



**STATEMENT OF ACCOUNTS**  
**FOR THE YEAR ENDED 31 MARCH 2020**  
(subject to final audit opinion)

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## Introduction by the Leader of the Council:



I am pleased to introduce the Council's annual accounts for 2019/2020 reflecting the Council's financial position at a time immediately prior to the impact of the Coronavirus pandemic.

The figures presented reflect another successful year in terms of our budget outturn, notwithstanding Central Government's direct funding reduced to zero, compared with an annual grant of some £4 million at the beginning of austerity measures.

A major innovation during the year happened in June 2019, when an extraordinary Full Council voted to support an ambitious cut in carbon emissions, with an aim for Mid Devon to become carbon neutral by 2030. MDDC are playing their part within the Net-Zero Task Force under the auspices of Devon County Council. The cost to the Council, in achieving its target, will become apparent over time but energy saving schemes implemented by the Council since 2012 have substantially reduced our annual electricity and gas consumption costs.

Recycling figures for the year compare with the previous year, at over 53% and our desire to facilitate more council housing saw the completion and full occupation of 26 units at Palmerston Park and the Council repurchased three former council houses previously sold to tenants under the right to buy scheme.

The Council's aim to improve our town centres and increase footfall did not move forward over the last year but, following the impact of Covid 19 on our highstreets, this is an area that must have our attention in 2020/2021. The Tiverton Pannier Market, however, held several successful events. Nearly £250,000 was spent providing enhanced facilities to improve health and wellbeing at the Council's Leisure Centres in Crediton and Cullompton and in Westexe Park in Tiverton.

The efforts of officers and staff has been acknowledged with awards to one of our Legal team, the Electoral Services Manager, the Tiverton Pannier Market team, the CCTV Supervisor and Police Support Volunteer and the Land Charges Team.

Our Planning team have, apart from processing planning applications, worked on projects such as The Cullompton Masterplan, the Culm Garden Village, a Delivery Plan for Tiverton Eastern Urban Extension and Homes England funding in respect of completing a new junction on the A361 and a relief road for Cullompton. Regrettably, I can only repeat the comment of my predecessor in last year's report that we are awaiting an imminent update from the National Inspector regarding our Local Plan.



As I write this introduction the Council will be severely challenged as we cope with financial pressures, including those created by Covid 19. The Council's financial position in 12 months' time will be largely out of our control as it will reflect Government's response to the additional expense and loss of income the Council has suffered and is suffering.

**Robert Deed**  
**Leader of the Council**

### **Views from the Chief Executive:**



It is fair to say that this financial year has been one of the most changeable that I can remember, with some of the changes to council activity being far less normal than others. We have continued to invest in our customer-facing services, with this year seeing continued investment in upgrades at our leisure facilities – bringing a better product to the market, increasing opportunities for staying fit and healthy, while also delivering a better financial return to the council. We have also entered into a new vehicle supply contract to ensure that the council has access to new hybrid or electric vehicles in order to reduce our emissions further. This was a joint procurement with Exeter City Council to increase the scale of the tender – demonstrating our commitment to securing best value for local residents when seeking new supplier arrangements.

In May 2019, the elections saw a new council of elected members returned, with a change to one of 'No Overall Control' resulting in a broad coalition forming the administration. One of the first significant decisions of the new council occurred in June 2019 when a unanimous vote at full council saw the council sign the Devon Climate Declaration – a decision that has since seen us map and 'baseline' our emissions with the help of experts from the University of Exeter. This will likely be a significant contributing factor in future decisions on spend and investment, with opportunities being explored to accelerate the reduction in emissions across the full spectrum of council activity.

One area of significant challenge for us in relation to carbon emissions is that Mid Devon remains a stock-retaining authority and the cost of retrofitting our thousands of council houses is substantial. However, this can also be seen as an opportunity to address this challenge and work is ongoing to establish early opportunities for redevelopment – to deliver additional houses for those in need of housing, while also taking the chance to deliver homes that generate far less in terms of emissions. In the summer of 2019, the council took delivery of another 26 council houses on the edge of

Tiverton, with those houses allocated to those in the highest priority need - and this council remains a top quartile social housing provider.

Later in the year we finally managed to secure contractual certainty over the £18.2m Housing Infrastructure Fund and work is continuing to bring forward the two schemes to accelerate growth delivery in Cullompton and Tiverton. On a similar theme, our Local Plan was subject to the final hearings by the Planning Inspector and we now await his report with a hope that we can adopt this later this summer.

Of course, no statement relating to 2019/20 would be complete without reference to the tragic circumstances that enveloped the world in the final months of that financial year as the global pandemic took hold. As I write this, the situation is looking hopeful that the worst has passed and that lockdown measures can indeed be gradually eased safely. There are far too many instances for me to recount individually, but I would add my tributes to all those working in public service during this time – and specifically to the hardworking officers of this council who have demonstrated their commitment, their ambition to continue to deliver services in the most challenging of circumstances, and the desire of all those who have done amazing things to provide better outcomes for the people and businesses of Mid Devon.

Yes, challenges lie ahead; we do not yet know what the financial, economic or social legacy of this pandemic will be. However, I do know that we are well-placed to tackle the future as we seek to recover, renew and rebuild. Our efforts this year have been phenomenal and we should all be proud of responding in ways that have gone above and beyond while shining a light on the true character and integrity of everyone doing their best for Mid Devon at a time of national emergency.

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

## Financial Commentary by Deputy Chief Executive (S151)



Reflecting on another successful year, where the Council delivered very close to our budget and was able to strategically increase a number of reserves, is a very positive outcome. The reserve increases will enable us to provide for the real uncertainty of both the current economic and health challenges of Covid 19, and the changes that Central Government are considering making to local government funding.

### 2019/20 Highlights

Collection rates for Council Tax, Business Rates and Housing Rents were all in the top quartile nationally. The Revenues Department implemented a new self-service portal so all customers can access their accounts, make on-line payments and agree payment arrangements (a key strand in our digital transformation agenda). The finishing touches of the loan to facilitate the NHS hub in Crediton is now nearing completion and will deliver c£30k per annum in interest repayments to the Council. We have maintained or even improved income from our key commercial activities (eg leisure, car parking, trade waste, industrial / commercial property portfolio, etc) and continued with our corporate property rationalisation programme, selling off toilets as well as transferring responsibility for a number of play parks to town and parish councils. We also moved forward with our ongoing improvements of our 3 leisure centres by refurbishing a spinning studio, gym area and pools. In addition, we have recently let a tender for a major modernisation and refurbishment programme of our multi storey car park in Tiverton, and our Property Services and Economic Development team are working up plans to help with the reopening of our town centres as the Covid 19 restrictions are eased.

### Covid 19

Any financial commentary would be incomplete without a reflection and overview of how the Council has been or will be further impacted by the Covid 19 pandemic.

The Council has had to proactively deal with all the associated additional operational costs of dealing with increased levels of homelessness, increased waste volumes, setting up a shielding hub for vulnerable residents, paying out £22m in business rate grants to over 1,500 district businesses, furloughing over 100 key staff – all during a time when most of our fee income streams were either dramatically declining or virtually down to nil. Commercial losses in areas such as leisure, trade waste, car parking, industrial / commercial rents, planning are potentially over £3m down on budget for 2020/21. Further, reduced levels of council tax, business rates and housing rents are having a major impact on the Council's cash flow.

Our overall treasury performance has remained strong during 2019/20. During the year we generated investment income of £238k giving a return of 0.90%, made a return of 4.27% on our CCLA investment of £5m and were paid £253k in interest from 3 Rivers Developments Ltd.

The financial future is still a challenging one, with an annual medium term financial plan deficit of £1,376k by 2023/24 and the uncertainty generated by further delays in the Government's fair funding review. However, 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)**

# **1 Narrative Report and Financial Performance 2019/20**

## **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 2020. 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 2019/20".

## **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 third 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

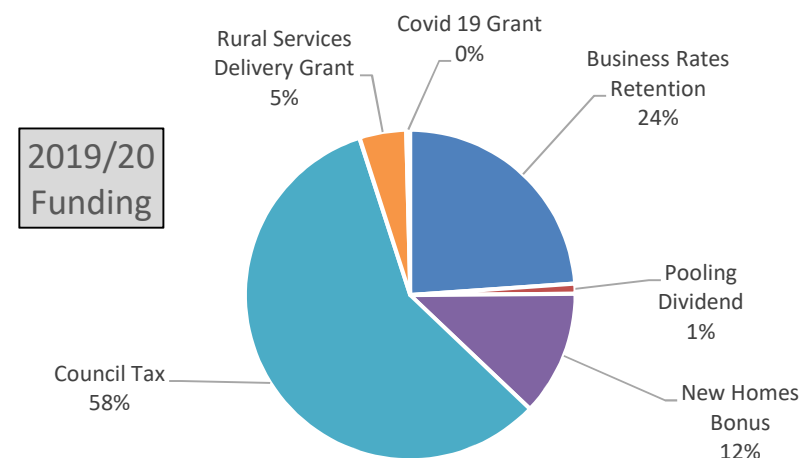
The purpose of the narrative report to the Accounts is to provide a commentary on the main financial highlights contained within the Report and to identify any significant events that may affect the reader's interpretation of the Accounts.

## 2.0 Financial Performance

### 2.1 Introduction

The Council's budgeted funding streams for 2019/20 are detailed below and contrasted with 2018/19. In setting the budget for 2019/20 the Council increased Council Tax by 2.99% for a Band D property. This meant that the Band D Council Tax rate became £203.84.

2019/20 Funding	2018/19 £k	2019/20 £k
Business Rates Retention	2,680	2,435
Pooling Dividend	-	100
Revenue Support Grant/TSG	179	-
New Homes Bonus	1,121	1,244
Council Tax	5,651	5,900
Rural Services Delivery Grant	375	466
Covid 19 Grant	-	39
<b>Total Funding</b>	<b>10,006</b>	<b>10,184</b>



The table below shows that the Council received £10.122m of actual funding, the decrease relating to Retained Business Rates was partially offset by the dividend from the Devon Business Rates Pool. The Council's actual expenditure in 2019/20 was £10.355m which results in a reported net overspend of £232k.

<b>General Fund Revenue Account Outturn Summary 2019/20</b>			
	<b>Budget</b>	<b>Actual</b>	<b>Variance</b>
	<b>£</b>	<b>£</b>	<b>£</b>
Community Development	142,855	144,110	1,255
Corporate Management	1,681,157	2,533,656	852,500
Car Parks	(528,562)	(518,213)	10,349
Customer Services	768,871	698,169	(70,702)
Environmental Services	798,477	1,001,853	203,376
Finance & Performance	690,320	685,174	(5,146)
Grounds Maintenance	610,190	529,519	(80,671)
General Fund Housing	77,524	9,004	(68,520)
Human Resources	465,090	470,705	5,615
I.T.Services	987,535	970,193	(17,342)
Legal & Democratic Services	1,136,206	1,036,659	(99,547)
Planning & Regeneration	993,725	1,452,261	458,536
Property Services	589,780	494,460	(95,320)
Revenues & Benefits	431,290	540,485	109,195
Recreation and Sport	527,245	659,881	132,635
Waste Services	2,015,282	1,817,494	(197,788)
<b>All General Fund Services</b>	<b>11,386,985</b>	<b>12,525,409</b>	<b>1,138,425</b>
Net recharge to HRA	(1,534,110)	(1,534,110)	0
Statutory Adjustments (Capital Charges)	392,029	418,832	26,803
Statutory Adjustments (Capital Loans & Investments Written Off)	0	(666,995)	(666,995)
<b>Net Cost of Services</b>	<b>10,244,904</b>	<b>10,743,136</b>	<b>498,233</b>
<b>Other Income &amp; Expenditure</b>			
Finance Lease Interest Payable	58,280	58,280	(0)
Interest Charged Between GF & HRA	(49,000)	(45,479)	3,521
Interest Receivable / Payable on Other Activities	167,580	100,469	(67,111)
Interest Receivable on Investments	(442,540)	(594,907)	(152,367)
Transfers into Earmarked Reserves	3,344,196	3,627,968	283,772
Transfers from Earmarked Reserves	(2,551,270)	(3,722,926)	(1,171,655)
Contribution from New Homes Bonus Reserve	(587,850)	(587,850)	0
Revenue contribution to fund 2019/20 Capital Programme	0	775,905	775,905
<b>Total Expenditure</b>	<b>10,184,299</b>	<b>10,354,596</b>	<b>170,297</b>

<b>General Fund Revenue Account Outturn Summary 2019/20 (Continued)</b>			
	<b>Budget</b>	<b>Actual</b>	<b>Variance</b>
	<b>£</b>	<b>£</b>	<b>£</b>
<b>Funded By</b>			
Formula Grant (RSG & RSDG & NNDR)	(3,001,386)	(2,839,376)	162,010
Business Rates Benefit from Devon Pool	0	(100,000)	(100,000)
New Homes Bonus Grant	(1,243,503)	(1,243,503)	0
COVID 19 Grant	(38,976)	(38,976)	0
Collection Fund Surplus	(71,330)	(71,331)	(1)
Council Tax - (Band D at £203.84)	(5,829,104)	(5,829,104)	0
<b>Total Funding</b>	<b>(10,184,299)</b>	<b>(10,122,290)</b>	<b>62,009</b>
<b>Net Income &amp; Expenditure</b>	<b>0</b>	<b>232,306</b>	<b>232,306</b>

The Covid 19 grant was received in March 2020. It is also included in the budget column as the Authority processes virements for EMR transfers to avoid creating variances that do not represent changes in activity.

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

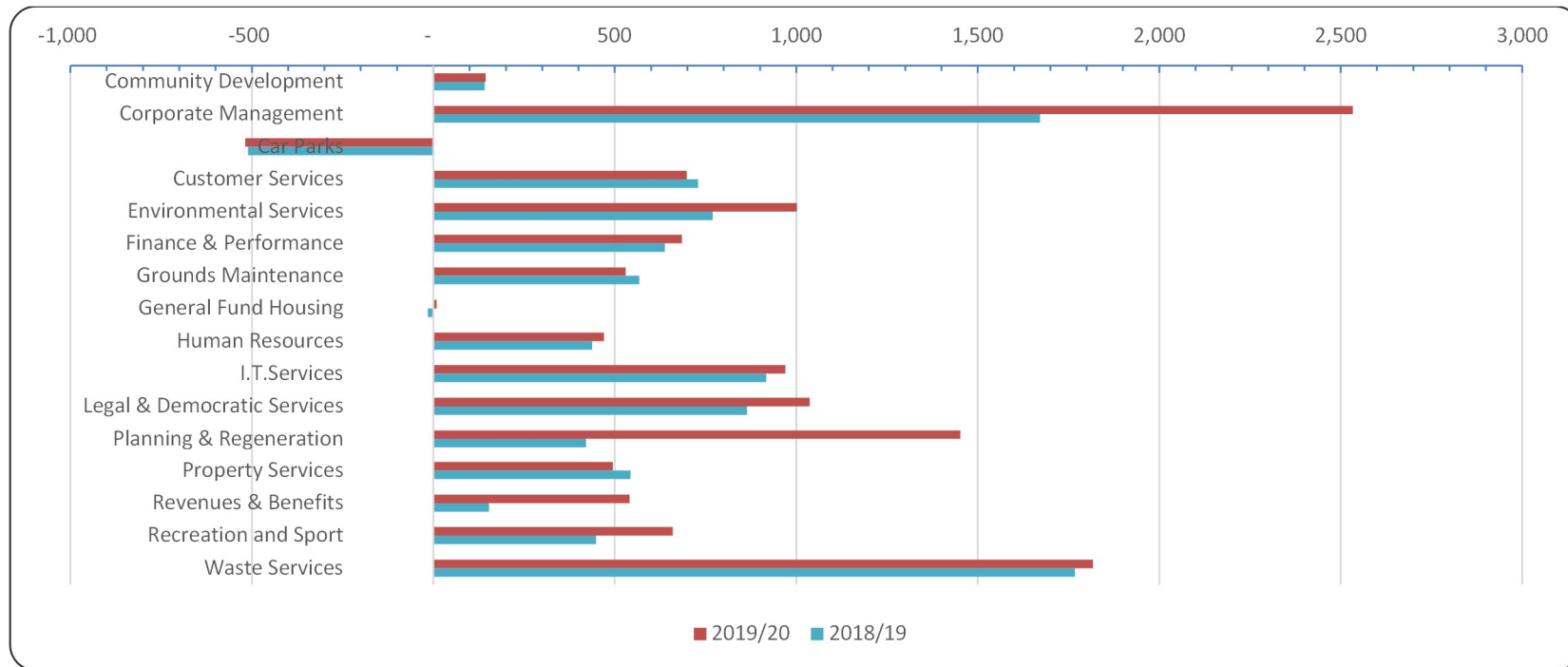
## 2.2 Revenue Expenditure – General Fund Financial Performance

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 2019/20. The month 9 monitoring report tabled at the 13 February 2020 Cabinet meeting forecast an estimated outturn deficit of £252k on the General Fund (this detailed report can be found on the Council's website). This compares to the final outturn deficit of £232k.

