the statutory amounts required to be charged to the General Fund Balance and the Housing Revenue Account for council tax setting and dwellings rent setting purposes. The net Increase/Decrease before Transfers to Earmarked Reserves line shows the statutory General Fund Balance and Housing Revenue Account Balance before any discretionary transfers to or from earmarked reserves undertaken by the Council.

2015/16		USABLE 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	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
	Notes	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 31 March 2015		(2,380)	(6,953)	(2,000)	(6,730)	(985)	-	(1,434)	(20,482)	(66,858)	(87,340)
Movement in Reserves during 2015/16											
Surplus on the provision of services		2,302		(3,090)					(788)		(788)
Other Comprehensive Income and Expenditure									-	(7,135)	(7,135)
Total Comprehensive Income and Expenditure		2,302	-	(3,090)	-	-	-	-	(788)	(7,135)	(7,923)
Adjustments between accounting basis and funding basis under regulations	5	(3,545)		84		(457)	-	(288)	(4,206)	4,206	-
Net Increase/Decrease before Transfers to Earmarked Reserves		(1,243)	-	(3,006)	-	(457)	-	(288)	(4,994)	(2,929)	(7,923)
Transfers (to) / from Earmarked Reserves	6	1,412	(1,412)	3,006	(3,006)				-		
(Increase) / Decrease in 2015/16		169	(1,412)	-	(3,006)	(457)	-	(288)	(4,994)	(2,929)	(7,923)
Balance at 31 March 2016 Carried forward		(2,211)	(8,365)	(2,000)	(9,736)	(1,442)	-	(1,722)	(25,476)	(69,787)	(95,263)
Held for Revenue Purposes		(2,211)	(8,365)	(2,000)	(9,736)				(22,312)		
Held for Capital Purposes						(1,442)	-	(1,722)	(3,164)		

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.

2015/16				Notes	2016/17		
Gross Expenditure	Gross Income	Net Expenditure			Gross Expenditure	Gross Income	Net Expenditure
£'000	£'000	£'000			£'000	£'000	£'000
570	(154)	416	Community Development		613	(147)	466
1,457	(0)	1,456	Corporate Management		1,370	(21)	1,349
534	(717)	(183)	Car Parks		536	(800)	(264)
239	(1)	238	Customer Services		24	-	24
2,142	(702)	1,440	Environmental Services		2,169	(652)	1,517
54	(6)	48	Finance And Performance		(12)	(8)	(20)
102	(38)	65	Grounds Maintenance		52	(35)	17
360	(95)	265	General Fund Housing		403	(314)	89
10,078	(13,880)	(3,802)	Housing Revenue Account		(9,314)	(13,825)	(23,139)
52	(1)	51	Human Resources		161	-	161
120	(45)	75	I.T. Services		76	(4)	72
1,323	(241)	1,082	Legal & Democratic Services		1,328	(359)	969
2,978	(1,348)	1,629	Planning And Regeneration		2,509	(1,747)	762
987	(774)	214	Property Services		1,078	(761)	317
20,114	(19,551)	563	Revenues And Benefits		19,174	(18,685)	489
3,571	(2,383)	1,188	Recreation And Sport		3,697	(2,459)	1,238
4,554	(1,892)	2,663	Waste Services		5,085	(2,239)	2,846
49,235	(41,827)	7,408	Costs of Services		28,949	(42,056)	(13,107)
		979	Other Operating Expenditure	8			824
		2,777	Financing and Investment Income and Expenditure	9			2,713
		(12,063)	Taxation and Non-Specific Grant Income	10			(13,733)
		110	(Surplus) or deficit on revaluation of available for sale financial assets	11			250
		(789)	(Surplus) or Deficit on Provision of Services				(23,053)
		(5,795)	Remeasurements of the net defined benefit liability	22			14,697
		(1,340)	(Surplus) or deficit on revaluation of Property, Plant and Equipment	44			(3,247)
		(7,135)	Other Comprehensive Income and Expenditure				11,450
		(7,924)	Total Comprehensive Income and Expenditure				(11,603)

Restatement of Comprehensive Income and Expenditure Statement 2015/16

This is the CIES from the previous year, restated to demonstrate how it would have been presented, should the new requirements have applied at that time.

2015/16			Notes	2015/16		
Gross Expenditure	Gross Income	Net Expenditure		Gross Expenditure	Gross Income	Net Expenditure
£'000	£'000	£'000		£'000	£'000	£'000
4,380	(791)	3,589	Central Services to the Public			
4,272	(2,449)	1,823	Cultural			
6,301	(2,618)	3,683	Environment and Regulatory Services			
3,871	(1,955)	1,916	Planning Services			
562	(742)	(180)	Highways and Transport Services			
10,078	(13,880)	(3,802)	Local Authority Housing (HRA)			
19,772	(19,393)	379	Housing			
49,236	(41,828)	7,408	Costs of Services			
			Community Development	570	(154)	416
			Corporate Management	1,457	(0)	1,456
			Car Parks	534	(717)	(183)
			Customer Services	239	(1)	238
			Environmental Services	2,142	(702)	1,440
			Finance And Performance	54	(6)	48
			Grounds Maintenance	102	(38)	65
			General Fund Housing	360	(95)	265
			Housing Revenue Account	10,078	(13,880)	(3,802)
			Human Resources	52	(1)	51
			I.T. Services	120	(45)	75
			Legal & Democratic Services	1,323	(241)	1,082
			Planning And Regeneration	2,978	(1,348)	1,629
			Property Services	987	(774)	214
			Revenues And Benefits	20,114	(19,551)	563
			Recreation And Sport	3,571	(2,383)	1,188
			Waste Services	4,554	(1,892)	2,663
			Costs of Services	49,235	(41,827)	7,408
		980	Other Operating Expenditure			980
		2,777	Financing and Investment Income and Expenditure			2,777
		(12,063)	Taxation and Non-Specific Grant Income			(12,063)
		110	Surplus or deficit on revaluation of available for sale financial assets			110
		(788)	(Surplus) or Deficit on Provision of Services			(788)
		(1,340)	(Surplus) or deficit on revaluation of Property, Plant and Equipment			(1,340)
		(5,795)	Remeasurement of the net defined benefit liability			(5,795)
		(7,135)	Other Comprehensive Income and Expenditure			(7,135)
		(7,923)	Total Comprehensive Income and Expenditure			(7,923)

Expenditure and Funding Analysis

The objective of the Expenditure and Funding Analysis is to demonstrate to council tax and rent payers how the funding available to the authority has been used.

2015/16				2016/17		
Net expenditure chargeable to the GF and HRA balances	Adjustments between funding and accounting basis	Net expenditure in the CIES		Net expenditure chargeable to the GF and HRA balances	Adjustments between funding and accounting basis	Net expenditure in the CIES
£'000	£'000	£'000		£'000	£'000	£'000
416	0	416	Community Development	466	0	466
1,456	0	1,456	Corporate Management	1,349	0	1,349
(183)	0	(183)	Car Parks	(264)	0	(264)
238	0	238	Customer Services	24	0	24
1,446	0	1,446	Environmental Services	1,517	0	1,517
48	0	48	Finance And Performance	(20)	0	(20)
65	0	65	Grounds Maintenance	17	0	17
265	0	265	General Fund Housing	89	0	89
(3,090)	(712)	(3,802)	Housing Revenue Account	(23,328)	189	(23,139)
51	0	51	Human Resources	161	0	161
75	0	75	I.T. Services	72	0	72
1,082	0	1,082	Legal & Democratic Services	969	0	969
1,629	0	1,629	Planning And Regeneration	762	0	762
208	0	208	Property Services	317	0	317
563	0	563	Revenues And Benefits	489	0	489
1,188	0	1,188	Recreation And Sport	1,238	0	1,238
2,663	0	2,663	Waste Services	2,846	0	2,846
8,120	(712)	7,408	Costs of Services	(13,296)	189	(13,107)
(12,369)	4,172	(8,197)	Other Income and Expenditure	8,600	(18,546)	(9,946)
(4,249)	3,460	(789)	(Surplus) or Deficit on Provision of Services	(4,696)	(18,357)	(23,053)
(18,063)			Opening balance (combined General Fund and HRA reserves) as at 31/03/16	(22,312)		
(4,249)			Plus (surplus) or deficit on General Fund and HRA in year	(4,696)		
(22,312)			Closing balance (combined General Fund and HRA reserves) as at 31/03/17	(27,008)		

Expenditure and Income Analysed by Nature

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

	Notes	2015/16	2016/17
		£'000	£'000
Expenditure			
Employee benefits		15,048	14,391
Other services		30,416	30,033
Depreciation, amortisation and impairment		6,241	(13,390)
Interest payments		1,448	1,404
Precepts and levies		1,200	1,358
Total expenditure		54,353	33,796
Income			
Fees, charges and other service income		(42,392)	(43,545)
Interest and investment income		(217)	(200)
Income from council tax, NNDR, district rate income		(12,078)	(12,338)
Gain on the disposal of assets		(455)	(766)
Total income		(55,142)	(56,849)
Surplus or deficit on the provision of services		(789)	(23,053)

Balance Sheet

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

31 March 2016 £'000		Notes	31 March 2017 £'000
169,120	Property, Plant & Equipment	23	189,430
491	Heritage Assets	26	454
0	Intangible assets	27	0
0	Long-term Investments		0
158	Long-term Debtors	34	176
169,769			190,060
13,500	Short-term Investments	35	18,000
195	Inventories	36	200
2,596	Short-term Debtors	37	2,762
8,777	Cash and Cash Equivalents	38	8,385
25,068	Current Assets		29,347
(5,397)	Short-term Creditors	39	(4,231)
(41)	Provisions	41	(28)
(1,683)	Short-term Borrowing	30	(1,731)
(7,121)	Current Liabilities		(5,990)
(641)	Long-term Creditors	40	(606)
(43,973)	Long-term Borrowing	30	(42,242)
(47,032)	Other Long Term Liabilities	47	(63,534)
(807)	Capital Grants Receipts in Advance	40	(170)
(92,453)	Long Term Liabilities		(106,552)
95,263	Net Assets		106,865
25,476	Usable Reserves	42	31,616
69,787	Unusable reserves	43	75,248
95,263	Total Reserves		106,864

Cash Flow Statement

This section shows what cash we spend and receive

2015/16		Notes	2016/17
£'000			£'000
789	Net surplus or (deficit) on the provision of services		23,053
12,421	Adjustments to net surplus or deficit on the provision of services for non-cash movements	50	(12,217)
(554)	Adjustments for items included in the net surplus on the provision of services that are investing and financing activities (See note references)	51	(2,338)
12,656	Net cash flows from Operating Activities		8,499
(7,479)	Investing Activities	53	(7,123)
(1,748)	Financing Activities	54	(1,770)
3,429	Net increase or decrease in cash and cash equivalents		(395)
5,349	Cash and cash equivalents at the beginning of the reporting period	38	8,777
8,777	Cash and cash equivalents at the end of the reporting period	38	8,385

Notes to the Accounts

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

Paragraph 3.3.4.3 of the Code of Practice requires that the Authority discloses information relating to the impact of an accounting change that will be required by a new standard that has been issued but not yet adopted. The requirement applies to accounting standards that come into effect for financial years commencing on or before 1 January of the financial year in question (i.e. on or before 1 January 2017 for 2016/17).

In compiling the 2016/17 accounts the following accounting policies would have been treated as not yet

- Amendment to the reporting of pension fund scheme transaction costs
- Amendment to the reporting of investment concentration (see paragraph 6.5.5.1 (m) of the 2017/18 Code)

Since both of these relate to pension fund authorities only, they are not applicable for this set of accounts.

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/income - based on service managers' and accountants' calculations at year end;
- b) bad debt provision - based on historic trends, adjusted for any material movements during 2016/17;
- c) asset lives for the calculation of depreciation charges - based on service managers' experience of previously used assets.
- d) Estimating the total amount of the housing benefit subsidy claim for the year prior to its final determination after 31 March using data for the first eleven months.

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

Property valuations made by the District Valuer;

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

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

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

Notes to the Accounts

3 Material Items of Income and Expense

There were no material items this year.

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

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

The items in the Authority's Balance sheet at 31 March 2017 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
23	Property, Plant and Equipment	Assets are depreciated over useful lives that are dependent upon assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Authority will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.	If the useful life of an asset is reduced, depreciation increases and the carrying amount of the asset falls. It is estimated that the annual depreciation charge for buildings and plant based on a gross value of £47,267k (excl. Council Houses) would increase by £192k for every year that useful lives had to be reduced.
22	Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Authority with expert advice about the assumptions to be applied. The value of pension assets is estimated based upon information available at the Balance Sheet date, but these valuations may be earlier than the Balance Sheet date. The actual valuations at the Balance Sheet date, which may not be available until some time later, may give a different value of pension assets, but this is not considered to be material.	The effects on the closing defined benefit obligation of changes in individual assumptions can be measured. For instance, a 0.1% increase in the discount rate assumption would result in a decrease in the closing defined benefit obligation to £120,882k and a 1 year increase in mortality rates would increase the closing defined benefit obligation to £127,839k. However the assumptions interact in complex ways.

