

# Public Document Pack

**Mid Devon District Council**

## **Audit Committee**

**Monday, 17 July 2017 at 10.00 am**  
**Exe Room, Phoenix House, Tiverton**

**Next ordinary meeting**  
**Tuesday, 19 September 2017 at 5.30 pm**

Those attending are advised that this meeting will be recorded

## **Membership**

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

## **A G E N D A**

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

1. **Apologies**

To receive any apologies for absence.

2. **Public Question Time**

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

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

To approve as a correct record the Minutes of the meeting held on 30 May 2017 (copy attached).

4. **Chairman's Announcements**

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

5. **Internal Audit Service - future officer support to the Audit Committee**

To briefly discuss the recent changes to the Internal Audit Service and the roles undertaken by Internal Audit officers supporting the Committee.

6. **Annual Governance Statement** (*Pages 13 - 76*)

To receive a report from the Internal Audit Team Leader presenting the Committee with the finalised Annual Governance Statement for 2016/17 (Appendix A) and accompanying Corporate Governance Framework (Appendix B).

7. **Annual Report and Accounts for 2016/17** (*Pages 77 - 190*)

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

8. **Grant Thornton Audit Findings 2016/17**

To receive a report from Grant Thornton summarising their findings following an audit of the 2016/17 financial accounts.

To follow.

9. **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 on 19 September 2017:

- Internal Audit Charter (to be confirmed)
- Internal Audit Strategy (to be confirmed)
- Performance and Risk
- Internal Audit Progress Report
- Corporate Debt Recovery policy
- External Audit Progress Report and Update
- Annual Audit letter from Grant Thornton

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

**Stephen Walford**  
Chief Executive  
Friday 7 July 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](mailto:slees@middevon.gov.uk)

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## MID DEVON DISTRICT COUNCIL

**MINUTES** of a **MEETING** of the **AUDIT COMMITTEE** held on 30 May 2017 at 5.30 pm

### **Present**

#### **Councillors**

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

### **Apology**

#### **Councillor**

Mrs J B Binks

### **Guests in**

#### **Attendance**

Steve Johnson (Grant Thornton) and Rob Hutchins (Devon Audit Partnership)

### **Present**

#### **Officers**

Andrew Jarrett (Director of Finance, Assets and Resources),  
Catherine Yandle (Internal Audit Team Leader), Rob Fish  
(Principal Accountant), Roderick Hewson (Principal Accountant)  
and Sarah Lees (Member Services Officer)

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

**RESOLVED** that Cllr R Evans be elected Chairman of the Committee for the municipal year 2017/18.

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

**RESOLVED** that Cllr Mrs C A Collis be elected Vice Chairman of the Committee for the municipal year 2017/18.

## 3. **APOLOGIES**

Apologies were received from Cllr Mrs J B Binks who was substituted by Cllr B A Moore.

## 4. **PUBLIC QUESTION TIME**

There were no members of the public present.

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

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

## 6. **CHAIRMAN'S ANNOUNCEMENTS**

The Chairman had the following announcements to make:

- He reminded the Committee that there would be a briefing on Tuesday 4<sup>th</sup> July at 5.30pm regarding the Annual Governance Statement and the Code of Corporate Governance.

- He also reminded the Committee that a special meeting would be held on Monday 17 July 2017 at 10am to sign off the accounts for 2016/17. It was **AGREED** that the meeting scheduled for 25 July 2017 was no longer required and needed to be cancelled.
- He introduced Rob Hutchins to the Committee. He was the Head of the Devon Audit Partnership and he and his deputy would be alternating in attending future meetings. The Chairman stated that it was his intention to attend a meeting on 21 June 2017 where the Council's request to join the partnership would be ratified. Mr Hutchins stated that this was an exciting opportunity to exchange skill sets and to bring some new IT which might help to make some processes more efficient.

#### 7. **REPORT ON INTERNAL AUDIT PROVISION FROM 2017/18 (00:11:37)**

The Committee had before it a report \* from the Internal Audit Team Leader informing it about Internal Audit Provision from 1<sup>st</sup> May 2017.

The contents of the report were outlined with the following key points being highlighted:

- The governance arrangements in section 2.
- The agreement required that Partners provide 12 months' notice if they wish to leave the Partnership.
- Further work would be undertaken to ensure a smooth transition which would take approximately 3 months.

**RECOMMENDED** to Council that:

- a) Mid Devon District Council appoints Devon Audit Partnership (DAP) as the Audit Manager from 1<sup>st</sup> May until it joins DAP (nominally 31<sup>st</sup> July 2017).
- b) Mid Devon District Council joins DAP:
  - i. As a non-voting member from 1 August 2017 until 31<sup>st</sup> March 2018;
  - ii. As a voting member from 1<sup>st</sup> April 2018.
- c) The Chairman of the Audit Committee be appointed as the nominated member to represent Mid Devon on the Partnership Committee.
- d) The Vice Chairman of the Audit Committee be the nominated substitute Member to represent Mid Devon on the Partnership Committee in the absence of the Chairman.
- e) Cllr R F Radford be the second nominated member of the Committee.

(Proposed by the Chairman)

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

8. **PROGRESS UPDATE ON THE ANNUAL GOVERNANCE STATEMENT AND ACTION PLAN (00:16:30)**

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 Annual Governance Statement Action Plan for 2016/17.

Consideration was given to the previous two outstanding items identified in the action plan. One of those had concerned the delivery of actions set out in the staff survey action plan. It was explained that this was on target to be completed by the end of June with follow up meetings already taking place. The other item had concerned the review and update of the complaints process about Councillors and the need to present this to the Standards Committee and Council for approval. This had now been completed.

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

9. **STRATEGIC AUDIT PLAN FOR 2017/18 (00:18:50)**

The Committee had before it a report \* from the Internal Audit Team Leader presenting the Strategic Audit Plan for 2017/18 to 2020/2021 and the detailed Audit Work Plan for 2017/18.

The draft plans had been brought to the previous meeting and had subsequently been shared with the Devon Audit Partnership (DAP). A few minor changes had been inserted, the main one being in relation to bringing forward the Members Allowances audit to coincide with the next District Council election in 2019.

**RESOLVED** that the Audit Plans be approved.

(Proposed by the Chairman)

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

10. **INTERNAL AUDIT OUTTURN REPORT 2016/17 (00:20:23)**

The Committee had before it, and **NOTED**, a report \* from the Internal Audit Team Leader updating it on the work performed by Internal Audit during the 2016/17 financial year as required by the Public Sector Internal Audit Standards.

The report gave the overall opinion on the Council's control environment for 2016/17 and summarised the audit opinion in relation to each of the internal audits which had taken place throughout the financial year. The number of well controlled areas had increased and there had been only one poorly controlled area for the year.

In relation to the ICT Core Audit it was explained that the need to comply with the General Data Protection Regulations from May 2018, Brexit or not, would require a lot of work and housekeeping for MDDC. The time required for this to be undertaken must not be underestimated but work had already begun with a working group being established and the Internal Audit Team Leader and the Freedom of Information Officer having interviewed 23 managers. A gap analysis had been conducted and tasks had been scheduled.

Discussion took place regarding the number of outstanding high and medium risk recommendations. This included the following:

- Regarding overdue audit recommendations, the position overall had not changed much from last year after a tremendous improvement the year before. This year, there had been no high priority recommendations overdue compared to 3 last year.
- The situation regarding medium risks however, had not improved to a satisfactory level in the Chairman's opinion. It was therefore **AGREED** that the Director of Finance, Assets and Resources take the comments of the Committee back to the Leadership Team in the hope that some improvements could be made.

Further discussion took place regarding:

- The outstanding recommendations in relation to the Cemeteries & Bereavement audit. These had been in relation to publishing Freedom of Information requests on the Council's website and making improvements to the computerisation of records in this area.
- Any recommendation that was a medium risk and overdue for more than 12 months should be dealt with as a matter of urgency.
- Business continuity and the recent cyber attack on the NHS and IT failure at London and Gatwick airports. The Council conducted regular on going assessments on its own systems and a contract with an outside provider to provide back-up facilities would be renewed in July. Lessons needed to be learnt from other business sectors.
- Following an Internal Audit, service areas routinely received a survey to be completed, however, only 19 out of 23 had done so. It was **AGREED** that this number ought to be 23 out of 23 and the Committee requested that the Director of Finance, Assets and Resources take this message back to the Leadership Team.

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

#### 11. **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.

#### 12. **PERFORMANCE AND RISK FOR 2016-17 (00:34:13)**

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 key business risks.

Discussion took place with regard to the following:

- The number of days lost due to sickness – April and May were showing a zero figure which surely was not the case? It was explained that in the transition from quarterly reporting to monthly reporting back dated data had simply not been available. This would not be the case going forwards.



- The number of visitors per month and the target being 4000. The question was asked as to whether the closure of the Crediton office had been taken into account when setting this figure? It was agreed that a more challenging target needed to be set.
- The target figure in relation to customer satisfaction with front-line services being 80%. It was felt by the Committee that this figure ought to be raised to at least 85% and the Internal Audit Team Leader agreed to refer this back to the Head of Service.
- The Food Hygiene Rating Scheme which had been introduced in 2010.
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Note: \* Report previously circulated, copy attached to the signed minutes.

### 13. **DRAFT ANNUAL ACCOUNTS 2016/17 (00:43:10)**

The Committee had before it the draft Annual Report and Accounts \* for 2016/17.

The Director of Finance, Assets and Resources stated that as was the case last year, the draft accounts had been completed a month ahead of the statutory deadline. This had been a challenging timescale but had been achieved due to the hard work and dedication of his accountancy team.

The Committee's attention was drawn to the following within the report:

- The balances held as at 31 March 2017 and shown in section 2.3. A surplus of £30k had been achieved on the General Fund for the year and was testament to the proactive work undertaken by managers to bring figures in on budget. The Housing Revenue surplus had been transferred to the modernisation reserve which would allow the Council to spend more money on its existing housing stock. Successful cash collection, for example, in the area of housing rents, had been a chief factor in providing this positive outcome for the year.
- Financial monitoring and the reporting of this through the committee structure had been very accurate throughout the year.
- Since the agenda for the meeting had been published there had been further adjustments to the draft accounts and an Addendum document was tabled listing these minor 'cosmetic' adjustments.
- Movement in Reserves Statement – this showed that the General Fund balance and the amount held for Revenue purposes was £2,241k.
- The Committee compared service areas in the Comprehensive Income and Expenditure Statement in terms of comparing figures from 2015/16 to 2016/17. In the area of Human Resources there had been a significant increase in expenditure during 2016/17. It was explained that this was due to job evaluations and corporate training to equip the workforce with the skills that they needed despite lower numbers of staff. The area of Planning and Regeneration was also discussed in terms of it being impossible to predict the number of planning applications that would be received during a financial year or how many Section 106 contributions would be received.
- The deficit on the Pension Fund had increased significantly, however, this was reflected nationally.
- The Balance Sheet showed that there had been an increase in the valuation of the housing stock and overall the Balance Sheet was showing an improvement of £10m compared to the previous year.
- Transfers to and from the earmarked reserves were summarised.

- It was **AGREED** that the Director of Finance, Assets and Resources would circulate by email details in relation to the amount specified for the Air Quality Fund in Crediton.

The Committee thanked the Director of Finance, Assets and Resources and his team for the timely production of the draft accounts and for their contributions in bringing the Council in on budget in what were challenging financial times.

**RESOLVED** that the draft Annual Report and Accounts and Addendum document for 2016/17 be approved.

(Proposed by the Chairman)

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

#### **Addendum to the draft Accounts**

#### **14. EXTERNAL AUDIT PROGRESS REPORT (01:18:08)**

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

The update included the following information:

- The final accounts audit had commenced today and Grant Thornton would be on site for approximately two weeks. They would be issuing their audit opinion at the special meeting of the Committee on 17 July 2017.
- Testing would take place in relation to the housing benefit subsidy claim in September.
- There was a period of time whereby the public could inspect the draft accounts. This would be finished by Friday 14<sup>th</sup> July allowing the signing off of the accounts to take place the following Monday.
- Grant Thornton had issued a report on board effectiveness and reference was made to the fact that this Committee had increased the size of its membership to strengthen its effectiveness.
- An 'Income Spectrum' report had also been produced which was being used as a useful reference tool as central government funding was being reduced. Hard copies would be made available.

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

#### **15. GRANT THORNTON - 2017/18 FEE LETTER (01:28:15)**

The Committee had before it, and **NOTED**, a letter \* from Grant Thornton outlining the audit timetable and billing schedule for 2017/18.

#### **16. START TIME OF MEETINGS (01:31:17)**

It was **AGREED** to continue to meet at 5.30pm on Tuesday evenings.

17. **IDENTIFICATION OF ITEMS FOR THE NEXT MEETING (01:31:50)**

The following was **AGREED**:

- There would be no Value for Money report at the next meeting (however, the external audit opinion in relation to this would be issued)
- There would be no Performance and Risk report at the next meeting as the meeting would focus on the Accounts and the Annual Governance Statement only.

(The meeting ended at 7.10 pm)

**CHAIRMAN**

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## AUDIT COMMITTEE 17 JULY 2017

### ANNUAL GOVERNANCE STATEMENT

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

**Reason for Report:** To present the Committee with the finalised Annual Governance Statement for 2016/17 (Appendix A) and accompanying Corporate Governance Framework (Appendix B)

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

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

**Financial Implications:** None

**Legal Implications:** None

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

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

#### 1.0 Introduction

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

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

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

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

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

2.2 The AGS includes the following:

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

## **3.0 Conclusion**

3.1 Following the review of the sources of assurance and evidence to support the AGS, it is the opinion of the Internal Audit Team Leader that the Council's control environment was adequate in the 2016/17 financial year.

3.2 The areas where improvements are required are highlighted in the Action Plan accompanying the AGS. The action plan includes reference to the lead officers for each action and the target date for completion. The Committee will receive an update on the progress made against this action plan at their meetings throughout 2017/18.

- 3.3 It is a statutory requirement that the AGS is signed off by the Chief Executive (as most senior officer) and the Leader of the Council (as most senior member), along with the Report and Accounts once they have been approved by the Audit Committee on the 17 July 2017.
- 3.4 The AGS has been subject to review by the Council's external auditor and their comments have been reflected in this document.

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

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

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

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## Annual Governance Statement (2016/17)

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

We are responsible for making sure that we:

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

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

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

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

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

## **Annual Governance Statement (2016/17)**

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



The governance framework has been in place for the whole of the year ended 31 March 2017 and up to the date of approval of the Statement of Accounts. MDDC continually seeks to improve its governance arrangements and evidence of continued "best practice" is found within the governance review below. Arrangements are reviewed on a continual basis and where weaknesses have been found they are addressed as is demonstrated below in the Action Plan.

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

During the year progress against the previous year's AGS action Plan is taken to every Audit Committee so that the action points can be monitored, all the action points from the 2015/16 AGS Action Plan have been completed at this time.

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

**Annual Governance Statement (2016/17)**

<b>Principle A: Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law</b>		
<b>How We Meet these Principles</b>	<b>Where You Can See Governance in action</b>	<b>Assurance Received and Issues Identified</b>
<p><b>Behaving with integrity</b></p> <ul style="list-style-type: none"> <li>• We operate an appraisal scheme for all staff to identify development and skills needs and assess performance.</li> <li>• We provide new Members and staff with induction training on appointment.</li> <li>• We have Codes of Conduct for Members and Staff</li> <li>• Declarations of interest made at meetings are published with minutes and on our website.</li> <li>• We have registers of interests and gifts &amp; hospitality for Members and Staff</li> <li>• Our Whistleblowing policy was extensively rewritten this year and reviewed by Scrutiny before being approved by the Audit Committee on 21 March 2017.</li> <li>• We have a clear complaints procedure on our website and an up-to-date</li> </ul>	<p><a href="#">Staff Induction Policy</a></p> <p><a href="#">Your Councillors - MIDDEVON.GOV.UK</a></p> <p><a href="#">Fraud, Money Laundering and Whistleblowing - All Documents</a></p> <p><a href="#">Complaints Procedure</a></p> <p><a href="#">Customer Care Policy</a></p>	<p style="text-align: center;"></p> <p>Reassessment for The South West Charter for Member Development took place in April of this year by the Chief Executive and Head of Learning at South West Councils, alongside a Councillor from Bristol City Council.</p> <p>Gifts &amp; Hospitality and Declarations are audited regularly by Internal Audit</p> <p>Adherence to legislation is confirmed in each audit undertaken</p> <p style="text-align: center;"></p> <p>A peer review of the standards regime was carried out which identified various improvements were necessary.</p> <p>Staff Charter to communicate expected values and behaviours.</p> <p>We don't include ethics awareness in the staff induction training at present</p>

## Annual Governance Statement (2016/17)

<p>Customer Care Policy.</p> <ul style="list-style-type: none"><li>• We take the Health and Safety of our Staff extremely seriously.</li><li>• We evaluate the training needs of Members and run briefings on key topics to ensure they have the knowledge and information to make effective decisions.</li><li>• We operate a protocol to govern the relationship between Members and officers that ensures access to appropriate information.</li></ul> <p><b>Demonstrating strong commitment to ethical values</b></p> <p>The Council has the following documents which are relevant:</p> <ul style="list-style-type: none"><li>• Officers' Code of Conduct</li><li>• Members' Code of Conduct</li><li>• Protocol on Member/Officer Relations</li><li>• Guidance for Members on hospitality and gifts</li><li>• Protocol of good practice for councillors dealing in planning matters</li></ul> <p>Financial regulations</p>	<p><a href="#">Member Development Policy</a></p> <p>Convention on Member/Officer Relations</p>	
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## Annual Governance Statement (2016/17)



### Respecting the rule of law

- The constitution is under constant review.
- We ensure we comply with Statutory Provisions
- Compliance with CIPFA's *Statement on the Role of the Chief Financial Officer in Local Government* (CIPFA, 2015)
- We have effective and up-to-date anti-fraud and corruption policies and procedures
- Legal advice is given either as a stand-alone piece of advice or in relation to a case on which Legal Services are instructed to advise.
- We recognised the importance of having effective arrangements in place for the Monitoring Officer function by updating and strengthening the role of the Monitoring Officer in the Council and recruiting a suitably qualified person for the post.

