

# Public Document Pack

Mid Devon District Council

## Audit Committee

Tuesday, 29 May 2018 at 5.30 pm  
Exe Room, Phoenix House, Tiverton

Those attending are advised that this meeting will be recorded

## Membership

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

## A G E N D A

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

- 1. Election of Chairman**  
To elect a Chairman of the Audit Committee for the municipal year 2018/19.
- 2. Election of Vice Chairman**  
To elect a Vice Chairman of the Audit Committee for the municipal year 2018/19.
- 3. Apologies**  
To receive any apologies for absence.
- 4. Public Question Time**  
To receive any questions relating to items on the Agenda from members of the public and replies thereto.
- 5. Declaration of Interests under the Code of Conduct**  
Councillors are reminded of the requirement to declare any interest, including the type of interest, and reason for that interest, either at this stage of the meeting or as soon as they become aware of that interest.
- 6. Minutes of the previous meeting (Pages 5 - 10)**  
Members to consider whether to approve the minutes as a correct

record of the meeting held on 20 March 2018.

7. **Chairman's Announcements**  
To receive any announcements that the Chairman may wish to make.
8. **Performance and Risk for 2017/18** (*Pages 11 - 48*)  
To receive a report from the Director of Corporate Affairs & Business Transformation providing Members with an update on performance against the Corporate Plan and local service targets for 2017-18 as well as providing an update on the key business risks.
9. **Progress update on the Annual Governance Statement Action Plan** (*Pages 49 - 54*)  
To receive a report from the Group Manager for Performance, Governance and Data Security providing the Committee with an update on progress made against the Annual Governance Statement 2016/17 Action Plan.
10. **Internal Audit Annual Report 2017/18** (*Pages 55 - 72*)  
To receive a report from the Audit Manager updating the Committee on the work performed by Internal Audit during the 2017/18 financial year as required by the Public Sector Internal Audit Standards.
11. **Draft Annual Report and Accounts 2017/18** (*Pages 73 - 182*)  
To receive a report from the Director of Finance, Assets and Resources presenting the draft annual report and accounts for 2017/18 to Members.
12. **Update on outstanding Audit recommendations**  
To receive a verbal update from the Group Manager for Financial Services regarding outstanding Audit recommendations.
13. **External Audit Progress Report & Update** (*Pages 183 - 194*)  
To receive a report from Grant Thornton providing a progress update on delivering their responsibilities as the Council's external auditors.
14. **Grant Thornton - 2018/19 Fee Letter** (*Pages 195 - 198*)  
To receive the annual fee letter from Grant Thornton.
15. **Start time of meetings**  
To agree the start time of meetings for the remainder of the municipal year.
16. **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:
  - Annual Governance Statement
  - Annual Report and Accounts for 2017/18
  - Grant Thornton Audit Findings 2017/18

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

**Stephen Walford**  
Chief Executive  
Friday 18 May 2018

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

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

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

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

Tel: 01884 234310  
E-Mail: [slees@middevon.gov.uk](mailto:slees@middevon.gov.uk)

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## MID DEVON DISTRICT COUNCIL

**MINUTES** of a **MEETING** of the **AUDIT COMMITTEE** held on 20 March 2018 at 5.30 pm

### **Present**

#### **Councillors**

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

### **Apology**

#### **Councillor**

T G Hughes

### **Present**

#### **Officers**

David Curnow (Deputy Head of Devon Audit Partnership),  
Joanne Nacey (Group Manager for Finance), Catherine  
Yandle (Group Manager for Performance, Governance and  
Data Security) and Sarah Lees (Member Services Officer)

## 60. **Apologies**

Apologies were received from Councillor T G Hughes.

## 61. **Declaration of Interests under the Code of Conduct**

There were no declarations of interest given.

## 62. **Public Question Time**

There were no members of the public present.

## 63. **Chairman's Announcements**

The Chairman stated that he and Cllr R F Radford had attended the Devon Audit Partnership (DAP) meeting at Devon County Council on 7 March. They had attended as observers for the final time. The next meeting would be held on 20 June and as Mid Devon representatives they would have a vote.

At the meeting on 7 March they had heard about how DAP were looking into diversifying their product range around assurance. They would be looking to work with housing associations thereby expanding their skill base.

The Chairman informed the Committee that Devon County Council had agreed to increase their audit fee budget so that the issue of 'risk' could be assessed more broadly. He had contacted the Director of Finance, Assets and Resources at Mid Devon District Council to try to understand what the value of doing this was perceived to be and was there any merit in this authority doing the same? He stated that he would report back to the Committee.

#### 64. Minutes of the previous meeting

The minutes of the meeting held on 23 January 2018 were confirmed as a true and accurate record and **SIGNED** by the Chairman.

#### 65. Performance and Risk (00:04:50)

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 2017-18 as well as providing an update on the key business risks.

Discussion took place with regard to:

- Street scene figures for 2017/18 were comfortably on target to reduce the net cost of waste collection per household by 20% by 2019/20 which was a real achievement especially considering residual waste had been reduced by 18% and the recycling rate increased by 5% at the same time. The Committee requested that their thanks and gratitude to the service be fed back to the officers concerned.
- The number of businesses assisted was on target at 195 as at the end of December 2017 against an annual target of 250. It was explained that the Economic Development team were actively promoting this service through such contacts as the Mid Devon Business Forum and the Federation of Small Businesses.
- The comment was made that the figures reported did not seem to record commercial waste, only household waste. It was explained that household waste figures were monitored nationally, however information on trade waste was collected and this could be included next time. It was further explained that within its benchmarking group Mid Devon District Council was recycling more household waste than some of its comparators for the previous quarter.
- 35% being the national figure for affordable housing on housing developments, however, Mid Devon was only achieving 21% on some recent applications. It was explained that this situation was replicated nationally. A situation currently existed whereby once a planning application had been granted developers were within their rights to argue that it was not viable for them to complete a development unless they could reduce the percentage of affordable homes.
- The effect of welfare reform on rent collection had been expected therefore collection targets would not be quite so challenging next year, however it was explained that figures usually improved towards the end of the financial year.

The Committee wished for their thanks and congratulations to be passed on to the Private Sector Housing Team for bringing 111 empty homes back into use against a target of 25.

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

66. **Risk and Opportunity Management Strategy (00:24:45)**

The Committee had before it a report \* from the Group Manager for Performance, Governance and Data Security presenting it with the updated Risk & Opportunity Management Strategy for approval.

This was the annual review of the Strategy and this year there had been no suggestion to change the risk appetite/ tolerance, this was best summarised as 'the amount of risk an organisation was willing to seek or accept in pursuit of its long term objectives'.

The report presented the tracked changes since the last review and included some minor amendments in relation to job titles and removal of the scoring section which is now in the appended Risk Manager guidance document. The Committee's attention was drawn to the day to day risk guidance given to managers. It was hoped that this would reduce inconsistencies in the future.

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

(Proposed by the Chairman)

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

67. **Progress Update on the Annual Governance Statement Action Plan (00:28:15)**

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

The officer explained that it was now very near to the end of the financial year. Some dates on the Action Plan had had to be amended through the course of the year and some items were not yet complete and may appear on the Annual Governance Statement for next year.

It was further explained that items 10 and 11 in relation to balancing feedback from more active stakeholder groups with other stakeholder groups was still an issue but this had now been passed to Group Managers who would not be meeting again until April. A gap analysis against GDPR had identified areas which needed improvement but this was on track to be completed by May 2018. Revised terms and conditions were being rolled out to suppliers in the next few weeks.

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

68. **Debt Collection Policy (00:31:23)**

The Committee had before it a report \* from the Group Manager for Financial Services presenting it with the updated Debt Collection Policy for approval.

The officer explained that the policy had not been updated since 2014 so a review had been due in order to make sure that the policy complied with current legislation. The Group Manager for Finance had worked with Legal Services in order to ensure

the policy was fully compliant and fit for purpose. Once approved the revised policy would be rolled out to the necessary service areas and regular checks would be made to ensure the policy was being adhered to.

**RECOMMENDED** to the Cabinet that the updated Debt Collection Policy and associated Appendices be approved.

(Proposed by the Chairman)

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

69. **Audit Progress Report 2017-18 (00:33:55)**

The Committee had before it, and **NOTED**, a report \* from the Deputy Head of the Devon Audit Partnership updating the Committee on progress to date within the work plan of the Internal Audit team.

The officer provided a brief summary of the report paying particular reference to the following:

- No material issues had been identified in the core audits to date but reconciliation of control accounts had received comment in some areas in the last progress report and were still relevant within this latest report. Management had agreed all remedial actions in relation to this.
- There were no specific issues to bring to the Committee's attention in relation to systems audits.
- The Internal Audit Team had received positive feedback from service areas in relation to the conduct of their audits,
- A summary of the audits undertaken since the last progress report were showing a 'good standard' as the assurance opinion and the direction of travel was positive.
- The area of trade waste was amber in colour which meant that agreement of an action plan had been delayed or the audit team were aware that progress had been hindered.
- Since the agenda for this meeting had been published the number of overdue outstanding audit recommendations had reduced from 31% to 16%.

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

70. **Update on outstanding Internal Audit recommendations (00:45:20)**

The Committee had requested at the last meeting that they receive an update regarding outstanding audit recommendations.

The Committee were in receipt of a summary of audit recommendations from 2016 which were medium risk showing what action had been taken and what action still needed to take place.

The Chairman stated that in addition to these there were still 5 overdue high risk recommendations from 2017 and 4 medium risk recommendations showing for 2015. He requested that a decision be taken as to the relevance of these given the time frame and asked that Leadership Team assess these in discussion with the relevant

managers to either seek a final resolution or remove them from the listing as clearly they may no longer be relevant.

He further requested that a thorough update be brought to the next meeting of the Committee and this was **AGREED**.

**71. Internal Audit Plan 2018-19 (00:48:00)**

The Committee had before it a report \* from the Head of Devon Audit Partnerships setting out the Internal Audit Plan for 2018-19 and seeking its approval.

The Deputy Head of the Devon Audit Partnership outlined the contents of the report by making reference to the fact that the plan needed to be flexible in order to change with shifting priorities and audit findings throughout the year. Core work would be streamlined to facilitate a review of a wider range of risks. Areas such as cyber security and transactional integrity would have a key focus. Over the next four years a lot would change in terms of the focus in internal audits. System walkthroughs would still be undertaken and if it was found that a system was doing what it was supposed to do and no issues had been identified then the focus of further work would change.

The officer was congratulated for the format of the report.

**RESOLVED** that the Internal Audit Plan for 2018-19 be approved.

(Proposed by the Chairman)

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

**72. Grant Thornton - External Audit Progress Report and Sector Update (01:00:53)**

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

This was the standard update report but also included the results of the interim audit work for 2017/18. No significant issues had been identified in either the financial statements or value for money interim audit.

It was explained that they had performed a high level review of the general IT control environment as part of the overall review of the internal controls system. In 2016/17 they had reported two IT deficiencies around weak password management and review of information security logs. They had been waiting for an update as to whether the recommendations in relation to this had been implemented. The Group Manager for Finance confirmed that they had and that she would submit formal notification of this as soon as possible.

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

**73. Chairman's Annual Report for 2017/18 (01:06:05)**

The Committee had before it and **NOTED** a draft report \* by the Chairman on the work of the Committee since May 2017, a final copy of this report would be submitted to Council on 25 April 2018.

**74. Identification of items for the next meeting (01:06:25)**

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

- Update on outstanding audit recommendations.

(The meeting ended at 6.44 pm)

**CHAIRMAN**

## AUDIT COMMITTEE

29 MAY 2018

### PERFORMANCE AND RISK FOR 2017-18

**Cabinet Member** Cllr Clive Eginton  
**Responsible Officer** Director of Corporate Affairs & Business Transformation,  
Jill May

**Reason for Report:** To provide Members with an update on performance against the corporate plan and local service targets for 2017-18 as well as providing an update on the key business risks.

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

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

**Financial Implications:** None identified

**Legal Implications:** None

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

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

#### 1.0 Introduction

- 1.1 Appendices 1-5 provide Members with details of performance against the Corporate Plan and local service targets for the 2017-18 financial year.
- 1.2 When benchmarking information is available it is included.
- 1.3 Appendix 6 shows the higher impact risks from the Corporate Risk Register. This includes Operational and Health & Safety risks where the score meets the criteria for inclusion. See 3.0 below.
- 1.4 Appendix 7 shows the risk matrix for the Council.
- 1.5 All appendices are produced from the Corporate Service Performance And Risk Management system (SPAR).

## 2.0 Performance

### Environment Portfolio - Appendix 1

- 2.1 Regarding the Corporate Plan Aim: **Increase recycling and reduce the amount of waste**: The Council has reached the end of the municipal with **Residual household waste per household (measured in Kilograms)** over achieved against the target of no more than 420kg at only 381.4kg. This is a good result although a little higher than last year's 374.2kg.
- 2.2 We are still a little below target for **% of household waste reused, recycled and composted** at 51.9% against the target of 53%. However due to the closure of the composting facility and stockpile facilities at Carlu Close being unavailable due to building works associated with the Waste Transfer Station it was not possible to compost all street sweeping residue in Q1 & Q2 2018, if this material had been composted the recycling rate for the year would be 53.0% i.e. on target.
- 2.3 Regarding the Corporate Plan Aim: **Reduce our carbon footprint**: The energy switching scheme went live on MDDC's website on 1 December 2017 and referrals are now also being made through the LEAP scheme. The first full quarter numbers for Q4 2017/18 were 22.
- 2.4 Regarding the Corporate Plan Aim: **Protect the natural environment**: 18 of the 27 recommendations from the Street Cleansing review have now been implemented. All the priority activities for Street Scene for 2017/18 in the Corporate Plan have now been completed except this one.

### Homes Portfolio - Appendix 2

- 2.5 Regarding the Corporate Plan Aim: **Build more council houses**: No new **Council Houses** were completed; however work is progressing on Birchen Lane (4), Palmerston Park (26) and Burlescombe (6). The poor weather has caused delays, but all are due for completion in 2018/19.
- 2.6 Regarding the Corporate Plan Aims: **Facilitate the housing growth that Mid Devon needs, including affordable housing; and Planning and enhancing the built environment**: 32 responses have been received following the latest consultation on the Local Plan (sustainability appraisal). These have been sent to the Planning Inspector so we now await a date for inspection of the Plan (expected to be in the autumn).
- 2.7 **Percentage of Properties with a Valid Gas Safety Certificate (LGSR)**: There were seven properties as at the end of March where MDDC has been unable to carry out the annual service and issue a Landlord Gas safety Record, 4 of these have since been serviced. Failure to renew the safety record is centred on tenant issues that have prevented the contractor from delivery of the necessary works. The remainder are all at the legal stage which means that either a letter before action (LBA) has been issued or we are in the process of seeking an injunction.

### Economy Portfolio - Appendix 3

- 2.8 Regarding the Corporate Plan Aim: **Attract new businesses to the District:** A planning application from Lidl is expected shortly, a new industrial development is being started in Cullompton – Venn Place. Delivery of employment land allocations in the Local Plan is being actively pursued.
- 2.9 Regarding the Corporate Plan Aim: **Focus on business retention and growth of existing businesses:** we record **Businesses assisted** which is on target at 261 against an annual target of 250; they have to be assisted for a minimum of an hour to be included in this figure.
- 2.10 Regarding the Corporate Plan Aim: **Improve and regenerate our town centres with the aim of increasing footfall, dwell-time and spend in our town centres:** for **Empty Shops**, counting takes place at the start of the quarter so the final position for 2017/18 compared to 2016/17 is; 7 more empty shops for Tiverton, 1 more in Crediton and 1 more in Cullompton.
- 2.11 Regarding the Corporate Plan Aim: **Grow the tourism sector:** the Mid Devon Destination Management Plan for Tourism; this PDG recommended to Cabinet that the strategy be recommended to Council for approval. Subject to the inclusion of additional material with regard to country sports and mention of the shrine at the Roman Catholic Boniface Church the Destination Management Plan was duly approved by Full Council on 25 April.
- 2.12 Mid Devon had a slightly lower than average income deprivation indice in 2015 at 0.103 compared to the average of 0.109 (all comparisons are for England only); only Westex, Lowman and Cranmore are higher than average. The rate of unemployment for 2015/16 was low; 0.8% compared to an average of 1.8%.
- 2.13 Educationally we do well too, with a higher than average number of children attaining 5 or more A\* to C grades at GCSE (including English and Maths), at 62.2% compared to an average of 56.6%. For housing, according to the 2011 census, Mid Devon has half the average number of overcrowded houses but over double the number without central heating.

### Community Portfolio - Appendix 4

- 2.14 Food Hygiene data, scores on the doors, is included as Appendix 4a.

### Corporate - Appendix 5

- 2.15 **Working days lost due to sickness** is well below target but not higher than the average for English authorities according to LGA.
- 2.16 The **Response to FOI requests** is still well below target. However 89% have been on time in the 3 months since the new Information Management Officer started. For April this figure was 97%.

- 2.17 GDPR (DPA) project; further updates have been given at team meetings, Leadership Team and a Members' briefing. The Privacy Notices for on-line forms and the website are in the progress of being published and a parishes' briefing has been arranged for 30 May.
- 2.18 The **Performance Planning Guarantee determined within 26 weeks** remains slightly below target but the 4 speed and quality measures are all well above the required target.

### **3.0 Risk**

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

### **4.0 Conclusion and Recommendation**

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

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

**Circulation of the Report:** Management Team and Cabinet Member

## Corporate Plan PI Report Environment

**Monthly report for 2017-2018**  
**Arranged by Aims**  
**Filtered by Aim: Priorities Environment**  
**For MDDC - Services**

**Key to Performance Status:**

Performance Indicators:

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

Corporate Plan PI Report Environment																		
Priorities: Environment																		
Aims: Increase recycling and reduce the amount of waste																		
Performance Indicators																		
Period	Prev Year (Period)	Prev Year End	Annual Target	Apr Act	May Act	Jun Act	Jul Act	Aug Act	Sep Act	Oct Act	Nov Act	Dec Act	Jan Act	Feb Act	Mar Act	Actual to Date	Group Manager	Officer Notes
15	374.20	374.20	420.00	32.80	63.57	98.56	130.52	166.92	195.29	224.36	255.24	285.00	321.83	350.87	381.40	381.40	Stuart Noyce	(April - March) This is an estimated figure based on raw data which is yet to be verified by DCC (LD)
<u>% of Household Waste Reused, Recycled and Composted</u>	53.3%	53.3%	53.0%	51.3%	52.6%	51.3%	51.8%	52.5%	52.5%	52.6%	52.7%	52.9%	52.6%	52.3%	51.9%	51.9%	Stuart Noyce	(March) Figures for March 2018 recycling rate supplied by DCC

## Corporate Plan PI Report Environment

### Priorities: Environment

#### Aims: Increase recycling and reduce the amount of waste

#### Performance Indicators

Title	Prev Year (Period)	Prev Year End	Annual Target	Apr Act	May Act	Jun Act	Jul Act	Aug Act	Sep Act	Oct Act	Nov Act	Dec Act	Jan Act	Feb Act	Mar Act	Actual to Date	Group Manager	Officer Notes
Page 16																		one month behind reporting cycle. March 2018 recycling rate is estimated based on the raw data available; not yet verified by DCC (LD)
<b>Net annual cost of waste service per household</b>	£54.39	£54.39	£50.35	n/a	£49.91	£49.91	Stuart Noyce											
<b>Number of Households on Chargeable Garden Waste</b>	8,536	8,536	9,000	8,692	8,973	9,107	9,343	9,449	9,537	9,520	9,268	9,286	9,330	9,367	9,386	9,386	Stuart Noyce	(March) 386 customers over the 9,000 customer target for the year (LD)
<b>% of missed collections reported (refuse and</b>	0.04%	0.04%	0.03%	0.04%	0.03%	0.03%	0.03%	0.03%	0.03%	0.04%	0.04%	0.04%	0.04%	0.04%	0.04%	0.04%	Stuart Noyce	(March) Actual March figure =

**Corporate Plan PI Report Environment**

**Priorities: Environment**

**Aims: Increase recycling and reduce the amount of waste**

**Performance Indicators**

Title	Prev Year (Period)	Prev Year End	Annual Target	Apr Act	May Act	Jun Act	Jul Act	Aug Act	Sep Act	Oct Act	Nov Act	Dec Act	Jan Act	Feb Act	Mar Act	Actual to Date	Group Manager	Officer Notes
<u>organic waste</u>																		0.02% (LD)
<u>% of Missed Collections logged (recycling)</u>	0.03%	0.03%	0.03%	0.03%	0.03%	0.03%	0.03%	0.03%	0.03%	0.03%	0.03%	0.03%	0.03%	0.03%	0.03%	0.03%	Stuart Noyce	

**Aims: Protect the natural environment**

**Performance Indicators**

Title	Prev Year (Period)	Prev Year End	Annual Target	Apr Act	May Act	Jun Act	Jul Act	Aug Act	Sep Act	Oct Act	Nov Act	Dec Act	Jan Act	Feb Act	Mar Act	Actual to Date	Group Manager	Officer Notes	
<u>Number of Fixed Penalty Notices (FPNs) Issued (Environment)</u>		10	10		5	9	10	13	16	21	24	31	36	41	42	49	49	Stuart Noyce	

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### Corporate Plan PI Report Homes

Monthly report for 2017-2018  
 Arranged by Aims  
 Filtered by Aim: Priorities Homes  
 For MDDC - Services

Key to Performance Status:

Performance Indicators: No Data Well below target Below target On target Above target Well above target

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

#### Corporate Plan PI Report Homes

#### Priorities: Homes

#### Aims: Build more council houses

#### Performance Indicators

Title	Prev Year (Period)	Prev Year End	Annual Target	Apr Act	May Act	Jun Act	Jul Act	Aug Act	Sep Act	Oct Act	Nov Act	Dec Act	Jan Act	Feb Act	Mar Act	Actual to Manager Date	Group to Manager	Officer Notes
<u>Build Council Houses</u>	0	0	13	0	0	0	0	0	0	0	0	0	0	0	0	0	Angela Haigh	

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

#### Performance Indicators

Title	Prev Year (Period)	Prev Year End	Annual Target	Apr Act	May Act	Jun Act	Jul Act	Aug Act	Sep Act	Oct Act	Nov Act	Dec Act	Jan Act	Feb Act	Mar Act	Actual to Manager Date	Group to Manager	Officer Notes
<u>Number of affordable homes delivered (gross)</u>	31	31	80	n/a	n/a	26	n/a	n/a	59	n/a	n/a	72	n/a	n/a	92	92	Angela Haigh	
<u>Deliver 15 homes per year by bringing Empty Houses into use</u>	33	33	25	7	11	13	23	34	43	54	84	98	111	122	128	128	Simon Newcombe	

#### Aims: Other

#### Performance Indicators

Title	Prev Year (Period)	Prev Year End	Annual Target	Apr Act	May Act	Jun Act	Jul Act	Aug Act	Sep Act	Oct Act	Nov Act	Dec Act	Jan Act	Feb Act	Mar Act	Actual to Date	Group to Manager	Officer Notes
<u>Number of Successful Homelessness Prevention Cases</u>	295	295	No Target - for information only	n/a	n/a	99	n/a	n/a	159	n/a	n/a	240	n/a	n/a	344	344	Angela Haigh	
	100.00%	100.00%	100.0%	99.9%	99.9%	100.0%	99.9%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%		

Corporate Plan PI Report Homes																		
Priorities: Homes																		
Aims: Other																		
Performance Indicators																		
Title	Prev Year (Period)	Prev Year End	Annual Target	Apr Act	May Act	Jun Act	Jul Act	Aug Act	Sep Act	Oct Act	Nov Act	Dec Act	Jan Act	Feb Act	Mar Act	Actual to Date	Group Manager	Officer Notes
<u>% Decent Council Homes</u>																	Angela Haigh	
<u>% Properties With a Valid Gas Safety Certificate</u>	99.86%	99.86%	100.00%	99.95%	99.64%	99.87%	99.82%	99.96%	99.91%	99.82%	99.87%	99.82%	99.64%	99.69%	99.69%	99.69%	Angela Haigh	
<u>Rent Collected as a Proportion of Rent Owed</u>	100.18%	100.18%	100.00%	93.76%	95.18%	96.25%	96.87%	99.14%	98.73%	99.08%	98.85%	99.73%	99.37%	99.34%	99.25%	99.25%	Angela Haigh	
<u>Current Tenant Arrears as a Proportion of Annual Rent Debt</u>	0.60%	0.60%	1.00%	0.93%	1.06%	1.16%	1.30%	1.26%	1.30%	1.17%	1.33%	1.05%	1.28%	1.32%	0.95%	0.95%	Angela Haigh	
<u>Dwelling rent lost due to voids</u>	0.5%	0.5%	no target - for information only	0.4%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	Angela Haigh	
<u>Average Days to Re-Let Local Authority Housing</u>	15.7days	15.7days	16.0days	14.0days	15.7days	16.4days	15.8days	16.1days	16.8days	17.1days	16.6days	16.3days	16.0days	15.0days	15.5days	15.5days	Angela Haigh	

