

DRAFT COPY

STATEMENT OF ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2019



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Introduction by the Former Leader of the Council:



It is my pleasure to introduce our annual accounts for 2018/19 which reflect yet another successful budget outcome and maintains our strong financial position.

The Council has, against a backdrop of further Central Government funding reductions, delivered a wide portfolio of high performing services. During the year we have seen the Planning and Economy services shortlisted for national performance awards and our green credentials singled out again as best practice.

We continue to progress collaborative work with neighbouring councils. Income from the Building Control Partnership with North Devon DC was £30k higher than last year, work with Devon, East Devon, Exeter and Teignbridge on spatial planning and economic development is ongoing and we have recently agreed an overarching vehicle contract with Exeter for the supply of circa 120 vehicles (which will yield significant savings). And 2018/19 has seen the first full year with the Council using the Devon Audit Partnership providing its internal audit services. All of this partnership working has improved operational capacity or generated savings, or in some cases both.

Continuing the Council's focus on the District's environment, we have now introduced new teams to concentrate on litter removal/fly tipping and improved street cleansing in Tiverton. In addition we have now seen; the number of residents participating in our Garden Waste collection service go past 10,000 in number and we have also had 2 electric car charging bays put in all of our Leisure Centre car parks, with further plans to put them in the Tiverton multi storey car park once the Premier Inn work has been concluded.

We continue to support a number of complementary organisations with funding contributions to; the CAB, CHAT, Age UK, Involve, GW Canal, Community Transport and Tiverton Museum, to name but a few.

At the point of writing this foreword we are awaiting an imminent update from the National Inspector regarding our Local Plan, a document which looks to shape the entire District for the next 30 years and includes some very exciting allocations.

We are very pleased to see continued praise from our external auditors on the stewardship and governance of the Council's finances and we have again performed well against overall budgets whilst being able to make suitable provision for any of the challenges that the Government's review of Local Government funding may deliver.

Clive Eginton
Former Leader of the Council

Views from the Chief Executive:



A sound financial base is the platform for everything the Council does, and it is right that the management, monitoring and reporting of our finances is given prominence in recognition of not only its own singular performance but its enabling role in helping us deliver for Mid Devon as a whole.

It has been widely acknowledged that local government has borne one of the largest cuts to any sector as part of the government's austerity programme. With the prospect of this coming to an end, we await with interest the promised Fair Funding review and its impact on what sector funding may look like in a future Government Spending Review.

While we wait for these long-promised reviews, we have not been shy about 'getting on with it' at local level. These accounts demonstrate our financial soundness and competence, but they also show our willingness to invest, our ability to commercialise services, and our commitment to place-shaping.

This year marks the first year a return on interest from the Council's relationship with 3 Rivers Developments Ltd has been shown in the accounts, a welcome step

on the path to seeing sustained dividends generated by a profit-making company that also delivers quality local housing and reduces the risk to the Council of land-banking or inactivity by commercial developers. Alongside the work the Council does in delivering social housing, much of it in partnership with Homes England, this is contributing significantly to our achievement of meeting and beating national targets for housing delivery.

It is no coincidence that Mid Devon secured the largest marginal viability award in the South West (and 9th highest in the country) from the Housing Infrastructure Fund (HIF) – our reputation is one of delivery. I am pleased that after a sustained period of negotiation, we are now in a position to progress two much-needed infrastructure schemes and unlock the potential of our new communities planned for the east of Tiverton and Cullompton.

This year has seen us move to progressing town centre regeneration projects alongside new growth proposals, with the Council securing planning consent to demolish a building in Tiverton and create alternative accommodation to provide an exciting way to open up access to the historic Grade II listed Pannier Market. As we sit in the growing shadow of the new hotel being built next to the Council's HQ, we will shortly be progressing masterplanning work in the historic town of Cullompton, in parallel with work already ongoing for the garden village. And later in the coming year we expect to be in the position to do the same for Crediton's historic core. Being shortlisted in 2019 for a national award for our work on driving economic growth was a resounding recognition of the superlative efforts of our planning, growth and commercial property teams.

But our work is not just about helping our communities grow effectively or seeking ways to improve our existing towns, it is about encouraging people to stay active and stay healthy. Our recent investment at Lords Meadow leisure centre follows on from last year's investment at Exe Valley, with these commitments seeing increased membership and usage as a direct result.

Our waste and recycling service might be the touchstone by which most of our residents interact with the Council (and we've made procurement changes here too, which will see substantial savings over the coming years), but our efforts stretch our ambition onwards and upwards. There is plenty to achieve in the coming years, and our financial performance allows us the capacity to concentrate on delivering for the future, not just surviving the challenges of the now.

Stephen Walford
Chief Executive



Financial Commentary by Deputy Chief Executive (S151)

Reflecting on another successful year, where the Council delivered within budget and was able to strategically increase a number of reserves in order to provide for the real uncertainty of both the current potential economic challenges and the changes that Central Government are considering making to Local Government funding, is a very positive outcome.

Some of the highlights of 2018/19 were; the full introduction of Universal Credit and the implementation of the Homelessness Reduction Act; going cashless; the 100% Business Rates pilot; major leisure centre investment; all units fully occupied at Market Walk retail centre, Tiverton; inaugural year of Devon Audit Partnership; signing off a joint vehicle provisioning contract with Exeter CC; sale of £1.4m of surplus assets; and the list goes on!

Our overall treasury performance has remained strong during 2018/19. During the year we generated investment income of £234k giving a return of 1.07%, made a return of 4.41% on our CCLA investment of £5m and were paid £72k in interest from 3 Rivers Developments Ltd.

The financial future is still a challenging one, with a medium term financial plan deficit of £1.4m by 2021/22 and the uncertainty generated by the Government's fair funding review, but by ensuring a sensible level of reserves and with ongoing careful financial stewardship we will ensure that the Council is in a strong position to react to any/all future challenges.

Andrew Jarrett
Deputy Chief Executive (S151)

NARRATIVE REPORT AND FINANCIAL PERFORMANCE 2018/19

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 2019. 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 2018/19".

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.

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.

1.5 The Balance Sheet:

This is a snapshot of the Council's financial position at 31 March. 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.

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 CIES.

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 second year that the Council's wholly owned subsidiary, 3 Rivers Developments Ltd has been in operation. The company accounts have again been consolidated with the Council's accounts in the Group Accounts section.

1.10 Review of the Year:

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

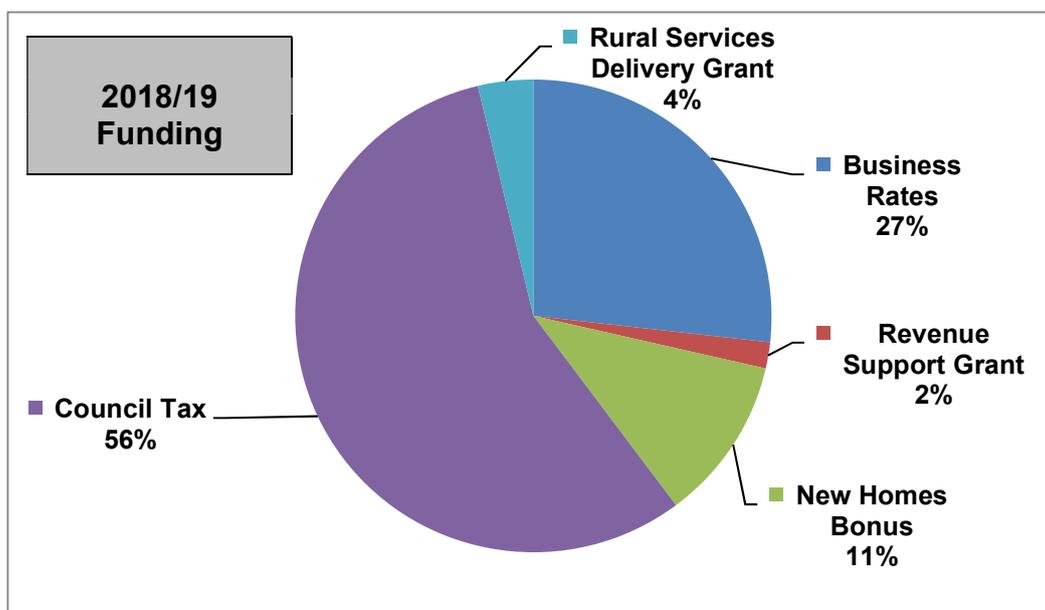
2.0 FINANCIAL PERFORMANCE

2.1 Introduction

The Council's budgeted funding streams for 2018/19 are detailed below and contrasted with 2017/18. In setting the budget for 2018/19 the Council increased Council Tax by 2.99% for a Band D property. This meant that the Band D Council Tax rate became £197.91. As the Council was part of a 100% Business Rates Pilot in 2018/19, its Revenue Support and Rural Services Delivery Grants were paid as part of our Retained Business Rates, in a change to the funding mechanism. This is for one year only.

	2017/18 £k	2018/19 £k
Business Rates Retention	2,265	2,680
Revenue Support Grant/*TSG	529	179
New Homes Bonus	1,722	1,121
Council Tax	5,409	5,651
Rural Services Delivery Grant	375	375
Total Funding	10,300	10,006

*Transitional Support Grant is no longer payable separately.



The table below shows that the Council received £10.801m of actual funding, the increase relating almost entirely to Retained Business Rates. The Council's actual expenditure in 2018/19 was £10.781m which results in a reported net underspend of circa £19k.

GENERAL FUND REVENUE ACCOUNT OUTTURN SUMMARY 2018/19			
	Budget 2018/19 £	Actual 2018/19 £	Variance £
Community Development	141,290	141,616	326
Corporate Management	1,650,320	1,671,855	21,535
Car Parks	(561,200)	(510,082)	51,118
Customer Services	778,387	729,124	(49,263)
Environmental Services	674,260	769,604	95,344
Finance & Performance	615,420	637,828	22,408
Grounds Maintenance	576,870	567,867	(9,003)
General Fund Housing	195,400	(14,853)	(210,253)
Human Resources	439,630	437,501	(2,129)
I.T.Services	867,253	917,239	49,986
Legal & Democratic Services	883,280	864,487	(18,793)
Planning & Regeneration	1,127,100	421,018	(706,082)
Property Services	329,410	543,061	213,651
Revenues & Benefits	362,900	153,855	(209,045)
Recreation and Sport	345,820	448,707	102,887
Waste Services	1,725,580	1,768,402	42,822
ALL GENERAL FUND SERVICES	10,151,720	9,547,230	(604,490)
Net recharge to HRA	(1,447,160)	(1,385,468)	61,692
Statutory Adjustments (Capital Charges)	395,570	286,373	(109,197)
NET COST OF SERVICES	9,100,130	8,448,135	(651,995)
OTHER INCOME AND EXPENDITURE			
Finance Lease Interest Payable	41,370	39,503	(1,867)
Interest Charged Between GF & HRA	(49,000)	(47,373)	1,627
Interest Receivable / Payable on Other Activities	147,000	105,321	(41,679)
Interest Receivable on Investments	(305,540)	(424,356)	(118,816)
CTS Funding Parishes	16,920	16,854	(66)
Transfers into Earmarked Reserves	2,188,020	4,743,704	2,555,684
Transfers from Earmarked Reserves	(911,100)	(2,116,224)	(1,205,124)
Contribution from New Homes Bonus Reserve	(221,850)	(221,850)	0
Revenue contribution to fund 2018/19 Capital Programme	0	237,696	237,696
TOTAL EXPENDITURE	10,005,950	10,781,410	775,460
FUNDED BY:-			
Formula Grant (RSG & RSDG & NNDR)	(3,233,770)	(3,677,621)	(443,851)
Business Rates Benefit from Devon Pool	0	(350,764)	(350,764)
New Homes Bonus Grant	(1,121,250)	(1,121,246)	4
Collection Fund Surplus	(50,520)	(50,524)	(4)
Council Tax - (Band D at £197.91)	(5,600,410)	(5,600,410)	0
TOTAL FUNDING	(10,005,950)	(10,800,565)	(794,615)
NET INCOME AND EXPENDITURE	0	(19,155)	(19,155)

Further information on spending on services, other operating costs and income is shown within the Notes to the Accounts Section.

2.2 Revenue Expenditure – General Fund Financial Performance

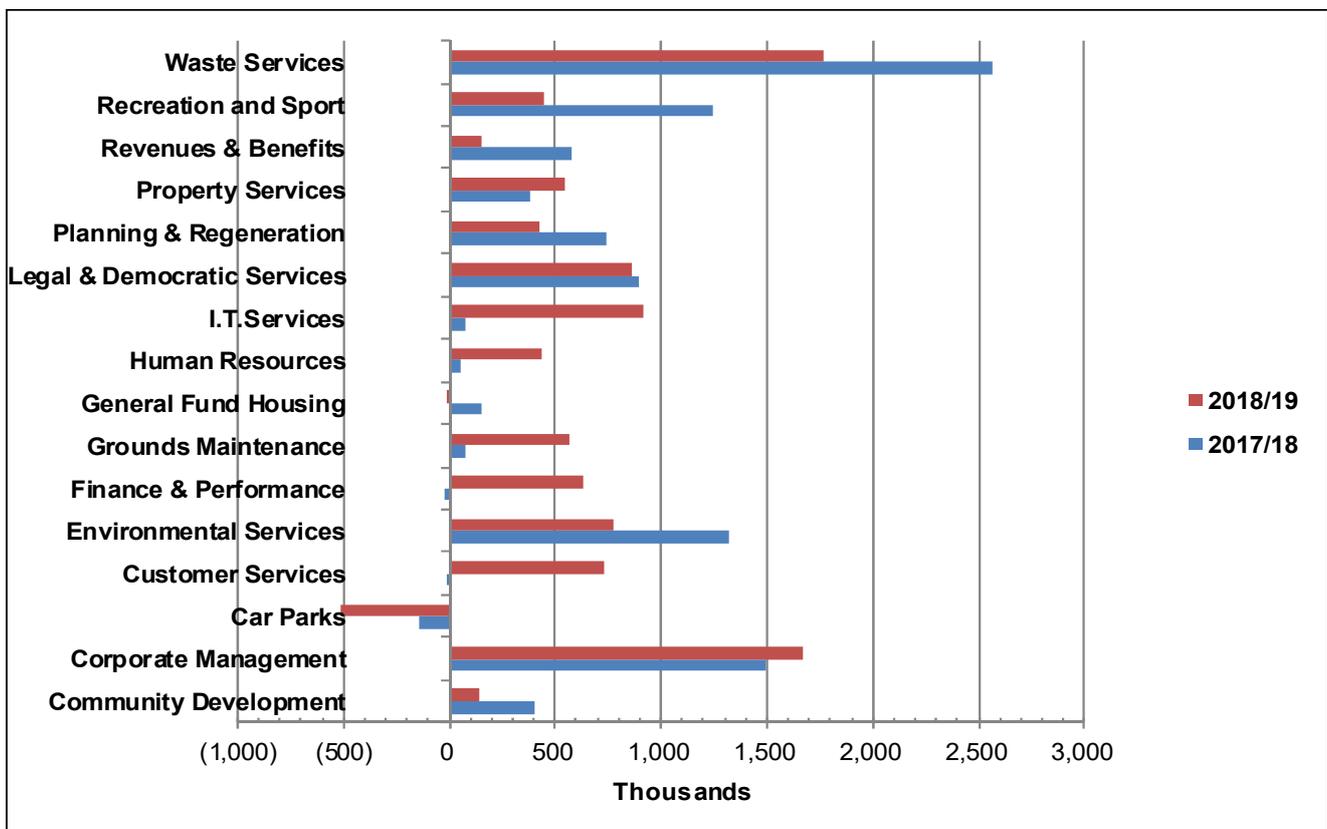
During the year regular monthly financial monitoring information has been produced and reported to senior management and Members. This monitoring report declared forecasts of varying amounts dependent on the information known at each point in time during 2018/19. The month 9 monitoring report tabled at the 7 February 2019 Cabinet meeting forecast an estimated outturn deficit of £65k on the General Fund (this detailed report can be found on the Council’s website).