[The role of the Chief Financial Officer in local government](#)

[Fraud, Money Laundering and Whistleblowing - All Documents](#)

Annual Governance Statement (2016/17)



Principle B: Ensuring openness and comprehensive stakeholder engagement		
How We Meet these Principles	Where You Can See Governance in action	Assurance Received and Issues Identified
<p><b>Openness</b></p> <ul style="list-style-type: none"> <li>We publish agendas and minutes for all our meetings on our website.</li> <li>We publish key decisions on the website</li> <li>We have a FOI publication scheme</li> <li>We have a standard report template</li> <li>We have a calendar of dates for submitting, publishing and distributing timely reports.</li> </ul> <p><b>Engaging comprehensively with institutional stakeholders</b></p> <ul style="list-style-type: none"> <li>We meet with our local colleges of FE and key local employers to discuss how the Council can support their work</li> </ul> <p><b>Engaging with individual citizens and service users effectively</b></p> <ul style="list-style-type: none"> <li>We publish details of consultations and</li> </ul>	<p><a href="#">Browse Meetings, 2017 - MIDDEVON.GOV.UK</a></p> <p><a href="#">Forthcoming Decisions</a></p> <p><a href="#">Publication Scheme - MIDDEVON.GOV.UK</a></p> <p><a href="#">Report template</a></p> <p><a href="#">Committee Report Procedure - All Documents</a></p> <p><a href="#">Consultation &amp; Involvement</a></p>	<p></p> <p>We publish recordings of all our meetings on the website.</p> <p></p> <p>Balancing feedback from more active stakeholder groups with other stakeholder groups to ensure inclusivity is a problem.</p>

**Annual Governance Statement (2016/17)**

<p>petitions on our website</p> <ul style="list-style-type: none"><li>• We have policies for communication and Social Media</li><li>• We have an active Tenant involvement group – Tenants Together which produces regular newsletters</li></ul>	<p><a href="#">Communication strategy</a></p> <p><a href="#">Housing4U</a></p>	
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Principle D: Determining the interventions necessary to optimise the achievement of the intended outcomes		
How We Meet these Principles	Where You Can See Governance in action	Assurance Received and Issues Identified
<p><b>Determining interventions</b></p> <ul style="list-style-type: none"> <li>Our governance structure is based on the strong leader and Cabinet with Policy Development Groups and Scrutiny Committee providing robust challenge</li> </ul> <p><b>Planning interventions</b></p> <ul style="list-style-type: none"> <li>Calendar of dates for developing and submitting plans and reports that are adhered to.</li> <li>We publish details of consultations and petitions on our website.</li> <li>KPIs have been established and approved for each service element and included in the service plan and are reported upon regularly</li> </ul> <p><b>Optimising achievement of intended outcomes</b></p> <ul style="list-style-type: none"> <li>budgeting medium term</li> </ul>	<p><a href="#">Committee Report Procedure - All Documents</a></p> <p><a href="#">Consultation &amp; Involvement</a></p>	<p></p> <p>Regular reports on progress against the Corporate Plan including a set of agreed standard measures</p> <p></p> <p>Service plans demonstrate consideration of 'social value' Evidence that budgets, plans and objectives are aligned</p> <p>Balancing feedback from more active stakeholder groups with other stakeholder groups to ensure inclusivity is a problem.</p>

**Annual Governance Statement (2016/17)**



<ul style="list-style-type: none"><li>• financial strategy</li><li>• process is all-inclusive, taking into account the full cost of operations over the medium and longer term</li></ul>	<p><a href="#">medium term financial strategy</a></p> <p>“You said we did“</p>	
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Principle E: Developing the entity’s capacity, including the capability of its leadership and the individuals within it		
How We Meet these Principles	Where You Can See Governance in action	Assurance Received and Issues Identified
<p><b>Developing the entity’s capacity</b></p> <ul style="list-style-type: none"> <li>We are committed to improving staff welfare which should reduce our sickness absence which is a direct cost to the Council.</li> </ul> <p><b>Developing the capability of the entity’s leadership and other individuals</b></p> <ul style="list-style-type: none"> <li>We provide all staff with job descriptions setting out their duties clearly and document the personal qualities and attributes required for each post.</li> <li>We operate an appraisal scheme for all staff to identify development and skills needs and assess performance.</li> <li>We operate a protocol to govern the relationship between Members and officers that ensures access to appropriate information.</li> <li>We treat everyone fairly and equally.</li> </ul>	<p>We have signed up to gaining Wellbeing charter status mental health first aid training took place on 27 March.</p> <p>Management Training Programme</p> <p>Convention on Member/Officer Relations</p>	<p style="text-align: center;"></p> <p>A programme of training and briefing sessions for elected Members has been agreed to ensure Members remain up to date with current issues, are clear about their roles, and have sufficient information to make informed decisions.</p> <p>The qualifications, skills, behaviours and personal attributes required by staff in their roles are identified and documented, and reviewed annually.</p> <p>All employees receive annual appraisals which include an assessment of future training and development needs.</p> <p style="text-align: center;"></p> <p>The current economic situation is likely to continue to see a reduction in the number of staff employed by the Authority. We have identified that this presents a potential risk to our ability to retain the skills and experience needed. Measures</p>

## Annual Governance Statement (2016/17)

<ul style="list-style-type: none"><li>• We take the Health and Safety of our Staff extremely seriously.</li><li>• We provide new Members with induction training on appointment.</li><li>• We evaluate the training needs of Members and run briefings on key topics to ensure they have the knowledge and information to make effective decisions.</li><li>• The Corporate Peer Challenge report identified the extent to which we have radically-improved and confirms that we are in a strong position to address future challenges.</li><li>• The Head of Paid Service has an annual appraisal and is set performance targets by the Cabinet</li></ul>	<p><a href="#">Equality and Diversity</a></p> <p><a href="#">Member Development Policy</a></p>	<p>are being implemented to combat this risk.</p> <p>The Peer challenge identified a number of recommendations that the council could consider to drive future performance.</p>
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Annual Governance Statement (2016/17)

Principle F: Managing risks and performance through robust internal control and strong public financial management		
How We Meet these Principles	Where You Can See Governance in action	Assurance Received and Issues Identified
<p><b>Managing risk</b></p> <ul style="list-style-type: none"> <li>All reports which go to Committee include a risk assessment as part of the required components on our report Template.</li> <li>Our Risk &amp; Opportunity Management Strategy was reviewed and approved by Audit Committee on 21 March 2017.</li> <li>Risks on our risk register are allocated to individual managers who are named on reports.</li> </ul> <p><b>Managing performance</b></p> <ul style="list-style-type: none"> <li>Our Performance has been mapped to the Corporate Plan; all our Aims have performance measures.</li> <li>Benchmarking information is included where available</li> <li>Calendar of dates for submitting, publishing and distributing timely reports that are adhered to.</li> <li>All agenda and minutes of Scrutiny</li> </ul>	<p><a href="#">Report Template</a></p> <p><a href="#">Risk &amp; Opportunity Management Strategy</a></p> <p><a href="#">Committee Report Procedure - All Documents</a></p> <p><a href="#">Meetings, agendas, and minutes -</a></p>	<p style="text-align: center;"></p> <p>The Leader's annual report to scrutiny for 2016/17 was mapped against the Corporate Plan priorities to make the link easier to see.</p> <p>Publication of agendas and minutes of meetings was 100 % on time.</p> <p>We have recently entered into Internal audit management arrangements with Devon Audit Partnership which will further strengthen the effectiveness of our Internal audit Service</p> <p style="text-align: center;"></p> <p>It was identified that reporting too many low level risks was distracting attention from more critical risks.</p> <p>More benchmarking information is needed and stronger links between financial and performance monitoring.</p> <p>A gap analysis against the GDPR has</p>



**Managing data**

- We have Data Protection and Information Security Policies in place.
- We have mandatory Data Protection and Information Security training for all staff, Members and contractors (with access to our computer network)
- We are currently reviewing our arrangements in order to ensure compliance with the General Data Protection Regulations
- We have a Data Quality Policy in place.
- We check performance information as part of every audit we do.

**Strong public financial management**

- We publish a Medium Term Financial Strategy covering 5 years each year.
- We publish Monitoring Reports from July to February each year
- The budget book is published on the

[Policies & Strategies - Home](#)

[We have a GDPR project Working Group](#)

[Policies & Strategies - Home](#)

[medium term financial strategy](#)

[Budgets - MIDDEVON.GOV.UK](#)

**Annual Governance Statement (2016/17)**

website		
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**Annual Governance Statement (2016/17)**

- We completed our annual self-assessment against the Public Sector Internal Audit Standards
- We invited an external team from other local councils to Mid Devon to investigate, explore and analyse the way we operate. This review was headed by the [Local Government Association](#) as part of their sector-led improvement programme and is something that all councils participate in every 4-5 years.

[Internal Audit Checklist v PSIAS 2017](#)

## Annual Governance Statement (2016/17)

Annual Governance Statement 2016-17 Action Plan			
Issues Identified	Action to be taken	By whom	When
1. A peer review of the standards regime was carried out which identified various improvements were necessary.	Subject to the amendment of some wording the Code of Conduct for Councillors and Co-opted Members was recommended to Full Council for Approval.	Standards Committee 4 April	26 April 2017
2. The Peer challenge identified a number of recommendations that the council could consider to drive future performance.	Report to Scrutiny outlining how the council intends to take these recommendations on board.	Chief Executive	August 2017
3. It was identified that reporting too many low level risks was distracting attention from more critical risks.	Reporting criteria changed on SPAR to report only risks scoring over 10.	Internal Audit Team Leader	April 2017
4. More benchmarking information is needed and stronger links between financial and performance monitoring.	Link between finance and performance to be reinforced in Service Business Plans for 2018/19.	Director of Corporate Assets and Resources	September 2017
5. Service plans demonstrate consideration of 'social value'. Evidence that budgets, plans			

## Annual Governance Statement (2016/17)

and objectives are aligned.			
6. Corporate plan priorities and targets are still not effectively cascaded throughout the Council.	Leadership Team have commenced 6 monthly Q & A sessions for all staff and also Chat with the Chief	Leadership Team	12 April 2017
7. Staff Charter to communicate expected values and behaviours	Issue a staff charter to all staff for their agreement	Director of Business Transformation and Corporate Affairs	August 2017
8. We don't include ethics awareness in the staff induction training at present	Include ethics training in the new induction process	Director of Business Transformation and Corporate Affairs	July 2017
9. The current economic situation is likely to continue to see a reduction in the number of staff employed by the Authority. We have identified that this presents a potential risk to our ability to retain the skills and experience needed. Measures are being implemented to combat this risk.	Aspiring Managers Scheme Skills Audit	Director of Business Transformation and Corporate Affairs	12 month programme Launched April 2017

**Annual Governance Statement (2016/17)**

<p>10. Balancing feedback from more active stakeholder groups with other stakeholder groups to ensure inclusivity is a problem.</p> <p>11. We need processes for dealing with competing demands on the budget from the community</p>	<p>The gap has been recognised and a post has been approved</p>	<p>Communication &amp; Engagement Manager</p>	<p>December 2017</p>
<p>12. We have some matters to address where we assessed Internal Audit as “P” i.e. Partial Compliance.</p>	<p>Address areas with “P” assessment via Quality Assurance Improvement Plan (QAIP)</p>	<p>DAP Audit Manager</p>	<p>September 2018</p>
<p>13. A gap analysis against the GDPR has identified areas which need improvement</p>	<p>Ensure we have all necessary data sharing agreements in place</p> <p>Ensure we have done information audits on our “top 10”</p> <p>Roll out training to all staff and Members</p>	<p>Data Protection Officer</p>	<p>May 2018</p>
<p>14. We need to arrange Public Sector Equality duty training</p>	<p>Programme of awareness and training</p>	<p>Internal audit Team Leader</p>	<p>Members 16 May 2017</p> <p>SOF 28 June</p>

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# CORPORATE GOVERNANCE FRAMEWORK

## Purpose of the Governance Framework

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

### Annual Documents

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

### Periodic Documents

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

### Contributory Processes

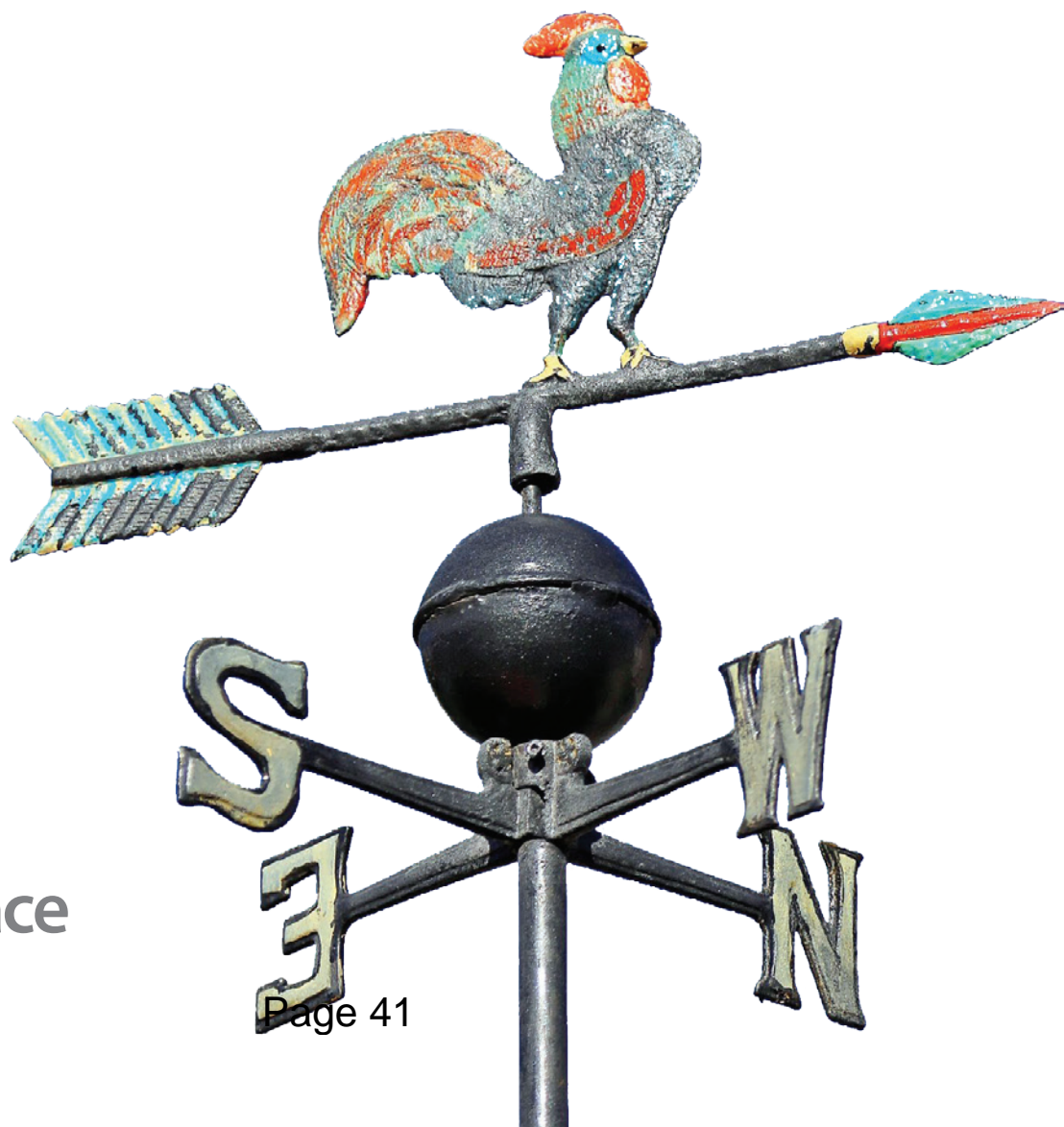
- Audit Committee
- Budget Monitoring Process
- Corporate Asset Strategy Group
- Corporate H&S
- Corporate Intranet
- Council Tax Leaflet/Information
- Customer Feedback Process
- Director of Finance, Assets and Resources (S151)
- Consultative Forums
- External Audit
- Finance and Resources
- Head of Paid Service
- H&S Committee
- Independent Remuneration Panel
- Internal Audit
- Job Descriptions
- Job Evaluation Process
- Law & Governance
- Member Training Scheme
- Monitoring Officer
- Partnership arrangements
- Report Template
- Schedule of Council Meetings
- Scrutiny Framework
- Standards Committee
- Staff Induction
- Staff Surveys

