



DRAFT

**STATEMENT OF ACCOUNTS
FOR THE YEAR ENDED 31 MARCH 2018**

(Subject to Audit)



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Cover Photo: Our housing development at Fir Close in Willand

Introduction by the Leader of the Council



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

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

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

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

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

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

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

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

**Clive Eginton
Leader of the Council**

Views from the Chief Executive



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

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

Efficiencies, innovation, cost reduction; three strands providing the backdrop to the effective management of finances in the context of one of the

most challenging periods in local government finance for a generation.

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

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

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

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

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

Stephen Walford
Chief Executive

Narrative Report

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



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

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

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

maintenance services into the operation.

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

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

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

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

Andrew Jarrett
Director of Finance, Assets and Resources

NARRATIVE REPORT 2017/18

1.1 Introduction

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

1.2 The Core Financial Statements

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

1.3 Movement in Reserves Statement

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

1.4 Comprehensive Income and Expenditure Statement

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

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

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

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

1.5 The Balance Sheet

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

1.6 Cash Flow Statement

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

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

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

1.8 Collection Fund

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

1.9 Group Accounts

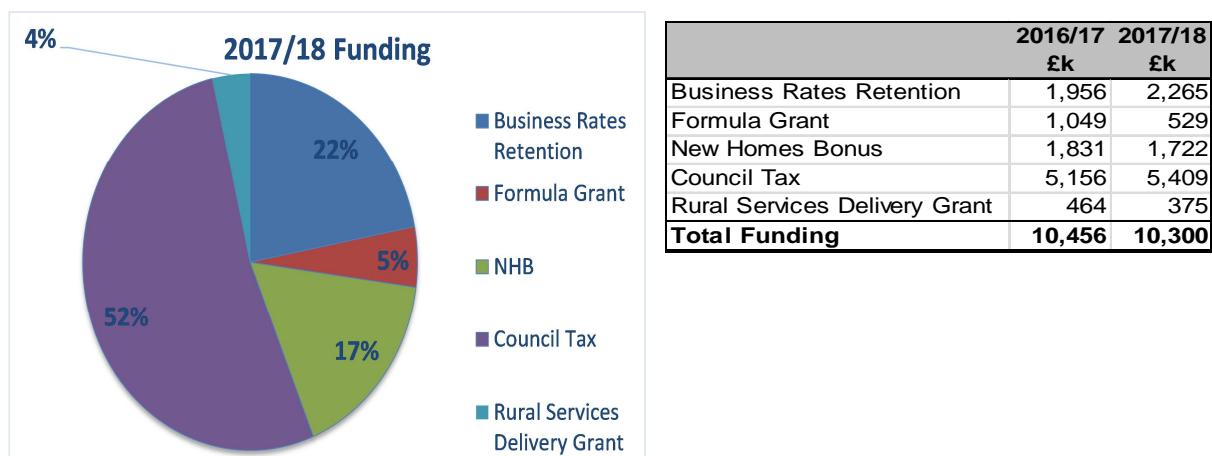
The Council is required to consolidate into its own accounts (as a single entity) the financial activities of outside organisations such as subsidiaries, joint ventures and associates. This is the first year that the council's wholly owned subsidiary, 3 Rivers Ltd has been in operation. The first year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

2.0 Review of the Year

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

FINANCIAL PERFORMANCE

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



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

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

GENERAL FUND REVENUE ACCOUNT OUTTURN SUMMARY 2017/18

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

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

Revenue Expenditure – General Fund Financial Performance

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

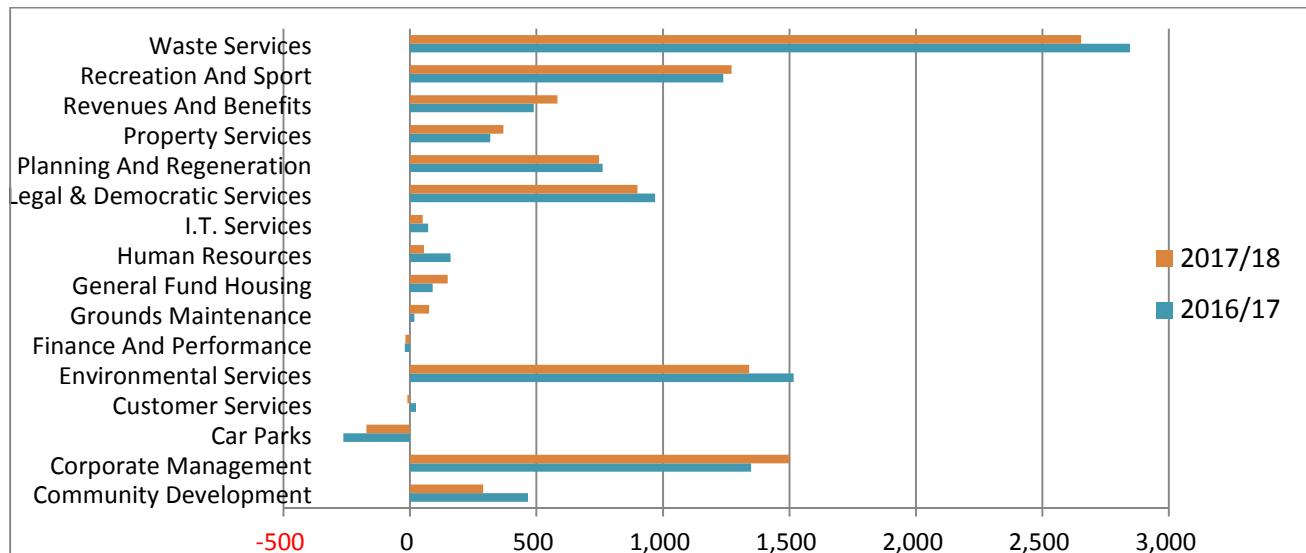
Since that time we have completed our Retained Business Rates computations and this has shown a significant surplus due to growth and a more favourable Pooling dividend. We have also reclassified our CCLA investment and this has led to a surplus in the outturn. This reclassification is explained in the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

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

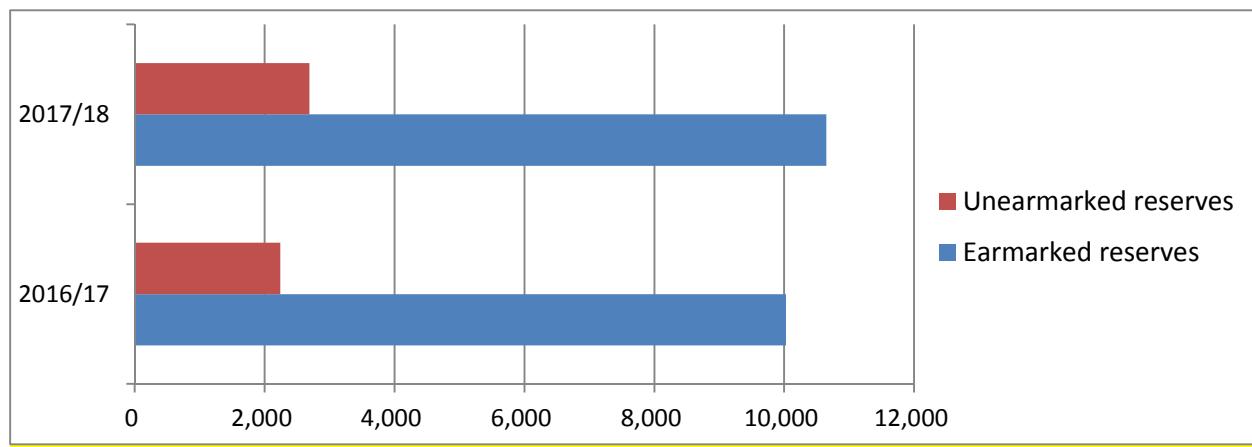
The overall General Fund position delivered in 2017/18 reflects the continued efforts of both officers and members to provide high quality services at an affordable cost and demonstrates the Council's ongoing commitment to reducing operational cost to mitigate against further cuts in Central Government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

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

General Fund Net Service Expenditure £k



General Fund Account Reserves £k



2.2 Revenue Expenditure - Housing Revenue Account (HRA)

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

The Net Budget for the HRA is £Nil, reflecting the self-financing nature of the account. However, financial performance is measured against the Gross Income budget, which is £12,369m for the year. The HRA has reported a net surplus of £256k for 2017/18, which is 2% of gross income. The surplus is retained within the HRA and relates mainly to savings made within Planned Maintenance and Tenancy. The following table provides a summary of performance against budget for the year.