As part of the 2017/18 Provisional Settlement it was announced that the Devon Business Rates Pool had been successful in securing Pilot status for one year. This meant that for 2018/19 the Pool would retain 100% of the BR gain rather than having to pay across 50% to the Government as a levy. We set a prudent budget for this additional retention sum as there were a number of variables associated with the final amount retained, e.g. appeals and the results of our other Pool partners. We did however see a significant increase in our Pool dividend due to the Pilot status. This is reflected in the Outturn summary shown above. The Pilot status with the 100% associated retention was only applicable for one year, after which time we will revert to a 50% retention status.

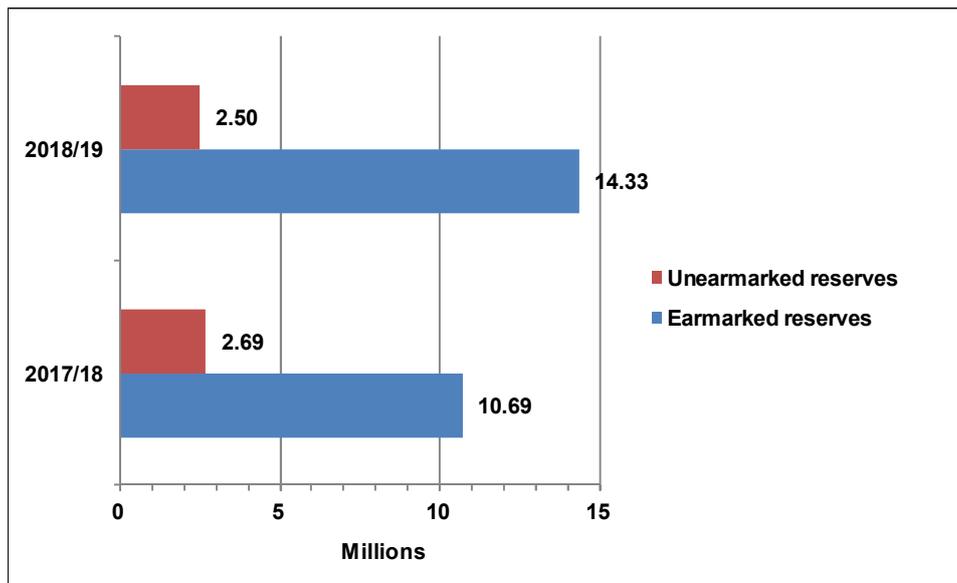
The General Fund Reserves have slightly decreased from £2.690m at the start of the year to £2.501m at 31 March 2019. NB. Minimum General Fund Balance agreed at 25% of net expenditure = £2.5m.

The overall General Fund position delivered in 2018/19 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.

2.3 General Fund Net Service Expenditure £k



2.4 General Fund Account Reserves £m



2.5 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 to be ring-fenced and it 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 £12.844m for the year. The HRA has reported a net surplus of £613k for 2018/19, which is 4.8% 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 2018/19	Budget £k	Outturn £k	Variance	
			£k	%
Gross Income	(12,844)	(13,179)	(335)	2.6
Service Expenditure	5,849	5,541	(308)	5.3
Other Operating Costs and Income	160	370	210	131
Earmarked Reserve Transfers	4,523	4,497	(26)	(0.6)
Capital Financing and Debt Repayment	2,287	2,126	(161)	(7.0)
Technical Accounting Adjustments	25	32	7	28.0
Net Variance	0	(613)	(613)	

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 £16.323m. 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.

2.6 Revenue Expenditure – Non Financial Performance

When reviewing the performance of the Council in 2018/19, 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 2018/19 will be presented to Audit Committee on 25 June 2019. The details are available on our website.

2.7 Capital Expenditure

In addition to our spending on day-to-day service provision, the Council spends money on assets such as buildings, leisure equipment and other projects which are capital in nature. Capital expenditure in the year totalled £9.617m (£8.523m 2017/18). Capital expenditure comprises £3.587m in General Fund schemes and £6.030m on HRA capital works, as summarised in the table below.

The General Fund capital spend related to a wide range of projects which included the loans to 3 Rivers Developments Ltd to enable the development to the rear of the Town hall site and other regeneration projects. We have also spent £194k on our leisure centres to provide better facilities and replacement vehicles have cost c£161k. In future our new vehicle contract will cover replacement costs. We continue to spend our Disabled Facilities Grant and this year the cost has been £349k which is covered by the grant. We have also paid £136k to Housing Associations to provide units and this has been funded from S106 planning sums. 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 developments at Palmerston Park (which will create 26 affordable dwellings); Birchen Lane (which has created 4 units) and Burlescombe (which has created 6 units) and there have been two house purchases to add to our stock.

General Fund Capital Schemes	£k
Grants to Housing Associations	136
ICT – Equipment	44
Market - Preliminaries	47
Smaller projects - Flat refurb and Car park improvements	17
EUE – S106 Loan	776
Exe Valley Leisure Centre - works	27
Lords Meadow – Gym Equipment	167
Vehicles – Refuse; Street Cleansing and; Grounds Maintenance	161
Disabled Facilities Grants–Private Sector	349
Loans to 3 Rivers for Development schemes	1,863
General Fund Capital Schemes - Total	3,587
HRA Capital Schemes	£k
Major repairs to Housing Stock	2,081
Disabled Facilities Grants - Council Houses	301
Renewable Energy Fund Spend	100
Birchen Lane - re development of unit for housing conversion (4 units)	249
Palmerston Park Tiverton - affordable dwellings (26 units)	2,067
Burlescombe (6 units)	982
2 House Purchases - Culmstock	244
Queensway (Beech Road) Tiverton (3 units)	6
HRA Capital Schemes - Total	6,030
General Fund and HRA Capital Schemes - Total	9,617

Capital expenditure is funded from a variety of sources as shown below:

Sources of Capital Funding	£k
Revenue funding	5,081
Capital Grants and Contributions	1,112
Capital Receipts	1,343
Major Repairs Reserve (HRA)	2,081
Total	9,617

2.8 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 £3.904m to £40.944m in 2018/19.

2.9 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 £6.587m. 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 £19k surplus on the General Fund and a £613k surplus on the HRA.

2.10 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 £1.400m during 2018/19.
- The overall Pension Scheme deficit decreased by £630k.

2.11 Cash Flow Statement

The Council had a net cash outflow during 2018/19 of £4.231m.

2.12 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 £613k surplus in 2018/19 and this has been added to the HRA Earmarked Reserves.

2.13 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 2018/19, the Council credited £2.080m to the MRR, which was fully utilised. As a result, there was no carrying balance on the MRR as at the 31/3/2019.

2.14 The Collection Fund

The financial highlights for the Collection Fund are given below:

- There was a £144k surplus on the Council Tax Collection Fund in 2018/19. This results in an overall surplus on the fund of £582k at 31/3/2019, of which 13.59% is due to MDDC, amounting to £79k.
- The Council Tax collection rate achieved in the year was 97.8% (98.0% in 2017/18).
- The Council set a Band D equivalent council tax rate of £197.91 in 2018/19.
- There was a £997k deficit on the Business Rates Collection Fund in 2018/19. This results in an overall deficit on the fund of £1.769m at 31/3/2019, of which 40% is due to MDDC, amounting to £708k.
- The Business Rates collection rate achieved in the year was 99.3% (99.2% in 17/18).

2.15 Pension Fund

The financial highlights of the pension fund are:

- Pension assets have increased to £66.010m (£62.161m in 17/18)
- Pension liabilities have increased to £125.923m (£122.617m in 17/18)
- Unfunded liabilities have increased to £534k (£447k in 17/18)
- The net deficit on the fund is £59.379m (£60.009m in 17/18)

The requirement to recognise the net pension liability on the Balance Sheet arises from International Accounting Standard 19 (IAS19) "Employee Benefits". 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.

2.16 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 2019 Balance Sheet.

2.17 Treasury Activities

The table below gives an overview of the Council's treasury holdings at the financial year end:

31/03/18 £k	Investment Categories	31/03/19 £k
3	Cash floats	2
4,889	Bank deposits	2,659
2,000	Short term deposits	0
6,892	Total	2,661

In addition to the above cash equivalents, the Council also held £22m (£19m 2017/18) of short term investments as at the 31 March 2019.

The Council generated investment interest of £234k (£158k 2017/18), which gave an average rate of return of 1.07% (0.58% 2017/18). This does not include the CCLA dividends.

2.18 Borrowing

At the end of 2018/19, the Council had five Public Works Loan Board loans outstanding with principal of £40.718m. No new loans were taken out during 2018/19. The Council has paid off £1.731m of the outstanding principal during the year and interest of £1.259m. The interest rates on these loans range from 1.7% to 2.94% pa.

2.19 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 mitigating actions designed to reduce uncertainty and the Council's exposure to risk.

The key areas of corporate risk at March 2019 centred on:

- Cyber Security
- Information Security
- Overall Funding/Budget cuts
- 3 Rivers Governance/Loan recoverability

2.20 The Financial Future of Mid Devon

2018/19 was yet another successful year for the Council which saw our core services, Housing Revenue Account and capital programme all delivered within budget. We also achieved our performance targets. This was an excellent result when set against the Central Government instigated austerity programme that has seen our overall funding reduced by circa £4m since 2010/11.

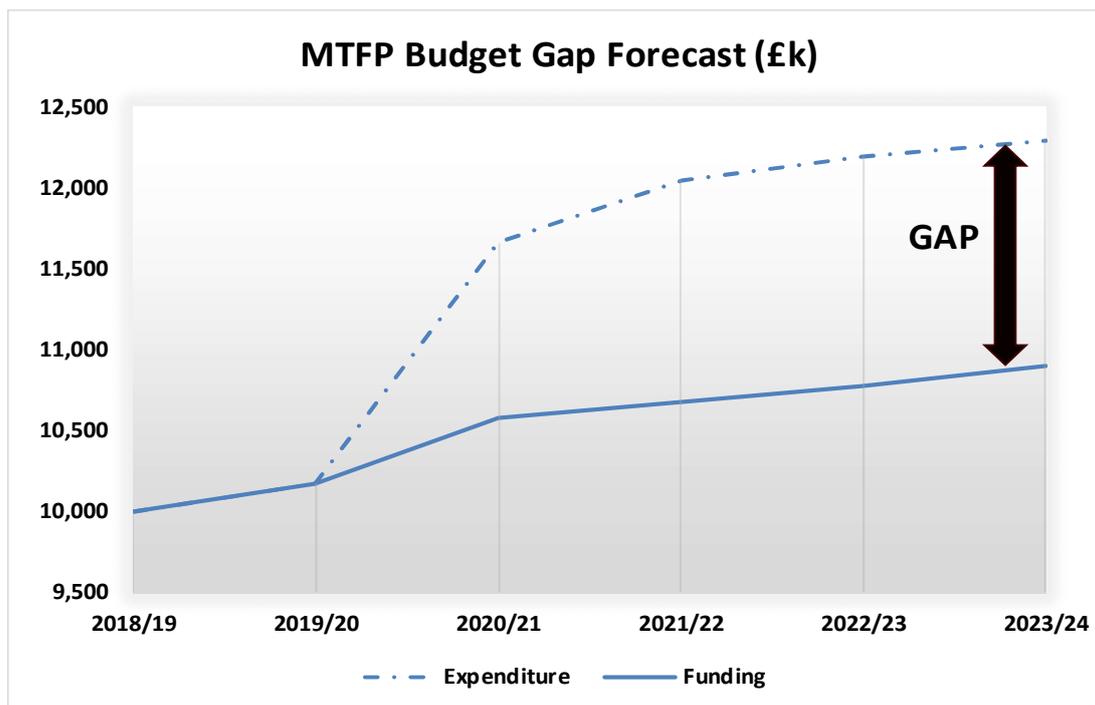
We have continued our strategic direction of maximising income from services; we have seen income from our Leisure Centres increased to £2.7m; our garden waste service has tipped 10,000 users and now generates nearly £500k per annum; our CCLA investment delivered a return of £214k (4.41%) and our retail holdings at Market Walk provided rent totalling £235k.

In addition we continue to work collaboratively with neighbouring councils in areas as diverse as; Building Control; Spatial Planning; Economic Delivery; Internal Audit; vehicle procurement etc. These partnerships have importantly delivered financial savings but also built up additional operational capacity.

The future of local government funding remains at a bit of an impasse. We are still awaiting Central Government's output from the review work it has undertaken on the overall package of local government financing (which will include Business Rates localisation and New Homes Bonus). This uncertainty makes medium term financial planning far more challenging. However, proactive financial stewardship has seen the Council make provision in order to provide a short term buffer, by way of a Business Rates Smoothing Reserve, to manage the outcome of the long awaited Fair Funding Review and Business Rates Baseline Reset consultations.

The Council knows that the financial future will continue to be an uncertain and challenging one. To their end, senior management have strived to ensure we are in a very strong financial position which will enable us to move forward and react to future challenges that will undoubtedly come our way.

2.21 Medium Term Forecast Expenditure and Funding £k



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 £1.393m in 2023/24.

Central Government reduced 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 2018/19 and the surplus from 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.

Andrew Jarrett
Deputy Chief Executive (S151)

STATEMENT OF ACCOUNTING POLICIES

3.1 General Principles

The Statement of Accounts summarises the Council's transactions for the 2018/19 financial year and its position at the year ending 31 March 2019. 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 2018/19, 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.

3.2 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.

3.3 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 2018/19.

3.4 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 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 working for the Authority.

3.5 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 CIES 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 CIES 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 CIES. 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 pension 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 LGPS - 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.

3.6 Government 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.

3.7 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.

3.8 Value Added Tax (VAT)

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.

3.9 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:

- There is a minimum revenue provision of 4% on assets acquired prior to 1 April 2008.
- Finance leases have their capital financing applied on a straight line basis over the life of the lease contract.
- 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.

3.10 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.

3.11 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.

3.12 Property, Plant and Equipment

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

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 CIES.

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 CIES.

The Council had the District Valuer estimate current values of approximately 1/5th of the property portfolio at 31 March 2019.

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

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, Leisure Buildings & Moorhayes Community Centre)	Expected asset life of 25 years

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.

3.13 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 CIES. Gains or losses on sale are posted to the Other Operating Expenditure line in the CIES. 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 CIES as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the CIES 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.

3.14 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.

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.

3.15 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 CIES).

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 CIES 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 CIES 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 CIES).

The gain credited to the CIES 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.