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# delivering good governance

in Local Government  
Framework  
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# delivering good governance

in Local Government  
Framework  
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# Contents

<b>CHAPTER ONE: INTRODUCTION</b> .....	<b>1</b>
<b>CHAPTER TWO: STATUS</b> .....	<b>3</b>
<b>CHAPTER THREE: REQUIREMENTS</b> .....	<b>5</b>
<b>CHAPTER FOUR: APPLICABILITY AND TERMINOLOGY</b> .....	<b>7</b>
APPLICABILITY .....	7
TERMINOLOGY .....	7
<b>CHAPTER FIVE: GUIDANCE NOTES</b> .....	<b>9</b>
<b>CHAPTER SIX: THE PRINCIPLES OF GOOD GOVERNANCE – APPLICATION</b> .....	<b>11</b>
DEFINING THE CORE PRINCIPLES AND SUB-PRINCIPLES OF GOOD GOVERNANCE .....	11
DEFINING GOVERNANCE .....	12
PRINCIPLES OF GOOD GOVERNANCE IN LOCAL GOVERNMENT .....	12
<b>CHAPTER SEVEN: ANNUAL REVIEW AND REPORTING</b> .....	<b>23</b>
THE ANNUAL GOVERNANCE STATEMENT.....	23
GOVERNANCE ARRANGEMENTS.....	24





# CHAPTER ONE

## Introduction

- 1.1 Governance arrangements in the public services are keenly observed and sometimes criticised. Significant governance failings attract huge attention – as they should – and one significant failing can taint a whole sector. Local government organisations are big business and are vitally important to tax payers and service users. They need to ensure that they meet the highest standards and that governance arrangements are not only sound but are seen to be sound.
- 1.2 It is crucial that leaders and chief executives keep their governance arrangements up to date and relevant. The main principle underpinning the development of the new *Delivering Good Governance in Local Government: Framework* (CIPFA/Solace, 2016) ('the Framework') continues to be that local government is developing and shaping its own approach to governance, taking account of the environment in which it now operates. The Framework is intended to assist authorities individually in reviewing and accounting for their own unique approach. The overall aim is to ensure that resources are directed in accordance with agreed policy and according to priorities, that there is sound and inclusive decision making and that there is clear accountability for the use of those resources in order to achieve desired outcomes for service users and communities.
- 1.3 The Framework positions the attainment of sustainable economic, societal, and environmental outcomes as a key focus of governance processes and structures. Outcomes give the role of local government its meaning and importance, and it is fitting that they have this central role in the sector's governance. Furthermore, the focus on sustainability and the links between governance and public financial management are crucial – local authorities must recognise the need to focus on the long term. Local authorities have responsibilities to more than their current electors as they must take account of the impact of current decisions and actions on future generations.



# CHAPTER TWO

## Status

- 2.1** Section 3.7 of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 notes:

*Regulation 6(1)(a) of the Accounts and Audit Regulations 2015, Regulation 4(2) of the Local Government (Accounts and Audit) Regulations (Northern Ireland) 2015, Regulation 5(2) of the Local Authority Accounts (Scotland) Regulations 2014 and Regulation 5(2) of the Accounts and Audit (Wales) Regulations 2014 require an authority to conduct a review at least once in a year of the effectiveness of its system of internal control and include a statement reporting on the review with any published Statement of Accounts (England) (as a part of the Annual Accounts (Scotland)). Regulation 6(1)(b) of the Accounts and Audit Regulations 2015, Regulation 4(4) of the Local Government (Accounts and Audit) Regulations (Northern Ireland) 2015 and Regulation 5(4) of the Local Authority Accounts (Scotland) Regulations 2014 require that for a local authority in England, Northern Ireland and Scotland the statement is an Annual Governance Statement.*

*The preparation and publication of an Annual Governance Statement in accordance with Delivering Good Governance in Local Government: Framework (2016) would fulfil the statutory requirements across the United Kingdom for a local authority to conduct a review at least once in each financial year of the effectiveness of its system of internal control and to include a statement reporting on the review with its Statement of Accounts. In England the Accounts and Audit Regulations 2015 stipulate that the Annual Governance Statement must be “prepared in accordance with proper practices in relation to accounts”. Therefore a local authority in England shall provide this statement in accordance with Delivering Good Governance in Local Government: Framework (2016) and this section of the Code.*

- 2.2** This Framework applies to annual governance statements prepared for the financial year 2016/17 onwards.



# CHAPTER THREE

## Requirements

- 3.1 The Framework defines the principles that should underpin the governance of each local government organisation. It provides a structure to help individual authorities with their approach to governance. Whatever form of arrangements are in place, authorities should therefore test their governance structures and partnerships against the principles contained in the Framework by:
- reviewing existing governance arrangements
  - developing and maintaining an up-to-date local code of governance, including arrangements for ensuring ongoing effectiveness
  - reporting publicly on compliance with their own code on an annual basis and on how they have monitored the effectiveness of their governance arrangements in the year and on planned changes.
- 3.2 The term 'local code' essentially refers to the governance structure in place as there is an expectation that a formally set out local structure should exist, although in practice it may consist of a number of local codes or documents.
- 3.3 To achieve good governance, each local authority should be able to demonstrate that its governance structures comply with the core and sub-principles contained in this Framework. It should therefore develop and maintain a local code of governance/governance arrangements reflecting the principles set out.
- 3.4 It is also crucial that the Framework is applied in a way that demonstrates the spirit and ethos of good governance which cannot be achieved by rules and procedures alone. Shared values that are integrated into the culture of an organisation, and are reflected in behaviour and policy, are hallmarks of good governance.



# Applicability and terminology

## APPLICABILITY

---

- 4.1** The Framework is for all parts of local government and its partnerships, including:
- county councils
  - district, borough and city councils
  - metropolitan and unitary councils
  - the Greater London Authority and functional bodies
  - combined authorities, city regions, devolved structures
  - the City of London Corporation
  - combined fire authorities
  - joint authorities
  - police authorities, which for these purposes since 2012 includes both the police and crime commissioner (PCC) and the chief constable
  - national park authorities.
- 4.2** The Framework is applicable to a system involving a group of local government organisations as well as to each of them individually. The Framework principles are therefore intended to be relevant to all organisations and systems associated with local authorities, ie joint boards, partnerships and other vehicles through which authorities now work. However, a one-size-fits-all approach to governance is inappropriate. Not all parts of the Framework will be directly applicable to all types and size of such structures, and it is therefore up to different authorities and associated organisations to put the Framework into practice in a way that reflects their structures and is proportionate to their size.

## TERMINOLOGY

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- 4.3** The terms ‘authorities’, ‘local government organisations’ and ‘organisations’ are used throughout this Framework and should be taken to cover any partnerships and joint working arrangements in operation.
- 4.4** In the police service, where the accountabilities rest with designated individuals rather than a group of members, terms such as ‘leader’ should be interpreted as relating to the PCC or the chief constable as appropriate.





# CHAPTER FIVE

## Guidance notes

- 5.1** In recognition of the separate legislation applicable to different parts of local government, guidance notes to accompany the Framework have been developed for:
- local government in England (excluding police)
  - local government in Wales (excluding police)
  - police in England and Wales
  - local government in Scotland.
- 5.2** The guidance notes, which should be used in conjunction with the Framework, are intended to assist authorities across their governance systems, structures and partnerships in reviewing their governance arrangements. It will also help them in interpreting the overarching principles and terminology contained in the Framework in a way that is appropriate for their governance structures, taking account of the legislative and constitutional arrangements that underpin them.

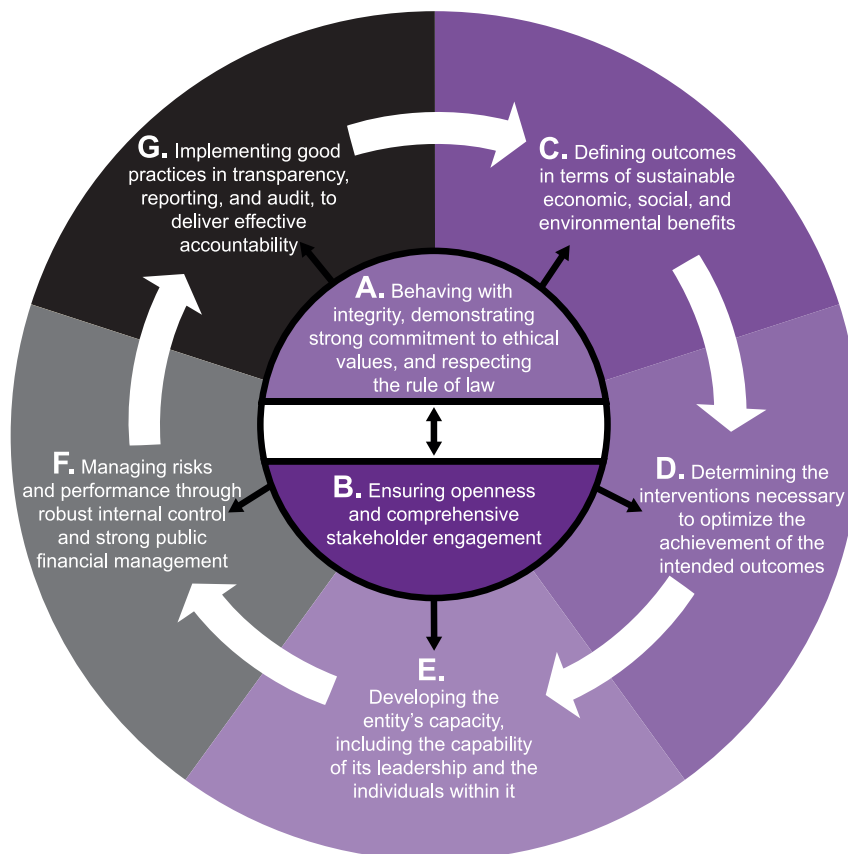


# The principles of good governance – application

## DEFINING THE CORE PRINCIPLES AND SUB-PRINCIPLES OF GOOD GOVERNANCE

6.1 The diagram below, taken from the *International Framework: Good Governance in the Public Sector* (CIPFA/IFAC, 2014) (the ‘International Framework’), illustrates the various principles of good governance in the public sector and how they relate to each other.

### Achieving the Intended Outcomes While Acting in the Public Interest at all Times



The International Framework notes that:

*Principles A and B permeate implementation of principles C to G. The diagram also illustrates that good governance is dynamic, and that an entity as a whole should be committed to improving governance on a continuing basis through a process of evaluation and review.*

## DEFINING GOVERNANCE

6.2 The International Framework defines governance as follows:

*Governance comprises the arrangements put in place to ensure that the intended outcomes for stakeholders are defined and achieved.*

The International Framework also states that:

*To deliver good governance in the public sector, both governing bodies and individuals working for public sector entities must try to achieve their entity's objectives while acting in the public interest at all times.*

*Acting in the public interest implies primary consideration of the benefits for society, which should result in positive outcomes for service users and other stakeholders.*

6.3 In local government, the governing body is the full council or authority. In the police, PCCs and chief constables are corporations sole and are jointly responsible for governance. The many references to 'members' in the tables which follow should be read in the context that the principles set out apply equally in the police.

## PRINCIPLES OF GOOD GOVERNANCE IN LOCAL GOVERNMENT

6.4 The core principles and sub-principles of good governance set out in the table below are taken from the International Framework. In turn they have been interpreted for a local government context.

It is up to each local authority or local government organisation to:

- set out its commitment to the principles of good governance included in this Framework
- determine its own governance structure, or local code, underpinned by these principles
- ensure that it operates effectively in practice.

## Core principles and sub-principles of good governance

Core principles (shown in bold)	Sub-principles (shown in bold)
Acting in the public interest requires a commitment to and effective arrangements for:	Behaviours and actions that demonstrate good governance in practice are illustrated in the bullet points.
<b>A. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law</b>	<b>Behaving with integrity</b>
<p>Local government organisations are accountable not only for how much they spend, but also for how they use the resources under their stewardship. This includes accountability for outputs, both positive and negative, and for the outcomes they have achieved. In addition, they have an overarching responsibility to serve the public interest in adhering to the requirements of legislation and government policies. It is essential that, as a whole, they can demonstrate the appropriateness of all their actions across all activities and have mechanisms in place to encourage and enforce adherence to ethical values and to respect the rule of law.</p>	<ul style="list-style-type: none"> <li>■ Ensuring members and officers behave with integrity and lead a culture where acting in the public interest is visibly and consistently demonstrated thereby protecting the reputation of the organisation</li> <li>■ Ensuring members take the lead in establishing specific standard operating principles or values for the organisation and its staff and that they are communicated and understood. These should build on the Seven Principles of Public Life (the Nolan Principles)</li> <li>■ Leading by example and using the above standard operating principles or values as a framework for decision making and other actions</li> <li>■ Demonstrating, communicating and embedding the standard operating principles or values through appropriate policies and processes which are reviewed on a regular basis to ensure that they are operating effectively</li> </ul>
	<b>Demonstrating strong commitment to ethical values</b>
	<ul style="list-style-type: none"> <li>■ Seeking to establish, monitor and maintain the organisation’s ethical standards and performance</li> <li>■ Underpinning personal behaviour with ethical values and ensuring they permeate all aspects of the organisation’s culture and operation</li> <li>■ Developing and maintaining robust policies and procedures which place emphasis on agreed ethical values</li> <li>■ Ensuring that external providers of services on behalf of the organisation are required to act with integrity and in compliance with ethical standards expected by the organisation</li> </ul>

Core principles (shown in bold)	Sub-principles (shown in bold)
	<p><b>Respecting the rule of law</b></p> <ul style="list-style-type: none"> <li>■ Ensuring members and staff demonstrate a strong commitment to the rule of the law as well as adhering to relevant laws and regulations</li> <li>■ Creating the conditions to ensure that the statutory officers, other key post holders, and members, are able to fulfil their responsibilities in accordance with legislative and regulatory requirements</li> <li>■ Striving to optimise the use of the full powers available for the benefit of citizens, communities and other stakeholders</li> <li>■ Dealing with breaches of legal and regulatory provisions effectively</li> <li>■ Ensuring corruption and misuse of power are dealt with effectively</li> </ul>
<p><b>B. Ensuring openness and comprehensive stakeholder engagement</b></p> <p>Local government is run for the public good, organisations therefore should ensure openness in their activities. Clear, trusted channels of communication and consultation should be used to engage effectively with all groups of stakeholders, such as individual citizens and service users, as well as institutional stakeholders.</p>	<p><b>Openness</b></p> <ul style="list-style-type: none"> <li>■ Ensuring an open culture through demonstrating, documenting and communicating the organisation’s commitment to openness</li> <li>■ Making decisions that are open about actions, plans, resource use, forecasts, outputs and outcomes. The presumption is for openness. If that is not the case, a justification for the reasoning for keeping a decision confidential should be provided</li> <li>■ Providing clear reasoning and evidence for decisions in both public records and explanations to stakeholders and being explicit about the criteria, rationale and considerations used. In due course, ensuring that the impact and consequences of those decisions are clear</li> <li>■ Using formal and informal consultation and engagement to determine the most appropriate and effective interventions/ courses of action</li> </ul> <p><b>Engaging comprehensively with institutional stakeholders</b></p> <p>NB institutional stakeholders are the other organisations that local government needs to work with to improve services and outcomes (such as commercial partners and suppliers as well as other public or third sector organisations) or organisations to which they are accountable.</p> <ul style="list-style-type: none"> <li>■ Effectively engaging with institutional stakeholders to ensure that the purpose, objectives and intended outcomes for each stakeholder relationship are clear so that outcomes are achieved successfully and sustainably</li> </ul>