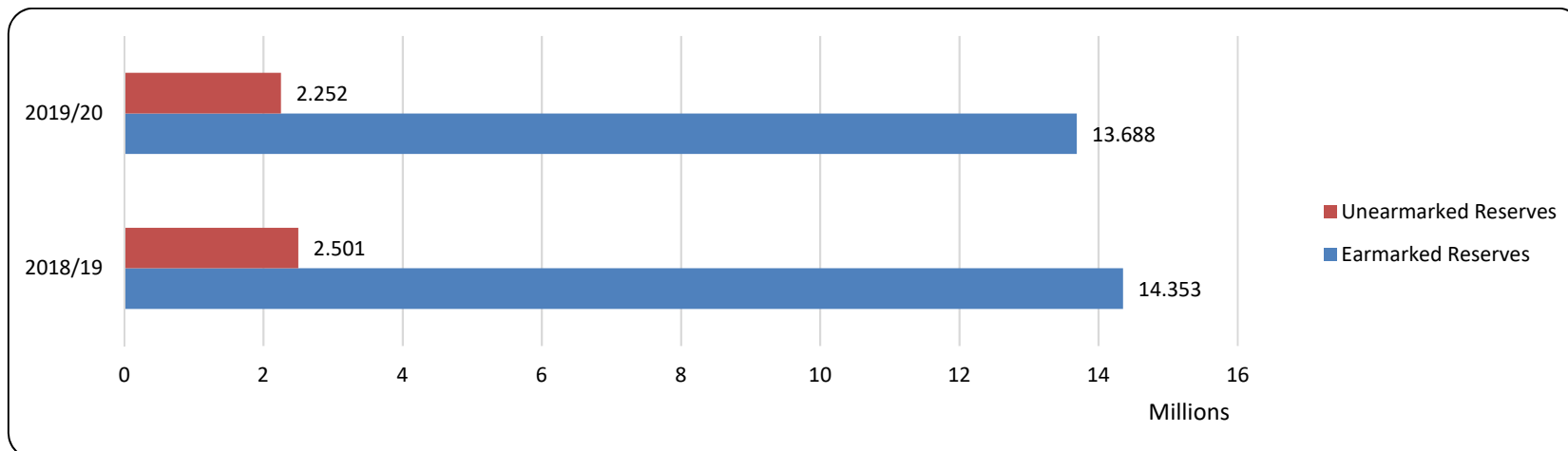
After allowing for a reserve adjustment of £17k relating to Brexit funding received in 2018/19, the General Fund Reserves have slightly decreased from £2.501m at the start of the year to £2.252m at 31 March 2020. This conforms with the 16 January 2020 cabinet meeting which agreed that the minimum General Fund balance held should be £2m.

The overall General Fund position delivered in 2019/20 reflects the continued efforts of both officers and Members to provide high quality services at an affordable cost. It demonstrates the Council's ongoing commitment to reducing operational cost to mitigate against further cuts in Central Government funding which may transpire after the Fair Funding / Business Rates / New Homes Bonus review planned for 2021/22 or 2022/23.

### 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 £12.682m for the year. The HRA has reported a net surplus of £608k for 2019/20, which is 4.8% of gross budgeted income.

The surplus is retained within the HRA and relates mainly to savings made within Planned Maintenance and Tenancy operations. The following table provides a summary of performance against budget for the year.

HRA Outturn 2019/20	Budget £k	Outturn £k	Variance	
			£k	%
Gross Income	(12,682)	(13,664)	(982)	7.7%
Service Expenditure	6,303	5,756	(547)	-8.7%
Other Operating Costs and Income	198	186	(12)	-6.1%
Earmarked Reserve Transfers	3,972	5,400	1,428	36.0%
Capital Financing and Debt Repayment	2,156	2,805	650	30.1%
Technical Accounting Adjustments	53	124	71	134.0%
<b>Net Variance</b>	(0)	(608)	(608)	

The surplus will increase the contribution to the Housing Maintenance Fund earmarked reserve and so the HRA reserve will remain at £2m. The HRA earmarked reserves will then total £18.310m (of which £17,762k revenue & £548k capital). 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 2019/20, 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 2019/20 will be presented to Audit Committee on 2 June 2020. 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 £12.197m (£9.617m 2018/19). Capital expenditure comprised £8.191m in General Fund schemes and £4.006m on HRA capital works, as summarised in the table below.



The General Fund capital spend related to a wide range of projects which included additional loans to 3 Rivers Developments Ltd to enable the development to the rear of the Town hall site and other regeneration projects (£6.146m). We have also spent £0.305m on our leisure centres to provide better facilities and replacement vehicles have cost £0.179m. 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 £0.634m, which is covered by the grant. We have also spent £0.139m investing in our ICT infrastructure. HRA capital works are largely related to maintaining housing standards, including replacing kitchens, bathrooms, windows, doors, heating systems and other related works. These amounted to £2.312m. In addition, HRA capital expenditure this year also includes the development at Palmerston Park (which has created 26 affordable dwellings (£1.220m) and there have been three house purchases to add to our stock (£0.478m)).

<b>General Fund Capital Schemes</b>	<b>£k</b>
Affordable Housing Projects	18
ICT – Equipment	139
Flexible Temporary Accommodation – Ivor Macey House	71
Leisure Projects – Equipments & works	305
Tiverton Cemetery extension	32
Vehicles – Refuse; Street Cleansing and Grounds Maintenance	179
Air Quality Monitoring Equipment	26
Disabled Facilities Grants–Private Sector	634
Wessex Reinvestment Grants	100
Cullompton Relief Road	471
Tiverton EUE Junction Phase 2	16
Loans to 3 Rivers for Development schemes	6,146
Contribution to South West Mutual Bank	50
Smaller projects - Flat refurb and Car park improvements	4
<b>General Fund Capital Schemes - Total</b>	<b>8,191</b>
<b>HRA Capital Schemes</b>	<b>£k</b>
Major repairs to Housing Stock	1,984
Disabled Facilities Grants - Council Houses	286
Renewable Energy Fund Spend	41
Palmerston Park Tiverton - affordable dwellings (26 units)	1,220
Burlescombe (6 units) – Adjustment related to 18/19 accrual	(3)
3 RTB buyback House Purchases	478
<b>HRA Capital Schemes - Total</b>	<b>4,006</b>
<b>General Fund and HRA Capital Schemes - Total</b>	<b>12,197</b>

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

Sources of Capital Funding	£k
Revenue funding	7,886
Capital Grants and Contributions	1,864
Capital Receipts	463
Major Repairs Reserve (HRA)	1,984
<b>Total</b>	<b>12,197</b>

## **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 £2.110m to £43.054m in 2019/20.

## **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 deficit of £729k. 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 £232k deficit on the General Fund and a £608k 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 decreased by £3.627m during 2019/20.
- The overall Pension Scheme deficit decreased by £614k.

## **2.11 Cash Flow Statement**

The Council had a net cash inflow during 2019/20 of £1.182m.

## 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 £608k surplus in 2019/20 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.

	2018/19 £k	2019/20 £k
Brought Forward	0	0
Transfer to MRR	2,080	2,531
Utilisation	(2,080)	(1,984)
<b>Carried Forward Balance</b>	<b>0</b>	<b>547</b>

During 2019/20, the Council credited £2.531m to the MRR. After utilisation of £1,984k a balance of £547k was carried forward at 31/3/2020.

## 2.14 The Collection Fund

The financial highlights for the Collection Fund are given below:

- There was a £145k deficit on the Council Tax Collection Fund in 2019/20. This results in an overall surplus on the fund of £437k at 31/3/2020, of which 13.46% is due to MDDC, amounting to £59k.
- The Council Tax collection rate achieved in the year was 97.8% (97.8% in 2018/19).
- The Council set a Band D equivalent council tax rate of £203.84 in 2019/20.
- There was a £1,979k surplus on the Business Rates Collection Fund in 2019/20. This results in an overall surplus on the fund of £210k at 31/3/2020, of which 40% is due to MDDC, amounting to £84k.
- The Business Rates collection rate achieved in the year was 98.8% (99.3% in 18/19).

## 2.15 Pension Fund

The financial highlights of the pension fund are:

- Pension assets have decreased to £60.635m (£66.010m in 18/19)
- Pension liabilities have decreased to £120.021m (£125.923m in 18/19)
- Unfunded liabilities have increased to £621k (£534k in 18/19)
- The net deficit on the fund is £58.765m (£59.379m in 18/19)

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 2020 Balance Sheet.

## 2.17 Treasury Activities

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

31/03/19 £k	Investment Categories	31/03/20 £k
2	Cash floats	2
2,659	Bank deposits	3,841
0	Short term deposits	0
<b>2,661</b>	<b>Total</b>	<b>3,843</b>

In addition to the above cash equivalents, the Council also held £20m (£22m 2018/19) of short term investments as at the 31 March 2020.

The Council generated investment interest of £238k (£234k 2018/19), which gave an average rate of return of 0.90% (1.07% 2018/19). This does not include the CCLA dividends.

## 2.18 Borrowing

At the end of 2019/20, the Council had five Public Works Loan Board loans with total principal outstanding of £38.937m. No new loans were taken out during 2019/20. The Council has paid off £1.781m of the outstanding principal during the year and interest of £1.170m. The interest rates on these loans range from 1.7% to 2.94% pa.

## 2.19 Governance

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

In England, the Accounts and Audit Regulations 2015 stipulate that the Annual Governance Statement (AGS) must be “prepared in accordance with proper practices in relation to accounts”. Therefore for a local authority in England this requires the statement to be in

accordance with Delivering Good Governance in Local Government: Framework (2016) and the CIPFA/LASAAC Code of Practice on Local Authority Accounting for 2019/2020.

Details of any significant changes in, or issues around, governance arrangements during the year can be found in the Council's Annual Governance Statement which is available on the website.

## 2.20 Principal Risks and Uncertainties

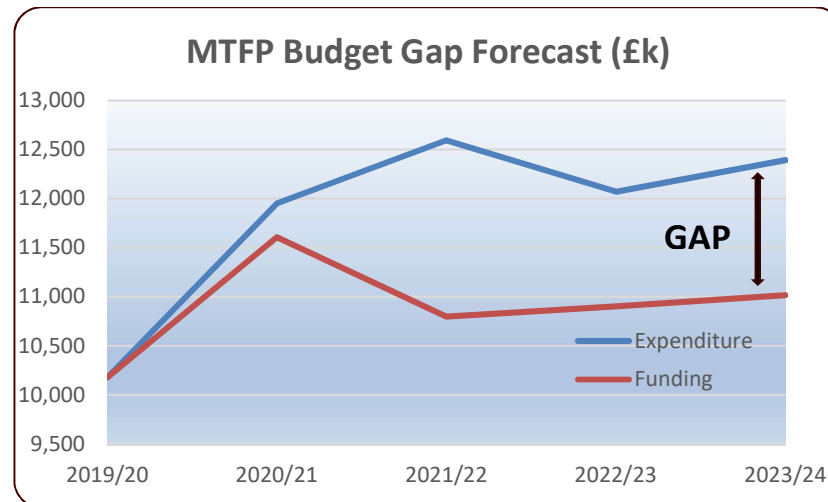
A risk and opportunity management strategy is in place to identify and evaluate risks. There are clearly defined steps to support better decision making through the understanding of risks, whether a positive opportunity or a threat and the likely impact.

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 2020 centred on:

- Cyber Security
- Budgetary implications of the Covid 19 pandemic
- Cost of complying with the Authority's own climate change declaration approved by full Council 26 June 2019
- 3 Rivers Governance/Loan recoverability
- Growth of the Economic Development Strategy due to Brexit and Covid 19

## 2.21 Medium Term Forecast Expenditure and Funding





This diagram, taken from the MTFP update report to Cabinet in October 2019, 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 £1,376k in 2023/24.

Over this period, a programme of reactive property maintenance, including but not restricted to our leisure buildings, causes service costs to peak in 2021/22. Funding, meanwhile, is expected to dip after 2020/21, largely due to the reduction in New Homes Bonus which will phase out by 2023/24. With the increasing demands on services this puts increased pressure on our ability to generate Business Rates as one of the few remaining funding streams.

These expectations will also undoubtedly be affected by the ongoing Covid-19 crisis whose ultimate impacts are yet to be fully seen and understood.

## **2.22 Covid-19 Pandemic**

The Covid-19 pandemic has had, and will continue to have, a considerable impact on the Council. The Government's lockdown, announced on 20th March 2020, has meant that many businesses have been forced to close – significantly impacting on the local economy, which in turn impacts on the Council's commercial income. Furthermore, the Council has incurred additional expense ensuring that the homeless are safe during this period and that the most vulnerable in our community are cared for by our recently set up shielding hub.

### **Financial Impact**

These additional costs have not had a dramatic impact on the financial outturn for 2019/20 as the pandemic only started to make a notable impact on the public's and businesses' behaviour in the last two weeks of March. However, the true scale of its impact on the Council's finances will be felt during 2020/21. The Council is expecting substantial losses across many of its largest streams of commercial income. These include parking, leisure centres, commercial waste, leisure and planning fees. As with any recession, investment income is anticipated to reduce which will create further pressures on the Council's finances. In addition to this, falling levels of council tax, business rates and housing rent will have a stark cash flow impact on the Council's treasury position.

It is difficult to quantify the impact of Covid 19 at this stage with any certainty, but the financial pressure on the Council will be substantial – even after the Government's emergency Covid 19 funding for local authorities is taken into account (we have currently received £994k). Due to the Council's reliance on commercial income and fees and charges and consequently its exposure to the economic cycle, the Council has sought in recent years to build up the general fund balance to ensure the Council is financially resilient in a recession. The Council is therefore in a position to draw upon its general fund reserve balance in 2020/21 to balance its budget but clearly this could have longer term solvency implications.

Moving forward, the Council will reset its Medium Term Financial Plan (MTFP) in recognition of the impact of the pandemic and the Council's strategic objectives. The Covid-19 crisis has meant that the Council has had to review what its most critical services are and which are required to still be operational even during a global pandemic. The changing environment and "new normal" in which we are likely to find ourselves will require the Council to review the services it provides, its delivery models and the outcomes that are of the highest priority. A revised, reprioritised budget for 2020/21 will be tabled for consideration by Cabinet at a meeting in the autumn, to ensure that scarce budget is being prioritised to the key areas of activity.

### **Summary**

The coronavirus pandemic has had and continues to have a profound impact on all aspects of life in Mid Devon. Through 2020/21 the Council will adopt a pro-active approach to ensure that it responds to the emerging needs of residents and businesses. Regular financial monitoring will continue

to ensure the Council takes all necessary remedial action, where practicable, with a continued focus on delivering key services against the backdrop of considerably reduced available resources.

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

2019/20 was yet another successful year for the Council which saw our core services, Housing Revenue Account and capital programme all delivered close to or within budget. This was also importantly linked to achieving the vast majority of 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 £4.3m since 2010/11.

We have continued our strategic direction of maximising income from services; we have seen income from our Leisure Centres of £2.8m; our garden waste service has remained around 10,000 users and now generates £500k per annum; our CCLA investment delivered a return of £213k (4.27%); our retail holdings at Market Walk provided rent totalling £251k and increased our trade waste income by £92k.

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 have also built up additional operational capacity.

The future of local government funding remains very uncertain. Further delays to the Fair Funding / Business Rates and New Homes Bonus have been announced. Therefore, 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 and coupled with the national changes required for Brexit later this year, the ongoing operational challenges associated with dealing with the Covid 19 pandemic and how the District then plans for the recovery phase. 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 very 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 all of these challenges that will undoubtedly come our way.

**Andrew Jarrett**  
**Deputy Chief Executive (S151)**

## **3 Statement of Accounting Policies**

### **3.1 General Principles**

The Statement of Accounts summarises the Council's transactions for the 2019/20 financial year and its position at the year ending 31 March 2020. 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 2019/20, 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 2019/20.

### **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 2020.

## **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 3 to 5 years
Specialist equipment	Expected asset life of 3 to 10 years
Pool filters at LMLC	Expected asset life of 20 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 cash flow 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).

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 investments 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 £2m of the net General Fund budget. The balance at 31/03/20 was £2.252m.

### **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 2019/20.

## 4 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:

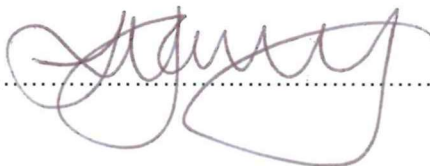
- Kept proper accounting records which were up to date
- Taken reasonable steps for the prevention and detection of fraud and other irregularities.

### 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 2020.

Date 25/6/20

Signature.....



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



**5 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 2020.

The date on which the Statement of Accounts was authorised for issue by the Deputy Chief Executive (S151) was XX August 2020.

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

Approved by the Deputy Chief Executive (S151)

.....  
Andrew Jarrett CPFA

.....  
Dated

Approved by the Chairman of the Audit Committee

.....

.....  
Dated

Approved by the Leader of the Council

.....

.....  
Dated

**6 Independent Auditor's Report to the Members of Mid Devon District Council**  
**Report on the Audit of the Financial Statements**









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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.