Operating Leases

Where the Authority grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the CIES. Credits 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. there is a premium paid at the commencement of the lease). Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

3.16 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.

3.17 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 CIES 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 CIES 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.

Where debtor balances for the above are identified as impaired because of a likelihood arising from a past event that payments due under the statutory arrangements will not be made (fixed or determinable payments), the asset is written down and a charge made to the Financing and Investment Income and Expenditure line in the CIES. The impairment loss is measured as the difference between the carrying amount and the revised future cash flows.

3.18 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.

3.19 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.

3.20 Financial Instruments

Financial Assets

Financial assets are classified based on a classification and measurement approach that reflects the business model for holding the financial assets and their cashflow characteristics. There are three main classes of financial assets measured at:

- Amortised cost;
- Fair value through profit or loss (FVPL); and
- Fair value through other comprehensive income (FVOCI) [separate accounting policy is required where an authority holds financial instruments at fair value through other comprehensive income].

The authority's business model is to hold investments to collect contractual cash flows. Financial assets are therefore classified as amortised cost, except for those whose contractual payments are not solely payment of principal and interest (i.e. where the cash flows do not take the form of a basic debt instrument).

Financial Assets Measured at Amortised Cost

Financial assets measured at amortised cost 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 CIES 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 financial assets held by the authority, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the CIES is the amount receivable for the year in the loan agreement.

Any gains and losses that arise on the derecognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the CIES.

Expected Credit Loss Model

The Authority recognises expected credit losses on all of its financial assets held at amortised cost, or where relevant FVOCI, either on a 12-month or lifetime basis. The expected credit loss model also applies to lease receivables and contract assets. Only lifetime losses are recognised for trade receivables (debtors) held by the authority.

Impairment losses are calculated to reflect the expectation that the future cash flows might not take place because the borrower could default on their obligations. Credit risk plays a crucial part in assessing losses. Where risk has increased significantly since an instrument was initially recognised, losses are assessed on a lifetime basis. Where risk has not increased significantly or remains low, losses are assessed on the basis of 12-month expected losses.

Financial Assets Measured at Fair Value through Profit or Loss (FVPL)

The Authority recognises gains and losses on its Pooled Investment (CCLA) through Surplus / Deficit on Provision of Services on the face of the Income Statement. This is a new requirement under IFRS 9. There is a "statutory reversal" which means that the impact of this change in valuation does not hit the "bottom line" or taxpayers. The impact is reversed out and placed in an unusable reserve. This is shown in note 43.

Financial Assets Measured at Fair Value through Other Comprehensive Income (FVOCI)

We no longer value our CCLA investments as FVOCI following a change in regulations (IFRS 9).

3.21 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 CIES 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

3.22 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.

3.23 Interests in Companies and Other Entities

The Authority has material interests in its wholly-owned subsidiary 3 Rivers Developments Ltd, and due to the materiality of the interest the Authority is required to prepare Group Accounts which can be found within these accounts.

In the Authority's own single-entity accounts, the interests in companies and other entities are recorded as financial assets at cost, less any provision for losses.

3.24 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 31/03/19 was £2.502m.

3.25 Housing Revenue Account (HRA)

Council has approved a policy of the HRA maintaining a reserve balance of £2m and this has been maintained throughout 2018/19.

The Statement of Responsibilities for the Statement of Accounts

4.0 THE STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

4.1 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 Deputy Chief Executive (S151).
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- Approve the Statement of Accounts.

4.2 The Deputy Chief Executive (S151)'s Responsibilities

The Deputy Chief Executive (S151) 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).

In preparing this Statement of Accounts, the Deputy Chief Executive (S151) has:

- Selected suitable accounting policies and then applied them consistently
- Made judgments and estimates that were reasonable and prudent
- Complied with the local authority Code.

The Deputy Chief Executive (S151) has also:

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

4.3 Opinion

In my opinion the Statement of Accounts gives a true and fair view of the financial position of the Authority at the reporting date and its income and expenditure for the year ended 31 March 2019.

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

Andrew Jarrett CPFA
Deputy Chief Executive (S151)
Mid Devon District Council

5.0 CHIEF FINANCIAL OFFICER'S CERTIFICATE

I certify that the accounts set out in the following pages, give a true and fair view of the financial position of the Council at 31 March 2019.

The date on which the Statement of Accounts was authorised for issue by the Deputy Chief Executive (S151) was 31 May 2019.

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

Approved by the Deputy Chief Executive (S151)

..... Dated
Andrew Jarrett CPFA

Approved by the Chairman of the Audit Committee

..... Dated

Approved by the Leader of the Council

..... Dated

Independent Auditor's Report

Independent Auditor's Report

Independent Auditor's Report

Independent Auditor's Report

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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.

2018/19	USABLE RESERVES								Total Usable Reserves	Unusable Reserves	Total Authority Reserves	
	REVENUE RESERVES						CAPITAL RESERVES					
	General Fund Balance	Earmarked General Fund Reserves	General Fund Total	Housing Revenue Account	Earmarked HRA Reserves	HRA Total	Capital Receipts Reserve	Capital Grants Unapplied				
Notes	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000		
Balance at 31 March 2018		(2,690)	(10,689)	(13,378)	(2,000)	(15,227)	(17,227)	(3,501)	(2,934)	(37,040)	(87,563)	(124,603)
Movement in Reserves during 2018/19												
(Surplus) or deficit on the provision of services		2,184	-	2,184	(3,474)	-	(3,474)	-	-	(1,290)	-	(1,290)
Other Comprehensive Income and Expenditure		-	-	-	-	-	-	-	-	-	(5,297)	(5,297)
Total Comprehensive Income and Expenditure		2,184	-	2,184	(3,474)	-	(3,474)	-	-	(1,290)	(5,297)	(6,587)
Adjustments between accounting basis and funding basis under regulations	5	(4,609)	-	(4,609)	2,378	-	2,378	(119)	(263)	(2,614)	2,614	-
Net Increase/Decrease before Transfers to Earmarked Reserves		(2,425)	-	(2,425)	(1,096)	-	(1,096)	(119)	(263)	(3,904)	(2,683)	(6,587)
Transfers (to) / from Earmarked Reserves	6	2,614	(3,665)	(1,051)	1,096	(1,096)	-	-	1,051	-	-	-
(Increase)/Decrease in 2018/19		188	(3,665)	(3,476)	-	(1,096)	(1,096)	(119)	788	(3,904)	(2,683)	(6,587)
Balance at 31 March 2019 Carried forward		(2,501)	(14,353)	(16,855)	(2,000)	(16,323)	(18,323)	(3,620)	(2,146)	(40,944)	(90,246)	(131,190)
Held for Revenue Purposes		(2,501)	(14,353)	(16,855)	(2,000)	(16,323)	(18,323)	-	-	(35,178)	-	-
Held for Capital Purposes		-	-	-	-	-	-	(3,620)	(2,146)	(5,766)	-	-

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2017/18	USABLE RESERVES								Total Usable Reserves	Unusable Reserves	Total Authority Reserves			
	Notes	REVENUE RESERVES					CAPITAL RESERVES					£'000	£'000	£'000
		General Fund Balance	Earmarked General Fund Reserves	General Fund Total	Housing Revenue Account	Earmarked HRA Reserves	HRA Total	Capital Receipts Reserve						
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000				
Balance at 31 March 2017	(2,602)	(10,029)	(12,631)	(2,000)	(12,453)	(14,453)	(2,438)	(2,162)	(31,684)	(75,160)	(106,844)			
Movement in Reserves during 2017/18														
Surplus on the provision of services	788	-	788	(9,864)	-	(9,864)	-	-	(9,076)	-	(9,076)			
Other Comprehensive Income and Expenditure	-	-	-	-	-	-	-	-	-	(8,683)	(8,683)			
Total Comprehensive Income and Expenditure	788	-	788	(9,864)	-	(9,864)	-	-	(9,076)	(8,683)	(17,759)			
Adjustments between accounting basis and funding basis under regulations	5	(1,536)	(1,536)	7,090	-	7,090	(1,063)	(773)	3,719	(3,719)	(0)			
Net Increase/Decrease before Transfers to Earmarked Reserves	(748)	-	(748)	(2,774)	-	(2,774)	(1,063)	(773)	(5,357)	(12,402)	(17,759)			
Transfers (to) / from Earmarked Reserves	6	660	(660)	(0)	2,774	(2,774)	(1)	-	(0)	-	-			
(Increase) / Decrease in 2017/18	(88)	(660)	(748)	0	(2,774)	(2,774)	(1,063)	(773)	(5,357)	(12,402)	(17,759)			
Balance at 31 March 2018 Carried forward	(2,690)	(10,689)	(13,379)	(2,000)	(15,227)	(17,227)	(3,501)	(2,935)	(37,041)	(87,562)	(124,603)			
Held for Revenue Purposes	(2,690)	(10,689)	(13,379)	(2,000)	(15,227)	(17,227)	-	-	(30,606)	-	-			
Held for Capital Purposes	-	-	-	-	-	-	(3,501)	(2,935)	(6,436)	-	-			

Comprehensive Income and Expenditure Statement

This section is a summary of our spending on services.

Gross Expenditure	2017/18			Notes	2018/19		
	Gross Income	Net Expenditure			Gross Expenditure	Gross Income	Net Expenditure
£'000	£'000	£'000			£'000	£'000	£'000
546	(144)	402	Community Development		404	(152)	252
2,064	(41)	2,023	Corporate Management		1,996	-	1,996
604	(749)	(145)	Car Parks		640	(760)	(120)
28	-	28	Customer Services		-	(19)	(19)
2,233	(462)	1,771	Environmental Services		2,471	(615)	1,856
14	(9)	5	Finance And Performance		64	(5)	59
203	(103)	100	Grounds Maintenance		197	(119)	78
490	(313)	177	General Fund Housing		750	(595)	155
3,568	(13,575)	(10,007)	Housing Revenue Account		9,328	(13,095)	(3,767)
75	-	75	Human Resources		58	(1)	57
103	(1)	102	I.T. Services		81	(2)	79
1,310	(385)	925	Legal & Democratic Services		1,029	(82)	947
2,753	(1,911)	842	Planning And Regeneration		3,167	(2,137)	1,030
1,514	(1,076)	438	Property Services		1,845	(823)	1,022
18,377	(17,751)	626	Revenues And Benefits		17,426	(16,790)	636
3,963	(2,613)	1,350	Recreation And Sport		4,333	(2,726)	1,607
5,454	(2,653)	2,801	Waste Services		5,177	(2,500)	2,677
43,299	(41,786)	1,513	Costs of Services		48,966	(40,421)	8,545
		1,013	Other Operating Expenditure	8			1,390
		2,634	Financing and Investment Income and Expenditure	9			2,201
		(14,236)	Taxation and Non-Specific Grant Income	10			(13,426)
		(9,076)	(Surplus) or Deficit on Provision of Services				(1,290)
		(220)	(Surplus) or deficit on revaluation of available for sale financial assets	11			-
		(6,729)	Remeasurements of the net defined benefit liability	22			(3,514)
		(1,734)	(Surplus) or deficit on revaluation of Property, Plant and Equipment	44			(1,783)
		(8,683)	Other Comprehensive Income and Expenditure				(5,297)
		(17,759)	Total Comprehensive Income and Expenditure				(6,587)

Balance Sheet

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

2017/18			2018/19
£'000		Notes	£'000
196,656	Property, Plant & Equipment	23	198,056
330	Heritage Assets	26	330
4,860	Long-term Investments	33	4,935
1,065	Long-term Debtors	34	3,017
202,911	Non-Current Assets		206,338
19,000	Short-term Investments	35	22,000
240	Assets held for sale	35.1	149
227	Inventories	36	235
4,171	Short-term Debtors	37	5,644
6,892	Cash and Cash Equivalents	38	2,661
30,530	Current Assets		30,689
(5,066)	Short-term Creditors	39	(4,237)
(235)	Provisions	41	(555)
(1,731)	Short-term Borrowing	30	(1,781)
(7,032)	Current Liabilities		(6,573)
(968)	Long-term Creditors	40	(948)
(40,718)	Long-term Borrowing	30	(38,937)
(60,009)	Other Long Term Liabilities	47	(59,379)
(111)	Capital Grants Receipts in Advance	40	-
(101,806)	Long Term Liabilities		(99,264)
124,603	Net Assets		131,190
37,041	Usable Reserves	42	40,944
87,562	Unusable reserves	43	90,246
124,603	Total Reserves		131,190

Cash Flow Statement

This section shows what cash we spend and receive

2017/18			2018/19
£'000		Notes	£'000
9,076	Net surplus or (deficit) on the provision of services		1,290
4,746	Adjustments to net surplus or deficit on the provision of services for non-cash movements	51	5,768
(4,314)	Adjustments for items included in the net surplus on the provision of services that are investing and financing activities (See note references)	52	(1,848)
9,508	Net cash flows from Operating Activities		5,210
(4,752)	Investing Activities	54	(7,645)
(1,609)	Financing Activities	55	(1,796)
3,147	Net increase or (decrease) in cash and cash equivalents		(4,231)
3,746	Cash and cash equivalents at the beginning of the reporting period		6,892
6,892	Cash and cash equivalents at the end of the reporting period	38	2,661

Expenditure and Funding Analysis

The objective of the Expenditure and Funding Analysis is to demonstrate 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. The adjustments to Costs of Services are made up of current service cost, accumulated absences, service recharges and capital charges.

2017/18			2018/19			
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
402	-	402	Community Development	142	111	252
2,023	-	2,023	Corporate Management	1,672	325	1,996
(145)	-	(145)	Car Parks	(510)	390	(120)
28	-	28	Customer Services	729	(749)	(19)
1,771	-	1,771	Environmental Services	770	1,086	1,856
5	-	5	Finance And Performance	638	(579)	59
100	-	100	Grounds Maintenance	568	(490)	78
177	-	177	General Fund Housing	(15)	169	155
(9,862)	(145)	(10,007)	Housing Revenue Account	(7,638)	3,871	(3,767)
75	-	75	Human Resources	438	(380)	57
102	-	102	I.T. Services	917	(838)	79
925	-	925	Legal & Democratic Services	864	82	947
842	-	842	Planning And Regeneration	421	609	1,030
438	-	438	Property Services	543	479	1,022
626	-	626	Revenues And Benefits	154	482	636
1,350	-	1,350	Recreation And Sport	449	1,159	1,607
2,801	-	2,801	Waste Services	1,768	909	2,677
1,658	(145)	1,513	Costs of Services	1,910	6,636	8,545
(5,150)	(5,439)	(10,589)	Other Income and Expenditure	(2,541)	(7,294)	(9,835)
(3,492)	(5,584)	(9,076)	(Surplus) or Deficit on Provision of Services	(631)	(658)	(1,290)
(27,084)			Opening balance (combined General Fund and HRA reserves) as at 31/03/18	(43,984)		
(3,492)			Plus (surplus) or deficit on General Fund and HRA in year	(631)		
(30,576)			Closing balance (combined General Fund and HRA reserves) as at 31/03/18	(44,615)		

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.