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

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

2.3 Revenue Expenditure – Non Financial Performance And Risk

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

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

2.4 Capital Expenditure

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

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

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

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

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

2.5 The Movement in Reserves Statement

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

2.6 The Comprehensive Income and Expenditure Statement

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

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

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

2.7 Balance Sheet

The financial highlights for the Balance Sheet are shown below:

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

2.8 Cash Flow Statement

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

2.9 Housing Revenue Account (HRA) Income and Expenditure Account

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

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

3.0 Major Repairs Reserve (MRR)

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

3.1 The Collection Fund

The financial highlights for the Collection Fund are given below:

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

3.2 Pension Fund

The financial highlights of the pension fund are:

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

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

3.3 Valuation of Property Portfolio

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

3.4 Treasury Activities

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

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

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

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

3.5 Borrowing

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

3.6 Principal Risks and Uncertainties

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

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

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

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

3.7 The Financial Future of Mid Devon

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

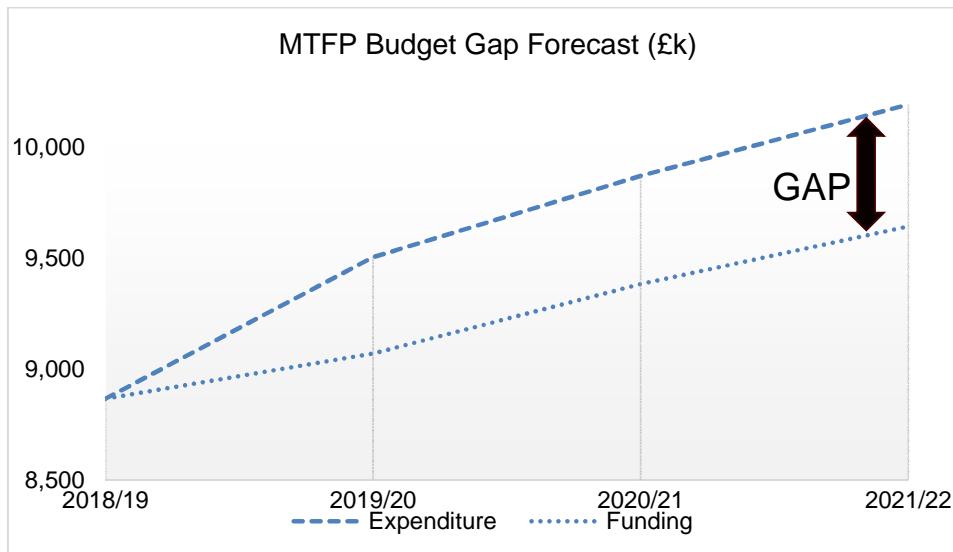
In order to reduce our operational costs, the Council has looked to rationalise its surplus property assets and acquire more income generating ones. Major changes to our waste collection service are now paying dividends and more enhanced shared working with our near neighbours in areas such as Building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

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

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

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

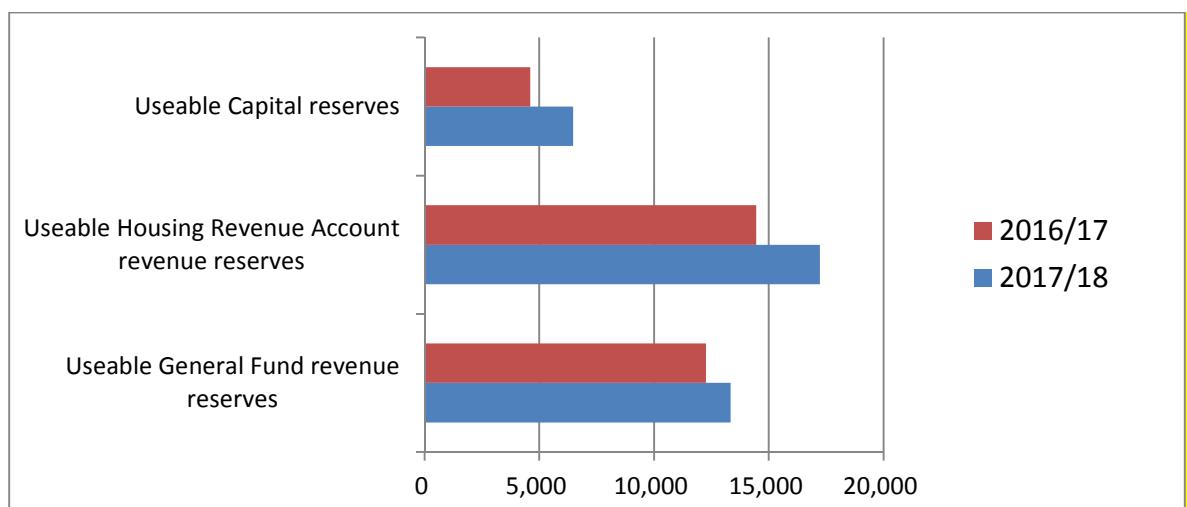
Medium Term Forecast Expenditure and Funding £k



Notes

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

Total Usable Reserves £k



Andrew Jarrett
Director of Finance, Assets and Resources

4.0 STATEMENT OF ACCOUNTING POLICIES

4.1 General Principles

The Statement of Accounts summarises the Council's transactions for the 2017/18 financial year and its position at the year ending 31 March 2018. The Authority is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015 in accordance with proper accounting practices. These practices under Section 21 of the 2003 Act primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2017/18, supported by International Financial Reporting Standards (IFRS)

The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments. These statements have been compiled on the basis of the Council remaining a going concern and all amounts have been rounded to the nearest £1,000.

4.2 Accruals and Prepayments of Income and Expenditure

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

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

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

4.3 Overheads and Support Services

The costs of overheads and support services are charged to those users that benefit from the supply or service as required by the CIPFA Code of Practice on Local Authority Accounting 2017/18.

4.4 Employee Benefits

Benefits Payable during Employment

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and

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

Termination Benefits

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

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

Post-Employment Benefits

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

4.5 The Local Government Pensions Scheme (LGPS)

The LGPS is accounted for as a defined benefits scheme:

- The liabilities of the Devon County Council pension scheme attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method, i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates etc., and projections of earnings for current employees.

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

Service cost comprising:

- *current service cost* – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked

- *past service cost* – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Corporate Management.
- net interest on the net defined benefit liability, i.e. net interest expense for the Authority – the change during the period in the net defined benefit liability that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement. This is calculated by applying the discount rate used to measure the defined benefit liability at the beginning of the period, taking into account any changes in the net defined benefit liability during the period as a result of contribution and benefit payments.

Remeasurements comprising:

- the return on plan assets - excluding amounts included in net interest on the net defined benefit liability - charged to the Pensions Reserve as Other Comprehensive Income and Expenditure
- actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure

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

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

Discretionary Benefits

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

4.6 Grants and Contributions

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

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

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

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as either short term or long term creditors, depending upon their nature. When conditions are satisfied, the grant or contribution is credited to the relevant service in the Comprehensive Income and Expenditure Statement.

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

4.7 Revenue Expenditure Funded from Capital under Statute (REFCUS)

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

4.8 Value Added Tax

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

4.9 Minimum Revenue Provision

The Prudential Code requires that all capital expenditure is financed by a credit to the Capital Adjustment Account. If funding is not immediately available then a capital financing requirement (CFR) arises. Essentially the CFR has to be mitigated over time on a prudent basis by making a "minimum revenue provision". This is a charge to the General Fund made from the "Adjustments between Accounting Basis and Funding Basis under Regulations" and the Capital Adjustment account.

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

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

4.10 Events after the Balance Sheet Date

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

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

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

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

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

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

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

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

Property, Plant and Equipment

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

Recognition

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Authority and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (e.g. repairs and maintenance) is charged as an expense when it is incurred. The Council has a discretionary de minimis level for recognising Property, Plant and Equipment of £20,000.

Measurement

Assets are initially measured at cost comprising:

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

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

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

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

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

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

Where non-property assets have short lives or low values (or both), depreciated historical cost basis is used as a proxy for fair value.

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

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

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

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

Componentisation

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

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

Impairment

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

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

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

The Council had the District Valuer estimate current values of 1/5th of the property portfolio at 31 March 2018.

Depreciation

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

Depreciation is calculated on the following bases:

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

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

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

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

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

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

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

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

4.13 Disposals and Non-Current Assets Held for Sale

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

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

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

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

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

4.14 Heritage Assets

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

Where such assets are identified, the asset is included in the accounts as a tangible heritage asset and shown separately from vehicles, plant and equipment. If the asset was donated or acquired for less than fair value the asset is brought into the balance

sheet at its fair value. The Authority values heritage assets on the basis of insurance valuations.

