

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	
<u>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</u>							
<u>Adjustments involving the Capital Adjustment Account:</u>							
Charges for depreciation and impairment of non current assets	(1,725)	(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
<u>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</u>							
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)
<u>Adjustments primarily involving the Capital Grants Unapplied Account</u>							
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)
<u>Adjustments involving the Capital Receipts Reserve:</u>							
Transfer of sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	1,639	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							
<u>Adjustments involving the Deferred Capital Receipts Reserve:</u>							
Transfer of deferred sale proceeds as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(1)						1
Balance carried forward	1,590	5,079	(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)
<u>Adjustment involving the Major Repairs Reserve:</u>							
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							
<u>Adjustments involving the Financial Instruments Adjustment Account:</u>							
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements							
<u>Adjustment involving the Pensions Reserve:</u>							
Actuarial past service gain adjustment							
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(5,438)	(270)					5,708
Employer's pension contributions and direct payments to pensioners payable in the year.	2,504						(2,504)
<u>Adjustment involving the Collection Fund Adjustment Account:</u>							
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statements is different from council tax income calculated for the year in accordance with statutory requirements	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
<u>Adjustment involving the Accumulating Compensated Absences Adjustment Account:</u>							
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements.	32	8					(40)
Total Adjustments	(1,507)	7,090	(1,104)	0	(773)	0	(3,707)

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	
<u>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</u>							
<u>Adjustments involving the Capital Adjustment Account:</u>							
Charges for depreciation and impairment of non current assets	(1,580)	(2,414)					3,994
Revaluation (losses)/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
<u>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</u>							
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)
<u>Adjustments primarily involving the Capital Grants Unapplied Account</u>							
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	978	636			(1,614)		
Application of grants to capital financing transferred to the Capital Adjustment Account					1,171		(1,171)
<u>Adjustments involving the Capital Receipts Reserve:</u>							
Transfer of sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	116	1,970	(2,086)				
Use of the Capital Receipts Reserve to finance new capital expenditure			820				(820)
Contribution from the Capital Receipts Reserve towards administrative costs of non current asset disposals		(36)	36				
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	(233)		233				
Transfer of deferred sale proceeds as part of the gain/loss on disposal to the Comprehensive income and Expenditure Statement							
<u>Adjustments involving the Deferred Capital Receipts Reserve:</u>							
Transfer of deferred sale proceeds as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(1)						1
Balance carried forward	(820)	17,839	(997)	0	(443)	0	(15,579)

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

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
Total Revenue Earmarked Reserves	8,365	3,424	(1,760)	0	10,029	3,763	(3,144)	0	10,648

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
Total Revenue Earmarked Reserves	9,736	2,826	(109)	0	12,453	3,257	(484)	0	15,227

7 Transfers to/from Capital Grants Unapplied

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

	Balance at 1/4/16 £'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
Total Funds Unapplied	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'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
Total Capital Grants Unapplied	1,722	978	(539)	0	2,161	1,750	(978)	0	2,933

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)
825	Total	1,013

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)
2,713	Total	2,634

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)
(13,733)	Total	(14,236)

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)
250	Total	(220)

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
131	Total		131

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)
Total	12,321	12,321	(757)	13,838	13,838	(678)

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. 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
Director of Operations. Note 3	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
				66

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
				130

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
65	Total	55

Notes to the Accounts

16 Related Party Transactions

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

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

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

Officers of the Council are bound by the Council's Code of Conduct. Leadership Team 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)
21,629	Total	(753)

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

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	62,308	58,861	1,226	1,148
Other movements in the liability (asset)	0	0	0	0
Net liability from defined benefit obligation	62,308	58,861	1,226	1,148

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
Total Post-employment Benefits charged to the Surplus or Deficit on the Provision of Services	4,178	5,708	0	0
<i>Other Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement</i>				
Remeasurement of the net defined benefit liability comprising:				
Return on plan assets (excluding the amount included in the net interest expense)	(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
Total Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement	14,697	(6,729)	0	0
<i>Movement in Reserves Statement</i>				
Reversal of net charges made to the surplus or Deficit on the Provision of Services for post-employment benefits in accordance with the Code.	(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
Closing fair value of scheme assets	59,578	62,161	0	0

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
Opening balance at 1 April	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)
Closing balance at 31 March	123,474	122,617	(362)	(447)

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
Sub-total equities	35,044	36,333
Bonds:		
- Gilts	1,778	1,952
- Other Bonds	1,523	1,271
Sub-total bonds	3,301	3,223
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
Sub-total other investment funds	19,642	21,087
Total assets	59,578	62,161

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
At 1 April 2017	1,967	141,024	41,890	5,402	516	292	1,075	192,166
Additions	1,595	2,672	2,438	1,361				8,066
Donations								0
Revaluation increases/(decreases) recognised in the Revaluation reserve		(2,222)	484	(257)				(1,995)
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services		5,017	(102)					4,915
Derecognition - Disposals	(110)	(1,270)	(163)	(85)			(1,075)	(2,703)
Derecognition - Other								0
Reclassification	(227)		(85)	75				(237)
At 31 March 2018	3,225	145,221	44,462	6,496	516	292	0	200,212