2019/20	Notes	USABLE 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	Total Usable Reserves	Unusable Reserves	
		£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
Balance at 31 March 2019		(2,501)	(14,353)	(16,855)	(2,000)	(16,323)	(18,323)	(3,620)	(2,146)	(40,944)	(90,246)	(131,190)
Movement in Reserves during year												
(Surplus) or deficit on the provision of services		7,109	-	7,109	(474)	-	(474)	-	-	6,635	-	6,635
Other Comprehensive Income and Expenditure		-	-	-	-	-	-	-	-	-	(5,906)	(5,906)
Total Comprehensive Income and Expenditure		7,109	-	7,109	(474)	-	(474)	-	-	6,635	(5,906)	729
Adjustments between accounting basis and funding basis under regulations	5	(6,194)	-	(6,194)	(965)	(548)	(1,513)	(1,538)	501	(8,744)	8,744	-
Net Increase/Decrease before Transfers to Earmarked Reserves		915	-	915	(1,439)	(548)	(1,987)	(1,538)	501	(2,109)	2,838	729
Transfers (to) / from Earmarked Reserves	6	(665)	665	-	1,439	(1,439)	-	-	-	-	-	-
(Increase)/Decrease in year		250	665	915	-	(1,987)	(1,987)	(1,538)	501	(2,109)	2,838	729
Balance at 31 March 2020 Carried forward		(2,252)	(13,688)	(15,940)	(2,000)	(18,310)	(20,310)	(5,157)	(1,646)	(43,053)	(87,408)	(130,461)
Held for Revenue Purposes		(2,252)	(13,688)	(15,940)	(2,000)	(17,762)	(19,762)	-	-	(35,702)	-	-
Held for Capital Purposes		-	-	-	-	(548)	(548)	(5,157)	(1,646)	(7,351)	-	-

## Movement in Reserves Statement (Continued)

2018/19	Notes	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
		£'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 year												
(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 year		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)	-	-

## Comprehensive Income and Expenditure Statement

This section is a summary of our spending on services.

Gross Expenditure £'000	2018/19 Gross Income £'000	Net Expenditure £'000		Notes	Gross Expenditure £'000	2019/20 Gross Income £'000	Net Expenditure £'000
404	(152)	252	Community Development		332	(85)	247
1,996	-	1,996	Corporate Management		3,207	-	3,207
640	(760)	(120)	Car Parks		708	(797)	(89)
-	(19)	(19)	Customer Services		1	(1)	-
2,471	(615)	1,856	Environmental Services		3,034	(849)	2,185
64	(5)	59	Finance And Performance		32	(8)	24
197	(119)	78	Grounds Maintenance		41	(46)	(5)
750	(595)	155	General Fund Housing		713	(624)	89
9,328	(13,095)	(3,767)	Housing Revenue Account		13,425	(13,053)	372
58	(1)	57	Human Resources		75	(7)	68
81	(2)	79	I.T. Services		133	(4)	129
1,029	(82)	947	Legal & Democratic Services		1,443	(403)	1,040
3,167	(2,137)	1,030	Planning And Regeneration		4,006	(1,546)	2,460
1,845	(823)	1,022	Property Services		1,227	(776)	451
17,426	(16,790)	636	Revenues And Benefits		15,026	(13,962)	1,064
4,333	(2,726)	1,607	Recreation And Sport		4,807	(2,754)	2,053
5,177	(2,500)	2,677	Waste Services		5,535	(2,631)	2,904
<b>48,966</b>	<b>(40,421)</b>	<b>8,545</b>	<b>Costs of Services</b>		<b>53,745</b>	<b>(37,546)</b>	<b>16,200</b>
		1,390	Other Operating Expenditure	<b>8</b>			1,528
		2,201	Financing and Investment Income and Expenditure	<b>9</b>			2,142
		(13,426)	Taxation and Non-Specific Grant Income	<b>10</b>			(13,235)
		<b>(1,290)</b>	<b>(Surplus) or Deficit on Provision of Services</b>				<b>6,635</b>
		(3,514)	Remeasurements of the net defined benefit liability	<b>21</b>			(4,335)
		(1,783)	(Surplus) or deficit on revaluation of Property, Plant and Equipment	<b>44</b>			(1,571)
		<b>(5,297)</b>	<b>Other Comprehensive Income and Expenditure</b>				<b>(5,906)</b>
		<b>(6,587)</b>	<b>Total Comprehensive Income and Expenditure</b>				<b>729</b>

## Balance Sheet

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

2018/19 £'000		Notes	2019/20 £'000
198,056	Property, Plant & Equipment	22	194,429
330	Heritage Assets	25	330
4,935	Long-term Investments	31	4,759
3,017	Long-term Debtors	32	7,688
<b>206,338</b>	<b>Non-Current Assets</b>		<b>207,206</b>
22,000	Short-term Investments	33	20,000
149	Assets held for sale	34	(0)
235	Inventories	35	276
5,644	Short-term Debtors	36	5,982
2,661	Cash and Cash Equivalents	38	3,843
<b>30,689</b>	<b>Current Assets</b>		<b>30,101</b>
(4,237)	Short-term Creditors	39	(6,854)
(555)	Provisions	41	(565)
(1,781)	Short-term Borrowing	28	(1,833)
<b>(6,573)</b>	<b>Current Liabilities</b>		<b>(9,252)</b>
(948)	Long-term Creditors	40	(1,663)
(38,937)	Long-term Borrowing	28	(37,104)
(59,379)	Other Long Term Liabilities	47	(58,765)
-	Capital Grants Receipts in Advance	40	(62)
<b>(99,264)</b>	<b>Long Term Liabilities</b>		<b>(97,594)</b>
<b>131,190</b>	<b>Net Assets</b>		<b>130,461</b>
40,944	Usable Reserves	42	43,053
90,246	Unusable reserves	43	87,408
<b>131,190</b>	<b>Total Reserves</b>		<b>130,461</b>

## Cash Flow Statement

This section shows what cash we spend and receive

2018/19			2019/20
£'000		Notes	£'000
1,290	Net surplus or (deficit) on the provision of services		(6,635)
5,768	Adjustments to net surplus or deficit on the provision of services for non-cash movements	50	12,533
(1,848)	Adjustments for items included in the net surplus on the provision of services that are investing and financing activities (See note references)	51	(1,937)
<b>5,210</b>	<b>Net cash flows from Operating Activities</b>		<b>3,961</b>
(7,645)	Investing Activities	53	(876)
(1,796)	Financing Activities	54	(1,903)
<b>(4,231)</b>	<b>Net increase or (decrease) in cash and cash equivalents</b>		<b>1,182</b>
6,892	Cash and cash equivalents at the beginning of the reporting period		2,661
<b>2,661</b>	<b>Cash and cash equivalents at the end of the reporting period</b>	38	<b>3,843</b>

## 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 the Cost of Services are detailed on the next page.

Restated*	2018/19			2019/20		
Net Expenditure Chargeable to the GF and HRA Balances	Adjustments	Net Expenditure in the CIES		Net Expenditure Chargeable to the GF and HRA Balances	Adjustments	Net Expenditure in the CIES
£'000	£'000	£'000		£'000	£'000	£'000
142	111	252	Community Development	144	103	247
1,672	325	1,996	Corporate Management	2,534	673	3,207
(510)	390	(120)	Car Parks	(518)	429	(89)
729	(749)	(19)	Customer Services	698	(698)	-
770	1,086	1,856	Environmental Services	1,002	1,183	2,185
638	(579)	59	Finance And Performance	685	(660)	24
568	(490)	78	Grounds Maintenance	530	(534)	(5)
(15)	169	155	General Fund Housing	9	80	89
(7,638)	3,871	(3,767)	Housing Revenue Account	(7,908)	8,280	372
438	(380)	57	Human Resources	471	(403)	68
917	(838)	79	I.T. Services	970	(841)	129
864	82	947	Legal & Democratic Services	1,037	3	1,040
421	609	1,030	Planning And Regeneration	1,452	1,008	2,460
543	479	1,022	Property Services	494	(43)	451
154	482	636	Revenues And Benefits	540	523	1,064
449	1,159	1,607	Recreation And Sport	660	1,394	2,053
1,768	909	2,677	Waste Services	1,817	1,086	2,904
<b>1,909</b>	<b>6,636</b>	<b>8,545</b>	<b>Cost of Services</b>	<b>4,617</b>	<b>11,582</b>	<b>16,200</b>
(1,928)	(7,907)	(9,835)	Other Income and Expenditure	(4,385)	(5,180)	(9,565)
<b>(19)</b>	<b>(1,271)</b>	<b>(1,290)</b>	<b>(Surplus) or Deficit on Provision of Services</b>	<b>232</b>	<b>6,402</b>	<b>6,635</b>
<b>(30,605)</b>	<b>Opening General Fund and HRA Balances as at 1 April</b>			<b>(35,178)</b>		
(3,502)	Transfers (to)/from Earmarked Reserves			(1,304)		
(1,051)	Transfer from Capital Grants Unapplied to Earmarked Reserve			-		
(19)	(Surplus) or Deficit on Provision of Services			232		
<b>(35,178)</b>	<b>Closing General Fund and HRA Balances as at 31 March</b>			<b>(36,250)</b>		

\*2018/19 figures in the Net Expenditure Chargeable to the GF and HRA Balances column have been restated to allow for the following:

- Other Income and Expenditure total for 2018/19 adjusted to include £613k HRA transfer to Earmarked Reserves
- Opening General Fund and HRA Balances for 2018/19 adjusted to eliminate addition error
- Transfers (to)/from Earmarked Reserves and Transfer from Capital Grants Unapplied to Earmarked Reserve totals have been included to arrive at the GF and HRA closing balances as shown in the Movement in Reserves Statement.

## Adjustments Showing within the Expenditure and Funding Analysis

2018/19								2019/20						
Past Service Cost	Current Service Cost	Salary Accruals	Recharges	Capital Charges	Other Adjustments	Total Adjustments		Past Service Cost	Current Service Cost	Salary Accruals	Recharges	Capital Charges	Other Adjustments	Total Adjustments
£'000	£'000	£'000	£'000	£'000	£'000	£'000		£'000	£'000	£'000	£'000	£'000	£'000	£'000
-	4	2	64	42	-	111	Community Development	2	4	0	54	43	-	103
-	489	1	(165)	-	-	325	Corporate Management	314	514	5	(160)	-	-	673
-	-	-	192	198	-	390	Car Parks	-	-	-	230	200	-	429
-	39	9	(797)	-	-	(749)	Customer Services	24	40	(4)	(758)	-	-	(698)
-	48	2	616	419	-	1,086	Environmental Services	30	49	4	734	366	-	1,183
-	28	4	(611)	-	-	(579)	Finance And Performance	18	29	(0)	(707)	-	-	(660)
-	24	1	(528)	13	-	(490)	Grounds Maintenance	12	20	(1)	(586)	20	-	(534)
-	13	1	19	136	-	169	General Fund Housing	7	11	2	43	17	-	80
-	253	-	-	3,121	497	3,871	Housing Revenue Account	163	268	-	-	6,684	1,165	8,279
-	14	3	(397)	-	-	(380)	Human Resources	9	15	1	(428)	-	-	(403)
-	30	4	(919)	47	-	(838)	I.T. Services	19	31	3	(977)	82	-	(841)
-	24	3	55	-	-	82	Legal & Democratic Services	17	27	2	(42)	-	-	3
-	97	6	506	-	-	609	Planning And Regeneration	61	99	5	488	356	-	1,008
-	31	4	(619)	1,064	-	479	Property Services	22	36	0	(764)	663	-	(43)
-	35	(2)	449	-	-	482	Revenues And Benefits	23	38	3	459	-	-	523
-	104	8	363	684	-	1,159	Recreation And Sport	67	109	-	490	728	-	1,394
-	113	(9)	387	418	-	909	Waste Services	77	126	6	388	489	-	1,086
-	<b>1,346</b>	<b>37</b>	<b>(1,385)</b>	<b>6,142</b>	<b>497</b>	<b>6,636</b>	<b>Net Cost of Services</b>	<b>865</b>	<b>1,416</b>	<b>25</b>	<b>(1,534)</b>	<b>9,646</b>	<b>1,165</b>	<b>11,582</b>



## Expenditure and Income Analysed by Nature

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

		2018/19	2019/20
	Notes	£'000	£'000
<b>Expenditure</b>			
Employee benefits		16,655	18,520
Other services		26,801	27,034
Depreciation, amortisation and impairment	18	5,655	9,003
Interest payments	9	2,797	2,668
Precepts and levies	8	1,556	1,715
<b>Total Expenditure</b>		<b>53,464</b>	<b>58,940</b>
<b>Income</b>			
Fees, charges and other service income		(40,348)	(37,462)
Interest and investment income	9	(596)	(525)
Income from council tax, NNDR, RSG and other government grants including NHB	10	(13,426)	(13,235)
Gain on the disposal of assets	8	(384)	(1,083)
<b>Total Income</b>		<b>(54,754)</b>	<b>(52,305)</b>
<b>(Surplus) or deficit on the provision of services</b>		<b>(1,290)</b>	<b>6,635</b>

## 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 2020 for 2019/20).

In compiling the 2019/20 accounts, the effects of these standards have not yet been assessed.

In response to the Covid 19 pandemic, CIPFA/LASAAC deferred the implementation of IFRS 16 Leases in the public sector until 1 April 2021. This will require lessees to recognise assets subject to leases as right-of-use assets on their balance sheet, along with corresponding lease liabilities (there are exceptions for low-value and short-term leases).

### 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 and adjusted for any material movements during 2019/20. This includes an estimation of the impact that the Covid 19 lockdown will have on rates of debt recovery.
  - c) Asset lives for the calculation of depreciation charges - based on service managers' experience of previously used assets.
  - d) 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.
- e) Estimating the total amount of housing benefit overpayments at the year end based on the balance at the end of month 11.
  - f) Expected reviews of the future level of funding for local government have caused a high degree of uncertainty. This has been compounded by the Covid 19 pandemic and lockdown which began on 20 March 2020. The impact of this on the finances of this Authority will be material with income streams reduced and some necessary reactive expenditure. The extent to which Authorities will be reimbursed for these impacts has not yet been clarified. However, the Authority has determined that mitigations, including reliance on short term reserves and expressions of intentions of support from central government, are sufficient to provide an indication that the assets of the Authority might not be impaired as a result of a need to close facilities and reduce levels of service provision.

### 3 Material Items of Income and Expenditure

The Authority has a 100% interest in its subsidiary 3 Rivers Developments Ltd which builds quality homes in the Mid Devon area. The Authority has provided loan funding to enable the activities of the company. The ability of the company to repay these loans is regularly reviewed to examine whether an expected credit loss arises as defined in IFRS 9.

As a result, the working capital loan which is expected to be repaid from profits arising on developments, has been impaired by £173k (loan value at 31 March 2020 - £656k).

A further impairment has been made in respect of one of the developments of £617k to reflect cost overruns affecting the project (loan value at 31 March 2020 - £3,718k).

The meaning of “impairment” is explained further in the Glossary on page 145.

### 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 2020 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
22	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 £39,230k (excl. Council Houses) would increase by £35k for every year that useful lives had to be reduced.

Note	Item	Uncertainties	Effect if Actual results Differ
21	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 £117.037m and a 1 year increase in life expectancy assumptions would increase the closing defined benefit obligation to £124.141m. However the assumptions interact in complex ways.
41	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.
	Arrears	At 31 March 2020, the Authority had a gross sundry debtors balance of £873k. A review of significant balances suggested that a provision for doubtful debts of 38% or £333k was appropriate (£209k of which relates to DARS). Allowance has been made in this provision for the economic effects of Covid 19. However, given the nescience surrounding the current economic climate, it is not certain whether such an allowance will be sufficient.	If we were to provide for 1% more of the arrears, the provision value would increase by approximately £5k.

