

Audit Committee
23 June 2015

Annual Report and Accounts 2014/15

Leader Cllr Clive Eginton
Cabinet Member Cllr Peter Hare-Scott
Responsible Officer Head of Finance

Reason for Report: To present the annual report and accounts to members.

RECOMMENDATION: That the draft annual report and accounts be approved.

Relationship to Corporate Plan: The financial resources of the Council impact directly on its ability to deliver the corporate plan pledges.

Financial Implications: Good financial management and administration underpins the entire document.

Legal Implications: It is a statutory requirement to follow the Code of Practice on Local Authority Accounting in the United Kingdom: A Statement of Recommended Practice (SORP) when producing the annual accounts.

Risk Assessment: The Section 151 officer is responsible for the administration of the financial affairs of the Council. Adhering to the SORP mitigates the risk of receiving a qualified set of accounts. The Accountancy Team has also reviewed its overall calculations/workings against the CIPFA published Disclosure Checklist for 2014/15 and entered into detailed discussions with the appointed Audit Manager prior to and during the completion of the accounts. In addition the Accountancy Team has also performed a “dry run” process to establish whether it can finalise the Accounts by the end of May, as legislation has recently been passed to bring the closedown process forward a month for the production of the 2017/18 Accounts. This has been a useful trial and a number of lessons have been learned.

1.0 Introduction

1.1 The annual accounts for 2014/15 have been produced in full compliance with the Statement of Recommended Practice (SORP) and all other relevant accounting legislation. There are actually very few accounting changes for 2014/15.

2.0 The Annual Report and Accounts

- 2.1 The main highlights of the annual accounts are to be found in the explanatory foreword to the accounts beginning on page ii. In overall terms, 2014/15 has been another good year, where overall expenditure has remained fairly close to budget and we have been able to increase some of our reserves, in order to provide some additional financial “headroom” in advance of the soon to be announced emergency budget on the 8 July 2015 and the Chancellor’s Autumn Statement. Both of these announcements are expected to confirm continuing budget reductions to the Public Sector.
- 2.2 The detailed management accounts were included in the outturn report presented to the Cabinet on the 4 June 2015. This report indicates the continuing financial pressure that the Council faces due to Central Government’s continuing austerity programme. As a direct result this Council has managed to reduce expenditure and increase income in a number of services and continue to maintain a “prudent” levels of balances. It is also beginning to explore and accept some more commercial opportunities to either increase revenue or cut cost in order to protect frontline service provision.
- 2.3 In order to provide a summary financial position of how the Council ended 2014/15 a list of all available reserves is detailed below.

Balances held as at 31 March 2015

	B/fwd £m 31/3/14	In Year Movement (Surplus)/Deficit £m	C/fwd £m 31/3/15
General Fund Balance	(2.460)	0.080	(2.380)
GFund Ear Marked Reserves	(5.843)	(1.110)	(6.953)
Housing Revenue A/c Balance	(2.004)	0.004	(2.000)
HRA Ear Marked Reserves	(4.613)	(2.117)	(6.730)
Major Repairs Reserve	Nil	Nil	Nil
Usable Capital Receipts	(1.071)	0.086	(0.985)
Capital Grants Unapplied	(1.357)	(0.077)	(1.434)
Total cash-backed reserves	(17.348)	(3.134)	(20.482)

Notes

Some of the in year movements on the General Fund, the HRA and Ear Marked Reserves have slightly changed since the position reported to the Cabinet on the 4 June 2015 as a consequence of further review and/or additional information.

- 2.4 As can be seen from the above balances, the Council is now in a strong position to deal with the funding challenges it faces. A strong culture of financial awareness is now embedded in senior managers, members and operational service managers. This is enhanced with regular budget monitoring reports tabled at Management Team meetings, meetings of the Cabinet and the Policy Development Groups.

2.5 This Council continues to take proactive steps to strategically plan for further reductions in Central Government financial support. The Head of Finance, with the Chief Executive and Heads of Service will be meeting all service managers during July and early August to discuss funding reduction scenarios in order to balance our ongoing expenditure needs associated with the updated Corporate Plan. Planning at a more strategic level is already well under way (which will more fundamentally review ongoing service provision regarding volume, frequency and quality).