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

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

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

Art Collection

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

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

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

Acquisition, Preservation and Management

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

4.15 Intangible Assets

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

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

Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by the Authority can be determined by reference to an active market. In practice, no intangible asset held by the Authority meets this criterion, and they are therefore carried at amortised cost.

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

4.16 Leases

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to the ownership of the property, plant or equipment from the lessor to the lessee. We also consider that leases for land for a period of at least 125 years are pragmatically a substantial period of the asset life and use discretion to treat these as finance leases, whether as lessor or lessee. All other leases are classified as operating leases.

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

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

The Authority as Lessee

Finance Leases

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

Lease payments are apportioned between:

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

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

The authority is not required to raise council tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, a prudent annual contribution is made from revenue funds towards the deemed capital investment in accordance with statutory requirements. Depreciation and revaluation and impairment losses are therefore substituted by a revenue contribution in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

Operating Leases

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

The Authority as Lessor

Finance Leases

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

Lease rentals are apportioned between:

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

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

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

4.17 Investments including Cash on Deposit with Banking Institutions

Where investments are held at the balance sheet date they are treated as long term if, at the initial contract date, their term is more than twelve months. If, at the initial contract date, their term is more than three months but less than twelve months they are regarded as short term investments. Those investments which have three months or less to maturity at their initial contract date are treated as cash and cash equivalents. Any cash and bank balances whose term, at their initial contract date, is less than three months are categorised as cash and cash equivalents.

4.18 Council Tax and Non-domestic Rates

Billing authorities act as agents, collecting council tax and non-domestic rates (NDR) on behalf of the major preceptors (including government for NDR) and, as principals, collecting council tax and NDR for themselves. Billing authorities are required by statute to maintain a separate fund (i.e. the Collection Fund) for the collection and distribution of amounts due in respect of council tax and NDR. Under the legislative framework for the Collection Fund, billing authorities, major preceptors and Central Government share proportionately the risks and rewards that the amount of council tax and NDR collected could be less or more than predicted.

Accounting for Council Tax and NDR

The council tax and NDR income included in the Comprehensive Income and Expenditure Statement is the Authority's share of accrued income for the year. However, regulations determine the amount of council tax and NDR that must be included in the authority's General Fund. Therefore, the difference between the income included in the Comprehensive Income and Expenditure Statement and the amount required by regulation to be credited to the General Fund is taken to the Collection Fund Adjustment Account and included as a reconciling item in the Movement in Reserves Statement.

The Balance Sheet includes the authority's share of the end of year balances in respect of council tax and NDR relating to arrears, impairment allowances for doubtful debts, overpayments and prepayments and appeals.

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

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

4.19 Inventories

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

4.20 Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature in three months or less from the date of acquisition, and that are readily convertible to known amounts of cash with insignificant risk of change in value.

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

4.21 Financial Instruments

Financial Assets

Financial assets are classified into two types:

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

Available-for-Sale-Assets

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

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

Instruments with quoted market prices – the market price

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

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

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

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

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

Loans and receivables

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

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

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

4.22 Provisions

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

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

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

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

4.23 Contingent Liabilities

A contingent liability arises where an event has taken place that gives the authority a possible obligation whose existence will only be confirmed by the existence of uncertain future events not wholly within the control of the Authority. Contingent liabilities also arise in circumstances where a provision would otherwise be made but

either it is not probable that an outflow of resources will be required, or the amount of the obligation cannot be measured reliably.

Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

4.24 General Fund Reserve

Council has approved a policy whereby the level of the General Fund balance should not fall below 25% of the net General Fund budget. The balance at 31/03/17 was £2.690m.

4.25 Housing Revenue Account (HRA)

Council has approved a policy of the HRA maintaining a reserve balance of £2m and this has been maintained throughout 2017/18.

5.0 THE STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

5.1 The Authority's Responsibilities

The authority is required to:

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

5.2 The Director of Finance, Assets and Resources' Responsibilities

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

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

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

The Director of Finance, Assets and Resources has also:

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

5.3 Opinion

In my opinion the Statement of Accounts gives a true and fair view of the financial position of the authority at the accounting date and its income and expenditure for the year ended 31 March 2018.

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

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

6.0 CHIEF FINANCIAL OFFICER'S CERTIFICATE

I certify that the accounts set out in the following pages, gives a true and fair view of the financial position of the Council at 31 March 2018.

The date on which the Statement of Accounts was authorised for issue by the Director of Finance was 30 May 2018.

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

Approved by the Director of Finance, Assets and Resources

.....
Andrew Jarrett CPFA

.....
Dated

Approved by the Chairman of the Audit Committee

.....
Bob Evans

.....
Dated

Approved by the Leader of the Council

.....
Clive J Eginton

.....
Dated

Approved at a meeting of the Audit Committee on the 24 July 2018

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Movement in Reserves Statement

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

2017/18	Notes	USABLE RESERVES									
		REVENUE RESERVES				CAPITAL RESERVES					
		General Fund Balance	Earmarked General Fund Reserves	Housing Revenue Account	Earmarked HRA Reserves	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
		£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 31 March 2017		(2,602)	(10,029)	(2,000)	(12,453)	(2,438)	-	(2,162)	(31,684)	(75,160)	(106,844)
Movement in Reserves during 2017/18											
(Surplus) or deficit on the provision of services		788		(9,864)					(9,076)		(9,076)
Other Comprehensive Income and Expenditure									-	(8,683)	(8,683)
Total Comprehensive Income and Expenditure		788	-	(9,864)	-	-	-	-	(9,076)	(8,683)	(17,759)
Adjustments between accounting basis and funding basis under regulations	5	(1,536)		7,090		(1,063)	-	(773)	3,719	(3,719)	(0)
Net Increase/Decrease before Transfers to Earmarked Reserves		(748)	-	(2,774)	-	(1,063)	-	(773)	(5,357)	(12,402)	(17,759)
Transfers (to) / from Earmarked Reserves	6	660	(660)	2,774	(2,774)				(0)		
(Increase)/Decrease in 2017/18		(88)	(660)	(0)	(2,774)	(1,063)	0	(773)	(5,357)	(12,402)	(17,759)
Balance at 31 March 2018 Carried forward		(2,690)	(10,689)	(2,001)	(15,227)	(3,501)	0	(2,935)	(37,041)	(87,562)	(124,603)
Held for Revenue Purposes		(2,690)	(10,689)	(2,001)	(15,227)				(30,606)		
Held for Capital Purposes						(3,501)	0	(2,935)	(6,436)		

Mid Devon District Council Financial Statements 2017-18



Movement in Reserves Statement continued

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

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

Comprehensive Income and Expenditure Statement

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

2016/17 Restated				Notes	2017/18		
Gross Expenditure	Gross Income	Net Expenditure			Gross Expenditure	Gross Income	Net Expenditure
£'000	£'000	£'000			£'000	£'000	£'000
613	(147)	466	Community Development		546	(144)	402
1,370	(21)	1,349	Corporate Management		2,064	(41)	2,023
536	(800)	(264)	Car Parks		604	(749)	(145)
24	-	24	Customer Services		28	-	28
2,169	(652)	1,517	Environmental Services		2,233	(462)	1,771
(12)	(8)	(20)	Finance And Performance		14	(9)	5
52	(35)	17	Grounds Maintenance		203	(103)	100
403	(314)	89	General Fund Housing		490	(313)	177
(9,314)	(13,825)	(23,139)	Housing Revenue Account		3,568	(13,575)	(10,007)
161	-	161	Human Resources		75	-	75
76	(4)	72	I.T. Services		103	(1)	102
1,328	(359)	969	Legal & Democratic Services		1,310	(385)	925
2,509	(1,730)	779	Planning And Regeneration		2,753	(1,911)	842
1,078	(761)	317	Property Services		1,514	(1,076)	438
19,174	(18,685)	489	Revenues And Benefits		18,377	(17,751)	626
3,697	(2,459)	1,238	Recreation And Sport		3,963	(2,613)	1,350
5,085	(2,239)	2,846	Waste Services		5,454	(2,653)	2,801
28,949	(42,039)	(13,090)	Costs of Services		43,299	(41,786)	1,513
		825	Other Operating Expenditure	8			1,013
		2,713	Financing and Investment Income and Expenditure	9			2,634
		(13,733)	Taxation and Non-Specific Grant Income	10			(14,236)
		(23,285)	(Surplus) or Deficit on Provision of Services				(9,076)
		250	(Surplus) or deficit on revaluation of available for sale financial assets	11			(220)
		14,697	Remeasurements of the net defined benefit liability	22			(6,729)
		(3,247)	(Surplus) or deficit on revaluation of Property, Plant and Equipment	44			(1,734)
		11,700	Other Comprehensive Income and Expenditure				(8,683)
		(11,585)	Total Comprehensive Income and Expenditure				(17,759)