Note	Item	Uncertainties	Effect if Actual results Differ
	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. In particular, Covid 19 has impacted global markets and the current response to the pandemic presents an unprecedented set of circumstances on which to base valuations. There is also likely to be commercial disruption arising from the UK's departure from the EU, with the transition period scheduled to expire at the end of this year. Whilst these factors are recognised, it is not possible to reliably quantify their effects, and so, the valuations have been reported on the basis of 'material valuation uncertainty' in accordance with the RICS Red Book Global. Consequently less certainty and a higher degree of caution should be attached to them than would normally be the case.
	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 could 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

2019/20	Usable Reserves					
	General Fund	Housing Revenue	Capital Receipts	Major Repairs	Capital Grants	Movement
	Balance	Account	Reserve	Reserve	Unapplied	in Unusable
	£'000	£'000	£'000	£'000	£'000	Reserves
						£'000
<b>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement</b>						
<b>Adjustments involving the Capital Adjustment Account</b>						
Charges for depreciation and impairment of non current assets	(1,937)	(2,532)	-	-	-	4,469
Revaluation (losses)/gains on Property, Plant and Equipment	(382)	(4,152)	-	-	-	4,534
Amortisation of intangible assets	-	-	-	-	-	-
Impairment of current assets	(667)	-	-	-	-	667
Capital grants and contributions applied	132	734	-	-	-	(866)
Income in relation to donated assets	-	-	-	-	-	-
Useable Capital Receipts applied in year	-	-	-	-	-	-
Revenue expenditure funded from capital under statute	(1,239)	-	-	-	-	1,239
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	(111)	(1,740)	-	-	-	1,851
<b>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement</b>						
Statutory provision for the financing of capital investment	419	955	-	-	-	(1,374)
Capital expenditure charged against the General Fund and HRA balances	776	859	-	-	-	(1,635)
<b>Adjustments primarily involving the Capital Grants Unapplied Account</b>						
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	498	-	-	-	(498)	-
Application of grants to capital financing transferred to the Capital Adjustment Account	-	-	-	-	999	(999)
<b>Adjustments involving the Capital Receipts Reserve</b>						
Transfer of sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	75	2,859	(2,934)	-	-	-
Use of the Capital Receipts Reserve to finance new capital expenditure	-	-	463	-	-	(463)
Contribution from the Capital Receipts Reserve towards administrative costs of non current asset disposals	-	(38)	38	-	-	-
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	(895)	-	895	-	-	-
Right to Buy Discounts repaid	-	-	-	-	-	-
<b>Balance carried forward</b>	<b>(3,331)</b>	<b>(3,055)</b>	<b>(1,538)</b>	<b>-</b>	<b>501</b>	<b>7,423</b>

2019/20 - 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
<b>Balance brought forward</b>	(3,331)	(3,055)	(1,538)	-	501	7,423
<b>Adjustments involving the Deferred Capital Receipts Reserve</b>						
Transfer of deferred sale proceeds as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	-	-	-	-	-	-
<b>Adjustment involving the Major Repairs Reserve</b>						
Reversal of Major Repairs Allowance credited to the HRA	-	2,532	-	(2,532)	-	-
Use of the Major Repairs Allowance to finance new capital expenditure	-	-	-	1,984	-	(1,984)
Interest credited to the Major Repairs Reserve	-	-	-	-	-	-
<b>Adjustments involving the Financial Instruments Adjustment Account</b>						
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	(177)	-	-	-	-	177
<b>Adjustment involving the Pensions Reserve</b>						
Actuarial past service gain adjustment	-	-	-	-	-	-
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(5,997)	(431)	-	-	-	6,428
Employer's pension contributions and direct payments to pensioners payable in the year.	2,707	-	-	-	-	(2,707)
<b>Adjustment involving the Collection Fund Adjustment Account</b>						
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statements is different from council tax income calculated for the year in accordance with statutory requirements	(20)	-	-	-	-	20
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	649	-	-	-	-	(649)
<b>Adjustment involving the Accumulating Compensated Absences Adjustment Account</b>						
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(25)	(11)	-	-	-	36
<b>Total Adjustments</b>	<b>(6,194)</b>	<b>(965)</b>	<b>(1,538)</b>	<b>(548)</b>	<b>501</b>	<b>8,744</b>



2018/19	Usable Reserves						
	General Fund Balance £'000	Housing Revenue Account £'000	Capital Receipts Reserve £'000	Major Repairs Reserve £'000	Capital Grants Unapplied £'000	Total Usable Reserves £'000	Movement in Unusable Reserves £'000
<b>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</b>							
<b>Adjustments involving the Capital Adjustment Account:</b>							
Charges for depreciation and impairment of non current assets	(1,780)	(2,469)	-	-	-	-	4,249
Revaluation (losses)/gains on Property, Plant and Equipment	(756)	(652)	-	-	-	-	1,408
Amortisation of intangible assets	-	-	-	-	-	-	-
Capital grants and contributions applied	-	183	-	-	-	-	(183)
Income in relation to donated assets	-	-	-	-	-	-	-
Useable Capital receipts applied in year	-	-	-	-	-	-	-
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:	-	-	-	-	-	-	-
<b>Statutory provision for the financing of capital investment</b>	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	-	-	-	-	-	-	-
<b>Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement</b>	1,192	-	-	-	(1,192)	-	-
Application of grants to capital financing transferred to the Capital Adjustment Account	-	-	-	-	929	-	(929)
<b>Adjustments involving the Capital Receipts Reserve:</b>							
Transfer of sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	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	-	-	-	-
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:	-	-	-	-	-	-	-
<b>Transfer of deferred sale proceeds as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement</b>	-	-	-	-	-	-	-
<b>Balance carried forward</b>	<b>(1,729)</b>	<b>547</b>	<b>(119)</b>	<b>-</b>	<b>(263)</b>	<b>-</b>	<b>1,565</b>

2018/19 - 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
<b>Balance brought forward</b>	(1,729)	547	(119)	-	(263)	-	1,565
<b>Adjustment involving the Major Repairs Reserve</b>							
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)
Interest credited to the Major Repairs Reserve	-	-	-	-	-	-	-
<b>Adjustments involving the Financial Instruments Adjustment Account:</b>							
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	76	-	-	-	-	-	(76)
<b>Adjustment involving the Pensions Reserve</b>							
Actuarial past service gain adjustment	-	-	-	-	-	-	-
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)
<b>Adjustment involving the Collection Fund Adjustment Account</b>							
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statements is different from council tax income calculated for the year in accordance with statutory requirements	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
<b>Adjustment involving the Accumulating Compensated Absences Adjustment Account</b>							
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements.	(37)	4	-	-	-	-	33
<b>Total Adjustments</b>	<b>(4,609)</b>	<b>2,378</b>	<b>(119)</b>	<b>-</b>	<b>(263)</b>	<b>-</b>	<b>2,614</b>

## 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 2019/20. Reserves indicated with an asterisk (\*) are held for capital purposes.

General Fund - Revenue Earmarked Reserves	Balance at 1/4/18	Movement	Balance at 31/3/19	Movement	Balance at 31/3/20
	£'000	£'000	£'000	£'000	£'000
RCCO* Earmarked Reserves	482	(67)	415	(114)	301
Maintenance & Amenity Reserve (S106 Funds)	964	1,480	2,444	(630)	1,815
Misc. General Fund Reserves	1,628	(262)	1,366	168	1,534
New Homes Bonus	2,673	81	2,754	745	3,499
NNDR Reserve	560	612	1,172	(452)	721
Statutory Development Plan	240	280	520	(44)	476
Vehicle, Plant, Equipment and Maintenance Sinking Funds	1,990	686	2,676	(1,321)	1,355
Private Sector Housing Grants Earmarked Reserves	1,105	(45)	1,060	(755)	305
Garden Village Reserve	528	144	672	7	678
Property Maintenance Reserve	197	400	597	176	773
Waste Infrastructure	-	-	-	1,250	1,250
Economic Development Reserve	101	-	101	-	101
Community Housing Reserve	128	(14)	115	(3)	111
Homelessness Support Reserve	92	133	225	83	307
Leisure Maintenance Reserve	-	-	-	224	224
General Fund Shops Maintenance Reserve	-	237	237	-	237
<b>Total Revenue Earmarked Reserves</b>	<b>10,689</b>	<b>3,665</b>	<b>14,354</b>	<b>(665)</b>	<b>13,688</b>

\*RCCO – Revenue contributions to capital outlay.

The table above shows the General Fund Earmarked Reserves balances held at 31 March 20. Those with balances over £100k have been identified separately. The Miscellaneous General Fund Reserves relate to a large number of smaller reserves that are for specific projects that will be delivered in 2020/21 and future years eg the Rough Sleeping Initiative (£34k), Flood Defences Bampton (£67k) and Cullompton Rail Station (£40k). The £3.5m held in the New Homes Bonus is non-ring fenced. Primarily it will be used to help invest and maintain the Authority's General Fund assets. It may also be used to support short term service provision and Economic Development projects. The maintenance and amenity reserve is a collection of Section 106 contributions being used to fund costs of additional play parks and amenity provision included in various planning agreements. The vehicle, plant, equipment and maintenance sinking funds are for the future replacement of major assets. The Waste Infrastructure is intended to be used to purchase land for a unified waste/grounds maintenance depot. A full breakdown of the earmarked reserves is provided in the outturn report presented at the July Cabinet meeting.

<b>Housing Revenue Account - Revenue Earmarked Reserves</b>	<b>Balance at 1/4/18</b>	<b>Movement</b>	<b>Balance at 31/3/19</b>	<b>Movement</b>	<b>Balance at 31/3/20</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Housing Maintenance Fund	13,134	439	13,573	625	14,198
HRA - PWLB Loan Premium Deficit	1,538	614	2,152	659	2,811
HRA Affordable Rent surplus	-	-	-	49	49
Renewable Energy Fund	526	43	569	106	674
Sewage Treatment Works	30	-	30	-	30
<b>Total Revenue Earmarked Reserves</b>	<b>15,227</b>	<b>1,096</b>	<b>16,323</b>	<b>1,439</b>	<b>17,762</b>

## 7 Transfers to/from Capital Grants Unapplied

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

Total Funds Unapplied	Balance at 1/4/18 £'000	Transfers In £'000	Transfers Out £'000	Reclassification To Revenue Reserve £'000	Balance at 31/3/19 £'000	Transfers In £'000	Transfers Out £'000	Balance at 31/3/20 £'000
Repaid PSH Grants	73	-	-	-	73	-	-	73
Affordable Housing Contributions	1,074	184	(580)	-	678	25	(18)	686
Air Quality Fund - Cullompton	289	-	-	(289)	-	-	-	-
Air Quality Fund - Crediton	762	-	-	(762)	-	-	-	-
Planning Delivery Grant	198	-	-	-	198	-	(198)	-
Devon County Council Funding	20	-	-	-	20	-	-	20
DCLG DFG grant	518	1,008	(349)	-	1,177	473	(783)	867
<b>Total Capital Grants Unapplied</b>	<b>2,934</b>	<b>1,192</b>	<b>(929)</b>	<b>(1,051)</b>	<b>2,146</b>	<b>498</b>	<b>(999)</b>	<b>1,646</b>

## 8 Other Operating Expenditure

	2018/19 £'000	2019/20 £'000
Parish Council precepts payable	1,556	1,715
Payments to the Government Housing capital receipts pool	218	895
(Gains)/Losses on the disposal of non current assets	(384)	(1,083)
<b>Total</b>	<b>1,390</b>	<b>1,528</b>

## 9 Financing and Investment Income and Expenditure

	2018/19 £'000	2019/20 £'000
Interest payable and similar charges	1,259	1,228
Net interest on the net defined benefit liability	1,538	1,440
Interest receivable and similar income	(520)	(702)
Gains / Losses recognised under IFRS 9 Financial Instruments*	(76)	177
<b>Total</b>	<b>2,201</b>	<b>2,142</b>

\*The Council has invested £5m in the Church Charities and Local Authority (CCLA) Local Authorities' Mutual Investment Trust (LAMIT) Property Fund, which is carried in the Balance Sheet at its fair value of £4.759m, this is an overall loss of £241k since the investment in 2015/16. The in-year loss of £177k 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

	2018/19 £'000	2019/20 £'000
Council tax income (including Parish Council Precepts receivable)	(7,209)	(7,596)
Non domestic rates	(3,704)	(3,122)
Non-ring-fenced government grants	(1,138)	(1,749)
Capital grants and contributions	(1,375)	(768)
<b>Total</b>	<b>(13,426)</b>	<b>(13,235)</b>

## 11 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 £146k under operating leases in 2019/20 (£154k in 2018/19) comprising of the following elements:

	2018/19 £'000	2019/20 £'000
Land & Buildings	145	140
Vehicles, Plant & Equipment	9	6
<b>Total</b>	<b>154</b>	<b>146</b>

For future liabilities for Finance and Operating Leases see note 57.

### Authority as a Lessor

The gross value of assets held for use in operating leases as at 31 March 2020 was £11,372k (£12,594k at 31 March 2019)

	2018/19			2019/20		
	Gross Value £'000	Net Book Value £'000	Rental Income £'000	Gross Value £'000	Net Book Value £'000	Rental Income £'000
HRA Shops	1,221	1,221	(107)	1,201	1,201	(108)
General Fund Shops	4,021	4,021	(443)	3,456	3,456	(370)
Other GF Land & Buildings	5,946	5,946	(119)	5,287	5,287	(124)
Industrial Units	1,406	1,406	(101)	1,428	1,428	(102)
<b>Total</b>	<b>12,594</b>	<b>12,594</b>	<b>(770)</b>	<b>11,372</b>	<b>11,372</b>	<b>(704)</b>

The reduction in the General Fund Shops rental income is due to vacant units and rent reductions following rent reviews.

The Council also received £414k from the rental of Garages and £12,100k from Council Houses (£12,182k 2018/19). For more information see the Housing Revenue Account notes.

## 12 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	2018/19		2019/20	
	Number of Employees	Left During Year	Number of Employees	Left During Year
£50,000 - £54,999	5	-	3	-
£55,000 - £59,999	1	-	3	1
£60,000 - £64,999	-	-	1	1
£65,000 - £69,999	1	-	1	-
£70,000 - £74,999	-	-	1	1
£75,000 - £79,999	3	-	1	-
£80,000 - £84,999	-	-	-	-
£85,000 - £89,999	-	-	1	-
£90,000 - £94,999	-	-	-	-
£95,000 - £99,999	-	-	-	-
£100,000 - £104,999	-	-	-	-
£105,000 - £109,999	1	-	-	-
£110,000 - £114,999	-	-	1	-

The above table includes two employees who received a termination payment in 2019/20. These employees are included in the Termination Benefit note. 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 2019/20 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 2019/20.



Post Title	Financial Year	Salary (Including Allowances) £	Total Remuneration excluding pension contributions £	Pension Contributions £	Total Remuneration including pension contributions £
<b>Chief Executive</b>	<b>2019/20</b>	111,281	111,281	16,358	127,640
	<b>2018/19</b>	109,112	109,112	16,040	125,152
<b>Deputy Chief Executive (S151)</b>	<b>2019/20</b>	86,200	86,200	11,936	98,136
	<b>2018/19</b>	78,688	78,688	11,567	90,255
<b>Director of Corporate Affairs &amp; Business Transformation</b>	<b>2019/20</b>	77,394	77,394	11,377	88,771
	<b>2018/19</b>	75,875	75,875	11,154	87,029
<b>Director of Operations. Note 3</b>	<b>2019/20</b>	60,605	60,605	8,580	69,185
	<b>2018/19</b>	75,875	75,875	11,154	87,029
<b>Head of Planning &amp; Regeneration</b>	<b>2019/20</b>	67,765	67,765	9,962	77,727
	<b>2018/19</b>	66,437	66,437	9,766	76,203
<b>Head of Legal and Monitoring Officer. Note 4</b>	<b>2019/20</b>	58,482	58,482	8,597	67,079
	<b>2018/19</b>	-	-	-	-

#### Notes

1. The amounts included in the two previous tables are shown gross of any related tax which would be levied.
2. The primary pension rate of 14.7% has been used for the 2019/20 pension contributions figures.
3. The Director of Operations left the Authority on 02-01-2020.
4. As from the 01-01-2020 the Group Manager for Legal Services became the Head of Legal and reports directly to the Chief Executive. The total salary for 2019/20 is included in the above table.

### 13 Termination Benefits

2019/20				
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	-	13	13	23
£20,000 - £39,999	-	2	2	73
£40,000 - £59,999	-	-	-	-
£60,000 - £79,999	-	-	-	-
<b>Total</b>	<b>-</b>	<b>15</b>	<b>15</b>	<b>96</b>

During 2019/20 a number of settlement agreements 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.

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	-	-	-	-
<b>Total</b>	<b>1</b>	<b>9</b>	<b>10</b>	<b>47</b>

## 14 External Audit Costs

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

	2018/19 £'000	2019/20 £'000
Fees payable with regard to the annual audit fee	37	44
Fees payable for the certification of claims and returns	18	14
Additional Fee relating to previous year's audit	-	5
Tax advice	-	-
<b>Total</b>	<b>55</b>	<b>63</b>

Included within the 2019/20 annual audit fee is an additional £7.5k fee relating to changes in the audit scope. There is an additional £4.5k relating to changes to the audit scope for 2018/19.

## 15 Related Party Transactions

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

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

Members of the Council have direct control over the Council's financial and operating policies. The Council's constitution requires members to declare their interests in related parties in a register of interests, which is available for public inspection via our website. In addition, Members are asked to declare separately any transactions with the Authority.

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 Ltd - One Senior Officer and one Councillor of Mid Devon District Council are appointed as directors of 3 Rivers Developments Ltd. In 2019/20 loans of £6.448m (£1.863m 2018/19) were made to 3 Rivers and will be repaid on a commercial basis.

## 16 Members' Allowances and Expenses

	2018/19 £'000	2019/20 £'000
Allowances	293	302
Expenses	19	22
<b>Total</b>	<b>312</b>	<b>324</b>

## 17 Acquired and/or Discontinued Activities

The Council did not acquire any new activities or discontinue any existing ones during 2019/20.

## 18 Depreciation and Impairment of Non Current Assets

During 2019/20 the Council bought back 3 previously sold right to buy properties and brought into use 26 new build council homes. These are bought into our accounts at cost and then revalued with an adjustment factor to adjust the value to Existing Use Value - Social Housing (EUV-SH). The discount factor of 35% has been used in 2019/20. See notes 27 and 58 for further details.

	2018/19 £'000	2019/20 £'000
Depreciation	4,248	4,469
Amortisation of intangible assets	-	-
Heritage assets	-	-
Net reversal of impairment of non current assets	1,407	4,534
<b>Total</b>	<b>5,655</b>	<b>9,003</b>

## 19 Minimum Revenue Provision

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

	2018/19 £'000	2019/20 £'000
<b>Housing Revenue Account - Minimum Revenue Provision</b>		
HRA self-financing settlement	916	911
Housing developments after 1/4/13	45	43
Finance leases	-	-
	<b>961</b>	<b>954</b>
<b>General Fund - Minimum Revenue Provision</b>		
Assets acquired prior to 1/4/13	66	63
Assets acquired by PWLB loans after 1/4/13	155	155
Assets funded from internal borrowing	-	78
Finance leases	65	122
	<b>286</b>	<b>419</b>

## 20 Insurance

All major risks have been identified and are insured with applicable excesses. There were no major claims outstanding as at the 31/03/2020. A £86k reserve is held in respect of our liability going back some years with Municipal Mutual Insurance Limited (MMI).

## 21 Pensions

All of the pension figures included in the 2019/20 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.

### *Impact of McCloud /Sargeant judgment*

The Scheme Advisory Board, with consent of the Ministry of Housing, Communities and Local Government (MHCLG), commissioned GAD to report on the possible impact of the McCloud/Sargeant judgement on LGPS liabilities. This followed an April 2019 CIPFA briefing note which said that local authorities should consider the materiality of the impact. This analysis was to be carried out on a "worst-case" basis, (i.e. what potential remedy would incur the highest increase in costs/liabilities).