Corporate Plan PI Report Economy

Monthly report for 2017-2018  
 Arranged by Aims  
 Filtered by Aim: Priorities Economy  
 For MDDC - Services

Key to Performance Status:

Performance Indicators:

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

Corporate Plan PI Report Economy

Priorities: Economy

Aims: Attract new businesses to the District

Performance Indicators

Title	Prev Year (Period)	Prev Year End	Annual Target	Apr Act	May Act	Jun Act	Jul Act	Aug Act	Sep Act	Oct Act	Nov Act	Dec Act	Jan Act	Feb Act	Mar Act	Actual to Date	Group to Manager	Officer Notes
<u>Number of business rate accounts</u>	2,930	2,930	3,000	2,933	2,936	2,942	2,951	2,951	2,963	2,963	2,987	3,004	3,004	3,021	3,028	3,028	John Chumbley, Andrew Jarrett	(March) Can only increase if there are actual new properties brought into the Valuation List as a result of a new business being built, converted from CTAX to NDR or another NDR property is split into several other properties. (CY)

Aims: Focus on business retention and growth of existing businesses

Performance Indicators

Title	Prev Year (Period)	Prev Year End	Annual Target	Apr Act	May Act	Jun Act	Jul Act	Aug Act	Sep Act	Oct Act	Nov Act	Dec Act	Jan Act	Feb Act	Mar Act	Actual to Date	Group to Manager	Officer Notes	
<u>Businesses assisted</u>	n/a	n/a		250	20	38	53	92	112	137	159	195	207	227	249	261	261	None	

Aims: Improve and regenerate our town centres

Performance Indicators

Title	Prev Year (Period)	Prev Year End	Annual Target	Apr Act	May Act	Jun Act	Jul Act	Aug Act	Sep Act	Oct Act	Nov Act	Dec Act	Jan Act	Feb Act	Mar Act	Actual to Date	Group to Manager	Officer Notes
<u>Increase in Car Parking Vends</u>	55,241	55,241		48,051	53,937	54,086	54,730	54,417	54,734	53,420	51,810	51,051	48,993	45,345	47,790	47,790	Andrew Jarrett	
<u>The Number of Empty Shops (TIVERTON)</u>	16	16	18	n/a	n/a	19	n/a	n/a	25	n/a	n/a	23	n/a	n/a	21	21	Adrian Welsh	(Quarter 4) Vacancies as of 30th January 2018 = 21 representing 9.1% of total units (JB)
<u>The Number of Empty Shops (CREDITON)</u>	7	7	8	n/a	n/a	8	n/a	n/a	8	n/a	n/a	8	n/a	n/a	11	11	Adrian Welsh	(Quarter 4) Vacancy Rates as of 30th January 2018 is 11, representing 9.4% (JB)
<u>The Number of Empty Shops (CULLOMPTON)</u>	8	8	8	n/a	n/a	11	n/a	n/a	9	n/a	n/a	9	n/a	n/a	8	8	Adrian Welsh	(Quarter 4) Vacancy Rates as of 30th January 2018 is 8 vacant units representing 9.4% of retail units. (JB)

**Corporate Plan PI Report Economy****Priorities: Economy****Aims: Other****Performance Indicators**

Title	Prev Year (Period)	Prev Year End	Annual Target	Apr Act	May Act	Jun Act	Jul Act	Aug Act	Sep Act	Oct Act	Nov Act	Dec Act	Jan Act	Feb Act	Mar Act	Actual to Date	Group Manager	Officer Notes
<u>Funding awarded to support economic projects</u>	£61,842	£61,842		n/a	n/a	£0	n/a	n/a	£25,459	n/a	n/a	£35,899	n/a	n/a	£35,899	£35,899	Adrian Welsh	(Quarter 4) NO further grants awarded in Q4 (JB)

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## Corporate Plan PI Report Community

Monthly report for 2017-2018

Arranged by Aims

Filtered by Aim: Priorities Community

Filtered by Flag: Exclude: Corporate Plan Aims 2016 to 2020

For MDDC - Services

Key to Performance Status:

Performance Indicators:

No Data

Well below target

Below target

On target

Above target

Well above target

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

### Corporate Plan PI Report Community

#### Priorities: Community

#### Aims: Promote physical activity, health and wellbeing

Performance Indicators																			
Title	Prev Year (Period)	Prev Year End	Annual Target	Apr Act	May Act	Jun Act	Jul Act	Aug Act	Sep Act	Oct Act	Nov Act	Dec Act	Jan Act	Feb Act	Mar Act	Actual to Date	Group Manager	Officer Notes	
<u>GP Referrals</u>	n/a	n/a		18	18	18	22	22	22	22	22	22	22	22	22	22	Corinne Parnall	(March) 22 (K)	

#### Aims: Other

Performance Indicators																			
Title	Prev Year (Period)	Prev Year End	Annual Target	Apr Act	May Act	Jun Act	Jul Act	Aug Act	Sep Act	Oct Act	Nov Act	Dec Act	Jan Act	Feb Act	Mar Act	Actual to Date	Group Manager	Officer Notes	
<u>Number of social media communications MDDC send out</u>	191	191	For information only	87	129	101	152	152	111	175	201	133	108	102	108	108	Jane Lewis	(March) No. of Facebook Posts Published = 50 No. of Tweets Tweeted	

Corporate Plan PI Report Community																		
Priorities: Community																		
Aims: Other																		
Performance Indicators																		
Title	Prev Year (Period)	Prev Year End	Annual Target	Apr Act	May Act	Jun Act	Jul Act	Aug Act	Sep Act	Oct Act	Nov Act	Dec Act	Jan Act	Feb Act	Mar Act	Actual to Date	Group Manager	Officer Notes
																		= 58 (MA)
<u>Number of web hits per month</u>	28,543	28,543	***For information only***	30,041	32,545	28,620	28,208	27,028	26,949	27,804	26,099	24,152	36,837	28,794	45,006	45,006	Jane Lewis	(March) (MA)
<u>Compliance with food safety law</u>	89%	89%	90%	90%	90%	90%	89%	89%	89%	88%	87%	88%	87%	85%	85%	85%	Simon Newcombe	

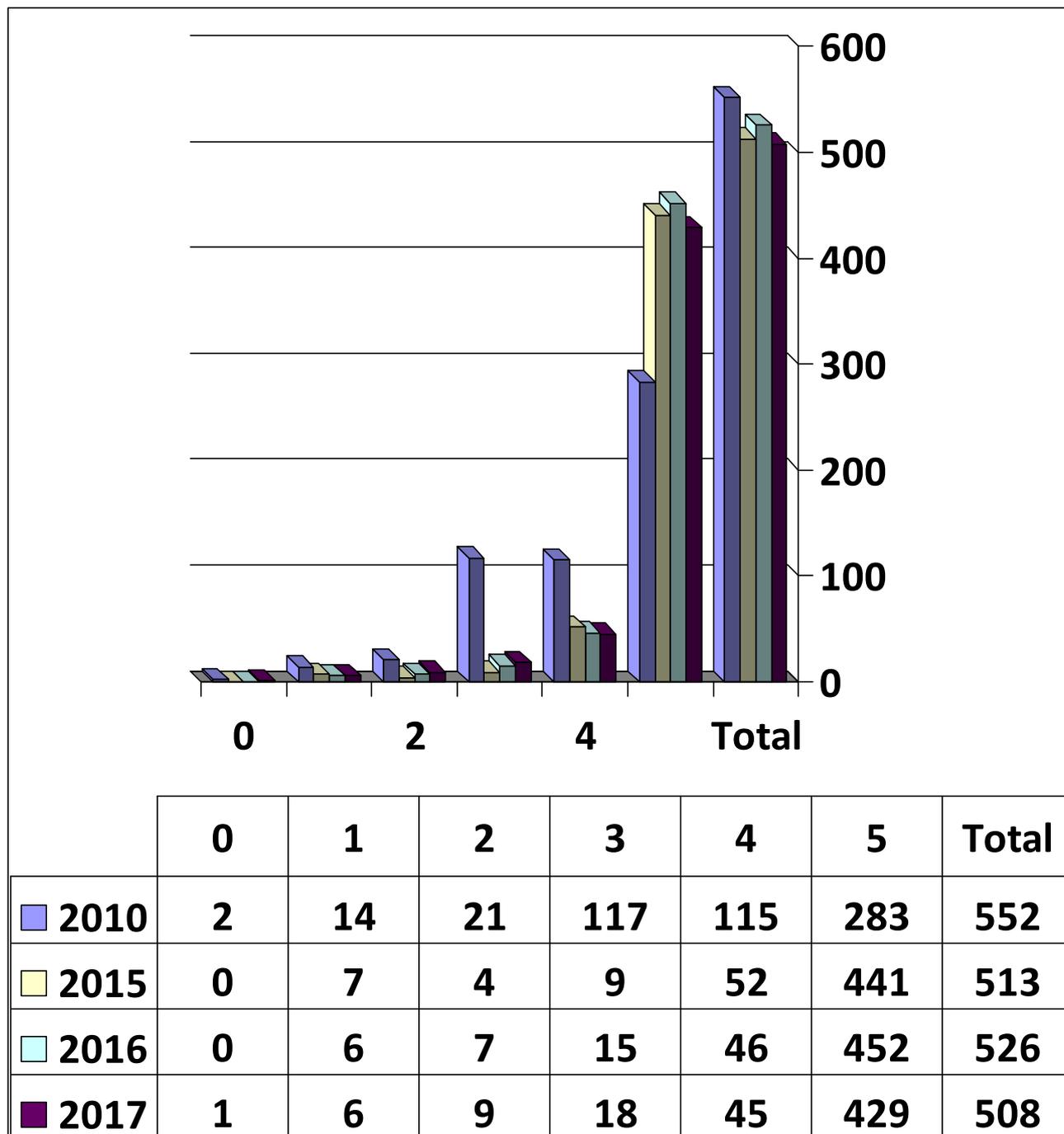
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# Food Hygiene Rating Scheme 2010-17



## FOOD HYGIENE RATING SCHEME BANDINGS

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

\* The national food hygiene rating scheme was launched in 2010



### Corporate Plan PI Report Corporate

Monthly report for 2017-2018  
 Arranged by Aims  
 Filtered by Aim: Priorities Delivering a Well-Managed Council  
 For MDDC - Services

Key to Performance Status:

Performance Indicators:

No Data	Well below target	Below target	On target	Above target	Well above target
---------	-------------------	--------------	-----------	--------------	-------------------

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

#### Corporate Plan PI Report Corporate

#### Priorities: Delivering a Well-Managed Council

#### Aims: Put customers first

#### Performance Indicators

Title	Prev Year (Period)	Prev Year End	Annual Target	Apr Act	May Act	Jun Act	Jul Act	Aug Act	Sep Act	Oct Act	Nov Act	Dec Act	Jan Act	Feb Act	Mar Act	Actual to Date	Group Manager	Officer Notes
<u>% of complaints resolved w/in timescales (10 days - 12 weeks)</u>	92%	92%	90%	100%	96%	88%	91%	92%	93%	94%	95%	93%	92%	93%	91%	91%	Lisa Lewis	
<u>Number of Complaints</u>	21	21	For information only	13	13	23	15	27	38	19	30	15	19	15	31	31	Lisa Lewis	
<u>New Performance Planning Guarantee determine within 26 weeks</u>	98%	98%	100%	n/a	n/a	99%	99%	Jenny Clifford, Adrian Welsh										
<u>Major applications determined within 13 weeks (over last 2 years)</u>	74%	74%	60%	n/a	n/a	83%	83%	Jenny Clifford, Adrian Welsh										
<u>Minor applications determined within 8 weeks (over last 2 years)</u>	76%	76%	65%	n/a	n/a	79%	79%	Jenny Clifford, Adrian Welsh										
	9%	9%	10%	n/a	n/a	4%	4%											

Corporate Plan PI Report Corporate																		
Priorities: Delivering a Well-Managed Council																		
Aims: Put customers first																		
Performance Indicators																		
Title	Prev Year (Period)	Prev Year End	Annual Target	Apr Act	May Act	Jun Act	Jul Act	Aug Act	Sep Act	Oct Act	Nov Act	Dec Act	Jan Act	Feb Act	Mar Act	Actual to Date	Group Manager	Officer Notes
<u>Major applications overturned at appeal (over last 2 years)</u>																	Jenny Clifford, Adrian Welsh	
<u>Minor applications overturned at appeal (over last 2 years)</u>	n/a	n/a	10%	n/a	n/a	0%	0%	Jenny Clifford, Adrian Welsh										
<u>Response to FOI Requests (within 20 working days)</u>	94%	94%	100%	79%	85%	82%	80%	78%	78%	74%	69%	67%	69%	70%	72%	72%	Catherine Yandle	(March) 64 replies 5 late (HF)
<u>Working Days Lost Due to Sickness Absence</u>	7.89days	7.89days	7.00days	0.61days	1.25days	1.88days	2.54days	3.12days	3.79days	4.66days	5.70days	6.55days	7.45days	8.14days	8.82days	8.82days	Jane Cottrell	
<u>Return on Commercial Portfolio</u>	8.6%	8.6%	7.5%	n/a	4.6%	4.6%	Andrew Busby	(2017 - 2018) The reasons for this reduction are Market Walk voids, rental arrears and the purchase of 4 new properties (Coggan's Well, 30,36 & 38 Fore Street) near the end of 2017-18 for which there is not yet any return. (CY)										
<u>% total Council tax collected - monthly</u>	98.10%	98.10%	98.50%	11.34%	20.61%	29.74%	38.73%	51.60%	56.69%	66.58%	75.68%	84.68%	93.72%	97.13%	98.00%	98.00%	John Chumbley, Andrew Jarrett	
	99.18%	99.18%	99.20%	12.20%	19.88%	33.72%	40.57%	50.41%	57.38%	65.32%	73.47%	81.02%	89.31%	97.02%	99.22%	99.22%		

**Corporate Plan PI Report Corporate**

**Priorities: Delivering a Well-Managed Council**

**Aims: Put customers first**

**Performance Indicators**

Title	Prev Year (Period)	Prev Year End	Annual Target	Apr Act	May Act	Jun Act	Jul Act	Aug Act	Sep Act	Oct Act	Nov Act	Dec Act	Jan Act	Feb Act	Mar Act	Actual to Date	Group Manager	Officer Notes
<u>% total NNDR collected - monthly</u>																	John Chumbley, Andrew Jarrett	(March) NNDR arrears still over 99% but because of 2017 Revaluation and the fact that many Ratepayers had late bills many Ratepayers received 12 instalments instead of 10 (JC)
<u>Number of visitors per month</u>	2,761	2,761	3,000	2,351	2,673	2,784	2,787	2,724	2,703	2,715	2,714	2,610	2,604	2,569	2,517	2,517	Lisa Lewis	
<u>Satisfaction with front-line services</u>	81.58%	81.58%	80.00%	0.00%	0.00%	97.59%	97.59%	97.59%	97.14%	97.14%	97.14%	97.14%	97.14%	97.14%	97.14%	97.14%	Lisa Lewis	
<u>Increase Number of Digital payments</u>	69,567	69,567	70,960	6,326	12,698	19,179	25,446	31,703	38,810	48,423	56,854	62,510	68,383	73,207	78,926	78,926	Lisa Lewis	

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## Risk Report Appendix 6

Report for 2018-2019

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

For MDDC - Services

Filtered by Performance Status: Exclude Risk Status: Low

Not Including Risk Child Projects records or Mitigating Action records

Key to Performance Status:

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

### Risk Report Appendix 6

**Risk: Affordable and Council Housing Demand** Housing supply does not meet local demand or reflect demographic shifts like increased demand for single occupancy

**Effects (Impact/Severity):**

- Increased costs for paying for private accommodation to house homeless
- Increase in number of homeless people in Mid Devon

**Causes (Likelihood):**

- Impact of economic downturn and reduced funding has reduced number of affordable housing units being built
- Under-occupation in existing stock
- Reduction in number of Right to Buys results in less HRA funding available for new builds

**Service: Housing Services**

**Current Status: Medium (12)**

**Current Risk Severity: 4 - High**

**Current Risk Likelihood: 3 - Medium**

**Service Manager: Claire Fry**

**Review Note:** There is still a significant deficit between permissions granted and build-out rates

**Risk: Asset Management** • The Council may not be optimising its portfolio of assets

- Assets purchased without prior approval may not be supported by Council policies and systems
- Misuse of assets could have a financial impact to the Council
- Inadequate inventory records could invalidate insurance claims, disrupt the business continuity process and hide instances of theft
- Failure to maintain the Asset Management Strategy could result in an inefficient use of resources

Not making a commercial ROI

**Effects (Impact/Severity):**

- Theft of stocks and stores

**Causes (Likelihood):**

- Mismanagement of stocks and stores

**Service: Property Services**

**Current Status: Medium (12)**

**Current Risk Severity: 3 - Medium**

**Current Risk Likelihood: 4 - High**

**Service Manager: Andrew Busby**

**Review Note:** Capital Asset Management Strategy 2016-2020 on the website

## Risk Report Appendix 6

### **Risk: Car Parks** Car Park Overcrowding

#### **Effects (Impact/Severity):**

#### **Causes (Likelihood):**

Service: Leisure Services

**Current Status: Medium  
(12)**

**Current Risk Severity: 4 -  
High**

**Current Risk Likelihood: 3 -  
Medium**

Service Manager: Darren Beer

#### **Review Note:**

### **Risk: Commercial Land supply** Failure to identify commercial land supply will stunt economic growth

#### **Effects (Impact/Severity):**

#### **Causes (Likelihood):**

Service: Planning

**Current Status: High  
(15)**

**Current Risk Severity: 5 - Very  
High**

**Current Risk Likelihood: 3 -  
Medium**

Service Manager: Jenny Clifford

#### **Review Note:**

### **Risk: Contingency - Business Continuity** The Council fails to have an effective Business Continuity Plan in place that is up-to-date and complements the Emergency Plan, Disaster Recovery Plan and Risk Management Plan leading to service failure and loss in reputation.

**Effects (Impact/Severity):**

- Staff are not enabled or adequately prepared to deal with incidents in the event that senior managers are unavailable
- Poor management of a major incident will affect the Council's reputation
- There is a risk to decision-making processes and maintaining quorate committees in the event of loss of Members.
- Software Failure, leading to potential inability to pay staff, creditors, benefits etc and inability to access key data affecting service delivery and customer experience
- Increase in workforce homeworking

**Causes (Likelihood):**

- Severe weather including snow, flooding and heatwaves can cause disruption to normal service operation
- Severe space weather can cause disruption to a range of technologies and infrastructure, including communications systems, electronic circuits and power grids.
- Fuel strikes
- Industrial action

Failure to plan for this and implement contingency procedures will affect service delivery.

Service: Governance

**Current Status: Medium  
(12)**

**Current Risk Severity: 4 -  
High**

**Current Risk Likelihood: 3 -  
Medium**

Service Manager: Catherine Yandle

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## Risk Report Appendix 6

**Review Note:** Use of Business Continuity Template from DEPS launched in December and published on SharePoint for use

**Risk: Corp RA - Recycling Income** Reduction in material income levels due to market forces.

**Effects (Impact/Severity):**

**Causes (Likelihood):**

**Service: Street Scene Services**

**Current Status: Medium  
(12)**

**Current Risk Severity: 4 -  
High**

**Current Risk Likelihood: 3 -  
Medium**

**Service Manager: Stuart Noyce**

**Review Note:** With China banning imports of recycling materials in the New Year this risk is currently at a higher level

**Risk: Council Finances - Banking Arrangements** Problems with banks and online services may affect ability to access funds when we need to send or receive / process payments on a timely basis

**Effects (Impact/Severity):** Unable to promptly pay suppliers or treasury commitments

**Causes (Likelihood):** ICT systems down at Council or Bank so impossible to review cash position or make urgent payments

**Service: Financial Services**

**Current Status: No  
Data**

**Current Risk Severity: 5 - Very  
High**

**Current Risk Likelihood: 1 - Very  
Low**

**Service Manager: Andrew Jarrett**

**Review Note:** We use a well established, mainstream bank headquartered in the UK and so it is very unlikely that our banking arrangements will fail for as much as a single day.

**Risk: Council Finances - Investments** Failure to invest in the Council's funds in an efficient and effective manner may cause potential of a loss of monies invested

**Effects (Impact/Severity):** • Could result in cash flow loss of up to £3M

**Causes (Likelihood):** • Future banking collapses

**Service: Financial Services**

**Current Status: No  
Data**

**Current Risk Severity: 5 - Very  
High**

**Current Risk Likelihood: 1 - Very  
Low**

**Service Manager: Andrew Jarrett**

**Review Note:**

## Risk Report Appendix 6

**Risk: Council Finances - Treasury Management** Failure to comply with the CIPFA Code of Practice on Treasury Management /local authority accounting would be a breach in statutory duty

**Effects (Impact/Severity):**

**Causes (Likelihood):**

Service: Financial Services

Current Status: No Data

Current Risk Severity: 5 - Very High

Current Risk Likelihood: 1 - Very Low

Service Manager: Andrew Jarrett

**Review Note:**

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

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

**Causes (Likelihood):** medium if procedures followed.

Service: Property Services

Current Status: Medium (12)

Current Risk Severity: 4 - High

Current Risk Likelihood: 3 - Medium

Service Manager: Andrew Busby

**Review Note:**

**Risk: Decline in National economics** A decline in national economics could result in level of influence by local government being limited and having little or no impact on local economic activity

**Effects (Impact/Severity):** High - Inability to meet Council objectives, customer requirements or financial commitments

**Causes (Likelihood):** High - no control over macro-economics but Council objectives and action plan currently in process to increase local economic activity

Service: Community Development

Current Status: Medium (12)

Current Risk Severity: 4 - High

Current Risk Likelihood: 3 - Medium

Service Manager: John Bodley-Scott

**Review Note:**

**Risk: Economic Development Service** Failure to promote economic activity within the District will suppress the potential for new jobs and increased prosperity for residents

A continuing economic recession could jeopardise our ability to achieve corporate objective of 'A Thriving Economy'

## Risk Report Appendix 6

**Effects (Impact/Severity):** - Inability to meet Council objectives

- A lack of inward investment
- Uncertain economic recovery, impact on employment and infrastructure development

**Causes (Likelihood):** - Decline in national macro-economics

**Service: Community Development**

**Current Status: Medium (12)**

**Current Risk Severity: 4 - High**

**Current Risk Likelihood: 3 - Medium**

**Service Manager: Adrian Welsh**

**Review Note:** Economic Strategy currently being prepared which will focus the District Council's intervention in a more focused way and will also enable improved monitoring for this risk.

**Risk: Evictions** Tenants being evicted could become violent.

**Effects (Impact/Severity):**

**Causes (Likelihood):**

**Service: Housing Services**

**Current Status: Medium (10)**

**Current Risk Severity: 5 - Very High**

**Current Risk Likelihood: 2 - Low**

**Service Manager: Claire Fry**

**Review Note:** The pre-eviction risk assessment identifies household composition and layout, and any issues such as mental health and drug use relating to the tenant(s) and their families as well as whether or not there are any dogs present at the property.

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

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

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

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

**Service: Planning**

**Current Status: No Data**

**Current Risk Severity: 3 - Medium**

**Current Risk Likelihood: 5 - Very High**

**Service Manager: Jenny Clifford**

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

## Risk Report Appendix 6

**Risk: GDPR compliance** That the Council cannot demonstrate that we are prepared for GDPR

**Effects (Impact/Severity):**

**Causes (Likelihood):**

Service: Governance

**Current Status: High  
(15)**

Current Risk Severity: 5 - Very  
High

Current Risk Likelihood: 3 -  
Medium

Service Manager: Catherine Yandle

**Review Note:** The project team meet weekly, progress is steady

**Risk: H&S RA - Carlu Close Depot** Inherent risk at Carlu Close site - highest scoring risk

**Effects (Impact/Severity):**

**Causes (Likelihood):**

Service: Street Scene Services

**Current Status: High  
(15)**

Current Risk Severity: 5 - Very  
High

Current Risk Likelihood: 3 -  
Medium

Service Manager: Stuart Noyce

**Review Note:** The risk was reviewed as the result of carbon monoxide levels building up now transfer station work completed. Detailed trials and monitoring plan now in place.