Mid Devon District Council Financial Statements 2017-18



Balance Sheet

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

31 March 2016 Restated £'000	31 March 2017 Restated £'000		Notes	31 March 2018 Restated £'000
169,120	189,011	Property, Plant & Equipment	23	196,656
491	454	Heritage Assets	26	330
-	-	Intangible assets	27	-
2,390	4,639	Long-term Investments	33	4,860
158	176	Long-term Debtors	34	1,065
172,159	194,280	Non-Current Assets		202,911
13,500	18,000	Short-term Investments	35	19,000
-	419	Assets held for sale	35a	240
195	200	Inventories	36	227
2,596	2,762	Short-term Debtors	37	4,171
6,387	3,746	Cash and Cash Equivalents	38	6,892
22,678	25,127	Current Assets		30,530
(5,397)	(4,230)	Short-term Creditors	39	(5,273)
(41)	(28)	Provisions	41	(28)
(1,683)	(1,731)	Short-term Borrowing	30	(1,731)
(7,121)	(5,989)	Current Liabilities		(7,032)
(641)	(627)	Long-term Creditors	40	(968)
(43,973)	(42,242)	Long-term Borrowing	30	(40,718)
(47,032)	(63,534)	Other Long Term Liabilities	47	(60,009)
(807)	(171)	Capital Grants Receipts in Advance	40	(111)
(92,453)	(106,574)	Long Term Liabilities		(101,806)
95,263	106,844	Net Assets		124,603
25,586	31,684	Usable Reserves	42	37,041
69,677	75,160	Unusable reserves	43	87,562
95,263	106,844	Total Reserves		124,603

Cash Flow Statement

This section shows what cash we spend and receive

Restated		Notes	2017/18
2016/17			£'000
£'000			£'000
23,285	Net surplus or (deficit) on the provision of services		9,076
(12,443)	Adjustments to net surplus or deficit on the provision of services for non-cash movements	51	4,746
(2,338)	Adjustments for items included in the net surplus on the provision of services that are investing and financing activities (See note references)	52	(4,314)
8,504	Net cash flows from Operating Activities		9,508
(9,373)	Investing Activities	54	(4,752)
(1,772)	Financing Activities	55	(1,609)
(2,641)	Net increase or (decrease) in cash and cash equivalents		3,147
6,387	Cash and cash equivalents at the beginning of the reporting period	38	3,746
3,746	Cash and cash equivalents at the end of the reporting period	38	6,893

SUPPLEMENTARY STATEMENT

Expenditure and Funding Analysis

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

Restated 2016/17			2017/18		
Net expenditure chargeable to the GF and HRA balances	Adjustments between funding and accounting basis	Net expenditure in the CIES	Net expenditure chargeable to the GF and HRA balances	Adjustments between funding and accounting basis	Net expenditure in the CIES
£'000	£'000	£'000	£'000	£'000	£'000
466	(1)	465	Community Development	402	-
1,349	-	1,349	Corporate Management	2,023	-
(264)	-	(264)	Car Parks	(145)	-
24	(1)	23	Customer Services	28	-
1,517	-	1,517	Environmental Services	1,771	-
(20)	-	(20)	Finance And Performance	5	-
17	-	17	Grounds Maintenance	100	-
89	-	89	General Fund Housing	177	-
(23,328)	189	(23,139)	Housing Revenue Account	(9,862)	(145)
161	(1)	160	Human Resources	75	-
72	1	73	I.T. Services	102	-
969	-	969	Legal & Democratic Services	925	-
779	-	779	Planning And Regeneration	842	-
317	-	317	Property Services	438	-
489	-	489	Revenues And Benefits	626	-
1,238	1	1,239	Recreation And Sport	1,350	-
2,846	1	2,847	Waste Services	2,801	-
(13,279)	189	(13,090)	Costs of Services	1,658	(145)
8,619	(18,814)	(10,195)	Other Income and Expenditure	(5,150)	(5,439)
(4,660)	(18,625)	(23,285)	(Surplus) or Deficit on Provision of Services	(3,492)	(5,584)
(22,424)			Opening balance (combined General Fund and HRA reserves) as at 31/03/17	(27,084)	
(4,660)			Plus (surplus) or deficit on General Fund and HRA in year	(3,492)	
(27,084)			Closing balance (combined General Fund and HRA reserves) as at 31/03/18	(30,576)	

Expenditure and Income Analysed by Nature

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

	Notes	2016/17	2017/18
		Restated	
		£'000	£'000
Expenditure			
Employee benefits		14,391	16,168
Other services		30,050	29,790
Depreciation, amortisation and impairment		(13,390)	(724)
Interest payments	9	1,347	1,302
Precepts and levies	8	1,358	1,454
Total expenditure		33,756	47,990
Income			
Fees, charges and other service income		(42,225)	(41,776)
Interest and investment income	9	(318)	(382)
Income from council tax, NNDR, RSG and other government grants including NHB	10	(13,733)	(14,236)
Gain on the disposal of assets	8	(766)	(672)
Total income		(57,042)	(57,066)
Surplus or deficit on the provision of services		(23,286)	(9,076)

Mid Devon District Council Financial Statements 2017-18

Prior Period Adjustment - Reclassification of CCLA Fund Investment

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

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

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

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

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

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

The effect on the Balance Sheet 31 March 2016

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

The effect on the Balance Sheet 31 March 2017

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

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

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

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

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

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

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

Notes to the Accounts

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

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

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

- **IFRS 9** Financial Instruments

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

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

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

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

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

2 Critical Judgements in Applying Accounting Policies

The following judgements have been used to prepare the accounts.

- a) estimates for accrued expenditure/income - based on service managers' and accountants' calculations at year end;
- b) bad debt provision - based on historic trends, adjusted for any material movements during 2017/18;
- c) asset lives for the calculation of depreciation charges - based on service managers' experience of previously used assets.
- d) Estimating the total amount of the housing benefit subsidy claim for the year prior to its final determination after 31 March using data for the first eleven months.

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

Property valuations made by the District Valuer;

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

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

The Council has leased land to Premier Inn for 125 years and has received the market value of this land in full, in 2017/18.

As outlined in our accounting policies we consider the lease of land and buildings separately and land generally has an indefinite life and land leases are often treated in local government accounts as operating leases showing the receipt of funds on an annual basis over the term of the lease. In this case we consider that the term of the lease is the "major part of the economic life" of the land and that we cannot reasonably expect the land to have any value at the end of the 125 year term. Before planning permission was granted we held the land in our accounts at nil value.

There is no break clause in the lease so Premier Inn is considered to control the land for that period. This is another indication that this lease has the traits of a sale/finance lease.

As we have no control over the land during that 125 years and as the Council considers that we have transferred all the risks and rewards to Premier Inn and that the substance of the transaction is equivalent to a freehold sale, the Council has treated this as a Finance lease, removing the asset from our balance sheet and recognising the funds received in full in 2017/18.

The alternative would have been to treat this as an operating lease and "drip feed" the £900k we received into the accounts at £7k per year for 125 years. We judged this to be inappropriate, as it does not reflect the substance and risk and reward of the transaction.

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

Notes to the Accounts

3 Material Items of Income and Expense

There were no material items this year.

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

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

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

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

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.

Mid Devon District Council Financial Statements 2017-18



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
	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	£'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	(1,780)	(2,437)					4,217
Revaluation (losses)/gains on Property, Plant and Equipment	(85)	5,026					(4,941)
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
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:							
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)
Adjustments primarily involving the Capital Grants Unapplied Account							
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)
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	1,639	2,084	(3,723)				
Use of the Capital Receipts Reserve to finance new capital expenditure			2,400				(2,400)
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	(231)						
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	(1)						1
Balance carried forward	1,560	5,079	(1,063)	0	(773)	0	(4,804)

	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
2017/18							
Balance brought forward	1,560	5,079	(1,063)		(773)		(4,804)
<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	(1,537)	7,090	(1,063)	0	(773)	0	(3,718)

Notes to the Accounts

5 Adjustments between Accounting Basis and Funding Basis under Regulations

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

2016/17	Usable Reserves						Movement in Unusable Reserves
	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Total Usable Reserves	
£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'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
<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 £'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	(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 Statement 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 Statement 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)

Mid Devon District Council Financial Statements 2017-18



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	104	(93)		482
Maintenance & Amenity Reserve	918	136	(108)	0	946	117	(104)		959
Misc. General Fund Reserves	2,786	700	(375)	45	3,156	1,056	(515)		3,697
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	(1,761)	0	10,028	3,804	(3,144)	0	10,688

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	1,722	978	(539)	0	2,161	1,750	(978)	0	2,933
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

Notes to the Accounts

8 Other Operating Expenditure

	2016/17 £'000	2017/18 £'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 £'000	2017/18 £'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 £'000	2017/18 £'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 £'000	2017/18 £'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	109	120
22 Vehicles, Plant & Equipment	22	11
131 Total	131	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

Mid Devon District Council Financial Statements 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 Developments 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		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
Exit Package Cost Band					
£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		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
Exit Package Cost Band					
£0 - £19,999	0	2	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.