3.0 The Audit

3.1 Grant Thornton will commence the formal audit of our draft Accounts week commencing the 29 June 2015 and will be on site for approximately 3 weeks. They anticipate having their final report in time to present to the next Audit Committee on the 28 Jul 2015.

4.0 Conclusion

4.1 Members are asked to approve the draft annual report and accounts which reflect a true and fair view of the financial position of the Council as at 31 March 2015.

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Background Papers:

File Reference:

Circulation of the Report: Cllr Peter Hare-Scott



STATEMENT OF ACCOUNTS

FOR THE YEAR ENDED

31 MARCH 2015

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2014/15 STATEMENT OF ACCOUNTS

1.0 **EXPLANATORY FOREWORD**

1.1 **Introduction**

The Council's Annual Report and Accounts sets out the overall financial position and details the financial transactions relating to the District Council's activities for the year ended 31 March 2015. 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 2014/15.

In past years we would highlight the material changes introduced by the code, however, for 2014/15, there are only more minor technical changes that we have had to implement or consider, as most of the changes are more relevant to upper tier Authorities.

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 useable and unusable reserves and clearly shows the real value of cash reserves held by the Council.

1.4 **Comprehensive Income and Expenditure Statement**

The Comprehensive Income and Expenditure Statement is a summary of the resources generated and consumed by the Council in the year.

1.5 **The Balance Sheet**

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

1.6 **Cash Flow Statement**

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

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

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

1.8 **Collection Fund**

This account reflects the statutory requirement for the Council to maintain a separate Collection Fund which shows its transactions in relation to national non-domestic rates and council tax and illustrates how these have been distributed to Devon County Council, Devon and Cornwall Police Authority, Devon and Somerset Fire Authority 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 Pension Fund

There is no single statement that brings together the Council's overall financial position with regard to its pension scheme; instead pension information is consolidated within all of the other accounting statements of the Council, excluding the Collection Fund.

2.0 Review of the Year

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

2.1 Revenue Expenditure – General Fund

During the year regular monthly financial monitoring information has been produced and reported to senior management and members. This monitoring report consistently forecasted a small under spend during 2014/15. The month 12 outturn report tabled at the 4 June 2015 Cabinet meeting declared an estimated outturn deficit of £90k on the General Fund (this detailed report can be found on the council's website).

The main budget variances which reconcile the year end General Fund deficit are shown in the table below.

2014/15 Savings & Additional Costs	Budget variances £k
One-off staff redundancies	172
Relocation of Recycling service to Tiverton	80
Property maintenance under spends – most carried forward to 2015/16	(138)
Fees/charges below budget	185
Under spends in CTax, Business Rates & Housing Benefits	(284)
Additional spend on vehicle hire and repairs	77
Net salary savings delivered in year	(181)
Fees/charges above budget	(369)
One-off vehicle & equipment purchases (incl. property improvements)	87
Interest receipts below budget	50
Additional sums transferred to Earmarked Reserves	557
Sundry grants and other miscellaneous income	(223)
Other minor costs/income variances	77
Overall Deficit	90

Note – since this outturn position was declared a number of minor revisions have been made which have resulted in an overall loss of £80k for the year on the General Fund as shown in the Movement in Reserves Statement (so a change of £10k).

The overall General Fund position delivered in 2014/15 reflects the continued efforts of both officers and members to provide high quality services at an