**Core principles (shown in bold)****Sub-principles (shown in bold)**

- Developing formal and informal partnerships to allow for resources to be used more efficiently and outcomes achieved more effectively
- Ensuring that partnerships are based on:
  - trust
  - a shared commitment to change
  - a culture that promotes and accepts challenge among partners

and that the added value of partnership working is explicit

**Engaging with individual citizens and service users effectively**

- Establishing a clear policy on the type of issues that the organisation will meaningfully consult with or involve communities, individual citizens, service users and other stakeholders to ensure that service (or other) provision is contributing towards the achievement of intended outcomes
- Ensuring that communication methods are effective and that members and officers are clear about their roles with regard to community engagement
- Encouraging, collecting and evaluating the views and experiences of communities, citizens, service users and organisations of different backgrounds including reference to future needs
- Implementing effective feedback mechanisms in order to demonstrate how views have been taken into account
- Balancing feedback from more active stakeholder groups with other stakeholder groups to ensure inclusivity
- Taking account of the impact of decisions on future generations of tax payers and service users

Principles (shown in bold)	Sub-principles (shown in bold)
<p>In addition to the overarching requirements for acting in the public interest in principles A and B, achieving good governance also requires a commitment to and effective arrangements for:</p>	<p>Behaviours and actions that demonstrate good governance in practice are illustrated in the bullet points.</p>
<p><b>C. Defining outcomes in terms of sustainable economic, social, and environmental benefits</b></p> <p>The long-term nature and impact of many of local government’s responsibilities mean that it should define and plan outcomes and that these should be sustainable. Decisions should further the organisation’s purpose, contribute to intended benefits and outcomes, and remain within the limits of authority and resources. Input from all groups of stakeholders, including citizens, service users, and institutional stakeholders, is vital to the success of this process and in balancing competing demands when determining priorities for the finite resources available.</p>	<p><b>Defining outcomes</b></p> <ul style="list-style-type: none"> <li>■ Having a clear vision, which is an agreed formal statement of the organisation’s purpose and intended outcomes containing appropriate performance indicators, which provide the basis for the organisation’s overall strategy, planning and other decisions</li> <li>■ Specifying the intended impact on, or changes for, stakeholders including citizens and service users. It could be immediately or over the course of a year or longer</li> <li>■ Delivering defined outcomes on a sustainable basis within the resources that will be available</li> <li>■ Identifying and managing risks to the achievement of outcomes</li> <li>■ Managing service users’ expectations effectively with regard to determining priorities and making the best use of the resources available</li> </ul> <p><b>Sustainable economic, social and environmental benefits</b></p> <ul style="list-style-type: none"> <li>■ Considering and balancing the combined economic, social and environmental impact of policies and plans when taking decisions about service provision</li> <li>■ Taking a longer-term view with regard to decision making, taking account of risk and acting transparently where there are potential conflicts between the organisation’s intended outcomes and short-term factors such as the political cycle or financial constraints</li> <li>■ Determining the wider public interest associated with balancing conflicting interests between achieving the various economic, social and environmental benefits, through consultation where possible, in order to ensure appropriate trade-offs</li> <li>■ Ensuring fair access to services</li> </ul>



Principles (shown in bold)	Sub-principles (shown in bold)
<p><b>D. Determining the interventions necessary to optimise the achievement of the intended outcomes</b></p> <p>Local government achieves its intended outcomes by providing a mixture of legal, regulatory, and practical interventions (courses of action). Determining the right mix of these courses of action is a critically important strategic choice that local government has to make to ensure intended outcomes are achieved. They need robust decision-making mechanisms to ensure that their defined outcomes can be achieved in a way that provides the best trade-off between the various types of resource inputs while still enabling effective and efficient operations. Decisions made need to be reviewed frequently to ensure that achievement of outcomes is optimised.</p>	<p><b>Determining interventions</b></p> <ul style="list-style-type: none"> <li>■ Ensuring decision makers receive objective and rigorous analysis of a variety of options indicating how intended outcomes would be achieved and associated risks. Therefore ensuring best value is achieved however services are provided</li> <li>■ Considering feedback from citizens and service users when making decisions about service improvements or where services are no longer required in order to prioritise competing demands within limited resources available including people, skills, land and assets and bearing in mind future impacts</li> </ul> <p><b>Planning interventions</b></p> <ul style="list-style-type: none"> <li>■ Establishing and implementing robust planning and control cycles that cover strategic and operational plans, priorities and targets</li> <li>■ Engaging with internal and external stakeholders in determining how services and other courses of action should be planned and delivered</li> <li>■ Considering and monitoring risks facing each partner when working collaboratively, including shared risks</li> <li>■ Ensuring arrangements are flexible and agile so that the mechanisms for delivering goods and services can be adapted to changing circumstances</li> <li>■ Establishing appropriate key performance indicators (KPIs) as part of the planning process in order to identify how the performance of services and projects is to be measured</li> <li>■ Ensuring capacity exists to generate the information required to review service quality regularly</li> <li>■ Preparing budgets in accordance with objectives, strategies and the medium term financial plan</li> <li>■ Informing medium and long term resource planning by drawing up realistic estimates of revenue and capital expenditure aimed at developing a sustainable funding strategy</li> </ul>

Principles (shown in bold)	Sub-principles (shown in bold)
	<p><b>Optimising achievement of intended outcomes</b></p> <ul style="list-style-type: none"> <li>■ Ensuring the medium term financial strategy integrates and balances service priorities, affordability and other resource constraints</li> <li>■ Ensuring the budgeting process is all-inclusive, taking into account the full cost of operations over the medium and longer term</li> <li>■ Ensuring the medium term financial strategy sets the context for ongoing decisions on significant delivery issues or responses to changes in the external environment that may arise during the budgetary period in order for outcomes to be achieved while optimising resource usage</li> <li>■ Ensuring the achievement of ‘social value’ through service planning and commissioning</li> </ul>
<p><b>E. Developing the entity’s capacity, including the capability of its leadership and the individuals within it</b></p> <p>Local government needs appropriate structures and leadership, as well as people with the right skills, appropriate qualifications and mindset, to operate efficiently and effectively and achieve intended outcomes within the specified periods. A local government organisation must ensure that it has both the capacity to fulfil its own mandate and to make certain that there are policies in place to guarantee that its management has the operational capacity for the organisation as a whole. Because both individuals and the environment in which an organisation operates will change over time, there will be a continuous need to develop its capacity as well as the skills and experience of individual staff members. Leadership in local government is strengthened by the participation of people with many different types of backgrounds, reflecting the structure and diversity of communities.</p>	<p><b>Developing the entity’s capacity</b></p> <ul style="list-style-type: none"> <li>■ Reviewing operations, performance and use of assets on a regular basis to ensure their continuing effectiveness</li> <li>■ Improving resource use through appropriate application of techniques such as benchmarking and other options in order to determine how resources are allocated so that defined outcomes are achieved effectively and efficiently</li> <li>■ Recognising the benefits of partnerships and collaborative working where added value can be achieved</li> <li>■ Developing and maintaining an effective workforce plan to enhance the strategic allocation of resources</li> </ul> <p><b>Developing the capability of the entity’s leadership and other individuals</b></p> <ul style="list-style-type: none"> <li>■ Developing protocols to ensure that elected and appointed leaders negotiate with each other regarding their respective roles early on in the relationship and that a shared understanding of roles and objectives is maintained</li> <li>■ Publishing a statement that specifies the types of decisions that are delegated and those reserved for the collective decision making of the governing body</li> <li>■ Ensuring the leader and the chief executive have clearly defined and distinctive leadership roles within a structure whereby the chief executive leads in implementing strategy and managing the delivery of services and other outputs set by members and each provides a check and a balance for each other’s authority</li> </ul>

**Principles (shown in bold)****Sub-principles (shown in bold)**

- Developing the capabilities of members and senior management to achieve effective leadership and to enable the organisation to respond successfully to changing legal and policy demands as well as economic, political and environmental changes and risks by:
  - ensuring members and staff have access to appropriate induction tailored to their role and that ongoing training and development matching individual and organisational requirements is available and encouraged
  - ensuring members and officers have the appropriate skills, knowledge, resources and support to fulfil their roles and responsibilities and ensuring that they are able to update their knowledge on a continuing basis
  - ensuring personal, organisational and system-wide development through shared learning, including lessons learnt from governance weaknesses both internal and external
- Ensuring that there are structures in place to encourage public participation
- Taking steps to consider the leadership’s own effectiveness and ensuring leaders are open to constructive feedback from peer review and inspections
- Holding staff to account through regular performance reviews which take account of training or development needs
- Ensuring arrangements are in place to maintain the health and wellbeing of the workforce and support individuals in maintaining their own physical and mental wellbeing

Principles (shown in bold)	Sub-principles (shown in bold)
<p><b>F. Managing risks and performance through robust internal control and strong public financial management</b></p> <p>Local government needs to ensure that the organisations and governance structures that it oversees have implemented, and can sustain, an effective performance management system that facilitates effective and efficient delivery of planned services. Risk management and internal control are important and integral parts of a performance management system and are crucial to the achievement of outcomes. Risk should be considered and addressed as part of all decision making activities.</p> <p>A strong system of financial management is essential for the implementation of policies and the achievement of intended outcomes, as it will enforce financial discipline, strategic allocation of resources, efficient service delivery and accountability.</p> <p>It is also essential that a culture and structure for scrutiny are in place as a key part of accountable decision making, policy making and review. A positive working culture that accepts, promotes and encourages constructive challenge is critical to successful scrutiny and successful service delivery. Importantly, this culture does not happen automatically, it requires repeated public commitment from those in authority.</p>	<p><b>Managing risk</b></p> <ul style="list-style-type: none"> <li>■ Recognising that risk management is an integral part of all activities and must be considered in all aspects of decision making</li> <li>■ Implementing robust and integrated risk management arrangements and ensuring that they are working effectively</li> <li>■ Ensuring that responsibilities for managing individual risks are clearly allocated</li> </ul> <p><b>Managing performance</b></p> <ul style="list-style-type: none"> <li>■ Monitoring service delivery effectively including planning, specification, execution and independent post implementation review</li> <li>■ Making decisions based on relevant, clear objective analysis and advice pointing out the implications and risks inherent in the organisation’s financial, social and environmental position and outlook</li> <li>■ Ensuring an effective scrutiny or oversight function is in place which provides constructive challenge and debate on policies and objectives before, during and after decisions are made thereby enhancing the organisation’s performance and that of any organisation for which it is responsible (Or, for a committee system) Encouraging effective and constructive challenge and debate on policies and objectives to support balanced and effective decision making</li> <li>■ Providing members and senior management with regular reports on service delivery plans and on progress towards outcome achievement</li> <li>■ Ensuring there is consistency between specification stages (such as budgets) and post implementation reporting (eg financial statements)</li> </ul>

**Principles (shown in bold)****Sub-principles (shown in bold)****Robust internal control**

- Aligning the risk management strategy and policies on internal control with achieving objectives
- Evaluating and monitoring risk management and internal control on a regular basis
- Ensuring effective counter fraud and anti-corruption arrangements are in place
- Ensuring additional assurance on the overall adequacy and effectiveness of the framework of governance, risk management and control is provided by the internal auditor
- Ensuring an audit committee or equivalent group/function, which is independent of the executive and accountable to the governing body:
  - provides a further source of effective assurance regarding arrangements for managing risk and maintaining an effective control environment
  - that its recommendations are listened to and acted upon

**Managing data**

- Ensuring effective arrangements are in place for the safe collection, storage, use and sharing of data, including processes to safeguard personal data
- Ensuring effective arrangements are in place and operating effectively when sharing data with other bodies
- Reviewing and auditing regularly the quality and accuracy of data used in decision making and performance monitoring

**Strong public financial management**

- Ensuring financial management supports both long term achievement of outcomes and short-term financial and operational performance
- Ensuring well-developed financial management is integrated at all levels of planning and control, including management of financial risks and controls

Principles (shown in bold)	Sub-principles (shown in bold)
<p><b>G. Implementing good practices in transparency, reporting, and audit to deliver effective accountability</b></p> <p>Accountability is about ensuring that those making decisions and delivering services are answerable for them. Effective accountability is concerned not only with reporting on actions completed, but also ensuring that stakeholders are able to understand and respond as the organisation plans and carries out its activities in a transparent manner. Both external and internal audit contribute to effective accountability.</p>	<p><b>Implementing good practice in transparency</b></p> <ul style="list-style-type: none"> <li>■ Writing and communicating reports for the public and other stakeholders in a fair, balanced and understandable style appropriate to the intended audience and ensuring that they are easy to access and interrogate</li> <li>■ Striking a balance between providing the right amount of information to satisfy transparency demands and enhance public scrutiny while not being too onerous to provide and for users to understand</li> </ul> <p><b>Implementing good practices in reporting</b></p> <ul style="list-style-type: none"> <li>■ Reporting at least annually on performance, value for money and stewardship of resources to stakeholders in a timely and understandable way</li> <li>■ Ensuring members and senior management own the results reported</li> <li>■ Ensuring robust arrangements for assessing the extent to which the principles contained in this Framework have been applied and publishing the results on this assessment, including an action plan for improvement and evidence to demonstrate good governance (the annual governance statement)</li> <li>■ Ensuring that this Framework is applied to jointly managed or shared service organisations as appropriate</li> <li>■ Ensuring the performance information that accompanies the financial statements is prepared on a consistent and timely basis and the statements allow for comparison with other, similar organisations</li> </ul> <p><b>Assurance and effective accountability</b></p> <ul style="list-style-type: none"> <li>■ Ensuring that recommendations for corrective action made by external audit are acted upon</li> <li>■ Ensuring an effective internal audit service with direct access to members is in place, providing assurance with regard to governance arrangements and that recommendations are acted upon</li> <li>■ Welcoming peer challenge, reviews and inspections from regulatory bodies and implementing recommendations</li> <li>■ Gaining assurance on risks associated with delivering services through third parties and that this is evidenced in the annual governance statement</li> <li>■ Ensuring that when working in partnership, arrangements for accountability are clear and the need for wider public accountability has been recognised and met</li> </ul>

# Annual review and reporting

## THE ANNUAL GOVERNANCE STATEMENT

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- 7.1 Local authorities are required to prepare an annual governance statement (see Chapter two) in order to report publicly on the extent to which they comply with their own code of governance, which in turn is consistent with the good governance principles in this Framework. This includes how they have monitored and evaluated the effectiveness of their governance arrangements in the year, and on any planned changes in the coming period. The process of preparing the governance statement should itself add value to the effectiveness of the governance and internal control framework.
- 7.2 The annual governance statement is a valuable means of communication. It enables an authority to explain to the community, service users, tax payers and other stakeholders its governance arrangements and how the controls it has in place manage risks of failure in delivering its outcomes. It should reflect an individual authority's particular features and challenges.
- 7.3 The annual governance statement should provide a meaningful but brief communication regarding the review of governance that has taken place, including the role of the governance structures involved (such as the authority, the audit and other committees). It should be high level, strategic and written in an open and readable style.
- 7.4 The annual governance statement should be focused on outcomes and value for money and relate to the authority's vision for the area. It should provide an assessment of the effectiveness of the authority's governance arrangements in supporting the planned outcomes – not simply a description of them. Key elements of an authority's governance arrangements are summarised in the next section.
- 7.5 The annual governance statement should include:
- an acknowledgement of responsibility for ensuring that there is a sound system of governance (incorporating the system of internal control) and reference to the authority's code of governance
  - reference to and assessment of the effectiveness of key elements of the governance framework and the role of those responsible for the development and maintenance of the governance environment, such as the authority, the executive, the audit committee, internal audit and others as appropriate
  - an opinion on the level of assurance that the governance arrangements can provide and that the arrangements continue to be regarded as fit for purpose in accordance with the governance framework

- an agreed action plan showing actions taken, or proposed, to deal with significant governance issues
  - reference to how issues raised in the previous year's annual governance statement have been resolved
  - a conclusion – a commitment to monitoring implementation as part of the next annual review.
- 7.6 The annual governance statement should be signed by the leading member (or equivalent) and chief executive (or equivalent) on behalf of the authority.
- 7.7 The annual governance statement should be approved at a meeting of the authority or delegated committee (in Scotland, the authority or a committee with a remit including audit or governance).
- 7.8 Local authorities are required to include the annual governance statement with their statement of accounts. As the annual governance statement provides a commentary on all aspects of the authority's performance, it is appropriate for it to be published, either in full or as a summary, in the annual report, where one is published. It is important that it is kept up to date at time of publication.