		2017/18	2018/19
	Notes	£'000	£'000
Expenditure			
Employee benefits		16,168	16,655
Other services		28,076	26,801
Depreciation, amortisation and impairment	19	(724)	5,655
Interest payments	9	3,016	2,797
Precepts and levies	8	1,454	1,556
Total Expenditure		47,990	53,464
Income			
Fees, charges and other service income		(41,776)	(40,348)
Interest and investment income	9	(382)	(596)
Income from council tax, NNDR, RSG and other government grants including NHB	10	(14,236)	(13,426)
Gain on the disposal of assets	8	(672)	(384)
Total Income		(57,066)	(54,754)
Surplus or deficit on the provision of services			
		(9,076)	(1,290)

Notes to the accounts:

Please be aware that there may be minor rounding differences in some of these notes.

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 2019 for 2018/19).

In compiling the 2018/19 accounts there are no material effects in relation to these standards.

2 Critical Judgements in Applying Accounting Policies

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 2018/19;

c) Asset lives for the calculation of depreciation charges - based on service managers' experience of previously used assets.

d) Estimating the total amount of the housing benefit subsidy claim for the year prior to its final determination after 31 March using data for the first eleven months.

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

- Property valuations made by the District Valuer
- Pension valuations supplied by Barnett Waddingham - Actuary engaged by Devon County Council.

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

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

3 Material Items of Income and Expenditure

There are no material items this year.

4 Assumptions Made about the Future and Other Major Sources of Estimation

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 2019 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 £39,605k (excl. Council Houses) would increase by £54k 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 £123.111m and a 1 year increase in mortality rates would increase the closing defined benefit obligation to £130.180m. 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.

Note	Item	Uncertainties	Effect if actual results differ
	Arrears	At 31 March 2018, the Authority had a gross sundry debtors balance of £999k. A review of significant balances suggested that a provision for doubtful debts of 25% or £247k was appropriate (£187k 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 £12k.
	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.

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 shows 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.

Adjustments between Accounting Basis and Funding Basis under Regulations

2018/19	Usable Reserves					
	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	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	(1,780)	(2,469)	-	-	-	4,249
Revaluation (losses)/gains on Property, Plant and Equipment	(756)	(652)	-	-	-	1,408
Capital grants and contributions applied	-	183	-	-	-	(183)
Revenue expenditure funded from capital under statute	(485)	-	-	-	-	485
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	(500)	(813)	-	-	-	1,313
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement						
Statutory provision for the financing of capital investment	286	961	-	-	-	(1,247)
Capital expenditure charged against the General Fund and HRA balances	238	1,950	-	-	-	(2,188)
Adjustments primarily involving the Capital Grants Unapplied Account						
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	1,192	-	-	-	(1,192)	-
Application of grants to capital financing transferred to the Capital Adjustment Account	-	-	-	-	929	(929)
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	293	1,404	(1,697)	-	-	-
Use of the Capital Receipts Reserve to finance new capital expenditure	-	-	1,343	-	-	(1,343)
Contribution from the Capital Receipts Reserve towards administrative costs of non current asset disposals	-	(17)	17	-	-	-
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	(218)	-	218	-	-	-
Balance carried forward	(1,729)	547	(119)	-	(263)	1,565

2018/19 - Continued	Usable Reserves					
	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
	£'000	£'000	£'000	£'000	£'000	£'000
Balance brought forward	(1,729)	547	(119)	-	(263)	1,565
Adjustment involving the Major Repairs Reserve						
Reversal of Major Repairs Allowance credited to the HRA	-	2,080	-	(2,080)	-	-
Use of the Major Repairs Allowance to finance new capital expenditure	-	-	-	2,080	-	(2,080)
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	76	-	-	-	-	(76)
Adjustment involving the Pensions Reserve						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(5,249)	(253)	-	-	-	5,502
Employer's pension contributions and direct payments to pensioners payable in the year.	2,618	-	-	-	-	(2,618)
Adjustment involving the Collection Fund Adjustment Account						
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	19	-	-	-	-	(19)
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	(307)	-	-	-	-	307
Adjustment involving the Accumulating Compensated Absences Adjustment 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	(37)	4	-	-	-	33
Total Adjustments	(4,609)	2,378	(119)	-	(263)	2,614

2017/18	Usable Reserves						
	General Fund Balance	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	£'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)
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
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)
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	-	-	-	-
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)	-	(773)	-	(4,804)

2017/18 - Continued	Usable Reserves						
	General Fund Balance	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	£'000
Balance brought forward	1,560	5,079	(1,063)	-	(773)	-	(4,804)
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	-	-	-	2,273	-	-	(2,273)
Adjustment involving the Pensions Reserve							
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)
Adjustment involving the Collection Fund Adjustment Account							
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
Adjustment involving the Accumulating Compensated Absences Adjustment 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.	32	8	-	-	-	-	(40)
Total Adjustments	(1,537)	7,090	(1,063)	-	(773)	-	(3,718)

6. Movements in Earmarked Reserves

The table below shows the amounts set aside from the General Fund and HRA balances in capital or revenue earmarked reserves to provide financing for future expenditure plans. It also shows the movement in each major earmarked reserve where amounts have either been posted to the reserve or back to meet General Fund and HRA expenditure in 2018/19. Reserves indicated with an asterisk (*) are held for capital purposes.

General Fund - Revenue Earmarked Reserves	Balance at 1/4/17	Movement	Balance at 31/3/18	Movement	Balance at 31/3/19
	£'000	£'000	£'000	£'000	£'000
RCCO* Earmarked Reserves	471	11	482	(67)	415
Maintenance & Amenity Reserve (S106 Funds)	951	13	964	1,480	2,444
Misc. General Fund Reserves	1,882	68	1,949	94	2,044
New Homes Bonus	2,458	216	2,673	81	2,754
NNDR Reserve	560	-	560	612	1,172
Statutory Development Plan	110	130	240	280	520
Vehicle, Plant, Equipment and Maintenance Sinking Funds	2,261	(271)	1,990	686	2,676
Private Sector Housing Grants Earmarked Reserves	1,122	(17)	1,105	(45)	1,060
Garden Village Reserve	214	313	528	144	672
Property Maintenance Reserve	-	197	197	400	597
Total Revenue Earmarked Reserves	10,029	660	10,689	3,665	14,354

*RCCO – Revenue contributions to capital outlay.

The £2.7m held in the New Homes Bonus is non-ring fenced. Primarily it will be used to help fund the Private Sector Housing and Economic Development components of the future capital programme. It may also be used to support short term service provision. 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 2019/20 and future years. A full breakdown of the constituents is provided in the outturn report for the Cabinet meeting of 27 June 2019.

Housing Revenue Account - Revenue Earmarked Reserves	Balance at 1/4/17	Movement	Balance at 31/3/18	Movement	Balance at 31/3/19
	£'000	£'000	£'000	£'000	£'000
Housing Maintenance Fund	10,970	2,164	13,134	439	13,573
HRA - PWLB Loan Premium Deficit	969	569	1,538	614	2,152
HRA Affordable Rent surplus	34	(34)	-	-	-
Renewable Energy Fund	455	71	526	43	569
Sewage Treatment Works	25	5	30	-	30
Total Revenue Earmarked Reserves	12,453	2,774	15,227	1,096	16,323

7 Transfers to/from Capital Grants Unapplied

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

Total Funds Unapplied	Balance at 1/4/17	Transfers In	Transfers Out	Reclassification	Balance at 31/3/18	Transfers In	Transfers Out	Reclassification	Balance at 31/3/19
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Regional Housing Pot	23	50	-	-	73	-	-	-	73
Afford Housing Contributions	861	729	(516)	-	1,074	184	(580)	-	678
Air Quality Fund - Cullompton	70	219	-	-	289	-	-	(289)	-
Air Quality Fund - Crediton	580	181	-	-	762	-	-	(762)	-
Planning Delivery Grant	198	-	-	-	198	-	-	-	198
Cap Grants Unapplied Nonspecific	21	-	(21)	-	-	-	-	-	-
Devon County Council Funding	20	-	-	-	20	-	-	-	20
DCLG DFG grant	388	571	(441)	0	518	1,008	(349)	-	1,177
Total Capital Grants Unapplied	2,161	1,750	(978)	-	2,934	1,192	(929)	(1,051)	2,146

8. Other Operating Expenditure

	2017/18	2018/19
	£'000	£'000
Parish Council precepts payable	1,454	1,556
Payments to the Government Housing capital receipts pool	231	218
(Gains)/Losses on the disposal of non current assets	(672)	(384)
Total	1,013	1,390

9. Financing and Investment Income and Expenditure

	2017/18	2018/19
	£'000	£'000
Interest payable and similar charges	1,302	1,259
Net interest on the net defined benefit liability	1,714	1,538
Interest receivable and similar income	(382)	(520)
Gains / Losses recognised under IFRS 9 Financial Instruments*		(76)
Total	2,634	2,201

*The Council has invested £5.000m 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 £4.935m, this is an overall loss of £65k since the investment in 2015/16. The in-year gain of £76k is shown in the table above. 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.

10. Taxation and Non-specific Grant Income

	2017/18	2018/19
	£'000	£'000
Council tax income (including Parish Council Precepts receivable)	(6,835)	(7,209)
Non domestic rates	(2,846)	(3,704)
Revenue Support Grant	(498)	-
Rural Services Delivery Grant	(375)	-
Non-ring-fenced government grants	(1,767)	(1,138)
Capital grants and contributions	(1,915)	(1,375)
Total	(14,236)	(13,426)

11. Surplus or Deficit on Revaluation of Available for Sale Financial Assets

	2017/18	2018/19
	£'000	£'000
Deficit on revaluation of available for sale financial assets	(220)	-
Total	(220)	-

The Surplus or Deficit on Revaluation of Available for Sale Financial Assets has been cleared down on the adoption of IFRS 9. The changes in Fair Value of Financial Instruments can now be found in Note 9 and the Surplus / Deficit on Provision of Services of the Comprehensive Income and Expenditure Statement.

12. Operating Leases

Authority as a 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 £154k under operating leases in 2018/19 (£131k in 2017/18) comprising of the following elements:

	2017/18	2018/19
	£'000	£'000
Land & Buildings	120	145
Vehicles, Plant & Equipment	11	9
Total	131	154

For future liabilities for Finance and Operating Leases see note 58. The increase in Land & Buildings rental is due to the Grounds Maintenance depot moving to Carlu Close.

Authority as a Lessor

The gross value of assets held for use in operating leases as at 31 March 2019 was £12,594k (£13,838k at 31 March 2018)

	2017/18			2018/19		
	Gross Value	Net Book Value	Rental Income	Gross Value	Net Book Value	Rental Income
	£'000	£'000	£'000	£'000	£'000	£'000
HRA Shops	1,221	1,221	(108)	1,221	1,221	(107)
General Fund Shops	5,116	5,116	(345)	4,021	4,021	(443)
Other GF Land & Buildings	6,097	6,097	(132)	5,946	5,946	(119)
Industrial Units	1,404	1,404	(93)	1,406	1,406	(101)
Total	13,838	13,838	(678)	12,594	12,594	(770)

The increase in the General Fund Shops rental income is due to 3 more acquisitions of shops in Fore Street, Tiverton and the reduction in GF land and buildings is due to reductions in rental income.

The Council also received £12,598k from the rental of 1,108 Garages Rents and 2,997 Council Houses (£12,812k 2017/18). For more information see the Housing Revenue Account notes.

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	2017/18		2018/19	
	Number of Employees	Left During Year	Number of Employees	Left During Year
£50,000 - £54,999	1	-	5	-
£55,000 - £59,999	-	-	1	-
£60,000 - £64,999	1	-	-	-
£65,000 - £69,999	-	-	1	-
£70,000 - £74,999	2	1	-	-
£75,000 - £79,999	2	-	3	-
£80,000 - £84,999	-	-	-	-
£85,000 - £89,999	-	-	-	-
£90,000 - £94,999	-	-	-	-
£95,000 - £99,999	-	-	-	-
£100,000 - £104,999	-	-	-	-
£105,000 - £109,999	1	-	1	-

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

Senior Officers Earning in Excess of £50,000

In completing the 2018/19 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 2018/19.

Post Title	Financial Year	Salary (Including Allowances)	Total Remuneration excluding pension contributions	Pension Contributions	Total Remuneration including pension contributions
		£	£	£	£
Chief Executive	2018/19	109,112	109,112	16,040	125,152
	2017/18	105,625	105,625	15,527	121,152
Deputy Chief Executive (S151). Note 1.	2018/19	78,688	78,688	11,567	90,255
	2017/18	75,063	75,063	10,961	86,023
Director of Corporate Affairs & Business Transformation	2018/19	75,875	75,875	11,154	87,029
	2017/18	75,063	75,063	10,961	86,023
Director of Operations	2018/19	75,875	75,875	11,154	87,029
	2017/18	74,563	74,563	10,961	85,523
Head of Housing & Property Services. Note 2.	2018/19	-	-	-	-
	2017/18	29,564	29,564	4,308	33,872
Head of Planning & Regeneration	2018/19	66,437	66,437	9,766	76,203
	2017/18	63,855	63,855	9,387	73,242

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 2018-19 pension contributions figures.

Note 1. As from the 27-06-18 the Director of Finance, Assets and Resources became the Deputy Chief Executive (S151).

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.

14. Termination Benefits

2018/19				
Exit Package Cost Band	Number of Compulsory redundancies	Number of other departures agreed	Total number of exit packages by cost band	Total cost of exit packages in each band £'000
£0 - £19,999	1	9	10	47
£20,000 - £39,999	-	-	-	-
£40,000 - £59,999	-	-	-	-
£60,000 - £79,999	-	-	-	-
Total	1	9	10	47

During 2018/19 a number of settlement agreements and redundancies were made. These were associated with service restructures and changes in order to reduce future employee costs. This helps match ongoing expenditure against the well documented cuts in Central Government funding.

2017/18				
Exit Package Cost Band	Number of Compulsory redundancies	Number of other departures agreed	Total number of exit packages by cost band	Total cost of exit packages in each band £'000
£0 - £19,999	2	10	12	33
£20,000 - £39,999	-	1	1	33
£40,000 - £59,999	-	-	-	-
£60,000 - £79,999	-	-	-	-
Total	2	11	13	66

15. External Audit Costs

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

	2017/18	2018/19
	£'000	£'000
Fees payable with regard to the annual audit fee	48	37
Fees payable for the certification of claims and returns	7	18
Tax advice	-	-
Total	55	55

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 56 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. During 18-19 the Council paid grants totalling £35k to voluntary organisations in which five Members had positions on the board.

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 (see below note on 3 Rivers)

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

3 Rivers Developments Limited - One Senior Officer and one Councillor of Mid Devon District Council are appointed as directors of 3 Rivers Developments Ltd. In 2018/19 loans of £1.863m (£750k 2017/18) were made to 3 Rivers and will be repaid on a commercial basis.

17. Members Allowances and Expenses

	2017/18	2018/19
	£'000	£'000
Allowances	291	293
Expenses	22	19
Total	313	312

18. Acquired and/or Discontinued Activities

The Council did not acquire any new activities or discontinue any existing ones during 2018/19.

19. Depreciation and Impairment of Non Current Assets

	2017/18	2018/19
	£'000	£'000
Depreciation	4,216	4,248
Heritage assets	-	-
Net reversal of impairment of non current assets	(4,940)	1,407
Total	(724)	5,655

See note 59 for further details.