Notes to the Accounts

Note	Item	Uncertainties	Effect if Actual results Differ from Assumptions
69	Arrears	At 31 March 2017, the Authority had a gross sundry debtors balance of £570k. A review of significant balances suggested that a provision for doubtful debts of 31% or £176k was appropriate (£136k of which relates to DARS). However, in the current economic climate it is not certain whether such an allowance would be sufficient.	If we were to provide for 32% instead of 31%, the provision value would increase by £6k.
	Housing Benefit Subsidy Claim	To help meet the earlier preparation of the accounts the Housing Benefit Subsidy claim has been estimated at 26 March 2017, having regard to the financial ledger and expectation of the final annual figure.	Estimating before the year end has led to an immaterial amount of £7k which will now be accounted for in 2017/18.
	Fair Value Asset Valuation	The Authority engages the District Valuer, a qualified RICS surveyor, to provide valuations of land and property assets at the year end. The values of assets are adjusted to their current values by reviewing the sales of similar assets in the region, applying indexation and considering impairment of individual assets. The District Valuer works closely with the finance staff on all valuation matters.	Significant changes in the assumptions of future income streams/growth, occupancy levels, ongoing property maintenance and other factors would result in a significantly higher or lower fair value measurement for these assets.
	Impairments	All non current assets need to be reviewed for possible impairment. A review with service managers is undertaken each year to consider the possible impairment of assets. The District Valuer also considers possible impairment when undertaking his valuations.	If a significant impairment of an asset were not to be adjusted then the non current assets would be materially overstated in the financial statements.
	Accruals	Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. A de minimis level of £10k is normally applied to adjust for timing differences between accounting years.	Although a review of cash paid and cash received after the year end is performed, if significant unrecorded liabilities were not identified then material misstatement of our liabilities in the balance sheet of the accounts would occur.

Notes to the Accounts

5 Adjustments between Accounting Basis and Funding Basis under Regulations

This note details the adjustments that are made to the total comprehensive income and expenditure recognised by the Authority in the year in accordance with proper accounting practice to arrive at the resources that are specified by statutory provisions as being available to the Authority to meet future capital and revenue expenditure.

General Fund Balance

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

Housing Revenue Account Balance

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

Major Repairs Reserve

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

Capital Receipts Reserve

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

Capital Grants Unapplied

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

Notes to the Accounts

5 Adjustments between Accounting Basis and Funding Basis under Regulations

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

2016/17	Usable Reserves						Movement in Unusable Reserves
	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Total Usable Reserves	
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<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	(1,580)	(2,414)					3,994
Revaluation losses on Property, Plant and Equipment	(299)	17,808					(17,509)
Amortisation of intangible assets	(125)						125
Capital grants and contributions applied							
Income in relation to donated assets							
Revenue expenditure funded from capital under statute	(333)						333
Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(101)	(1,219)					1,320
<u>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</u>							
Statutory provision for the financing of capital investment	89	985					(1,074)
Capital expenditure charged against the General Fund and HRA balances	397	109					(506)
<u>Adjustments primarily involving the Capital Grants Unapplied Account</u>							
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	978	636			(1,614)		
Application of grants to capital financing transferred to the Capital Adjustment Account					1,171		(1,171)
<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	116	1,970	(2,086)				
Use of the Capital Receipts Reserve to finance new capital expenditure			820				(820)
Contribution from the Capital Receipts Reserve towards administrative costs of non current asset disposals		(36)	36				
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	(233)		233				
Right to Buy Discounts repaid							
<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	(1)						1
Balance carried forward	(1,092)	17,839	(997)	0	(443)	0	(15,307)

2016/17	Usable Reserves						Movement in Unusable Reserves
	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Total Usable Reserves	
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance brought forward	(1,092)	17,839	(997)	0	(443)	0	(15,307)
<u>Adjustment involving the Major Repairs Reserve:</u>							
Reversal of Major Repairs Allowance credited to the HRA		2,797		(2,797)			
Use of the Major Repairs Allowance to finance new capital expenditure				2,797			(2,797)
Interest credited to the Major Repairs Reserve							
<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							
<u>Adjustment involving the Pensions Reserve:</u>							
Actuarial past service gain adjustment							
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(4,155)	(23)					4,178
Employer's pension contributions and direct payments to pensioners payable in the year.	2,373						(2,373)
<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	34						(34)
Amount by which NNDR income credited to the Comprehensive Income and Expenditure Statements is different from NNDR income calculated for the year in accordance with statutory requirements	576						(576)
<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.	10	(2)					(8)
Total Adjustments	(2,254)	20,611	(997)	0	(443)	0	(16,917)

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

2015/16	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:</u>							
<u>Adjustments involving the Capital Adjustment Account:</u>							
Charges for depreciation and impairment of non current assets	(1,679)	(2,153)					3,832
Revaluation losses on Property, Plant and Equipment	(228)	(2,157)					2,385
Amortisation of intangible assets	(25)						25
Capital grants and contributions applied							
Income in relation to donated assets							0
Revenue expenditure funded from capital under statute	(306)						306
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	(20)	(809)					829
<u>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</u>							
Statutory provision for the financing of capital investment	370	993					(1,363)
Capital expenditure charged against the General Fund and HRA balances	835	590					(1,425)
<u>Adjustments primarily involving the Capital Grants Unapplied Account</u>							
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	644	97			(741)		
Application of grants to capital financing transferred to the Capital Adjustment Account					453		(453)
<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	26	1,259	(1,285)				
Use of the Capital Receipts Reserve to finance new capital expenditure			568				(568)
Contribution from the Capital Receipts Reserve towards administrative costs of non current asset disposals		(25)	25				
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	(235)		235				
Transfer of deferred sale proceeds as part of the gain/loss on disposal to the Comprehensive income and Expenditure Statement							
<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	(1)						1
Balance carried forward	(619)	(2,205)	(457)	0	(288)	0	3,569

2015/16	Usable Reserves						Movement in Unusable Reserves
	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Total Usable Reserves	
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance brought forward	(619)	(2,205)	(457)	0	(288)	0	3,569
<u>Adjustment involving the Major Repairs Reserve:</u>							
Reversal of Major Repairs Allowance credited to the HRA		2,390		(2,390)			
Use of the Major Repairs Allowance to finance new capital expenditure				2,390			(2,390)
Interest credited to the Major Repairs Reserve							
Balance brought forward							
<u>Adjustments involving the Financial Instruments</u>							
<u>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							
<u>Adjustment involving the Pensions Reserve:</u>							
Actuarial past service gain adjustment							
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(4,406)	(88)					4,494
Employer's pension contributions and direct payments to pensioners payable in the year.	2,295						(2,295)
<u>Adjustment involving the Collection Fund</u>							
<u>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							
	(25)						25
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							
	(755)						755
<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.							
	(35)	(13)					48
Total Adjustments	(3,545)	84	(457)	0	(288)	0	4,206

Notes to the Accounts

6 Transfers to/from Earmarked Reserves

This section shows movements in these reserves

General Fund - Revenue Earmarked Reserves	Balance at 1/4/15 £'000	Transfers In £'000	Transfers Out £'000	Reclassification £'000	Balance at 31/03/16 £'000	Transfers In £'000	Transfers Out £'000	Reclassification £'000	Balance at 31/3/17 £'000
Capital Earmarked Reserves	1,123		(218)	(338)	567	0	(21)	(75)	471
Maintenance & Amenity Reserve	1,237	289	(608)		918	136	(89)	0	965
Misc. General Fund Reserves	1,384	524	(447)	1,325	2,786	700	(376)	45	3,155
Vehicle, plant, equipment and maintenance sinking funds	891	580			1,471	696	(26)	100	2,241
New Homes Bonus	1,887	1,619	(918)	(987)	1,601	1,842	(915)	(70)	2,458
Insurance excess claims fund	121		(35)		86	0	0	0	86
Statutory Development Plan	60				60	50	0	0	110
NNDR Reserve	250	726	(100)		876	0	(44)	0	832
Total Revenue Earmarked Reserves	6,953	3,738	(2,326)	0	8,365	3,424	(1,471)	0	10,318

The £2.5m held in the New Homes Bonus will be used to help fund the Private Sector Housing and Economic Development components of the future capital programme. The maintenance and amenity reserve is a collection of Section 106 contributions being used to fund revenue costs of additional play parks and amenity provision included in various planning provisions. The vehicle, plant, equipment and maintenance sinking funds are for the future replacement of major assets. Miscellaneous General Fund items are a large number of items that relate to specific projects that will be delivered in 2017/18. A full breakdown of the constituents is provided in the outturn report for the Cabinet meeting of 15 June 2017.

Housing Revenue Account - Revenue Earmarked Reserves	Balance at 1/4/15 £'000	Transfers In £'000	Transfers Out £'000	Reclassification £'000	Balance at 31/03/16 £'000	Transfers In £'000	Transfers Out £'000	Reclassification £'000	Balance at 31/3/17 £'000
Sewage Treatment Works	0	25			25	0	0	0	25
Solar Panel Income - Renewables	370	136	(164)		342	183	(70)	0	455
HRA Affordable Rent surplus	0	65	(65)		0	73	(39)	0	34
30yr Maintenance Programme	6,360	3,291	(765)		8,886	2,084	(0)	0	10,970
HRA - PWLB Loan premium	0	483			483	486	0	0	969
Total Revenue Earmarked Reserves	6,730	4,000	(994)	0	9,736	2,826	(109)	0	12,453

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 1/4/15 £'000	Transfers In £'000	Transfers Out £'000	Reclassification £'000	Balance at 31/03/16 £'000	Transfers In £'000	Transfers Out £'000	Reclassification £'000	Balance at 31/3/16 £'000
Total Funds Unapplied	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Regional Housing Pot	0	23	0	0	23	0	0		23
Afford Housing Contributions	682	164	(25)	0	821	260	(220)		861
Tiverton Enhancement Scheme	14	0	0	(14)	0	0	0		0
Air Quality Fund - Cullompton	54	8	0	0	62	8	0		70
Air Quality Fund - Crediton	408	118	0	0	526	58	0		584
Planning Delivery Grant	198	0	0	0	198	0	0		198
Cap Grants Unapplied Nonspecific	78	(104)	54	14	42	0	(21)		21
DCC Funding	0	20	0	0	20	0	0		20
DCLG DFG grant	0	311	(281)	0	30	652	(294)		388
HCA		200	(200)	0	0	636	(636)		0
Total Capital Grants Unapplied	1,434	740	(452)	0	1,722	1,614	(1,171)	0	2,165

Notes to the Accounts

8 Other Operating Expenditure

2015/16		2016/17
£'000		£'000
1,200	Parish Council precepts	1,357
235	Payments to the Government Housing capital receipts pool	233
(456)	(Gains)/Losses on the disposal of non current assets	(766)
979	Total	824

9 Financing and Investment Income and Expenditure

2015/16		2016/17
£'000		£'000
1,336	Interest payable and similar charges	1,347
1,655	Net interest on the net defined benefit liability	1,684
(44)	Heritable dividend	0
(170)	Interest receivable and similar income	(318)
2,777	Total	2,713

10 Taxation and Non Specific Grant Income

2015/16		2016/17
£'000		£'000
(6,126)	Council tax income	(6,493)
(2,034)	Non domestic rates	(2,535)
(1,705)	Revenue Support Grant	(1,017)
(1,738)	Non-ring-fenced government grants	(2,338)
(460)	Capital grants and contributions	(1,350)
(12,063)	Total	(13,733)

Further details of specific grant income are shown at note 55

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

2015/16		2016/17
£'000		£'000
110	Deficit on revaluation of available for sale financial assets	250
110	Total	250

The Council has invested £5m in the Church Charities and Local Authority (CCLA) Local Authorities' Mutual Investment Trust (LAMIT) Property Fund, which is carried in the Balance Sheet at its fair value of £4,640k. It is anticipated that this investment, which is intended to be held for the long term, will provide a return equal or superior to those achieved by the Council's other current investments. The fair value is based upon public price quotations in an active market for this financial instrument and without this investment counting as capital expenditure.