District Council are appointed as directors of 3 Rivers Development Ltd. In 2017 a loan of £750k was made to 3 Rivers and will be repaid on a commerical basis.

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
3,995	Depreciation	4,216
125	Amortisation of intangible assets	-
(37)	Heritage assets	-
(17,548)	Net reversal of impairment of non current assets	(4,940)
(13,465)	Total	(724)

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 Insurance 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
Cost of Services				
<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
<i>Total Post-employment Benefits charged to the Surplus or Deficit on the Provision of Services</i>	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
<i>Total Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement</i>	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 combined effect of these changes has decreased the value of the liabilities significantly and therefore also the value of the net liability.
- 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	
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 £'000	Decrease in Assumption £'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)

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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	Infrastructure 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)	459	(257)				(2,020)
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services		5,017	(77)					4,940
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)	(1,230)	(694)	(10)	(11)	0	(4,216)
Depreciation written out to the Revaluation Reserve		2,271	1,223	257			0	3,751
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

Mid Devon District Council Financial Statements 2017-18



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

Mid Devon District Council Financial Statements 2017-18



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
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or Valuation								
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

(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)

Mid Devon District Council Financial Statements 2017-18



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	(2,618)
(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	49,275
	Explanation of movements in year	
(1,344)	(Decrease)/Increase in underlying need to borrowing (unsupported by government financial assistance)	(1,341)
(1,344)	(Decrease)/Increase in Capital Financing Requirement	(1,341)

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 Bearnes 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	-	2,100
Palmerston Park Council House Building Project	-	1,747
	-	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 5 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
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			
	Liabilities measured at amortised cost	Finance lease assets	Loans and receivables	Financial assets carried at contract amounts	Available - for-sale assets	
	£'000	£'000	£'000	£'000	£'000	£'000
Interest payable	1,265					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			
	Liabilities measured at amortised cost	Finance lease assets	Loans and receivables	Financial assets carried at contract amounts	Available - for-sale assets	
	£'000	£'000	£'000	£'000	£'000	£'000
Interest payable	1,313					1,313
Interest payable on finance leases		34				34
Interest payable and similar charges	1,313	34				1,347
Interest income			(143)		(175)	(318)
Interest and investment income			(143)		(175)	(318)
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.

Mid Devon District Council Financial Statements 2017-18



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
Financial Assets	£'000	£'000	£'000	£'000	£'000	£'000
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	1,191	1,191
Total	24,988	24,988	27,132	27,132	31,943	31,943
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	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 £'000	31/03/2018 £'000
	176	Other entities and individuals
	176	1,065
	176	Total 1,065

Mid Devon District Council Financial Statements 2017-18



Notes to the Accounts

35 Short Term Investments

	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 £'000	2017/18 £'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 £'000	31/03/2018 £'000
Raw materials	200	227

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

	31/03/2017 £'000	31/03/2018 £'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 treats any investments with a term of less than 3 months 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		(3,241)
(4,230)	Total		(5,273)

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)
(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 provision of £28k remains regarding the outstanding costs relating to a Local Land Charges claim.

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)	(14,319)
(124,952)	Capital Adjustment Account (note 45)	(133,761)
(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
(75,160)	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)
(3,278)	Upward revaluation of assets	(1,880)
31	Downward revaluation of assets and impairment losses not posted to the Surplus on the Provision of Services	146
(14,713)	Surplus or deficit on revaluation of non-current assets not posted to the Surplus on the Provision of Services	(16,051)
109	Accumulated gains on assets sold	1,343
287	Difference between fair value depreciation and historical cost depreciation	389
(14,317)	At 31 March 2018	(14,319)

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	(124,952)
	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	4,222
(17,509)	Revaluation gains on Property, Plant and Equipment	(4,941)
125	Amortisation of intangible assets	0
333	Revenue expenditure funded from capital under statute	457
0	Heritage asset revaluation	125
	Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	
1,212		1,582
(118,030)		(123,507)
(287)	Adjusting amounts written out of the Revaluation Reserve	(389)
(118,317)	Net written out amount of the cost of non current assets consumed in the year	(123,896)
	Capital financing applied in the year:	
(819)	Use of the Capital Receipts Reserve to finance new capital expenditure	(2,618)
(2,796)	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
(1,170)	Application of grants to capital financing from the Capital Grants Unapplied Account	(978)
(1,345)	Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	(1,341)
(505)	Capital expenditure charged against the General Fund and HRA balances	(2,655)
(124,952)	At 31 March 2018	(133,761)

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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)
	Amount by which council tax income credited to the Comprehensive Income and expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements		
(34)			(18)
(42)	At 31 March 2018		(60)

The balance of (£60k) represents MDDC'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
	Amount by which NNDR income credited to the Comprehensive Income and expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements		
(576)			213
135	At 31 March 2018		348

This balance of £348k represents MDDC'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

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Notes to support cashflow statement

51 Movements:

Restated		31/03/2018
	31/03/2017	£'000
3,994	Depreciation	4,218
125	Amortisation	0
(17,548)	Impairment	(4,940)
239	Bad debts written off	120
(2,042)	(Decrease)/increase in creditors	1,430
(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)		4,746

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)

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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 £'000	2017/18 £'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 £'000	2017/18 £'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 more than one year

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

Notes to the Accounts

57 Contingent Liabilities/Assets

We are contesting one employment tribunal brought by a former employee. We have a contingent asset which is the purchase of a piece of land which is contingent upon prior practical completion by the seller of certain works.

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	(77)
(150)	Assets Held For Sale	-
17,548		4,940

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		Note	2017/18	
	£'000			£'000
Expenditure				
2,695	Repairs and Maintenance		2,608	
2,902	Supervision and Management		3,023	
(15,394)	Depreciation and impairment/(revaluation) 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)
(23,476)	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	£'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)

Mid Devon District Council Financial Statements 2017-18



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
	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Total Usable Reserves	
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:							
Adjustments involving the Capital Adjustment Account:							
Charges for depreciation and impairment of non current assets		(2,437)					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					(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	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Total Usable Reserves	Movement in Unusable Reserves
	£'000	£'000	£'000	£'000	£'000	£'000
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:						
Adjustments involving the Capital Adjustment Account:						
Charges for depreciation and impairment of non current assets	(2,414)					2,414
Revaluation (losses)/gains on Property, Plant and Equipment	17,808					(17,808)
Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement		(1,219)				1,219
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:						
Statutory provision for the financing of capital investment	985					(985)
Capital expenditure charged against the General Fund and HRA balances	109					(109)
Adjustments primarily involving the Capital Grants Unapplied Account						
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	636				(636)	
Application of grants to capital financing transferred to the Capital Adjustment account						
Adjustments involving the Capital Receipts Reserve:						
Transfer of sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	1,970	(1,970)				
Transfer of capital mortgage repayments to Capital Receipts Reserve						
Use of the Capital Receipts Reserve to finance new capital expenditure						
Contribution from the Capital Receipts Reserve towards administrative costs of non current asset disposals	(36)	36				
Transfer of deferred sale proceeds as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement						
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						
Adjustment involving the Pensions Reserve:						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement		(23)				23
Adjustment involving the Accumulated Absences Account:						
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements		(2)				2
Total Adjustments	20,611	(1,934)	(2,797)	(636)	0	(15,244)

Notes to the Accounts

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	4,217
Additions	1		1
Sales	(26)		(26)
Improvement changes			0
Transfers			0
At 31 March 2018	3,005	1,187	4,192

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
2,672	Improvements to dwellings	Major repairs reserve
1,569	Assets under Construction	Capital grants
26	IT Projects	Revenue contribution
21	Vehicle Purchase	Usable capital receipts
4,289		4,289

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

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	-
-	Sale of council houses - discount repaid	-
-	Council house loan repayments	-
1,970	Total	2,084

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).