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.

	2017/18	2018/19
	£'000	£'000
Housing Revenue Account - Minimum Revenue Provision		
HRA self-financing settlement	916	916
Housing developments after 1/4/13	61	45
Finance leases	-	-
	977	961
General Fund - Minimum Revenue Provision		
Assets acquired prior to 1/4/13	69	66
Assets acquired by PWLB loans after 1/4/13	200	155
Finance leases	85	65
	354	286
Total	1,331	1,247

21. Insurance

All major risks have been identified and are insured with applicable excesses. There were no major claims outstanding as at the 31/3/19. A £86k reserve is held in respect of our liability going back some years with Municipal Mutual Insurance Limited (MMI).

22. Pensions

All of the pension figures included in the 2018/19 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:

Pension Assets and Liabilities Recognised in the Balance Sheet

	Local Government Pension Scheme		Discretionary Benefit Arrangements	
	2017/18	2018/19	2017/18	2018/19
	£'000	£'000	£'000	£'000
Present value of the defined benefit obligation	121,022	124,336	1,148	1,053
Fair value of plan assets	(62,161)	(66,010)	-	-
Sub-total	58,861	58,326	1,148	1,053
Other movements in the liability (asset)	-	-	-	-
Net liability from defined benefit obligation	58,861	58,326	1,148	1,053

Pensions - Comprehensive Income and Expenditure Statement

	Local Government Pension Scheme		Discretionary Benefit Arrangements	
	2017/18	2018/19	2017/18	2018/19
	£'000	£'000	£'000	£'000
Cost of Services				
Service cost comprising:				
Current service cost	3,994	3,964	-	-
Past service costs	-	-	-	-
(Gain) / loss from settlements	-	-	-	-
Financing and Investment Income and Expenditure				
Net interest expense	1,682	1,497	-	-
Administrative expenses	32	41	-	-
Total Post-employment Benefits charged to the Surplus or Deficit on the Provision of Services	5,708	5,502	-	-
Other Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement				
Remeasurement of the net defined benefit liability comprising:				
Return on plan assets (excluding the amount included in the net interest expense)	(843)	(2,093)	-	-
Actuarial gains and losses arising on changes in demographic assumptions	-	(7,182)	-	-
Actuarial gains and losses arising on changes in financial assumptions.	(5,886)	5,761	-	-
Total Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement	(6,729)	(3,514)	-	-
Movement in Reserves Statement				
Reversal of net charges made to the surplus or Deficit on the Provision of Services for post-employment benefits in accordance with the Code.	5,708	5,502	-	-
Actual amount charged against the General Fund Balance for pensions in the year:				
Employers' contributions payable to the scheme	2,504	2,618	-	-
Retirement benefits payable to pensioners			2,978	3,082

22. Pensions (continued)

Reconciliation of the Movements in the Fair Value of Scheme Assets

	Local Government Pension		Discretionary Benefit Arrangements	
	2017/18	2018/19	2017/18	2018/19
	£'000	£'000	£'000	£'000
Opening fair value of scheme assets	59,578	62,161	-	-
Interest income	1,611	1,588	-	-
Remeasurement gain / (loss):				
- The return on plan assets, excluding the amount included in the net interest expense	843	2,093	-	-
- Other	(32)	(41)	-	-
Contributions from employer	2,504	2,618	-	-
Contributions from employees into the scheme	635	673	-	-
Benefits paid	(2,978)	(3,082)	-	-
Other	-	-	-	-
Closing fair value of scheme assets	62,161	66,010	-	-

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

	Funded Liabilities: Local Government Pension Scheme		Unfunded Liabilities: Discretionary Benefits	
	2017/18	2018/19	2017/18	2018/19
	£'000	£'000	£'000	£'000
Opening balance at 1 April	123,474	122,617	(362)	(447)
Current service cost	3,994	3,964	-	-
Interest cost	3,293	3,085	-	-
Contributions from scheme participants	635	673	-	-
Remeasurement (gains) and losses:				
- Actuarial gains and losses arising on changes in demographic assumptions	-	(7,182)	-	-
- Actuarial gains and losses arising on changes in financial assumptions.	(5,886)	5,761	-	-
- Other	-	-	-	-
Past service cost	-	-	-	-
Losses / (gains) on curtailment	-	-	-	-
Experience loss / (gain) on defined benefit obligation	-	-	-	-
Benefits paid	(2,893)	(2,995)	(85)	(87)
Closing balance at 31 March	122,617	125,923	(447)	(534)

Synopsis on performance

The main reason for the decrease in the net liability this year is the change in the demographic assumptions (mortality rate). This is shown in the next table. The table above shows that this change has resulted in a gain of £7.1m which is partially offset by the change in financial assumptions which has added a loss of £5.8m.

Basis for Estimating Assets and Liabilities

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

Both the Local Government Pension scheme and discretionary benefits liabilities have been estimated by Barnett Waddingham, an independent firm of actuaries, estimates for the Local Government Pension Scheme being based upon the latest full valuation of the scheme as at 31 March 2016 and has then been updated for estimated fund returns, asset statement, market returns, income and expenditure or as at the 31 March 2019.

The significant assumptions used by the actuary have been:

	Local Government Pension Scheme	
	2017/18	2018/19
Mortality assumptions:		
Longevity at 65 for current pensioners		
- Men	23.5	22.4
- Women	25.6	24.4
Longevity at 65 for future pensioners		
- Men	25.7	24.1
- Women	27.9	26.2
Rate of inflation	2.6%	2.4%
Rate of increase in salaries	3.8%	3.9%
Rate of increase in pensions	2.3%	2.4%
Rate for discounting scheme liabilities	2.6%	2.4%

Local Government Pension Scheme assets comprised:

	Fair value of scheme assets	
	2017/18	2018/19
	£'000	£'000
Cash and cash equivalents	1,518	1,123
Equities:		
UK	13,327	10,850
Overseas	23,006	28,171
Sub-total equities	36,333	39,021
Bonds:		
- Gilts	1,952	2,129
- Other Bonds	1,271	1,268
Sub-total bonds	3,223	3,397
Other investments:		
- Infrastructure	2,229	2,483
- Property	5,784	5,914
- Target Return Portfolio	9,283	9,435
- Alternative Assets	3,377	3,534
- Private Equity	414	1,103
Sub-total other investment funds	21,087	22,469
Total assets	62,161	66,010

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 analysis 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

	£000	£000	£000
Adjustment to discount rate	+0.1%	0.0%	-0.1%
Present value of total obligation	123,111	125,389	127,712
Projected service cost	4,120	4,224	4,330
Adjustment to long term salary increase	+0.1%	0.0%	-0.1%
Present value of total obligation	125,629	125,389	125,152
Projected service cost	4,224	4,224	4,224
Adjustment to pension increases and deferred revaluation	+0.1%	0.0%	-0.1%
Present value of total obligation	127,471	125,389	123,346
Projected service cost	4,330	4,224	4,120
Adjustment to mortality age rating assumption	+0.1%	0.0%	-0.1%
present value of total obligation	130,180	125,389	120,780
Projected service cost	4,359	4,224	4,093

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 £2.663m contributions to the scheme in 2019/20.

23. Property, Plant and Equipment (Movements in Balances)

2018/19	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 2018 - Restated	3,224	145,221	44,463	6,494	516	292	-	200,211
Additions	2,138	3,953	3	396	-	-	-	6,490
Revaluation increases/(decreases) recognised in the Revaluation reserve	-	(2,285)	519	(349)	-	-	20	(2,095)
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	-	(654)	(752)	-	-	-	(1)	(1,407)
Derecognition - Disposals	-	(754)	(308)	(11)	-	-	-	(1,073)
Reclassification	(567)	393	(90)	52	-	-	67	(145)
At 31 March 2019	4,795	145,874	43,835	6,582	516	292	86	201,981

2018/19	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
Accumulated Depreciation and Impairment								
At 1 April 2018 - Restated	-	-	(6)	(3,417)	(96)	(34)	-	(3,553)
Depreciation charge	-	(2,279)	(1,238)	(707)	(10)	(11)	(3)	(4,248)
Depreciation written out to the Revaluation Reserve	-	2,279	1,244	349	-	-	3	3,875
At 31 March 2019	-	-	-	(3,774)	(106)	(45)	-	(3,925)

2018/19	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
Net Book Value								
At 31 March 2019	4,795	145,874	43,835	2,808	410	247	86	198,056
At 31 March 2018 Restated	3,224	145,221	44,457	3,078	420	258	-	196,658

Nature of asset holding	Assets Under Construction	Council Dwellings	Other Land & Buildings	Vehicles Plant & Equip	Community Assets	Infrastructure Assets	Surplus Assets	Total Property, plant and Equipment
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Owned	4,795	145,874	43,835	2,497	410	247	86	197,745
Subject to Finance Leases	-	-	-	311	-	-	-	311

(See note 58 for finance lease information)

At 31 March 2019 the Council had £4.795m of assets under construction - £4.729m in respect of Council House building, £47k in respect of the district-wide redevelopment project and £19k 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	Infrastructure Assets	Surplus Assets	Total Property, plant and Equipment
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Valued at Historical Cost	4,795	-	-	2,808	410	247	-	8,260
Valued at fair value in year								
2018/19	-	145,874	43,835	-	-	-	86	189,795
2017/18	-	145,221	44,455	-	-	-	86	189,762
2016/17	-	141,024	41,890	-	-	-	1,075	183,989
2015/16	-	139,422	41,489	-	-	-	-	180,911
2014/15	-	123,747	41,063	-	-	-	-	164,810

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
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	-	-	-	-	-	-	-	-
Reclassification	(227)	-	(85)	75	-	-	-	(237)
At 31 March 2018	3,225	145,221	44,462	6,496	516	292	-	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)	-	(4,216)
Depreciation written out to the Revaluation Reserve	-	2,271	1,223	257	-	-	-	3,751
Depreciation written out to the Surplus/Deficit on the Provision of Services	-	-	-	-	-	-	-	-
Impairment losses/(reversals) recognised in the Revaluation Reserve	-	-	-	-	-	-	-	-
Impairment losses/(reversals) recognised in the Provision of Services	-	-	-	-	-	-	-	-
Derecognition - Disposals	-	-	-	64	-	-	-	64
Derecognition - Other	-	-	-	-	-	-	-	-
At 31 March 2018	-	-	(7)	(3,418)	(97)	(34)	-	(3,556)

Net Book Value								
At 31 March 2018	3,225	145,221	44,455	3,078	419	258	-	196,656

Nature of asset holding								
Owned	3,225	145,221	44,455	2,702	419	258	-	196,280
Subject to Finance Leases	-	-	-	376	-	-	-	376

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.

Description	Balance at 1/4/17 £'000	Expend £'000	Transfer in Year £'000	Amount Financed or Written Off £'000	Balance at 31/03/18 £'000	Expend £'000	Transfer in Year £'000	Amount Financed or Written Off £'000	Balance at 31/03/19 £'000
Affordable housing	-	16	-	(16)	-	136	-	(136)	-
Private Sector Housing Grants & DFG's	-	441	-	(441)	-	349	-	(349)	-
Other REFCUS	-	-	-	-	-	-	-	-	-
Total	-	457	-	(457)	-	485	-	(485)	-

Capital grants received to finance these projects amounted to £0k (2017/18 £53k)

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.

	2017/18 Restated £'000	2018/19 £'000
Opening Capital Financing Requirement	50,616	49,200
Capital investment		
Property, Plant and Equipment	8,066	6,493
Revenue Expenditure Funded from Capital under Statute	457	485
Loans to Third parties	750	2,639
Sources of Finance		
- Capital receipts applied	(2,618)	(1,343)
Capital Receipts - prior year adjustment.	(820)	-
Use of Major Repairs Allowance to finance HRA new capital expenditure	(2,272)	(2,081)
- Government grants and contributions	(978)	(1,112)
Sums set aside from revenue:	(5)	-
Direct revenue contributions	(2,655)	(2,188)
Statutory provision for the financing of capital investment	(1,341)	(1,247)
Closing Capital Financing Requirement	49,200	50,846
Explanation of movements in year		
(Decrease)/Increase in underlying need to borrowing (unsupported by government financial assistance)	(1,416)	1,646
(Decrease)/Increase in Capital Financing Requirement	(1,416)	1,646

The 2017/18 Capital Financing Requirement (CFR) has changed due to restatements for the following reasons:

- The inclusion of loans to 3 Rivers Ltd for £750k; and
- Capital receipts of £820k reducing the CFR for Wells Park Development.

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

	2017/18	2018/19
	£'000	£'000
At 1 April 2018	454	330
Additions	-	-
Disposals	(124)	-
Revaluation increases/(decreases)	-	-
At 31 March 2019	330	330

Art Collection

The Authority is the owner of some paintings which are on loan to Tiverton Town Council and remain at the Town Hall, Tiverton. The paintings were valued 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.

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:

	2017/18	2018/19
	£'000	£'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 has no intangible assets.

28. Commitments under Capital Contracts

	2017/18	2018/19
	£'000	£'000
Various MRA works	2,100	1,700
Palmerston Park Council House Building Project	1,747	880
Total	3,847	2,580

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 2018/19 accounts at their 31/03/19 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 2019. 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 2018/19.

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 2019.

30. Short-Term and Long-Term Borrowing

As at the 31/3/19 the Council had 5 long-term loans outstanding from the Public Works Loan Board (PWLB) with an outstanding balance of £40.718m.

- 1 - £36.760m to fund the Housing Revenue Account stock purchase - 25 year loan @ 2.94% maturing 28/3/37
- 2 - £31k to fund a new street sweeper - 7 year loan @ 2.18% maturing 11/3/21
- 3 - £87k to fund a recycling baler - 10 year loan @ 2.68% maturing 25/3/24
- 4 - £3.673m 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 - £167k 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
		31/03/2018	31/10/2019
		£'000	£'000
Public Works Loan Board	< 1 year	1,731	1,781
	2 - 5 years	7,408	7,563
	Over 5 years	33,310	31,374
Total loan value outstanding		42,449	40,718

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 2019 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:

2018/19	Liabilities measured at amortised cost	Finance lease assets	Loans and receivables	Financial assets measured at fair value through Profit or Loss	Total
	£'000	£'000	£'000	£'000	£'000
Interest payable	1,220	-	-	-	1,220
Interest payable on finance leases	-	39	-	-	39
Interest payable and similar charges	1,220	39	-	-	1,259
Interest income	-	-	(306)	-	(306)
Interest and investment income	-	-	(306)	-	(306)
Fair Value adjustment	-	-	-	(76)	(76)
Net (gain)/loss for the year	1,220	39	(306)	-	877

2017/18	Liabilities measured at amortised cost	Finance lease assets	Loans and receivables	Available -for-sale assets	Total
	£'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

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:

- 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 kinds of instruments.
- The fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair values calculated are as follows:

	31/03/2018 Restated		31/03/2019	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial Assets	£'000	£'000	£'000	£'000
Financial Assets				
Long term investment	4,860	4,860	4,935	4,935
Short term investment	19,000	19,000	22,000	22,000
Cash and cash equivalents	6,892	6,892	2,661	2,661
Loans and trade receivables	2,119	2,119	4,702	4,702
Total	32,871	32,871	34,298	34,298
Financial Liabilities				
Long term borrowing	(42,449)	(49,035)	(40,718)	(48,544)
Finance leases	(376)	(376)	(311)	(311)
Trade payables	(592)	(592)	(1,019)	(1,019)
Total	(43,417)	(50,003)	(42,048)	(49,874)

Disclosure of Nature and Extent of Risks Arising from Financial Instruments

Liquidity Risk

This is the possibility that the Council might not have funds available to meet its commitments to make payments. The Council manages its liquidity position through the risk management procedures above (the setting and approval of prudential indicators and the approval of treasury and investment strategy reports), as well as through a comprehensive cash flow management system, as required by the CIPFA Treasury Management Code of Practice. This seeks to ensure that cash is available when needed.