Accumulated Depreciation and Impairment

At 1 April 2017				(3,045)	(87)	(23)		(3,155)
Depreciation charge		(2,271)	(1,176)	(694)	(10)	(11)	0	(4,162)
Depreciation written out to the Revaluation Reserve		2,271	1,169	257			0	3,697
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				64			0	64
Derecognition - Other								0
At 31 March 2018	0	0	(7)	(3,418)	(97)	(34)	0	(3,556)

Net Book Value

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

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
Owned	3,225	145,221	44,455	2,702	419	258	0	196,280
Subject to Finance Leases				376				376

(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
Valued at Historical Cost	3,225			3,078	419			6,722
Valued at fair value in year								
2017/18		145,221	44,455			258	-	189,934
2016/17		141,024	41,890			269	1,075	184,258
2015/16		139,422	41,489			238		181,149
2014/15		123,747	41,063			292		165,102
2013/14		119,320	36,749			291		156,360

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
At 1 April 2016	506	123,488	41,518	5,305	516	292	0	171,625
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)
At 31 March 2017	1,967	141,024	41,890	5,402	516	292	1,075	192,166

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
At 31 March 2017	0	0	0	(3,045)	(87)	(23)	0	(3,155)

Net Book Value

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

Nature of asset holding

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

Notes to the Accounts

24 Revenue Expenditure Funded From Capital Under Statute (REFCUS)

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

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

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
51,960	Opening Capital Financing Requirement	50,616
	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)
50,616	Closing Capital Financing Requirement	49,316
	Explanation of movements in year	
(1,344)	(Decrease)/Increase in underlying need to borrowing (unsupported by government financial assistance)	(1,300)
(1,344)	(Decrease)/Increase in Capital Financing Requirement	(1,300)

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 £'000		2017/18 £'000
	Cost or Valuation	
491	At 1 April 2017	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	
454	At 31 March 2018	330

Heritage Assets: Summary of Transactions

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

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
An oil painting on canvas of George III by Sir Joshua Reynolds, (British, 1723 - 1792)	250	250
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
Total	125	0

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
Balance at start of year:		
- 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)	
Net carrying amount at the end of year	0	0

Notes to the Accounts

27 Intangible Assets

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

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
Total	125	0

28 Commitments under Capital Contracts

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

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
Total loan value outstanding		43,973	42,449

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
Interest payable and similar charges	1,265	37				1,302
Interest income			(157)		(225)	(382)
Interest and investment income			(157)		(225)	(382)
Fair Value adjustment					(220)	(220)
Net (gain)/loss for the year	1,265	37	(157)		(445)	700

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
Interest payable and similar charges	1,313	34				1,347
Interest income			(143)		(175)	(318)
Interest and investment income			(143)		(175)	(318)
Fair Value adjustment		0	0		250	250
Net (gain)/loss for the year	1,313	34	(143)		75	1,279

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
Financial Assets						
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
Total	24,988	24,988	27,132	27,132	31,645	31,645
Financial Liabilities						
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)
Total	(46,920)	(53,822)	(45,035)	(53,617)	(43,417)	(50,003)

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	
CCLA Property Fund	2,389	4,639	4,860

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	
176	Total	1,065	

Notes to the Accounts

35 Short Term Investments

	31/03/2017		31/03/2018	
	£'000		£'000	
	18,000		19,000	

	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
	Total			18,000	19,000

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
Total	419	Total		240

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	
Raw materials	200		227	

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)
	2,762	Total		4,171

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
3,746		6,892

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)
(4,230)	Total	(5,314)

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)
(42,869)		(41,686)
(63,534)	Other Long Term Liabilities	(60,009)
(171)	Capital Grants Receipts in Advance	(111)
(106,574)	Total	(101,806)

41 Provisions

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

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

Notes to the Accounts

42 Usable Reserves

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

43 Unusable Reserves

31/03/2017 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
(75,159)	Total Unusable Reserves	(87,562)

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
(14,713)	Surplus or deficit on revaluation of non-current assets not posted to the Surplus on the Provision of Services	(16,021)
109	Accumulated gains on assets sold	1,343
287	Difference between fair value depreciation and historical cost depreciation	335
(14,317)	At 31 March 2018	(14,343)

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)	Adjusting amounts written out of the Revaluation Reserve	(335)
(118,318)	Net written out amount of the cost of non current assets consumed in the year	(123,876)
	Capital financing applied in the year:	
(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)
(124,951)	At 31 March 2018	(133,737)

Notes to the Accounts

46 Deferred Capital Receipts Reserve

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

This deferred capital receipts reserve relates to the rent to mortgage scheme that operated some time ago. Under the scheme home owners were helped with the provision of a mortgage which was secured on the property by way of a legal charge registered at the Land Registry. In the future when the property is sold Mid Devon will receive the balance outstanding, although part of the proceeds will be payable to the 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	At 1 April 2017	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)
63,534	At 31 March 2018	60,009

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)	At 1 April 2017	(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)
(42)	At 31 March 2018	(60)

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	At 1 April 2017	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
135	At 31 March 2018	348