Barnett Waddingham, the council's actuary undertook an impact assessment of the analysis provided by GAD to estimate the possible impact of the McCloud/Sargeant judgement for Mid Devon DC.

GAD estimated the impact on past service liabilities to be 3.2% of active liabilities based on a salary increase assumption of CPI plus 1.5% p.a.

>Adjusting this to reflect the Employer's own salary increase assumption (which is that salaries will increase at 1.0% p.a. above CPI), gives an estimated impact of 2.1% of active liabilities.

>Adjusting this to allow for the additional accrual of liabilities since 31 March 2019 and an approximate adjustment to strip out members who joined the Scheme who are unlikely to be affected by the outcome of the judgement gives an estimated impact of 2.0% of active liabilities.

>**This is equivalent to 0.7% of the Employer's total liabilities at the accounting date** (i.e. active liabilities are estimated to be 35% of the Employer's total liabilities at the accounting date).

GAD estimated the impact on the service cost to be 3.0% of payroll based on a salary increase assumption of CPI plus 1.5% p.a.

>Adjusting this to reflect the Employer's own salary increase assumption (as set out above), gives an estimated impact of 2.0% of payroll.

>Making an approximate adjustment to strip out members who are unlikely to be affected by the outcome of the judgement gives an estimated impact of 1.0% of payroll.

>**This is equivalent to 3.1% of the projected service cost.**

#### *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	
	2018/19	2019/20	2018/19	2019/20
	£'000	£'000	£'000	£'000
Present value of the defined benefit obligation	124,336	118,420	1,053	980
Fair value of plan assets	(66,010)	(60,635)	-	-
<b>Net liability from defined benefit obligation</b>	<b>58,326</b>	<b>57,785</b>	<b>1,053</b>	<b>980</b>

## Pensions - Comprehensive Income and Expenditure Statement

	Local Government Pension Scheme		Discretionary Benefit Arrangements	
	2018/19	2019/20	2018/19	2019/20
	£'000	£'000	£'000	£'000
<b>Cost of Services</b>				
<b>Service cost comprising:</b>				
Current service cost	3,964	4,123	-	-
Past service costs	-	865	-	-
Net interest expense	1,497	1,392	-	-
Administrative expenses	41	48	-	-
<b>Total Post-employment Benefits charged to the Surplus or Deficit on the Provision of Services</b>	<b>5,502</b>	<b>6,428</b>	-	-
<b>Other Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement</b>				
<b>Remeasurement of the net defined benefit liability comprising:</b>				
Return on plan assets (excluding the amount included in the net interest expense)	(2,093)	7,001	-	-
Actuarial gains and losses arising on changes in demographic assumptions	(7,182)	(1,516)	-	-
Actuarial gains and losses arising on changes in financial assumptions.	5,761	(9,845)	-	-
Other actuarial gains and losses		25	-	-
<b>Total Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement</b>	<b>(3,514)</b>	<b>(4,335)</b>	-	-
<b>Movement in Reserves Statement</b>				
Reversal of net charges made to the surplus or Deficit on the Provision of Services for post-employment benefits in accordance with the Code.	5,502	6,428	-	-
<b>Actual amount charged against the General Fund Balance for pensions in the year:</b>				
Employers' contributions payable to the scheme	2,618	2,707	-	-
Retirement benefits payable to pensioners			3,082	3,292



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

	Local Government Pension		Discretionary Benefit Arrangements	
	2018/19 £'000	2019/20 £'000	2018/19 £'000	2019/20 £'000
Opening fair value of scheme assets	62,161	66,010	-	-
Interest income	1,588	1,586	-	-
<b>Remeasurement gain / (loss):</b>				
- The return on plan assets, excluding the amount included in the net interest expense	2,093	(7,001)	-	-
- Other	(41)	(73)	-	-
Contributions from employer	2,618	2,707	-	-
Contributions from employees into the scheme	673	698	-	-
Benefits paid	(3,082)	(3,292)	-	-
<b>Closing fair value of scheme assets</b>	<b>66,010</b>	<b>60,635</b>	-	-

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

	Funded Liabilities: Local Government Pension Scheme		Unfunded Liabilities: Discretionary Benefits	
	2018/19 £'000	2019/20 £'000	2018/19 £'000	2019/20 £'000
<b>Opening balance at 1 April</b>	122,617	125,923	(447)	(534)
Current service cost	3,964	4,123	-	-
Interest cost	3,085	2,978	-	-
Contributions from scheme participants	673	698	-	-
<b>Remeasurement (gains) and losses:</b>				
- Actuarial gains and losses arising on changes in demographic assumptions	(7,182)	(1,516)	-	-
- Actuarial gains and losses arising on changes in financial assumptions.	5,761	(12,414)	-	-
- Other	-	2,569	-	-
Past service cost	-	865	-	-
Benefits paid	(2,995)	(3,205)	(87)	(87)
<b>Closing balance at 31 March</b>	<b>125,923</b>	<b>120,021</b>	<b>(534)</b>	<b>(621)</b>

## 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 2019 and has then been updated for estimated fund returns, asset statement, market returns, income and expenditure or as at the 31 March 2020.

The significant assumptions used by the actuary have been:

	Local Government Pension Scheme	
	2018/19	2019/20
<b>Mortality assumptions:</b>		
Longevity at 65 for current pensioners		
- Men	22.4	22.9
- Women	24.4	24.1
Longevity at 65 for future pensioners		
- Men	24.1	24.3
- Women	26.2	25.5
Rate of inflation	2.4%	1.9%
Rate of increase in salaries	3.9%	2.9%
Rate of increase in pensions	2.4%	1.9%
Rate for discounting scheme liabilities	2.4%	2.35%

**Local Government Pension Scheme assets comprised:**

	Fair value of scheme assets	
	2018/19 £'000	2019/20 £'000
Cash and cash equivalents	1,123	706
<b>Equities:</b>		
UK	10,850	8,069
Overseas	28,171	26,076
<b>Sub-total equities</b>	<b>39,021</b>	<b>34,145</b>
<b>Bonds:</b>		
- Gilts	2,129	2,586
- Other Bonds	1,268	3,177
<b>Sub-total bonds</b>	<b>3,397</b>	<b>5,763</b>
<b>Other investments:</b>		
- Infrastructure	2,483	2,613
- Property	5,914	5,712
- Target Return Portfolio	9,435	7,962
- Alternative Assets	3,534	3,734
- Private Equity	1,103	-
<b>Sub-total other investment funds</b>	<b>22,469</b>	<b>20,021</b>
<b>Total assets</b>	<b>66,010</b>	<b>60,635</b>

## 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
<b>Adjustment to discount rate</b>	<b>+0.1%</b>	<b>0.0%</b>	<b>-0.1%</b>
Present value of total obligation	117,037	119,400	121,812
Projected service cost	3,963	4,071	4,183
<b>Adjustment to long term salary increase</b>	<b>+0.1%</b>	<b>0.0%</b>	<b>-0.1%</b>
Present value of total obligation	119,631	119,400	119,171
Projected service cost	4,071	4,071	4,071
<b>Adjustment to pension increases and deferred revaluation</b>	<b>+0.1%</b>	<b>0.0%</b>	<b>-0.1%</b>
Present value of total obligation	121,590	119,400	117,254
Projected service cost	4,183	4,071	3,962
<b>Adjustment to mortality age rating assumption</b>	<b>+1 Year</b>	<b>None</b>	<b>-1 Year</b>
Present value of total obligation	124,141	119,400	114,853
+ Projected service cost	4,189	4,071	3,956

### 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 2022. 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 pay pensions and other benefits to certain public servants.

The Authority anticipates paying £2.769m contributions to the scheme in 2020/21

## 22 Property, Plant and Equipment (Movements in Balances)

2019/20	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
<b>At 1 April 2019</b>	<b>4,795</b>	<b>145,874</b>	<b>43,837</b>	<b>6,582</b>	<b>516</b>	<b>292</b>	<b>86</b>	<b>201,983</b>
Additions	39	4,006	74	1,435	-	-	-	<b>5,554</b>
Revaluation increases/(decreases) recognised in the Revaluation reserve	-	(2,362)	321	(714)	-	13	-	<b>(2,741)</b>
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	-	(4,160)	(374)	-	-	-	-	<b>(4,534)</b>
Derecognition - Disposals	(49)	(1,591)	(82)	(4)	-	-	(26)	<b>(1,751)</b>
Reclassification	(4,716)	4,790	(74)	-	-	-	-	-
<b>At 31 March 2020</b>	<b>69</b>	<b>146,558</b>	<b>43,702</b>	<b>7,300</b>	<b>516</b>	<b>305</b>	<b>60</b>	<b>198,510</b>

2019/20	Assets Under Construction	Council Dwellings	Other Land & Buildings	Vehicles Plant & Equip	Community Assets	Infrastructure Assets	Surplus Assets	Total Property, Plant and Equipment
Accumulated Depreciation and Impairment	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>At 1 April 2019</b>	-	-	-	(3,774)	(106)	(45)	-	<b>(3,925)</b>
Depreciation charge	-	(2,337)	(1,251)	(860)	(10)	(11)	(2)	<b>(4,469)</b>
Depreciation written out to the Revaluation Reserve	-	2,337	1,251	714	-	9	2	<b>4,312</b>
<b>At 31 March 2020</b>	-	-	-	<b>(3,920)</b>	<b>(115)</b>	<b>(47)</b>	-	<b>(4,082)</b>

2019/20	Assets Under Construction	Council Dwellings	Other Land & Buildings	Vehicles Plant & Equip	Community Assets	Infrastructure Assets	Surplus Assets	Total Property, Plant and Equipment
Net Book Value	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
At 31 March 2020	69	146,558	43,702	3,380	401	259	60	194,429
At 31 March 2019	4,795	145,874	43,837	2,808	410	247	86	198,058

2019/20	Assets Under Construction	Council Dwellings	Other Land & Buildings	Vehicles Plant & Equip	Community Assets	Infrastructure Assets	Surplus Assets	Total Property, plant and Equipment
Nature of asset holding	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Owned	69	146,558	43,702	2,400	401	259	60	193,449
Subject to Finance Leases	-	-	-	980	-	-	-	980

(See note 57 for finance lease information)

## Revaluations

As shown in the table below, the Council's assets are revalued each year. This involves a full valuation of 1/5 of the assets on a 5 year rolling basis whilst the remainder are subject to an indexation exercise. 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. Valuations of land and buildings were carried out by the District Valuer and the Valuation Office.

	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	69	-	-	3,380	401	159	-	4,009
<b>Valued at fair value in year</b>								
2019/20		146,558	43,702	-	-	100	60	190,420
2018/19 <b>Restated</b>	-	145,874	43,837	-	-	-	86	189,795
2017/18	-	145,221	44,457	-	-	-	86	189,764
2016/17	-	141,024	41,890	-	-	-	1,075	183,989
2015/16	-	139,422	41,489	-	-	-	-	180,911



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

2018/19	Assets Under Construction	Council Dwellings	Other Land & Buildings	Vehicles Plant & Equip	Community Assets	Infrastructure Assets	Surplus Assets	Total Property, plant and Equipment
Accumulated Depreciation and Impairment	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>At 1 April 2018</b>	<b>-</b>	<b>-</b>	<b>(6)</b>	<b>(3,417)</b>	<b>(96)</b>	<b>(34)</b>	<b>-</b>	<b>(3,553)</b>
Depreciation charge		(2,279)	(1,238)	(707)	(10)	(11)	(3)	<b>(4,248)</b>
Depreciation written out to the Revaluation Reserve	-	2,279	1,244	349	-	-	3	<b>3,875</b>
<b>At 31 March 2019</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(3,774)</b>	<b>(106)</b>	<b>(45)</b>	<b>-</b>	<b>(3,925)</b>

2018/19	Assets Under Construction	Council Dwellings	Other Land & Buildings	Vehicles Plant & Equip	Community Assets	Infrastructure Assets	Surplus Assets	Total Property, plant and Equipment
Net Book Value	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
At 31 March 2019	4,795	145,874	43,835	2,808	410	247	86	198,056

2018/19	Assets Under Construction	Council Dwellings	Other Land & Buildings	Vehicles Plant & Equip	Community Assets	Infrastructure Assets	Surplus Assets	Total Property, plant and Equipment
Nature of asset holding	£'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

## 23 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 April 2018 £'000	Expend £'000	Transfer in Year £'000	Amount Financed or Written Off £'000	Balance at 31 March 2019 £'000	Expend £'000	Transfer in Year £'000	Amount Financed or Written Off £'000	Balance at 31 March 2020 £'000
Affordable housing	-	136	-	(136)	-	18	-	(18)	-
Private Sector Housing Grants & DFG's	-	349		(349)	-	734	-	(734)	-
Cullompton Relief Road	-	-	-	-	-	471	-	(471)	-
Tiverton A361 Phase 2	-	-	-	-	-	16	-	(16)	-
Other REFCUS	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>-</b>	<b>485</b>	<b>-</b>	<b>(485)</b>	<b>-</b>	<b>1,239</b>	<b>-</b>	<b>(1,239)</b>	<b>-</b>

Capital grants received to finance these projects amounted to £596k (2018/19 £0k)

## 24 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.

	2018/19	2019/20
	£'000	£'000
<b>Opening Capital Financing Requirement</b>	<b>49,200</b>	<b>50,845</b>
<b>Capital investment</b>		
Property, Plant and Equipment	6,493	5,554
Other Capital Expenditure	-	50
Revenue Expenditure Funded from Capital under Statute	485	1,239
Loans to Third parties	2,639	6,146
Adjust Loans to Third Parties - Working Capital Loan Removed from CFR*	-	(354)
Adjust for Capital Expenditure Written Off to CIES*	-	(47)
<b>Sources of Finance</b>		
- Capital receipts applied	(1,343)	(463)
Capital Receipts - prior year adjustment.	-	-
Use of Major Repairs Allowance to finance HRA new capital expenditure	(2,081)	(1,984)
- Government grants and contributions	(1,112)	(1,865)
Sums set aside from revenue:	-	-
Direct revenue contributions	(2,188)	(1,635)
Statutory provision for the financing of capital investment	(1,247)	(1,374)
<b>Closing Capital Financing Requirement</b>	<b>50,845</b>	<b>56,112</b>
<b>Explanation of movements in year</b>		
(Decrease)/Increase in underlying need to borrowing (unsupported by government financial assistance)	1,645	5,267
<b>(Decrease)/Increase in Capital Financing Requirement</b>	<b>1,645</b>	<b>5,267</b>

\*The adjustments shown are to correct entries making up the 2018/19 Capital Financing Requirement (CFR) as follows:

- The removal of working capital loans to 3 Rivers Ltd for £354k incorrectly included within the CFR for 2018/19; and
- The removal of £47k costs included within the CFR for 2018/19 that related to a project aborted in 19/20 and written off to the CIES.

## 25 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.

	2018/19	2019/20
Art Collection Movements	£'000	£'000
<b>Cost or Valuation</b>		
<b>At 1 April 2019</b>	<b>330</b>	<b>330</b>
Additions	-	-
Donations	-	-
Disposals	-	-
Revaluation increases/(decreases)	-	-
<b>At 31 March 2020</b>	<b>330</b>	<b>330</b>

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 Bearnas Hampton and Littlewood Auctioneers and Valuers as at December 2016.

The civic regalia was valued by G W Pack Jewellers on 23 May 2013.

On the 1 June 2019, Tiverton Town Council donated a memorial stone to the Council. As there is no readily available information about sales prices for such items, the asset is included at nil value in the balance sheet.

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.

### Heritage Assets of Particular Importance

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

	2018/19	2019/20
	£'000	£'000
An oil painting on canvas being a full length portrait of George III by Sir Joshua Reynolds (British, 1723 - 1792) in an ornate giltwood and plaster frame.	250	250

### Preservation and Management

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

## 26 Commitments under Capital Contracts

	2018/19 £'000	2019/20 £'000
Various MRA works	1,700	1,638
Palmerston Park Council House Building Project	880	-
Multi-Storey Car Park - Refurbishment Project	-	738
<b>Total</b>	<b>2,580</b>	<b>2,376</b>

## 27 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 2019/20 accounts at their 31/03/20 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 2020. 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 2019/20.

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 2020.

## 28 Short-Term and Long-Term Borrowing

As at the 31/03/20 the Council had 5 long-term loans outstanding from the Public Works Loan Board (PWLb) with an outstanding balance of £38.937m.