Notes to the Accounts

12 Operating Leases

Authority as Lessee

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

Payments under Operating Leases

The Authority has made payments of £131k under operating leases in 2016/17 (£66k in 2015/16) comprising of the following elements:

2015/16		2016/17
£'000		£'000
46	Land & Buildings	109
20	Vehicles, Plant & Equipment	22
66	Total	131

For future years liabilities for Finance and Operating Leases see note 57

Authority as Lessor

The gross value of assets held for use in operating leases as at 31 March 2017 was £12,321k (£12,097k in 2015/16)

	2015/16			2016/17		
	Gross Value	Net Book Value	Rental Income	Gross Value	Net Book Value	Rental Income
	£'000	£'000	£'000	£'000	£'000	£'000
HRA Shops	1,189	1,189	(108)	1,201	1,201	(109)
General Fund Shops	3,775	3,775	(436)	3,839	3,839	(428)
Other GF Land & Buildings	5,796	5,796	(106)	5,970	5,970	(126)
Industrial Units	1,337	1,337	(87)	1,311	1,311	(94)
Total	12,097	12,097	(737)	12,321	12,321	(757)

The increase in General Fund land & buildings gross value and net book value is due to the inclusion of some of our corporate buildings, which have some areas leased to third parties.

The Council also received £13,012k from the rental of 1,146 Garages Rents and 3,060 Council Houses (£113,168k 2015/16). For more information see the Housing Revenue Account notes.

Notes to the Accounts

13 Officers' Emoluments

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

Remuneration Band	2015/16		2016/17	
	Number of Employees	Left During Year	Number of Employees	Left During Year
£50,000 - £54,999	0	0	0	0
£55,000 - £59,999	0	0	0	0
£60,000 - £64,999	2	0	1	0
£65,000 - £69,999	1	0	1	0
£70,000 - £74,999	2	0	2	0
£75,000 - £79,999	0	0	1	1
£80,000 - £84,999	1	1	0	0
£85,000 - £89,999	0	0	1	1
£95,000 - £99,999	0	0	1	0
£135,000 - £139,999	1	1	0	0

The above table includes two employees who received a termination payment in 2016-17. Both employees are included in the termination benefits note.

One employee in the above table is not a Senior Officer so has not been included in the Senior Officers table, all of the other employees are included.

In completing the 2016/17 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 2016/17.

Notes to the Accounts

13 Officers' Emoluments

Senior Officers Earning in Excess of £50,000

Post Title	Financial Year	Salary (Including Allowances)	Compensation for Loss of Employment	Expenses	Benefits in Kind	Total Remuneration excluding pension contributions	Pension Contributions	Total Remuneration including pension contributions
Chief Executive. Note 1	2015/16	82,183				82,183	15,214	97,397
Chief Executive. Note 2	2016/17	96,206				96,206	18,087	114,293
	2015/16	11,333				11,333	2,131	13,464
Head of Business Information Services. Note 3	2015/16	56,742	79,630			136,372	10,668	147,040
Head of Planning and Regeneration.	2016/17	61,985				61,985	11,653	73,638
	2015/16	60,261				60,261	11,312	71,573
Director of Finance, Assets and Resources. Note 4	2016/17	70,037				70,037	13,167	83,204
	2015/16	63,850				63,850	12,004	75,854
Director of Corporate Affairs and Business Transformation. Note 5	2016/17	70,037				70,037	13,167	83,204
	2015/16	66,481				66,481	12,498	78,979
Head of Communities and Governance. Note 6	2016/17	53,862	33,393			87,255		87,255
	2015/16	71,878				71,878		71,878
Head of Housing & Property Services	2016/17	68,650				68,650	12,837	81,487
	2015/16	71,228				71,228	12,635	83,863
Director of Operations. Note 7	2016/17	6,167				6,167	1,159	7,326

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

The pension contribution figures have been restated to 18.8% which is the common contribution rate applicable from 1st April 14 to 31st March 17.

Note 1. The former Chief Executive left this Authority on the 8-1-16. The Returning Officer fee for the District Election is included in the salary figure.

Note 2. The new Chief Executive started on the 15-2-16.

Note 3. The Head of Business Information Services left this Authority on the 31-3-16. Reimbursement of £33,244.54 was received from NDDC under a shared arrangement. The remuneration above reflects the full amounts paid by the Authority. Loss of office and the pension strain have been

Note 4. The Head of Finance is now the Director of Finance Assets and Resources.

Note 5. The Head of HR & Development is now the Director of Corporate Affairs and Business Transformation.

Note 6. The Head of Communities and Governance left the Authority on the 31-12-16. Compensation for loss of office is included in the above figures.

Note 7. The Director of Operations started on the 4-3-17.

Notes to the Accounts

14 Termination Benefits

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

A number of settlement agreements and redundancies associated with service restructures were agreed during 2016/17 in order to reduce future employee costs to match ongoing expenditure against the well documented cuts in central government funding.

2015/16				
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	6	7	13	62
£20,000 - £39,999	11	1	12	349
£40,000 - £59,999	1	0	1	44
£60,000 - £79,999	1	0	1	80
				535

15 External Audit Costs

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

2015/16		2016/17
£'000		£'000
48	Fees payable with regard to the annual audit fee	48
12	Fees payable for the certification of claims and returns	7
60	Total	55

Notes to the Accounts

16 Related Party Transactions

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

Central Government has significant influence over the general operations of the Council. It is responsible for providing the statutory framework within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. housing benefits). Details of transactions with government departments are set out in a note to the Cash Flow Statement and note 55 relating to all grant income.

Members of the Council have direct control over the Council's financial and operating policies. The Council's constitution requires members to declare their interests in related parties in a register of interests, which is available for public inspection via our website. In addition, members are asked to declare separately any transactions with the Authority. The Director of Finance, Assets & Resources has reviewed these existing declarations and has decided none warrant disclosure in this years Accounts.

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

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

17 Members Allowances and Expenses

2015/16		2016/17
£'000		£'000
272	Allowances	287
26	Expenses	24
298	Total	311

18 Acquired and/or Discontinued Activities

The Council did not acquire any new activities or discontinue any existing ones during 2016/17.

Notes to the Accounts

19 Depreciation and Impairment of Non Current Assets

2015/16		2016/17
£'000		£'000
3,831	Depreciation	3,995
25	Amortisation of intangible assets	125
(2,385)	Net reversal of impairment of non current assets	(17,547)
1,471	Total	(13,427)

20 Minimum Revenue Provision

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

2015/16		2016/17
£'000		£'000
	Housing Revenue Account - Minimum Revenue Provision	
916	HRA self financing settlement	916
61	Housing developments after 1/4/13	69
16	Finance leases	-
993		985
	General Fund - Minimum Revenue Provision	
75	Assets acquired prior to 1/4/13	72
200	Assets acquired by PWLB loans after 1/4/13	200
95	Finance leases	89
370		361
£ 1,363	Total	£ 1,346

21 Insurance

All major risks have been identified and are insured with applicable excesses. There were no major claims outstanding as at the 31/3/17. An £86k reserve is held in respect of our liability going back some years with Municipal Mutual Limited (MMI).

Notes to the Accounts

22 Pensions

All of the pension figures included in the 2016/17 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

22 Pensions continued

Pension Assets and Liabilities Recognised in the Balance Sheet

	Local Government Pension Scheme		Discretionary Benefit	
	2015/16	2016/17	2015/16	2016/17
	£'000	£'000	£'000	£'000
Present value of the defined benefit obligation	97,897	121,886	1,168	1,226
Fair value of plan assets	52,033	59,578	0	0
Sub-total	45,864	62,308	1,168	1,226
Other movements in the liability (asset)	0	0	0	0
Net liability from defined benefit obligation	45,864	62,308	1,168	1,226

Comprehensive Income and Expenditure Statement

	Local Government Pension Scheme		Discretionary Benefit	
	2015/16	2016/17	2015/16	2016/17
	£'000	£'000	£'000	£'000
<i>Cost of Services</i>				
<i>Service cost comprising:</i>				
Current service cost	2,742	2,494	0	0
Past service costs	97	0	0	0
(Gain) / loss from settlements	0	0	0	0
<i>Financing and Investment Income and Expenditure</i>	0			
Net interest expense	1,634	1,651	0	0
Administrative expenses	21	33	0	0
Total Post-employment Benefits charged to the Surplus or Deficit on the Provision of Services	4,494	4,178	0	0
<i>Other Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement</i>				
Remeasurement of the net defined benefit liability comprising:				
Return on plan assets (excluding the amount included in the net interest expense)	1,307	(7,842)	0	0
Actuarial gains and losses arising on changes in demographic assumptions	0	(133)	0	0
Actuarial gains and losses arising on changes in financial assumptions.	(7,102)	22,672	0	0
Total Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement	(5,795)	14,697	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.	3,596	(16,502)	0	0
<i>Actual amount charged against the General Fund Balance for pensions in the year:</i>				
Employers' contributions payable to the scheme	2,295	2,373	0	0
Retirement benefits payable to pensioners			3,598	3,461

Notes to the Accounts

22 Pensions continued

Reconciliation of the Movements in the Fair Value of Scheme Assets

	Local Government Pension		Discretionary Benefit Arrangements	
	2015/16	2016/17	2015/16	2016/17
	£'000	£'000	£'000	£'000
Opening fair value of scheme assets	52,379	52,033	0	0
Interest income	1,716	1,864	0	0
Remeasurement gain / (loss):	0	(1,629)	0	0
- The return on plan assets, excluding The amount included in The net interest expense	(1,307)	7,842	0	0
- Other	(21)	(33)	0	0
Contributions from employer	2,295	2,373	0	0
Contributions from employees into the scheme	569	589	0	0
Benefits paid	(3,598)	(3,461)	0	0
Other	0	0	0	0
Closing fair value of scheme assets	52,033	59,578	0	0

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

	Funded Liabilities: Local Government Pension Scheme		Unfunded Liabilities: Discretionary Benefits	
	2015/16	2016/17	2015/16	2016/17
	£'000	£'000	£'000	£'000
Opening balance at 1 April	103,190	99,338	(183)	(273)
Current service cost	2,742	2,494	0	0
Interest cost	3,350	3,515	0	0
Contributions from scheme participants	569	589	0	0
Remeasurement (gains) and losses:				
- Actuarial gains and losses arising on changes in demographic assumptions	0	(133)	0	0
- Actuarial gains and losses arising on changes in financial assumptions.	(7,075)	24,227	0	0
- Other	0	0	0	0
Past service cost	97	0	0	0
Losses / (gains) on curtailment	0	0	0	0
Experience loss / (gain) on defined benefit obligation	(27)	(3,184)	0	0
Benefits paid	(3,508)	(3,372)	(90)	(89)
Closing balance at 31 March	99,338	123,474	(273)	(362)

Synopsis on performance

The main reason for the increase in the net liability this year is the change in financial assumptions. The financial assumptions are set out on page 9 of the actuaries report and the change in each of these since the previous year have had the effect of increasing the value placed on the liabilities. In particular:

- The discount rate assumption has fallen from 3.6% p.a. to 2.7% p.a. which has caused a significant increase in the value of liabilities. The discount rate assumption is set with reference to corporate bond yields as required by the accounting standard, and bond yields have fallen significantly over the accounting year.
- The pension increase assumption has increased from 2.3% p.a. to 2.7%. This assumption is based on the Consumer Prices Index.

The combined effect of these changes has increased the value of the liabilities significantly and therefore also the value of the net liability, although this has been partially offset by strong asset returns over the year.

It may be helpful to also refer to the sensitivity analysis table under the heading Impact on the Defined Benefit Obligation in the Scheme in this report as this illustrates the effect of changing the assumptions.

Notes to the Accounts

22 Pensions continued

Basis for Estimating Assets and Liabilities

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

Both the Local Government Pension scheme and discretionary benefits liabilities have been estimated by Barnett Waddingham, an independent firm of actuaries, estimates for the Local Government Pension Scheme being based upon the latest full valuation of the scheme as at 31 March 2016 and has then been updated for estimated fund returns, asset statement, market returns, income and expenditure or as at the 31 March 2017.