## GOVERNANCE ARRANGEMENTS

- 7.9 Key elements of the structures and processes that comprise an authority's governance arrangements are summarised below. They do not need to be described in detail in the annual governance statement if they are already easily accessible by the public, for example through the authority's code of governance.
- Developing codes of conduct which define standards of behaviour for members and staff, and policies dealing with whistleblowing and conflicts of interest and that these codes and policies are communicated effectively.
  - Ensuring compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful.
  - Documenting a commitment to openness and acting in the public interest.
  - Establishing clear channels of communication with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation.
  - Developing and communicating a vision which specifies intended outcomes for citizens and service users and is used as a basis for planning.
  - Translating the vision into courses of action for the authority, its partnerships and collaborations.
  - Reviewing the effectiveness of the decision-making framework, including delegation arrangements, decision-making in partnerships, information provided to decision makers and robustness of data quality.
  - Measuring the performance of services and related projects and ensuring that they are delivered in accordance with defined outcomes and that they represent the best use of resources and value for money.



- Defining and documenting the roles and responsibilities of members and management, with clear protocols for effective communication in respect of the authority and partnership arrangements.
- Ensuring that financial management arrangements conform with the governance requirements of the [CIPFA Statement on the Role of the Chief Financial Officer in Local Government \(2015\)](#) or [CIPFA Statement on the Role of the Chief Financial Officer of the Police and Crime Commissioner and the Chief Financial Officer of the Chief Constable \(2014\)](#) as appropriate and, where they do not, explain why and how they deliver the same impact.
- Ensuring effective arrangements are in place for the discharge of the monitoring officer function.
- Ensuring effective arrangements are in place for the discharge of the head of paid service function.
- Providing induction and identifying the development needs of members and senior officers in relation to their strategic roles, supported by appropriate training.
- Reviewing the effectiveness of the framework for identifying and managing risks and for performance and demonstrating clear accountability.
- Ensuring effective counter fraud and anti-corruption arrangements are developed and maintained in accordance with the [Code of Practice on Managing the Risk of Fraud and Corruption \(CIPFA, 2014\)](#).
- Ensuring an effective scrutiny function is in place.
- Ensuring that assurance arrangements conform with the governance requirements of the [CIPFA Statement on the Role of the Head of Internal Audit \(2010\)](#) and, where they do not, explain why and how they deliver the same impact.
- Undertaking the core functions of an audit committee, as identified in [Audit Committees: Practical Guidance for Local Authorities and Police \(CIPFA, 2013\)](#).
- Ensuring that the authority provides timely support, information and responses to external auditors and properly considers audit findings and recommendations.
- Incorporating good governance arrangements in respect of partnerships and other joint working and ensuring that they are reflected across the authority's overall governance structures.







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## AUDIT COMMITTEE 17 JULY 2017

### ANNUAL REPORT AND ACCOUNTS 2016/17

**Leader:** Cllr Clive Eginton  
**Cabinet Member(s):** Cllr Peter Hare-Scott, Finance  
**Responsible Officer:** Andrew Jarrett, Director of Finance, Assets & Resources

**Reason for Report:** To present the final version of the annual report and accounts to members.

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

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

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

**Legal Implications:** It is a statutory requirement to follow the Code of Practice on Local Authority Accounting in the United Kingdom 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.

**Equality Impact Assessment:** It is considered that the impact of this report on equality related issues will be nil.

#### 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 Our external auditor's Grant Thornton are proposing to issue an un-qualified opinion on the 2016/17 accounts. This is clearly a very positive outcome and reflects the continued skills and hard work of the internal Finance team. We will of course strive to implement any improvements prior to work starting on the

2017/18 accounts and this will be achieved through communication with the Audit Lead and Manager from Grant Thornton.

- 2.2 The first draft version of the accounts was published on 19/05/17 and was accompanied by an addendum paper at the Audit Committee meeting of 30/05/17. It was this updated version that was subject to review by our external auditors. Upon review Grant Thornton identified some non-material note disclosure and typographical corrections. These corrections are now included in the revised final set of accounts for your final approval.
- 2.3 In addition Grant Thornton have stated that the Council has adequate arrangements in place to achieve financial resilience. Due to time constraints, Grant Thornton have included a summarised version of their value for money assessment (a more detailed analysis will be reported to the next Audit Committee in September).
- 2.4 Once the Accounts have been formally approved by the Audit Committee the Finance Team will produce a summarised version (written in plainer English and focusing on the key areas of activity) which will be placed on the website in the next few weeks.

### 3.0 **Conclusion**

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

#### **Contact for more Information:**

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**FINAL**

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



## **CONTENTS - OVERVIEW**

	<b>Page</b>
<b>Preface</b>	
Introduction by the Leader of the Council	i
Views from the Chief Executive	ii
Narrative Report	iii
<b>Statements to the Accounts</b>	
Statement of Accounting Policies	xiv
Statement of Responsibilities for the Statement of Accounts	xxxi
Chief Financial Officer's Certificate	xii
Auditor's Statement (pending)	xiii
<b>Core Financial Statements and Explanatory Notes</b>	
Movement in Reserves Statement	1
Comprehensive Income and Expenditure Statement	3
Balance Sheet	4
Cash Flow Statement	5
Supplementary Financial Statements	6
Notes to the Accounts	9
<b>Supplementary Financial Statements and Explanatory Notes</b>	
Pension Note	25
Property, Plant & Equipment Note	30
The Housing Revenue Account (HRA) Income and Expenditure Account	55
Movement on the HRA Statement	56
Notes to the HRA	57
The Collection Fund – Council Tax	64
The Collection Fund – Non Domestic Rates	65
Notes to the Collection Fund	66
<b>Other Statements</b>	
Glossary of Terms	67

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 match 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.

<b>2016/17 Savings &amp; Additional Costs</b>	<b>Budget variances £k</b>
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)
<b>Net overall surplus for the year</b>	<b>(30)</b>

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).

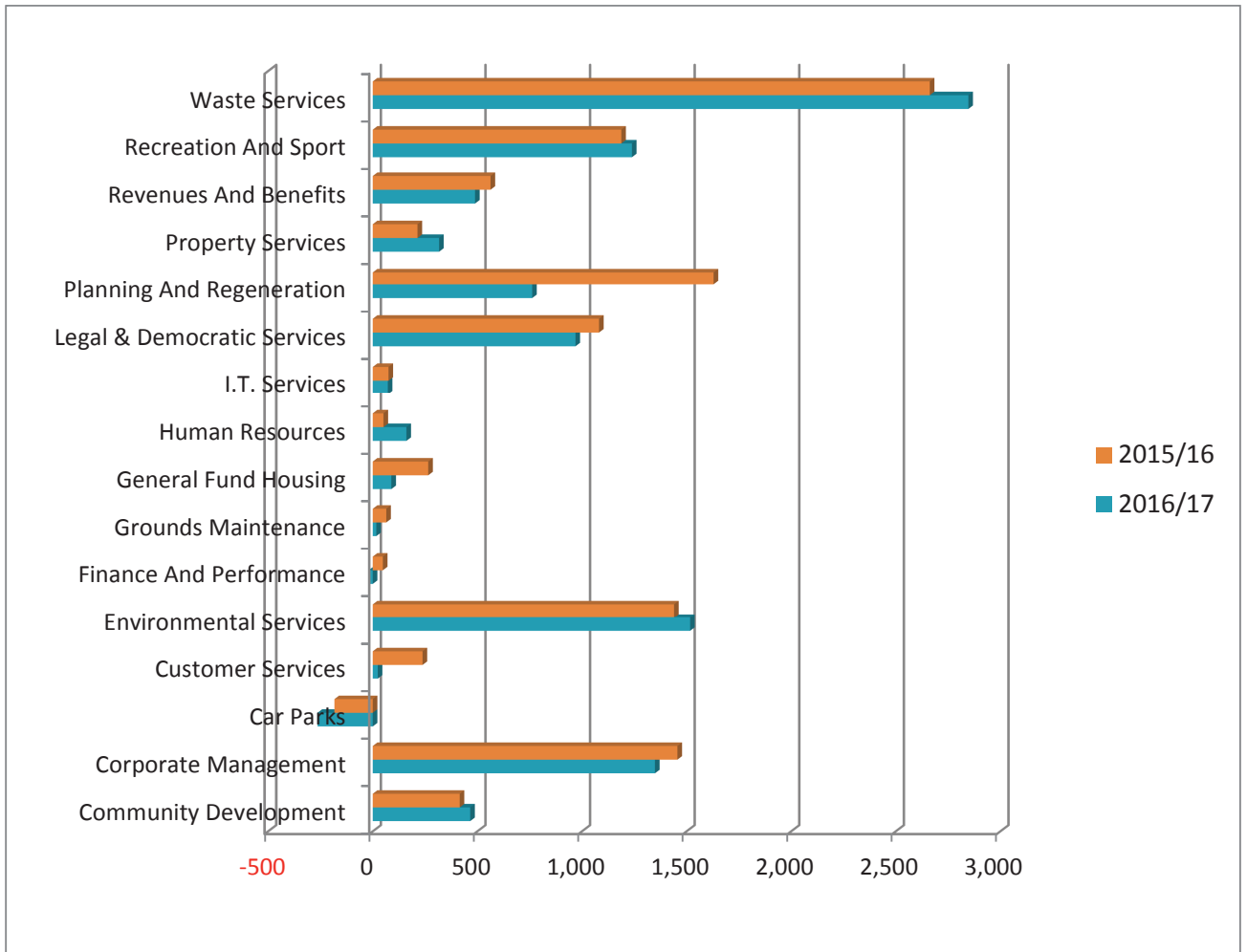
The overall General Fund position delivered in 2016/17 reflects the continued efforts of both officers and members to provide high quality services at an affordable cost and demonstrates the Council's ongoing commitment to further reduce operational cost to mitigate against further cuts in Central Government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

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

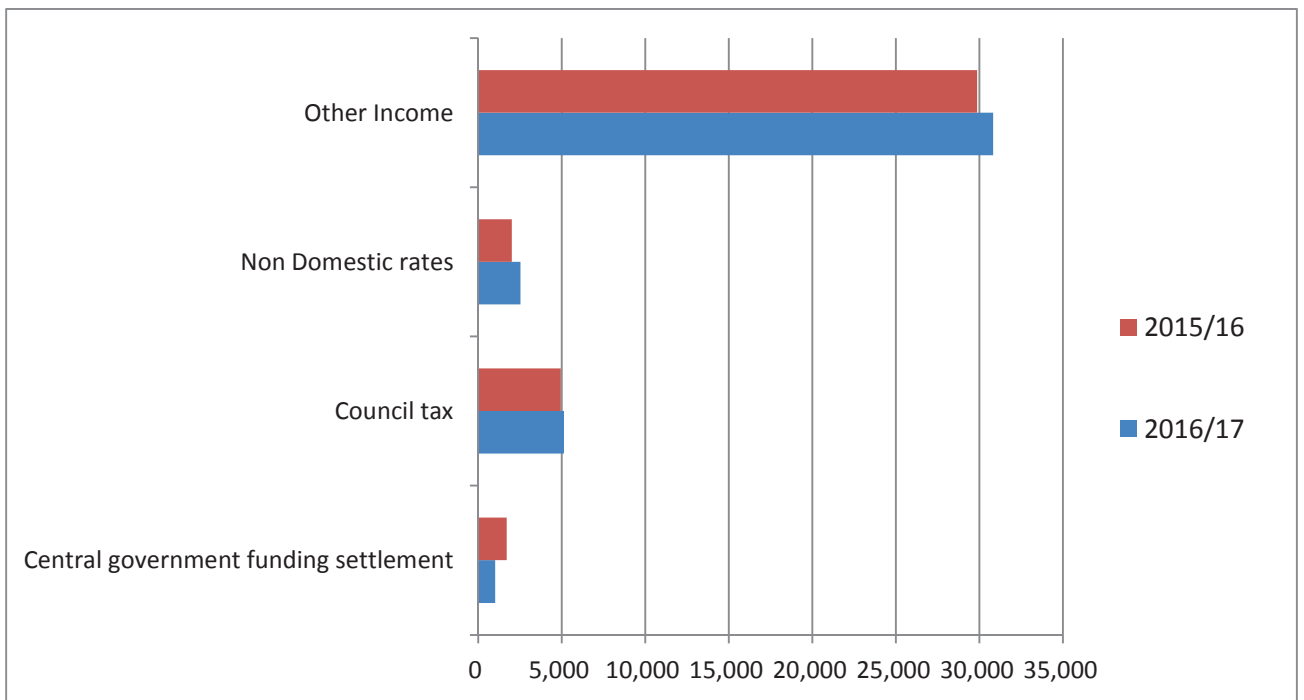
GFB @ 31/03/16	£ (2,211)k
Budget saving achieved in 2016/17	£ (30)k
GFB @ 31/03/17	£ (2,241)k

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

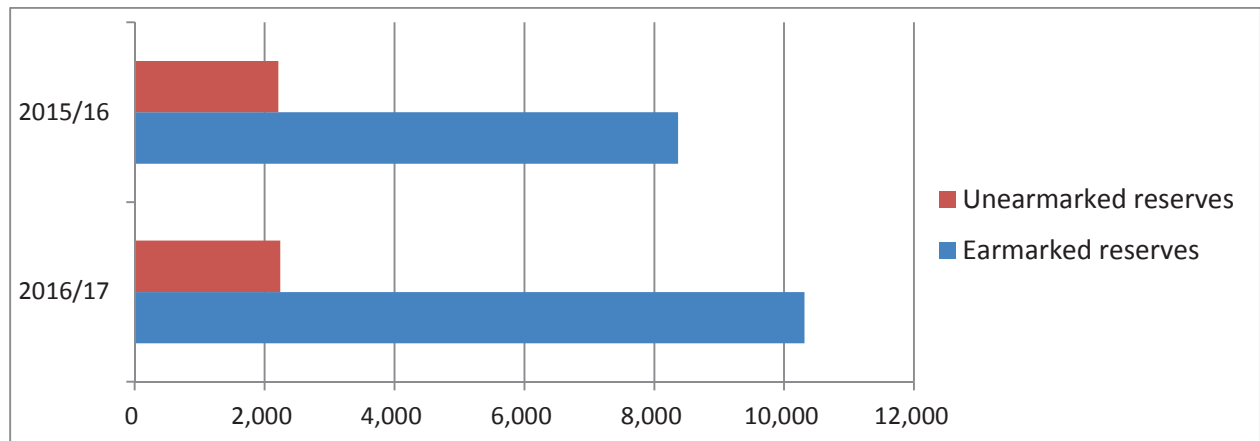
### General Fund Net Service Expenditure £k



### 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)
<b>Overall surplus</b>	<b>(380)</b>

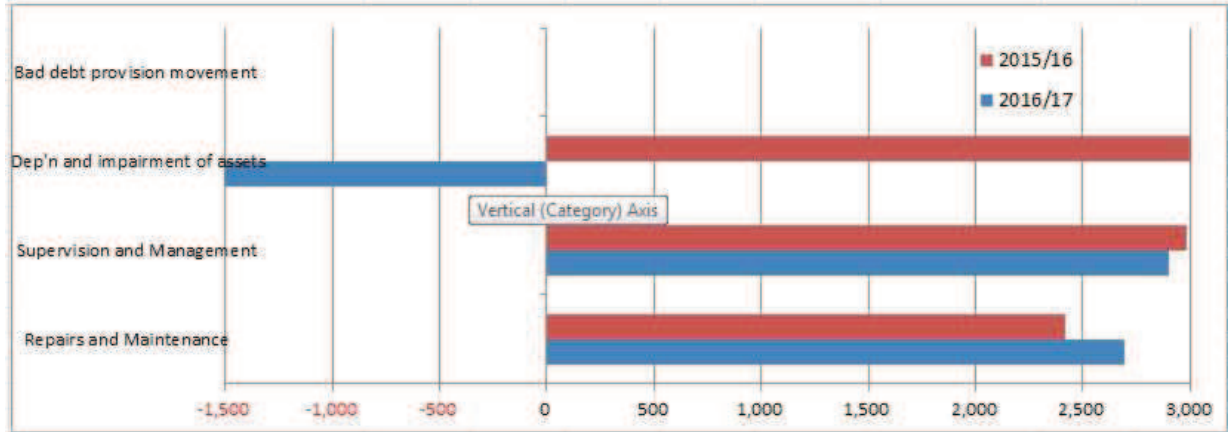
Note - A detailed explanation of the end of year financial position on the HRA is being reported to the Cabinet at its meeting on the 15 June 2017 and this information will be available on the Council's website.