- 1 - £35.185m to fund the Housing Revenue Account stock purchase - 25 year loan @ 2.94% maturing 28/03/37
- 2 - £16k to fund a new street sweeper - 7 year loan @ 2.18% maturing 11/03/21
- 3 - £70k to fund a recycling baler - 10 year loan @ 2.68% maturing 25/03/24
- 4 - £3.540m to fund the purchase of properties at Market Walk Tiverton and 32-34 Fore Street Tiverton - 25 year loan @ 2.61% maturing 27/03/40
- 5 - £126k to fund the purchase of leisure equipment at Exe Valley Leisure Centre - 5 year loan @ 1.7% maturing 29/03/23

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

<b>Lender</b>	<b>Maturity date</b>	<b>Balance at</b>	<b>Balance at</b>
		<b>31/03/2019</b>	<b>31/03/2020</b>
		<b>£'000</b>	<b>£'000</b>
Public Works Loan Board	< 1 year	1,781	1,833
	2 - 5 years	7,563	7,706
	Over 5 years	31,374	29,398
<b>Total loan value outstanding</b>		<b>40,718</b>	<b>38,937</b>

## 29 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 2020 and comprised land and buildings.

### 30 Financial Instruments

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

2019/20	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	1,170	-	-	-	1,170
Interest payable on finance leases	-	58	-	-	58
<b>Interest payable and similar charges</b>	<b>1,170</b>	<b>58</b>	<b>-</b>	<b>-</b>	<b>1,228</b>
Interest income	-	-	(489)	-	(489)
<b>Interest and investment income</b>	<b>-</b>	<b>-</b>	<b>(489)</b>	<b>-</b>	<b>(489)</b>
Fair Value adjustment	-	-	-	177	177
<b>Net (gain)/loss for the year</b>	<b>1,170</b>	<b>58</b>	<b>(489)</b>	<b>177</b>	<b>916</b>

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
<b>Interest payable and similar charges</b>	<b>1,220</b>	<b>39</b>	<b>-</b>	<b>-</b>	<b>1,259</b>
Interest income	-	-	(306)	-	(306)
<b>Interest and investment income</b>	<b>-</b>	<b>-</b>	<b>(306)</b>	<b>-</b>	<b>(306)</b>
Fair Value adjustment	-	-	-	(76)	(76)
<b>Net (gain)/loss for the year</b>	<b>1,220</b>	<b>39</b>	<b>(306)</b>	<b>(76)</b>	<b>877</b>



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

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

- 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:

Financial Assets	31/03/2019		31/03/2020	
	Carrying amount	Fair value	Carrying amount	Fair value
	£'000	£'000	£'000	£'000
<b>Financial Assets</b>				
Long term investment	4,935	4,935	4,759	4,759
Short term investment	22,000	22,000	20,000	20,000
Cash and cash equivalents	2,661	2,661	3,843	3,843
Loans and trade receivables	4,702	4,702	10,264	10,264
<b>Total</b>	<b>34,298</b>	<b>34,298</b>	<b>38,866</b>	<b>38,866</b>
<b>Financial Liabilities</b>				
Long term borrowing	(40,718)	(48,544)	(38,937)	(49,085)
Finance leases	(311)	(311)	(980)	(980)
Trade payables	(1,019)	(1,019)	(814)	(814)
<b>Total</b>	<b>(42,048)</b>	<b>(49,874)</b>	<b>(40,731)</b>	<b>(50,879)</b>

## **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 Council. 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. At present, the treasury policy allows the Council to invest with the main UK Banks and Building Societies, with a FITCH rating of F1 or higher, and, subject to the exception detailed below, up to a maximum value of £5m with any one institution. Once again this evidences our prudent approach to lending of surplus funds.

At the end of March 2020 approval was given by the S151 Officer and the Cabinet Member for Finance to exceed the £5m limit on deposits held with the Council's bank, Natwest, for a period of 3 months, in order to administer the Small Business Grants Fund and the Retail, Hospitality and Leisure Business Grants Fund. £22.732m was received from Government on 1<sup>st</sup> April 2020 in respect of these.

### **Fair Value Disclosure of PWLB Loans**

The fair value of Public Works Loan Board (PWLB) loans of £49.085m represents what the Council would need to pay in order to settle the outstanding loans with PWLB. The difference between the carrying amount and the fair value measures the premium on early settlement to cover the lost interest, to the PWLB, on the remaining term of the loan.

### **Fair Value Disclosure of Long Term Investments (CCLA)**

With the introduction of IFRS 9 the authority has designated the equity at 31 March 2020 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 3 Rivers Development Ltd, our subsidiary company, and other parties. For further information regarding loans made to 3 Rivers Development Ltd see note 3 and also Group Accounts note 3. 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.

### 31 Long Term Investments

	2018/19 £'000	2019/20 £'000
CCLA Property Fund	4,935	4,759
<b>Total</b>	<b>4,935</b>	<b>4,759</b>

At the 31 March 2020 the Council held 1,634,480 units in the CCLA Local Authorities' Mutual Investment Trust Commercial Property Fund. During 2019/20, the income received amounted to £213k, a 4.27% 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 2020 amounted to £4.759m.

### 32 Long Term Debtors (amounts due in more than 12 months)

	2018/19 £'000	2019/20 £'000
Other entities and individuals	3,017	7,688
<b>Total</b>	<b>3,017</b>	<b>7,688</b>

Within the long term debtors figure is the £6.670m we have lent on a long term basis (more than 1 year) to 3 Rivers Developments Ltd being loans of £7,460 less the impairments of £790k.

### 33 Short Term Investments

Bank/Building Society/Local Authority/PCC	Term		Fixed Interest Rate %	2018/19	2019/20
	From	To		£'000	£'000
Santander	06/04/2018	05/04/2019	1.01%	2,000	
Barclays	01/08/2018	31/07/2019	0.94%	2,500	
Lloyds	05/04/2018	05/04/2019	0.90%	1,000	
Lloyds	28/03/2019	30/12/2019	1.05%	2,000	
Goldman Sachs	26/04/2018	26/04/2019	1.22%	2,000	
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 & 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	
Close Brothers	04/09/2019	02/09/2020	1.10%		1,000
Santander	17/09/2019	17/09/2020	0.94%		2,000
Santander	01/10/2019	01/04/2020	0.83%		1,500
Santander	07/10/2019	07/04/2020	0.83%		1,500
Rugby Borough Council	09/10/2019	07/10/2020	0.90%		1,000
Goldman Sachs	29/10/2019	29/04/2020	0.95%		1,000
Goldman Sachs	05/11/2019	05/05/2020	1.00%		1,000
Highlands Council	27/11/2019	25/11/2020	0.92%		1,000
Lloyds	30/12/2019	30/12/2020	1.10%		2,000
Merseyside PCC	02/01/2020	30/04/2020	0.85%		1,000
Nottingham City Council	02/03/2020	17/04/2020	0.80%		2,500
Central Bedfordshire Council	03/03/2020	27/05/2020	0.95%		2,000
Eastleigh Borough Council	13/03/2020	14/04/2020	1.10%		1,500
Cheltenham Borough Council	20/03/2020	20/04/2020	0.95%		1,000
<b>Total</b>				<b>22,000</b>	<b>20,000</b>

### 34 Assets Held for Sale

Assets newly classified as held for sale during the year:

	2018/19 £'000	2019/20 £'000
<b>Opening Balance</b>	<b>240</b>	<b>149</b>
Newly Reclassified as Held For Sale in Year	149	-
Derecognition - Disposals	(240)	(149)
<b>Total Movement in Year</b>	<b>(91)</b>	<b>(149)</b>
<b>Closing Balance</b>	<b>149</b>	<b>(0)</b>

Two Council House Properties were sold during 2019/20. No assets fall under this category at 31/03/20.

### 35 Inventories

	2018/19 £'000	2019/20 £'000
Raw materials	235	276
<b>Total</b>	<b>235</b>	<b>276</b>

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

	2018/19 £'000	2019/20 £'000
Trade Receivables	1,186	1,392
Other Receivable Amounts	5,450	5,828
Less Impairment Allowances	(992)	(1,238)
<b>Total</b>	<b>5,644</b>	<b>5,982</b>

"Other Receivable Amounts," 2019/20, includes: Devon County Council Waste Partnership - £508k; loans to 3 Rivers Development Ltd - £1,602k; Council Tax - £702k of which £213k relates to Local Authorities and £489k to residents; DWP re final housing benefit subsidy - £860k; rents from housing tenants - £442k and NNDR - £409k which includes £229k from local businesses and £179k relating to business rates relief s31 grant.

### 37 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 36.

	2018/19 £'000	2019/20 £'000
<b>Council Tax</b>		
Up to one year	229	255
One to three years	84	87
Over 3 years	-	-
<b>Total</b>	<b>313</b>	<b>342</b>

	2018/19 £'000	2019/20 £'000
<b>Non-Domestic Rates</b>		
Up to one year	69	61
One to three years	19	29
Over 3 years	-	-
<b>Total</b>	<b>88</b>	<b>90</b>

### 38 Cash and Cash Equivalents

	2018/19 £'000	2019/20 £'000
Cash held by the Authority	2	2
Bank current accounts	2,659	3,841
Short-term deposits with financial institutions	-	-
<b>Total</b>	<b>2,661</b>	<b>3,843</b>

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

	2018/19	2019/20
	£'000	£'000
Other Payables	(1,300)	(4,681)
Trade Payables	(2,937)	(2,172)
<b>Total</b>	<b>(4,237)</b>	<b>(6,854)</b>

“Other Payables,” 2019/20, includes: NNDR creditors - £1,802k; receipts in advance - £1,733k; pension creditor - £273k and payroll taxes and deductions - £253k. Receipts in advance includes £1,439k being advance payment of the ndr s31 grant relating to 2020/21 received from central government.

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

	2018/19	2019/20
	£'000	£'000
Other Payables	(948)	(1,663)
<b>Total</b>	<b>(948)</b>	<b>(1,663)</b>

“Other Payables”, 2019/20, includes: finance lease liabilities - £817k and s106 community facilities funds (pending funding compliance) - £690k.

**Capital Grants Receipts in Advance**

	2018/19	2019/20
	£'000	£'000
Homes England grant monies	-	(62)
<b>Total</b>	<b>-</b>	<b>(62)</b>

## 41 Provisions

	2018/19 £'000	2019/20 £'000
Leisure Services provision	-	(10)
Non-Domestic Rates (NNDR) Appeals	(555)	(555)
<b>Total</b>	<b>(555)</b>	<b>(565)</b>

### 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 £1.386m in respect of the Business Rates Collection Fund. The Council's 40% share of this being £555k. There has not been any significant increase in the number of appeals during 2019/20 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

	Note	2018/19 £'000	2019/20 £'000
Revaluation reserve	44	(15,287)	(16,359)
Capital Adjustment Account	45	(135,093)	(130,149)
Deferred Capital Receipts Reserve	46	(39)	(39)
Pensions Reserve	47	59,379	58,765
Collection Fund Adjustment Account	48	576	(54)
Accumulating Compensated Absences Adjustment Account	49	153	189
Financial Instruments Adjustment Account		65	241
<b>Total</b>		<b>(90,246)</b>	<b>(87,406)</b>



#### 44 Revaluation Reserve

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

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

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

	2018/19 £'000	2019/20 £'000
<b>At 1 April</b>	<b>(14,319)</b>	<b>(15,287)</b>
Upward revaluation of assets	(2,331)	(1,994)
Downward revaluation of assets and impairment losses not posted to the Surplus on the Provision of Services	548	423
<b>Total of revaluations (surplus)/deficit</b>	<b>(1,783)</b>	<b>(1,571)</b>
<b>Surplus or deficit on revaluation of non-current assets not posted to the Surplus on the Provision of Services</b>	<b>(16,102)</b>	<b>(16,858)</b>
Accumulated gains on assets sold	416	65
Difference between fair value depreciation and historical cost depreciation	399	434
<b>At 31 March</b>	<b>(15,287)</b>	<b>(16,359)</b>

#### 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.

	2018/19 £'000	2019/20 £'000
<b>At 1 April</b>	<b>(133,761)</b>	<b>(135,092)</b>
<b>Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement</b>		
Charges for Depreciation and impairment of non current assets	4,249	4,469
Revaluation gains on Property, Plant and Equipment	1,408	4,534
Revenue expenditure funded from capital under statute	485	1,239
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	897	1,785
	<b>(126,722)</b>	<b>(123,065)</b>
Adjusting amounts written out of the Revaluation Reserve	(399)	(434)
<b>Net written out amount of the cost of non current assets consumed in the year</b>	<b>(127,121)</b>	<b>(123,498)</b>
<b>Capital financing applied in the year</b>		
Use of the Capital Receipts Reserve to finance new capital expenditure	(1,343)	(463)
Use of the Major Repairs Reserve to finance new capital expenditure	(2,081)	(1,984)
Capital grants and contributions credited to Comprehensive Income and Expenditure Statement that have been applied to capital financing	(183)	(866)
Application of grants to capital financing from the Capital Grants Unapplied Account	(929)	(999)
Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	(1,247)	(1,373)
Capital expenditure charged against the General Fund and HRA balances	(2,188)	(1,635)
Impairment of financial instruments classified as capital transactions	-	667
<b>At 31 March</b>	<b>(135,092)</b>	<b>(130,151)</b>

## 46 Deferred Capital Receipts Reserve

	2018/19 £'000	2019/20 £'000
<b>At 1 April</b>	(39)	(39)
Transfer to the Capital Receipts Reserve upon receipt of cash	-	-
<b>At 31 March</b>	<b>(39)</b>	<b>(39)</b>

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

## 47 Pensions Reserve

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

	2018/19 £'000	2019/20 £'000
<b>At 1 April</b>	60,009	59,379
Remeasurement of net defined liability	(3,514)	(4,335)
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	5,502	6,428
Employer's pension contributions and direct payments to pensioners payable in the year	(2,618)	(2,707)
<b>At 31 March</b>	<b>59,379</b>	<b>58,765</b>

## 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.

	2018/19 £'000	2019/20 £'000
<b>At 1 April</b>	(60)	(79)
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	(19)	20
<b>At 31 March</b>	<b>(79)</b>	<b>(60)</b>

The balance of (£59k) represents MDDC's share (13.46%) of the overall Council Tax Collection Fund Surplus of (£437k) at 31/03/20 (£582k) at 31/03/19 (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.

	2018/19 £'000	2019/20 £'000
<b>At 1 April</b>	348	655
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	307	(649)
<b>At 31 March</b>	<b>655</b>	<b>6</b>

This balance of £6k represents MDDC's share (40%) of the overall NNDR Collection Fund Surplus of £210k which equals £84k less £90k, being the difference on Renewable Energy between NNDR 3 and NNDR 1 in 19/20, and has been debited to the Adjustments between Accounting Basis and Funding Basis under Regulations in 19/20.

#### 49 Accumulated Compensating Absences Adjustment Account

	2018/19 £'000	2019/20 £'000
<b>At 1 April</b>	<b>120</b>	<b>153</b>
Settlement or cancellation of accrual made at the end of the preceding year	(120)	(153)
Amounts accrued at the end of the current year	153	189
<b>At 31 March</b>	<b>153</b>	<b>189</b>

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

## Notes to Support the Cash flow Statement

### 50 Cash Flow – Non-Cash Items

	2018/19	2019/20
	£'000	£'000
Depreciation	4,249	4,469
Amortisation	-	-
Impairment	1,407	4,584
Bad Debts Written Off	59	-
Increase/(Decrease) in Impairment for Bad Debt	-	246
Increase/(Decrease) in Creditors	(897)	2,725
(Increase)/Decrease in Debtors	(3,425)	(5,255)
(Increase)/Decrease in Inventories	8	(41)
Carrying Amount of Non-Current Assets Sold	1,313	1,851
Pension Liability Reversal	2,884	3,721
Fair Value Equity Instrument Revaluation	75	177
Other Adjustments	95	56
<b>Total</b>	<b>5,768</b>	<b>12,533</b>

## 51 Cash Flow – Adjustment for Items in the Net Surplus or Deficit on the Provision of Services that are Investing or Financing Activities

	2018/19 £'000	2019/20 £'000
Other receipts from financing activities	(1,375)	(768)
REFCUS adjustment	485	1,239
Proceeds from the sale of property, plant and equipment & investment property	(1,697)	(2,934)
Interest Paid	1,259	1,228
Interest received	(520)	(702)
Difference between preceptors share and amount of NNDR paid to them	-	-
<b>Total</b>	<b>(1,848)</b>	<b>(1,937)</b>

## 52 Cash Flow – Operating Activities

The cash flows from operating activities include the following items:

	2018/19 £'000	2019/20 £'000
Interest received	(520)	(702)
Interest paid	1,259	1,228
<b>Total</b>	<b>739</b>	<b>526</b>

**53 Cash Flow – Investing Activities**

	2018/19 £'000	2019/20 £'000
Purchase of property, plant and equipment & investment property	(6,493)	(4,763)
Other cash payments (REFCUS)	(485)	(1,239)
Proceeds from the sale of property, plant and equipment & investment property	1,697	2,934
Capital grants received	1,375	768
Sale of long-term investments	-	-
Purchase of temporary investments	(3,000)	2,000
Other investing activities	-	(50)
Interest received	520	702
Interest paid	(1,259)	(1,228)
<b>Net cash flows from investing activities</b>	<b>(7,645)</b>	<b>(876)</b>

**54 Cash Flow – Financing Activities**

	2018/19 £'000	2019/20 £'000
Cash payments for the reduction of the outstanding liabilities relating to finance leases	(65)	(122)
PWLB debt repayment	(1,731)	(1,781)
<b>Net cash flows from financing activities</b>	<b>(1,796)</b>	<b>(1,903)</b>



## 55 Grant Income

The Authority credited the following grants, contributions, donations and other taxation income to the Comprehensive Income and Expenditure Statement in 2019/20.

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

	2018/19	2019/20
	£'000	£'000
New Homes Bonus	(1,121)	(1,244)
Revenue Support Grant	-	-
Rural Services Delivery Grant	-	(467)
Other Non-Ring Fenced Government Grants	(17)	(39)
<b>Total</b>	<b>(1,138)</b>	<b>(1,750)</b>

### Credited to Services

	2018/19	2019/20
	£'000	£'000
Housing Benefit Subsidy	(15,879)	(13,378)
Housing Benefit & CTB Admin Grant	(261)	(239)
Garden Village Grant - Capacity Funding	(300)	(150)
Flexible Housing & Homelessness Grant	(134)	(127)
Rogue Landlord Grant	(57)	-
Section 106s	(804)	(35)
Business Rates - Cost of Collection Grant	(108)	(109)
Others	(170)	(349)
<b>Total</b>	<b>(17,713)</b>	<b>(14,387)</b>

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

### Capital Grants applied to the Income and Expenditure Account

	2018/19	2019/20
	£'000	£'000
Affordable Housing	(184)	(25)
Disabled Facilities Grants	(1,008)	(9)
Homes and Communities Agency	(183)	(734)
<b>Total</b>	<b>(1,375)</b>	<b>(768)</b>

### 56 Contingent Liabilities

We have no Contingent Assets or Contingent Liabilities at the 31 March 2020.