The significant assumptions used by the actuary have been:

	Local Government Pension Scheme		Discretionary Benefit Arrangements	
	2015/16	2016/17	2015/16	2016/17
Mortality assumptions:				
Longevity at 65 for current pensioners				
- Men	22.9	23.4		
- Woman	26.2	25.5		
Longevity at 65 for future pensioners				
- Men	25.2	25.6		
- Woman	28.6	27.8		
Rate of inflation	2.3%	2.7%		
Rate of increase in salaries	4.1%	4.2%		
Rate of increase in pensions	2.3%	2.7%		
Rate for discounting scheme liabilities	3.6%	2.7%		

Local Government Pension Scheme assets comprised:

	Fair value of scheme assets	
	2015/16 £'000	2016/17 £'000
Cash and cash equivalents	965	1,591
Equities:		
UK	12,511	14,326
Overseas	16,896	20,718
Sub-total equities	29,407	35,044
Bonds:		
- Gilts	1,711	1,778
- Other Bonds	1,495	1,523
Sub-total bonds	3,206	3,301
Other investments:		
- Infrastructure	2,167	2,318
- Property	5,753	5,213
- Target Return Portfolio	7,538	8,846
- Alternative Assets	2,997	3,265
Sub-total other investment funds	18,455	19,642
Total assets	52,033	59,578

Notes to the Accounts

22 Pensions continued

Estimation of Assets and Liabilities

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table on page 25. 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)	127,839	118,566
Rate of increase in salaries (increase or decrease by 0.1%)	123,446	122,782
Rate of increase in pensions (increase or decrease by 0.1%)	125,051	121,210
Rate for discounting scheme liabilities (increase or decrease by 0.1%)	120,882	125,387

Impact on the Authority's Cash Flows

The objectives of the scheme are to keep employer's contributions at as constant a rate as possible. Funding levels are monitored on an annual basis and the next triennial valuation is due to be completed on 31 March 2019. The scheme will need to take account of the national changes to the scheme under the Public Pensions Services Act 2013. Under the Act, the Local Government Pension Scheme in England and Wales and the other main existing public service schemes may not provide benefits in relation to service after 31 March 2014 (or service after 31 March 2015 for other main existing public service pension schemes in England and Wales). The Act provides for scheme regulations to be made within a common framework, to establish new career average revalued earnings schemes to be pay pensions and other benefits to certain public servants.

The authority anticipates paying £2,439k expected contributions to the scheme in 2017/18

The weighted average duration of the defined benefit obligation for scheme members is 19 years. (2015/16 18 years)

Notes to the Accounts

23 Property, Plant and Equipment

Movements in Balances

2016/17	Assets Under Construction	Council Dwellings	Other Land & Buildings	Vehicles Plant & Equip	Community Assets	Infra-structure Assets	Assets held for sale	Surplus Assets	Total Property, Plant and Equipment
Cost or Valuation	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
At 1 April 2016	506	123,488	41,518	5,305	516	292	0	0	171,625
Additions	1,518	3,166	104	100	0	0			4,888
Revaluation increases/(decreases) recognised in the Revaluation reserve	0	(2,220)	2,125	0	0	0			(95)
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	0	17,796	(249)	0	0	0			17,547
Derecognition - Disposals	(5)	(1,206)	(114)	(3)	0	0			(1,328)
Derecognition - Other									0
Reclassification	(52)	0	(1,556)	0	0	0	419	1,136	(53)
At 31 March 2017	1,967	141,024	41,828	5,402	516	292	419	1,136	192,584

Accumulated Depreciation and Impairment

At 1 April 2016	0	0	(30)	(2,387)	(77)	(11)		0	(2,505)
Depreciation charge		(2,223)	(1,089)	(661)	(10)	(12)			(3,995)
Depreciation written out to the Revaluation Reserve		2,223	1,119	0	0	0			3,342
Depreciation written out to the Surplus/Deficit on the Provision of Services									0
Impairment losses/(reversals) recognised in the Revaluation Reserve									0
Impairment losses/(reversals) recognised in the Provision of Services									0
Derecognition - Disposals		0	0	3	0	0			3
Derecognition - Other		0	62	0	0	0		(61)	1
At 31 March 2017	0	0	62	(3,045)	(87)	(23)		(61)	(3,154)

Net Book Value

At 31 March 2017	1,967	141,024	41,890	2,357	429	269	419	1,075	189,430
At 31 March 2016	506	123,488	41,488	2,918	439	281	0	0	169,120

Notes to the Accounts

23 Property, Plant and Equipment

Nature of asset holding	Assets Under Construction	Council Dwellings	Other Land & Buildings	Vehicles Plant & Equip	Community Assets	Infra-structure Assets	Assets held for sale	Surplus Assets	Total Property, plant and Equipment
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Owned	1,967	141,024	41,890	1,874	429	269	419	1,075	188,947
Subject to Finance Leases				483					483

(See note 57 for finance lease information.)

At 31 March 2017 the Council had £1,967k of assets under construction - £1,600k in respect of Council House building, £92k on digital transformation projects, £93k on the Exe Valley Leisure Centre gym extension, £80k relating to the Town Hall redevelopment project, and £102k in respect of a number of smaller projects.

Revaluations

The Council carries out a full valuation of all land and buildings each year. 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	Assets held for sale	Surplus Assets	Total Property, plant and Equipment
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Valued at Historical Cost	1,967			2,357	429				4,753
Valued at fair value in year									
2016/17		141,024	41,890			269	419	1,075	184,677
2015/16		139,422	41,489			238			181,149
2014/15		123,747	41,063			292			165,102
2013/14		119,320	36,749			291			156,360
2012/13		112,475	6,924			26			119,425

Notes to the Accounts

23 Property, Plant and Equipment

Movements in Balances

2015/16	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 2015	1,376	123,746	41,335	5,425	516	292		172,690
Additions	923	2,957	106	547				4,533
Revaluation increases/(decreases) recognised in the Revaluation reserve		(2,127)	420					(1,707)
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services		(2,153)	(234)					(2,387)
Derecognition - Disposals	(3)	(809)		(667)				(1,479)
Derecognition - Other								
Reclassification	(1,790)	1,874	(109)					(25)
At 31 March 2016	506	123,488	41,518	5,305	516	292		171,625

Accumulated Depreciation and Impairment

At 1 April 2015			(5)	(2,297)	(67)			(2,369)
Depreciation charge		(1,959)	(1,095)	(757)	(10)	(11)		(3,832)
Depreciation written out to the Revaluation Reserve		1,959	1,070					3,029
Depreciation written out to the Surplus/Deficit on the Provision of Services								
Impairment losses/(reversals) recognised in the Revaluation Reserve								
Impairment losses/(reversals) recognised in the Provision of Services								
Derecognition - Disposals				667				667
Derecognition - Other								
At 31 March 2016			(30)	(2,387)	(77)	(11)		(2,505)

Net Book Value

At 31 March 2016	506	123,488	41,488	2,918	439	281		169,120
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(See note 57 for finance lease information.)

Nature of asset holding

Owned	506	123,488	41,488	2,348	439	281		168,550
Subject to Finance Leases				570				570

Notes to the Accounts

24 Revenue Expenditure Funded From Capital Under Statute (REFCUS)

This is expenditure that does not result in, or remain matched with, assets controlled by the Council. Examples of this would include financial assistance towards capital investment incurred by other parties, 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 1/4/15	Expend	Transfer in Year	Amount Financed or Written Off	Balance at 31/03/16	Expend	Transfer in Year	Amount Financed or Written Off	Balance at 31/3/17
Description	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Affordable housing	0	25		(25)	0	20		(20)	0
Private Sector Housing Grants & DFG's	0	281		(281)	0	313		(313)	0
Other REFCUS	0	0		0	0	0		0	0
Total	0	306	0	(306)	0	333	0	(333)	0

Capital grants received to finance these projects amounted to £264k (2015/16 £281k).

25 Summary of Capital Expenditure and Financing

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

2015/16 £'000		2016/17 £'000
53,320	Opening Capital Financing Requirement	51,960
	Capital investment	
4,533	Property, Plant and Equipment	4,888
	Intangible assets	73
306	Revenue Expenditure Funded from Capital under Statute	333
	Sources of Finance	
(568)	- Capital receipts applied	(820)
(2,390)	Use of Major Repairs Allowance to finance HRA new capital expenditure	(2,797)
(453)	- Government grants and contributions	(1,171)
	Sums set aside from revenue:	
(1,425)	Direct revenue contributions	(506)
(1,363)	Statutory provision for the financing of capital investment	(1,074)
51,960	Closing Capital Financing Requirement	50,886
	Explanation of movements in year	
(1,360)	(Decrease)/Increase in underlying need to borrowing (unsupported by government financial assistance)	(1,074)
(1,360)	(Decrease)/Increase in Capital Financing Requirement	(1,074)

Notes to the Accounts

26 Heritage Assets

The Authority's accounting policies for recognition and measurement of heritage assets are set out in the Authority's summary of accounting policies (See note 4.15 page xlv).

Art Collection Movements

2015/16 £'000		2016/17 £'000
	Cost or Valuation	
491	At 1 April 2016	491
	Additions	
	Donations	
	Disposals	
	Revaluation increases/(decreases) recognised in the Revaluation reserve	(37)
	Revaluation increases/(decreases) recognised in the Surplus/Deficit on the	
491	At 31 March 2017	454

Heritage Assets: Summary of Transactions

	2012/13 £'000	2013/14 £'000	2014/15 £'000	2015/16 £'000	2016/17 £'000
Value of Heritage Assets Acquired by Donation					
Art Collection	925	475	491	491	454
Carrying Value of assets at 31 March	925	475	491	491	454

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. The paintings have been revalued by Bearnas Hampton and Littlewood Auctioneers and Valuers as at December 2016.

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

Notes to the Accounts

26 Heritage Assets

Civic Regalia

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

Heritage Assets of Particular Importance

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

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

A full length portrait in ornate giltwood and plaster frame.

2015/16 £'000	2016/17 £'000
250	250

Preservation and Management

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

27 Intangible Assets

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

The carrying amount of intangible assets is amortised in full in the first year. The amortisation of £125k charged to revenue in 2016/17 was charged to the following service headings:

	2015/16 £'000	2016/17 £'000
IT Software Support & Maintenance	25	125
Total	25	125

Movements in Balances

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

	2015/16 Other Assets £'000	2016/17 Other Assets £'000
Balance at start of year:		
- Gross carrying amounts	389	415
- Accumulated amortisation	(389)	(415)
Net carrying amount at start of year	0	0
Additions		
- Internal development		
- Purchases		73
Reclassification	25	52
Derecognition - Disposals		
Amortisation charge for the period	(25)	(125)
Net carrying amount at the end of year	0	0

Notes to the Accounts

27 Intangible Assets

Comprising:	2015/16 £'000	2016/17 £'000
Gross carrying amounts	414	540
Accumulated amortisation	(414)	(540)
	0	0

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

	2015/16 £'000	2016/17 £'000
Central Services - IT Software Support and Maintenance	25	125
Total	25	125

28 Commitments under Capital Contracts

	2015/16 £'000	2016/17 £'000
Various MRA works	1,200	
Palmerston Park & Birchen Lane Council House Building Project	4,006	
	5,206	0

This area has been reviewed and no material Capital contracts were signed prior to 31/03/17.

Notes to the Accounts

29 Non Current Asset Valuation

The Council instructed the District Valuer to complete a full property valuation exercise for 1/5 of its freehold properties and a review of all other freehold properties. Where applicable property assets are therefore included in the 2016/17 accounts at their 31/03/17 valuation. The Valuation Office have made their valuation in accordance with the Statements of Asset Valuation Practice and Guidance Notes of the Royal Institution of Chartered Surveyors.

Andrew Doak, a Senior Surveyor, with the Valuation Office, and MRICS FAAV qualified, undertook a valuation exercise to reassess the value of the housing stock as at 31 March 2017. These revised values have been incorporated into the Council's balance sheet. This valuation was undertaken based on a beacon basis, where a standard valuation was applied across the Council's housing stock against similar groups of property. The adjustment factor of 35% to adjust the value of Council House values to EUV - SH has been used as the discount factor for 2016/17.

Properties regarded by the Council as operational were valued on the basis of open market value for the existing use or, where this could not be assessed because there was no market for the subject asset, the depreciated replacement cost. Properties regarded by the Council as non-operational have been valued on the basis of open market value. The Valuation Office has undertaken a comprehensive impairment review of the Council's assets as at the 31 March 2017.

30 Short-Term and Long-Term Borrowing

As at the 31/3/17 the Council had 5 long term loans outstanding from the Public Works Loan Board (PWLB) with an outstanding balance of £43,973m

- 1 - £39.777m to fund the Housing Revenue Account stock purchase - 25 year loan @ 2.94% maturing 28/3/37
- 2 - £88k to fund new gym equipment and 2 refuse vehicles - 5 year loan @ 1.32% maturing 28/3/18
- 3 - £60k to fund a new street sweeper - 7 year loan @ 2.18% maturing 11/3/21
- 4 - £118k to fund a recycling baler - 10 year loan @ 2.68% maturing 25/3/24
- 5 - £3,930k 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 at 31/03/16	Balance at 31/3/17
		£'000	£'000
Public Works Loan Board	< 1 year	1,683	1,731
	2 - 5 years	6,954	7,051
	Over 5 years	37,019	35,191
Total loan value outstanding		45,656	43,973

Notes to the Accounts

31 Trusts for which the Council is the Sole Trustee

Mid Devon is the sole trustee for the Peoples Park and Recreation Grounds charity. The purpose of the Trust is to provide recreational open space for the people of Tiverton. The net assets of the trust were £270k at 31 March 2017 and comprised land and buildings.