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Notes to the Accounts

72 Rents Paid in Advance

	2016/17	2017/18
	£'000	£'000
156 Dwellings rental income paid in advance	156	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 and Impairment of Fixed Assets

Depreciation and Amortisation

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

Impairment and (revaluation)

	2016/17	2017/18
	£'000	£'000
Operational Assets		
(17,796) Dwellings	(17,796)	(5,026)
(12) Other Land and Buildings	(12)	0
(17,808)	(17,808)	(5,026)

75 Interest payable and similar charges

	2016/17	2017/18
	£'000	£'000
1,202 PWLB loan interest - HRA self financing	1,202	1,158
56 Internal self financing - General Fund	56	55
0 Finance lease interest	0	0
1,258 Total	1,258	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 £'000		2017/18 £'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			2017/18
£'000	INCOME	Notes	£'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 £'000	2017/18 £'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 Ltd's income and expenditure and assets and liabilities with those of the Council on a line-by-line basis, eliminating inter-organisation transactions.

Mid Devon District Council Financial Statements 2017-18



Group Movement in Reserves Statement

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

2017/18	USABLE RESERVES											
	REVENUE RESERVES				CAPITAL RESERVES			Total Usable Reserves	Unusable Reserves	Total Authority Reserves	Authority's Share of Subsidiary	Total Group Reserves
	General Fund Balance	Earmarked General Fund Reserves	Housing Revenue Account	Earmarked HRA Reserves	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied					
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 31 March 2017	(2,602)	(10,029)	(2,000)	(12,453)	(2,438)	-	(2,162)	(31,684)	(75,160)	(106,844)	0	(106,844)
Movement in Reserves during 2017/18												
(Surplus) or deficit on the provision of services	788			(9,864)				(9,076)		(9,076)	307	(8,769)
Other Comprehensive Income and Expenditure								-	(8,683)	(8,683)	-	(8,683)
Total Comprehensive Income and Expenditure	788	-	(9,864)	-	-	-	-	(9,076)	(8,683)	(17,759)	307	(17,452)
Adjustments between accounting basis and funding basis under regulations	(1,536)		7,090		(1,063)	-	(773)	3,719	(3,719)	(0)	-	(0)
Net Increase/Decrease before Transfers to Earmarked Reserves	(748)	-	(2,774)	-	(1,063)	-	(773)	(5,357)	(12,402)	(17,759)	307	(17,452)
Transfers (to) / from Earmarked Reserves	660	(660)	2,774	(2,774)				(0)				
(Increase)/Decrease in 2017/18	(88)	(660)	(0)	(2,774)	(1,063)	0	(773)	(5,357)	(12,402)	(17,759)	307	(17,452)
Balance at 31 March 2018 Carried forward	(2,690)	(10,689)	(2,001)	(15,227)	(3,501)	0	(2,935)	(37,041)	(87,562)	(124,603)	307	(124,296)
Held for Revenue Purposes	(2,690)	(10,689)	(2,001)	(15,227)				(30,606)				
Held for Capital Purposes					(3,501)	0	(2,935)		(6,436)			

Mid Devon District Council Financial Statements 2017-18



Group Comprehensive Income and Expenditure Statement

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

2016/17			2017/18		
Gross Expenditure	Gross Income	Net Expenditure	Gross Expenditure	Gross Income	Net Expenditure
£'000	£'000	£'000	£'000	£'000	£'000
613	(147)	466	Community Development	546	(144)
1,370	(21)	1,349	Corporate Management	2,064	(41)
536	(800)	(264)	Car Parks	604	(749)
24	0	24	Customer Services	28	-
2,169	(652)	1,517	Environmental Services	2,233	(462)
(12)	(8)	(20)	Finance And Performance	14	(9)
52	(35)	17	Grounds Maintenance	203	(103)
403	(314)	89	General Fund Housing	490	(313)
(9,314)	(13,825)	(23,139)	Housing Revenue Account	3,568	(13,575)
161	0	161	Human Resources	75	-
76	(4)	72	I.T. Services	103	(1)
1,328	(359)	969	Legal & Democratic Services	1,310	(385)
2,509	(1,730)	779	Planning And Regeneration	2,753	(1,911)
1,078	(761)	317	Property Services	1,161	(723)
19,174	(18,685)	489	Revenues And Benefits	18,377	(17,751)
3,697	(2,459)	1,238	Recreation And Sport	3,963	(2,613)
5,085	(2,239)	2,846	Waste Services	5,454	(2,653)
	0	0	Subsidiary Company	307	307
28,949	(42,039)	(13,090)	Costs of Services	43,253	(41,433)
		825	Other Operating Expenditure		1,013
		2,713	Financing and Investment Income and Expenditure		2,634
		(13,733)	Taxation and Non-Specific Grant Income		(14,236)
		(23,285)	(Surplus) or Deficit on Provision of Services		(8,769)
		14,697	Remeasurements of the net defined benefit liability		(6,729)
		(3,247)	(Surplus) or deficit on revaluation of Property, Plant and		(1,734)
		250	(Surplus) or deficit on revaluation of available for sale financial		(220)
		11,700	Other Comprehensive Income and Expenditure		(8,683)
		(11,585)	Total Comprehensive Income and Expenditure		(17,452)

Group Balance Sheet

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

31 March 2016 £'000	31 March 2017 £'000		31 March 2018 £'000
169,120	189,011	Property, Plant & Equipment	196,656
491	454	Heritage Assets	330
-	-	Intangible assets	0
2,390	4,639	Long-term Investments	4,860
158	176	Long-term Debtors	315
172,159	194,280	Non-Current Assets	202,161
13,500	18,000	Short-term Investments	19,000
-	419	Assets held for sale	240
-	-	Work In Progress	227
195	200	Inventories	227
2,596	2,762	Short-term Debtors	3,840
6,387	3,746	Cash and Cash Equivalents	7,414
22,678	25,127	Current Assets	30,948
(5,397)	(4,230)	Short-term Creditors	(5,320)
(41)	(28)	Provisions	(28)
(1,683)	(1,731)	Short-term Borrowing	(1,731)
(7,121)	(5,989)	Current Liabilities	(7,079)
(641)	(627)	Long-term Creditors	(968)
(43,973)	(42,242)	Long-term Borrowing	(40,718)
(47,032)	(63,534)	Other Long Term Liabilities	(59,937)
(807)	(171)	Capital Grants Receipts in Advance	(111)
(92,453)	(106,574)	Long Term Liabilities	(101,734)
95,263	106,844	Net Assets	124,297
25,586	31,684	Usable Reserves	36,735
69,677	75,160	Unusable reserves	87,562
95,263	106,844	Total Reserves	124,297

Group Cash Flow Statement

This section shows what cash we spend and receive

2016/17		2017/18
£'000		£'000
23,285	Net surplus or (deficit) on the provision of services	8,769
(12,443)	Adjustments to net surplus or deficit on the provision of services for non-cash movements	5,802
(2,338)	Adjustments for items included in the net surplus on the provision of services that are investing and financing activities (See note references)	(4,314)
8,504	Net cash flows from Operating Activities	10,257
(9,373)	Investing Activities	(4,980)
(1,772)	Financing Activities	(1,609)
(2,641)	Net increase or (decrease) in cash and cash equivalents	3,668
6,387	Cash and cash equivalents at the beginning of the reporting period	3,746
3,746	Cash and cash equivalents at the end of the reporting period	7,414

Mid Devon District Council Financial Statements 2017-18

Notes to the Accounts

Group Officers' Emoluments

Senior Officers Earning in Excess of £50,000

Post Title	Financial Year	Salary (Including Allowances)	Compensation for Loss of Employment	P11D Taxable Benefits	Total Remuneration excluding pension contributions	Pension Contributions	Total Remuneration including pension contributions
Chief Executive.	2017/18	105,625			105,625	15,527	121,152
	2016/17	96,206			96,206	18,087	114,293
Head of Planning and Regeneration.	2017/18	63,855			63,855	9,387	73,242
	2016/17	61,985			61,985	11,653	73,638
Director of Finance, Assets and Resources.	2017/18	75,063			75,063	10,961	86,023
	2016/17	70,037			70,037	13,167	83,204
Director of Corporate Affairs and Business Transformation.	2017/18	75,063			75,063	10,961	86,023
	2016/17	70,037			70,037	13,167	83,204
Head of Communities and Governance. Note 1	2016/17	53,862	33,393		87,255		87,255
							-
Head of Housing & Property Services. Note 2	2017/18	29,564			29,564	4,308	33,872
	2016/17	68,650			68,650	12,837	81,487
Acting Managing Director Rivers Ltd. Note 2	3	38,399			38,399	5,625	44,024
Director of Operations.	2017/18	74,563			74,563	10,961	85,523
	2016/17	6,167			6,167	1,159	7,326

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

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

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

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

Work in Progress

The company owns land in Tiverton which has been classified in our Group Accounts as Work in Progress.