**Risk: H&S RA - Chainsaw Use** Only staff who are NPTC qualified are permitted to use a chainsaw.

**Effects (Impact/Severity):**

**Causes (Likelihood):**

Service: Grounds Maintenance

**Current Status: Medium  
(12)**

Current Risk Severity: 4 -  
High

Current Risk Likelihood: 3 -  
Medium

Service Manager: Joe Scully

**Review Note:**

## Risk Report Appendix 6

**Risk: H&S RA - First Aid availability** First Aid availability when maintaining green spaces etc. because of the nature of the work which can be in areas of limited access to emergency services and of a high risk all team members should be Emergency First Aid at Work (EFAW)

**Effects (Impact/Severity):**

**Causes (Likelihood):**

Service: Grounds Maintenance

**Current Status: Medium (8)** Current Risk Severity: 4 - High Current Risk Likelihood: 2 - Low

Service Manager: Joe Scully

**Review Note:**

**Risk: H&S RA - Power Take Off (PTO) shaft** That the PTO shaft is not correctly guarded

**Effects (Impact/Severity):**

**Causes (Likelihood):**

Service: Grounds Maintenance

**Current Status: Medium (8)** Current Risk Severity: 4 - High Current Risk Likelihood: 2 - Low

Service Manager: Joe Scully

**Review Note:**

**Risk: H&S RA - Recycling Depot Operatives** Risk assessment for role - Highest Risks scored - Vehicle Movements inside Depot/Risk of Fire

**Effects (Impact/Severity):**

**Causes (Likelihood):**

Service: Street Scene Services

**Current Status: Medium (10)** Current Risk Severity: 5 - Very High Current Risk Likelihood: 2 - Low

Service Manager: Stuart Noyce

**Review Note:** SSoW/designated walkways/PPE/Reversing Assistants/Equipment servicing. Regular alarm testing and equipment checks/flammable materials outside.

## Risk Report Appendix 6

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

**Effects (Impact/Severity):**

**Causes (Likelihood):**

Service: Street Scene Services

**Current Status: Medium (10)**

**Current Risk Severity: 5 - Very High**

**Current Risk Likelihood: 2 - Low**

Service Manager: Stuart Noyce

**Review Note:** SSoW/Training & Instruction/Mobile phones

**Risk: H&S RA - Street Cleansing Operative** Risk assessment for role - highest risk from role - Risk of accident/injury when working roadside

**Effects (Impact/Severity):**

**Causes (Likelihood):**

Service: Street Scene Services

**Current Status: Medium (10)**

**Current Risk Severity: 5 - Very High**

**Current Risk Likelihood: 2 - Low**

Service Manager: Stuart Noyce

**Review Note:** SSoW/Induction training /PPE - Hi viz conforming to Class 3 requirements/ No working in peak hours 7am -10am & 4pm - 7pm/Operatives to litter pick facing against traffic/Operatives to be certificated on Chapter 8/Operative to remain alert to traffic at all times/Warning beacons on vehicle/Warning signage must be used in correct locations

**Risk: Hoarding** Some tenants are known hoarders but we have policies in place and we do regular inspections.

**Effects (Impact/Severity):**

**Causes (Likelihood):**

Service: Housing Services

**Current Status: Medium (10)**

**Current Risk Severity: 5 - Very High**

**Current Risk Likelihood: 2 - Low**

Service Manager: Claire Fry

**Review Note:** Staff are trained to respond to such issues and we have a policy setting out our approach to this type of management issue.

**Risk: Homelessness** Insufficient resources to support an increased homeless population could result in failure to meet statutory duty to provide advice and assistance to anyone who is homeless.

## Risk Report Appendix 6

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

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

- Possible increase in temporary accommodation usage.

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

- Lack of private sector housing.

**Service: Housing Services**

**Current Status: High (16)**    **Current Risk Severity: 4 - High**    **Current Risk Likelihood: 4 - High**

**Service Manager: Claire Fry**

**Review Note:** Homelessness strategy to be reviewed early 2018.

**Risk: Impact of Welfare Reform and other emerging National Housing Policy** Changes to benefits available to tenants could impact upon their ability to pay.

Other initiatives could impact upon our ability to deliver our 30 year Business Plan.

**Effects (Impact/Severity):**

**Causes (Likelihood):**

**Service: Housing Services**

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

**Current Risk Likelihood: 3 - Medium**

**Service Manager: Claire Fry**

**Review Note:**

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

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

**Effects (Impact/Severity):**

**Causes (Likelihood):**

**Service: I C T**

**Current Status: High (20)**    **Current Risk Severity: 5 - Very High**

**Current Risk Likelihood: 4 - High**

**Service Manager: Alan Keates**

**Review Note:**

**Risk: Legionella** Legionella

**Effects (Impact/Severity):**

**Causes (Likelihood):**

## Risk Report Appendix 6

**Service: Leisure Services**

**Current Status: High  
(15)**

**Current Risk Severity: 5 - Very High**

**Current Risk Likelihood: 3 - Medium**

**Service Manager: Darren Beer**

**Review Note:** Following the adverse sampling for Legionella at LMLC and subsequent review of risk assessment the score has been increased due to a failure in the management processes. Corporate Property are responsible for carrying through the action points raised in the safety review carried out by the Health and Safety Officer

**Risk: Leisure Income Generation** Inability to compete with neighbouring leisure centres could result in reduced custom / use

**Effects (Impact/Severity):** • Reduced income levels

**Causes (Likelihood):** • Discretionary spend nature of leisure sector in economic recession  
• The set-up of budget gyms in Mid Devon is unlikely but could impact on our income if they did  
• Smaller leisure businesses are more likely to set up in Mid Devon and their impact on our service could be reduced if internal communication processes are improved so as to notify Leisure Managers of any potential competitors in the area

**Service: Leisure Services**

**Current Status: No Data**

**Current Risk Severity: 3 - Medium**

**Current Risk Likelihood: 3 - Medium**

**Service Manager: Lee Chester**

**Review Note:** The Leisure Service achieved above income target for 2012-13 and is expected to achieve above target for 2013-14. The improvements made to the three sites in the last 12 months has meant that we offer a good value for money service which is reflected in year on year improvements in membership figures.

**Risk: Local Plan** Whether the Inspector will find the Plan unsound

**Effects (Impact/Severity):**

**Causes (Likelihood):**

**Service: Planning**

**Current Status: Medium  
(10)**

**Current Risk Severity: 5 - Very High**

**Current Risk Likelihood: 2 - Low**

**Service Manager: Jenny Clifford**

**Review Note:** Steps taken to mitigate risks by commissioning additional work to strengthen evidence base.

## Risk Report Appendix 6

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

**Effects (Impact/Severity):**

**Causes (Likelihood):**

Service: Property Services

**Current Status: Medium**  
(12)

**Current Risk Severity: 4 - High**

**Current Risk Likelihood: 3 - Medium**

Service Manager: Andrew Busby

**Review Note:**

**Risk: New Homes** A low housing build rate would equal less affordable housing resulting in a reduction in potential New Homes Bonus

**Effects (Impact/Severity):** - Loss of Affordable Housing Income Section 106

- Failure to meet targets in Development Plan

- Potentially unallocated sites being developed as 5-year housing supply reduces

**Causes (Likelihood):**

Service: Planning

**Current Status: Medium**  
(12)

**Current Risk Severity: 4 - High**

**Current Risk Likelihood: 3 - Medium**

Service Manager: Jenny Clifford

**Review Note:**

**Risk: Overall Funding Availability** Changes to Revenue Support Grant, Business Rates, New Homes Bonus and other funding streams in order to finance ongoing expenditure needs.

**Effects (Impact/Severity):**

**Causes (Likelihood):**

Service: Financial Services

**Current Status: High**  
(15)

**Current Risk Severity: 5 - Very High**

**Current Risk Likelihood: 3 - Medium**

Service Manager: Andrew Jarrett

**Review Note:** Mitigation – Local and national working groups and advice from experts – liaise with DCLG and then attempt to model/plan.

**Risk: Plant Room** Plant Room

**Effects (Impact/Severity):**

**Causes (Likelihood):**

Service: Leisure Services

**Current Status: Medium**  
(10)

**Current Risk Severity: 5 - Very High**

**Current Risk Likelihood: 2 - Low**

## Risk Report Appendix 6

**Service Manager: Darren Beer**

**Review Note:** • Only authorized personnel to enter storage areas

- Pool plant operator certification required by operators
- Backwash only when pool not in use
- Planned storage of combustible materials
- Staff carry two way radios.

### **Risk: Pool Inflatable** Pool Activities

**Effects (Impact/Severity):**

**Causes (Likelihood):**

Service: Leisure Services

**Current Status: Medium**  
(10)

**Current Risk Severity: 5 - Very High**

**Current Risk Likelihood: 2 - Low**

Service Manager: Darren Beer

**Review Note:**

### **Risk: Premier Inn Construction site** Increased difficulty in management of the car parking facility while the Premier Inn is being built

**Effects (Impact/Severity):**

**Causes (Likelihood):**

Service: Property Services

**Current Status: Medium**  
(10)

**Current Risk Severity: 5 - Very High**

**Current Risk Likelihood: 2 - Low**

Service Manager: Andrew Busby

**Review Note:** Premier Inn are reviewing plans to secure VfM and will come back to MDDC with a start date asap.

MDDC will update the RA on receipt of the Construction Phase Schedule from Premier Inn.

### **Risk: Reputational damage - social media** impact of reputational damage through social media is a significant risk that warrants inclusion on the Authority's risk register.

**Effects (Impact/Severity):**

**Causes (Likelihood):**

Service: Communications

**Current Status: Medium**  
(10)

**Current Risk Severity: 5 - Very High**

**Current Risk Likelihood: 2 - Low**

Service Manager: Jane Lewis

**Review Note:**

## Risk Report Appendix 6

**Risk: Reputational re Council Housing Stock** Handling a disaster/mistake properly would prevent any reputation damage.

**Effects (Impact/Severity):**

**Causes (Likelihood):**

Service: Housing Services

**Current Status: Medium (10)**

**Current Risk Severity: 5 - Very High**

**Current Risk Likelihood: 2 - Low**

Service Manager: Claire Fry

**Review Note:**

**Risk: Safeguarding Awareness** Failure to ensure that awareness of safeguarding issues and what to do if one's suspicions are raised are not adequately dissipated throughout the council.

**Effects (Impact/Severity):**

**Causes (Likelihood):**

Service: Safeguarding

**Current Status: Medium (10)**

**Current Risk Severity: 5 - Very High**

**Current Risk Likelihood: 2 - Low**

Service Manager: Nicola Cuskeran

**Review Note:** Compulsory training for all staff has been re-launched.  
Policy reviewed and updated annually  
Councillor briefing  
Recent audit completed

**Risk: School Swimming Sessions** School Swimming Sessions

**Effects (Impact/Severity):**

**Causes (Likelihood):**

Service: Leisure Services

**Current Status: Medium (10)**

**Current Risk Severity: 5 - Very High**

**Current Risk Likelihood: 2 - Low**

Service Manager: Darren Beer

**Review Note:**

**Risk: Stress** The physical and mental well-being of Officers could be affected by work environment and pressures caused by work demands and work relationships.

**Effects (Impact/Severity):**

**Causes (Likelihood):**

Service: Legal Services

**Current Status: Medium (12)**

**Current Risk Severity: 4 - High**

**Current Risk Likelihood: 3 - Medium**

## Risk Report Appendix 6

**Service Manager:** Kathryn Tebbey

**Review Note:** The risk is not well-related to Legal Services. The risk for Legal Services is from a constant high workload leading to burnout and stress. Some of this will be alleviated through improved systems, but this may prove insufficient mitigation.

**Risk: Stress** The physical and mental well-being of Officers could be affected by work environment and pressures caused by work demands and work relationships.

**Effects (Impact/Severity):**

**Causes (Likelihood):**

Service: Housing Services

**Current Status: Medium**  
(12)

**Current Risk Severity: 4 - High**

**Current Risk Likelihood: 3 - Medium**

**Service Manager:** Claire Fry

**Review Note:** In the case of potential stress and related conditions, Managers should undertake regular supervision meetings to monitor the situation and provide support.

**Risk: Swimming Lessons** Swimming Lessons

**Effects (Impact/Severity):**

**Causes (Likelihood):**

Service: Leisure Services

**Current Status: Medium**  
(10)

**Current Risk Severity: 5 - Very High**

**Current Risk Likelihood: 2 - Low**

**Service Manager:** Darren Beer

**Review Note:**

**Risk: Swimming Pool** Swimming pool & spectator walkway

**Effects (Impact/Severity):**

**Causes (Likelihood):**

Service: Leisure Services

**Current Status: Medium**  
(10)

**Current Risk Severity: 5 - Very High**

**Current Risk Likelihood: 2 - Low**

**Service Manager:** Darren Beer

**Review Note:**

**Risk: Tenants with Complex Needs** As our housing stock shrinks, the proportion of such tenants will increase.

**Effects (Impact/Severity):**

**Causes (Likelihood):**

## Risk Report Appendix 6

**Service: Housing Services**

**Current Status: Medium  
(12)**

**Current Risk Severity: 4 -  
High**

**Current Risk Likelihood: 3 -  
Medium**

**Service Manager: Claire Fry**

**Review Note:** Good links with other partners including the Police, Social Services, support agencies etc.

**Risk: Welfare Reform Act - Benefits** Failure to implement and communicate the new benefits framework effectively could result in applications not being completed in time

**Effects (Impact/Severity):** If the changes from current benefits system to Universal Credit go ahead, the system will require greater staff resource

**Causes (Likelihood):** Will now happen

**Service: Revenues - Benefits**

**Current Status: No Data**

**Current Risk Severity: 4 - High**

**Current Risk Likelihood: 3 - Medium**

**Service Manager: Andrew Jarrett**

**Review Note:**

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# Risk Matrix

## Report For MDDC - Services Current settings

<b>Risk Likelihood</b>	<b>5 - Very High</b>	<b>No Risks</b>	<b>1 Risk</b>	<b>No Risks</b>	<b>No Risks</b>	<b>No Risks</b>
	<b>4 - High</b>	<b>No Risks</b>	<b>No Risks</b>	<b>1 Risk</b>	<b>3 Risks</b>	<b>2 Risks</b>
	<b>3 - Medium</b>	<b>No Risks</b>	<b>3 Risks</b>	<b>10 Risks</b>	<b>17 Risks</b>	<b>6 Risks</b>
	<b>2 - Low</b>	<b>1 Risk</b>	<b>15 Risks</b>	<b>38 Risks</b>	<b>36 Risks</b>	<b>29 Risks</b>
	<b>1 - Very Low</b>	<b>4 Risks</b>	<b>9 Risks</b>	<b>9 Risks</b>	<b>16 Risks</b>	<b>19 Risks</b>
	<b>1 - Very Low</b>	<b>2 - Low</b>	<b>3 - Medium</b>	<b>4 - High</b>	<b>5 - Very High</b>	
	<b>Risk Severity</b>					

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## AUDIT COMMITTEE

29 MAY 2018

### PROGRESS UPDATE ON THE ANNUAL GOVERNANCE STATEMENT ACTION PLAN

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

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

**RECOMMENDATION(S):** The Committee note the progress update

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

**Financial Implications:** None arising from this report.

**Legal Implications:** None arising from this report.

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

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

#### 1.0 Introduction

- 1.1 The purpose of this report is to provide Members of the Committee with an update on the progress that has been made against the actions in the Annual Governance Statement Action Plan since the Audit Committee approved it on 17 July 2017.
- 1.2 The Action Plan is attached as Appendix A and progress updates have been noted on the document.
- 1.3 Nine items are complete with three not yet due, one cancelled and one overdue.
- 1.4 Any remaining items will be carried forward to the AGS action Plan for 2017-18 at this point, as that will be presented at the next meeting.

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

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

**List of Background Papers:** None

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## Annual Governance Statement 2016-17 Action Plan

Issues Identified	Action to be taken	By whom/Progress made	When by end of...
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  Full Council 26 April	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  Report to Scrutiny 14 August	August 2017  
Page 51 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.	Group Manager for Performance, Governance and Data Security  First report using the new criteria Environment PDG 16 May	April 2017  
4. More benchmarking information is needed and stronger links between financial and performance monitoring.  Evidence that budgets, plans and objectives are aligned.	Link between finance and performance to be reinforced in Service Business Plans for 2018/19.	Director of Corporate Assets and Resources  Have subscribed to LG Inform Plus which benchmarks against all authorities in England  Ongoing process of Continuous Improvement	<del>September 2017</del> October 2017  

## Annual Governance Statement 2016-17 Action Plan

Issues Identified	Action to be taken	By whom/Progress made	When by end of...
5. Service plans demonstrate consideration of 'social value'.	Integrated Reporting will become a requirement for 2017/18 Financial statements onwards	Group Manager for Performance, Governance and Data Security  This is still not a "requirement" rather a "nice to have". Due to GDPR work (see item 13) it has been decided to bear this in mind for the Narrative Statement in the accounts rather than go for full "Integrated Reporting"	<del>May 2018</del>  
6. Corporate plan priorities and targets are still not effectively cascaded throughout the Council  Page 52	Leadership Team have commenced 6 monthly Q & A sessions for all staff and also Chat with the Chief	Leadership Team  First 2 sessions were 12 April  Next 3 sessions were w/c 16 October	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  Launched – will be put on new learning and development software (see below)	<del>August 2017</del>  December 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  We have contacted the supplier about the Principled Business & Ethics Module  The Staff Charter instils core values for staff and managers	<del>July 2017</del>  April 2018  

## Annual Governance Statement 2016-17 Action Plan

Issues Identified	Action to be taken	By whom/Progress made	When by end of...
<p>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.</p>	<p>Aspiring Managers Scheme Skills Audit</p>	<p>Director of Business Transformation and Corporate Affairs  12 month programme - launched April 2017</p>	<p>April 2017  </p>
<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>Director of Business Transformation and Corporate Affairs  Resident's survey completed, have increased GovDelivery sign up.  Working on an updated community action plan  Scrutiny Community Engagement working group started</p>	<p>December 2017    September 2018    June 2018</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>

## Annual Governance Statement 2016-17 Action Plan

Issues Identified	Action to be taken	By whom/Progress made	When by end of...
13. A gap analysis against the GDPR has identified areas which need improvement	<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>Group Manager for Performance, Governance and Data Security</p> <p>Progress on the identified actions is good. Other actions identified are in progress</p> <p>We would be able to demonstrate we are working towards compliance if the ICO were to inspect the Council.</p>	<p>May 2018</p> <p style="text-align: center;"></p>
<p>14 We need to arrange Public Sector Equality duty training</p> <p style="writing-mode: vertical-rl; transform: rotate(180deg);">Page 54</p>	<p>Programme of awareness and training</p>	<p>Group Manager for Performance, Governance and Data Security</p> <p>Several training sessions run throughout the year</p>	<p>June 2017</p> <p>October 2017</p> <p style="text-align: center;"></p>

## AUDIT COMMITTEE 29 MAY 2018

### INTERNAL AUDIT ANNUAL REPORT 2017/18

**Cabinet Member**                      **Cllr Peter Hare-Scott**  
**Responsible Officer**                **Audit Manager, David Curnow**

**Reason for Report:** To update the Committee on the work performed by Internal Audit during the 2017/18 financial year as required by the Public Sector Internal Audit Standards.

**RECOMMENDATION(S):** The Committee considers the report for information and notes the audit assurance opinion on the internal control framework when reviewing and approving the Annual Governance Statement.

1. The key objective of Internal Audit is to provide assurance to Members, Leadership and the Director of Finance (as the Council's "section 151 responsible officer") on the adequacy and security of those systems on which the Council relies for its internal control, both financial and management.
2. One of the key elements of the Council's governance arrangements is the Annual Governance Statement (AGS), signed by the Chief Executive and Chair of Audit Committee. This is included in the Council's Annual Statement of Accounts. The assurance opinions derived from the work of Internal Audit are among the significant items that inform the AGS.
3. The summary report available separately describes the performance of Devon Audit Partnership against the internal audit plans for 2017/18 that were approved by the Audit Committee in March 2017. That work, and the continuing contribution of Devon Audit Partnership to both risk management and anti-fraud arrangements within the Council, leads to an opinion that the Council has an effective framework of control which provides significant assurance regarding the effective, efficient and economic achievement of its objectives. The Committee can take assurance from these findings.

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

**Financial Implications:** None

**Legal Implications:** None

**Risk Assessment:** In-effective public accountability through Annual Governance Statement may result in the Council breaching the Accounts and Audit Regulations 2015.

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

**Contact for more Information:** David Curnow [dcurnow@middevon.gov.uk](mailto:dcurnow@middevon.gov.uk)  
01884 234237

**Circulation of the Report:** Leadership Team and Cabinet Member, DAP

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Internal Audit

# Annual Audit Report 2017-18

Mid Devon District Council  
Audit Committee

Page 57

May 2018

Robert Hutchins  
Head of Audit Partnership



Auditing for achievement

## Introduction

The Audit Committee, under its Terms of Reference contained in the Council's Constitution, is required to consider the Chief Internal Auditor's annual report, to review and approve the Internal Audit programme, and to monitor the progress and performance of Internal Audit.

The Accounts and Audit (Amendment) (England) Regulations 2015 introduced the requirement that all Authorities need to carry out an annual review of the effectiveness of their internal audit system, and need to incorporate the results of that review into their Annual Governance Statement (AGS), published with the annual Statement of Accounts.

The Internal Audit plan for 2017/18 was presented and approved by the Audit Committee in March 2017. The following report and appendices set out the background to audit service provision; a review of work undertaken to date in 2017/18, and provides an opinion on the overall adequacy and effectiveness of the Authority's internal control environment.

The Public Sector Internal Audit Standards require the Head of Internal Audit to provide an annual report providing an opinion that can be used by the organisation to inform its governance statement. This report provides that opinion.

### Expectations of the Audit Committee from this annual report

Audit Committee members are requested to consider:

- the assurance statement within this report;
- the basis of our opinion and the completion of audit work against the plan;
- the scope and ability of audit to complete the audit work;
- audit coverage and findings provided;
- the overall performance and customer satisfaction on audit delivery.

In review of the above the Audit Committee are required to consider the assurance provided alongside that of the Executive, Corporate Risk Management and external assurance including that of the External Auditor as part of the Governance Framework (see appendix 5) and satisfy themselves from this assurance for signing the Annual Governance Statement.

**Robert Hutchins**  
**Head of Devon Audit Partnership**

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## Opinion Statement

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

*This opinion statement will provide Members with an indication of the direction of travel for their consideration for the Annual Governance Statement see appendix 4.*

The Authority's internal audit plan for the year includes specific assurance, risk, governance and value added reviews which, with prior years audit work, provide a framework and background within which we assess the Authority's control environment. These reviews have informed the Head of Internal Audit's Opinion on the details of Internal Audit's opinion on each audit review carried out in 2017/18 to date. If significant weaknesses have been identified in specific areas, these will need to be considered by the Authority in preparing its Annual Governance Statement later in the year when preparing the Statement of Accounts for 2017/18.

In carrying out systems and other reviews, Internal Audit assesses whether key and other, controls are operating satisfactorily within audit reviews, and an opinion on the adequacy of controls is provided to management as part of the audit report. All final audit reports include an action plan which identifies responsible officers, and target dates, to address control issues identified. Implementation of action plans rests with management, these are reviewed during subsequent audits or as part of a specific follow-up.

We have included a new Summary Assurance Opinions chart on page 3 which provides a "Themed" overview of the audit coverage. We have then RAG rated the audit areas covered to identify what our assurance is relative to the proposed plan at the beginning of the year.

This statement of opinion is underpinned by:

### Internal Control Framework

The control environment comprises the Council's policies, procedures and operational systems and processes in place to:

- establish and monitor the achievement of the Council's objectives;
- facilitate policy and decision making;
- ensure the economical, effective and efficient use of resources;
- ensure compliance with established policies, procedures, laws and regulations;
- safeguard the Council's assets and interests from losses of all kinds, including those arising from fraud, irregularity or corruption.

During the year, core financial and administrative systems were reviewed by Internal Audit either through specific reviews (e.g. debtors, creditors, payroll & Main Accounting) or generally in the reviews undertaken in respect of directorate systems. The Council's overall internal control framework operated effectively during the year. Where internal audit work has highlighted instances of none or part compliance, none are understood to have had a material impact on the Authority's affairs.