32 Financial Instruments

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

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

2015/16	Financial Liabilities		Financial Assets			Total
	Liabilities measured at amortised cost	Finance lease assets	Loans and receivables	Financial assets carried at contract amounts	Available - for-sale assets	
	£'000	£'000	£'000	£'000	£'000	£'000
Interest payable	1,304					1,304
Interest payable on finance leases		32				32
Interest payable and similar charges	1,304	32				1,336
Interest income			(148)		(66)	(214)
Interest and investment income			(148)		(66)	(214)
Impairment charge		0	0		110	110
Net (gain)/loss for the year	1,304	32	(148)		44	1,232

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 0.63% for loans receivable (this percentage is based on an average rate of interest on all fixed term deposits outstanding)
- where an instrument will mature in the next 12 months, the carrying amount is assumed to approximate the fair value. The Authority only deals in these kind of instruments.
- the fair value of trade and other receivables is taken to be the invoiced or billed amount less any bad debt provision.

Notes to the Accounts

32 Financial Instruments continued

The fair values calculated are as follows:

	31/03/2016		31/03/2017	
	Carrying amount	Fair value	Carrying amount	Fair value
	£'000	£'000	£'000	£'000
Financial Assets				
Long term investment				
Short term investment	13,500	13,500	18,000	18,000
Cash and cash equivalents	8,777	8,777	8,385	8,385
Loans and trade receivables	322	322	747	747
Total	22,599	22,599	27,132	27,132
Financial Liabilities				
Long term borrowing	(45,656)	(52,558)	(43,973)	(52,555)
Finance leases	(570)	(570)	(483)	(483)
Trade payables	(694)	(694)	(579)	(579)
Total	(46,920)	(53,822)	(45,035)	(53,617)

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 2016/17

Fair Value Disclosure of PWLB Loans

The fair value of Public Works Loan Board (PWLB) loans of £52,555k measures the economic effect of the terms agreed with the PWLB compared with estimates of the terms that would be offered for market transactions undertaken at the Balance Sheet date (Level 2 fair value hierarchy input). The difference between the carrying amount and the fair value measures the reduced interest that the authority will pay over the remaining terms of the loans under the agreements with the PWLB, against what would be paid if the loans were at prevailing market rates.

Notes to the Accounts

32 Financial Instruments continued

However, the authority has a continuing ability to borrow at concessionary rates for the PWLB rather than from the markets. A supplementary measure of the reduced interest that the authority will pay as a result of its PWLB commitments for fixed rate loans is to compare the terms of these loans with the new borrowing rates available from the PWLB. If a value is calculated on this basis, the carrying amount of £43,973k would be valued at £52,555k. If the authority were to seek to avoid the projected loss/realise the projected gain by repaying the loans to the PWLB, the PWLB would raise a penalty charge for early redemption in addition to charging a premium for the additional interest that will not now be paid. The exit price for the PWLB loans including the penalty charge would be £52,389k.

Income, Expense, Gains and Losses

Financial Assets: Available for Sale (CCLA LAMIT Property Fund)

	31/03/2016			31/03/2017
	£'000			£'000
Interest income	(66)			(175)
Total income in Surplus or Deficit on the Provision of Services	(66)			(175)
Losses on revaluation	110			250
Surplus/Deficit arising on revaluation of financial assets in other Comprehensive Income and Expenditure	110			250
Net Gain/Loss for the year	44			75

33 Long Term Investments

	31/03/2016			31/03/2017
	£'000			£'000
	0			0

	Term		Fixed Interest	31/03/2016	31/03/2017
Bank/Building Society	From	To	Rate %	£'000	£'000
Total				0	0

Notes to the Accounts

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

31/03/2016 £'000		31/03/2017 £'000
158	Other entities and individuals	175
158	Total	175

35 Short Term Investments

31/03/2016 £000		31/03/2017 £000
13,500		18,000

Bank/Building Society	Term		Fixed Interest	31/03/2016	31/03/2017
	From	To	Rate %	£000	£000
Santander	06/10/2016	06/04/2017	0.50%		1,000
Coventry	16/01/2017	31/05/2017	0.32%		2,000
Eastleigh Borough C	22/03/2017	07/07/2017	0.35%		3,000
Eastleigh Borough C	28/03/2017	11/08/2017	0.38%		2,000
Goldman Sachs	15/02/2017	18/09/2017	0.78%		2,000
Lloyds	19/09/2016	19/09/2017	1.00%		1,500
Lloyds	30/09/2016	29/09/2017	1.00%		500
Lloyds	14/10/2016	13/10/2017	1.00%		1,000
Thurrock BC	20/01/2017	27/11/2017	0.45%		1,000
Lloyds	02/12/2016	01/12/2017	1.00%		500
Lloyds	14/02/2017	14/02/2018	0.90%		500
Lloyds	15/03/2017	15/03/2018	0.90%		1,000
Goldman Sachs	01/02/2017	notice account	0.86%		2,000
	Total			13,500	18,000

36 Inventories

	31/03/2016 £'000	31/03/2017 £'000
Raw materials	195	200

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

31/03/2016 £'000		31/03/2017 £'000
460	Central government bodies	343
201	Other local authorities	456
0	NHS bodies	10
0	Public corporations and trading funds	0
2,800	Other entities and individuals	2,672
(865)	Less: bad debt provisions	(719)
2,596	Total	2,762

Notes to the Accounts

38 Cash and Cash Equivalents

31/03/2016 £'000		31/03/2017 £'000
3	Cash held by the Authority	3
4,884	Bank current accounts	3,743
1,500	Short-term deposits with financial institutions	
2,390	CCLA LAMIT Property Fund	4,639
8,777		8,385

At the 31st of March 2017 the Council held 1,634,480 units in the CCLA Local Authorities' Mutual Investment Trust Commercial Property Fund. During 2016/17 the income received amounted to £174k, a 4.32% return for the year. The carrying value of the investment in the Balance Sheet is based upon the fair value. The fair value at 31 March 2017 amounted to £4,639k (1,634,480 x £2.8385, the level one fair value hierarchy input quoted bid price at 31 March 2017). The Council has treated any investment holding with a duration of less than 3 months when placed as a cash equivalent.

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

31/03/2016 £'000		31/03/2017 £'000
(1,421)	Central government bodies	(350)
(992)	Other local authorities	(591)
	NHS bodies	
	Public corporations and trading funds	(55)
(2,984)	Other entities and individuals	(3,235)
(5,397)	Total	(4,231)

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

31/03/2016 £'000		31/03/2017 £'000
(43,973)	Central government bodies	(42,242)
	Other local authorities	
	NHS bodies	
	Public corporations and trading funds	
(641)	Other entities and individuals	(606)
(44,614)		(42,848)
(47,032)	Other Long Term Liabilities	(63,534)
(807)	Capital Grants Receipts in Advance (Note 57)	(170)
(92,453)	Total	(106,552)

41 Provisions

31/03/2016 £000		31/03/2017 £000
(41)	Local land charges provision	(28)

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

Notes to the Accounts

42 Usable Reserves

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

43 Unusable Reserves

31/03/2016 £'000		31/03/2017 £'000
(11,466)	Revaluation reserve (note 44)	(14,426)
(106,185)	Capital Adjustment Account (note 45)	(124,572)
(39)	Deferred Capital Receipts Reserve (note 46)	(39)
47,032	Pensions Reserve (note 47)	63,534
703	Collection Fund Adjustment Account (note 48)	93
168	Accumulating Compensated Absences Adjustment Account (note 49)	160
(69,787)	Total Unusable Reserves	(75,250)

44 Revaluation Reserve

The revaluation reserve contains the gains made by the Authority arising from increases in the value of its Property, Plant and Equipment. The balance is reduced when assets with accumulated gains are:

- revalued downwards or impaired and the gains are lost
- used in the provision of services and the gains are consumed through depreciation, or
- disposed of and the gains are realised.

The Reserve contains only revaluation gains accumulated since 1 April 2007, the date that the reserve was created. Accumulated gains arising before that date are consolidated into the Capital Adjustment Account.

31/03/2016 £'000		31/03/2017 £'000
(10,418)	At 1 April 2016	(11,466)
(2,041)	Upward revaluation of assets	(3,283)
701	Downward revaluation of assets and impairment losses not posted to the Surplus on the Provision of Services	36
(11,758)	Surplus or deficit on revaluation of non-current assets not posted to the Surplus on the Provision of Services	(14,713)
20	Accumulated gains on assets sold	
272	Difference between fair value depreciation and historical cost depreciation	287
(11,466)	At 31 March 2017	(14,426)

Notes to the Accounts

45 Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The account is debited with the cost of the acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The account is credited with the amounts set aside by the Authority as finance for the costs of acquisition, construction or enhancement.

The account contains revaluation gains and losses on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains.

This note provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

31/03/2016		31/03/2017
£'000		£'000
(107,071)	At 1 April 2016	(106,185)
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement	
3,832	Charges for Depreciation and impairment of non current assets	3,994
2,385	Revaluation losses on Property, Plant and Equipment	(17,509)
25	Amortisation of intangible assets	125
306	Revenue expenditure funded from capital under statute	333
809	Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	1,319
(99,714)		(117,923)
(272)	Adjusting amounts written out of the Revaluation Reserve	(287)
(99,986)	Net written out amount of the cost of non current assets consumed in the year	(118,210)
	Capital financing applied in the year:	
(568)	Use of the Capital Receipts Reserve to finance new capital expenditure	(820)
(2,390)	Use of the Major Repairs Reserve to finance new capital expenditure	(2,797)
0	Capital grants and contributions credited to Comprehensive Income and Expenditure Statement that have been applied to capital financing	0
0	Donated assets funding	0
(453)	Application of grants to capital financing from the Capital Grants Unapplied Account	(1,171)
(1,363)	Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	(1,074)
(1,425)	Capital expenditure charged against the General Fund and HRA balances	(500)
(106,185)	At 31 March 2017	(124,572)

Notes to the Accounts

46 Deferred Capital Receipts Reserve

31/03/2016		31/03/2017
£'000		£'000
(40)	At 1 April 2016	(39)
1	Transfer to the Capital Receipts Reserve upon receipt of cash	0
(39)	At 31 March 2017	(39)

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.

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.

31/03/2016		31/03/2017
£'000		£'000
50,628	At 1 April 2016	47,032
(5,795)	Remeasurement of net defined liability	14,697
4,494	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	4,178
(2,295)	Employer's pension contributions and direct payments to pensioners payable in the year	(2,373)
47,032	At 31 March 2017	63,534

Notes to the Accounts

48 Collection Fund Adjustment Account - Council Tax

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

31/03/2016		31/03/2017
£'000		£'000
(33)	At 1 April 2016	(8)
25	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	(34)
(8)	At 31 March 2017	(42)

The balance of (£42k) represents MDDC's share (13.84%) of the overall Council Tax Collection Fund Surplus of (£303k) at 31/03/17 ((£8k at 31/03/16) (see page 66).

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

31/03/2016		31/03/2017
£'000		£'000
(44)	At 1 April 2016	711
755	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	(576)
711	At 31 March 2017	135

This balance of £135k represents MDDC's share (40%) of the overall NNDR Collection Fund Deficit of £356k at 31/03/17 which equates to £143k (see page 65) (deficit in 15/16 £1,852k (MDDC 40% £741k), this is reduced by additional income attributable from renewable energy schemes of (£8k) ((£30k) in 15/16)). Therefore 16/17 £135k = £143k-£8k (15/16 £711k = £741k-£30k).