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
168	At 1 April 2017	160
(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
160	At 31 March 2018	120

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
110	At 1 April 2017	361
251	Change in valuation charged to Other Comprehensive Income and Expenditure	(221)
361		140

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)
(12,443)		4,756

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	
(2,338)		(4,314)

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
1,029		920

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)
(9,373)	Net cash flows from investing activities	(4,752)

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)
(1,772)	Net cash flows from financing activities	(1,609)

Mid Devon District Council Financial Statements 2017-18



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)
(13,734)	Total	(14,236)

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)
(19,265)	Total	(18,206)

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
(483)	Minimum lease payments	(376)

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
483		376

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
483		376

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
995		1,093

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
279		265

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
1,688		2,333

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
	Expenditure			
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)	Total Expenditure			3,095
	Income			
(12,604)	Dwelling Rents	73	(12,387)	
(573)	Non-dwelling Rents		(590)	
(499)	Other Chargeable Services and Facilities		(520)	
(13,676)	Total Income			(13,497)
	Net Expenditure or Income of HRA Services as included in the Whole Authority Comprehensive Income and Expenditure Statement			(10,402)
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)	Net Income of HRA Services (NB: Expenditure if positive)			(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)
(23,327)	(Surplus) for the year on HRA Services			(9,864)

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
(2,000)	Balance on the HRA at the end of the current year		(2,000)

Notes to the Accounts

61 Adjustments between Accounting Basis and Funding Basis under Regulations

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

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	
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:							
Adjustments involving the Capital Adjustment Account:							
Charges for depreciation and impairment of non current assets		(2,437)					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
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:							
Statutory provision for the financing of capital investment							(987)
Capital expenditure charged against the General Fund and HRA balances		505					(505)
Adjustments primarily involving the Capital Grants Unapplied Account							
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							
Adjustments involving the Capital Receipts Reserve:							
Transfer of sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement		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							
Adjustments involving the Deferred Capital Receipts Reserve:							
Transfer of deferred sale proceeds as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement							
Adjustment involving the Major Repairs Reserve:							
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							
Adjustments involving the Financial Instruments Adjustment Account:							
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements							
Adjustment involving the Pensions Reserve:							
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement		(270)					270
Adjustment involving the Accumulated Absences Account:							
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements		8					(8)
Total Adjustments	0	7,090	(2,050)	(2,273)	(218)	0	(2,549)

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
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:						
Adjustments involving the Capital Adjustment Account:						
Charges for depreciation and impairment of non current assets	(2,414)					2,414
Revaluation (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
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:						
Statutory provision for the financing of capital investment	985					(985)
Capital expenditure charged against the General Fund and HRA balances	109					(109)
Adjustments primarily involving the Capital Grants Unapplied Account						
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	636			(636)		
Application of grants to capital financing transferred to the Capital Adjustment account						
Adjustments involving the Capital Receipts Reserve:						
Transfer of sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	1,970	#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						
Adjustments involving the Deferred Capital Receipts Reserve:						
Transfer of deferred sale proceeds as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement						
Adjustment involving the Major Repairs Reserve:						
Reversal of Major Repairs Allowance credited to the HRA	2,797		(2,797)			
Use of the Major Repairs Allowance to finance new capital expenditure						
Interest credited to the Major Repairs Allowance						
Adjustments involving the Financial Instruments Adjustment Account:						
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements						#REF!
Adjustment involving the Pensions Reserve:						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(23)					23
Adjustment involving the Accumulated Absences Account:						
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(2)					2
Total Adjustments	20,611	#REF!	(2,797)	(636)	0	#REF!

Notes to the Accounts

62 Housing Stock

The Housing Revenue account owned the following property:

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

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
3,030	Total	3,005

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		31 March 2018
£'000	HRA Non-Current Assets	£'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
149,248		155,153

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
4,289			4,289

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
4,477			4,476

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	-
1,970	Total	2,125

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
221	Total	322

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
2,414	Total	2,437

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
1,258	Total	1,213

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)	Closing Balance	(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)	Total Income		(49,989)
	EXPENDITURE		
	Precepts, Demands and Shares	80	
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
	Charges to Collection Fund		
142	- Write offs of uncollectable amounts		124
49	- Increase in provision for bad debts		51
191			175
	Apportionment of previous year's surplus		
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	Total Expenditure		49,854
(243)	(Surplus) / Deficit for the year		(135)
(60)	Opening Balance at 1st April		(303)
(303)	Closing Balance at 31 March	48	(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)
(14,206)	Total Income		(14,575)
	EXPENDITURE		
	Precepts, Demands and Shares		
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
15,267			14,819
	Charges to Collection Fund		
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
(1,216)			468
	Apportionment of previous year's Surplus/(Deficit)		
(671)	- Central Government		(148)
(121)	- Devon County Council		(27)
(536)	- Mid Devon District Council		(118)
(13)	- Devon Fire and Rescue		(3)
(1,341)			(296)
12,710	Total Expenditure		14,991
(1,496)	(Surplus) / Deficit for the year		416
1,852	Opening Balance at 1st April		356
356	Closing Balance at 31 March	48	772

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

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
46,623	Total	49,297

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.