### Risk Management

Risk Management process at strategic and operational level remains in place although it is recognised that review is required to improve the focus of risks to key business objectives and improve mitigation. There remains work to be done to integrate and embed this at operational level.

### Governance Arrangements

Governance arrangements have been considered in the areas of projects and procurement and Contract, and found to be effective, but with opportunities to improve consistency or alignment to business need The Councils engagement with the Information Security Group continues to provide governance in relation to management of information.

### Performance Management

Performance is subject to monitoring at management and Committee levels through PDG and Scrutiny. This is supported by the SPAR performance monitoring system though it is recognised that this requires improvement to further embed monitoring into day to day operations.

<b>Full Assurance</b>	Risk management arrangements are properly established, effective and fully embedded, aligned to the risk appetite of the organisation. The systems and control framework mitigate exposure to risks identified & are being consistently applied in the areas reviewed.	<b>Limited Assurance</b>	Inadequate risk management arrangements and weaknesses in design, and / or inconsistent application of controls put the achievement of the organisation's objectives at risk in a number of areas reviewed.
<b>Significant Assurance</b>	Risk management and the system of internal control are generally sound and designed to meet the organisation's objectives. However, some weaknesses in design and / or inconsistent application of controls do not mitigate all risks identified, putting the achievement of particular objectives at risk.	<b>No Assurance</b>	Risks are not mitigated and weaknesses in control, and /or consistent non-compliance with controls could result / has resulted in failure to achieve the organisation's objectives in the areas reviewed, to the extent that the resources of the Council may be at risk, and the ability to deliver the services may be adversely affected.

# Summary Assurance Opinion

		Service Area Overview of Audit Coverage				Opportunity	Value Added	
		Finance & Resources	Corporate Affairs	Operations	Planning & Economy			
Page 60	Summary of key audit reviews	Fixed Assets	Customer Care Complaints  Electoral Registration  Electronic Payments - PCI and online systems  Travel & subsistence	Housing Health & Safety	Development Control – S106	Market Operations  Housing Options  Safeguarding	Tender opening  Fraud Prevention & Investigation National Fraud Initiative  Audit Follow-up  Consultancy  Housing Repairs Stocktake	
		Insurance		Environmental Health	Planning Enforcement			
		Income collection		Care Services				Leisure Centre - LMLC
				Trade Waste Income				
Core Assurance	Key Financial Systems -	Main Accounting system, Financial Systems Admin	Council Tax & NNDR, Housing Benefits	Debtors, Housing Rents	Creditors, Payroll	Treasury Management, Bank rec.		
	Governance & Business Processes -	Contract Management	Risk Management	Budgeting system	Human Resource Systems	Procurement		
	ICT -	Equipment Inventory	Systems Admin					

Note: Assurance opinions are 'RAG' rated to support the overall assurance opinion for the year. The ratings are relevant at the time of the audit review and assurance may have improved since that time. Performance against recommendations is shown in appendix 2. Areas shaded blue denote opportunity or value added work.

## Value Added

We know that it is important that the internal audit service seeks to "add value" whenever it can and we believe internal audit activity has added value to the organisation and its stakeholders by:

- Providing objective and relevant assurance;
- Contributing to the effectiveness and efficiency of the governance, risk management and internal control processes.

Feedback has led us to change the clearance process of audit findings with the introduction of a debrief at the close of audit. This will bring the feedback to an earlier stage and smooth the clearance process of the draft report.

A selection of audit feedback surveys received have stated:-

*"very well organised throughout", "a painless experience", "excellent, efficient & professional staff"*

*"helpful in supporting Finance's messages to management.", "a positive experience"*

*"identified issues of business continuity that needed assurance on"*

We trust that officers have found our engagement, support as a "trusted advisor" effective and constructive in these significantly changing times.

## Audit Coverage and performance against plan

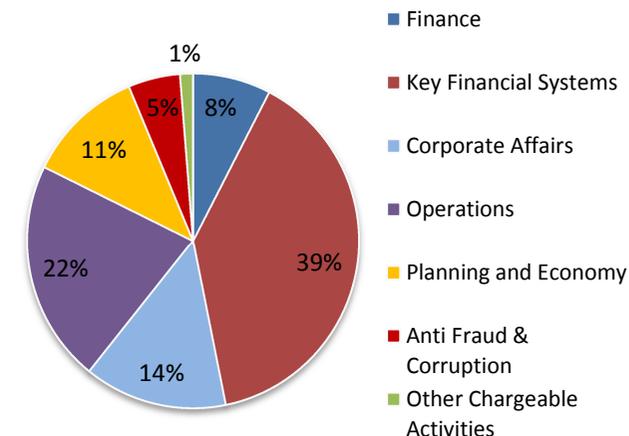
We have completed 100% of the revised plan for the year. The pie charts right shows the breakdown of audit days planned by service area / type of audit support provided. The balance of work has varied slightly during the year as can be seen from comparison with the second chart, and variations have been with full agreement of the client. Appendix 6 shows the performance indicators for audit delivery. Some audits required a richer mix of staff resource due to the complexity / sensitivity of the area under review; we have notably done this with ICT.

Appendix 1 to this report provides the final progress summary of the audits undertaken during the year, along with our assurance opinion. Where a "high" or "good" standard of audit opinion has been provided we can confirm that, overall, sound controls are in place to mitigate exposure to risks identified; where an opinion of "improvement required" has been provided then issues were identified during the audit process that required attention. We have provided summaries of the key issues reported that are being addressed by management. It should be pointed out that we are content that management are appropriately addressing these issues.

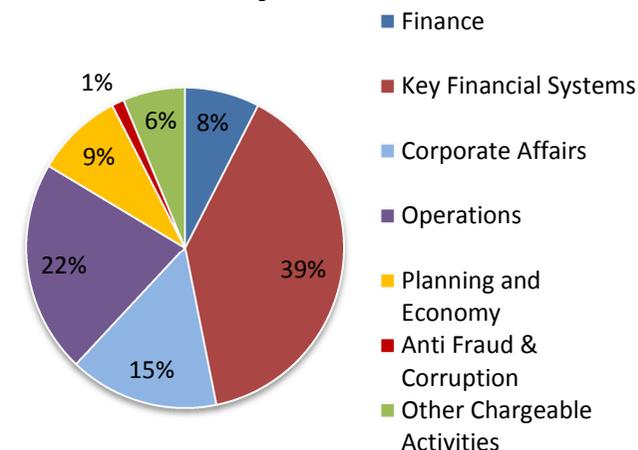
## Fraud Prevention and Detection

Overall the risk of fraud at the Council is considered low. All our internal audit assignments include an aspect of considering the potential for fraud and how the council prevents such fraud occurring. In particular, work on the key financial systems (payroll, creditors, debtors, treasury management etc) considered the suitability and robustness of the control framework to prevent, detect and address fraud. Counter-fraud arrangements are a priority for the Council and assist in the protection of public funds and accountability. The national data matching exercise (National Fraud Initiative - NFI) is supported by the Council every two years. The two small investigations that we completed were adequately addressed by Human resources and Management.

### Audit Plan 2017-18



### Audit Delivery 2017-18



## Appendix 1 – Summary of audit reports and findings for 2017/18

### Risk Assessment Key

Spar – Local Authority Risk Register score Impact x Likelihood = Total & Level  
 ANA - Audit Needs Assessment risk level as agreed with Client Senior Management  
 Client Request – additional audit at request of Client Senior Management; no risk assessment information available

### Direction of Travel Assurance Key

Green – action plan agreed with client for delivery over an appropriate timescale;  
 Amber – agreement of action plan delayed or we are aware progress is hindered;  
 Red – action plan not agreed or we are aware progress on key risks is not being made.  
 \* report recently issued, assurance progress is of managers feedback at debrief meeting.

Risk Area / Audit Entity	Audit Report					
	Assurance opinion	Executive Summary / Residual Risk	Summary of Recommendations High / Med / Low		Direction of Travel Assurance	
<b>Core Audit – Key Financial Systems</b>						
<b>Housing Benefits System</b> Risk / ANA: ANA – High Spar 2x2=6 Low/amber	Good Standard Status: Draft	Processes were found to be operating effectively with the team utilising a lean workflow system; processes are generally operating as expected and as required by the organisation. The overall debt of overpayments has reduced since last year. There are improvement opportunities in business continuity testing and security arrangements for the agency worker leavers process part of which has been recognised and is already being implemented.	1	4	0	
<b>Housing Rents</b> Risk / ANA: ANA – High Spar 3x2=6 Low/amber	Good Standard Status: Final	The controls which operate to ensure the accuracy and verification process for the calculation of Housing Rents, as well as the procedures for rent collection and ensuring completeness of income are robust and operate to a high standard. There remain two areas of risk that require mitigation : <ul style="list-style-type: none"> <li>the arrears process is currently being reviewed by the Housing Department to improve delays in recovery of outstanding debt.</li> <li>management of system user access records.</li> </ul>	0	4	0	
<b>ICT – Core Systems</b> Risk / ANA: ANA – Medium	Good Standard Status: Final	We reviewed the Council's compliance and organisational controls and found them to be generally sound in terms of policies, inventories, licencing and compliance with PSN requirements. Some policies are overdue review to ensure appropriateness of need.  The Council's physical and environmental controls are working well with complete and up to date network documentation and appropriate environmental controls in the data centres. Changes to the network are well controlled and incidents responded to appropriately. However, we have highlighted: <ul style="list-style-type: none"> <li>a concern relating to the physical security of the primary data centre.</li> <li>periodic checks are not carried out to confirm the ability to restore key business.</li> </ul>	2	10	0	

Risk Area / Audit Entity	Audit Report					
	Assurance opinion	Executive Summary / Residual Risk	Summary of Recommendations High / Med / Low			Direction of Travel Assurance
<b>Systems Audits – Risk Based</b>						
<b>Payment Card Industry - PCI</b>  Client request	High standard  Status: Final	The Council has a third party provider (Capita) who deal with the processing of payment card information, therefore much of the risk associated with the payment card security is transferred, and the Council has been certified as compliant.  Management control over staff recognition of PCI policy requires closer monitoring.	0	2	1	
<b>Housing Options – Homelessness</b>  Spar 5x4=20 High/Red	Opportunity  Status: Final	Change in legislation with effect from 1 <sup>st</sup> April 2018 has required a new computer software system and will require significant change in working practices. The late announcement by government of requirements has delayed action. We have advised on risk and control in the development of change plan and identification of key risks and operational processes including data handling, partners and performance. Significant further work will be required to implement the new systems next year and further audit support will be provided to mitigate new risks.	N/a			
<b>Housing Repairs Stores Stocktake</b>  Risk / ANA: ANA – Low Client request	High Standard  Status: Final	Procedures are effective for ensuring a reliable stock take is undertaken. Variances from stock overall are lower than previously showing improvement. The net adjustment to stock records is minimal and a review is being completed of variances for improvement purposes.	0	1	0	
<b>Development Control</b> Risk / ANA: ANA – High Spar	<b>Improvements Required</b>  Status: Final	There are known control weaknesses within the process, the main weakness identified is the inability of the legacy systems to provide a full overview of the ‘trigger points’ for all of the s106 agreements, and therefore the lack of prompt reliable management information for profiling and managing contributions due and received from developers.  A project to address this is ongoing through use of specialised software, although populating the system is time consuming as many of the s106 agreements are complex. The current position is being reviewed by senior management and additional temporary staff engaged to clear the backlog.	2	3	0	

## Appendix 2 – Recommendation Performance Indicators

Incomplete Audits	Year	Recommendations									Direction of Travel R,A,G	Comments			
		High			Medium			Low					Total		
		C	N	O	C	N	O	C	N	O			C	N	O
Creditors	2017	1			1	1		1			3	0	1	↑G	
Income & Cash Collection	2017					1	2	1	1		1	2	2	↗	
Main Accounting System	2017				1	1	2			1	1	1	3	↑G	
Council Tax & NNDR	2017	3			2			1			6	0	0	↑G	
Trade Waste	2017				4			2			6	0	0	↗	
Payroll	2017	1		2	3	2	2				4	2	4	↗	
Treasury	2017	2			1	1					3	1	0	↑G	
Appraisals & Training	2015	1			13		1	2			16	0	1	↗	Setting of performance indicators
Care Services - Alarm Call	2017	2	2		3						5	2	0	↑G	
Customer Care & Complaints	2017				1	2	3		1		1	3	3	↗	
District Officers	2017				8			1			9	0	0	↑G	
Electronic Payments/ Online Forms	2017	1				2	1				1	2	1	↗	
Emergency Planning	2015				3		1	1			4	0	1	↑G	Business Continuity Plan - Agenda for June GM
Environmental Health	2017				8	2	5		1		8	3	5	↗	
Housing H&S Management	2017	2			8		1				10	0	1	↑G	Performance indicator needs to be set up and scored
ICT Inventory	2017	2			2		2				4	0	2	↑G	
Insurance	2017	1			1	2			1		2	3	0	↑G	
Legal Services	2015				2	1	1				2	1	1	↗	Date extended, digital archiving system required
Leisure LMLC	2017				5		1				5	0	1	↑G	
Planning - Enforcement	2017				4		3				4	0	3	↗	
Safeguarding	2017	1					4				1	0	4	↘R	Safeguarding training to be re-launched week beginning 14 May
Sickness & Other Time Off	2016				6		2				6	0	2	↗	Policy update required
Standby	2016				2		1				2	0	1	↘R	Will be taken into account during a review of the whole Standby service, due by the end of 2018.
Travel & Subsistence	2017	1	1		2			1			4	1	0	↑G	
Vehicles & Fuel	2015	5			6		1				11	0	1	↗	Transport policy (fleet management)
		23	3	2	86	14	34	10	4	1	119	21	37		

CORE
SYSTEM

**C = Completed**

67%

Not progressing ↘R

**N= Not yet due**

12%

Progressing some overdue ↗

**O= Overdue**

21%

On Target ↑G

\* report just issued

## Appendix 3 - Professional Standards and Customer Service

### Conformance with Public Sector Internal Audit Standards (PSIAS)

**Conformance** - Devon Audit Partnership conforms to the requirements of the PSIAS for its internal audit activity. The purpose, authority and responsibility of the internal audit activity is defined in our internal audit charter, consistent with the *Definition of Internal Auditing*, the *Code of Ethics* and the *Standards*. Our internal audit charter was approved by senior management and the Audit Committee in March 2017. This is supported through DAP self-assessment of conformance with Public Sector Internal Audit Standards & Local Government Application note.

**Quality Assessment** – through external assessment December 2016 “DAP is considered to be operating in conformance with the standards”. External Assessment provides independent assurance against the Institute of Internal Auditors (IIA) Quality Assessment & Public Sector Internal Audit Standards (PSIAS). The Head of Devon Audit Partnership also maintains a quality assessment process which includes review by audit managers of all audit work. The quality assessment process and improvement is supported by a development programme.

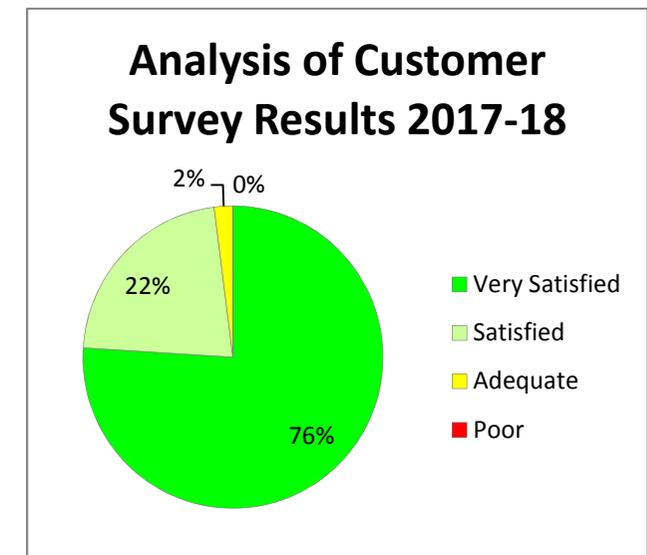
**Improvement Programme** – DAP maintains a rolling development plan of improvements to the service and customers. All recommendations of the external assessment of PSIAS and quality assurance were included in this development plan and have been completed. This will be further embedded with revision of our internal quality process through peer review. Our development plan is regularly updated and a status report was which is monitored by the Management Board in February 2018 and reported to the Partnership Committee.

### Performance Indicators

Overall, performance against the indicators has been very good with improvements made on the previous year (see Appendix 6). We are aware that some of our draft and final reports were not issued to the customer within the agreed timeframes (15 working days for draft report and 10 working days for final report). We continue to review where performance in this area can be improved.

### Customer Service Excellence

In June 2017, DAP was successful in re-accreditation by G4S Assessment Services of the CSE. We continue to issue client survey forms with our final reports and the results of the surveys returned are, although low in number, very good and again are very positive. The overall result is very pleasing, with near 98% being “satisfied” or better across our services, see appendix 7. It is very pleasing to report that our clients continue to rate the overall usefulness of the audit and the helpfulness of our auditors highly.



## Appendix 4 - Audit Authority

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## Appendix 5 - Annual Governance Framework Assurance

**The conclusions of this report provide the internal audit assurance on the internal control framework necessary for the Committee to consider when reviewing the Annual Governance Statement.**

The Annual Governance Statement provides assurance that

- the Authority's policies have been complied with in practice;
- high quality services are delivered efficiently and effectively;
- ethical standards are met;
- laws and regulations are complied with;
- processes are adhered to;
- performance statements are accurate.

The statement relates to the governance system as it is applied during the year for the accounts that it accompanies. It should:-

- be prepared by senior management and signed by the Chief Executive and Chair of the Audit Committee;
- highlight significant events or developments in the year;
- acknowledge the responsibility on management to ensure good governance;
- indicate the level of assurance that systems and processes can provide;
- provide a narrative on the process that has been followed to ensure that the governance arrangements remain effective. This will include comment upon;
  - The Authority;
  - Audit Committee;
  - Risk Management;
  - Internal Audit;
  - Other reviews / assurance.

Provide confirmation that the Authority complies with CIPFA / SOLACE Framework *Delivering Good Governance in Local Government*. If not, a statement is required stating how other arrangements provide the same level of assurance



The AGS needs to be presented to, and approved by, the Audit Committee, and then signed by the Chair.

The Committee should satisfy themselves, from the assurances provided by the Corporate Risk Management Group, Executive and Internal Audit that the statement meets statutory requirements and that the management team endorse the content.

## Appendix 6 – Performance Indicators

There are no national Performance Indicators in existence for Internal Audit, however, the Partnership does monitor the following Local Performance Indicators LPI's:

<b>Local Performance Indicator (LPI)</b>	<b>2017/18</b>	<b>2017/18</b>
	<b>Full Year Target</b>	<b>12mth Month Actual</b>
Percentage of Audit plan Commenced	90%	100%
Percentage of Audit plan Completed	90%	100%
Actual Audit Days as percentage of planned	90%	100%
Percentage of fundamental / material systems reviewed annually	100%	100%
Percentage of chargeable time	65%	68%
Customer Satisfaction - % satisfied or very satisfied as per feedback forms	90%	98%
Draft Reports produced within target number of days (currently 15 days)	90%	90%
Final reports produced within target number of days (currently 10 days)	90%	97%
Average level of sickness absence (DAP as a whole)	2%	4% *
Percentage of staff turnover (DAP as a whole)	5%	11% **
Out-turn within budget	Yes	Yes

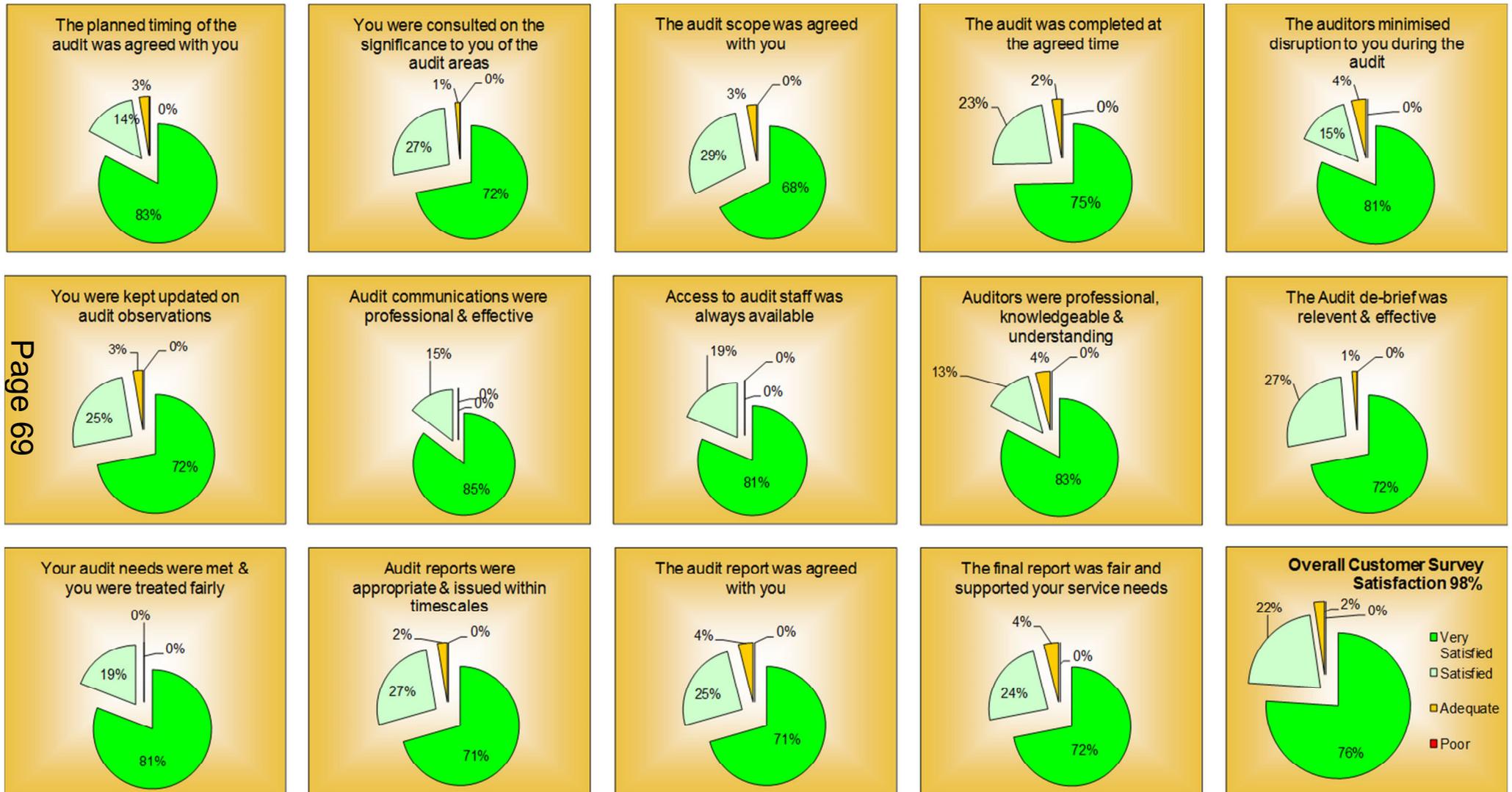
\* Sickness relates to DAP overall

\*\* Staff turnover relates to 1 starters and 2 leavers

Overall, performance against the indicators has been met.

# Appendix 7 - Customer Service Excellence

## Customer Survey Results April 2017 – March 2018



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## Appendix 8 - Basis for Opinion

The Chief Internal Auditor is required to provide the Council with an opinion on the adequacy and effectiveness of its accounting records and its system of internal control in the Council. In giving our opinion, it should be noted that this assurance can never be absolute. The most that the internal audit service can do is to provide reasonable assurance, formed from risk-based reviews and sample testing, of the framework of governance, risk management and control.

This report compares the work carried out with the work that was planned through risk assessment; presents a summary of the audit work undertaken; includes an opinion on the adequacy and effectiveness of the Authority's internal control environment; and summarises the performance of the Internal Audit function against its performance measures and other criteria. The report outlines the level of assurance that we are able to provide, based on the internal audit work completed during the year. It gives:

- Page 70
- a statement on the effectiveness of the system of internal control in meeting the Council's objectives;
  - a comparison of internal audit activity during the year with that planned;
  - a summary of the results of audit activity and;
  - a summary of significant fraud and irregularity investigations carried out during the year and anti-fraud arrangements.

The extent to which our work has been affected by changes to audit plans has not been notable this year and we have been able to accommodate the changes required within planned resources and completed the work.

In previous years, other service priorities have impacted audit delivery in only a small way and this year is no different. This has not affected the level of assurance provided.