Notes to the Accounts

49 Accumulating Compensating Absences Adjustment Account

31/03/2016		31/03/2017
£'000		£'000
120	At 1 April 2016	168
(120)	Settlement or cancellation of accrual made at the end of the preceding year	(168)
0	Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements.	0
168	Amounts accrued at the end of the current year	160
168	At 31 March 2017	160

The Accumulated Absences Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year, e.g. annual leave entitlement carried forward at 31 March. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

Notes to the Accounts

Notes to support cashflow statement

50 Cash Movements

31/03/2016		31/03/2017
£'000		£'000
3,832	Depreciation	3,994
25	Amortisation	125
2,387	Impairment	(17,547)
54	Bad debts written off	239
2,456	(Decrease)/increase in creditors	(2,064)
744	Decrease /(increase) in debtors	(184)
(11)	Decrease in inventories	5
829	Carrying amount of non-current assets sold	1,320
2,199	Pension liability reversal	1,805
110	Deficit on revaluation of available for sale financial assets	250
(204)	Other adjustments	(160)
12,421		(12,217)

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

31/03/2016		31/03/2017
£'000		£'000
(741)	Other receipts from financing activities	(1,614)
306	REFCUS adjustment	333
(1,285)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(2,086)
1,336	Interest Paid	1,347
(170)	Interest received	(318)
	Difference between preceptors share and amount of NNDR paid to them	
(554)		(2,338)

Notes to the Accounts

Notes to support cashflow statement

52 Cash Flow Statement - Operating Activities

The cash flows for operating activities include the following items:

31/03/2016		31/03/2017
£'000		£'000
(170)	Interest received	(318)
1,336	Interest paid	1,347
1,166		1,029

53 Cash Flow Statement - Investing Activities

31/03/2016		31/03/2017
£'000		£'000
(4,533)	Purchase of property, plant and equipment, investment property and intangible assets	(4,961)
(306)	Other cash payments (REFCUS)	(333)
1,285	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	2,086
741	Capital grants received	1,614
500	Sale of long-term investments	0
(4,000)	Purchase of temporary investments	(4,500)
0	Other investing activities	0
170	Interest received	318
(1,336)	Interest paid	(1,347)
(7,479)	Net cash flows from investing activities	(7,123)

54 Cash Flow Statement - Financing Activities

31/03/2016		31/03/2017
£'000		£'000
(111)	Cash payments for the reduction of the outstanding liabilities relating to finance leases	(87)
(1,637)	PWLB debt repayment	(1,683)
(1,748)	Net cash flows from financing activities	(1,770)

Notes to the Accounts

55 Grant Income

The Authority credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2016/17

Credited to Taxation and Non Specific Grant Income

2015/16		2016/17
£'000		£'000
(6,126)	Council Tax	(6,493)
(2,034)	Non Domestic Rates	(2,535)
(1,705)	Revenue Support Grant	(1,017)
(54)	Council Tax Freeze Grant	
(1,619)	New Homes Bonus	(1,836)
(200)	Homes and Communities Agency	(636)
	Rural Services Delivery Grant	(464)
	Affordable Housing	(260)
	Air Quality	(66)
	Disabled Facilities Grants	(387)
(325)	Other	(39)
(12,063)	Total	(13,733)

Credited to Services

2015/16		2016/17
£'000		£'000
(18,672)	Housing Benefit Subsidy	(17,835)
(266)	Section 106s	(617)
(346)	Housing Benefit & CTB Admin Grant	(306)
(108)	Business Rates - Cost of Collection Grant	(108)
(707)	Others	(417)
(20,099)	Total	(19,283)

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

Capital Grants Receipts in Advance due in less than one year

2015/16	2016/17
£'000	£'000
0	0

Capital Grants Receipts in Advance due in more than one year

2015/16	2016/17
£'000	£'000
(807)	(171)

Revenue Grants Receipts in Advance due in less than one year

2015/16	2016/17
£'000	£'000
0	0

Notes to the Accounts

Revenue Grants Receipts in Advance due in more than one year

2015/16	2016/17
£'000	£'000
0	0

56 Contingent Liabilities

There are no contingent liabilities at 31 March 2017.

57 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.

2015/16	2016/17
£'000	£'000
570	483
Vehicles, Plant and Equipment	

Notes to the Accounts

57 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:

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

2015/16		2016/17
£'000		£'000
(89)	- current	(89)
(481)	- non current	(394)
0	Finance costs payable in future years	0
(570)	Minimum lease payments	(483)

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

Minimum Lease Payments

2015/16		2016/17
£'000		£'000
89	Not later than one year	89
284	Later than one year and not later than five years	246
197	Later than five years	148
570		483

Finance Lease Liabilities

2015/16		2016/17
£'000		£'000
89	Not later than one year	89
284	Later than one year and not later than five years	246
197	Later than five years	148
570		483

Notes to the Accounts

57 Leases continued - Operating

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

2015/16		2016/17
£'000		£'000
119	Not later than one year	114
441	Later than one year and not later than five years	441
551	Later than five years	440
1,111		995

Minimum Lease Payments incurred during the year

2015/16		2016/17
£'000		£'000
66	Operating Leases for vehicles, equipment, land and buildings	131
112	Hire payments for vehicles, plant and equipment	148
178		279

Authority as Lessor

Finance Leases

The Authority has no material finance leases as a lessor.

Operating Leases

The Authority leases out land and buildings under operating leases for the following purposes:

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

2015/16		2016/17
£'000		£'000
571	Not later than one year	440
1,025	Later than one year and not later than five years	798
672	Later than five years	450
2,268		1,688

Notes to the Accounts

57 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 page 55.

58 Impairment Losses and Reversals

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

The following amounts have been charged or credited (negative figures represent impairments following a decrease in value) to the Comprehensive Income and Expenditure Statement following the revaluation of certain properties. See note 29 for further details of the non current asset valuation.

2015/16		2016/17
£'000		£'000
(2,152)	Council Dwellings	17,796
(233)	Other Land & Buildings	(249)
(2,385)		17,547

The net £250k impairment (decrease in value) across a number of Council property assets (shops, toilets etc.) has arisen as a result of a decrease in the prevailing market values in the area.

59 Non-Adjusting Post Balance Sheet Events

On 21/04/17 Mid Devon completed the purchase of Coggans Well House for £290k. Since the transaction was completed after the 31/03/17 it is not reflected in the balance sheet of that date. As the value of the transaction is not material, it is considered to be a non-adjusting event.

At the 31/03/17, the Council had exchanged contracts with Tiverton Town Council to sell Tiverton Town Hall to that party for a sum of £175k. Since the transaction had not been completed, it is not reflected in our balance sheet. At the date of publication, the transaction remains yet to complete.

Housing Revenue Account (HRA) Income and Expenditure Account

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

2015/16		Note	2016/17	
£'000			£'000	£'000
	<u>Expenditure</u>			
2,417	Repairs and Maintenance		2,695	
2,985	Supervision and Management		2,902	
4,310	Depreciation and impairment of non-current assets	73	(15,394)	
(3)	Increase/(Decrease) in bad debt provision		(3)	
9,709	Total Expenditure			(9,800)
	<u>Income</u>			
(12,780)	Dwelling Rents	72	(12,604)	
(550)	Non-dwelling Rents		(573)	
(550)	Other Chargeable Services and Facilities		(499)	
(13,880)	Total Income			(13,676)
(4,171)	Net Cost of HRA Services as included in the Comprehensive Income and Expenditure Statement			(23,476)
146	HRA services share of Corporate and Democratic Core			150
223	HRA share of other amounts included in the whole Authority Net Cost of Services but not allocated to specific services			187
(3,802)	Net Cost / (Income) of HRA Services			(23,139)
(450)	(Gain)/loss on sale of HRA fixed assets			(751)
	Other operating income			
1,301	Interest payable and similar charges - see note below	74		1,258
(42)	Interest and investment income			(59)
(97)	Capital grants and contributions receivable			(636)
(3,090)	(Surplus) for the year on HRA Services			(23,327)

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).

2015/16		Note	2016/17	
£'000			£'000	£'000
(2,000)	Balance on the HRA at the end of the previous year			(2,000)
(3,090)	Deficit / (Surplus) for the year on the HRA Income and Expenditure Account		(23,327)	
84	Adjustments between accounting basis and funding basis under statute	60	20,611	
(3,006)	Net (increase) or decrease before transfers to or from reserves		(2,716)	
3,006	Transfers (to) or from reserves		2,716	
0	(Increase) or decrease in year on the HRA			(0)
(2,000)	Balance on the HRA at the end of the current year			(2,000)

Notes to the Accounts

60 Adjustments between Accounting Basis and Funding Basis under Regulations

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

2016/17	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
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:							
Adjustments involving the Capital Adjustment Account:							
Charges for depreciation and impairment of non current assets		(2,414)					2,414
Revaluation gains on Property, Plant and Equipment		17,808					(17,808)
Amortisation of intangible assets		0					0
Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement		(1,219)					1,219
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:							
Statutory provision for the financing of capital investment		985					(985)
Capital expenditure charged against the General Fund and HRA balances		109					(109)
Adjustments primarily involving the Capital Grants Unapplied Account							
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement		636			(636)		
Application of grants to capital financing transferred to the Capital Adjustment account							
Adjustments involving the Capital Receipts Reserve:							
Transfer of sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement		1,970	(1,970)				
Transfer of capital mortgage repayments to Capital Receipts Reserve							
Use of the Capital Receipts Reserve to finance new capital expenditure							
Contribution from the Capital Receipts Reserve towards administrative costs of non current asset disposals		(36)	36				
Transfer of deferred sale proceeds as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement		0	0				
Repayment of Mortgage Principal			0				0
Adjustments involving the Deferred Capital Receipts Reserve:							
Transfer of deferred sale proceeds as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement		0					0
Adjustment involving the Major Repairs Reserve:							
Reversal of Major Repairs Allowance credited to the HRA		2,797		(2,797)			
Use of the Major Repairs Allowance to finance new capital expenditure				0			0
Interest credited to the Major Repairs Allowance		0		0			
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		0					0
Adjustment involving the Pensions Reserve:							
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement		(23)					23
Adjustment involving the Accumulated Absences Account:							
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements			(2)				2
Total Adjustments		20,611	(1,934)	(2,797)	(636)	0	(15,244)

Notes to the Accounts

60 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.

2015/16	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
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:						
Adjustments involving the Capital Adjustment Account:						
Charges for depreciation and impairment of non current assets	(2,153)					2,153
Revaluation losses on Property, Plant and Equipment	(2,157)					2,157
Amortisation of intangible assets	0					0
Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(809)					809
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:						
Statutory provision for the financing of capital investment	993					(993)
Capital expenditure charged against the General Fund and HRA balances	590					(590)
Adjustments primarily involving the Capital Grants Unapplied Account						
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	97			(97)		
Application of grants to capital financing transferred to the Capital Adjustment account						
Adjustments involving the Capital Receipts Reserve:						
Transfer of sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	1,259	(1,259)				
Transfer of capital mortgage repayments to Capital Receipts Reserve						
Use of the Capital Receipts Reserve to finance new capital expenditure						
Contribution from the Capital Receipts Reserve towards administrative costs of non current asset disposals	(25)	25				
Transfer of deferred sale proceeds as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	0	0				
Adjustments involving the Deferred Capital Receipts Reserve:						
Transfer of deferred sale proceeds as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	0					0
Adjustment involving the Major Repairs Reserve:						
Reversal of Major Repairs Allowance credited to the HRA	2,390		(2,390)			
Use of the Major Repairs Allowance to finance new capital expenditure						
Interest credited to the Major Repairs Allowance	0		0			
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	0					0
Adjustment involving the Pensions Reserve:						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(88)					88
Adjustment involving the Accumulated Absences Account:						
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(13)					13
Total Adjustments	0	84	(1,234)	(2,390)	(97)	3,637

Notes to the Accounts

61 Housing Stock

The Housing Revenue account owned the following property:

	Council Housing	Other Land & Buildings	Total
At 1 April 2016	3,060	1,187	4,247
Additions			0
Sales	(28)		(28)
Improvement changes	(2)		(2)
Transfers			0
At 31 March 2017	3,030	1,187	4,217

The figures above include four small properties converted into two larger properties.

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

62 Number of dwellings by type

31 March 2016		31 March 2017
1,450	Houses	1,427
1,011	Bungalows	1,011
599	Flats	592
3,060	Total	3,030

63 HRA Dwelling Valuation

The vacant possession value of dwellings in the HRA is £402,926k as at the 1st April 2017, up from £398,348k in the previous year. This definition assumes that vacant possession would be provided on completion of the sale of all the dwellings. A second value of £141,024k represents the value of the property portfolio as social housing. The difference between these two figures reflects the economic costs to the sector of providing social housing at less than market rents. For 2016/17, the discount applied to determine this second valuation is 35% instead of 31%, which accounts for the significant increase in dwelling value in note 64.

Notes to the Accounts

HRA Dwelling Valuation continued

31 March 2016		31 March 2017
£'000		£'000
398,348	Vacant Possession Value	402,926
123,488	Existing Use Value for Social Housing (EUV-SH) @ 35%	141,024

The 31 March 2017 dwellings valuation has been calculated by the Valuation Office who have supplied the Council with beacon property values across the range of housing stock. After applying these indices the average dwelling value has increased slightly to £133k on the vacant possession basis.