The Council is also required to provide a balanced budget through the Local Government Finance Act 1992, which ensures sufficient monies are raised to cover annual expenditure. There is therefore no significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

Market Risk

This is 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 2018/19.

Fair Value Disclosure of PWLB Loans

The fair value of Public Works Loan Board (PWLB) loans of £48.544m 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. 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.

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 £40.718m would be valued at £48.544m. 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.

Fair Value Disclosure of Long Term Investments (CCLA)

With the introduction of IFRS 9 the authority has designated the equity at 31 March 2019 as fair value through Profit and Loss on the Comprehensive Income and Expenditure Statement.

Loans and Trade Receivables

Within the loans and trade receivables figure are the loans between ourselves and our subsidiary company and other parties. The fair value of short-term financial assets which are held at amortised cost, including trade receivables, is assumed to approximate to the carrying amount.

33. Long Term Investments

	2017/18	2018/19
	£'000	£'000
CCLA Property Fund	4,860	4,935
Total	4,860	4,935

At the 31st of March 2019 the Council held 1,634,480 units in the CCLA Local Authorities' Mutual Investment Trust Commercial Property Fund. During 2018/19, the income received amounted to £214k, a 4.41% 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 2019 amounted to £4.935m.

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

	2017/18	2018/19
	£'000	£'000
Other entities and individuals	1,065	3,017
Total	1,065	3,017

Within the long term debtors figure is the £1.962m we have lent on a long term basis (more than 1 year) to 3 Rivers Developments Ltd.

35. Short Term Investments

2017/18	2018/19
£'000	£'000
19,000	22,000

Bank/Building Society/Local Authority/PCC	Term		Fixed Interest Rate %	2017/18	2018/19
	From	To		£'000	£'000
Conwy BC	01/11/2017	01/05/2018	0.43%	2,000	-
Coventry	15/06/2017	14/06/2018	0.54%	2,000	-
Santander	06/04/2018	05/04/2019	1.01%	1,000	2,000
Coventry	28/07/2017	30/07/2018	0.45%	1,000	-
Barclays	01/08/2018	31/07/2019	0.94%	2,500	2,500
Barclays	31/08/2017	31/08/2018	0.54%	1,500	-
Lloyds	05/04/2018	05/04/2019	0.90%	1,500	1,000
Lloyds	28/03/2019	30/12/2019	1.05%	500	2,000
Lloyds	13/10/2017	24/09/2018	0.75%	1,000	-
Goldman Sachs	26/04/2018	26/04/2019	1.22%	3,000	2,000
Coventry	25/10/2017	25/10/2018	0.58%	1,000	-
Coventry	01/12/2017	26/11/2018	0.67%	1,000	-
Lloyds	01/12/2017	30/11/2018	0.90%	500	-
Lloyds	14/02/2018	14/02/2019	0.85%	500	-
Santander	15/08/2018	15/05/2019	0.93%	-	1,000
Goldman Sachs	16/01/2019	16/05/2019	0.91%	-	1,000
Eastleigh Borough Council	22/01/2019	22/05/2019	0.82%	-	1,000
Salford City Council	10/12/2018	10/06/2019	0.95%	-	2,000
Salford City Council	01/10/2018	01/07/2019	0.90%	-	2,000
Police and Crime Comm for Northumbria	31/01/2019	04/07/2019	0.95%	-	2,000
Goldman Sachs	15/10/2018	15/10/2019	1.22%	-	2,000
Stirling Council	11/03/2019	11/06/2019	0.93%	-	1,500
Total				19,000	22,000

35.1 Assets Held for Sale

Assets newly classified as held for sale during the year:

	2017/18	2018/19
	£'000	£'000
Property, Plant and Equipment	240	149
Total	240	149

Crediton Office was sold during 2018/19. Two Council House Properties are being marketed. Their sale is expected during 2019/20.

36. Inventories

	2017/18	2018/19
	£'000	£'000
Raw materials	227	235
Total	227	235

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

	2017/18	2018/19
	£'000	£'000
Trade Receivables	1,391	1,186
Other Receivable Amounts	3,594	5,450
Less Impairment Allowances	(814)	(992)
Total	4,171	5,644

37.1 Debtors for Local Taxation

The note below shows the net position after impairment of the outstanding debt. The impairment has been arrived at using trend analysis based on previous years' experience.

The figures in the below two tables are included in note 37.

	2017/18	2018/19
Council Tax	£'000	£'000
Up to one year	143	229
One to three years	78	84
Over 3 years	-	-
Total	221	313

	2017/18	2018/19
Non- Domestic Rates	£'000	£'000
Up to one year	13	69
One to three years	28	19
Over 3 years	-	-
Total	41	88

38. Cash and Cash Equivalents

	2017/18	2018/19
	£'000	£'000
Cash held by the Authority	3	2
Bank current accounts	4,889	2,659
Short-term deposits with financial institutions	2,000	-
Total	6,892	2,661

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

	2017/18 Restated £'000	2018/19 £'000
Other Payables	(3,440)	(1,300)
Trade Payables	(1,626)	(2,937)
Total	(5,066)	(4,237)

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

	2017/18 £'000	2018/19 £'000
Other Payables	(968)	(948)
Total	(968)	(948)

Capital Grants Receipts in Advance

	2017/18 £'000	2018/19 £'000
Homes and Communities Agency grant monies	(111)	-
Total	(111)	-

41. Provisions

	£'000	£'000
Homes and Communities Agency grant monies	(111)	-
Total	(111)	-

Business Rates Appeals

The Local Government Finance Act 2012 introduced changes to the accounting arrangements for Business Rates. These changes require the Council to put in a provision for appeals for refunding ratepayers who have appealed against the rateable value of their properties on the rating list. The Council has to put in its best estimate of the expenditure required to settle the present obligation which totals £0.347m in respect of the Business Rates Collection Fund. There has not been any significant increase in the number of appeals during 2018/19 but the Council continues to take a prudent approach to evaluating the risk.

42. Usable Reserves

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

43. Unusable Reserves

	2017/18	2018/19
	£'000	£'000
Revaluation reserve (note 44)	(14,319)	(15,287)
Capital Adjustment Account (note 45)	(133,761)	(135,093)
Deferred Capital Receipts Reserve (note 46)	(39)	(39)
Pensions Reserve (note 47)	60,009	59,379
Collection Fund Adjustment Account (note 48)	288	576
Accumulating Compensated Absences Adjustment Account (note 49)	120	153
Available for Sale Financial Instruments Reserve (note 50)	140	-
Financial Instruments Adjustment Account	-	65

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.

	2017/18	2018/19
	£'000	£'000
At 1 April 2018	(14,317)	(14,319)
Upward revaluation of assets	(1,880)	(2,331)
Downward revaluation of assets and impairment losses not posted to the Surplus on the Provision of Services	146	548
Total of revaluations (surplus)/deficit	(1,734)	(1,783)
Surplus or deficit on revaluation of non-current assets not posted to the Surplus on the Provision of Services	(16,051)	(16,102)
Accumulated gains on assets sold	1,343	416
Difference between fair value depreciation and historical cost depreciation	389	399
At 31 March 2019	(14,319)	(15,287)

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.

	2017/18	2018/19
	£'000	£'000
At 1 April 2018	(124,952)	(133,761)
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement		
Charges for Depreciation and impairment of non current assets	4,222	4,249
Revaluation gains on Property, Plant and Equipment	(4,941)	1,408
Revenue expenditure funded from capital under statute	457	485
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	1,582	897
	(123,507)	(126,722)
Adjusting amounts written out of the Revaluation Reserve	(389)	(399)
Net written out amount of the cost of non current assets consumed in the year	(123,896)	(127,121)
Capital financing applied in the year		
Use of the Capital Receipts Reserve to finance new capital expenditure	(2,618)	(1,343)
Use of the Major Repairs Reserve to finance new capital expenditure	(2,273)	(2,081)
Capital grants and contributions credited to Comprehensive Income and Expenditure Statement that have been applied to capital financing	-	(183)
Donated assets funding	-	-
Application of grants to capital financing from the Capital Grants Unapplied Account	(978)	(929)
Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	(1,341)	(1,247)
Capital expenditure charged against the General Fund and HRA balances	(2,655)	(2,188)
At 31 March 2019	(133,761)	(135,092)

46. Deferred Capital Receipts Reserve

	2017/18	2018/19
	£'000	£'000
At 1 April 2018	(39)	(39)
Transfer to the Capital Receipts Reserve upon receipt of cash	-	-
At 31 March 2019	(39)	(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.

	2017/18	2018/19
	£'000	£'000
At 1 April 2018	63,534	60,009
Remeasurement of net defined liability	(6,729)	(3,514)
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	5,502
Employer's pension contributions and direct payments to pensioners payable in the year	(2,504)	(2,618)
At 31 March 2019	60,009	59,379

48. Collection Fund Adjustment Account

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.

	2017/18	2018/19
	£'000	£'000
At 1 April 2018	(42)	(60)
Amount by which council tax income credited to the Comprehensive Income and expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	(18)	(19)
At 31 March 2019	(60)	(79)

The balance of (£79k) represents MDDC's share (13.59%) of the overall Council Tax Collection Fund Surplus of (£582k) at 31/03/19 (£438k) at 31/03/18 (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.

	2017/18	2018/19
	£'000	£'000
At 1 April 2018	135	348
Amount by which NNDR income credited to the Comprehensive Income and expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	213	307
At 31 March 2019	348	655

This balance of £655k represents MDDC's share (40%) of the overall NNDR Collection Fund Deficit of £1.769m which = £708k; less £53k which is the difference on Renewable Energy between NNDR 3 & NNDR 1 of £53k in 18/19 which will be credited to the ABF in 19/20.

49. Accumulated Compensating Absences Adjustment Account

	2017/18	2018/19
	£'000	£'000
At 1 April 2018	160	120
Settlement or cancellation of accrual made at the end of the preceding year	(160)	(120)
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	-	-
Amounts accrued at the end of the current year	120	153
At 31 March 2019	120	153

50. Available for Sale Financial Instruments Account

	2017/18	2018/19
	£'000	£'000
At 1 April 2018 - Restated	361	140
Change in valuation charged to Other Comprehensive Income and Expenditure	(221)	(140)
At 31 March 2019	140	-

The Available for Sale Reserve has been cleared down on the adoption of IFRS 9. The changes in Fair Value of Financial Instruments can now be found in Note 9 and the Surplus / Deficit on Provision of Services of the Comprehensive Income and Expenditure Statement.

Notes to Support the Cashflow Statement

51. Cash

	2017/18	2018/19
	£'000	£'000
Depreciation	4,218	4,249
Amortisation	-	-
Impairment	(4,940)	1,407
Bad debts written off	120	59
(Decrease)/increase in creditors	1,430	(897)
Decrease /(increase) in debtors	(2,297)	(3,425)
Decrease in inventories	27	8
Carrying amount of non-current assets sold	3,050	1,313
Pension liability reversal	3,204	2,884
FV Equity Instrument Revaluation	-	75
Other adjustments	(66)	95
Total	4,746	5,768

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

	2017/18	2018/19
	£'000	£'000
Other receipts from financing activities	(1,968)	(1,375)
REFCUS adjustment	457	485
Proceeds from the sale of property, plant and equipment & investment property	(3,723)	(1,697)
Interest Paid	1,302	1,259
Interest received	(382)	(520)
Difference between preceptors share and amount of NNDR paid to them	-	-
Total	(4,314)	(1,848)

53. Cash Flow – Operating Activities

The cash flows for operating activities include the following items:

	2017/18	2018/19
	£'000	£'000
Interest received	(382)	(520)
Interest paid	1,302	1,259
Total	920	739

54. Cash Flow – Investing Activities

	2017/18	2018/19
	£'000	£'000
Purchase of property, plant and equipment & investment property	(8,066)	(6,493)
Other cash payments (REFCUS)	(457)	(485)
Proceeds from the sale of property, plant and equipment & investment property	3,723	1,697
Capital grants received	1,968	1,375
Sale of long-term investments	-	-
Purchase of temporary investments	(1,000)	(3,000)
Other investing activities	-	-
Interest received	382	520
Interest paid	(1,302)	(1,259)
Net cash flows from investing activities	(4,752)	(7,645)

55. Cash Flow – Financing Activities

	2017/18	2018/19
	£'000	£'000
Cash payments for the reduction of the outstanding liabilities relating to finance leases	(85)	(65)
PWLB debt repayment	(1,524)	(1,731)
Net cash flows from financing activities	(1,609)	(1,796)

56. Grant Income

The Authority credited the following grants, contributions, donations and other taxation income to the Comprehensive Income and Expenditure Statement in 2018/19.

Within Taxation and Non-Specific Grants (see Note 10)

	2017/18 Restated	2018/19
	£'000	£'000
New Homes Bonus	(1,727)	(1,121)
Revenue Support Grant	(498)	-
Rural Services Delivery Grant	(375)	-
Other Non-Ring Fenced Government Grants	(40)	(17)
Total	(2,640)	(1,138)

Credited to Services

	2017/18	2018/19
	£'000	£'000
Housing Benefit Subsidy	(16,937)	(15,879)
Housing Benefit & CTB Admin Grant	(284)	(261)
Garden Village Grant - Capacity Funding	(400)	(300)
Flexible Housing & Homelessness Grant	(91)	(134)
Rogue Landlord Grant	-	(57)
Section 106s	(114)	(804)
Business Rates - Cost of Collection Grant	(107)	(108)
Others	(273)	(170)
Total	(18,206)	(17,713)

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 applied to the Income and Expenditure Account

	2017/18 Restated	2018/19
	£'000	£'000
Affordable Housing	(729)	(184)
Air Quality	(400)	-
Disabled Facilities Grants	(568)	(1,008)
Homes and Communities Agency	(218)	(183)
Total	(1,915)	(1,375)

57. Contingent Liabilities

There are no contingent liabilities at 31 March 2019.

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.

	2017/18	2018/19
	£'000	£'000
Vehicles, Plant and Equipment	(376)	(311)
Total	(376)	(311)

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):

	2017/18	2018/19
	£'000	£'000
- current	(65)	(64)
- non current	(311)	(247)
Finance costs payable in future years	-	-
Minimum lease payments	(376)	(311)

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

Minimum Lease Payments

	2017/18	2018/19
	£'000	£'000
Not later than one year	65	64
Later than one year and not later than five years	212	198
Later than five years	99	49
Total	376	311

Finance Lease Liabilities

	2017/18	2018/19
	£'000	£'000
Not later than one year	65	64
Later than one year and not later than five years	212	198
Later than five years	99	49
Total	376	311

Operating Leases

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

	2017/18	2018/19
	£'000	£'000
Not later than one year	144	136
Later than one year and not later than five years	543	543
Later than five years	406	271
Total	1,093	950

Minimum Lease Payments incurred during the year

	2017/18	2018/19
	£'000	£'000
Operating Leases for vehicles, equipment, land and buildings	131	154
Hire payments for vehicles, plant and equipment	134	-
Total	265	154

Authority as Lessor

Finance Leases

The Authority holds no Finance leases as Lessor.