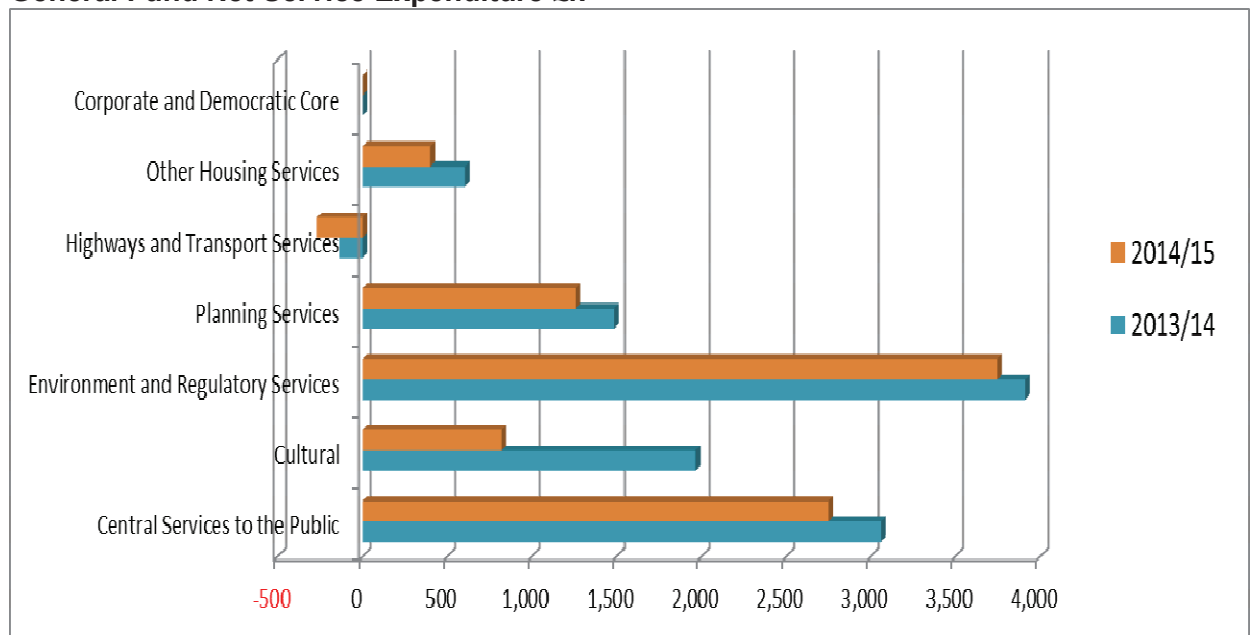
affordable cost and demonstrates the Council's on-going commitment to further reduce operational cost to mitigate against further cuts in Central Government funding.

The closing General Fund Balance (GFB) of £2,380k can be reconciled by:

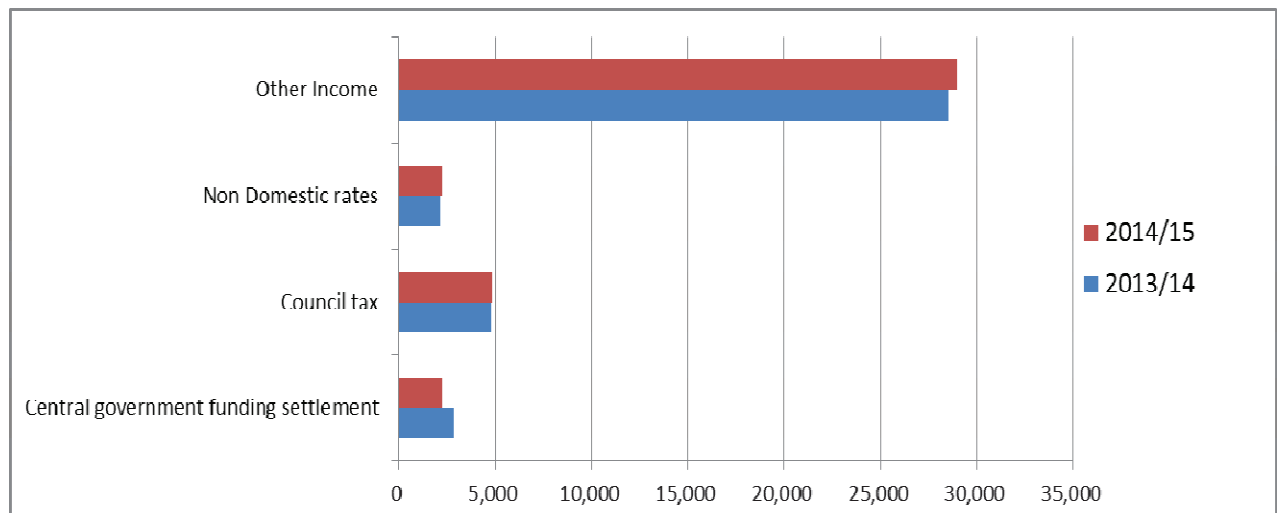
GFB as at 31 March 2014	(£2,460k)
General Fund overspend in 2014/15 – incl. EMRs	£80k
	<hr/>
Closing GFB as at 31 March 2015	(£2,380k)
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Note – Minimum GFB agreed at 25% of net expenditure = £2.3m.