The overall audit assurance will have to be considered in light of this position.



In assessing the level of assurance to be given the following have been taken into account:

- all audits completed during 2017/18, including those audits carried forward from 2016/17;
- any follow up action taken in respect of audits from previous periods;
- any significant recommendations not accepted by management and the consequent risks;
- the quality of internal audit's performance;
- the proportion of the Council's audit need that has been covered to date;
- the extent to which resource constraints may limit this ability to meet the full audit needs of the Council;
- any limitations that may have been placed on the scope of internal audit.

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<b>Devon Audit Partnership</b>	<b>Confidentiality and Disclosure Clause</b>
<p>The Devon Audit Partnership has been formed under a joint committee arrangement. We aim to be recognised as a high quality internal audit service in the public sector. We work with our partners by providing a professional internal audit service that will assist them in meeting their challenges, managing their risks and achieving their goals. In carrying out our work we are required to comply with the Public Sector Internal Audit Standards along with other best practice and professional standards.</p> <p>The Partnership is committed to providing high quality, professional customer services to all; if you have any comments or suggestions on our service, processes or standards, the Head of Partnership would be pleased to receive them at <a href="mailto:robert.hutchins@devonaudit.gov.uk">robert.hutchins@devonaudit.gov.uk</a> .</p>	<p>This report is protectively marked in accordance with the National Protective Marking Scheme. It is accepted that issues raised may well need to be discussed with other officers within the Council, the report itself should only be copied/circulated/disclosed to anyone outside of the organisation in line with the organisation's disclosure policies.</p> <p>This report is prepared for the organisation's use. We can take no responsibility to any third party for any reliance they might place upon it.</p>

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## **Audit Committee 29 May 2018**

### **Annual Report and Accounts 2017/18**

**Leader** Cllr Clive Eginton  
**Cabinet Member** Cllr Peter Hare-Scott  
**Responsible Officer** Andrew Jarrett – Director of Finance, Assets and Resources

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

**RECOMMENDATION:** That the draft annual report and accounts be approved.

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

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

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

**Risk Assessment:** The Section 151 Officer is responsible for the administration of the financial affairs of the Council. Adhering to the Code of Practice on Local Authority Accounting mitigates the risk of receiving a qualified set of accounts.

#### **1.0 Introduction**

1.1 The annual accounts for 2017/18 have been produced in full compliance with the Code of Practice on Local Authority Accounting and all other relevant accounting legislation. There are actually very few accounting changes for 2017/18.

#### **2.0 The Annual Report and Accounts**

2.1 The main highlights of the annual accounts are to be found in the narrative report to the accounts beginning on page iii. In overall terms, 2017/18 has been another challenging, but successful, year. However, a small under-spend has been achieved and we have been able to increase some of our reserves.

2.2 The detailed management accounts will be included in the outturn report presented to the Cabinet on the 14 June 2018. This report indicates the continuing financial pressure that the Council faces due to Central Government's continuing austerity programme and the ongoing uncertainty surrounding our main funding sources. As a direct result this Council has

managed to reduce expenditure and increase income in a number of services and continue to maintain a “prudent” level of balances. It is also beginning to explore and accept some more commercial opportunities to either increase revenue or cut cost in order to protect frontline service provision.

- 2.3 In order to provide a summary financial position of how the Council ended 2017/18 a list of all available reserves is detailed below.

Balances held as at 31 March 2018

Useable Reserves	B/fwd 31/03/17 £k	In Year Movement (Surplus)/Deficit £k	C/fwd 31/03/18 £k
General Fund Balance	(2,241)	(449)	<b>(2,690)</b>
General Fund Earmarked Reserves	(10,029)	(619)	<b>(10,648)</b>
Housing Revenue Account Balance	(2,000)	0	<b>(2,000)</b>
HRA Earmarked Reserves	(12,453)	(2,774)	<b>(15,227)</b>
Major Repairs Reserve	Nil	0	<b>Nil</b>
Capital Receipts Reserve	(2,438)	(1,104)	<b>(3,542)</b>
Capital Grants Unapplied	(2,162)	(772)	<b>(2,934)</b>
<b>Total cash-backed reserves</b>	<b>(31,323)</b>	<b>(5,718)</b>	<b>(37,041)</b>

- 2.4 As can be seen from the above balances, the Council remains in a strong position to deal with the funding challenges it faces. A strong culture of financial awareness is now embedded throughout the Council. This is enhanced with regular budget monitoring reports tabled at Leadership Team meetings, meetings of the Cabinet and the Policy Development Groups.

- 2.5 This Council continues to take proactive steps to strategically plan for further reductions in Central Government financial support. The Leadership Team, with the Chief Executive and Group Managers have ongoing dialogue with service managers to discuss funding reduction scenarios in order to balance our ongoing expenditure needs associated with the current Corporate Plan.

### **3.0 The Audit**

- 3.1 Grant Thornton will commence the formal audit of our draft Accounts week commencing the 28<sup>th</sup> of May 2018 and will be on site for approximately 3 weeks. They anticipate having their final report in time to present to the Special Audit Committee planned for the 16<sup>th</sup> July 2018. Both parties have been working hard together to facilitate the earliest reporting for the Audit Committee.

### **4.0 Conclusion**

- 4.1 Members are asked to approve the draft annual report and accounts which reflect a true and fair view of the financial position of the Council as at 31 March 2018.

**Contact for more information:** Jo Nacey  
01884 234254  
[jnacey@middevon.gov.uk](mailto:jnacey@middevon.gov.uk)

**Background Papers:**

**File Reference:**

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

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**DRAFT**

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



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Cover Photo: Our housing development at Fir Close in Willand

## Introduction by the Leader of the Council



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

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

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

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

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

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

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

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

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

## Views from the Chief Executive



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

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

Efficiencies, innovation, cost reduction; three strands providing the backdrop to the effective management of finances in the context of one of the most challenging periods in local government finance for a generation.

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

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

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

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

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

**Stephen Walford**  
**Chief Executive**

### **Narrative Report**

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



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

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

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

maintenance services into the operation.

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

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

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

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

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

## **NARRATIVE REPORT 2017/18**

### **1.1 Introduction**

The Council's Narrative Report sets out the overall financial position and details the financial transactions relating to the District Council's activities for the year ended 31 March 2018. The financial statements have been prepared in accordance with the requirements of the "Code of Practice on Local Authority Accounting in the United Kingdom for 2017/18.

### **1.2 The Core Financial Statements**

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

### **1.3 Movement in Reserves Statement**

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

### **1.4 Comprehensive Income and Expenditure Statement**

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

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

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

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

### **1.5 The Balance Sheet**

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

### **1.6 Cash Flow Statement**

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

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

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

## 1.8 Collection Fund

This account reflects the statutory requirement for the Council to maintain a separate Collection Fund which shows its transactions in relation to national non-domestic rates and council tax, and illustrates how these have been distributed to Devon County Council, Devon and Cornwall Police Authority, Devon and Somerset Fire Authority, central government and the Council itself. The Balance Sheet and the Cash Flow Statement only reflect Mid Devon's share of any Collection Fund surplus or deficit.

## 1.9 Group Accounts

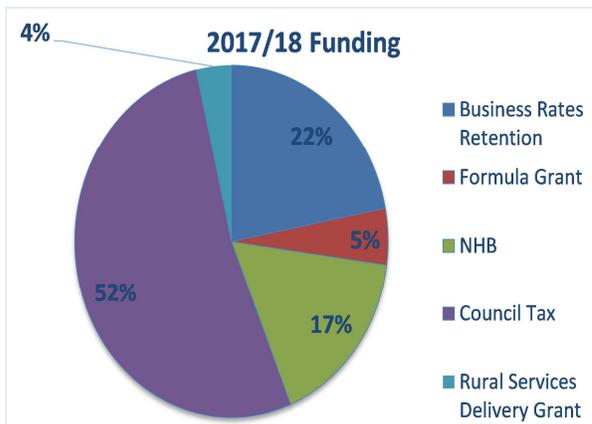
The Council is required to consolidate into its own accounts (as a single entity) the financial activities of outside organisations such as subsidiaries, joint ventures and associates. This is the first year that the council's wholly owned subsidiary, 3 Rivers Ltd has been in operation. The first year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

## 2.0 Review of the Year

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

## FINANCIAL PERFORMANCE

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



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

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

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

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

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

## Revenue Expenditure – General Fund Financial Performance

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

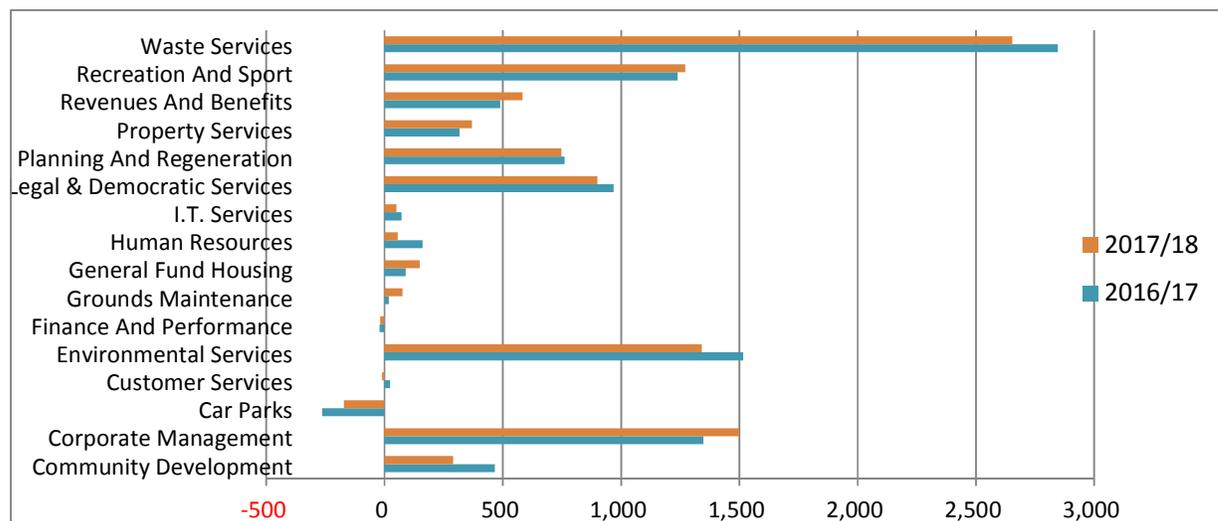
Since that time we have completed our Retained Business Rates computations and this has shown a significant surplus due to growth and a more favourable Pooling dividend. We have also reclassified our CCLA investment and this has led to a surplus in the outturn. This reclassification is explained in the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

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

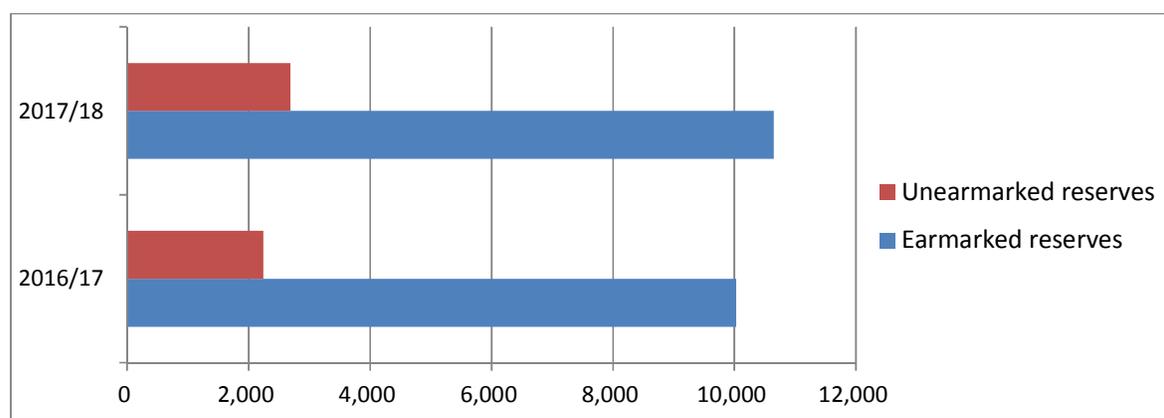
The overall General Fund position delivered in 2017/18 reflects the continued efforts of both officers and members to provide high quality services at an affordable cost and demonstrates the Council's ongoing commitment to reducing operational cost to mitigate against further cuts in Central Government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

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

### General Fund Net Service Expenditure £k



## General Fund Account Reserves £k



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

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

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

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

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

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

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

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

## 2.4 Capital Expenditure

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

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

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

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

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

## **2.5 The Movement in Reserves Statement**

This statement is the key to establishing the aggregate financial position of the Council, as it produces a summary of all the “cash backed” Reserves that the Council holds. It shows that the Council’s usable reserves have increased by £5.671m to £36.994m during 2017/18.

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

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

The Comprehensive Income and Expenditure Statement (CIES) shows an overall surplus of £17.718m. However, this position also includes the consolidation of the Council’s HRA. In addition, there are a number of technical accounting adjustments made to the final accounts which need to be “reversed out” in order to reflect the final cash position. These entries are included in the Adjustments between Accounting Basis and Funding Basis under Regulations. Once all of these adjustments are accounted for, the overall outturn is a £449k surplus on the General Fund and a zero variance on the HRA.

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

## **2.7 Balance Sheet**

The financial highlights for the Balance Sheet are shown below:

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

## **2.8 Cash Flow Statement**

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

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

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

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

## **3.0 Major Repairs Reserve (MRR)**

The Housing Revenue Account also holds a MRR, which is ring fenced for capital expenditure on HRA properties. This reserve effectively carries forward any unspent major repairs allowance. During 2017/18, the Council credited £2,273k to the MRR, which was fully utilised. As a result, there was no carrying balance on the MRR as at the 31/3/2018.

### 3.1 The Collection Fund

The financial highlights for the Collection Fund are given below:

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

### 3.2 Pension Fund

The financial highlights of the pension fund are:

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

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

### 3.3 Valuation of Property Portfolio

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

### 3.4 Treasury Activities

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

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

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

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

### **3.5 Borrowing**

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

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

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

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

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

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

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

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

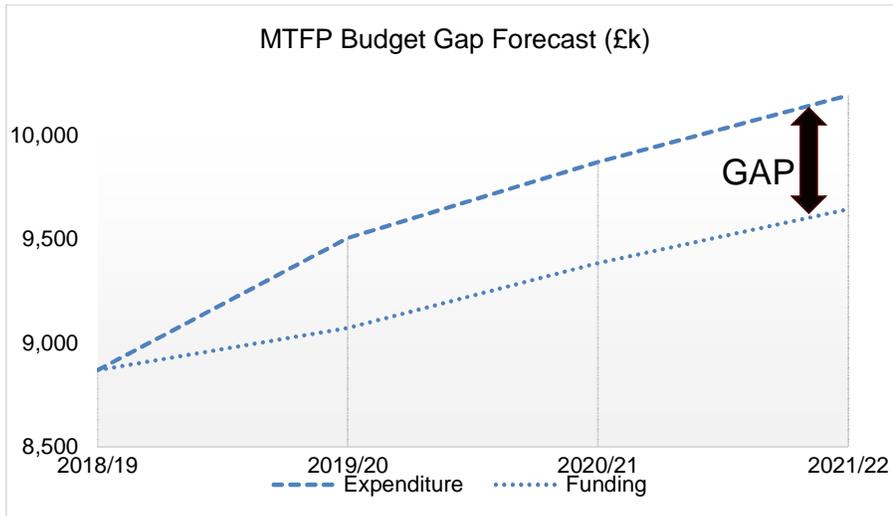
In order to reduce our operational costs, the Council has looked to rationalise its surplus property assets and acquire more income generating ones. Major changes to our waste collection service are now paying dividends and more enhanced shared working with our near neighbours in areas such as Building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

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

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

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

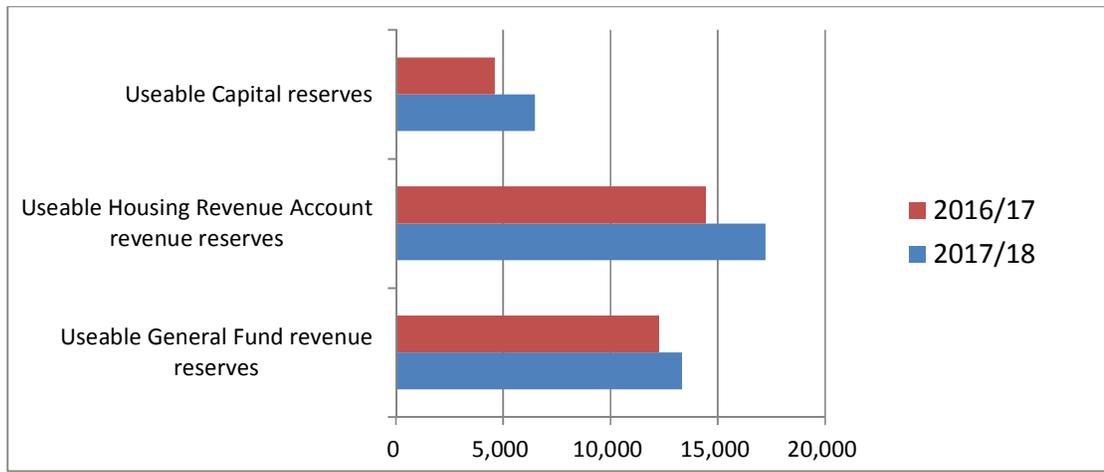
### Medium Term Forecast Expenditure and Funding £k



#### Notes

1. This diagram shows that delivering our existing range and level of services, without any remedial action, would result in the Council's expenditure exceeding the available resources by approximately £550k in 2021/22, meaning a cumulative shortfall of £1.4m over the next four years.
2. Central Government will reduce Revenue Support Grant (RSG) to nil in 2019/20 from £6.2m in 2010/11. This has only been partly offset with increased Retained Business Rates which have seen growth in 2017/18 and the prospect of the 100% Business Rates Pilot Scheme in 2018/19. With increasing demands on services the removal of RSG puts increased pressure on our ability to generate Business Rates as one of the few remaining funding streams.

### Total Usable Reserves £k



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

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# Mid Devon District Council Financial Statements 2017-18



## 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.

2016/17	Notes	USABLE RESERVES							Restated Total Usable Reserves	Restated Unusable Reserves	Total Authority Reserves
		REVENUE RESERVES				CAPITAL RESERVES					
		General Fund Balance	Earmarked General Fund Reserves	Housing Revenue Account	Earmarked HRA Reserves	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied			
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
Balance at 31 March 2016		(2,321)	(8,366)	(2,000)	(9,737)	(1,442)	-	(1,720)	(25,586)	(69,677)	(95,263)
<b>Movement in Reserves during 2016/17</b>											
Surplus on the provision of services		39		(23,326)					(23,286)		(23,286)
Other Comprehensive Income and Expenditure									-	11,700	11,700
Total Comprehensive Income and Expenditure		39	0	(23,326)	0	0	0	0	(23,286)	11,700	(11,585)
Adjustments between accounting basis and funding basis under regulations	5	(1,983)		20,610		(996)	-	(442)	17,188	(17,183)	5
Net Increase/Decrease before Transfers to Earmarked Reserves		(1,944)	0	(2,716)	0	(996)	0	(442)	(6,098)	(5,483)	(11,578)
<b>Transfers (to) / from Earmarked Reserves</b>	6	1,663	(1,663)	2,716	(2,716)				-		
(Increase) / Decrease in 2016/17		(281)	(1,663)	(0)	(2,716)	(996)	0	(442)	(6,098)	(5,483)	(11,578)
<b>Balance at 31 March 2017 Carried forward</b>		<b>(2,602)</b>	<b>(10,029)</b>	<b>(2,000)</b>	<b>(12,453)</b>	<b>(2,438)</b>	<b>0</b>	<b>(2,162)</b>	<b>(31,684)</b>	<b>(75,160)</b>	<b>(106,841)</b>
<b>Held for Revenue Purposes</b>		<b>(2,602)</b>	<b>(10,029)</b>	<b>(2,000)</b>	<b>(12,453)</b>				<b>(27,084)</b>		
<b>Held for Capital Purposes</b>						<b>(2,438)</b>	<b>0</b>	<b>(2,162)</b>	<b>(4,600)</b>		

Comprehensive Income and Expenditure Statement

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

2016/17			Notes	2017/18		
Gross Expenditure	Gross Income	Net Expenditure		Gross Expenditure	Gross Income	Net Expenditure
£'000	£'000	£'000		£'000	£'000	£'000
613	(147)	466	Community Development	546	(144)	402
1,370	(21)	1,349	Corporate Management	2,064	-	2,064
536	(800)	(264)	Car Parks	604	(749)	(145)
24	-	24	Customer Services	28	-	28
2,169	(652)	1,517	Environmental Services	2,227	(462)	1,765
(12)	(8)	(20)	Finance And Performance	14	(9)	5
52	(35)	17	Grounds Maintenance	203	(103)	100
403	(314)	89	General Fund Housing	490	(313)	177
(9,314)	(13,825)	(23,139)	Housing Revenue Account	3,568	(13,575)	(10,007)
161	-	161	Human Resources	75	-	75
76	(4)	72	I.T. Services	103	(1)	102
1,328	(359)	969	Legal & Democratic Services	1,310	(385)	925
2,509	(1,730)	779	Planning And Regeneration	2,753	(1,911)	842
1,078	(761)	317	Property Services	1,490	(1,076)	414
19,174	(18,685)	489	Revenues And Benefits	18,377	(17,751)	626
3,697	(2,459)	1,238	Recreation And Sport	3,963	(2,613)	1,350
5,085	(2,239)	2,846	Waste Services	5,454	(2,653)	2,801
<b>28,949</b>	<b>(42,039)</b>	<b>(13,090)</b>	<b>Costs of Services</b>	<b>43,269</b>	<b>(41,745)</b>	<b>1,524</b>
		825	Other Operating Expenditure			1,013
		2,713	Financing and Investment Income and Expenditure			2,634
		(13,733)	Taxation and Non-Specific Grant Income			(14,236)
		<b>(23,285)</b>	<b>(Surplus) or Deficit on Provision of Services</b>			<b>(9,065)</b>
		250	(Surplus) or deficit on revaluation of available for sale financial assets			(220)
		14,697	Remeasurements of the net defined benefit liability			(6,729)
		(3,247)	(Surplus) or deficit on revaluation of Property, Plant and Equipment			(1,704)
		<b>11,700</b>	<b>Other Comprehensive Income and Expenditure</b>			<b>(8,653)</b>
		<b>(11,585)</b>	<b>Total Comprehensive Income and Expenditure</b>			<b>(17,718)</b>

## Balance Sheet

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

31 March 2016 Restated £'000	31 March 2017 Restated £'000		Notes	31 March 2018 Restated £'000
169,120	189,011	Property, Plant & Equipment	23	196,656
491	454	Heritage Assets	26	330
-	-	Intangible assets	27	-
2,390	4,639	Long-term Investments	33	4,860
158	176	Long-term Debtors	34	1,065
<b>172,159</b>	<b>194,280</b>	<b>Non-Current Assets</b>		<b>202,911</b>
13,500	18,000	Short-term Investments	35	19,000
-	419	Assets held for sale	35a	240
195	200	Inventories	36	227
2,596	2,762	Short-term Debtors	37	4,171
6,387	3,746	Cash and Cash Equivalents	38	6,892
<b>22,678</b>	<b>25,127</b>	<b>Current Assets</b>		<b>30,530</b>
(5,397)	(4,230)	Short-term Creditors	39	(5,314)
(41)	(28)	Provisions	41	(28)
(1,683)	(1,731)	Short-term Borrowing	30	(1,731)
<b>(7,121)</b>	<b>(5,989)</b>	<b>Current Liabilities</b>		<b>(7,073)</b>
(641)	(627)	Long-term Creditors	40	(968)
(43,973)	(42,242)	Long-term Borrowing	30	(40,718)
(47,032)	(63,534)	Other Long Term Liabilities	47	(60,009)
(807)	(171)	Capital Grants Receipts in Advance	40	(111)
<b>(92,453)</b>	<b>(106,574)</b>	<b>Long Term Liabilities</b>		<b>(101,806)</b>
<b>95,263</b>	<b>106,844</b>	<b>Net Assets</b>		<b>124,562</b>
25,586	31,684	Usable Reserves	42	37,041
69,677	75,160	Unusable reserves	43	87,521
<b>95,263</b>	<b>106,844</b>	<b>Total Reserves</b>		<b>124,562</b>