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:

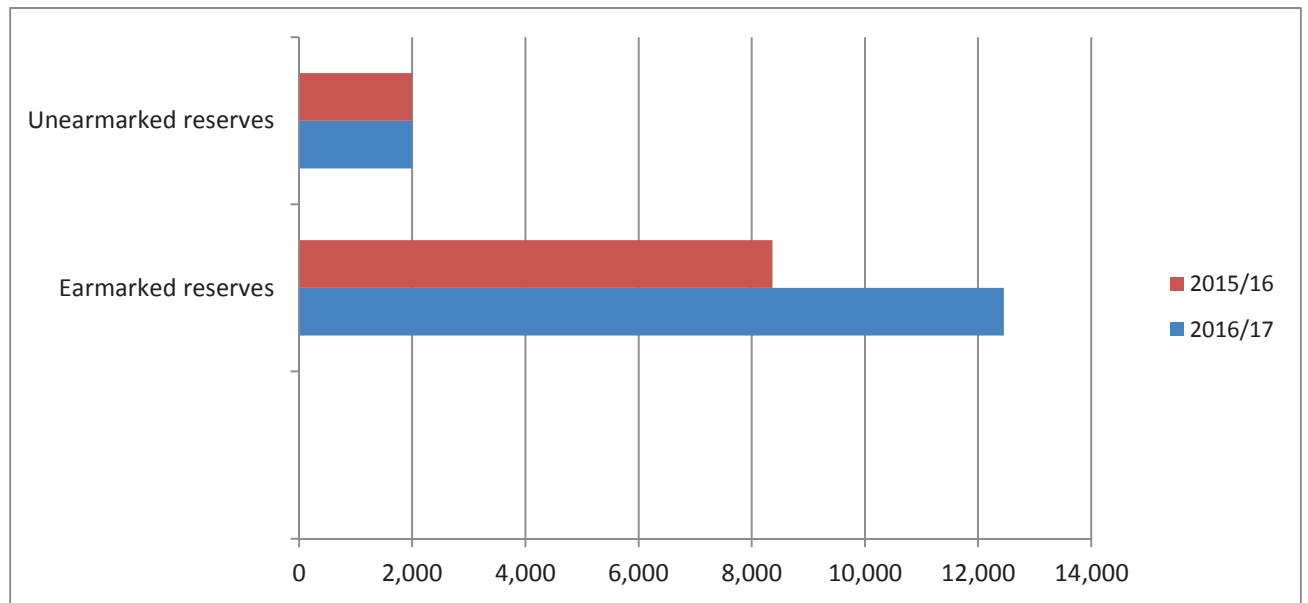
HRAB @ 31/03/16	£ (2,000)k
Movement in reserve balance for the year	£ 0K
HRAB @ 31/03/17	£ (2,000)k

### 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

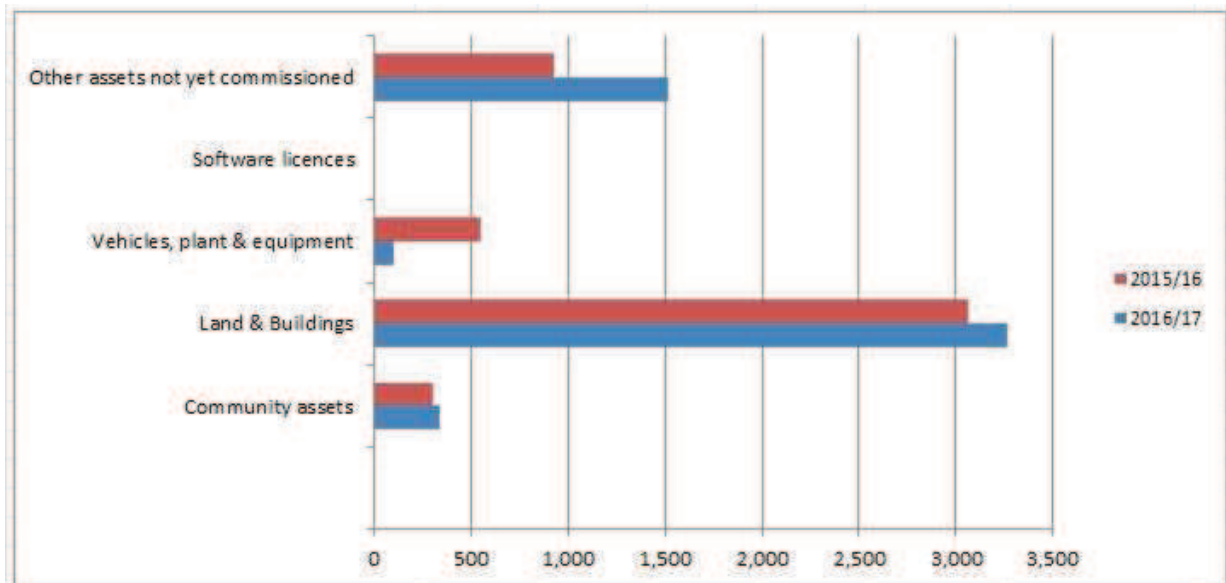
During the year, capital expenditure amounted to £5,293k. The Council used £820k of capital receipts to fund the capital programme, with the balance of the expenditure met by a combination of external grants and earmarked reserves.

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.

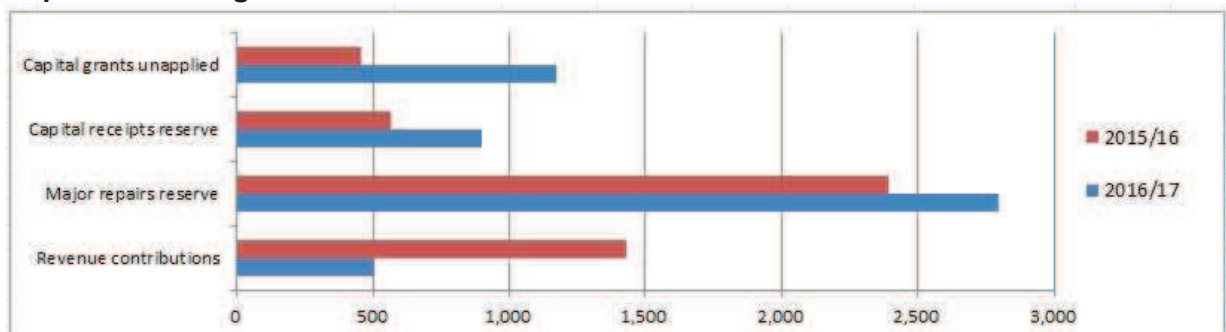
In its medium term financial plan the Council identifies spending plans of circa £47m over the next four years. In order to help fund this we have already been reserving sums from specific grants/receipts and from the New Homes Bonus to ensure that sufficient funding is available when and where required.

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 £6,138k to £31,614k 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 £11,603k. 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 increased by £16,502k.

## **2.8 Cash Flow Statement**

The Council had a net cash outflow during 2016/17 of £395k.

## **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 1/5<sup>th</sup> of its asset portfolio and review the remaining assets in order to establish a “true and fair” view for the 31 March 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
<b>8,777</b>	<b>Total</b>	<b>8,385</b>

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. 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, the asset is still reflected in our balance sheet. At the date of publication, the transaction remains yet to complete.

In April 2017, a contract was entered into for the development of sites at Palmerston Park and Birchen Lane and work on these developments has since commenced. The total value of the contract was £3,261k.

### **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.

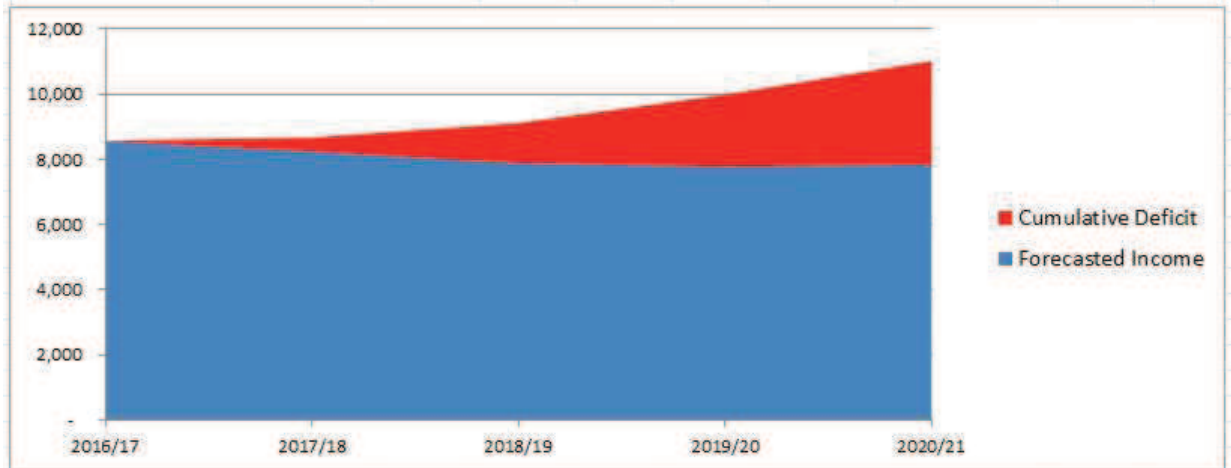
During 2016/17 the Council has taken a number of proactive steps to: rationalise surplus property assets, work more closely with local and neighbouring Councils, make major changes to our Waste collection service, increased the investment in a national property rental fund, maintained and in a number 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.

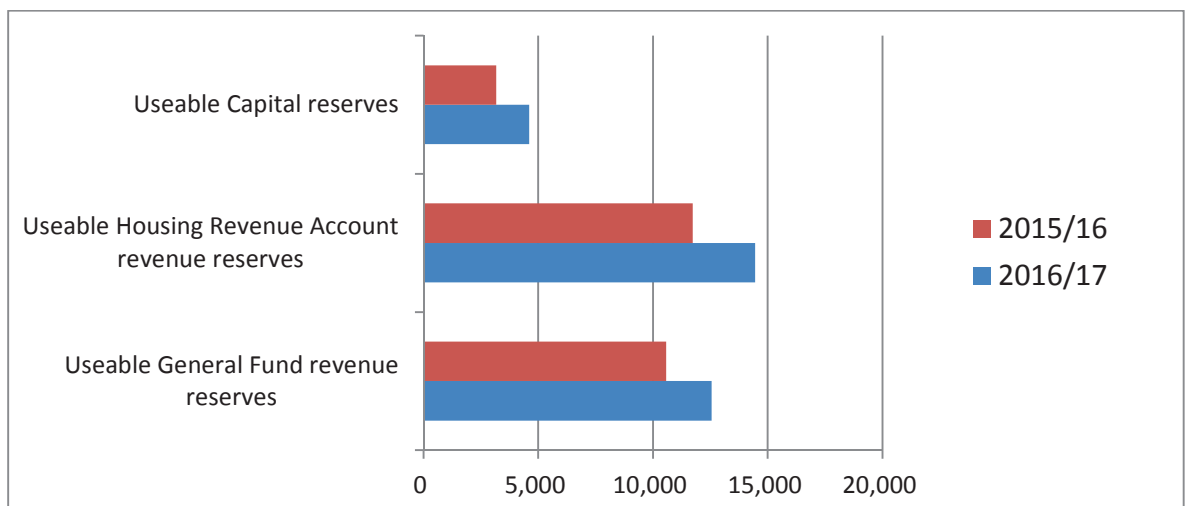
**Medium Term Forecast Expenditure and Funding £k (As discussed at the October 2016 Cabinet meeting)**



**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, Assets and Resources**

## **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 2015, 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 2015 regulations. 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 1/5<sup>th</sup> 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







# 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							Total Usable Reserves	Unusable Reserves	Total Authority Reserves
		REVENUE RESERVES				CAPITAL RESERVES					
		General Fund Balance	Earmarked General Fund Reserves	Housing Revenue Account	Earmarked HRA Reserves	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied			
Notes	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
		(2,380)	(6,953)	(2,000)	(6,730)	(985)	-	(1,434)	(20,482)	(66,858)	(87,340)
<b>Movement in Reserves during 2015/16</b>											
		2,302		(3,090)					(788)		(788)
									-	(7,135)	(7,135)
		2,302	-	(3,090)	-	-	-	-	(788)	(7,135)	(7,923)
	5	(3,545)		84		(457)	-	(288)	(4,206)	4,206	-
		(1,243)	-	(3,006)	-	(457)	-	(288)	(4,994)	(2,929)	(7,923)
	6	1,412	(1,412)	3,006	(3,006)				-		
		169	(1,412)	-	(3,006)	(457)	-	(288)	(4,994)	(2,929)	(7,923)
		(2,211)	(8,365)	(2,000)	(9,736)	(1,442)	-	(1,722)	(25,476)	(69,787)	(95,263)
		(2,211)	(8,365)	(2,000)	(9,736)				(22,312)		
						(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	(1,730)	779
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
4,555	(1,893)	2,663	Waste Services	5,085	(2,239)	2,846
<b>49,236</b>	<b>(41,828)</b>	<b>7,408</b>	<b>Costs of Services</b>	<b>28,949</b>	<b>(42,039)</b>	<b>(13,090)</b>
		979	Other Operating Expenditure			824
		2,777	Financing and Investment Income and Expenditure			2,713
		(12,063)	Taxation and Non-Specific Grant Income			(13,733)
		110	(Surplus) or deficit on revaluation of available for sale financial assets			250
		<b>(789)</b>	<b>(Surplus) or Deficit on Provision of Services</b>			<b>(23,036)</b>
		(5,795)	Remeasurements of the net defined benefit liability			14,697
		(1,340)	(Surplus) or deficit on revaluation of Property, Plant and Equipment			(3,247)
		<b>(7,135)</b>	<b>Other Comprehensive Income and Expenditure</b>			<b>11,450</b>
		<b>(7,924)</b>	<b>Total Comprehensive Income and Expenditure</b>			<b>(11,586)</b>

## 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	189,011
491	Heritage Assets	26	454
0	Intangible assets	27	0
0	Long-term Investments		0
158	Long-term Debtors	34	176
<b>169,769</b>	<b>Non-Current Assets</b>		<b>189,641</b>
13,500	Short-term Investments	35	18,000
0	Assets held for sale	35a	419
195	Inventories	36	200
2,596	Short-term Debtors	37	2,763
8,777	Cash and Cash Equivalents	38	8,385
<b>25,068</b>	<b>Current Assets</b>		<b>29,767</b>
(5,397)	Short-term Creditors	39	(4,231)
(41)	Provisions	41	(28)
(1,683)	Short-term Borrowing	30	(1,731)
<b>(7,121)</b>	<b>Current Liabilities</b>		<b>(5,990)</b>
(641)	Long-term Creditors	40	(628)
(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)
<b>(92,453)</b>	<b>Long Term Liabilities</b>		<b>(106,574)</b>
<b>95,263</b>	<b>Net Assets</b>		<b>106,844</b>
25,476	Usable Reserves	42	31,323
69,787	Unusable reserves	43	75,521
<b>95,263</b>	<b>Total Reserves</b>		<b>106,844</b>

\*Please note that the CIES shows a figure of £11,586k, whereas this statement shows a movement of £11,581k. The difference of £5k is due to various roundings.

## 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		23,036
12,421	Adjustments to net surplus or deficit on the provision of services for non-cash movements	50	(12,200)
(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)
<b>12,656</b>	<b>Net cash flows from Operating Activities</b>		<b>8,498</b>
(7,479)	Investing Activities	53	(7,123)
(1,748)	Financing Activities	54	(1,770)
<b>3,429</b>	<b>Net increase or decrease in cash and cash equivalents</b>		<b>(394)</b>
5,349	Cash and cash equivalents at the beginning of the reporting period	38	8,777
<b>8,777</b>	<b>Cash and cash equivalents at the end of the reporting period</b>	<b>38</b>	<b>8,383</b>

\*Please note that the Balance Sheet shows a figure of £8,385k, whereas this statement shows £8,383k. The difference of £2k is due to rounding.