64 HRA Non-Current Asset Values

31 March 2016		31 March 2017
£'000	HRA Non-Current Assets	£'000
123,488	Dwellings	141,024
6,174	Other land and buildings	6,400
33	Vehicles, plant and equipment	-
205	Infrastructure assets	196
317	Assets under Construction	1,628
130,217		149,248

65 Capital Expenditure

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

2015/16			2015/16
£'000	Expenditure	Funding	£'000
2,846	Improvements to dwellings	Major repairs reserve	2,390
112	Construction of dwellings	Capital grants	200
748	Assets under Construction	Revenue contribution	596
		Usable capital receipts	520
3,706			3,706

66 Major Repairs Reserve

The authority is required to hold a Major Repairs Reserve, which ensures a sufficient element of the HRA's resources are being used on capital expenditure to maintain the standard of HRA dwellings. This account is credited with a value equal to depreciation for the year. The reserve is used to fund major upgrade works to council properties. The idea being that if an amount equal to depreciation for the year is spent on upgrading the properties, their value should be maintained at a consistent level. This reserve has been fully spent in recent years and so holds a balance of zero.

2015/16		2016/17
£'000		£'000
0	At 1 April 2016	0
2,390	Amount transferred from Housing Revenue Account	2,797
(2,390)	Capital expenditure incurred during the year	(2,797)
0	At 31 March 2017	0

Notes to the Accounts

67 Capital Receipts

2015/16		2016/17
£'000		£'000
1,259	Sale of council houses	1,946
-	Sale of land	24
-	Sale of council houses - discount repaid	-
-	Council house loan repayments	-
1,259	Total	1,970

68 Pension Liability: Current Year Costs

Each year the HRA Income and Expenditure Account is charged with an amount to reflect the true cost of pension contributions in relation to that year. Since this is not an actual cost in year, it is reversed out again in note 60.

2015/16		2016/17
£'000		£'000
(88.00)	Net interest on the defined benefit liability	(23.00)

69 HRA Arrears

At 31st March 2017 the rent arrears as a proportion of gross rent income totalled 1.8% (1.2% at 31st March 2016). Rent written off during 2016/17 amounted to £49k (£36k in 2015/16). The breakdown of the total arrears is shown below.

31 March 2016		31 March 2017
£'000		£'000
149	Rent (dwellings & garages)	122
14	Housing benefit overpayments	9
15	Court costs	15
47	Rechargeable Repairs	58
17	Other	17
242	Total	221

70 Bad Debt Provision

The provision for bad debt for the housing service stands at £112k as at 31 March 2017 (£116k 31 March 2016).

Notes to the Accounts

71 Rents Paid in Advance

2015/16		2016/17
£'000		£'000
116	Dwellings rental income paid in advance	156

72 Gross Rents

This represents the total rent income due for the year after allowing for voids and other adjustments. The rents set averaged at £79.85 per week based on a 52 week year (2015/16 £80.65).

73 Depreciation & Impairment of Fixed Assets

Depreciation and Amortisation

2015/16		2016/17
£'000	Operational Assets	£'000
1,959	Dwellings	2,222
135	Other Land and Buildings	148
10	Infrastructure	10
0	Intangible assets	0
49	Vehicles, Plant and Equipment (Finance Leases)	33
2,153	Total	2,413

Impairment and (revaluation)

2015/16		2016/17
£'000	Operational Assets	£'000
2,151	Dwellings	(17,796)
6	Other Land and Buildings	(12)
2,157	Total	(17,808)

74 Interest payable and similar charges

2015/16		2016/17
£'000		£'000
1,244	PWLB loan interest - HRA self financing	1,202
56	Internal self financing - General Fund	56
1	Finance lease interest	0
1,301	Total	1,258

Notes to the Accounts

75 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.

2015/16		2016/17
£'000	Housing Revenue Account Income and Expenditure Account	£'000
1	Finance lease interest	-

16	Depreciation on finance lease assets	-
----	--------------------------------------	---

2015/16		2016/17
£'000	Adjustments between Accounting Basis and Funding Basis under Regulations	£'000
(16)	Depreciation reversed	(16)

16	Capital financing of finance lease assets	-
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2015/16	Balance Sheet	2016/17
-	Asset - Plant and Equipment	-

-	Liability < 1 year	-
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-	Liability > 1 year	-
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76 Self Financing Settlement Payment

As part of the replacement of the HRA subsidy system in 2012, MDDC made a one-off settlement payment of £46.59m. The size of this is based on a valuation of Mid Devon's housing service over the 30 years from 2012-2042. In order to fund it, MDDC have taken on a debt from the Public Works Loan Board (PWLB) and will be required to make payments of £2.6m per annum (made up of £1.2m interest and £1.4m principal).

2015/16		2016/17
£'000		£'000
(42,622)	Opening Balance	(41,220)
1,402	Repaid in Year	1,443
(41,220)	Closing Balance	(39,777)

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.

2015/16			2016/17
£'000	INCOME	Notes	£'000
(44,810)	Council Tax receivable		(47,117)
(44,810)	Total Income		(47,117)
	EXPENDITURE		
	Precepts, Demands and Shares	80	
31,691	- Devon County Council		33,218
4,971	- Mid Devon District Council		5,148
4,625	- Devon and Cornwall Police		4,754
2,140	- Devon Fire and Rescue		2,200
1,137	- Parish Precepts		1,303
44,564			46,623
	Charges to Collection Fund		
107	- Write offs of uncollectable amounts		142
5	- Increase in provision for bad debts		49
112			191
	Apportionment of previous year's surplus		
224	- Devon County Council		43
43	- Mid Devon District Council		8
33	- Devon and Cornwall Police		6
15	- Devon Fire and Rescue		3
315			60
44,991	Total Expenditure		46,874
181	(Surplus) / Deficit for the year		(243)
(241)	Opening Balance at 1st April		(60)
(60)	Closing Balance at 31 March	48	(303)

The £303k represents the overall surplus on the Council Tax element of the Collection Fund at 31/03/17 (2015/16 £60k surplus). Of this 13.84% is attributable to MDDC, which equates to £42k (2015/16 £8k - see note 48 on page 43).

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.

2015/16			2016/17
£'000	INCOME	Notes	£'000
(14,984)	Business Rates receivable	78	(14,261)
(120)	Transitional Protection Payments		55
(15,104)	Total Income		(14,206)
	EXPENDITURE		
	Precepts, Demands and Shares		
7,381	- Central Government		7,633
1,329	- Devon County Council		1,374
5,906	- Mid Devon District Council		6,107
148	- Devon Fire and Rescue		153
14,764			15,267
	Charges to Collection Fund		
23	- Write offs of uncollectable amounts		142
18	- Increase in provision for bad debts		(63)
1,581	- Increase in provision for appeals		(1,539)
108	- Cost of Collection		108
92	- Disregarded Amounts		136
2	Interest on refunds		
1,824			(1,216)
	Apportionment of previous year's Surplus/(Deficit)		
206	- Central Government		(671)
37	- Devon County Council		(121)
165	- Mid Devon District Council		(536)
4	- Devon Fire and Rescue		(13)
412			(1,341)
17,000	Total Expenditure		12,710
1,896	(Surplus) / Deficit for the year		(1,496)
(44)	Opening Balance at 1st April		1,852
1,852	Closing Balance at 31 March	48	356

The £356k represents the overall deficit on the Non-domestic rate element of the Collection Fund at 31/03/17 (2015/16 £1,852 deficit). Of this 40% is attributable to MDDC, which equates to £143k. (2015/16 £741k - see note 48 on page 43).

Notes to the Collection Fund

77 General

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

78 Income from Business Rates

The Council collects non domestic rates for its area, which are based on local rateable values multiplied by a uniform rate. The total amount receivable; less certain reliefs and other deductions is distributed between Central Government, Devon County Council, Devon & Somerset Fire Authority and Mid Devon District Council. The authority is also a member of the Devon Business Rates Pool administered by Plymouth City Council which helps to minimise risk of financial loss on appeals or reductions in our overall rateable value. Mid Devon District Council's overall gross collectable business rates at 31 March 2017 is £20,362k (31 March 2016 £20,223k). This is calculated by taking the rateable value at that date of 40,970,013 multiplied by the uniform business rate of 49.7p per £. The total income detailed on the Non Domestic Rates statement takes account of the fact that circa £4,200k is awarded each year in various discretionary and mandatory reliefs.

The large decrease in the provision for appeals for Business Rates of £1,539k, relates mainly to the fact that reductions in Rateable Value of GP surgeries of £1,579k have been actioned during 16/17.

79 Calculation of Council Tax Base

The council tax base is calculated by taking the number of chargeable dwellings in each valuation band (adjusted for discounts as necessary) and converted into the number of Band D equivalent properties multiplied by the council tax rate per Band D properties.

	Number of Dwellings	
	Actual	Band D
A	3,740.4	2,493.1
B	6,918.1	5,380.8
C	5,456.0	4,849.7
D	5,662.7	5,662.7
E	4,087.9	4,996.3
F	2,158.0	3,117.1
G	880.2	1,467.1
H	50.8	101.6
Total	28,954.0	28,068.4

80 Precepting Authorities

2015/16		2016/17
£'000		£'000
31,691	Devon County Council	33,218
4,971	Mid Devon District Council	5,148
4,625	Devon and Cornwall Police	4,754
2,140	Devon Fire and Rescue	2,200
1,137	Parish Precepts	1,303
44,564	Total	46,623

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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 (BVACOP)

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.

Audit Committee Progress Report and Update Mid Devon District Council Year ended 31 March 2017

30 May 2017

Page 195

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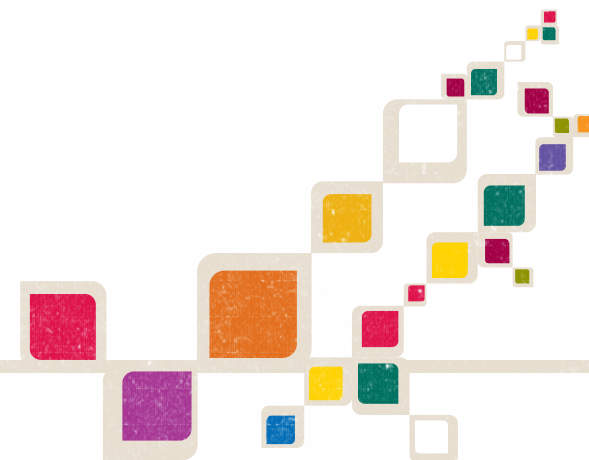
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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect your business or any weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.



Introduction

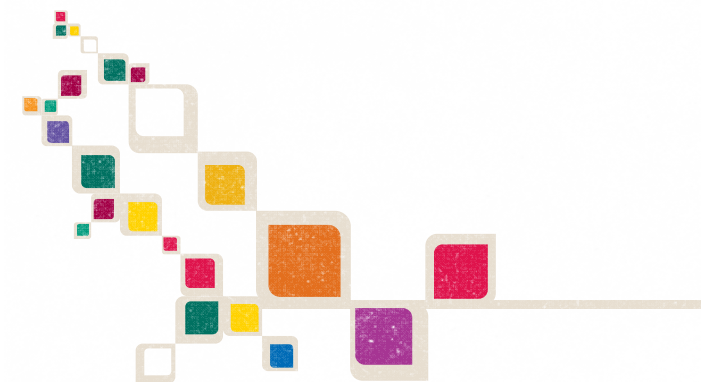
This paper provides the Audit Committee with a report on progress in delivering our responsibilities as your external auditors.

Members of the Audit Committee can find further useful material on our website www.grant-thornton.co.uk, where we have a section dedicated to our work in the public sector. Here you can download copies of past publications:

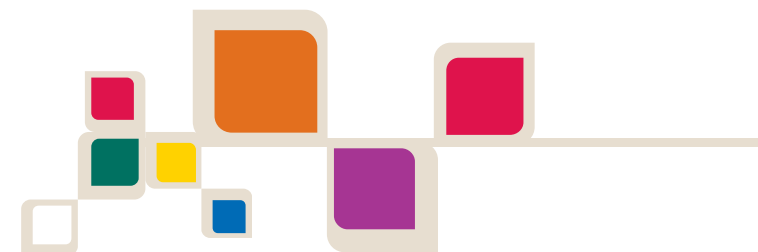
- CFO Insights – reviewing council's 2015/16 spend (December 2016); <http://www.grantthornton.co.uk/en/insights/cfo-insights-reviewing-councils-201516-spend/>
- Fraud risk, 'adequate procedures', and local authorities (December 2016); <http://www.grantthornton.co.uk/en/insights/fraud-risk-adequate-procedures-and-local-authorities/>
- New laws to prevent fraud may affect the public sector (November 2016); <http://www.grantthornton.co.uk/en/insights/new-laws-to-prevent-fraud-may-affect-the-public-sector/>
- Brexit: local government – transitioning successfully (December 2016) <http://www.grantthornton.co.uk/en/insights/brexit-local-government--transitioning-successfully/>

If you would like further information on any items in this briefing, or would like to register with Grant Thornton to receive regular email updates on issues that are of interest to you, please contact either your Engagement Lead or Engagement Manager.