## Cash Flow Statement

This section shows what cash we spend and receive

Restated		Notes	2017/18
2016/17			£'000
£'000			£'000
23,285	Net surplus or (deficit) on the provision of services		9,065
(12,443)	Adjustments to net surplus or deficit on the provision of services for non-cash movements	51	4,756
(2,338)	Adjustments for items included in the net surplus on the provision of services that are investing and financing activities (See note references)	52	(4,314)
<b>8,504</b>	<b>Net cash flows from Operating Activities</b>		<b>9,507</b>
(9,373)	Investing Activities	54	(4,752)
(1,772)	Financing Activities	55	(1,609)
<b>(2,641)</b>	<b>Net increase or (decrease) in cash and cash equivalents</b>		<b>3,146</b>
6,387	Cash and cash equivalents at the beginning of the reporting period	38	3,746
<b>3,746</b>	<b>Cash and cash equivalents at the end of the reporting period</b>	<b>38</b>	<b>6,892</b>

**SUPPLEMENTARY STATEMENT**

**Expenditure and Funding Analysis**

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

2016/17				2017/18		
Net expenditure chargeable to the GF and HRA balances	Adjustments between funding and accounting basis	Net expenditure in the CIES		Net expenditure chargeable to the GF and HRA balances	Adjustments between funding and accounting basis	Net expenditure in the CIES
£'000	£'000	£'000		£'000	£'000	£'000
466	(1)	465	Community Development	402	-	402
1,349	-	1,349	Corporate Management	2,064	-	2,064
(264)	-	(264)	Car Parks	(145)	-	(145)
24	(1)	23	Customer Services	28	-	28
1,517	-	1,517	Environmental Services	1,765	-	1,765
(20)	-	(20)	Finance And Performance	5	-	5
17	-	17	Grounds Maintenance	100	-	100
89	-	89	General Fund Housing	177	-	177
(23,328)	189	(23,139)	Housing Revenue Account	(9,862)	(145)	(10,007)
161	(1)	160	Human Resources	75	-	75
72	1	73	I.T. Services	102	-	102
969	-	969	Legal & Democratic Services	925	-	925
779	-	779	Planning And Regeneration	842	-	842
317	-	317	Property Services	414	-	414
489	-	489	Revenues And Benefits	626	-	626
1,238	1	1,239	Recreation And Sport	1,350	-	1,350
2,846	1	2,847	Waste Services	2,801	-	2,801
<b>(13,279)</b>	<b>189</b>	<b>(13,090)</b>	<b>Costs of Services</b>	<b>1,669</b>	<b>(145)</b>	<b>1,524</b>
8,619	(18,814)	(10,195)	Other Income and Expenditure	(5,150)	(5,439)	(10,589)
<b>(4,660)</b>	<b>(18,625)</b>	<b>(23,285)</b>	<b>(Surplus) or Deficit on Provision of Services</b>	<b>(3,481)</b>	<b>(5,584)</b>	<b>(9,065)</b>
(22,424)			Opening balance (combined General Fund and HRA reserves) as at 31/03/17	(27,084)		
(4,660)			Plus (surplus) or deficit on General Fund and HRA in year	(3,481)		
<b>(27,084)</b>			<b>Closing balance (combined General Fund and HRA reserves) as at 31/03/18</b>	<b>(30,565)</b>		

## Expenditure and Income Analysed by Nature

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

	Notes	2016/17	2017/18
		Restated	
		£'000	£'000
<b>Expenditure</b>			
Employee benefits		14,391	16,168
Other services		30,050	29,831
Depreciation, amortisation and impairment		(13,390)	(754)
Interest payments	9	1,347	1,302
Precepts and levies	8	1,358	1,454
<b>Total expenditure</b>		<b>33,756</b>	<b>48,001</b>
<b>Income</b>			
Fees, charges and other service income		(42,225)	(41,776)
Interest and investment income	9	(318)	(382)
Income from council tax, NNDR, RSG and other government grants including NHB	10	(13,733)	(14,236)
Gain on the disposal of assets	8	(766)	(672)
<b>Total income</b>		<b>(57,042)</b>	<b>(57,066)</b>
<b>Surplus or deficit on the provision of services</b>		<b>(23,286)</b>	<b>(9,065)</b>

# Mid Devon District Council Financial Statements 2017-18

## Prior Period Adjustment - Reclassification of CCLA Fund Investment

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

## Notes to the Accounts

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

Paragraph 3.3.4.3 of the Code of Practice requires that the Authority discloses information relating to the impact of an accounting change that will be required by a new standard that has been issued but not yet adopted. The requirement applies to accounting standards that come into effect for financial years commencing on or before 1 January of the financial year in question (i.e. on or before 1 January 2018 for 2017/18).

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

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

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

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

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

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

## 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 2017/18;
- c) asset lives for the calculation of depreciation charges - based on service managers' experience of previously used assets.
- d) Estimating the total amount of the housing benefit subsidy claim for the year prior to its final determination after 31 March using data for the first eleven months.

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

Property valuations made by the District Valuer;

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

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

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

**Notes to the Accounts**

**3 Material Items of Income and Expense**

There were no material items this year.

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

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

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

Note	Item	Uncertainties	Effect if Actual results Differ 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 £39,662k (excl. Council Houses) would increase by £161k for every year that useful lives had to be reduced.
22	Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Authority with expert advice about the assumptions to be applied. The value of pension assets is estimated based upon information available at the Balance Sheet date, but these valuations may be earlier than the Balance Sheet date. The actual valuations at the Balance Sheet date, which may not be available until some time later, may give a different value of pension assets, but this is not considered to be material.	The effects on the closing defined benefit obligation of changes in individual assumptions can be measured. For instance, a 0.1% increase in the discount rate assumption would result in a decrease in the closing defined benefit obligation to £119,953k and a 1 year increase in mortality rates would increase the closing defined benefit obligation to £126,852k. However the assumptions interact in complex ways.
4	Business Rates Appeals Provision	Estimates have been made for the provision for refunding ratepayers who have successfully appealed against the rateable value of their properties. This includes the current and previous financial years. The estimate is based on those ratepayers who have appealed.	There is uncertainty and risk surrounding the calculation of the provision as future events may affect the amount required to settle an obligation.

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Notes to the Accounts

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

## Notes to the Accounts

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

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

#### General Fund Balance

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

#### Housing Revenue Account Balance

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

#### Major Repairs Reserve

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

#### Capital Receipts Reserve

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

#### Capital Grants Unapplied

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

## Notes to the Accounts

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

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

2017/18	Usable Reserves						Movement in Unusable Reserves £'000
	General Fund Balance £'000	Housing Revenue Account £'000	Capital Receipts Reserve £'000	Major Repairs Reserve £'000	Capital Grants Unapplied £'000	Total Usable Reserves £'000	
<b>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</b>							
<b>Adjustments involving the Capital Adjustment Account:</b>							
Charges for depreciation and impairment of non current assets	(1,725)	(2,437)					4,162
Revaluation (losses)/gains on Property, Plant and Equipment	(110)	5,026					(4,916)
Amortisation of intangible assets							0
Capital grants and contributions applied							0
Income in relation to donated assets							
Useable Capital Receipts applied in year				(5)			5
Revenue expenditure funded from capital under statute	(457)						457
Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(1,780)	(1,270)					3,050
<b>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</b>							
Statutory provision for the financing of capital investment	354	987					(1,341)
Capital expenditure charged against the General Fund and HRA balances	2,150	505					(2,655)
<b>Adjustments primarily involving the Capital Grants Unapplied Account</b>							
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	1,751	218			(1,751)		(218)
Application of grants to capital financing transferred to the Capital Adjustment Account					978		(978)
<b>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	1,639	2,084	(3,723)				
Use of the Capital Receipts Reserve to finance new capital expenditure			2,359				(2,359)
Contribution from the Capital Receipts Reserve towards administrative costs of non current asset disposals		(34)	34				
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	(231)		231				
Right to Buy Discounts repaid							
<b>Adjustments involving the Deferred Capital Receipts Reserve:</b>							
Transfer of deferred sale proceeds as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement							1
Balance carried forward	1,500	6,079	(1,104)	0	(773)	0	(4,793)

2017/18	Usable Reserves						Movement in Unusable Reserves £'000
	General Fund Balance £'000	Housing Revenue Account £'000	Capital Receipts Reserve £'000	Major Repairs Reserve £'000	Capital Grants Unapplied £'000	Total Usable Reserves £'000	
Balance brought forward	1,590	5,079	(1,104)		(773)		(4,793)
<b><u>Adjustment involving the Major Repairs Reserve:</u></b>							
Reversal of Major Repairs Allowance credited to the HRA		2,273		(2,273)			
Use of the Major Repairs Allowance to finance new capital expenditure				2,273			(2,273)
Interest credited to the Major Repairs Reserve							
<b><u>Adjustments involving the Financial Instruments Adjustment Account:</u></b>							
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements							
<b><u>Adjustment involving the Pensions Reserve:</u></b>							
Actuarial past service gain adjustment							
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(5,438)	(270)					5,708
Employer's pension contributions and direct payments to pensioners payable in the year.	2,504						(2,504)
<b><u>Adjustment involving the Collection Fund Adjustment Account:</u></b>							
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statements is different from council tax income calculated for the year in accordance with statutory requirements	18						(18)
Amount by which NNDR income credited to the Comprehensive Income and Expenditure Statements is different from NNDR income calculated for the year in accordance with statutory requirements	(213)						213
<b><u>Adjustment involving the Accumulating Compensated Absences Adjustment Account:</u></b>							
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements.	32	8					(40)
<b>Total Adjustments</b>	<b>(1,507)</b>	<b>7,090</b>	<b>(1,104)</b>	<b>0</b>	<b>(773)</b>	<b>0</b>	<b>(3,707)</b>

## Notes to the Accounts

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

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

2016/17	Usable Reserves						Movement in Unusable Reserves £'000
	General Fund Balance £'000	Housing Revenue Account £'000	Capital Receipts Reserve £'000	Major Repairs Reserve £'000	Capital Grants Unapplied £'000	Total Usable Reserves £'000	
<b><u>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</u></b>							
<b><u>Adjustments involving the Capital Adjustment Account:</u></b>							
Charges for depreciation and impairment of non current assets	(1,580)	(2,414)					3,994
Revaluation (losses)/gains on Property, Plant and Equipment	(299)	17,808					(17,509)
Amortisation of intangible assets	(125)						125
Capital grants and contributions applied							
Income in relation to donated assets							0
Revenue expenditure funded from capital under statute	(333)						333
Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(101)	(1,219)					1,320
<b><u>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</u></b>							
Statutory provision for the financing of capital investment	361	985					(1,346)
Capital expenditure charged against the General Fund and HRA balances	397	109					(506)
<b><u>Adjustments primarily involving the Capital Grants Unapplied Account</u></b>							
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	978	636			(1,614)		
Application of grants to capital financing transferred to the Capital Adjustment Account					1,171		(1,171)
<b><u>Adjustments involving the Capital Receipts Reserve:</u></b>							
Transfer of sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	116	1,970	(2,086)				
Use of the Capital Receipts Reserve to finance new capital expenditure			820				(820)
Contribution from the Capital Receipts Reserve towards administrative costs of non current asset disposals		(36)	36				
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	(233)		233				
Transfer of deferred sale proceeds as part of the gain/loss on disposal to the Comprehensive income and Expenditure Statement							
<b><u>Adjustments involving the Deferred Capital Receipts Reserve:</u></b>							
Transfer of deferred sale proceeds as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(1)						1
<b>Balance carried forward</b>	<b>(820)</b>	<b>17,839</b>	<b>(997)</b>	<b>0</b>	<b>(443)</b>	<b>0</b>	<b>(15,579)</b>

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

## Notes to the Accounts

### 6 Transfers to/from Earmarked Reserves

This section shows movements in these reserves

General Fund - Revenue Earmarked Reserves	Balance at 1/4/16 £'000	Transfers In £'000	Transfers Out £'000	Reclassification £'000	Balance at 31/03/17 £'000	Transfers In £'000	Transfers Out £'000	Reclassification £'000	Balance at 31/03/18 £'000
Capital Earmarked Reserves	567	0	(21)	(75)	471	63	(93)		441
Maintenance & Amenity Reserve	918	136	(103)	0	951	117	(104)		964
Misc. General Fund Reserves	2,786	700	(379)	45	3,152	1,056	(515)		3,693
Vehicle, plant, equipment and maintenance sinking funds	1,471	696	(26)	100	2,241	632	(883)		1,990
New Homes Bonus	1,601	1,842	(915)	(70)	2,458	1,766	(1,550)		2,674
Insurance excess claims fund	86	0	0	0	86	0	0		86
Statutory Development Plan	60	50	0	0	110	130	0		240
NNDR Reserve	876	0	(316)	0	560	0	0		560
<b>Total Revenue Earmarked Reserves</b>	<b>8,365</b>	<b>3,424</b>	<b>(1,760)</b>	<b>0</b>	<b>10,029</b>	<b>3,763</b>	<b>(3,144)</b>	<b>0</b>	<b>10,648</b>

The £2.7m held in the New Homes Bonus will be used to help fund the Private Sector Housing and Economic Development components of the future capital programme. The maintenance and amenity reserve is a collection of Section 106 contributions being used to fund revenue costs of additional play parks and amenity provision included in various planning provisions. The vehicle, plant, equipment and maintenance sinking funds are for the future replacement of major assets. Miscellaneous General Fund items are a large number of items that relate to specific projects that will be delivered in 2018/19. A full breakdown of the constituents is provided in the outturn report for the Cabinet meeting of 14 June 2018.

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

### 7 Transfers to/from Capital Grants Unapplied

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

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

## Notes to the Accounts

### 8 Other Operating Expenditure

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

### 9 Financing and Investment Income and Expenditure

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

### 10 Taxation and Non Specific Grant Income

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

Further details of specific grant income are shown at note 56

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

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

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

## Notes to the Accounts

### 12 Operating Leases

#### Authority as Lessee

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

#### Payments under Operating Leases

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

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

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

#### Authority as Lessor

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

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

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

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

## Notes to the Accounts

### 13 Officers' Emoluments

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

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

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

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

In completing the 2017/18 Accounts we have complied with the statutory instrument regarding officer emoluments. The statutory instrument requires the individual naming of any officers with an annual salary of £150,000 or more and the post title of any officers earning £50,000 or more who occupy statutory roles or are responsible for managing the strategic direction of services.

The Council had no officers earning at or in excess of £150,000 in 2017/18

## Notes to the Accounts

### 13 Officers' Emoluments

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

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

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

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

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

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

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

Notes to the Accounts

14 Termination Benefits

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

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

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

15 External Audit Costs

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

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

## Notes to the Accounts

### 16 Related Party Transactions

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

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

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

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

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

3 Rivers Development Limited - One Director, one Senior Manager and one Councillor of Mid Devon D

### 17 Members Allowances and Expenses

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

### 18 Acquired and/or Discontinued Activities

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

## Notes to the Accounts

## 19 Depreciation and Impairment of Non Current Assets

2016/17		2017/18
£'000		£'000
3,994	Depreciation	4,162
125	Amortisation of intangible assets	-
(37)	Heritage assets	-
17,547	Net reversal of impairment of non current assets	(4,915)
<b>21,629</b>	<b>Total</b>	<b>(753)</b>

## 20 Minimum Revenue Provision

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

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

## 21 Insurance

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

## Notes to the Accounts

### 22 Pensions

All of the pension figures included in the 2017/18 Accounts are prepared in accordance with International Accounting Standard 19 (IAS 19). This complies with all generic Technical Actuarial Standards (TASs) and the Pensions TAS. The data provided by the Pension Fund's Actuary (Barnett Waddingham) also fully complies with their understanding of Financial Reporting Standard 17 and International Financial Reporting Standards.

#### *Participation in the Pension Scheme*

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

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

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

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

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

#### *Discretionary Post-retirement Benefits*

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

#### *Transactions relating to Retirement Benefits*

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

Notes to the Accounts

22 Pensions continued

Pension Assets and Liabilities Recognised in the Balance Sheet

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

Comprehensive Income and Expenditure Statement

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

## Notes to the Accounts

## 22 Pensions continued

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

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

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

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

*Synopsis on performance*

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

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

## Notes to the Accounts

### 22 Pensions continued

#### Basis for Estimating Assets and Liabilities

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

Both the Local Government Pension scheme and discretionary benefits liabilities have been estimated by Barnett Waddingham, an independent firm of actuaries, estimates for the Local Government Pension Scheme being based upon the latest full valuation of the scheme as at 31 March 2017 and has then been updated for estimated fund returns, asset statement, market returns, income and expenditure or as at the 31 March 2018.

The significant assumptions used by the actuary have been:

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

#### Local Government Pension Scheme assets comprised:

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

## Notes to the Accounts

## 22 Pensions continued

**Estimation of Assets and Liabilities**

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

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

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

**Impact on the Authority's Cash Flows**

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

The Authority anticipates paying £2,613k contributions to the scheme in 2018/19.

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

## Notes to the Accounts

### 23 Property, Plant and Equipment

#### Movements in Balances

2017/18	Assets Under Construction	Council Dwellings	Other Land & Buildings	Vehicles Plant & Equip	Community Assets	Infra-structure Assets	Surplus Assets	Total Property, Plant and Equipment
Cost or Valuation	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>At 1 April 2017</b>	<b>1,967</b>	<b>141,024</b>	<b>41,890</b>	<b>5,402</b>	<b>516</b>	<b>292</b>	<b>1,075</b>	<b>192,166</b>
Additions	1,595	2,672	2,438	1,361				<b>8,066</b>
Donations								<b>0</b>
Revaluation increases/(decreases) recognised in the Revaluation reserve		(2,222)	484	(257)				<b>(1,995)</b>
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services		5,017	(102)					<b>4,915</b>
Derecognition - Disposals	(110)	(1,270)	(163)	(85)			(1,075)	<b>(2,703)</b>
Derecognition - Other								<b>0</b>
Reclassification	(227)		(85)	75				<b>(237)</b>
<b>At 31 March 2018</b>	<b>3,225</b>	<b>145,221</b>	<b>44,462</b>	<b>6,496</b>	<b>516</b>	<b>292</b>	<b>0</b>	<b>200,212</b>

#### Accumulated Depreciation and Impairment

<b>At 1 April 2017</b>				(3,045)	(87)	(23)		<b>(3,155)</b>
Depreciation charge		(2,271)	(1,176)	(694)	(10)	(11)	0	<b>(4,162)</b>
Depreciation written out to the Revaluation Reserve		2,271	1,169	257			0	<b>3,697</b>
Depreciation written out to the Surplus/Deficit on the Provision of Services								<b>0</b>
Impairment losses/(reversals) recognised in the Revaluation Reserve								<b>0</b>
Impairment losses/(reversals) recognised in the Provision of Services								<b>0</b>
Derecognition - Disposals				64			0	<b>64</b>
Derecognition - Other								<b>0</b>
<b>At 31 March 2018</b>	<b>0</b>	<b>0</b>	<b>(7)</b>	<b>(3,418)</b>	<b>(97)</b>	<b>(34)</b>	<b>0</b>	<b>(3,556)</b>

#### Net Book Value

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

## Notes to the Accounts

### 23 Property, Plant and Equipment

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

(See note 58 for finance lease information.)

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

#### Revaluations

The Council's assets are revalued on a five year rolling basis. Valuations of land and buildings were carried out by the District Valuer and the Valuation Office. Valuations were carried out in accordance with methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors.

	Assets Under Construction	Council Dwellings	Other Land & Buildings	Vehicles Plant & Equip	Community Assets	Infra-structure Assets	Surplus Assets	Total Property, plant and Equipment
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Valued at Historical Cost</b>	<b>3,225</b>			<b>3,078</b>	<b>419</b>			<b>6,722</b>
<b>Valued at fair value in year</b>								
<b>2017/18</b>		145,221	44,455			258	-	189,934
<b>2016/17</b>		141,024	41,890			269	1,075	184,258
<b>2015/16</b>		139,422	41,489			238		181,149
<b>2014/15</b>		123,747	41,063			292		165,102
<b>2013/14</b>		119,320	36,749			291		156,360

## Notes to the Accounts

### 23 Property, Plant and Equipment

#### Movements in Balances

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

#### Accumulated Depreciation and Impairment

At 1 April 2016			(30)	(2,387)	(77)	(11)		(2,505)
Depreciation charge		(2,223)	(1,089)	(661)	(10)	(12)		(3,995)
Depreciation written out to the Revaluation Reserve		2,223	1,119					3,342
Depreciation written out to the Surplus/Deficit on the Provision of Services								0
Impairment losses/(reversals) recognised in the Revaluation Reserve								0
Impairment losses/(reversals) recognised in the Provision of Services								0
Derecognition - Disposals				3				3
Derecognition - Other								0
<b>At 31 March 2017</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(3,045)</b>	<b>(87)</b>	<b>(23)</b>	<b>0</b>	<b>(3,155)</b>

#### Net Book Value

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

#### Nature of asset holding

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

Notes to the Accounts

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

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

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

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

**25 Summary of Capital Expenditure and Financing**

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

2016/17 £'000		2017/18 £'000
<b>51,960</b>	Opening Capital Financing Requirement	<b>50,616</b>
	Capital investment	
4,888	Property, Plant and Equipment	8,066
73	Intangible assets	0
333	Revenue Expenditure Funded from Capital under Statute	457
	Sources of Finance	
(819)	- Capital receipts applied	(2,577)
(2,797)	Use of Major Repairs Allowance to finance HRA new capital expenditure	(2,272)
(1,170)	- Government grants and contributions	(978)
	Sums set aside from revenue:	
(506)	Direct revenue contributions	(2,655)
(1,346)	Statutory provision for the financing of capital investment	(1,341)
<b>50,616</b>	<b>Closing Capital Financing Requirement</b>	<b>49,316</b>
	Explanation of movements in year	
(1,344)	(Decrease)/Increase in underlying need to borrowing (unsupported by government financial assistance)	(1,300)
<b>(1,344)</b>	<b>(Decrease)/Increase in Capital Financing Requirement</b>	<b>(1,300)</b>

**Notes to the Accounts**

**26 Heritage Assets**

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

Art Collection Movements

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

**Heritage Assets: Summary of Transactions**

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

**Art Collection**

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

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

**Notes to the Accounts**

**26 Heritage Assets**

**Civic Regalia**

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

**Heritage Assets of Particular Importance**

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

	2016/17 £'000	2017/18 £'000
<b>An oil painting on canvas of George III by Sir Joshua Reynolds, (British, 1723 - 1792)</b>	<b>250</b>	<b>250</b>
A full length portrait in ornate giltwood and plaster frame.		

**Preservation and Management**

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

**27 Intangible Assets**

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

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

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

*Movements in Balances*

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

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

## Notes to the Accounts

### 27 Intangible Assets

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

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

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

### 28 Commitments under Capital Contracts

	2016/17 £'000	2017/18 £'000
Various MRA works	-	2100
Palmerston Park Council House Building Project	-	1747
	<b>-</b>	<b>3,847</b>

## Notes to the Accounts

### 29 Non Current Asset Valuation

The Council instructed the District Valuer to complete a full property valuation exercise for 1/5 of its freehold properties and a review of all other freehold properties. Where applicable property assets are therefore included in the 2017/18 accounts at their 31/03/18 valuation. The Valuation Office have made their valuation in accordance with the Statements of Asset Valuation Practice and Guidance Notes of the Royal Institution of Chartered Surveyors.

Andrew Doak, a Senior Surveyor, with the Valuation Office, and MRICS FAAV qualified, undertook a valuation exercise to reassess the value of the housing stock as at 31 March 2018. These revised values have been incorporated into the Council's balance sheet. This valuation was undertaken based on a beacon basis, where a standard valuation was applied across the Council's housing stock against similar groups of property. The adjustment factor of 35% to adjust the value of Council House values to EUV - SH has been used as the discount factor for 2017/18.

Properties regarded by the Council as operational were valued on the basis of open market value for the existing use or, where this could not be assessed because there was no market for the subject asset, the depreciated replacement cost. Properties regarded by the Council as non-operational have been valued on the basis of open market value. The Valuation Office has undertaken a comprehensive impairment review of the Council's assets as at the 31 March 2018.

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

As at the 31/3/18 the Council had 6 long-term loans outstanding from the Public Works Loan Board (PWLB) with an outstanding balance of £42.45m

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

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

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

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

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

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

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

## Notes to the Accounts

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

Mid Devon is the sole trustee for the Peoples Park and Recreation Grounds charity. The purpose of the Trust is to provide recreational open space for the people of Tiverton. The net assets of the trust were £270k at 31 March 2018 and comprised land and buildings.