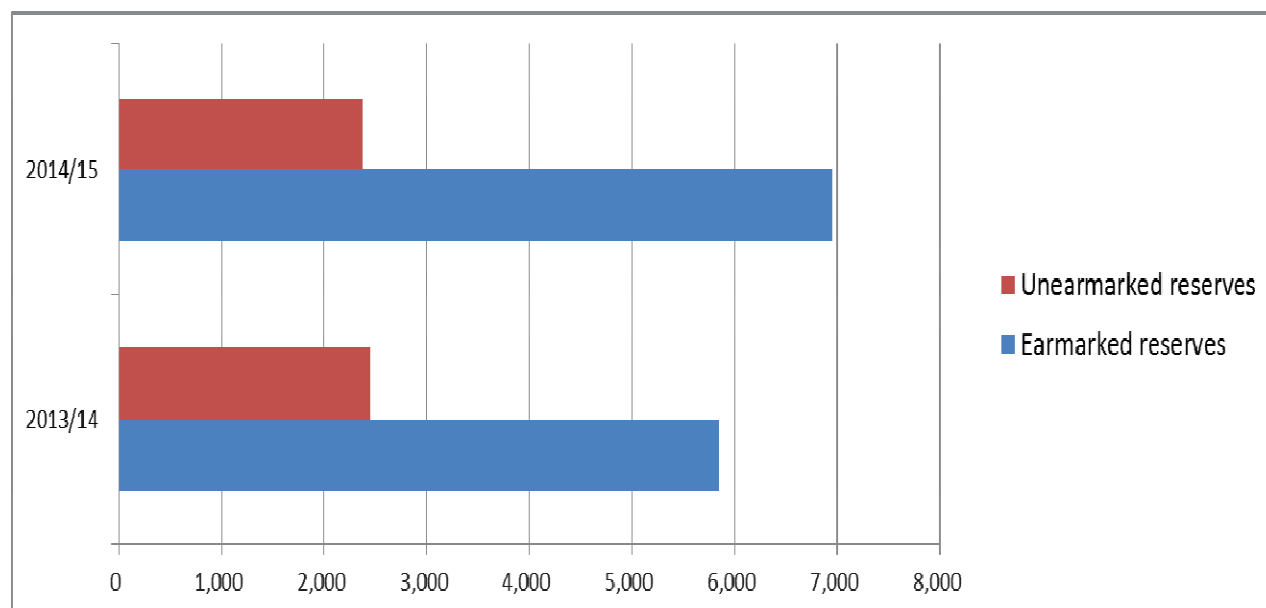
General Fund Net Service Expenditure £k



General Fund Revenue Income £k



General Fund Account Reserves £k



2.2 Revenue Expenditure - Housing Revenue Account (HRA)

The 2014/15 financial year has seen a very positive financial position delivered by the HRA. Overall spending levels have been below budget during the year and the HRA Balance has ended the year well above the minimum approved level of £1m. The outturn report showed a year end under spend of £4k (after an additional transfer of £871k into the 30yr Modernisation reserve).

The main budget variances which reconcile this outturn position are shown in the table below:

	Budget variances £k
2014/15 Savings & Additional Costs	
Staff savings	(104)
Additional work carried out by Planned Maintenance	(83)
Reduction in bad debt provision	(36)
Change in Accounting treatment for depreciation on HRA properties.	(501)
Rents slightly below budget	45
Additional income from solar panels	(182)
Additional transfer to 30yr modernisation EMR	871
Other minor costs/income variations	(6)
Overall deficit	4

Note - Once again, a detailed explanation of the end of year financial position on the HRA was reported to the Cabinet at its meeting on the 4 June 2015 which can be accessed on the Council's website.