Operating Leases

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

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

	2017/18	2018/19
	£'000	£'000
Not later than one year	395	305
Later than one year and not later than five years	1,000	901
Later than five years	938	833
	2,333	2,039

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.

59. Revaluation Losses and Revaluation Reversals

Where property valuations fall and 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.

If there is a revaluation reserve in relation to the property, this reserve is used as a first "call" to mitigate a downward valuation.

The following amounts have been charged or credited (negative figures represent revaluations 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.

	2017/18	2018/19
	£'000	£'000
Council Dwellings	5,017	(654)
Other Land & Buildings	(77)	(752)
Surplus Assets	-	(1)
Assets Held For Sale	-	-
	4,940	(1,407)

The net £1.407m decrease in value across a number of Council property assets (shops, toilets etc.) has arisen mainly as a result of Council Dwellings being brought into use and immediately revalued downwards as required by legislation.

60. Non-Adjusting Post Balance Sheet Events

We have entered into a vehicle replacement contract after year end 2018/19. This will result in a change to the way we finance our fleet. The contract will pass the responsibility for repairs, maintenance and replacement to the provider. The final costs have not yet been finalised but we are confident that the contract will reduce our costs and remove the adhoc costs associated with reactive repairs and maintenance. We have included indicative figures in our forward projections for budget setting purposes.

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.

		2017/18	2018/19
	Note	£'000	£'000
Expenditure			
Repairs and Maintenance		2,608	2,634
Supervision and Management		3,023	3,117
Depreciation and impairment/(revaluation) of non-current assets	74	(2,589)	3,120
Increase/(Decrease) in bad debt provision		53	28
Total Expenditure		3,095	8,899
Income			
Dwelling Rents	73	(12,387)	(12,182)
Non-dwelling Rents		(590)	(566)
Other Chargeable Services and Facilities		(520)	(348)
Total Income		(13,497)	(13,095)
Net Expenditure or Income of HRA Services as included in the Whole Authority Comprehensive Income and Expenditure Statement		(10,402)	(4,196)
HRA services share of Corporate and Democratic Core		133	134
HRA share of other amounts included in the whole Authority Net expenditure of continuing operations but not allocated to specific services		262	295
Net Income of HRA Services (NB: Expenditure if positive)		(10,007)	(3,767)
(Gain)/loss on sale of HRA fixed assets		(814)	(590)
Interest payable and similar charges - see note below	75	1,213	1,165
Interest and investment income		(38)	(99)
Capital grants and contributions receivable		(218)	(183)
(Surplus) for the year on HRA Services		(9,864)	(3,474)

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).

		2017/18	2018/19
	Note	£'000	£'000
Balance on the HRA at the end of the previous year		(2,000)	(2,000)
Deficit / (Surplus) for the year on the HRA Income and Expenditure Account		(9,864)	(3,474)
Adjustments between accounting basis and funding basis under statute	61	7,090	2,378
Net (increase) or decrease before transfers to or from reserves		(2,774)	(1,096)
Transfers (to) or from reserves		2,774	1,096
(Increase) or decrease in year on the HRA		-	-
Balance on the HRA at the end of the current year		(2,000)	(2,000)

61. Adjustments between Accounting Basis and Funding Basis under Regulations – HRA

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

2018/19	Usable Reserves					Unusable Reserves
	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	(2,469)	-	-	-	-	2,469
Revaluation (losses)/gains on Property, Plant and Equipment	(652)	-	-	-	-	652
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	(813)	-	-	-	-	813
Capital grants and contributions applied	183	-	-	-	-	(183)
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement						
Statutory provision for the financing of capital investment	961	-	-	-	-	(961)
Capital expenditure charged against the General Fund and HRA balances	1,950	-	-	-	-	(1,950)
Adjustments primarily involving the Capital Grants Unapplied Account						
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	-	-	-	-	-	-
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	1,404	(1,404)	-	-	-	-
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	(17)	17	-	-	-	-
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	2,080	-	(2,080)	-	-	-
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	(253)	-	-	-	-	253
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	4	-	-	-	-	(4)
Total Adjustments	2,378	(1,387)	(2,080)	-	-	1,089

2017/18	Usable Reserves					Unusable Reserves
	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	(2,437)	-	-	-	-	2,437
Revaluation (losses)/gains on Property, Plant and Equipment	5,026	-	-	-	-	(5,026)
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	-	-	-	-	-	-
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	7,090	(2,050)	(2,273)	(218)	-	(2,549)

62. Housing Stock

The Housing Revenue account owned the following property:

	Council Housing	Other Land & Buildings	Total
At 1 April 2018	3,005	1,187	4,192
Additions	12	-	12
Sales	(14)	-	(14)
Written Out	-	(1)	(1)
Transfers	-	-	-
At 31 March 2019	3,003	1,186	4,189

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

	2017/18	2018/19
Houses	1,406	1,401
Bungalows	1,010	1,010
Flats	589	592
Total	3,005	3,003

64. HRA Dwelling valuation

The vacant possession value of dwellings in the HRA is £417,208k as at the 1st April 2019, up from £414,918k 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 £146,023k 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 2018/19, the discount applied to determine this second valuation is 35%.

	2017/18	2018/19
	£'000	£'000
Vacant Possession Value	414,918	417,208
Existing Use Value for Social Housing (EUV-SH) @ 35%	145,221	146,023

The 31 March 2019 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 £146m on the vacant possession basis.

65. HRA Non-Current Asset Values

	2017/18	2018/19
	£'000	£'000
Dwellings	145,221	145,874
Other land and buildings	6,532	6,473
Vehicles, plant and equipment	-	44
Assets Held for Sale	-	149
Infrastructure assets	186	177
Assets under Construction	3,214	4,729
Total	155,153	157,446

66. Capital Expenditure

2017/18		2018/19
£'000	Expenditure	£'000
2,672	Improvements to dwellings	2,481
-	Construction of dwellings	1,475
1,595	Assets under Construction	2,074
21	Vehicle Purchase	-
4,289		6,030

2017/18		2018/19
£'000	Funding	£'000
2,273	Major repairs reserve	2,081
718	Capital grants	627
505	Revenue contribution	1,993
793	Usable capital receipts	1,329
4,289		6,030

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.

	2017/18	2018/19
	£'000	£'000
At 1 April 2018	-	-
Amount transferred from Housing Revenue Account	2,272	2,081
Capital expenditure incurred during the year	(2,272)	(2,081)
At 31 March 2019	-	-

68. Capital Receipts

	2017/18	2018/19
	£'000	£'000
Sale of council houses	2,084	1,404
Sale of land	-	-
Sale of council houses - discount repaid	-	-
Council house loan repayments	-	-
Total	2,084	1,404

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.

	2017/18	2018/19
	£'000	£'000
Net interest on the defined benefit liability	(270)	(253)
Total	(270)	(253)

70. HRA Arrears

At 31st March 2019 the total arrears as a proportion of gross dwelling rent income totalled 2.9% (2.6% at 31st March 2018). Rent written off during 2018/19 amounted to £25k (£23k in 2017/18). The breakdown of the total arrears is shown below.

	2017/18	2018/19
	£'000	£'000
Rent (dwellings & garages)	202	205
Housing benefit overpayments	11	10
Court costs	18	18
Rechargeable Repairs	70	102
Other	21	22
Total	322	357

71. Bad Debt Provision

The provision for bad debt for the housing service stands at £193k as at 31 March 2019 (£165k 31 March 2018).

72. Rents Paid in Advance

	2017/18	2018/19
	£'000	£'000
Dwellings rental income paid in advance	140	186

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 £78.26 per week based on a 52 week year (2017/18 £79.05).

74. Depreciation of Fixed Assets

Depreciation and Amortisation

	2017/18	2018/19
Operational Assets	£'000	£'000
Dwellings	2,271	2,279
Other Land and Buildings	156	161
Infrastructure	10	9
Vehicles, Plant and Equipment	-	18
Assets Held for Sale	-	2
Total	2,437	2,469

Revaluation Losses and Revaluation Reversals

	2017/18 Restated	2018/19
Operational Assets	£'000	£'000
Dwellings	(5,017)	654
Other Land and Buildings	(9)	(2)
Total	(5,026)	652

Please refer to comments on note 59.

75. Interest payable and similar charges

	2017/18	2018/19
	£'000	£'000
PWLB loan interest - HRA self financing	1,158	1,115
Internal self financing - General Fund	55	51
Total	1,213	1,165

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 £46.590m. 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 £2.645m per annum (made up of £1.115m interest and £1.530m principal).

	2017/18	2018/19
	£'000	£'000
Opening Balance	(39,777)	(38,291)
Repaid in Year	1,486	1,530
Closing Balance	(38,291)	(36,761)

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.

	2017/18	2018/19
Notes	£'000	£'000
Income		
Council Tax receivable	(49,989)	(53,277)
Transfer for Transitional Relief, S13A Reliefs and discount for prompt payment	-	1
Total Income	(49,989)	(53,276)
Expenditure		
Precepts, Demands and Shares	80	
- Devon County Council	35,345	37,670
- Mid Devon District Council	5,356	5,600
- Devon and Cornwall Police	4,914	5,328
- Devon Fire and Rescue	2,274	2,377
- Parish Precepts	1,408	1,539
	49,297	52,514
Charges to Collection Fund		
- Write offs charged to Collection Fund	-	-
- Change in allowance for impairment	175	250
	175	250
Apportionment of previous year's surplus		
- Devon County Council	272	263
- Mid Devon District Council	53	51
- Devon and Cornwall Police	39	37
- Devon Fire and Rescue	18	17
	382	368
Total Expenditure	49,854	53,132
(Surplus) / Deficit for the year	(135)	(144)
Opening Balance at 1st April	(303)	(438)
Closing Balance at 31 March	48	(582)

The £582k represents the overall surplus on the Council Tax element of the Collection Fund at 31/03/19 (2017/18 £438k surplus). Of this 13.59% is attributable to MDDC, which equates to £79k (2017/18 £60k - 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.

	Notes	2017/18 £'000	2018/19 £'000
Income			
Business Rates receivable	78	(14,547)	(15,137)
Transitional Protection Payments		(28)	(282)
Total Income		(14,575)	(15,419)
Expenditure			
Payments of NNDR1 proportionate shares			
- Central Government		7,409	-
- Devon County Council		1,334	9,009
- Mid Devon District Council		5,928	6,108
- Devon Fire and Rescue		148	153
		14,819	15,270
Charges to Collection Fund			
- Write offs / (Write ons) charged to Collection Fund		(2)	(40)
- Change in allowance for impairment		139	93
- Appeals and list alterations charged to C/Fund		(409)	(24)
- Change in provision for alteration of lists & appeals		518	892
- Interest on refunds		-	3
- Allowance for cost of collection		107	108
- Disregarded Amounts - Renewable Energy		115	176
		468	1,209
Apportionment of previous year's Surplus/(Deficit)			
- Central Government		(148)	(31)
- Devon County Council		(27)	(6)
- Mid Devon District Council		(118)	(25)
- Devon Fire and Rescue		(3)	(1)
		(296)	(63)
Total Expenditure		14,991	16,416
(Surplus) / Deficit for the year		416	997
Opening Balance at 1st April		356	772
Closing Balance at 31 March	48	772	1,769

The £1.769m represents the overall deficit on the Non-domestic rate element of the Collection Fund at 31/03/19 (2017/18 £772k deficit). Of this 40% is attributable to MDDC, which equates to £708k. (2017/18 £309k - 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 2019 is £21,861k (31 March 2018 £20,624k). This is calculated by taking the rateable value at that date of 44,342,277 multiplied by the uniform business rate of 49.3p per £. The total income detailed on the Non Domestic Rates statement takes account of the fact that circa £6,160k 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 Equivalent
A	4,273.2	2,848.2
B	7,137.6	5,551.5
C	5,698.9	5,065.7
D	5,513.2	5,513.2
E	4,208.2	5,143.4
F	2,194.4	3,169.7
G	891.0	1,485.0
H	49.3	98.6
Total	29,965.8	28,875.2

80. Precepting Authorities

	2017/18	2018/19
	£'000	£'000
Devon County Council	35,345	37,670
Mid Devon District Council	5,356	5,600
Devon and Cornwall Police	4,914	5,328
Devon Fire and Rescue	2,274	2,377
Parish Precepts	1,408	1,539
Total	49,297	52,514

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 Deputy Chief Executive (S151), Andrew Jarrett; the former Head of Housing and Property Services, Nick Sanderson and an elected Member, Councillor Ray Stanley.

As a small company in accountancy terms, 3 Rivers complete their accounts under Financial Reporting Standard (FRS) 102. This is a different standard than the Code of Practice the Council must follow but follows the same accountancy principles. The accounting policies are therefore in line with that of the Council which makes consolidation easier at year end.

The Financial Statements of the company are available from:
3 Rivers Developments Ltd, Phoenix House, Phoenix Lane, Tiverton, Devon. EX16 6PP

The Group accounts have been prepared by combining 3 Rivers' income and expenditure and assets and liabilities with those of the Council on a line-by-line basis, eliminating inter-organisation transactions. The elimination of inter-organisation transactions is a requirement under the Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.

Group - Accounting Policies

Mid Devon District Council's accounts are prepared under IFRS reporting standards. As 3 Rivers' accounts are prepared under FRS102 they are brought in line with the parent entity (MDDC) when consolidating. Generally, the accounting policies for the Group accounts are the same as those applied to the single entity financial statements except for the following policies which are specific to the Group accounts:

Basis of Identification of the Group Boundary

Group accounts are prepared by aggregating the transactions and balances of the Council and its subsidiary.

Subsidiary Boundary

A subsidiary is an entity which the Council controls through the power to govern their financial and operating policies so as to obtain benefits from the entities' activities.

Control is usually presumed where the Council owns more than half the voting power of an entity (either directly or through other subsidiaries). 3 Rivers Developments Ltd is a wholly owned subsidiary of Mid Devon District Council and therefore has all the voting rights (total control).

Basis of the Preparation of the Group Financial Statements

The Group accounts have been prepared using the Group accounts requirements of the 2018/19 Code. Companies or other reporting entities that are under the ultimate control of the Council have been included in the Council's Group accounts, to the extent that they are material to the users of the financial statements in relation to their ability to see the complete economic activities of the Council and its exposure to risk through interests in other entities and participation in their activities.

The subsidiary has been consolidated by:

- adding like items of assets, liabilities, reserves, income and expenses together on a line by line basis to those of other group members in the financial statements; and
- eliminating intra-group balances and transactions in full.