### 32 Financial Instruments

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

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

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

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

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

- an estimated interest rate of 0.58% for loans receivable (this percentage is based on an average rate of interest on all fixed term deposits outstanding)
- where an instrument will mature in the next 12 months, the carrying amount is assumed to approximate the fair value. The Authority only deals in these kind of instruments.
- the fair value of trade and other receivables is taken to be the invoiced or billed amount less any bad debt provision.

## Notes to the Accounts

### 32 Financial Instruments continued

The fair values calculated are as follows:

	Restated					
	31/03/2016		31/03/2017		31/03/2018	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
	£'000	£'000	£'000	£'000	£'000	£'000
<b>Financial Assets</b>						
Long term investment	2,389	2,389	4,639	4,639	4,860	4,860
Short term investment	13,500	13,500	18,000	18,000	19,000	19,000
Cash and cash equivalents	8,777	8,777	3,746	3,746	6,892	6,892
Loans and trade receivables	322	322	747	747	893	893
<b>Total</b>	<b>24,988</b>	<b>24,988</b>	<b>27,132</b>	<b>27,132</b>	<b>31,645</b>	<b>31,645</b>
<b>Financial Liabilities</b>						
Long term borrowing	(45,656)	(52,558)	(43,973)	(52,555)	(42,449)	(49,035)
Finance leases	(570)	(570)	(483)	(483)	(376)	(376)
Trade payables	(694)	(694)	(579)	(579)	(592)	(592)
<b>Total</b>	<b>(46,920)</b>	<b>(53,822)</b>	<b>(45,035)</b>	<b>(53,617)</b>	<b>(43,417)</b>	<b>(50,003)</b>

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

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

#### Credit Risk

Credit risk arises from deposits with banks and building societies as well as credit exposure to the Council's customers. The treasury policy has evolved to the present where the use of the main UK Banks and Building Societies (with a FITCH rating of F1 or higher) up to a maximum deposit value of £5m with any one institution. Once again this evidences our prudent approach to lending of surplus funds. The Council has continued to apply this lending strategy during the whole of 2017/18

#### Fair Value Disclosure of PWLB Loans

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

**Notes to the Accounts**

**32 Financial Instruments continued**

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

**33 Long Term Investments**

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

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

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

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

## Notes to the Accounts

### 35 Short Term Investments

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

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

### 35a Assets Held for Sale

Assets newly classified as held for sale during the year:

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

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

### 36 Inventories

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

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

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

## Notes to the Accounts

### 38 Cash and Cash Equivalents

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

The Council 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)

31/03/2017 £'000		31/03/2018 £'000
(601)	Central Government bodies	(1,546)
(339)	Other local authorities	(466)
	NHS bodies	(20)
(55)	Public corporations and trading funds	
(3,235)	Other entities and individuals	(3,282)
<b>(4,230)</b>	<b>Total</b>	<b>(5,314)</b>

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

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

### 41 Provisions

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

A 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**

31/03/2017 Restated £'000		31/03/2018 £'000
(14,317)	Revaluation reserve (note 44)	(14,343)
(124,951)	Capital Adjustment Account (note 45)	(133,737)
(39)	Deferred Capital Receipts Reserve (note 46)	(39)
63,534	Pensions Reserve (note 47)	60,009
93	Collection Fund Adjustment Account (note 48)	288
160	Accumulating Compensated Absences Adjustment Account (note 49)	120
361	Available for Sale Financial Instruments Reserve (note 50)	140
<b>(75,159)</b>	<b>Total Unusable Reserves</b>	<b>(87,562)</b>

**44 Revaluation Reserve**

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

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

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

31/03/2017 £'000		31/03/2018 £'000
(11,466)	At 1 April 2017	(14,317)
(3,283)	Upward revaluation of assets	(1,809)
36	Downward revaluation of assets and impairment losses not posted to the Surplus on the Provision of Services	105
<b>(14,713)</b>	Surplus or deficit on revaluation of non-current assets not posted to the Surplus on the Provision of Services	<b>(16,021)</b>
109	Accumulated gains on assets sold	1,343
287	Difference between fair value depreciation and historical cost depreciation	335
<b>(14,317)</b>	<b>At 31 March 2018</b>	<b>(14,343)</b>

## Notes to the Accounts

## 45 Capital Adjustment Account

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

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

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

31/03/2017		31/03/2018
£'000		£'000
(106,185)	At 1 April 2017	(124,951)
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement	
3,994	Charges for Depreciation and impairment of non current assets	4,162
(17,509)	Revaluation losses on Property, Plant and Equipment	(4,916)
125	Amortisation of intangible assets	0
333	Revenue expenditure funded from capital under statute	457
0	Heritage asset revaluation	125
1,211	Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	1,582
(118,031)		(123,541)
(287)	<b>Adjusting amounts written out of the Revaluation Reserve</b>	(335)
<b>(118,318)</b>	<b>Net written out amount of the cost of non current assets consumed in the year</b>	<b>(123,876)</b>
	<b>Capital financing applied in the year:</b>	
(820)	Use of the Capital Receipts Reserve to finance new capital expenditure	(2,577)
(2,797)	Use of the Major Repairs Reserve to finance new capital expenditure	(2,273)
0	Capital grants and contributions credited to Comprehensive Income and Expenditure Statement that have been applied to capital financing	0
0	Donated assets funding	0
(1,171)	Application of grants to capital financing from the Capital Grants Unapplied Account	(978)
(1,346)	Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	(1,341)
(499)	Capital expenditure charged against the General Fund and HRA balances	(2,692)
<b>(124,951)</b>	<b>At 31 March 2018</b>	<b>(133,737)</b>

## Notes to the Accounts

### 46 Deferred Capital Receipts Reserve

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

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

### 47 Pensions Reserve

The Pensions reserve absorbs the timing differences arising from the different arrangements for accounting for post employment benefits and for funding benefits in accordance with statutory provisions. The Authority accounts for post employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by the employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the authority makes employer's contributions to pension funds or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Authority has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

31/03/2017		31/03/2018
£'000		£'000
47,032	<b>At 1 April 2017</b>	63,534
14,697	Remeasurement of net defined liability	(6,729)
4,178	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	5,708
(2,373)	Employer's pension contributions and direct payments to pensioners payable in the year	(2,504)
<b>63,534</b>	<b>At 31 March 2018</b>	<b>60,009</b>

## Notes to the Accounts

### 48 Collection Fund Adjustment Account - Council Tax

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

31/03/2017		31/03/2018
£'000		£'000
(8)	<b>At 1 April 2017</b>	(42)
(34)	Amount by which council tax income credited to the Comprehensive Income and expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	(18)
<b>(42)</b>	<b>At 31 March 2018</b>	<b>(60)</b>

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

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

31/03/2017		31/03/2018
£'000		£'000
711	<b>At 1 April 2017</b>	135
(576)	Amount by which NNDR income credited to the Comprehensive Income and expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	213
<b>135</b>	<b>At 31 March 2018</b>	<b>348</b>

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

## Notes to the Accounts

## 49 Accumulating Compensating Absences Adjustment Account

31/03/2017		31/03/2018
£'000		£'000
<b>168</b>	<b>At 1 April 2017</b>	<b>160</b>
(168)	Settlement or cancellation of accrual made at the end of the preceding year	(160)
0	Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	0
160	Amounts accrued at the end of the current year	120
<b>160</b>	<b>At 31 March 2018</b>	<b>120</b>

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

## 50 Available for Sale Financial Instruments Reserve

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

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

Notes to the Accounts

Notes to support cashflow statement

51 Movements:

31/03/2017		31/03/2018
£'000		£'000
3,994	Depreciation	4,162
125	Amortisation	0
(17,548)	Impairment	(4,915)
239	Bad debts written off	120
(2,042)	(Decrease)/increase in creditors	1,471
(185)	Decrease /(increase) in debtors	(2,297)
5	Decrease in inventories	27
1,320	Carrying amount of non-current assets sold	3,050
1,805	Pension liability reversal	3,204
(156)	Other adjustments	(66)
<b>(12,443)</b>		<b>4,756</b>

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

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

## Notes to the Accounts

## Notes to support cashflow statement

## 53 Cash Flow Statement - Operating Activities

The cash flows for operating activities include the following items:

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

## 54 Cash Flow Statement - Investing Activities

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

## 55 Cash Flow Statement - Financing Activities

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

## Notes to the Accounts

## 56 Grant Income

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

## Credited to Taxation and Non Specific Grant Income

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

## Credited to Services

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

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

## Capital Grants Receipts in Advance due in less than one year

2016/17		2017/18
£'000		£'000
0		0

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

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

**Notes to the Accounts**

**57 Contingent Liabilities**

There are no contingent liabilities at 31 March 2018.

**58 Leases**

Authority as Lessee

The Council has acquired various equipment under finance leases. The assets acquired under these leases are carried as Property Plant and Equipment in the Balance Sheet at the net amounts below.

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

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

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

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

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

**Minimum Lease Payments**

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

**Finance Lease Liabilities**

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

## Notes to the Accounts

### 58 Leases continued - Operating

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

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

### Minimum Lease Payments incurred during the year

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

### Authority as Lessor

#### Finance Leases

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

#### Operating Leases

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

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

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

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

## Notes to the Accounts

### 59 Impairment Losses and Reversals

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

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

2016/17		2017/18
£'000		£'000
17,796	Council Dwellings	5,017
(98)	Other Land & Buildings	(102)
(150)	Assets Held For Sale	-
17,548		4,915

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

### 60 Non-Adjusting Post Balance Sheet Events

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

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

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

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

**Movement on the HRA Statement**

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

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

## Notes to the Accounts

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

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

2017/18	Usable Reserves						Movement in Unusable Reserves £'000
	General Fund Balance £'000	Housing Revenue Account £'000	Capital Receipts Reserve £'000	Major Repairs Reserve £'000	Capital Grants Unapplied £'000	Total Usable Reserves £'000	
<b>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</b>							
<b>Adjustments involving the Capital Adjustment Account:</b>							
Charges for depreciation and impairment of non current assets		(2,437)					2,437
Revaluation (losses)/gains on Property, Plant and Equipment		5,026					(5,026)
Amortisation of intangible assets							
Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement		(1,270)					1,270
<b>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</b>							
Statutory provision for the financing of capital investment							(987)
Capital expenditure charged against the General Fund and HRA balances		505					(505)
<b>Adjustments primarily involving the Capital Grants Unapplied Account</b>							
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement		218			(218)		
Application of grants to capital financing transferred to the Capital Adjustment account							
<b>Adjustments involving the Capital Receipts Reserve:</b>							
Transfer of sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement		2,084	(2,084)				
Transfer of capital mortgage repayments to Capital Receipts Reserve							
Use of the Capital Receipts Reserve to finance new capital expenditure							
Contribution from the Capital Receipts Reserve towards administrative costs of non current asset disposals		(34)	34				
Transfer of deferred sale proceeds as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement							
Repayment of Mortgage Principal							
<b>Adjustments involving the Deferred Capital Receipts Reserve:</b>							
Transfer of deferred sale proceeds as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement							
<b>Adjustment involving the Major Repairs Reserve:</b>							
Reversal of Major Repairs Allowance credited to the HRA		2,273		(2,273)			
Use of the Major Repairs Allowance to finance new capital expenditure							
Interest credited to the Major Repairs Allowance							
<b>Adjustments involving the Financial Instruments Adjustment Account:</b>							
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements							
<b>Adjustment involving the Pensions Reserve:</b>							
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement		(270)					270
<b>Adjustment involving the Accumulated Absences Account:</b>							
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements							(8)
<b>Total Adjustments</b>	<b>0</b>	<b>7,090</b>	<b>(2,050)</b>	<b>(2,273)</b>	<b>(218)</b>	<b>0</b>	<b>(2,549)</b>

## Notes to the Accounts

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

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

2016/17	Housing Revenue Account £'000	Capital Receipts Reserve £'000	Major Repairs Reserve £'000	Capital Grants Unapplied £'000	Total Usable Reserves £'000	Movement in Unusable Reserves £'000
<b>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</b>						
<b>Adjustments involving the Capital Adjustment Account:</b>						
Charges for depreciation and impairment of non current assets	(2,414)					2,414
Revaluation (losses)/gains on Property, Plant and Equipment	17,808					(17,808)
Amortisation of intangible assets						
Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(1,219)					1,219
<b>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</b>						
Statutory provision for the financing of capital investment	985					(985)
Capital expenditure charged against the General Fund and HRA balances	109					(109)
<b>Adjustments primarily involving the Capital Grants Unapplied Account</b>						
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	636			(636)		
Application of grants to capital financing transferred to the Capital Adjustment account						
<b>Adjustments involving the Capital Receipts Reserve:</b>						
Transfer of sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	1,970	#REF!				
Transfer of capital mortgage repayments to Capital Receipts Reserve						
Use of the Capital Receipts Reserve to finance new capital expenditure						
Contribution from the Capital Receipts Reserve towards administrative costs of non current asset disposals	(36)	36				
Transfer of deferred sale proceeds as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement						
<b>Adjustments involving the Deferred Capital Receipts Reserve:</b>						
Transfer of deferred sale proceeds as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement						
<b>Adjustment involving the Major Repairs Reserve:</b>						
Reversal of Major Repairs Allowance credited to the HRA	2,797		(2,797)			
Use of the Major Repairs Allowance to finance new capital expenditure						
Interest credited to the Major Repairs Allowance						
<b>Adjustments involving the Financial Instruments Adjustment Account:</b>						
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements						#REF!
<b>Adjustment involving the Pensions Reserve:</b>						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(23)					23
<b>Adjustment involving the Accumulated Absences Account:</b>						
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(2)					2
<b>Total Adjustments</b>	<b>20,611</b>	<b>#REF!</b>	<b>(2,797)</b>	<b>(636)</b>	<b>0</b>	<b>#REF!</b>

## Notes to the Accounts

### 62 Housing Stock

The Housing Revenue account owned the following property:

	Council Housing	Other Land & Buildings	Total
<b>At 1 April 2017</b>	3,030	1,187	4,247
<b>Additions</b>	1		1
<b>Sales</b>	(26)		(26)
<b>Improvement changes</b>			0
<b>Transfers</b>			0
<b>At 31 March 2018</b>	<b>3,005</b>	<b>1,187</b>	<b>4,222</b>

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

### 63 Number of dwellings by type

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

### 64 HRA Dwelling Valuation

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

Notes to the Accounts

HRA Dwelling Valuation continued

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

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

65 HRA Non-Current Asset Values

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

66 Capital Expenditure

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

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

67 Major Repairs Reserve

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

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

## Notes to the Accounts

## 68 Capital Receipts

2016/17		2017/18
£'000		£'000
1,946	Sale of council houses	2,084
24	Sale of land	41
-	Sale of council houses - discount repaid	-
-	Council house loan repayments	-
<b>1,970</b>	<b>Total</b>	<b>2,125</b>

## 69 Pension Liability: Current Year Costs

Each year the HRA Income and Expenditure Account is charged with an amount to reflect the true cost of pension contributions in relation to that year. Since this is not an actual cost in year, it is reversed out again in note 61.

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

## 70 HRA Arrears

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

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

## 71 Bad Debt Provision

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

## Notes to the Accounts

### 72 Rents Paid in Advance

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

### 73 Dwelling Rents

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

### 74 Depreciation of Fixed Assets

#### Depreciation and Amortisation

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

### 75 Interest payable and similar charges

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

## Notes to the Accounts

## 76 Self Financing Settlement Payment

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

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

The Collection Fund Income and Expenditure Account - Council Tax

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

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

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

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

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

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

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

## Notes to the Collection Fund

### 77 General

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

### 78 Income from Business Rates

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

### 79 Calculation of Council Tax Base

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

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

### 80 Precepting Authorities

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

## **Group Accounts**

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

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

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

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

**The Financial Statements of the company are available from:**

**3 Rivers Developments Ltd, Phoenix House, Phoenix Lane, Tiverton, Devon. EX16 6PP**

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

# Mid Devon District Council Financial Statements 2017-18

## Group Movement in Reserves Statement

This statement shows the movement in the year on the different reserves held by the Authority, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The surplus or (Deficit) on the Provision of Services line shows the true economic cost of providing the authority's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. This is different from the statutory amounts required to be charged to the General Fund Balance and the Housing Revenue Account for council tax setting and dwellings rent setting purposes. The net Increase/Decrease before Transfers to Earmarked Reserves line shows the statutory General Fund Balance and Housing Revenue Account Balance before any discretionary transfers to or from earmarked reserves undertaken by the Council. It also contains the Reserve of the Council's wholly owned subsidiary, 3 Rivers Ltd

2017/18	USABLE RESERVES							Total Usable Reserves	Unusable Reserves	Total Authority Reserves	Authority's Share of Subsidiary	Total Group Reserves
	REVENUE RESERVES				CAPITAL RESERVES							
	General Fund Balance	Earmarked General Fund Reserves	Housing Revenue Account	Earmarked HRA Reserves	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied					
£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
Balance at 31 March 2017	(2,602)	(10,029)	(2,000)	(12,453)	(2,438)	-	(2,162)	(31,684)	(75,160)	(106,844)	0	(106,844)
<b>Movement in Reserves during 2017/18</b>												
(Surplus) or deficit on the provision of services	799		(9,864)					(9,065)		(9,065)	307	(8,758)
Other Comprehensive Income and Expenditure	-							-	(8,653)	(8,653)	-	(8,653)
Total Comprehensive Income and Expenditure	799	-	(9,864)	-	-	-	-	(9,065)	(8,653)	(17,718)	307	(17,411)
Adjustments between accounting basis and funding basis under regulations	(1,506)		7,090		(1,104)	-	(773)	3,708	(3,707)	2	-	(0)
Net Increase/Decrease before Transfers to Earmarked Reserves	(707)	-	(2,774)	-	(1,104)	-	(773)	(5,357)	(12,361)	(17,716)	307	(17,411)
<b>Transfers (to) / from Earmarked Reserves</b>	619	(619)	2,774	(2,774)				(0)				
(Increase)/Decrease in 2017/18	(88)	(619)	0	(2,774)	(1,104)	0	(773)	(5,357)	(12,361)	(17,716)	307	(17,411)
<b>Balance at 31 March 2018 Carried forward</b>	<b>(2,690)</b>	<b>(10,648)</b>	<b>(2,000)</b>	<b>(15,227)</b>	<b>(3,542)</b>	<b>0</b>	<b>(2,935)</b>	<b>(37,041)</b>	<b>(87,521)</b>	<b>(124,560)</b>	<b>307</b>	<b>(124,255)</b>
<b>Held for Revenue Purposes</b>	<b>(2,690)</b>	<b>(10,648)</b>	<b>(2,000)</b>	<b>(15,227)</b>				<b>(30,565)</b>				
<b>Held for Capital Purposes</b>					<b>(3,542)</b>	<b>0</b>	<b>(2,935)</b>	<b>(6,477)</b>				

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## Group Comprehensive Income and Expenditure Statement

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

2016/17			2017/18		
Gross Expenditure	Gross Income	Net Expenditure	Gross Expenditure	Gross Income	Net Expenditure
£'000	£'000	£'000	£'000	£'000	£'000
613	(147)	466	546	(144)	402
1,370	(21)	1,349	2,064	0	2,064
536	(800)	(264)	604	(749)	(145)
24	0	24	28	-	28
2,169	(652)	1,517	2,227	(462)	1,765
(12)	(8)	(20)	14	(9)	5
52	(35)	17	203	(103)	100
403	(314)	89	490	(313)	177
(9,314)	(13,825)	(23,139)	3,568	(13,575)	(10,007)
161	0	161	75	-	75
76	(4)	72	103	(1)	102
1,328	(359)	969	1,310	(385)	925
2,509	(1,730)	779	2,753	(1,911)	842
1,078	(761)	317	1,137	(723)	414
19,174	(18,685)	489	18,377	(17,751)	626
3,697	(2,459)	1,238	3,963	(2,613)	1,350
5,085	(2,239)	2,846	5,454	(2,653)	2,801
	0	0	307		307
<b>28,949</b>	<b>(42,039)</b>	<b>(13,090)</b>	<b>43,223</b>	<b>(41,392)</b>	<b>1,831</b>
		825			1,013
		2,713			2,634
		(13,733)			(14,236)
		<b>(23,285)</b>			<b>(8,758)</b>
		14,697			(6,729)
		(3,247)			(1,704)
		250			(220)
		<b>11,700</b>			<b>(8,653)</b>
		<b>(11,585)</b>			<b>(17,411)</b>

**Group Balance Sheet**

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

31 March 2016	31 March 2017		31 March 2018
£'000	£'000		£'000
169,120	189,011	Property, Plant & Equipment	196,883
491	454	Heritage Assets	330
-	-	Intangible assets	0
2,390	4,639	Long-term Investments	4,860
158	176	Long-term Debtors	315
<b>172,159</b>	<b>194,280</b>	<b>Non-Current Assets</b>	<b>202,388</b>
13,500	18,000	Short-term Investments	19,000
-	419	Assets held for sale	240
195	200	Inventories	227
2,596	2,762	Short-term Debtors	3,840
6,387	3,746	Cash and Cash Equivalents	7,414
<b>22,678</b>	<b>25,127</b>	<b>Current Assets</b>	<b>30,721</b>
(5,397)	(4,230)	Short-term Creditors	(5,361)
(41)	(28)	Provisions	(28)
(1,683)	(1,731)	Short-term Borrowing	(1,731)
<b>(7,121)</b>	<b>(5,989)</b>	<b>Current Liabilities</b>	<b>(7,120)</b>
(641)	(627)	Long-term Creditors	(968)
(43,973)	(42,242)	Long-term Borrowing	(40,718)
(47,032)	(63,534)	Other Long Term Liabilities	(59,937)
(807)	(171)	Capital Grants Receipts in Advance	(111)
<b>(92,453)</b>	<b>(106,574)</b>	<b>Long Term Liabilities</b>	<b>(101,734)</b>
<b>95,263</b>	<b>106,844</b>	<b>Net Assets</b>	<b>124,255</b>
25,586	31,684	Usable Reserves	36,734
69,677	75,160	Unusable reserves	87,521
<b>95,263</b>	<b>106,844</b>	<b>Total Reserves</b>	<b>124,255</b>

## Group Cash Flow Statement

This section shows what cash we spend and receive

2016/17			2017/18
£'000			£'000
23,285	Net surplus or (deficit) on the provision of services		8,758
(12,443)	Adjustments to net surplus or deficit on the provision of services for non-cash movements		5,813
(2,338)	Adjustments for items included in the net surplus on the provision of services that are investing and financing activities (See note references)		(4,314)
<b>8,504</b>	<b>Net cash flows from Operating Activities</b>		<b>10,257</b>
(9,373)	Investing Activities		(4,980)
(1,772)	Financing Activities		(1,609)
<b>(2,641)</b>	<b>Net increase or (decrease) in cash and cash equivalents</b>		<b>3,668</b>
6,387	Cash and cash equivalents at the beginning of the reporting period		3,746
<b>3,746</b>	<b>Cash and cash equivalents at the end of the reporting period</b>		<b>7,414</b>

## Notes to the Accounts

### Group Officers' Emoluments

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

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

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

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

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

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

#### Property, Plant and Equipment

#### Property, Plant and Equipment

Nature of asset holding	Assets Under Construction	Council Dwellings	Other Land & Buildings	Vehicles Plant & Equip	Community Assets	Infra-structure Assets	Surplus Assets	Total Property, plant and Equipment
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Owned</b>	<b>3,452</b>	<b>145,221</b>	<b>44,455</b>	<b>2,702</b>	<b>419</b>	<b>258</b>	<b>0</b>	<b>196,280</b>
<b>Subject to Finance Leases</b>				<b>376</b>				<b>376</b>

The company owns land in Tiverton which has been classified in our Group Accounts as Assets under Construction.

## **GLOSSARY OF TERMS**

### **Accounting Period**

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

### **Actual**

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

### **Actuarial Gains and Losses**

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

### **Actuary**

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

### **Accruals**

Sums included in the final accounts to recognise revenue and capital income and expenditure attributable to the accounting period, but for which payment has not been received or made by 31 March.

### **Accumulated Compensated Absences Adjustment Account**

This account represents the value of any unused holiday, time off in lieu or flexi hours which have not been taken by officers at 31 March.

### **Actuarial Gains and Losses**

For a defined benefit pension scheme, the changes in actuarial deficits or surpluses that arise because:

- Events have not coincided with the actuarial assumptions made for the last valuation (experience gains and losses); or
- The actuarial assumptions have changed.

### **Accumulated Compensated Absences Adjustment Account**

This account represents the value of any unused holiday, time off in lieu or flexi hours which have not been taken by officers as at the 31 March.