GLOSSARY OF TERMS

Accounting Period

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

Actual

The actual, rather than budgeted, expenditure or income attributable to the accounting period. Sometimes referred to as "Actuals".

Actuarial Gains and Losses

Changes in actuarial deficits or surpluses due to actual experience or events that have not been exactly the same as the assumptions adopted at the previous valuation, or the actuarial assumptions have changed.

Actuary

An expert on rates of death and insurance statistics who assesses whether we have enough money in our pension fund.

Accruals

Sums included in the final accounts to recognise revenue and capital income and expenditure attributable to the accounting period, but for which payment has not been received or made by 31 March.

Accumulated Compensated Absences Adjustment Account

This account represents the value of any unused holiday, time off in lieu or flexi hours which have not been taken by officers at 31 March.

Actuarial Gains and Losses

For a defined benefit pension scheme, the changes in actuarial deficits or surpluses that arise because:

- Events have not coincided with the actuarial assumptions made for the last valuation (experience gains and losses); or
- The actuarial assumptions have changed.

Accumulated Compensated Absences Adjustment Account

This account represents the value of any unused holiday, time off in lieu or flexi hours which have not been taken by officers as at the 31 March.

Amortisation

The writing down of an intangible fixed asset over its useful life.

Appointed Auditors

The Audit Commission appoints external auditors to every Local Authority, from one of the major firms of registered auditors.

Assets

An item having value to the Council in monetary terms, categorised as:

- **Current assets** will be consumed within the next financial year (e.g.: cash and stock).

- **Fixed assets (non current)** provide benefits over their useful life for more than one year and can be tangible (e.g. buildings) or intangible (e.g.: computer software licences).
- **Community assets** are assets that the local authority intends to hold in perpetuity, that have no determinable useful life and may have restrictions on their disposal (e.g. town squares and picnic sites).
- **Infrastructure assets** that form part of the economic or social framework of the area and whose function is not transferable (e.g.: highways, bridges and footpaths).
- **Operational assets** are fixed assets held and occupied by a local authority and used in the direct delivery of services.
- **Non Operational assets** are fixed assets held by a local authority but not directly occupied, used or consumed in the delivery of services (e.g.: buildings under construction and surplus assets).
- **Assets under Construction** details capital expenditure to date on work in progress.
- **Available for Sale** are assets actively being marketed at the Balance Sheet date.

Audit Committee

A Committee of the Council who consider financial matters and reports from Internal Audit, and approve and monitor our Financial Regulations and risk management. The Committee delegated to approve the Accounts following external Audit review.

Audit of Accounts

An independent examination of the Council's financial affairs.

Authorised Limit

This represents the legislative limit on the Council's external debt under the Local Government Act 2003.

Balances

The total revenue reserves required to provide a working balance during the financial year, for example in periods when expenditure exceeds income.

Balance Sheet

A statement of all of our assets, liabilities and balances at the end of the financial year, 31 March.

Budget

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

Cabinet

The Cabinet comprises seven Members of the Council (including the Leader), who are responsible for making most of the essential decisions about running the Council. Each member of the Cabinet is responsible for specific service areas.

Capital Adjustment Account

This records the timing difference between the costs of fixed assets used and the capital financing set aside to pay for them.

Capital Expenditure

Expenditure on assets which have a long term value. Includes the purchase of land, purchase or cost of construction of buildings and the acquisition of plant, equipment and vehicles.

Capital Charges

This is a general term used for the notional charges made to service revenue accounts for the use of fixed assets. The term covers the following:

Depreciation, Impairment charges and Amortisation of Deferred Charges (included in gross expenditure) offset by the Amortisation of government grants deferred (included in income).

Capital Financing Costs

These are costs, such as interest, which we charge because we have spent money on non current assets.

Capital Receipts

Proceeds received from the sale of property and other fixed assets.

Carrying Amount

The Balance Sheet value recorded of either an asset or a liability.

Cash-flow Statement

This is a statement that shows the changes in our cash and bank balances during the year.

CIPFA

The Chartered Institute of Public Finance and Accountancy.

Collection Fund

A separate fund that records the income and expenditure relating to council tax and non domestic rates.

Community Assets

These are fixed assets that the Council intends to hold in perpetuity which have no determinable finite useful life and in addition, may have restrictions on their disposal. An example is a park.

Comprehensive Income and Expenditure Statement (CIES)

The account that reports the income and spending on our services.

Contingency

This is money set aside in the budget to meet the cost of unforeseen items of expenditure, or shortfalls in income, and to provide for inflation where this is not included in budgets.

Contingent Liabilities or Assets

These are amounts potentially due to or from individuals or organisations which may arise in the future but which at this time cannot be determined accurately, and for which provision has not yet been made in the Council's accounts.

Corporate Democratic Core

Those activities which the local authority is engaged in specifically because it is an elected multi-purpose authority. This includes the costs of corporate policy making, representing local interests, representatives and duties arising from public accountability.

Council Tax

This is the main source of local taxation to local Authorities. Council Tax is levied on households within its area by the Billing Authority and the proceeds are paid into its Collection Fund for distribution to precepting Authorities and for use by its own General fund.

Council Tax Requirement

This is the estimated revenue expenditure on General fund services that needed to be financed from the Council Tax after deducting income from fees and charges, certain specific grants and any funding from reserves.

Creditor

Amounts owed by the Council for work done, goods received or services rendered but for which payment has not been made at 31 March.

Current Assets

These are the short-term assets we have at date of the balance sheet which we can use in the following year.

Current Liabilities

These are the short-term liabilities we have at date of the balance sheet which we will pay in the following year.

Current Service Cost

Current Service Cost is the increase in the present value of a defined benefit pension scheme's liabilities expected to arise from employee service in the current period i.e. the ultimate pension benefits "earned" by employees in the current year's employment.

Curtailment

Curtailments will show the cost of the early payment of pension benefits if any employee has been made redundant in the previous financial year.

Debtor

Sums of money due to the authority but unpaid at the balance sheet date.

Deferred Capital Receipts

These represent capital income still to be received after disposals have taken place and wholly consist of principal outstanding from the sale of council houses

Deferred Contributions

Amounts paid to us for future activities.

Deferred Liabilities

Sums of money due by the Council originally repayable within a period in excess of twelve months but where payment is not due until future years.

Defined Benefit Scheme

This is a pension or other retirement benefit scheme other than a defined contribution scheme. Usually the scheme rules define the benefits independently of the contributions payable and the benefits are not directly related to the investments of the scheme. The scheme may be funded or unfunded.

Depreciation

The allocation of the cost of the useful economic life of the Council's fixed assets for the accounting period through general wear and tear, consumption or obsolescence.

Derecognition

Financial assets and liabilities needed to be removed from the balance sheet once performance under a contract is complete or the contract is terminated.

Earmarked Reserves

Those elements of total Council reserves which are retained for specific purposes.

Employee Costs

Those costs incurred employing staff including salaries, employer's national insurance, pension contributions, and training.

Exceptional Items

Material items deriving from events or transactions that will fall within the ordinary activities of the Authority, but which need to be separately disclosed by virtue of their size and/or incidence to give a fair presentation of the accounts.

Expenditure

This refers to amounts paid by the Authority for goods and services rendered of either capital or revenue nature. This does not necessarily involve a cash payment since expenditure is deemed to have been incurred once the goods and services have been received even if they have not been paid for.

External Audit

The independent examination of the activities and accounts of local Authorities to ensure the accounts have been prepared in accordance with legislative requirements and proper practices and to ensure the Authority has made proper arrangements to secure value for money in its use of resources.

Fair value

Fair value is the price at which an asset could be exchanged in an arm's length transaction, less any grants receivable towards the purchase or use of the asset.

Fees and Charges

The Council's charges for certain services e.g. car parking.

Finance Lease

A lease whereby all the risks and rewards of ownership of a fixed asset are with the lessee. In substance the asset belongs to the lessee.

Financial Instruments

A financial instrument is any contract that gives to a financial asset of one entity and a financial liability or equity instrument of another. The term 'financial instrument' covers both financial assets and financial liabilities and includes both the most

straightforward financial assets and liabilities such as trade receivables and trade payables and the most complex ones such as derivatives.