### 57 Leases

#### Authority as Lessee

During 2019/20 the Council entered into a fleet contract with SFS, meaning any new vehicle will now be supplied under a finance lease agreement. The increase in finance leases from 2018/19 is due to a number of vehicles now being supplied as finance leases. The assets acquired under these leases are carried as Property, Plant and Equipment in the Balance Sheet at the net amounts below.

	2018/19	2019/20
	£'000	£'000
Vehicles, Plant and Equipment	(311)	(980)
<b>Total</b>	<b>(311)</b>	<b>(980)</b>

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)**

	2018/19 £'000	2019/20 £'000
- current	(64)	(163)
- non current	(247)	(817)
Finance costs payable in future years	-	-
<b>Minimum lease payments</b>	<b>(311)</b>	<b>(980)</b>

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

**Minimum Lease Payments (also reflects lease liability)**

	2018/19 £'000	2019/20 £'000
Not later than one year	64	163
Later than one year and not later than five years	198	650
Later than five years	49	167
<b>Total</b>	<b>311</b>	<b>980</b>

**Operating Leases**

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

	2018/19 £'000	2019/20 £'000
Not later than one year	136	140
Later than one year and not later than five years	543	559
Later than five years	271	140
<b>Total</b>	<b>950</b>	<b>839</b>

### Minimum Lease Payments incurred during the year

	2018/19 £'000	2019/20 £'000
Operating Leases for vehicles, equipment, land and buildings	154	146
Hire payments for vehicles, plant and equipment	-	65
<b>Total</b>	<b>154</b>	<b>211</b>

### 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

### Minimum Lease Payments Receivable

	2018/19 £'000	2019/20 £'000
Not later than one year	305	262
Later than one year and not later than five years	901	723
Later than five years	833	640
	<b>2,039</b>	<b>1,625</b>

The minimum lease payments receivable do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. For HRA income from Council Dwellings and Garage rents please see the HRA income and expenditure account. The reason for the decrease in rental value is due to vacant units within our leasing portfolio and rent reductions following rent reviews.

## 58 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 27 for further details of the non current asset valuation.

	2018/19 £'000	2019/20 £'000
Council Dwellings	(654)	(4,160)
Other Land & Buildings	(752)	(374)
Surplus Assets	(1)	-
Assets Held For Sale	-	-
	<b>(1,407)</b>	<b>(4,534)</b>

The net £4,534m 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. They include 26 properties at Turner Rise (previously Palmerston Park) and 3 right to buy properties repurchased.

## **59 Non-Adjusting Post Balance Sheet Events**

The Covid 19 pandemic which led to the lockdown announced by the government on 20 March 2020, occurred late in the period to which these financial statements relate. As such there was minimal time for it to affect the values reported herein. However, the effects of the preventative measures to battle the virus are now being felt by this Authority and its residents.

The Authority is reliant on its commercial income streams to be able to continue the supply of its services. This has been significantly curtailed. Leisure centres have been closed, car parks are largely empty and demand for trade waste services has fallen off, for example.

In addition, as a billing authority, collecting council tax and business rates, income has been lost as the economic cliff edge of lockdown has impacted the ability of residents and businesses to pay. The financial effect of this, to the Authority, is compounded as it must continue to make its precept payments to Devon County, Fire and Police despite not receiving the funds to do so, along with remittances to central government in respect of business rates.

It is not yet possible to say how long these impacts may last, for example, if infection rates suffer a second peak.

Further, how deeply will these measures impact the finances of the Authority? Some outcomes will be cumulative such that payment rates can be expected to deteriorate if, as seems likely, economic growth reduces both globally and locally.

Also uncertain, is how long recovery will take after the immediate health concerns have passed. People have developed new ways of working over the lockdown period and it may take some time before they feel confident enough to resume past activities, for example visiting our leisure centres.

The Authority continues to monitor the impact of these losses and also the additional expenditures incurred to mitigate the pandemic's effects including PPE and the shielding hub. There has been some support from government. £994k will be received (of which £39k in 2019/20) in crisis funding together with payments under the furlough scheme for officers who are unable to undertake their duties. Already though, this is insufficient to cover the losses incurred.

Over recent years the Council has maintained its reserves so that it may counter any restructuring of its funding and manage the more predictable fluctuations in its commercial income arising from the economic cycle. It may draw down upon these to largely sustain operations during 2020/21. In due course, the Council must look at the post pandemic world in which it operates: the funding that is available to it, the services it provides and the delivery models that are applicable. This will be reflected in the structure of future budgets and embodied in the Medium Term Financial Plan.

## 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.

	Note	2018/19 £'000	2019/20 £'000
<b>Expenditure</b>			
Repairs and Maintenance		2,634	2,734
Supervision and Management		3,117	3,373
Depreciation and impairment/(revaluation) of non-current assets	73	3,121	6,684
Increase/(Decrease) in bad debt provision		28	135
<b>Total Expenditure</b>		<b>8,900</b>	<b>12,926</b>
<b>Income</b>			
Dwelling Rents	72	(12,182)	(12,100)
Non-dwelling Rents		(566)	(569)
Other Chargeable Services and Facilities		(348)	(383)
<b>Total Income</b>		<b>(13,096)</b>	<b>(13,052)</b>
<b>Net Expenditure or Income of HRA Services as included in the Whole Authority Comprehensive Income and Expenditure Statement</b>		<b>(4,196)</b>	<b>(126)</b>
HRA services share of Corporate and Democratic Core		134	136
HRA share of other amounts included in the whole Authority Net expenditure of continuing operations but not allocated to specific services		295	363
<b>Net Income of HRA Services (NB: Expenditure if positive)</b>		<b>(3,767)</b>	<b>373</b>
(Gain)/loss on sale of HRA fixed assets		(590)	(1,119)
Interest payable and similar charges - see note below	74	1,165	1,118
Interest and investment income		(99)	(110)
Capital grants and contributions receivable		(183)	(734)
<b>(Surplus) for the year on HRA Services</b>		<b>(3,474)</b>	<b>(473)</b>

## Movement on the HRA Statement

This Account shows in more detail the income and expenditure on HRA services included in the whole authority Comprehensive Income and Expenditure Statement (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).

	Note	2018/19 £'000	2019/20 £'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		(3,474)	(473)
Adjustments between accounting basis and funding basis under statute	60	2,378	(965)
Net (increase) or decrease before transfers to or from reserves		(1,096)	(1,439)
Transfers (to) or from reserves		1,096	1,439
(Increase) or decrease in year on the HRA		-	-
<b>Balance on the HRA at the end of the year</b>		<b>(2,000)</b>	<b>(2,000)</b>



## 60 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.

2019/20	Usable Reserves				Unusable Reserves
	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
	£'000	£'000	£'000	£'000	£'000
<b>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement</b>					
<b>Adjustments involving the Capital Adjustment Account</b>					
Charges for depreciation and impairment of non current assets	(2,532)	-	-	-	2,532
Revaluation (losses)/gains on Property, Plant and Equipment	(4,152)	-	-	-	4,152
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	(1,740)	-	-	-	1,740
Capital grants and contributions applied	734	-	-	-	(734)
<b>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement</b>					
Statutory provision for the financing of capital investment	955	-	-	-	(955)
Capital expenditure charged against the General Fund and HRA balances	859	-	-	-	(859)
<b>Adjustments involving the Capital Receipts Reserve</b>					
Transfer of sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	2,859	(2,859)	-	-	-
Contribution from the Capital Receipts Reserve towards administrative costs of non current asset disposals	(38)	38	-	-	-
<b>Subtotal</b>	<b>(3,055)</b>	<b>(2,821)</b>	<b>-</b>	<b>-</b>	<b>5,876</b>

2019/20	Usable Reserves				Unusable Reserves
	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
	£'000	£'000	£'000	£'000	£'000
<b>Balance Brought Forward</b>	(3,055)	(2,821)	-	-	5,876
<b>Adjustment involving the Major Repairs Reserve</b>					
Reversal of Major Repairs Allowance credited to the HRA	2,532	-	(2,532)	-	-
<b>Adjustment involving the Pensions Reserve</b>					
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(431)	-	-	-	431
<b>Adjustment involving the Accumulated Absences Account</b>					
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(11)	-	-	-	11
<b>Total Adjustments</b>	<b>(965)</b>	<b>(2,821)</b>	<b>(2,532)</b>	<b>-</b>	<b>6,318</b>

2018/19	Usable Reserves				Unusable Reserves
	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
	£'000	£'000	£'000	£'000	£'000
<b>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement</b>					
<b>Adjustments involving the Capital Adjustment Account</b>					
Charges for depreciation and impairment of non current assets	(2,469)	-	-	-	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)
<b>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement</b>					
Statutory provision for the financing of capital investment	961	-	-	-	(961)
Capital expenditure charged against the General Fund and HRA balances	1,950	-	-	-	(1,950)
<b>Adjustments involving the Capital Receipts Reserve</b>					
Transfer of sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	1,404	(1,404)	-	-	-
Contribution from the Capital Receipts Reserve towards administrative costs of non current asset disposals	(17)	17	-	-	-
<b>Subtotal</b>	<b>547</b>	<b>(1,387)</b>	<b>-</b>	<b>-</b>	<b>840</b>

2018/19	Usable Reserves				Unusable Reserves
	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
	£'000	£'000	£'000	£'000	£'000
<b>Balance Brought Forward</b>	<b>547</b>	<b>(1,387)</b>	<b>-</b>	<b>-</b>	<b>840</b>
<b>Adjustment involving the Major Repairs Reserve</b>					
Reversal of Major Repairs Allowance credited to the HRA	2,080	-	(2,080)	-	-
<b>Adjustment involving the Pensions Reserve</b>					
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(253)	-	-	-	253
<b>Adjustment involving the Accumulated Absences Account</b>					
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	4	-	-	-	(4)
<b>Total Adjustments</b>	<b>2,378</b>	<b>(1,387)</b>	<b>(2,080)</b>	<b>-</b>	<b>1,089</b>

## 61 Housing Stock

The Housing Revenue account owned the following property:

	<b>Council Housing</b>	<b>Other Land &amp; Buildings</b>	<b>Total</b>
<b>At 1 April 2019</b>	<b>3,003</b>	<b>1,186</b>	<b>4,189</b>
Additions	29	153	182
Sales	(31)		(31)
Reclassified		(38)	(38)
<b>At 31 March 2020</b>	<b>3,001</b>	<b>1,301</b>	<b>4,302</b>

The additions of Other Land & Buildings relate to car parking and garage ground rent plots brought onto the Fixed Asset Register in year. The reclassifications pertain principally to separate units of garage land being changed to one plot of land.

## 62 Number of Dwellings by Type

	<b>2018/19</b>	<b>2019/20</b>
Houses	1,401	1,401
Bungalows	1,010	1,008
Flats	592	592
<b>Total</b>	<b>3,003</b>	<b>3,001</b>

### 63 HRA Dwelling Valuation

The vacant possession value of dwellings in the HRA is £418,736k as at the 1st April 2020, up from £417,208k 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 £146,558k 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 2019/20, the discount applied to determine this second valuation is 35%.

	2018/19	2019/20
	£'000	£'000
Vacant Possession Value	417,208	418,736
Existing Use Value for Social Housing (EUV-SH) @ 35%	146,023	146,558

The 31 March 2020 dwellings valuation has been calculated by the Valuation Office who have supplied the Council with beacon property values across the range of housing stock.

### 64 HRA Non-Current Asset Values

	2018/19	2019/20
	£'000	£'000
Dwellings	145,874	146,558
Other land and buildings	6,473	7,045
Vehicles, plant and equipment	44	27
Assets Held for Sale	149	-
Infrastructure assets	177	170
Assets under Construction	4,729	14
<b>Total</b>	<b>157,446</b>	<b>153,812</b>

## 65 Capital Expenditure

2018/19 £'000	Expenditure	2019/20 £'000
2,481	Improvements to dwellings	2,312
1,475	Construction of dwellings	1,694
2,074	Assets under Construction	-
<b>6,030</b>		<b>4,006</b>

2018/19 £'000	Funding	2019/20 £'000
2,081	Major repairs reserve	1,984
627	Capital grants	734
1,993	Revenue contribution	859
1,329	Usable capital receipts	429
<b>6,030</b>		<b>4,006</b>

## 66 Major Repairs Reserve

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

	2018/19 £'000	2019/20 £'000
<b>At 1 April</b>	-	-
Amount transferred from Housing Revenue Account	2,081	2,532
Capital expenditure incurred during the year	(2,081)	(1,984)
<b>At 31 March</b>	-	<b>547</b>

## 67 Capital Receipts

	2018/19 £'000	2019/20 £'000
Sale of council houses	1,404	2,859
<b>Total</b>	<b>1,404</b>	<b>2,859</b>



## 68 Pension Liability: Current Year Costs

Each year the HRA Income and Expenditure Account is charged with an amount to reflect the true cost of pension contributions in relation to that year. Since this is not an actual cost in year, it is reversed out again in note 60.

	2018/19 £'000	2019/20 £'000
Net interest on the defined benefit liability	(253)	(431)
<b>Total</b>	<b>(253)</b>	<b>(431)</b>

## 69 HRA Arrears

At 31 March 2020 the total arrears as a proportion of gross dwelling rent income totalled 3.7% (2.9% at 31 March 2019). Rent written off during 2019/20 amounted to £27k (£25k in 2018/19). The breakdown of the total arrears is shown below.

	2018/19 £'000	2019/20 £'000
Rent (dwellings & garages)	205	291
Housing benefit overpayments	10	9
Court costs	18	22
Rechargeable Repairs	102	99
Other	22	24
<b>Total</b>	<b>357</b>	<b>445</b>

## 70 Bad Debt Provision

The provision for bad debt for the housing service stands at £327k as at 31 March 2020 (£193k 31 March 2019). The increase reflects consideration for the impact of Covid19.

## 71 Rents Paid in Advance

	2018/19 £'000	2019/20 £'000
Dwellings rental income paid in advance	186	152

## 72 Dwelling Rents

This represents the total rent income due for the year after allowing for voids and other adjustments. The rents set averaged at £77.41 per week based on a 52 week year (2018/19 £78.26).

## 73 Depreciation of Fixed Assets

### Depreciation and Amortisation

Operational Assets	2018/19 £'000	2019/20 £'000
Dwellings	2,279	2,337
Other Land and Buildings	161	169
Infrastructure	9	9
Vehicles, Plant and Equipment	18	18
Assets Held for Sale	2	-
<b>Total</b>	<b>2,469</b>	<b>2,533</b>

### Revaluation Losses and Revaluation Reversals

Please refer to comments on note 58.

Operational Assets	2018/19 £'000	2019/20 £'000
Dwellings	654	4,160
Other Land and Buildings	(2)	(8)
<b>Total</b>	<b>652</b>	<b>4,152</b>

## 74 Interest Payable and Similar Charges

	2018/19	2019/20
	£'000	£'000
PWLB loan interest - HRA self financing	1,115	1,069
Internal self financing - General Fund	51	48
<b>Total</b>	<b>1,165</b>	<b>1,118</b>

## 75 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 stock- 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 on an annuity basis, being £1.069m interest and £1.576m principal in 2019/20.