### **Amortisation**

The writing down of an intangible fixed asset over its useful life.

### **Appointed Auditors**

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

### **Assets**

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

- **Current assets** will be consumed within the next financial year (e.g.: cash and stock).

- **Fixed assets (non current)** provide benefits over their useful life for more than one year and can be tangible (e.g. buildings) or intangible (e.g.: computer software licences).
- **Community assets** are assets that the local authority intends to hold in perpetuity, that have no determinable useful life and may have restrictions on their disposal (e.g. town squares and picnic sites).
- **Infrastructure assets** that form part of the economic or social framework of the area and whose function is not transferable (e.g.: highways, bridges and footpaths).
- **Operational assets** are fixed assets held and occupied by a local authority and used in the direct delivery of services.
- **Non Operational assets** are fixed assets held by a local authority but not directly occupied, used or consumed in the delivery of services (e.g.: buildings under construction and surplus assets).
- **Assets under Construction** details capital expenditure to date on work in progress.
- **Available for Sale** are assets actively being marketed at the Balance Sheet date.

### **Audit Committee**

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

### **Audit of Accounts**

An independent examination of the Council's financial affairs.

### **Authorised Limit**

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

### **Balances**

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

### **Balance Sheet**

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

### **Budget**

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

### **Cabinet**

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

### **Capital Adjustment Account**

This records the timing difference between the costs of fixed assets used and the capital financing set aside to pay for them.

**Capital Expenditure**

Expenditure on assets which have a long term value. Includes the purchase of land, purchase or cost of construction of buildings and the acquisition of plant, equipment and vehicles.

**Capital Charges**

This is a general term used for the notional charges made to service revenue accounts for the use of fixed assets. The term covers the following:

Depreciation, Impairment charges and Amortisation of Deferred Charges (included in gross expenditure) offset by the Amortisation of government grants deferred (included in income).

**Capital Financing Costs**

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

**Capital Receipts**

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

**Carrying Amount**

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

**Cash-flow Statement**

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

**CIPFA**

The Chartered Institute of Public Finance and Accountancy.

**Collection Fund**

A separate fund that records the income and expenditure relating to council tax and non domestic rates.

**Community Assets**

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

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

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

**Contingency**

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

**Contingent Liabilities or Assets**

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

### **Corporate Democratic Core**

Those activities which the local authority is engaged in specifically because it is an elected multi-purpose authority. This includes the costs of corporate policy making, representing local interests, representatives and duties arising from public accountability.

### **Council Tax**

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

### **Council Tax Requirement**

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

### **Creditor**

Amounts owed by the Council for work done, goods received or services rendered but for which payment has not been made at 31 March.

### **Current Assets**

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

### **Current Liabilities**

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

### **Current Service Cost**

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

### **Curtailement**

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

### **Debtor**

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

### **Deferred Capital Receipts**

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

### **Deferred Contributions**

Amounts paid to us for future activities.

### **Deferred Liabilities**

Sums of money due by the Council originally repayable within a period in excess of twelve months but where payment is not due until future years.

**Defined Benefit Scheme**

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

**Depreciation**

The allocation of the cost of the useful economic life of the Council's fixed assets for the accounting period through general wear and tear, consumption or obsolescence.

**Derecognition**

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

**Earmarked Reserves**

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

**Employee Costs**

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

**Exceptional Items**

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

**Expenditure**

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

**External Audit**

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

**Fair value**

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

**Fees and Charges**

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

**Finance Lease**

A lease whereby all the risks and rewards of ownership of a fixed asset are with the lessee. In substance the asset belongs to the lessee.

**Financial Instruments**

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

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

### **General Fund**

The main revenue fund of the Council. Income from the council tax precept and Government grants are paid into the fund, from which the cost of providing services are met.

### **Government Grants**

Payments by Central Government towards local authority expenditure. They are specific for a particular service; and are receivable in respect of both revenue and capital expenditure.

### **Government Grants Deferred**

Grants or contributions received which have supported wholly or in part the acquisition of fixed assets, net of the appropriate share of depreciation on those assets for which a depreciation charge is made.

### **Heritage Assets**

An asset with a historical, artistic, scientific, technological, geophysical or environmental quality that is held and maintained principally for its contribution to knowledge and culture.

### **Housing Benefit**

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

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

Statutory ring-fenced account required to represent the landlord/tenant obligations for the Council in relation to managing and maintaining its housing stock in return for rental income from tenants.

### **Impairment**

A reduction in the value of a fixed asset to below its carrying amount on the balance sheet due to damage, obsolescence or a general decrease in market value.

### **Income**

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

### **Income & Expenditure Account**

The net cost for the year for services provided by the Council for which it is responsible and showing how the cost has been financed from precepts, grants and other income.

**Infrastructure**

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

**Intangible Assets**

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

**Interest**

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

**International Financial reporting Standard (IFRS)**

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

**Inventories (previously Stock)**

Items of raw materials, work in progress or finished goods held at the financial year end, valued at the lower of cost or net realisable value.

**Leasing Costs**

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

**LGPS (Local Government Pension Scheme)**

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

**Liabilities**

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

**Local Development Plan**

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

**Long Term Borrowing**

Amounts borrowed in excess of 364 days.

**Long-Term Contract**

A contract entered into for the design, manufacture or construction of a single substantial asset, or the provision of a service (or a combination of assets and services which together constitute a single project), where the project falls into more than one accounting period.

### **Long Term Debtors**

Sums of money due to the Authority originally repayable within a period in excess of twelve months but where payment is not due until future years.

### **Leadership Team**

Chief Executive and Directors.

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

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

### **Member**

An elected councillor of the Council.

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

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

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

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

### **Net Book Value**

The value of fixed assets included on the balance sheet, being the historical cost or a current revaluation less the cumulative amounts of depreciation.

### **Net Debt**

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

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

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

### **Non Current Assets**

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

### **Non-distributed Costs**

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

### **Operating Lease**

A lease where the risks and rewards, and therefore the ownership of the asset, remains with the lessor.

**Precept**

The amount levied by one authority which is collected by another. e.g.: the County Council is the precepting authority and the District Council is the collecting authority.

**Prior Period Adjustments**

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

**Provision**

This is an amount which is put aside to cover future liabilities or losses which are considered to be certain or very likely to occur, but the amounts and timing are uncertain.

**Public Works Loan Board (PWLB)**

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

**Rateable Value**

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

**Related Parties**

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

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

**Revenue Contribution to Capital (RCCO)**

Capital spending that is directly paid for from revenue.

**Revenue Expenditure**

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

**Revenue Support Grant**

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

**Reporting Standards**

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

## **Reserves**

The accumulation of surpluses, deficits and appropriations over past years. Reserves of a revenue nature are available and can be spent or earmarked at the discretion of the Council. Some capital reserves such as the capital adjustment account cannot be used to meet current expenditure.

## **Restatement**

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

## **Revaluation Reserve**

This records net gains from revaluations not yet realised through sales.

## **Revenue Contributions**

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

## **Revenue Expenditure**

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

## **Revenue Expenditure Funded from Capital Under Statute (REFCUS)**

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

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

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

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

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

## **Settlements**

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

## **Tax Base**

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

## **Treasury Management**

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

## **Trust Funds**

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

**Unsupported (Prudential) Borrowing**

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

**Value for Money**

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

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# Audit Progress Report and Sector Update

Mid Devon District Council  
Year ending 31 March 2018

Page 183  
29 May 2018



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# Introduction



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

The paper also includes:

- a summary of emerging national issues and developments that may be relevant to you as a local authority; and
- includes a number of challenge questions in respect of these emerging issues which the Committee may wish to consider (these are a tool to use, if helpful, rather than formal questions requiring responses for audit purposes)

Members of the Audit Committee can find further useful material on our website, where we have a section dedicated to our work in the public sector. Here you can download copies of our publications. Click on the Grant Thornton logo to be directed to the website [www.grant-thornton.co.uk](http://www.grant-thornton.co.uk).

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

# Progress at May 2018

## Financial Statements Audit

We have issued a detailed audit plan, setting out our proposed approach to the audit of the Council's 2017/18 financial statements.

Our interim fieldwork is complete and included:

- Update review of the Council's control environment;
- Updating our understanding of the financial systems;
- Review of Internal Audit reports on core financial systems;
- Early work on emerging accounting issues; and
- Early substantive testing.

The findings from our interim audit were reported to you at the March 2018 Audit Committee.

The statutory deadline for the issue of the 2017/18 opinion is brought forward by two months to 31 July 2018. The final accounts audit is due to begin on the 29 May with findings reported to you in the Audit Findings Report by the earlier deadline of July 2018.

## Value for Money

The scope of our work is set out in the guidance issued by the National Audit Office. The Code requires auditors to satisfy themselves that; "the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources".

The guidance confirmed the overall criterion as: "in all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people".

The three sub criteria for assessment to be able to give a conclusion overall are:

- Informed decision making
- Sustainable resource deployment
- Working with partners and other third parties

We carried out our initial risk assessment to determine our approach in December 2017 and reported this to you in our Audit Plan in January 2018.

Our audit plan identified two significant risks in relation to financial resilience and housing company arrangements.

We will report our findings in the Audit Findings Report and give our Value For Money Conclusion by the deadline in July 2018.

## Other areas

### Certification of claims and returns

We are required to certify the Council's annual Housing Benefit Subsidy claim in accordance with procedures agreed with the Department for Work and Pensions. This certification work for the 2017/18 claim will be concluded by November 2018.

The results of the certification work are reported to you in our certification letter (January 2019).

The Council are also required to have appointed their auditor for the 2018/19 certification work by 2<sup>nd</sup> July 2018.

### Meetings

We continue to meet with Finance officers on a regular basis to update our audit planning process and discuss any emerging issues. Part of those ongoing discussions include emerging technical accounting items such as the Premier Inn lease transaction and the classification of CCLA property fund investments.

### Events

We provide a range of workshops, along with network events for members and publications to support the Council. Where there are relevant events we will ensure officers and members are invited.

Further details of the publications that may be of interest to the Council are set out in our Sector Update section of this report.

# Audit Deliverables

2017/18 Deliverables	Planned Date	Status
<b>Fee Letter</b> Confirming audit fee for 2017/18.	April 2017	Complete
<b>Accounts Audit Plan</b> We are required to issue a detailed accounts audit plan to the Audit Committee setting out our proposed approach in order to give an opinion on the Council's 2017-18 financial statements.	January 2018	Complete
<b>Interim Audit Findings</b> We will report to you the findings from our interim audit and our initial value for money risk assessment within our Progress Report.	March 2018	Complete
<b>Audit Findings Report</b> The Audit Findings Report will be reported to the July Audit Committee.	July 2018	Not yet due
<b>Auditors Report</b> This is the opinion on your financial statement, annual governance statement and value for money conclusion.	June 2018	Not yet due
<b>Annual Audit Letter</b> This letter communicates the key issues arising from our work.	August 2018	Not yet due
<b>Annual Certification Letter</b> This letter reports any matters arising from our certification work carried out under the PSAA contract.	January 2019	Not yet due

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# Sector Update

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Local government finances are at a tipping point. Councils are tackling a continuing drive to achieve greater efficiency in the delivery of public services, whilst facing the challenges to address rising demand, ongoing budget pressures and social inequality.

Our sector update provides you with an up to date summary of emerging national issues and developments to support you. We cover areas which may have an impact on your organisation, the wider NHS and the public sector as a whole. Links are provided to the detailed report/briefing to allow you to delve further and find out more.

Our public sector team at Grant Thornton also undertake research on service and technical issues. We will bring you the latest research publications in this update. We also include areas of potential interest to start conversations within the organisation and with audit committee members, as well as any accounting and regulatory updates.

- [Grant Thornton Publications](#)
- [Insights from local government sector specialists](#)
- [Reports of interest](#)
- [Accounting and regulatory updates](#)

More information can be found on our dedicated public sector and local government sections on the Grant Thornton website

# The Vibrant Economy Index

## a new way to measure success

Our Vibrant Economy Index uses data to provide a robust, independent framework to help everyone understand the challenges and opportunities in their local areas. We want to start a debate about what type of economy we want to build in the UK and spark collaboration between citizens, businesses and place-shapers to make their places thrive.

Places are complex and have an intrinsic impact on the people and businesses within them. Economic growth doesn't influence all of the elements that are important to people's lives – so we shouldn't use GDP to measure success. We set out to create another measure for understanding what makes a place successful.

In total, we look at 324 English local authority areas, taking into account not only economic prosperity but health and happiness, inclusion and equality, environmental resilience, community and dynamism and opportunity. Highlights of the index include:

- Traditional measures of success – gross value added (GVA), average workplace earning and employment do not correlate in any significant way with the other baskets. This is particularly apparent in cities, which despite significant economic strengths are often characterised by substantial deprivation and low aspiration, high numbers of long-term unemployment and high numbers of benefit claimants
- The importance of the relationships between different places and the subsequent role of infrastructure in connecting places and facilitating choice. The reality is that patterns of travel for work, study and leisure don't reflect administrative boundaries. Patterns emerge where prosperous and dynamic areas are surrounded by more inclusive and healthy and happy places, as people choose where they live and travel to work in prosperous areas.
- The challenges facing leaders across the public, private and third sector in how to support those places that perform less well. No one organisation can address this on their own. Collaboration is key.

Visit our website ([www.granthornton.co.uk](http://www.granthornton.co.uk)) to explore the interactive map, read case studies and opinion pieces, and download our report **Vibrant Economy Index: Building a better economy**.

### Vibrant Economy app

To support local collaboration, we have also developed a Vibrant Economy app. It's been designed to help broaden understanding of the elements of a vibrant economy and encourage the sharing of new ideas for – and existing stories of – local vibrancy.

We've developed the app to help people and organisations:

- see how their place performs against the index and the views of others through an interactive quiz
- post ideas and share examples of local activities that make places more vibrant
- access insights from Grant Thornton on a vibrant economy.

We're inviting councils to share it with their employees and the wider community to download. We can provide supporting collateral for internal communications on launch and anonymised reporting of your employees' views to contribute to your thinking and response.

To download the app visit your app store and search 'Vibrant Economy'

- Fill in your details to sign up, and wait for the verification email (check your spam folder if you don't see it)
- Explore the app and take the quiz
- Go to the Vibrant Ideas section to share your picture and story or idea



# Overview of the General Data Protection Regulation (GDPR)

## What is it?

The GDPR is the most significant development in data protection for 20 years. It introduces new rights for individuals and new obligations for public and private sector organisations.

## What's next?

Many public sector organisations have already developed strategic plans to implement the GDPR, which require policy, operational, governance and technology changes to ensure compliance by 25<sup>th</sup> May 2018.

### How will this affect you?

- ✓ All organisations that process personal data will be affected by the GDPR.
- ✓ The definition of 'personal data' has been clarified to include any data that can identify a living individual, either directly or indirectly. Various unique personal identifiers (including online cookies and IP addresses) will fall within the scope of personal data

### What organisations need to do by May 2018

- ✓ Local government organisations need to be able to provide evidence of completion of their GDPR work to internal and external stakeholders, to internal audit and to regulators.
- ✓ New policies and procedures need to be fully signed off and operational.

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## Organisation Accountability

- Organisations must document their assurance procedures, and make them available to regulators
- Some organisations need to designate a Data Protection Officer, who has expert knowledge of data protection law

## Notifications and Rights

- Organisations must notify significant data breaches to regulators within 72 hours
- Organisations must explain to individuals what their rights over their personal information are and how it is being processed and protected

## Claims and Fines

- For the most serious data breaches, privacy regulators can impose penalties of up to €20 million on public sector organisations,
- Individuals and representative organisations can claim compensation for infringements of data protection law

## Questions for your organisation:

- Can your organisation erase personal data effectively?
- Have you appointed a Data Protection Officer if required to have one?
- How will your organisation ensure citizens know how their data is being used and whether it's being shared with other organisations?

# Financial sustainability of local authorities 2018

This National Audit Office report reviews financial sustainability across Local Government and examines whether the MHCLG, along with other departments with responsibility for local services, understands the impact of funding reductions on the financial and service sustainability of local authorities.

The report concludes that current pattern of growing overspends on services and dwindling reserves exhibited by an increasing number of authorities is not sustainable over the medium term. The financial future for many authorities is less certain than in 2014, when the NAO first looked at financial sustainability. It also notes that the financial uncertainty created by delayed reform to the local government financial system risks longer-term value for money.

The NAO's view is that the sector has done well to manage substantial funding reductions since 2010-11, but financial pressure has increased markedly since the 2014 review. Services other than adult social care are continuing to face reducing funding despite anticipated increases in council tax. Local authorities face a range of new demand and cost pressures while their statutory obligations have not been reduced. Non-social-care budgets have already been reduced substantially, so many authorities have less room for manoeuvre in finding further savings. The scope for local discretion in service provision is also eroding even as local authorities strive to generate alternative income streams.

Key findings include:

Financial resilience varies between authorities, with some having substantially lower reserves levels than others. Levels of total reserves in social care authorities as a whole are higher now than in 2010-11. However, there is variation in individual authorities' ability to build up their reserves and differences in the rate at which they have begun to draw them down. Some 10.6% of single-tier and county councils would have the equivalent of less than three years' worth of total reserves (earmarked and unallocated combined) left if they continued to use their reserves at the rate they did in 2016-17.

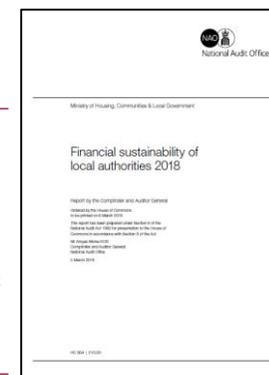
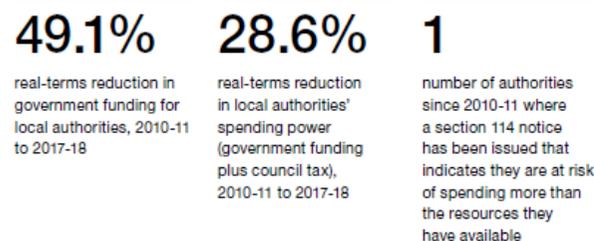
A section 114 notice has been issued at one authority, which indicates that it is at risk of failing to balance its books in this financial year. In February 2018, the statutory financial officer for Northamptonshire County Council issued a section 114 notice, indicating that it was at risk of spending more in the financial year than the resources it has available, which would be unlawful.

MHCLG's work to assess the sector's funding requirements as part of the 2015 Spending Review was better than the work it undertook for the 2013 Spending Review. The Department's advice to ministers in 2015 drew on a more comprehensive evidence base, including data returns from 12 departments.

The government has announced multiple short-term funding initiatives in recent years and does not have a long-term funding plan for local authorities. In 2016-17, the Department offered a four-year settlement to all authorities to enable better financial planning. However, there have been many changes to funding streams outside this core offer. The funding landscape following the 2015 Spending Review has been characterised by one-off and short-term funding initiatives.

There is also uncertainty over the long-term financial plan for the sector. The absolute scale of future funding is unknown until the completion of the next Spending Review. The government has confirmed its intention to implement the results of the Fair Funding Review in 2020-21 and to allow local authorities to retain 75% of business rates. However, the implications of these changes are not yet clear.

There is a lack of ongoing coordinated monitoring of the impact of funding reductions across the full range of local authority services.



# Cost Assurance

## Did you know....

40

Number of Public Sector engagements to date

£125m

Annual spend analysed

3.55m

Rebate opportunities identified

£1.1m

Fee income identified

2.84%

Error rate – rebates versus spend volume

55%

Of Public Sector engagements are Local Government

Our Cost Assurance service line provides Local Authorities with an independent and retrospective audit of their legacy telecommunications and utilities costs incurred during the past 6 years (as per the Statute of Limitation).

We find that there are repeat errors contained within a Suppliers' invoice arrangements – errors that aren't necessarily picked up by the end client. This is due to the fact that they tend to be contained in suppliers' billing systems 'at source' and are much further down the supply chain which the user won't necessarily have visibility of.

We are supported by a comprehensive library of legacy supplier pricing that has been collated since 2011. Our one aim is to ensure that the client has only paid for the services used during the period by:

- ensuring that bills presented by Suppliers' are in line with their contracts and relevant pricing mechanisms
- ensuring the client receives the Supplier refunds where errors have been identified by us
- ensuring consequential savings are identified and implemented immediately for the client

Our Cost Assurance work is based on a contingent-fee model and is supported by PSAA Ltd. Each of our Local Authority engagements include a fee cap to ensure governance and regulatory standards are maintained.

In summary, we are able to bring much needed financial benefit to the sector as well as providing insight into errors that may be prone to repeat offence by suppliers long after our work is concluded.

### Grant Thornton Challenge question:

Has your Authority considered the potential for an independent review of telecommunications and utility costs?

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# Links

## Grant Thornton website links

<https://www.grantthornton.co.uk/>

<http://www.grantthornton.co.uk/industries/publicsector>

## PSAA website links

<https://www.psa.co.uk/audit-quality/reports-on-the-results-of-auditors-work/>

## National Audit Office link

<https://www.nao.org.uk/report/financial-sustainability-of-local-authorities-2018/>





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3 April 2018

Dear Andrew

### **Planned audit fee for 2018/19**

The Local Audit and Accountability Act 2014 (the Act) provides the framework for local public audit. Public Sector Audit Appointments Ltd (PSAA) has been specified as an appointing person under the Act and the Local Authority (Appointing Person) Regulations 2015 and has the power to make auditor appointments for audits of opted- in local government bodies from 2018/19.

For opted- in bodies PSAA's responsibilities include setting fees, appointing auditors and monitoring the quality of auditors' work. Further information on PSAA and its responsibilities are available on the [PSAA website](#).

From 2018/19 all grant work, including housing benefit certification, now falls outside the PSAA contract, as PSAA no longer has the power to make appointments for assurance on grant claims and returns. Any assurance engagements will therefore be subject to separate engagements agreed between the grant-paying body, the Council and ourselves and separate fees agreed with the Council.

### **Scale fee**

PSAA published the 2018/19 scale fees for opted-in bodies in March 2018, following a consultation process. Individual scale fees have been reduced by 23 percent from the fees applicable for 2017/18. Further details are set out on the [PSAA website](#). The Council's scale fee for 2018/19 has been set by PSAA at £36,729.

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

The audit planning process for 2018/19, including the risk assessment will continue as the year progresses and fees will be reviewed and updated as necessary as our work progresses.

### Scope of the audit fee

There are no changes to the overall work programme for audits of local government audited bodies for 2018/19. Under the provisions of the Local Audit and Accountability Act 2014, the National Audit Office (NAO) is responsible for publishing the statutory Code of Audit Practice and guidance for auditors. Audits of the accounts for 2018/19 will be undertaken under this Code. Further information on the NAO Code and guidance is available on the [NAO website](#).

The scale fee covers:

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

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

### Value for Money conclusion

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

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

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

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

### Billing schedule

Fees will be billed as follows:

Main Audit fee	£
September 2018	9,182
December 2018	9,182
March 2019	9,182
June 2019	9,183
<b>Total</b>	<b>36,729</b>

### Outline audit timetable

We will undertake our audit planning and interim audit procedures in December 2018 to February 2019. Upon completion of this phase of our work we will issue a detailed audit plan setting out our findings and details of our audit approach. Our final accounts audit and work on the VfM conclusion will be completed in June and July 2019 and work on the whole of government accounts return in July 2018.

<b>Phase of work</b>	<b>Timing</b>	<b>Outputs</b>	<b>Comments</b>
Audit planning and interim audit	December 2018 to February 2019	Audit plan	The plan summarises the findings of our audit planning and our approach to the audit of the Council's accounts and VfM.
Final accounts audit	June and July 2019	Audit Findings (Report to those charged with governance)	This report sets out the findings of our accounts audit and VfM work for the consideration of those charged with governance.
VfM conclusion	June and July 2019	Audit Findings (Report to those charged with governance)	As above
Whole of government accounts	July 2019	Opinion on the WGA return	This work will be completed alongside the accounts audit.
Annual audit letter	July 2019	Annual audit letter to the Council	The letter will summarise the findings of all aspects of our work.

**Additional work**

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

**Quality assurance**

We are committed to providing you with a high quality service. If you are in any way dissatisfied, or would like to discuss how we can improve our service, please contact me in the first instance. Alternatively, you may wish to contact Jon Roberts, our Public Sector Assurance regional lead partner, via [jon.roberts@uk.gt.com](mailto:jon.roberts@uk.gt.com).

Yours sincerely



Geraldine Daly

Engagement Lead

For Grant Thornton UK LLP

