

WRITTEN RESPONSES TO PUBLIC QUESTIONS

Dear Ms Pole

Further to your question at last night's Council meeting, the chairman, Council Cruwys, has asked me to write to you to confirm my answer.

I would summarise your question as being:

What is the link between the £790k impairment that was made in the 2019/20 financial statements for Mid Devon District Council against loans which have been made to the Council's 100% subsidiary 3 Rivers Developments Limited (3 Rivers), and the c£600k unadjusted balance referred to in the Audit Findings Report (AFR) issued by the external auditors to the Council, Grant Thornton?

Answer

Aside from both of these items relating to the financial affairs of MDDC there is no direct link. The impairment of £790k relates to the loans which have been made to 3 Rivers to facilitate its operations. For clarity these loans, and so also the impairment, relate to the General Fund and not the Housing Revenue Account (HRA). These impairments have been made in compliance with IFRS 9 (International Financial Reporting Standard 9 – Financial Instruments) which the Council is required to follow.

The unadjusted balance of £600k which Grant Thornton refer to in the AFR relates to a settlement agreement which concludes a long running contractual dispute, and is subject to a confidentiality agreement. This agreement was finalised recently ie not during the reporting period. However, as this matter relates to events prior to the balance sheet date ie 31 March 2020 the settlement cost could be considered an adjusting post balance sheet event under IAS 10 (International Accounting Standard 10 – Events After the Reporting Period). Due to the late timing of this settlement and the fact that it is not material in the context of the Council's financial statements, it has not been adjusted for in those statements for the year ended 31 March 2020. This treatment is recognised and confirmed by Grant Thornton in the AFR. It will therefore be included in the accounts for the year ended 31 March 2021.

Dear Mr Perris

Further to last night's Council meeting, the chairman, Councillor Cruwys, has asked me to write to you in response to your question.

You highlighted one of the reporting lines from the Council's General Fund Revenue Account Outturn 2019/20 being Corporate Management (below) and made a general request for details relating to this expenditure:

Budget - £1,681,157

Actual Spend - £2,533,656

Variance - £852,500

Corporate Management

		2019/20 Budget	2019/20 Actual	Variance	Variance
Code	Corporate	£	£	£	%
1,000	Employees	1,543,710	1,525,386	(18,324)	-1.2%
2,000	Premises	0	0	0	0.0%
3,000	Transport	3,110	1,907	(1,203)	-38.7%
4,000	Supplies and Services	156,700	997,726	841,026	536.7%
	Total Direct Expenditure	1,703,520	2,525,019	821,499	48.2%
7,000	External Income	(22,363)	8,638	31,001	138.6%
	Net Direct Expenditure	1,681,157	2,533,656	852,500	50.7%
5,000	Support Services	(159,870)	(159,870)	0	0.0%
6,500	Depreciation	0	0	0	0.0%
	Total Indirect Expenditure	(159,870)	(159,870)	0	0.0%
	Total Corporate Expenditure	1,521,287	2,373,786	852,500	56.0%
	Corporate Management Service Units				
CM100	Leadership Team	573,440	547,352	(26,088)	-4.5%
CM199	Leadership Team Recharge	(573,420)	(573,420)	0	0.0%
CM210	Performance, Governance & Data	105,470	95,428	(10,042)	-9.5%
CM220	Brexit	(15,363)	(15,363)	0	0.0%
CM300	Corporate Fees/charges	508,430	1,389,398	880,968	173.3%
CM340	Unison	11,540	11,433	(107)	-0.9%

CM310	Corporate Performance	1,750	1,750	0	0.0%
CM600	Pension Backfunding	909,440	917,053	7,613	0.8%
CM800	Tiverton Hub	0	156	156	0.0%
Total Corporate Expenditure		1,521,287	2,373,786	852,500	56.0%
				£	£
Total Expenditure Variation					852,500
Major Cost Changes					
CM300	3 Rivers - Working capital impairment - IFRS 9 the risk of non-repayment of the loan			173,000	
CM300	3 Rivers - Riverside impairment - Relates to the potential overspend on the project leading to non-repayment of loan			617,000	
CM300	Impairment of South West Mutual Investment			50,000	
CM300	Bank charges above budget			15,260	
CM220	Training and technology spend from Brexit budget			19,470	
					874,730
Major Cost Savings					
CM100	Salary savings including element from Director post not replaced			(26,000)	
CM300	Valuation fees for the year less than anticipated			(13,000)	
CM300	Charges on Apprenticeship levy less than budgeted			(19,510)	
					(58,510)

Major Changes in Income Levels		
CM210	Grant received for providing various services incl Transparency code	(8,100)
CM300	Increase in Bad Debt Provision to reflect Covid uncertainty	64,190
CM220	Grant Income above budget, netted of against training overspend	(19,470)
		36,620
Minor Variances		
Various	Other minor variances	(340)
		(340)
Total Expenditure Variation		852,500
EARMARKED RESERVES		
Utilised 2019/20		
Proposed contribution c/fwd to 2019/20		
	Net movement in earmarked reserves	0
Total Expenditure variation after Earmarked Reserves		852,500

There are several sources where you may have

taken this information. May I refer you to the public reports pack for the Cabinet meeting on 9 July 2020:

<https://democracy.middevon.gov.uk/documents/g1257/Public%20reports%20pack%2009th-Jul-2020%2018.00%20Cabinet.pdf?T=10>

- The full outturn document was presented to Cabinet in this pack on pages 389-426.
- The summary is in Appendix 1 on page 397.
- Details of the numbers you quoted relating to Corporate Management are on page 399 and is copied below. This analyses budget, actual and variance by type and service unit. It also provides a detailed explanation of the £853k variance.