Supplementary Financial Statements

Restatement of Comprehensive Income and Expenditure Statement 2015/16

The Code requires that, from 2016/17 onwards, the CIES is presented with the Costs of Services broken down on the same basis as they are within our Management Reports (monitoring). 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			
<b>49,236</b>	<b>(41,828)</b>	<b>7,408</b>	<b>Costs of Services</b>			
			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
			<b>Costs of Services</b>	<b>49,235</b>	<b>(41,827)</b>	<b>7,408</b>
		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
		<b>(788)</b>	<b>(Surplus) or Deficit on Provision of Services</b>			<b>(788)</b>
		(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)
		<b>(7,135)</b>	<b>Other Comprehensive Income and Expenditure</b>			<b>(7,135)</b>
		<b>(7,923)</b>	<b>Total Comprehensive Income and Expenditure</b>			<b>(7,923)</b>

## Expenditure and Funding Analysis

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

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	779	0	779
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
<b>8,120</b>	<b>(712)</b>	<b>7,408</b>	<b>Costs of Services</b>	<b>(13,279)</b>	<b>189</b>	<b>(13,090)</b>
(12,369)	4,172	(8,197)	Other Income and Expenditure	8,870	(18,816)	(9,946)
<b>(4,249)</b>	<b>3,460</b>	<b>(789)</b>	<b>(Surplus) or Deficit on Provision of Services</b>	<b>(4,409)</b>	<b>(18,627)</b>	<b>(23,036)</b>
(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	(4,409)		
(22,312)			Closing balance (combined General Fund and HRA reserves) as at 31/03/17	(26,721)		

N.B. These balances can be found on the Movement in Reserves Statement (MiRS), allowing for minor roundings.

## 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
<b>Expenditure</b>			
Employee benefits		15,048	14,391
Other services		30,528	30,050
Depreciation, amortisation and impairment		6,241	(13,390)
Interest payments	9	1,336	1,347
Precepts and levies	8	1,200	1,358
<b>Total expenditure</b>		<b>54,353</b>	<b>33,756</b>
<b>Income</b>			
Fees, charges and other service income		(42,454)	(41,975)
Interest and investment income	9	(170)	(318)
Income from council tax, NNDR, RSG and other government grants including NHB	10	(12,063)	(13,733)
Gain on the disposal of assets	8	(455)	(766)
<b>Total income</b>		<b>(55,142)</b>	<b>(56,792)</b>
<b>Surplus or deficit on the provision of services</b>		<b>(789)</b>	<b>(23,036)</b>



## 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					Total Usable Reserves	Movement in Unusable Reserves
	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied		
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b><u>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</u></b>							
<b><u>Adjustments involving the Capital Adjustment Account:</u></b>							
Charges for depreciation and impairment of non current assets	(1,580)	(2,414)					3,994
Revaluation losses 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
<b><u>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</u></b>							
Statutory provision for the financing of capital investment	361	985					(1,346)
Capital expenditure charged against the General Fund and HRA balances	397	109					(506)
<b><u>Adjustments primarily involving the Capital Grants Unapplied Account</u></b>							
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	978	636			(1,614)		
Application of grants to capital financing transferred to the Capital Adjustment Account					1,171		(1,171)
<b><u>Adjustments involving the Capital Receipts Reserve:</u></b>							
Transfer of sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	116	1,970	(2,086)				
Use of the Capital Receipts Reserve to finance new capital expenditure			820				(820)
Contribution from the Capital Receipts Reserve towards administrative costs of non current asset disposals		(36)	36				
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	(233)		233				
Right to Buy Discounts repaid							
<b><u>Adjustments involving the Deferred Capital Receipts Reserve:</u></b>							
Transfer of deferred sale proceeds as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(1)						1
<b>Balance carried forward</b>	<b>(820)</b>	<b>17,839</b>	<b>(997)</b>	<b>0</b>	<b>(443)</b>	<b>0</b>	<b>(15,579)</b>

## Notes to the Accounts

2016/17	Usable Reserves						Movement in Unusable Reserves
	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Total Usable Reserves	
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance brought forward	(820)	17,839	(997)	0	(443)	0	(15,579)
<b><u>Adjustment involving the Major Repairs Reserve:</u></b>							
Reversal of Major Repairs Allowance credited to the HRA		2,797		(2,797)			
Use of the Major Repairs Allowance to finance new capital expenditure				2,797			(2,797)
Interest credited to the Major Repairs Reserve							
<b><u>Adjustments involving the Financial Instruments</u></b>							
<b><u>Adjustment Account:</u></b>							
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements							
<b><u>Adjustment involving the Pensions Reserve:</u></b>							
Actuarial past service gain adjustment							
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(4,155)	(23)					4,178
Employer's pension contributions and direct payments to pensioners payable in the year.	2,373						(2,373)
<b><u>Adjustment involving the Collection Fund</u></b>							
<b><u>Adjustment Account:</u></b>							
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statements is different from council tax income calculated for the year in accordance with statutory requirements	34						(34)
Amount by which NNDR income credited to the Comprehensive Income and Expenditure Statements is different from NNDR income calculated for the year in accordance with statutory requirements	576						(576)
<b><u>Adjustment involving the Accumulating Compensated Absences Adjustment Account:</u></b>							
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements.	10	(2)					(8)
<b>Total Adjustments</b>	<b>(1,982)</b>	<b>20,611</b>	<b>(997)</b>	<b>0</b>	<b>(443)</b>	<b>0</b>	<b>(17,189)</b>

## Notes to the Accounts

### 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
<b><u>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</u></b>							
<b><u>Adjustments involving the Capital Adjustment Account:</u></b>							
Charges for depreciation and impairment of non current assets	(1,679)	(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
<b><u>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</u></b>							
Statutory provision for the financing of capital investment	370	993					(1,363)
Capital expenditure charged against the General Fund and HRA balances	835	590					(1,425)
<b><u>Adjustments primarily involving the Capital Grants Unapplied Account</u></b>							
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	644	97			(741)		
Application of grants to capital financing transferred to the Capital Adjustment Account					453		(453)
<b><u>Adjustments involving the Capital Receipts Reserve:</u></b>							
Transfer of sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	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							
<b><u>Adjustments involving the Deferred Capital Receipts Reserve:</u></b>							
Transfer of deferred sale proceeds as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(1)						1
Balance carried forward	(619)	(2,205)	(457)	0	(288)	0	3,569

## Notes to the Accounts

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
<b><u>Adjustment involving the Major Repairs Reserve:</u></b>							
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							
<b><u>Adjustments involving the Financial Instruments</u></b>							
<b><u>Adjustment Account:</u></b>							
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements							
<b><u>Adjustment involving the Pensions Reserve:</u></b>							
Actuarial past service gain adjustment							
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(4,406)	(88)					4,494
Employer's pension contributions and direct payments to pensioners payable in the year.	2,295						(2,295)
<b><u>Adjustment involving the Collection Fund</u></b>							
<b><u>Adjustment Account:</u></b>							
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statements is different from council tax income calculated for the year in accordance with statutory requirements	(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
<b><u>Adjustment involving the Accumulating Compensated Absences Adjustment Account:</u></b>							
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements.	(35)	(13)					48
<b>Total Adjustments</b>	<b>(3,545)</b>	<b>84</b>	<b>(457)</b>	<b>0</b>	<b>(288)</b>	<b>0</b>	<b>4,206</b>



## Notes to the Accounts

### 6 Transfers to/from Earmarked Reserves

This section shows movements in these reserves

General Fund - Revenue Earmarked Reserves	Balance at 1/4/15 £'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	(108)	0	946
Misc. General Fund Reserves	1,384	524	(447)	1,325	2,786	700	(375)	45	3,156
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	(316)	0	560
<b>Total Revenue Earmarked Reserves</b>	<b>6,953</b>	<b>3,738</b>	<b>(2,326)</b>	<b>0</b>	<b>8,365</b>	<b>3,424</b>	<b>(1,761)</b>	<b>0</b>	<b>10,028</b>

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 return 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
<b>Total Revenue Earmarked Reserves</b>	<b>6,730</b>	<b>4,000</b>	<b>(994)</b>	<b>0</b>	<b>9,736</b>	<b>2,826</b>	<b>(109)</b>	<b>0</b>	<b>12,453</b>

### 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									
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	0	0		0
<b>Total Capital Grants Unapplied</b>	<b>1,434</b>	<b>740</b>	<b>(452)</b>	<b>0</b>	<b>1,722</b>	<b>978</b>	<b>(535)</b>	<b>0</b>	<b>2,165</b>

## Notes to the Accounts

### 8 Other Operating Expenditure

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

### 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)
<b>2,777</b>	<b>Total</b>	<b>2,713</b>

### 10 Taxation and Non Specific Grant Income

2015/16		2016/17
£'000		£'000
(6,126)	Council tax income (including Parish Council Precepts receivable)	(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)
<b>(12,063)</b>	<b>Total</b>	<b>(13,733)</b>

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
<b>110</b>	<b>Total</b>	<b>250</b>

The Council has invested £5m in the Church Charities and Local Authority (CCLA) Local Authorities' Mutual Investment Trust (LAMIT) Property Fund, which is carried in the Balance Sheet at its fair value of £4,640k. 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
<b>66</b>	<b>Total</b>	<b>131</b>

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)
<b>Total</b>	<b>12,097</b>	<b>12,097</b>	<b>(737)</b>	<b>12,321</b>	<b>12,321</b>	<b>(757)</b>

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 (£13,168k 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 included.

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
				<b>130</b>

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
				<b>535</b>

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	
0	Tax advice	10	
<b>60</b>	<b>Total</b>	<b>65</b>	

## Notes to the Accounts

### 16 Related Party Transactions

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

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

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

Officers of the Council are bound by the Council's Code of Conduct. Leadership Team 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
<b>272</b>	<b>Allowances</b>	<b>287</b>
<b>26</b>	<b>Expenses</b>	<b>24</b>
<b>298</b>	<b>Total</b>	<b>311</b>

### 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
-	Heritage assets	(37)
(2,385)	Net reversal of impairment of non current assets	(17,548)
<b>1,471</b>	<b>Total</b>	<b>(13,465)</b>

20 Minimum Revenue Provision

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

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

21 Insurance

All major risks have been identified and are insured with applicable excesses. There were no major claims outstanding as at the 31/3/17. 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	<b>45,864</b>	<b>62,308</b>	<b>1,168</b>	<b>1,226</b>
Other movements in the liability (asset)	0	0	0	0
<b>Net liability from defined benefit obligation</b>	<b>45,864</b>	<b>62,308</b>	<b>1,168</b>	<b>1,226</b>

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
<i>Total Post-employment Benefits charged to the Surplus or Deficit on the Provision of Services</i>	<b>4,494</b>	<b>4,178</b>	<b>0</b>	<b>0</b>
<i>Other Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement</i>				
Remeasurement of the net defined benefit liability comprising:				
Return on plan assets (excluding the amount included in the net interest expense)	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
<i>Total Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement</i>	<b>(5,795)</b>	<b>14,697</b>	<b>0</b>	<b>0</b>
<i>Movement in Reserves Statement</i>				
Reversal of net charges made to the surplus or Deficit on the Provision of Services for post-employment benefits in accordance with the Code.	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
<b>Closing fair value of scheme assets</b>	<b>52,033</b>	<b>59,578</b>	<b>0</b>	<b>0</b>

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

	Funded Liabilities: Local Government Pension Scheme		Unfunded Liabilities: Discretionary Benefits	
	2015/16	2016/17	2015/16	2016/17
	£'000	£'000	£'000	£'000
<b>Opening balance at 1 April</b>	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)
<b>Closing balance at 31 March</b>	<b>99,338</b>	<b>123,474</b>	<b>(273)</b>	<b>(362)</b>

*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 the Actuary's 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
<b>Sub-total equities</b>	<b>29,407</b>	<b>35,044</b>
Bonds:		
- Gilts	1,711	1,778
- Other Bonds	1,495	1,523
<b>Sub-total bonds</b>	<b>3,206</b>	<b>3,301</b>
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
<b>Sub-total other investment funds</b>	<b>18,455</b>	<b>19,642</b>
<b>Total assets</b>	<b>52,033</b>	<b>59,578</b>

## Notes to the Accounts

### 22 Pensions continued

#### Estimation of Assets and Liabilities

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

#### Impact on the Defined Benefit Obligation in the Scheme

	Increase in Assumption	Decrease in Assumption
	£'000	£'000
Longevity (increase or decrease in 1 year)	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	Surplus Assets	Total Property, Plant and Equipment
Cost or Valuation	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>At 1 April 2016</b>	<b>506</b>	<b>123,488</b>	<b>41,518</b>	<b>5,305</b>	<b>516</b>	<b>292</b>	<b>0</b>	<b>171,625</b>
Additions	1,518	3,166	104	100	0	0		4,888
Revaluation increases/(decreases) recognised in the Revaluation reserve	0	(2,220)	1,862	0	0	0		(358)
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services		17,796	(99)	0	0	0	(150)	17,548
Derecognition - Disposals	(5)	(1,206)	(114)	(3)	0	0		(1,328)
Derecognition - Other								0
Reclassification	(52)	0	(1,382)	0	0	0	1,225	(209)
<b>At 31 March 2017</b>	<b>1,967</b>	<b>141,024</b>	<b>41,890</b>	<b>5,402</b>	<b>516</b>	<b>292</b>	<b>1,075</b>	<b>192,166</b>

#### Accumulated Depreciation and Impairment

<b>At 1 April 2016</b>	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	0	0	0	0	0	0
<b>At 31 March 2017</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(3,045)</b>	<b>(87)</b>	<b>(23)</b>	<b>0</b>	<b>(3,155)</b>

#### Net Book Value

<b>At 31 March 2017</b>	<b>1,967</b>	<b>141,024</b>	<b>41,890</b>	<b>2,357</b>	<b>429</b>	<b>269</b>	<b>1,075</b>	<b>189,011</b>
<b>At 31 March 2016</b>	<b>506</b>	<b>123,488</b>	<b>41,488</b>	<b>2,918</b>	<b>439</b>	<b>281</b>	<b>0</b>	<b>169,120</b>

## Notes to the Accounts

### 23 Property, Plant and Equipment

Nature of asset holding	Assets Under Construction	Council Dwellings	Other Land & Buildings	Vehicles Plant & Equip	Community Assets	Infra-structure Assets	Surplus Assets	Total Property, plant and Equipment
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Owned</b>	<b>1,967</b>	<b>141,024</b>	<b>41,890</b>	<b>1,874</b>	<b>429</b>	<b>269</b>	<b>1,075</b>	<b>188,528</b>
<b>Subject to Finance Leases</b>				<b>483</b>				<b>483</b>

(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	Surplus Assets	Total Property, plant and Equipment
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Valued at Historical Cost</b>	1,967			2,357	429			4,753
<b>Valued at fair value in year</b>								
<b>2016/17</b>		141,024	41,890			269	1,075	184,258
<b>2015/16</b>		139,422	41,489			238		181,149
<b>2014/15</b>		123,747	41,063			292		165,102
<b>2013/14</b>		119,320	36,749			291		156,360
<b>2012/13</b>		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
<b>At 1 April 2015</b>	<b>1,376</b>	<b>123,746</b>	<b>41,335</b>	<b>5,425</b>	<b>516</b>	<b>292</b>		<b>172,690</b>
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)
<b>At 31 March 2016</b>	<b>506</b>	<b>123,488</b>	<b>41,518</b>	<b>5,305</b>	<b>516</b>	<b>292</b>		<b>171,625</b>

#### 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								
<b>At 31 March 2016</b>			<b>(30)</b>	<b>(2,387)</b>	<b>(77)</b>	<b>(11)</b>		<b>(2,505)</b>

#### Net Book Value

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

#### Nature of asset holding

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



## Notes to the Accounts

### 24 Revenue Expenditure Funded From Capital Under Statute (REFCUS)

This is expenditure that does not result in, or remain matched with, assets controlled by the Council. Examples of this would include financial assistance towards capital investment incurred by other parties and works on properties not owned by the authority.