General Fund

The main revenue fund of the Council. Income from the council tax precept and Government grants are paid into the fund, from which the cost of providing services are met.

Government Grants

Payments by Central Government towards local authority expenditure. They are specific for a particular service; and are receivable in respect of both revenue and capital expenditure.

Government Grants Deferred

Grants or contributions received which have supported wholly or in part the acquisition of fixed assets, net of the appropriate share of depreciation on those assets for which a depreciation charge is made.

Heritage Assets

An asset with a historical, artistic, scientific, technological, geophysical or environmental quality that is held and maintained principally for its contribution to knowledge and culture.

Housing Benefit

This is an allowance to persons on low income (or none) to meet, in whole or in part, their rent. Benefit is allowed or paid by local Authorities but Central Government refunds part of the coat of the benefits and of the running costs of the services to Local Authorities. Benefits paid to the Authority's own tenants are known as rent rebate and that paid to private tenants as rent allowance.

Housing Revenue Account (HRA)

Statutory ring-fenced account required to represent the landlord/tenant obligations for the Council in relation to managing and maintaining its housing stock in return for rental income from tenants.

Impairment

A reduction in the value of a fixed asset to below its carrying amount on the balance sheet due to damage, obsolescence or a general decrease in market value.

Income

These are amounts due to the Council for goods supplied or services rendered of either a capital or revenue nature. This does not necessarily involve a cash payment. Income is deemed to have been earned once the goods or services have been supplied even if the payment has not been received (in which case the recipient is a debtor to the Council).

Income & Expenditure Account

The net cost for the year for services provided by the Council for which it is responsible and showing how the cost has been financed from precepts, grants and other income.

Infrastructure

Non current assets which generally cannot be sold and from which benefit can be obtained only by continued use of the asset created. Examples of such assets are highways, footpaths, bridges and water and drainage facilities.

Intangible Assets

These are non current assets that do not have physical substance but are identifiable and controlled by the Council. Computer software is the most common example.

Interest

An amount received or paid for the use of a sum of money when it is invested or borrowed.

International Financial reporting Standard (IFRS)

Defined accounting standards that must be applied by all reporting entities to all financial statements in order to provide a true and fair view of the entity's financial position, and a standardised method of comparison with financial statements of other entities.

Inventories (previously Stock)

Items of raw materials, work in progress or finished goods held at the financial year end, valued at the lower of cost or net realisable value.

Leasing Costs

This is where a rental is paid for the use of an asset for a specified period of time. Two forms of lease exist: finance leases and operating leases. Operating leases are those where the risks of ownership rest with the owner of the asset whereas in the case of finance leases the asset appears in our Balance Sheet.

LGPS (Local Government Pension Scheme)

The fund that manages and pays our staff pensions. Our LGPS scheme is now managed by Peninsula Pensions.

Liabilities

These are amounts due to individuals or organisations which will have to be paid at some time in the future. Current liabilities are usually payable within one year of the Balance Sheet date.

Local Development Plan

A plan which includes documents that establishes the local policy towards the use of land and the vision for involving communities in the plan making process.

Long Term Borrowing

Amounts borrowed in excess of 364 days.

Long-Term Contract

A contract entered into for the design, manufacture or construction of a single substantial asset, or the provision of a service (or a combination of assets and services which together constitute a single project), where the project falls into more than one accounting period.

Long Term Debtors

Sums of money due to the Authority originally repayable within a period in excess of twelve months but where payment is not due until future years.

Leadership Team

Chief Executive and Directors.

Medium Term Financial Strategy (MTFS)

This is a financial planning document that sets out the future years financial forecasts for the Council. It considers local and national policy influences and projects their impact on the general fund revenue budget, capital programme and HRA. It usually covers a four year time frame.

Member

An elected councillor of the Council.

Minimum Revenue Provision (MRP)

MRP is the minimum amount which must be charged to the Authority's revenue account each year and set aside as provision for credit liabilities as required by the Prudential Code.

National Non Domestic rate (NNDR)

NNDR is the levy on business property, based upon a national rate in the pound applied to the 'rateable value' of the property. The government determines a national rate poundage each year which is applicable to all Local Authorities. Mid Devon is a member of the Devon NNDR Pool of Local Authorities whose share of the NNDR is allocated between the members.

Net Book Value

The value of fixed assets included on the balance sheet, being the historical cost or a current revaluation less the cumulative amounts of depreciation.

Net Debt

Net debt is the Council's borrowings less cash and liquid resources.

Net Realisable Value (NRV)

NRV is the open market value of an asset in its existing use less any costs to be incurred in selling the asset.

Non Current Assets

Assets that yield benefits to the Council and the services it provides for a period of more than one year. Examples include land, buildings and vehicles.

Non-distributed Costs

In the main this represents support service area charges. E.g.: Corporate Management, Finance, Legal, ICT, HR services, etc. In addition to this a number of non-service specific corporate fees are included as well as any extra payments made to maintain the value of the pension fund.

Operating Lease

A lease where the risks and rewards, and therefore the ownership of the asset, remains with the lessor.

Precept

The amount levied by one authority which is collected by another. e.g.: the County Council is the precepting authority and the District Council is the collecting authority.

Prior Period Adjustments

These are material adjustments which are applicable to an earlier period arising from changes in accounting policies or for the correction of fundamental errors.

Provision

This is an amount which is put aside to cover future liabilities or losses which are considered to be certain or very likely to occur, but the amounts and timing are uncertain.

Public Works Loan Board (PWLB)

An arm of Central Government which is the major provider of loans to finance long term funding requirements for Local Authorities.

Rateable Value

A value placed upon all properties subject to rating. The value is based on a national rent that property could be expected to yield after deducting the cost of repairs.

Related Parties

Related parties comprise Central Government, other Local Authorities, precepting and levying bodies subsidiary and associated companies, elected Members, all senior officers and the Pension Fund. In respect of individuals identified as related parties the following are also presumed to be related parties:

- Members of the close family, or the same household; and
- Partnerships, companies, trusts or other entities in which the individual, or member of their close family, or the same household, has a controlling interest.

Revenue Contribution to Capital (RCCO)

Capital spending that is directly paid for from revenue.

Revenue Expenditure

Spending on the day-to-day running of services – mainly wages, operating expenses of buildings and equipment, and debt charges. These costs are met from the Council tax, government grants and our own fees and charges.

Revenue Support Grant

The major grant received each year from Central Government, which is not ring-fenced, to help finance our activities. Commonly referred to as the Council's "Formula Grant"

Reporting Standards

The Code of Practice prescribes the accounting treatment and disclosures for all normal transactions of a Local Authority. It is based upon International Financial reporting standards (IFRS), International Standards (IAS) and International Financial Reporting Interpretations Committee (IFRIC), UK Generally Accepted Accounting Practice (GAAP) and Financial Reporting Standards (FRS).

Reserves

The accumulation of surpluses, deficits and appropriations over past years. Reserves of a revenue nature are available and can be spent or earmarked at the discretion of the Council. Some capital reserves such as the capital adjustment account cannot be used to meet current expenditure.

Restatement

We normally show the amounts that were in last year's accounts as the same figure, but where there is a change in the accountancy rules, we have to change last year's figures to meet the current rules and ensure comparability.

Revaluation Reserve

This records net gains from revaluations not yet realised through sales.

Revenue Contributions

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

Revenue Expenditure

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

Revenue Expenditure Funded from Capital Under Statute (REFCUS)

Expenditure incurred during the year that may be capitalised under statutory provision but that does not result in the creation of an asset that belongs to the Authority.

Revenue Support Grant (RSG)

The major grant paid by central government to local authorities in aid of service provision.

Service Reporting Code of Practice (SeRCOP)

SeRCOP replaced the previous Best Value Accounting Code of Practice (BVACOP). Its aim is to provide consistent financial reporting for services in England and Wales and is given legislative backing by "proper practices" under the Local Government Act 2003.

Settlements

Generally this occurs where there is a bulk transfer out of the Pension Fund or from the employer's share of the Fund to a new contractor's share of the fund as a result of outsourcing a section of the Council. It reflects the difference between the IAS 19 liability and the assets transferred to settle the liability.

Tax Base

The number of houses we can charge our Council Tax on.

Treasury Management

This is the process by which the Authority controls its cash flow and its borrowing and lending activities.

Trust Funds

Funds administered by the Council for such purposes as prizes, charities and specific projects, on behalf of minors.

Unsupported (Prudential) Borrowing

This is borrowing for which no financial support is provided by Central Government. The borrowing costs are to be met from current revenue budgets.

Value for Money

The benefit obtained (not just in financial terms) for a given input of cash.