	2018/19	2019/20
	£'000	£'000
<b>Opening Balance</b>	<b>(38,291)</b>	<b>(36,761)</b>
Repaid in Year	1,530	1,576
<b>Closing Balance</b>	<b>(36,761)</b>	<b>(35,185)</b>

## The Collection Fund Income and Expenditure Account - Council Tax

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

	Notes	2018/19 £'000	2019/20 £'000
<b>Income</b>			
Council Tax receivable		(53,277)	(56,563)
Transfer for Transitional Relief, S13A Reliefs and discount for prompt payment		1	1
<b>Total Income</b>		<b>(53,276)</b>	<b>(56,562)</b>
<b>Expenditure</b>			
<b>Precepts, Demands and Shares</b>	79		
- Devon County Council		37,670	39,586
- Mid Devon District Council		5,600	5,829
- Devon and Cornwall Police		5,328	6,070
- Devon Fire and Rescue		2,377	2,474
- Parish Precepts		1,539	1,715
		<b>52,514</b>	<b>55,674</b>
<b>Charges to Collection Fund</b>			
- Write offs charged to Collection Fund		-	-
- Change in allowance for impairment		250	508
		<b>250</b>	<b>508</b>
<b>Apportionment of previous year's surplus</b>			
- Devon County Council		263	377
- Mid Devon District Council		51	71
- Devon and Cornwall Police		37	53
- Devon Fire and Rescue		17	24
		<b>368</b>	<b>525</b>
<b>Total Expenditure</b>		<b>53,132</b>	<b>56,707</b>
<b>(Surplus) / Deficit for the year</b>		<b>(144)</b>	<b>145</b>
<b>Opening Balance at 1st April</b>		<b>(438)</b>	<b>(582)</b>
<b>Closing Balance at 31 March</b>	48	<b>(582)</b>	<b>(437)</b>

The £437k represents the overall surplus on the Council Tax element of the Collection Fund at 31/03/20 (2018/19 £582k surplus). Of this 13.46% is attributable to MDDC, which equates to £59k (2018/19 £79k - 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	2018/19 £'000	2019/20 £'000
<b>Income</b>			
Business Rates receivable	77	(15,137)	(15,721)
Transitional Protection Payments		(282)	(238)
<b>Total Income</b>		<b>(15,419)</b>	<b>(15,959)</b>
<b>Expenditure</b>			
<b>Payments of NNDR1 proportionate shares</b>			
- Central Government		-	7,750
- Devon County Council		9,009	1,395
- Mid Devon District Council		6,108	6,200
- Devon Fire and Rescue		153	155
		<b>15,270</b>	<b>15,500</b>
<b>Charges to Collection Fund</b>			
- Write offs / (Write ons) charged to Collection Fund		(40)	(11)
- Change in allowance for impairment		93	183
- Appeals and list alterations charged to C/Fund		(24)	(201)
- Change in provision for alteration of lists & appeals		892	201
- Interest on refunds		3	-
- Allowance for cost of collection		108	109
- Disregarded Amounts - Renewable Energy		176	147
		<b>1,209</b>	<b>427</b>
<b>Apportionment of previous year's Surplus/(Deficit)</b>			
- Central Government		(31)	(354)
- Devon County Council		(6)	(795)
- Mid Devon District Council		(25)	(779)
- Devon Fire and Rescue		(1)	(19)
		<b>(63)</b>	<b>(1,947)</b>
<b>Total Expenditure</b>		<b>16,416</b>	<b>13,980</b>
<b>(Surplus) / Deficit for the year</b>		<b>997</b>	<b>(1,979)</b>
<b>Opening Balance at 1st April</b>		<b>772</b>	<b>1,769</b>
<b>Closing Balance at 31 March ((Surplus) / Deficit)</b>	48	<b>1,769</b>	<b>(210)</b>

The £210k represents the overall surplus on the Non-domestic rate element of the Collection Fund at 31/03/20 (2018/19 £1,769k deficit). Of this 40% is attributable to MDDC, which equates to a surplus of £84k. (2018/19 £708k deficit - see note 48).

## Notes to the Collection Fund

### 76 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.

### 77 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 2020 is £22,828k (31 March 2019 £21,861k). This is calculated by taking the rateable value at that date of 45,293,494 multiplied by the uniform business rate of 50.4p per £. The total income detailed on the Non Domestic Rates statement takes account of the fact that circa £6,981k is awarded each year in various discretionary and mandatory reliefs.

### 78 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
<b>A</b>	4,426.0	2,949.6
<b>B</b>	7,339.5	5,708.5
<b>C</b>	5,885.3	5,231.4
<b>D</b>	5,552.8	5,552.8
<b>E</b>	4,089.8	5,035.8
<b>F</b>	2,161.5	3,153.9
<b>G</b>	854.5	1,446.0
<b>H</b>	49.5	102.1
<b>Total</b>	<b>30,358.9</b>	<b>29,180.1</b>

## 79 Precepting Authorities

	2018/19 £'000	2019/20 £'000
Devon County Council	37,670	39,586
Mid Devon District Council	5,600	5,829
Devon and Cornwall Police	5,328	6,070
Devon Fire and Rescue	2,377	2,474
Parish Precepts	1,539	1,715
<b>Total</b>	<b>52,514</b>	<b>55,674</b>

## **Group Accounts**

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

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

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

3 Rivers Developments Ltd was incorporated on 28 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 2019/20.

## **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 2019/20 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 has been 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.

2019/20	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	Capital Grants Unapplied					
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
Balance at 31 March 2019 - Restated	(2,447)	(14,353)	(16,800)	(2,000)	(16,323)	(18,323)	(3,620)	(2,146)	(40,889)	(90,246)	(131,135)	534	(130,601)
Movement in Reserves during 2019/20													
(Surplus) or deficit on the provision of services	7,157	-	7,157	(474)	-	(474)	-	-	6,683	-	6,683	212	6,895
Other Comprehensive Income and Expenditure	-	-	-	-	-	-	-	-	-	(5,906)	(5,906)	(5)	(5,911)
Total Comprehensive Income and Expenditure	7,157	-	7,157	(474)	-	(474)	-	-	6,683	(5,906)	777	207	984
Adjustments between accounting basis and funding basis under regulations	(6,194)	-	(6,194)	(965)	(548)	(1,513)	(1,538)	501	(8,744)	8,127	(617)	-	(617)
Net Increase/Decrease before Transfers to Earmarked Reserves	963	-	963	(1,439)	(548)	(1,987)	(1,538)	501	(2,061)	2,221	160	207	367
Transfers (to) / from Earmarked Reserves	(665)	665	-	1,439	(1,439)	-	-	-	-	-	-	-	-
(Increase)/Decrease in 2019/2020	298	665	963	-	(1,987)	(1,987)	(1,538)	501	(2,061)	2,221	160	207	367
Balance at 31 March 2020 Carried forward	(2,149)	(13,688)	(15,837)	(2,000)	(18,310)	(20,310)	(5,158)	(1,645)	(42,950)	(88,025)	(130,975)	741	(130,234)
Held for Revenue Purposes	(2,149)	(13,688)	(15,837)	(2,000)	(17,762)	(19,762)	-	-	(35,599)				
Held for Capital Purposes	-	-	-	-	(548)	(548)	(5,158)	(1,645)	(7,351)				

2018/19 RESTATED*	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	Capital Grants Unapplied					
	£'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)	(37,041)	(87,563)	(124,603)	307	(124,296)
									-				
Movement in Reserves during 2018/19									-				
(Surplus) or deficit on the provision of services	2,239	-	2,239	(3,474)	-	(3,474)	-	-	(1,235)	-	(1,235)	227	(1,008)
Other Comprehensive Income and Expenditure	-	-	-	-	-	-	-	-	-	(5,297)	(5,297)	-	(5,297)
Total Comprehensive Income and Expenditure	2,239	-	2,239	(3,474)	-	(3,474)	-	-	(1,235)	(5,297)	(6,532)	227	(6,305)
Adjustments between accounting basis and funding basis under regulations	(4,609)	-	(4,609)	2,378	-	2,378	(119)	(263)	(2,614)	2,614	-	-	-
Net Increase/Decrease before Transfers to Earmarked Reserves	(2,370)	-	(2,370)	(1,096)	-	(1,096)	(119)	(263)	(3,848)	(2,683)	(6,532)	227	(6,305)
Transfers (to) / from Earmarked Reserves	2,614	(3,665)	(1,051)	1,096	(1,096)	-	-	1,051	-	-	-	-	-
(Increase)/Decrease in 2018/2019	243	(3,665)	(3,421)	-	(1,096)	(1,096)	(119)	788	(3,848)	(2,683)	(6,532)	227	(6,305)
Balance at 31 March 2019 Carried forward	(2,447)	(14,353)	(16,800)	(2,000)	(16,323)	(18,323)	(3,620)	(2,146)	(40,889)	(90,246)	(131,135)	534	(130,601)
Held for Revenue Purposes	(2,447)	(14,353)	(16,800)	(2,000)	(16,323)	(18,323)	-	-	(35,123)				
Held for Capital Purposes	-	-	-	-	-	-	(3,620)	(2,146)	(5,766)				

\*The Group MIRS Statement for 2018/19 has been restated. See below for further details.

2018/19 Original**	USABLE 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	Total Usable Reserves	Unusable Reserves	Total Authority Reserves	Authority's Share of Subsidiary	Total Group Reserves
	£'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)				

\*\* This table is the Group MIRS Statement for 2018/19 as presented in the financial statements signed 15 July 2019.

2018/19 Amount of Restatement****	USABLE RESERVES												Total Group Reserves
	REVENUE RESERVES						CAPITAL RESERVES						
	General Fund Balance  £'000	Earmarked General Fund Reserves  £'000	General Fund Total  £'000	Housing Revenue Account  £'000	Earmarked HRA Reserves  £'000	HRA Total  £'000	Capital Receipts Reserve  £'000	Capital Grants Unapplied  £'000	Total Usable Reserves  £'000	Unusable Reserves  £'000	Total Authority Reserves  £'000	Authority's Share of Subsidiary  £'000	
Balance at 31 March 2018	-	-	-	-	-	-	-	-	30,605	-	30,606	-	30,606
Movement in Reserves during 2018/19													
(Surplus) or deficit on the provision of services	55	-	55	-	-	-	-	-	1,345	-	1,345	(55)	1,289
Other Comprehensive Income and Expenditure	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Comprehensive Income and Expenditure	55	-	55	-	-	-	-	-	1,345	-	1,345	(55)	1,289
Adjustments between accounting basis and funding basis under regulations	-	-	-	-	-	-	-	-	2,231	-	2,231	-	2,231
Net Increase/Decrease before Transfers to Earmarked Reserves	55	-	55	-	-	-	-	-	3,577	-	3,576	(55)	3,520
Transfers (to) / from Earmarked Reserves	-	-	-	-	-	-	-	-	1,051	-	-	-	-
(Increase)/Decrease in 2018/2019	55	-	55	-	-	-	-	-	4,628	-	3,576	(55)	3,520
Balance at 31 March 2019 Carried forward	55	-	55	-	-	-	-	-	35,233	-	34,183	(55)	34,127
Held for Revenue Purposes	55	-	55	-	-	-	-	-	35,233				
Held for Capital Purposes	-	-	-	-	-	-	-	-	-				

\*\*\* This table shows the amount of the restatement of each value in the Group MIRS Statement for 2018/19. The reasons for the restatements are as follows:

- £55k of the consolidation adjustments relate to the General Fund reserves rather than the subsidiary reserves.
- All other restatements are due to computational errors.

## 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.

2018/19			2019/20		
Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000	Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000
404	(152)	252	332	(85)	247
1,996	-	1,996	2,410	7	2,417
640	(760)	(120)	708	(797)	(89)
(19)	-	(19)	1	(1)	-
2,471	(615)	1,856	3,034	(849)	2,185
64	(5)	59	32	(8)	24
197	(119)	78	41	(46)	(5)
750	(595)	155	713	(624)	89
9,367	(13,135)	(3,768)	13,378	(13,006)	372
58	(1)	57	75	(7)	68
81	(2)	79	133	(4)	129
1,029	(82)	947	1,443	(403)	1,040
3,167	(2,137)	1,030	4,006	(1,546)	2,460
1,754	(731)	1,023	1,139	(688)	451
17,426	(16,790)	636	15,026	(13,962)	1,064
4,333	(2,726)	1,607	4,807	(2,754)	2,053
5,177	(2,500)	2,677	5,535	(2,631)	2,904
231	(20)	211	190	(6)	184
<b>49,126</b>	<b>(40,370)</b>	<b>8,756</b>	<b>53,003</b>	<b>(37,410)</b>	<b>15,593</b>
		1,390			1,528
		2,273			2,393
		(13,426)			(13,236)
		<b>(1,007)</b>			<b>6,278</b>
		(3,514)			(4,335)
		(1,783)			(1,577)
		<b>(5,297)</b>			<b>(5,912)</b>
		<b>(6,304)</b>			<b>366</b>



## Group Balance Sheet

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

Consolidated 31 March 2019		Notes	Consolidated 31 March 2020
£'000			£'000
198,051	Property, Plant & Equipment		194,272
161	Investment Properties		160
330	Heritage Assets		330
4,935	Long-term Investments		4,759
1,055	Long-term Debtors	2	1,018
<b>204,532</b>	<b>Non-Current Assets</b>		<b>200,539</b>
22,000	Short-term Investments		20,000
149	Assets held for sale		(0)
2,113	Work In Progress	4	8,159
235	Inventories		276
4,972	Short-term Debtors	3	4,282
2,763	Cash and Cash Equivalents		4,111
<b>32,232</b>	<b>Current Assets</b>		<b>36,828</b>
(4,652)	Short-term Creditors		(7,278)
(555)	Provisions		(565)
(1,781)	Short-term Borrowing		(1,833)
<b>(6,988)</b>	<b>Current Liabilities</b>		<b>(9,676)</b>
(948)	Long-term Creditors		(1,663)
(38,937)	Long-term Borrowing		(37,104)
(59,292)	Other Long Term Liabilities		(58,630)
-	Capital Grants Receipts in Advance		(62)
<b>(99,177)</b>	<b>Long Term Liabilities</b>		<b>(97,459)</b>
<b>130,600</b>	<b>Net Assets</b>		<b>130,234</b>
40,354	Usable Reserves		42,202
90,246	Unusable reserves		88,031
<b>130,600</b>	<b>Total Reserves</b>		<b>130,234</b>

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 Existing Use Value (see Group - Accounting Policies).

## Group Cash Flow Statement

This section shows what cash we spend and receive.

	Consolidated 2018/19 £'000	Consolidated 2019/20 £'000
Net surplus or (deficit) on the provision of services	1,062	(6,280)
Adjustments to net surplus or deficit on the provision of services for non-cash movements	5,815	5,944
Adjustments for items included in the net surplus on the provision of services that are investing and financing activities (See note references)	(1,901)	(1,735)
<b>Net cash flows from Operating Activities</b>	<b>4,976</b>	<b>(2,070)</b>
Investing Activities	(10,429)	5,321
Financing Activities	800	(1,903)
<b>Net increase or (decrease) in cash and cash equivalents</b>	<b>(4,653)</b>	<b>1,348</b>
Cash and cash equivalents at the beginning of the reporting period	7,414	2,763
<b>Cash and cash equivalents at the end of the reporting period</b>	<b>2,761</b>	<b>4,111</b>



# Notes to the Group Accounts

## 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 £
<b>Chief Executive</b>	<b>2019/20</b>	111,281	-	-	<b>111,281</b>	16,358	<b>127,640</b>
	<b>2018/19</b>	109,112	-	-	<b>109,112</b>	16,040	<b>125,152</b>
<b>Deputy Chief Executive (S151)</b>	<b>2019/20</b>	86,200	-	-	<b>86,200</b>	11,936	<b>98,136</b>
	<b>2018/19</b>	78,688	-	-	<b>78,688</b>	11,567	<b>90,255</b>
<b>Director of Corporate Affairs and Business Transformation</b>	<b>2019/20</b>	77,394	-	-	<b>77,394</b>	11,377	<b>88,771</b>
	<b>2018/19</b>	75,875	-	-	<b>75,875</b>	11,154	<b>87,029</b>
<b>Director of Operations. Note 3</b>	<b>2019/20</b>	60,605	-	-	<b>60,605</b>	8,580	<b>69,185</b>
	<b>2018/19</b>	75,875	-	-	<b>75,875</b>	11,154	<b>87,029</b>
<b>Head of Planning and Regeneration</b>	<b>2019/20</b>	67,765	-	-	<b>67,765</b>	9,962	<b>77,727</b>
	<b>2018/19</b>	66,437	-	-	<b>66,437</b>	9,766	<b>76,203</b>
<b>Head of Legal and Monitoring Officer. Note 4</b>	<b>2019/20</b>	58,482	-	-	<b>58,482</b>	8,597	<b>67,079</b>
	<b>2018/19</b>	-	-	-	-	-	-
<b>Acting Managing Director, 3 Rivers Ltd</b>	<b>2019/20</b>	67,765	-	-	<b>67,765</b>	9,962	<b>77,727</b>
	<b>2018/19</b>	68,730	-	-	<b>68,730</b>	9,766	<b>78,496</b>

Notes:

1. The amounts included in the above table are shown gross of any related tax which would be levied.
2. The primary pension rate of 14.7% has been used for the 2019/20 pension contributions figures.

3. The Director of Operations left the Authority on 02-01-2020.
4. As from the 01-01-2020 the Group Manager for Legal Services became the Head of Legal and reports directly to the Chief Executive. The total salary for 2019/20 is included in the above table.

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

	2018/19 £'000	2019/20 £'000
Other entities and individuals	1,055	1,018
<b>Total</b>	<b>1,055</b>	<b>1,018</b>

Included within the single entity Long Term Debtors (Note 32 of the Single Entity accounts) is £6,670k of loans to 3 Rivers which are eliminated from both sides in the Group Accounts.

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

	2018/19 £'000	2019/20 £'000
Other Receivable amounts	4,778	4,018
Trade Receivables	1,186	1,502
Less Impairment Allowances	(992)	(1,238)
<b>Total</b>	<b>4,972</b>	<b>4,282</b>

Included within the single entity Short Term Debtors (Note 36 of the Single Entity accounts) is £1,810k which relates to 3 Rivers Developments Ltd (£1,601k loan; £209k 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.

The original business case approved by the Council, anticipated the operating losses incurred by 3 Rivers Developments Ltd over its initial years of operation. This is to be expected with start-up businesses particularly with the lead time involved in development. They have not “triggered an event” leading to an expected credit loss and impairment of the loans. However, the ongoing review of operational activities does indicate that cost overruns on one of the projects in Tiverton will prevent the Company from making full repayment of the loan associated with this development. Accordingly, this loan has been impaired by £617k in the single entity accounts. Similarly, the working capital loan has been impaired by £173k to reflect the implied risk to profitability that this represents.

## 4 Work in Progress (WIP)

	2018/19 £'000	2019/20 £'000
Work in Progress	2,113	8,159
<b>Total</b>	<b>2,113</b>	<b>8,159</b>

As a development company, 3 Rivers Developments Ltd has “Work in Progress” which relates to the construction projects they have in progress.

## **Glossary of Terms**

### **Accounting Period**

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

### **Actual**

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

### **Actuarial Gains and Losses**

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

### **Actuary**

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

### **Accruals**

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

### **Accumulated Compensated Absences Adjustment Account**

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

### **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.