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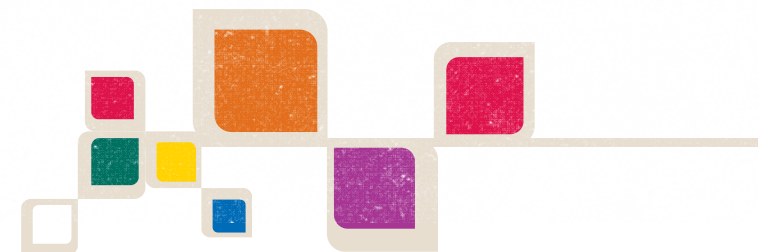


Progress at May 2017



2016/17 work	Planned Date	Complete?	Comments
Fee Letter We are required to issue a 'Planned fee letter for 2016/17' by the end of April 2016	April 2016	Yes	The 2016/17 fee letter was issued on 18 April 2016 and considered by the 31 May 2016 committee.
Accounts Audit Plan We are required to issue a detailed accounts audit plan to the Council setting out our proposed approach in order to give an opinion on the Council's 2016-17 financial statements.	21 March 2017	Yes	The Audit plan was presented at the March Audit Committee.
Interim accounts audit Our interim fieldwork visit plan included: <ul style="list-style-type: none"> • updated review of the Council's control environment • updated understanding of financial systems • review of Internal Audit reports on core financial systems • early work on emerging accounting issues • early substantive testing • Value for Money conclusion risk assessment. 	February 2017	Yes	Our interim audit was completed in the three weeks ending 3rd March 2017. We have undertaken all the required planning and preparation, together with such early testing we deemed efficient. The work included early discussions over the accounting treatment of the Council's planned property transactions, in particular the Premier Inn acquisition of land.
Final accounts audit Including: <ul style="list-style-type: none"> • audit of the 2016/17 financial statements • proposed opinion on the Council's accounts • proposed Value for Money conclusion • review of the Council's disclosures in the consolidated accounts against the Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 	To commence 30 May 2017	No	Not yet started. The council's special Audit Committee is set for Monday 17th July. In order that we can sign the audit opinion on that date, the period for Public Inspection will need to commence on the 5th June (30 working days ahead of signing). MDDC will need to put on their website by midnight on Sunday 4th June.

Progress at May 2017



2016/17 work	Planned Date	Complete?	Comments
Value for Money (VfM) conclusion The scope of our work is unchanged to 2015/16 and is set out in the final guidance issued by the National Audit Office in November 2015. The Code requires auditors to satisfy themselves that; "the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources". The guidance confirmed the overall criterion as; "in all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people". The three sub criteria for assessment to be able to give a conclusion overall are: <ul style="list-style-type: none"> • Informed decision making • Sustainable resource deployment • Working with partners and other third parties 	Initial risk assessment completed 3 rd March 2017 Conclusion will be given 17 July 2017	No	We have identified one risk. The Council is forecasting an overspend of £64k for 2016/17; a budget for 2016/17 that is balanced using £89k of New Homes Bonus, and whose future is uncertain as the preliminary grant settlement shows the elimination of Revenue Support Grant by 2019/20. The MTFP shows a deficit of £419k in 17/18 which increases annually, peaking at £975k in 2020/21. Without any action the General Fund reserve of £2.2m would become overdrawn by £1.25m over the life of the plan. The results of our VfM audit work and the key messages arising will be reported in our Audit Findings Report and in the Annual Audit Letter. We will include our conclusion in our auditor's report on your financial statements which we will give on 17 July 2017.
Grant claims and certification. We anticipate that we will be required to certify the Council's 2015/16 Housing benefit and council tax subsidy claim.	June 2017 to November 2017.	Not yet due	The work on the 2016/17 claim will be completed by 30 November 2017.
Other areas of work Audit of: <ul style="list-style-type: none"> • Pooling of Housing capital receipts claim • Housing & Communities agency claim 	October 2017	No	Not yet started
Meetings with Members, Officers and others	On-going	No	Regular meetings arranged with Officers.

Technical Matters

Page 200



Sector issues and developments

Page 201



Local authority accounts – a guide to your rights

In addition to his statutory duties and powers in respect of the Code of Audit Practice and guidance to auditors, the Comptroller and Auditor General has agreed to maintain and publish Local authority accounts – a guide to your rights

This document provides information on how people can ask questions and raise objections about the accounts of their local authority

<https://www.nao.org.uk/code-audit-practice/council-accounts-a-guide-to-your-rights>

LAAP BULLETIN 105 Closure of the 2016/17 Accounts and Related matters

This bulletin covers the closure of accounts and related matters for the 2016/17 year and provides further guidance and clarification to complement the 2016/17 *Code of Practice on Local Authority Accounting in the United Kingdom Guidance Notes for Practitioners* (Code Guidance Notes). It addresses frequently asked questions, and other issues that have arisen since the publication of the Code Guidance Notes.

The bulletin focuses on those areas that are expected to be relevant for most authorities. It is not intended to replace authorities' processes for identifying issues, but to complement them.

In addition, the bulletin addresses matters that will generally be applicable to authorities across England, Wales, Scotland and Northern Ireland.

Grant Thornton

Page 203



The Board: creating and protecting value

Our new cross sector Board Effectiveness Report

Grant Thornton reports

In all sectors, boards are increasingly coming under pressure from both the market and regulators in terms of effectiveness and accountability. Building on the success of our cross sector audit committee effectiveness survey- Knowing The Ropes, the Grant Thornton Governance Institute extended its research to look at the effectiveness of boards across the corporate, public and not for profit sectors.

This report raise key questions that all boards should ask themselves to challenge their effectiveness. Their organisations may operate in different sectors and be subject to a variety of statutory and governance requirements, but they all share a common overriding principle: the governing body is a collective charged with developing the organisation's purpose.

Challenge question:

Are you familiar with this report?

Page 204

Key messages:

- There is a strong future focus on boards
- Executive behaviours tend to dominate - not the best scenario for good governance or an organisation's future focus
- There are strongly held opinions about the relationship between the board and the executive which will impact on efficiency
- More than 88% of respondents see their executives as being strong leaders of the organisation
- There is a clear focus on organisational culture and values across all sectors – 93% see the executive board members modelling the values of the organisation
- Non-executives also need to live and breathe those values – only 82% of respondents agreed that the non-executives inspire and guide the executive to realise the organisation's purpose
- Only 75% of respondents feel that the recruitment process of non-executives is rigorous, well-documented or transparent
- Over 60% of board members believe that are adequate processes in place to evaluate performance

This report uses the DLMA analysis which categorises skills into four areas: Directorship, Leadership, Management and Assurance. This framework allows organisations to have a better understanding about where they are focusing their energies.

Download the report here: <http://www.grantthornton.co.uk/en/insights/the-board-creating-and-protecting-value/>



The income spectrum

Helping local authorities to achieve revenue and strategic objectives to create a vibrant economies

Grant Thornton market insight

Income generation is increasingly an essential part of the solution to providing sustainable local services, alongside managing demand reduction and cost efficiency. Our report gives local authorities the tools needed to maximise their ability to do so.

Our new research on income generation which includes our CFO Insights too suggests that:

- councils are increasingly using income generation to diversify their funding base, and are commercialising in a variety of ways. This ranges from fees and charges (household garden waste, car parking, private use of public spaces), asset management (utilities, personnel, advertising, wifi concession license) and company spin-offs (housing, energy, local challenger banks), through to treasury investments (real estate development, solar farms, equity investment).
- the ideal scenario to commercialise is investing to earn with a financial and social return. Councils are now striving to generate income in way which achieves multiple strategic outcomes for the same spend; examining options to balance budgets while simultaneously boosting growth, supporting vulnerable communities and protecting the environment.
- stronger commercialisation offers real potential for councils to meet revenue and strategic challenges for 2020 onwards. Whilst there are examples of good practice and innovation, this opportunity is not being fully exploited across the sector due to an absence of a holistic and integrated approach to corporate strategy development (a common vision for success, understanding current performance, selecting appropriate new opportunities, the capacity and culture to deliver change).

To support local authorities as they develop income generation strategies, the report provides:

- case study examples
- local authority spend analysis
- examples of innovative financial mechanisms
- critical success factors to consider





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19 April 2017

Dear Stephen

Planned audit fee for 2017/18

The Local Audit and Accountability Act 2014 provides the framework for local public audit. Under these provisions the Secretary of State for Communities and Local Government delegated some statutory functions from the Audit Commission Act 1998 to Public Sector Audit Appointments Limited (PSAA) on a transitional basis.

PSAA will oversee the Audit Commission's audit contracts for local government bodies until they end in 2018, following the announcement by the Department for Communities and Local Government (DCLG) that it will extend transitional arrangements until 2017/18. PSAA's responsibilities include setting fees, appointing auditors and monitoring the quality of auditors' work. Further information on PSAA and its responsibilities are available on the [PSAA website](#).

From 2018/19 PSAA has been specified by the Secretary of State as an appointing person for principal local government and police bodies, and will make auditor appointments and set fees for bodies that have opted into the national auditor appointment scheme it is developing.

Scale fee

PSAA prescribes that 'scale fees are based on the expectation that audited bodies are able to provide the auditor with complete and materially accurate financial statements, with supporting working papers, within agreed timescales'.

There are no changes to the overall work programme for local government audited bodies for 2017/18, following the recent CIPFA/LASAAC announcement that their planned introduction of the Highways Network Asset Code into the financial reporting requirements for local authorities in 2017/18 will no longer proceed. PSAA have therefore set the 2017/18 scale audit fees at the same level as the scale fees applicable for 2016/17. The Council's scale fee for 2017/18 has been set by PSAA at £47,700.

The audit planning process for 2017/18, 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

Under the provisions of the Local Audit and Accountability Act 2014, the National Audit Office (NAO) is responsible for publishing the statutory Code of Audit Practice and guidance for auditors from April 2015. Audits of the accounts for 2017/18 will be undertaken

under this Code, on the basis of the 2017/18 work-programme and scales of fees set out on the PSAA website. Further information on the NAO Code and guidance is available on the NAO website.

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); and
- our work on your whole of government accounts return (if applicable).

PSAA will agree fees for considering objections from the point at which auditors accept an objection as valid, or any special investigations, as a variation to the scale fee.

Value for Money conclusion

The Code requires us to consider whether the Council has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. This is known as the Value for Money (VfM) conclusion.

The NAO issued its guidance for auditors on value for money work in November 2016. The guidance states that for local government bodies, auditors are required to give a conclusion on whether the Council has put proper arrangements in place.

The NAO guidance identifies one single criterion for auditors to evaluate:

In all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.

Certification of grant claims and returns

At the request of the Department for Work and Pensions, auditors appointed by PSAA will continue to certify local authority claims for housing benefit subsidy for 2017/18.

The Council's indicative fee for this certification work is £6,908. We will write to you to confirm the fee when this has been confirmed.

Assurance engagements for other schemes will be subject to separate arrangements and fees agreed between the grant-paying body, the Council and ourselves.

Billing schedule

Fees will be billed as follows:

Main Audit fee	£
September 2017	11,925
December 2017	11,925
March 2018	11,925
June 2018	11,925
Total	47,700
Housing Benefit Certification	
January 2019	6,908

Outline audit timetable

We will undertake our audit planning and interim audit procedures in January to March. 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 May-July and work on the whole of government accounts return in line with the timetable for Local Government Bodies set by Department of Finance.

Phase of work	Timing	Outputs	Comments
Audit planning and interim audit	January-March 2018	Audit plan	The plan summarises the findings of our audit planning and our approach to the audit of the Council's accounts and VfM.
Final accounts audit	May-July 2018	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	April 2018	Audit Findings (Report to those charged with governance)	As above
Whole of government accounts	Per timetable set by Department of Finance	Opinion on the WGA return	This work will be completed alongside the accounts audit.
Annual audit letter	July 2018	Annual audit letter to the Council	The letter will summarise the findings of all aspects of our work.
Grant certification	August 2018 – January 2019	Grant certification report	A report summarising the findings of our housing benefit certification work and any other grant claim work that we undertake.

Our team

The key members of the audit team for 2017/18 are:

	Name	Phone Number	E-mail
Engagement Lead	Geraldine Daly	0117 305 7741	geri.n.daly@uk.gt.com
Manager	Steve Johnson	0117 305 7868	steve.p.johnson@uk.gt.com
In-charge Auditor	Tori Redler	0117 305 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 Jon Roberts, our Public Sector Assurance regional lead partner, via jon.roberts@uk.gt.com.

Yours sincerely



Geraldine Daly
Engagement Lead
For Grant Thornton UK LLP