	Balance at 1/4/15	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 REFUCUS	0	0		0	0	0		0	0
<b>Total</b>	<b>0</b>	<b>306</b>	<b>0</b>	<b>(306)</b>	<b>0</b>	<b>333</b>	<b>0</b>	<b>(333)</b>	<b>0</b>

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
<b>53,320</b>	Opening Capital Financing Requirement	<b>51,960</b>
	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	(819)
(2,390)	Use of Major Repairs Allowance to finance HRA new capital expenditure	(2,797)
(453)	- Government grants and contributions	(1,170)
	Sums set aside from revenue:	
(1,425)	Direct revenue contributions	(506)
(1,363)	Statutory provision for the financing of capital investment	(1,346)
<b>51,960</b>	<b>Closing Capital Financing Requirement</b>	<b>50,616</b>
	Explanation of movements in year	
(1,360)	(Decrease)/Increase in underlying need to borrowing (unsupported by government financial assistance)	(1,344)
<b>(1,360)</b>	<b>(Decrease)/Increase in Capital Financing Requirement</b>	<b>(1,344)</b>

**Notes to the Accounts**

**26 Heritage Assets**

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

Art Collection Movements

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

**Heritage Assets: Summary of Transactions**

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

**Art Collection**

The Authorities art collection includes paintings (oil on canvas, oil on board), statues and busts and some furniture, most of which are contained within the Town Hall at Tiverton. The assets which were donated in years past 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
<b>Total</b>	<b>25</b>	<b>125</b>

#### 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
<b>Balance at start of year:</b>		
- Gross carrying amounts	389	415
- Accumulated amortisation	(389)	(415)
Net carrying amount at start of year	<b>0</b>	<b>0</b>
<b>Additions</b>		
- Internal development		
- Purchases		73
Reclassification	25	52
Derecognition - Disposals		
Amortisation charge for the period	(25)	(125)
<b>Net carrying amount at the end of year</b>	<b>0</b>	<b>0</b>

## Notes to the Accounts

### 27 Intangible Assets

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

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

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

### 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	
	<b>5,206</b>	<b>0</b>

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
<b>Total loan value outstanding</b>		<b>45,656</b>	<b>43,973</b>

## Notes to the Accounts

### 31 Trusts for which the Council is the Sole Trustee

Mid Devon is the sole trustee for the Peoples Park and Recreation Grounds charity. The purpose of the Trust is to provide recreational open space for the people of Tiverton. The net assets of the trust were £270k at 31 March 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 £'000
	Liabilities measured at amortised cost	Finance lease assets	Loans and receivables	Financial assets carried at contract amounts	Available - for-sale assets	
	£'000	£'000	£'000	£'000	£'000	
Interest payable	1,313					1,313
Interest payable on finance leases		34				34
<b>Interest payable and similar charges</b>	<b>1,313</b>	<b>34</b>				<b>1,347</b>
Interest income			(143)		(175)	(318)
<b>Interest and investment income</b>			<b>(143)</b>		<b>(175)</b>	<b>(318)</b>
Impairment charge					250	250
<b>Net (gain)/loss for the year</b>	<b>1,313</b>	<b>34</b>	<b>(143)</b>		<b>75</b>	<b>1,279</b>

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

#### Fair Value of Assets and Liabilities Carried at Amortised Cost

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

- an estimated interest rate of 0.63% 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
<b>Financial Assets</b>				
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
<b>Total</b>	<b>22,599</b>	<b>22,599</b>	<b>27,132</b>	<b>27,132</b>
<b>Financial Liabilities</b>				
Long term borrowing	(45,656)	(52,558)	(43,973)	(52,555)
Finance leases	(570)	(570)	(483)	(483)
Trade payables	(694)	(694)	(579)	(579)
<b>Total</b>	<b>(46,920)</b>	<b>(53,822)</b>	<b>(45,035)</b>	<b>(53,617)</b>

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

- liquidity risk - the possibility that the Council might not have funds available to meet its commitments to make payments
- market risk - the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rates and stock market movements.
- The Council's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services. A treasury management strategy is formally approved annually by the Executive. This identifies all treasury risks and forms the basis of the day to day operating guidance applied by the Treasury Accountant when making decisions on placing any surplus funds (i.e. to whom, for how long, for how much, etc.). This treasury strategy can be found on the Council's website.

#### **Credit Risk**

Credit risk arises from deposits with banks and building societies as well as credit exposure to the Council's customers. The treasury policy has evolved to the present where the use of the main UK Banks and Building Societies (with a FITCH rating of F1 or higher) up to a maximum deposit value of £5m with any one institution. Once again this evidences our prudent approach to lending of surplus funds. The Council has continued to apply this lending strategy during the whole of 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	<b>(66)</b>			<b>(175)</b>
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
	<b>0</b>			<b>0</b>

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





## 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
<b>8,777</b>		<b>8,385</b>

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	(600)
(992)	Other local authorities	(341)
	NHS bodies	
	Public corporations and trading funds	(55)
(2,984)	Other entities and individuals	(3,235)
<b>(5,397)</b>	<b>Total</b>	<b>(4,231)</b>

## 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	(628)
<b>(44,614)</b>		<b>(42,870)</b>
(47,032)	Other Long Term Liabilities	(63,534)
(807)	Capital Grants Receipts in Advance (Note 55)	(170)
<b>(92,453)</b>	<b>Total</b>	<b>(106,574)</b>

## 41 Provisions

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

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)	(14,317)
(106,185)	Capital Adjustment Account (note 45)	(124,952)
(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
<b>(69,787)</b>	<b>Total Unusable Reserves</b>	<b>(75,521)</b>

### 44 Revaluation Reserve

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

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

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

31/03/2016 £'000		31/03/2017 £'000
(10,418)	At 1 April 2016	(11,466)
(2,041)	Upward revaluation of assets	(3,278)
701	Downward revaluation of assets and impairment losses not posted to the Surplus on the Provision of Services	31
<b>(11,758)</b>	<b>Surplus or deficit on revaluation of non-current assets not posted to the Surplus on the Provision of Services</b>	<b>(14,713)</b>
20	Accumulated gains on assets sold	109
272	Difference between fair value depreciation and historical cost depreciation	287
<b>(11,466)</b>	<b>At 31 March 2017</b>	<b>(14,317)</b>

## Notes to the Accounts

### 45 Capital Adjustment Account

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

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

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

31/03/2016		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	1,212
(99,714)		(118,030)
(272)	<b>Adjusting amounts written out of the Revaluation Reserve</b>	(287)
<b>(99,986)</b>	<b>Net written out amount of the cost of non current assets consumed in the year</b>	<b>(118,317)</b>
	<b>Capital financing applied in the year:</b>	
(568)	Use of the Capital Receipts Reserve to finance new capital expenditure	(819)
(2,390)	Use of the Major Repairs Reserve to finance new capital expenditure	(2,796)
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	(1,170)
(1,363)	Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	(1,345)
(1,425)	Capital expenditure charged against the General Fund and HRA balances	(505)
<b>(106,185)</b>	<b>At 31 March 2017</b>	<b>(124,952)</b>

## Notes to the Accounts

### 46 Deferred Capital Receipts Reserve

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

This deferred capital receipts reserve relates to the rent to mortgage scheme that operated some time ago. Under the scheme home owners were helped with the provision of a mortgage which was secured on the property by way of a legal charge registered at the Land Registry. In the future when the property is sold Mid Devon will receive the balance outstanding, although part of the proceeds will be payable to the 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	<b>At 1 April 2016</b>	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)
<b>47,032</b>	<b>At 31 March 2017</b>	<b>63,534</b>

## Notes to the Accounts

### 48 Collection Fund Adjustment Account - Council Tax

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

31/03/2016		31/03/2017
£'000		£'000
(33)	<b>At 1 April 2016</b>	<b>(8)</b>
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)
<b>(8)</b>	<b>At 31 March 2017</b>	<b>(42)</b>

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)	<b>At 1 April 2016</b>	<b>711</b>
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)
<b>711</b>	<b>At 31 March 2017</b>	<b>135</b>

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	<b>At 1 April 2016</b>	<b>168</b>
(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
<b>168</b>	<b>At 31 March 2017</b>	<b>160</b>

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

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	(17,548)
54	Bad debts written off	239
2,456	(Decrease)/increase in creditors	(2,042)
744	Decrease /(increase) in debtors	(185)
(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	(164)
<b>12,421</b>		<b>(12,200)</b>

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)
<b>(554)</b>		<b>(2,338)</b>



## 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
<b>1,166</b>		<b>1,029</b>

## 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)
<b>(7,479)</b>	<b>Net cash flows from investing activities</b>	<b>(7,123)</b>

## 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)
<b>(1,748)</b>	<b>Net cash flows from financing activities</b>	<b>(1,770)</b>

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)
<b>(12,063)</b>	<b>Total</b>	<b>(13,733)</b>

**Credited to Services**

2015/16		2016/17
£'000		£'000
(18,672)	Housing Benefit Subsidy	(17,835)
(266)	Section 106s	(600)
(346)	Housing Benefit & CTB Admin Grant	(306)
(108)	Business Rates - Cost of Collection Grant	(108)
(707)	Others	(417)
<b>(20,099)</b>	<b>Total</b>	<b>(19,266)</b>

The Authority has received a number of grants, contributions and donations that cannot be recognised as income as there are conditions attached to them that will require the monies or property to be returned to the donor. 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)	Homes and Communities Agency grant monies	(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
<b>(570)</b>	<b>Minimum lease payments</b>	<b>(483)</b>

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
<b>570</b>		<b>483</b>

#### 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
<b>570</b>		<b>483</b>

**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
<b>1,111</b>		<b>995</b>

**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
<b>178</b>		<b>279</b>

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
<b>2,268</b>		<b>1,688</b>

## 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	(99)
-	Assets Held For Sale	(150)
(2,385)		17,548

The net £99k 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. The £150k impairment is Assets Held for Sale relates to the Tiverton Town Hall site

### 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, the asset is still reflected in our balance sheet. At the date of publication, the transaction remains yet to complete.

In April 2017, a contract was entered into for the development of sites at Palmerston Park and Birchen Lane and work on these developments has since commenced. The total value of the contract was £3,261k.

**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			2016/17	
£'000		Note	£'000	£'000
	<b>Expenditure</b>			
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	<b>Total Expenditure</b>			(9,800)
	<b>Income</b>			
(12,780)	Dwelling Rents	72	(12,604)	
(550)	Non-dwelling Rents		(573)	
(550)	Other Chargeable Services and Facilities		(499)	
(13,880)	<b>Total Income</b>			(13,676)
<b>(4,171)</b>	<b>Net Cost of HRA Services as included in the Comprehensive Income and Expenditure Statement</b>			<b>(23,476)</b>
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)	<b>Net Cost / (Income) of HRA Services</b>			<b>(23,139)</b>
(450)	(Gain)/loss on sale of HRA fixed assets			(751)
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)
<b>(3,090)</b>	<b>(Surplus) for the year on HRA Services</b>			<b>(23,327)</b>

**Movement on the HRA Statement**

This Account shows in more detail the income and expenditure on HRA services included in the whole authority Income and Expenditure Account (comprising as well as the amounts included in the whole authority Net Cost of Services for the HRA, the HRA's share of amounts included in the whole authority Net Service Cost but not allocated to individual services and the HRA's share of operating income and expenditure such as Pension Interest Costs and Expected Return on Pension Assets).

2015/16		2016/17	
£'000		Note	£'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)
<b>(2,000)</b>	<b>Balance on the HRA at the end of the current year</b>		<b>(2,000)</b>



## Notes to the Accounts

### 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					Total Usable Reserves	Movement in Unusable Reserves
	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied		
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</b>							
<b>Adjustments involving the Capital Adjustment Account:</b>							
Charges for depreciation and impairment of non current assets		(2,414)					2,414
Revaluation gains on Property, Plant and Equipment		17,808					(17,808)
Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement		(1,219)					1,219
<b>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</b>							
Statutory provision for the financing of capital investment		985					(985)
Capital expenditure charged against the General Fund and HRA balances		109					(109)
<b>Adjustments primarily involving the Capital Grants Unapplied Account</b>							
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement		636			(636)		
<b>Adjustments involving the Capital Receipts Reserve:</b>							
Transfer of sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement		1,970	(1,970)				
Contribution from the Capital Receipts Reserve towards administrative costs of non current asset disposals		(36)	36				
Reversal of Major Repairs Allowance credited to the HRA		2,797		(2,797)			
<b>Adjustments involving the Financial Instruments Adjustment Account:</b>							
<b>Adjustment involving the Pensions Reserve:</b>							
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement		(23)					23
<b>Adjustment involving the Accumulated Absences Account:</b>							
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements		(2)					2
<b>Total Adjustments</b>	<b>0</b>	<b>20,611</b>	<b>(1,934)</b>	<b>(2,797)</b>	<b>(636)</b>	<b>0</b>	<b>(15,244)</b>

## Notes to the Accounts

### 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					Total Usable Reserves	Movement in Unusable Reserves
	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied			
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</b>							
<b>Adjustments involving the Capital Adjustment Account:</b>							
Charges for depreciation and impairment of non current assets	(2,153)						2,153
Revaluation losses on Property, Plant and Equipment	(2,157)						2,157
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
<b>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</b>							
Statutory provision for the financing of capital investment	993						(993)
Capital expenditure charged against the General Fund and HRA balances	590						(590)
<b>Adjustments primarily involving the Capital Grants Unapplied Account</b>							
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	97			(97)			
<b>Adjustments involving the Capital Receipts Reserve:</b>							
Transfer of sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	1,259	(1,259)					
Contribution from the Capital Receipts Reserve towards administrative costs of non current asset disposals	(25)	25					
<b>Adjustments involving the Deferred Capital Receipts Reserve:</b>							
<b>Adjustment involving the Major Repairs Reserve:</b>							
Reversal of Major Repairs Allowance credited to the HRA	2,390		(2,390)				
<b>Adjustments involving the Financial Instruments Adjustment Account:</b>							
<b>Adjustment involving the Pensions Reserve:</b>							
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(88)						88
<b>Adjustment involving the Accumulated Absences Account:</b>							
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(13)						13
<b>Total Adjustments</b>	<b>0</b>	<b>84</b>	<b>(1,234)</b>	<b>(2,390)</b>	<b>(97)</b>	<b>0</b>	<b>3,637</b>

## Notes to the Accounts

### 61 Housing Stock

The Housing Revenue account owned the following property:

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

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
<b>3,060</b>	<b>Total</b>	<b>3,030</b>

### 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	
<b>130,217</b>		<b>149,248</b>	

## 65 Capital Expenditure

2016/17			2016/17		
£'000 Expenditure			£'000 Funding		
3,166	Improvements to dwellings		2,796	Major repairs reserve	
-	Construction of dwellings		837	Capital grants	
1,311	Assets under Construction		109	Revenue contribution	
			734	Usable capital receipts	
<b>4,477</b>			<b>4,476</b>		

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

## 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	-
<b>1,259</b>	<b>Total</b>	<b>1,970</b>

## 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)	Net interest on the defined benefit liability	(23)

## 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
<b>242</b>	<b>Total</b>	<b>221</b>

## 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	2,223
135	Other Land and Buildings	148
10	Infrastructure	10
0	Intangible assets	0
49	Vehicles, Plant and Equipment	33
<b>2,153</b>	<b>Total</b>	<b>2,414</b>

#### Impairment and (revaluation)

2015/16		2016/17
£'000	Operational Assets	£'000
2,151	Dwellings	0
6	Other Land and Buildings	(12)
<b>2,157</b>	<b>Total</b>	<b>(12)</b>

### 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
<b>1,301</b>	<b>Total</b>	<b>1,258</b>

## 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	Capital financing of finance lease assets	-
----	---	---

2015/16	Balance Sheet	2016/17
-	Asset - Plant and Equipment	-

-	Liability < 1 year	-
---	--------------------	---

-	Liability > 1 year	-
---	--------------------	---

### 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)	<b>Closing Balance</b>	<b>(39,777)</b>

## 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)	<b>Total Income</b>		(47,117)
	<b>EXPENDITURE</b>		
	<b>Precepts, Demands and Shares</b>	<b>80</b>	
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
	<b>Charges to Collection Fund</b>		
107	- Write offs of uncollectable amounts		142
5	- Increase in provision for bad debts		49
112			191
	<b>Apportionment of previous year's surplus</b>		
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	<b>Total Expenditure</b>		46,874
181	<b>(Surplus) / Deficit for the year</b>		(243)
(241)	Opening Balance at 1st April		(60)
(60)	<b>Closing Balance at 31 March</b>	<b>48</b>	(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
<b>(15,104)</b>	<b>Total Income</b>		<b>(14,206)</b>
	<b>EXPENDITURE</b>		
	<b>Precepts, Demands and Shares</b>		
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
<b>14,764</b>			<b>15,267</b>
	<b>Charges to Collection Fund</b>		
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		0
<b>1,824</b>			<b>(1,216)</b>
	<b>Apportionment of previous year's Surplus/(Deficit)</b>		
206	- Central Government		(671)
37	- Devon County Council		(121)
165	- Mid Devon District Council		(536)
4	- Devon Fire and Rescue		(13)
<b>412</b>			<b>(1,341)</b>
<b>17,000</b>	<b>Total Expenditure</b>		<b>12,710</b>
<b>1,896</b>	<b>(Surplus) / Deficit for the year</b>		<b>(1,496)</b>
(44)	Opening Balance at 1st April		1,852
<b>1,852</b>	<b>Closing Balance at 31 March</b>	<b>48</b>	<b>356</b>

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
<b>A</b>	3,740.4	2,493.1
<b>B</b>	6,918.1	5,380.8
<b>C</b>	5,456.0	4,849.7
<b>D</b>	5,662.7	5,662.7
<b>E</b>	4,087.9	4,996.3
<b>F</b>	2,158.0	3,117.1
<b>G</b>	880.2	1,467.1
<b>H</b>	50.8	101.6
<b>Total</b>	<b>28,954.1</b>	<b>28,068.4</b>

### 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
<b>44,564</b>	<b>Total</b>	<b>46,623</b>

## **GLOSSARY OF TERMS**

### **Accounting Period**

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

### **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.