Valuation of Investment Properties

3 Rivers Developments Ltd owns an investment property which is shown on the Group Balance Sheet. Under IFRS Accounting Standards this property would normally be valued at Existing Use Value. For this year only, as the property has only recently been acquired and has not yet been revalued under this methodology, the value in the Group Accounts is that of "Cost", see note below the Balance Sheet. Next year this property will be valued alongside Mid Devon's single entity properties using the IFRS valuation regime of Existing Use.

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 Developments Ltd.

2018/19	USABLE RESERVES									Total Usable Reserves	Unusable Reserves	Total Authority Reserves	Authority's Share of Subsidiary	Total Group Reserves
	REVENUE RESERVES						CAPITAL RESERVES							
	General Fund Balance	Earmarked General Fund Reserves	General Fund Total	Housing Revenue Account	Earmarked HRA Reserves	HRA Total	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied					
£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
Balance at 31 March 2018	(2,690)	(10,689)	(13,379)	(2,000)	(15,227)	(17,227)	(3,501)	-	(2,934)	(67,646)	(87,563)	(155,209)	307	(154,902)
Movement in Reserves during 2018/19														
(Surplus) or deficit on the provision of services	2,184	-	2,184	(3,474)	-	(3,474)	-	-	-	(2,580)	-	(2,580)	283	(2,297)
Other Comprehensive Income and Expenditure	-	-	-	-	-	-	-	-	-	-	(5,297)	(5,297)	-	(5,297)
Total Comprehensive Income and Expenditure	2,184	-	2,184	(3,474)	-	(3,474)	-	-	-	(2,580)	(5,297)	(7,877)	283	(7,594)
Adjustments between accounting basis and funding basis under regulations	(4,609)	-	(4,609)	2,378	-	2,378	(119)	-	(263)	(4,845)	2,614	(2,231)	-	(2,231)
Net Increase/Decrease before Transfers to Earmarked Reserves	(2,425)	-	(2,425)	(1,096)	-	(1,096)	(119)	-	(263)	(7,425)	(2,683)	(10,108)	283	(9,825)
Transfers (to) / from Earmarked Reserves	2,614	(3,665)	(1,051)	1,096	(1,096)	-	-	-	1,051	(1,051)	-	-	-	-
(Increase)/Decrease in 2018/2019	188	(3,665)	(3,476)	-	(1,096)	(1,096)	(119)	-	788	(8,476)	(2,683)	(10,108)	283	(9,825)
Balance at 31 March 2019 Carried forward	(2,502)	(14,353)	(16,855)	(2,000)	(16,323)	(18,323)	(3,620)	-	(2,146)	(76,122)	(90,246)	(165,318)	590	(164,728)
Held for Revenue Purposes	(2,502)	(14,353)	(16,855)	(2,000)	(16,323)	(18,323)	-	-	-	(70,356)				
Held for Capital Purposes	-	-	-	-	-	-	(3,620)	-	(2,146)	(5,766)				

2017/18	USABLE RESERVES										Total Usable Reserves £'000	Unusable Reserves £'000	Total Authority Reserves £'000	Authority's Share of Subsidiary £'000	Total Group Reserves £'000
	REVENUE RESERVES					CAPITAL RESERVES									
	General Fund Balance £'000	Earmarked General Fund Reserves £'000	General Fund Total	Housing Revenue Account £'000	Earmarked HRA Reserves £'000	HRA Total	Capital Receipts Reserve £'000	Major Repairs Reserve £'000	Capital Grants Unapplied £'000						
Balance at 31 March 2017	(2,602)	(10,029)	(12,631)	(2,000)	(12,453)	(14,453)	(2,438)	-	(2,162)	(58,768)	(75,160)	(133,928)	-	(133,928)	
Movement in Reserves during 2017/18															
(Surplus) or deficit on the provision of services	799	-	799	(9,864)	-	(9,864)	-	-	-	(18,130)	-	(18,130)	307	(17,823)	
Other Comprehensive Income and Expenditure	-	-	-	-	-	-	-	-	-	-	(8,653)	(8,653)	-	(8,653)	
Total Comprehensive Income and Expenditure	799	-	799	(9,864)	-	(9,864)	-	-	-	(18,130)	-	(26,783)	307	(26,476)	
Adjustments between accounting basis and funding basis under regulations	(1,506)	-	(1,506)	7,090	-	7,090	(1,104)	-	(773)	3,708	(3,707)	-	-	-	
Net Increase/Decrease before Transfers to Earmarked Reserves	(707)	-	(707)	(2,774)	-	(2,774)	(1,104)	-	(773)	(8,840)	(3,708)	(26,783)	307	(26,476)	
Transfers (to) / from Earmarked Reserves	619	(619)	(0)	2,774	(2,774)	-	-	-	-	(1)	-	-	-	-	
(Increase)/Decrease in 2018/2019	(88)	(619)	(707)	(0)	(2,774)	(2,774)	(1,104)	-	(773)	(8,840)	(3,708)	(26,783)	307	(26,476)	
Balance at 31 March 2018 Carried forward	(2,690)	(10,648)	(13,338)	(2,000)	(15,227)	(17,227)	(3,542)	-	(2,935)	(67,608)	(78,868)	(160,711)	307	(160,404)	
Held for Revenue Purposes	(2,690)	(10,648)	(13,338)	(2,000)	(15,227)	(17,227)	-	-	-	(61,131)					
Held for Capital Purposes	-	-	-	-	-	-	(3,542)	-	(2,935)	(6,477)					

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.

2017/18			2018/19			
Gross Expenditure	Gross Income	Net Expenditure		Gross Expenditure	Gross Income	Net Expenditure
£'000	£'000	£'000		£'000	£'000	£'000
546	(144)	402	Community Development	404	(152)	252
2,064	(41)	2,023	Corporate Management	1,996	-	1,996
604	(749)	(145)	Car Parks	640	(760)	(120)
28	-	28	Customer Services	(19)	-	(19)
2,233	(462)	1,771	Environmental Services	2,471	(615)	1,856
14	(9)	5	Finance And Performance	64	(5)	59
203	(103)	100	Grounds Maintenance	197	(119)	78
490	(313)	177	General Fund Housing	750	(595)	155
3,568	(13,575)	(10,007)	Housing Revenue Account	9,367	(13,135)	(3,768)
75	-	75	Human Resources	58	(1)	57
103	(1)	102	I.T. Services	81	(2)	79
1,310	(385)	925	Legal & Democratic Services	1,029	(82)	947
2,753	(1,911)	842	Planning And Regeneration	3,167	(2,137)	1,030
1,161	(723)	438	Property Services	1,754	(731)	1,023
18,377	(17,751)	626	Revenues And Benefits	17,426	(16,790)	636
3,963	(2,613)	1,350	Recreation And Sport	4,333	(2,726)	1,607
5,454	(2,653)	2,801	Waste Services	5,177	(2,500)	2,677
307		307	Subsidiary Company	231	(20)	211
43,253	(41,433)	1,820	Costs of Services	49,126	(40,370)	8,756
		1,013	Other Operating Expenditure			1,390
		2,634	Financing and Investment Income and Expenditure			2,273
		(14,236)	Taxation and Non-Specific Grant Income			(13,426)
		(8,769)	(Surplus) or Deficit on Provision of Services			(1,007)
		(6,729)	Remeasurements of the net defined benefit liability			(3,514)
		(1,734)	(Surplus) or deficit on revaluation of Property, Plant and Equipment			(1,783)
		(220)	(Surplus) or deficit on revaluation of available for sale financial assets			-
		(8,683)	Other Comprehensive Income and Expenditure			(5,297)
		(17,452)	Total Comprehensive Income and Expenditure			(6,304)

Group Balance Sheet

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

31 March 2018		31 March 2019
£'000		£'000
196,656	Property, Plant & Equipment	198,051
-	Investment Properties	161
330	Heritage Assets	330
4,860	Long-term Investments	4,935
315	Long-term Debtors	1,055
202,161	Non-Current Assets	204,532
19,000	Short-term Investments	22,000
240	Assets held for sale	149
227	Work In Progress	2,113
227	Inventories	235
3,840	Short-term Debtors	4,972
7,414	Cash and Cash Equivalents	2,763
30,948	Current Assets	32,232
(5,113)	Short-term Creditors	(4,652)
(235)	Provisions	(555)
(1,731)	Short-term Borrowing	(1,781)
(7,079)	Current Liabilities	(6,988)
(968)	Long-term Creditors	(948)
(40,718)	Long-term Borrowing	(38,937)
(59,937)	Other Long Term Liabilities	(59,292)
(111)	Capital Grants Receipts in Advance	-
(101,734)	Long Term Liabilities	(99,177)
124,297	Net Assets	130,600
36,735	Usable Reserves	40,354
87,562	Unusable reserves	90,246
124,297	Total Reserves	130,600

Included in the Balance Sheet is an Investment Property which is held for its rental income generation. The value in the accounts is arrived at using the Cost Model method (see Group - Accounting Policies).

Group Cash Flow Statement

This section shows what cash we spend and receive

	2017/18	2018/19
	£'000	£'000
Net surplus or (deficit) on the provision of services	8,769	1,062
Adjustments to net surplus or deficit on the provision of services for non-cash movements	5,802	5,815
Adjustments for items included in the net surplus on the provision of services that are investing and financing activities (See note references)	(4,314)	(1,901)
Net cash flows from Operating Activities	10,257	4,976
Investing Activities	(4,980)	(10,429)
Financing Activities	(1,609)	800
Net increase or (decrease) in cash and cash equivalents	3,668	(4,653)
Cash and cash equivalents at the beginning of the reporting period	3,746	7,414
Cash and cash equivalents at the end of the reporting period	7,414	2,761

Notes to the Accounts

Note 1 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	2018/19	109,112	-	-	109,112	16,040	125,152
	2017/18	105,625	-	-	105,625	15,527	121,152
Head of Planning and Regeneration	2018/19	66,437	-	-	66,437	9,766	76,203
	2017/18	63,855	-	-	63,855	9,387	73,242
Deputy Chief Executive (S151) Note 1	2018/19	78,688	-	-	78,688	11,567	90,255
	2017/18	75,063	-	-	75,063	10,961	86,023
Director of Corporate Affairs and Business Transformation	2018/19	75,875	-	-	75,875	11,154	87,029
	2017/18	75,063	-	-	75,063	10,961	86,023
Head of Housing & Property Services - Note 2	2018/19	-	-	-	-	-	-
	2017/18	29,564	-	-	29,564	4,308	33,872
Acting Managing Director, 3 Rivers Ltd	2018/19	68,730	-	-	68,730	9,766	78,496
	2017/18	38,399	-	-	38,399	5,625	44,024
Director of Operations	2018/19	75,875	-	-	75,875	11,154	87,029
	2017/18	74,563	-	-	74,563	10,961	85,523

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 2018-19 pension contributions figures.

Note 1. As from the 27-06-18 the Director of Finance, Assets and Resources became the Deputy Chief Executive (S151).

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.

Note 2 Long Term Debtors (amounts due in more than 12 months)

	2017/18 £'000	2018/19 £'000
Other entities and individuals	315	1,055
Total	315	1,055

Included within the single entity Long Terms debtors (Note 34 of the Single Entity accounts) is £1.962m of loans to 3 Rivers which are eliminated from both sides in the Group Accounts.

Note 3 Short Term Debtors (amounts due in less than 12 months)

	2017/18	2018/19
	£'000	£'000
Other Receivable amounts	3,594	4,778
Trade Receivables	1,391	1,186
Less Impairment Allowances	(814)	(992)
Total	4,171	4,972

Included within the single entity Short Terms debtors (Note 37 of the Single Entity accounts) is £751k which relates to 3 Rivers Developments Ltd (£651k loan; £100k other intra-company debt) which are eliminated from both sides in the Group Accounts.

NB. Expected Credit Loss Model

The Authority recognises expected credit losses under IFRS 9 on all of its financial assets (this includes its loans to 3 Rivers Developments Ltd), either on a 12-month or lifetime basis.

Impairment losses are calculated to reflect the expectation that the future cash flows might not take place because the borrower could default on their obligations. Credit risk plays a crucial part in assessing losses.

We have compared the results of 3 Rivers Developments Ltd over the last two years, with that of the original business case, which was submitted by the company and approved by the Council. It was anticipated, as with many start up businesses, that there would be losses in the first couple of years. As such, the posted losses for the company have not “triggered an event” which would suggest we should impair their debt (expect less than we had lent). We are therefore carrying the loans on the single entity balance sheet at full value.

Note 4 Work in Progress (WIP)

	2017/18	2018/19
	£'000	£'000
Work in Progress	227	2,113
Total	227	2,113

As a development company, 3 Rivers has “Work in Progress” which relates to the construction projects they have in progress. When these projects are completed, they will be classified as Land and Buildings.

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.

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 (e.g. buildings).
- **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.

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.

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. We have none in this year's accounts.

Expenditure

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

External Audit

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

Fair value

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

Fees and Charges

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

Finance Lease

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

Financial Instruments

A financial instrument is any contract that gives to a financial asset of one entity and a financial liability or equity instrument of another. The term 'financial instrument' covers both financial assets and financial liabilities and includes both the most straightforward financial assets and liabilities such as trade receivables and trade payables and the most complex ones such as derivatives.

Financial Regulations

These are the written code of procedures, approved by the Council, intended to provide a framework for proper financial management. Financial regulations usually set out rules on accounting, audit, administrative and budgeting procedures.

General Fund

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

Government Grants

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

Government Grants Deferred

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

Heritage Assets

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

Housing Benefit

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

Housing Revenue Account (HRA)

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

Impairment

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

Income

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

Income & Expenditure Account

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

Infrastructure

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

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.

Liquid Resources

Cash and current asset investments that can be easily converted to known amounts of cash without penalty, or can be traded on the active market.

Local Development Plan

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

Long Term Borrowing

Amounts borrowed in excess of 364 days.

Long-Term Contract

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

Long Term Debtors

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

Medium Term Financial Strategy/Plan (MTFS/MTFP)

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

Member

An elected councillor of the Council.

Minimum Revenue Provision (MRP)

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

National Non Domestic rate (NNDR)

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

Net Book Value

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

Net Debt

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

Net Realisable Value (NRV)

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

Non Current Assets

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

Non-distributed Costs

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

Operating Lease

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

Operational Boundary

This reflects the maximum anticipated level of external debt consistent with budgets and forecast cash flows.

Pension Strain

Additional employers pension contributions as a result of an employee's early retirement.

Precept

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

Prior Period Adjustments

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

Provision

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

Public Works Loan Board (PWLB)

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

Rateable Value

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

Related Parties

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

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

Revenue Contribution to Capital (RCCO)

Capital spending that is directly paid for from revenue.

Revenue Expenditure

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

Revenue Support Grant

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

Reporting Standards

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

Reserves

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

Restatement

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

Revaluation Reserve

This records net gains from revaluations made after 1 April 2007 not yet realised through sales.

Revenue Contributions

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

Revenue Expenditure

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

Revenue Expenditure Funded from Capital Under Statute (REFCUS)

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

Revenue Support Grant (RSG)

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

Service Reporting Code of Practice (SeRCOP)

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

Settlements

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

Tax Base

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

Treasury Management

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

Treasury Management Strategy (TMS)

A strategy, approved by Cabinet, prepared with regard to legislative and CIPFA requirements setting out the framework for treasury activity for the Council.

Trust Funds

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

Unsupported (Prudential) Borrowing

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

Value for Money

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