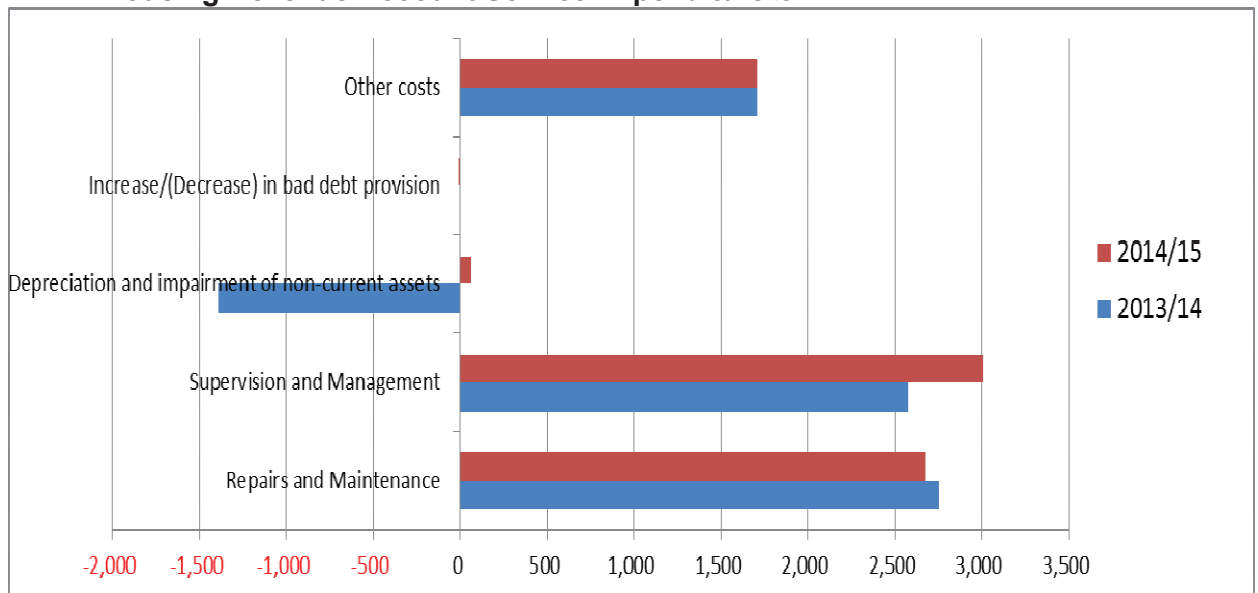
The Housing Service continues to prioritise its spending to ensure the delivery of the Decent Homes Standard and to this end has continued to target additional resources into increased expenditure on major stock improvements. This additional investment has resulted in 100% of our Council housing stock achieving the Decent Homes Standard.

The final year end position after accounting for transfers into earmarked reserves is a minor overspend of £4k on the HRA for 2014/15.

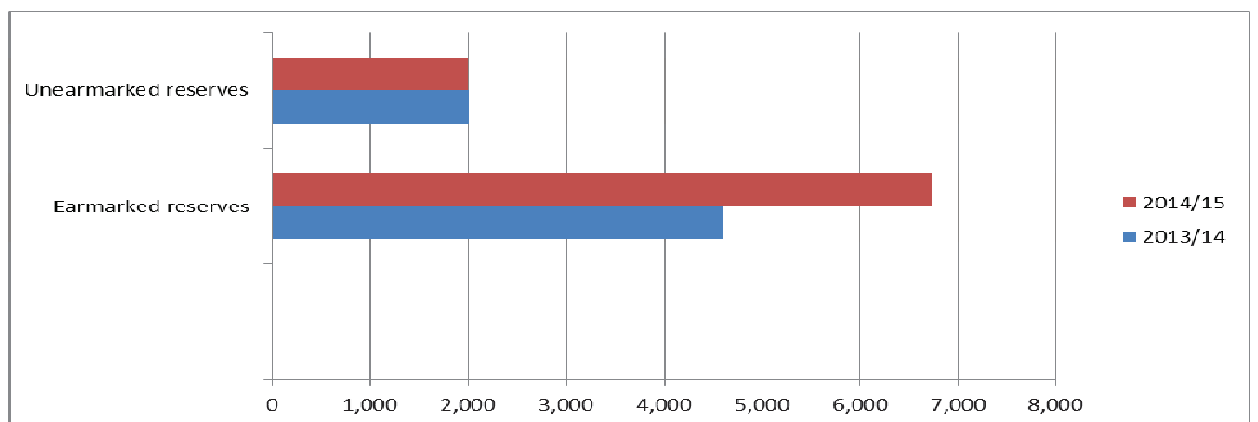
The closing HRA Balance (HRAB) of £2,000k can be reconciled by:

HRAB as at 31 March 2014	(£2,004k)
HRA over spend delivered in 2014/15	4k
Closing HRAB as at 31 March 2015	<u>(£2,000k)</u>

Housing Revenue Account Service Expenditure £k



Housing Revenue Account Reserves £k



2.3 Capital Expenditure

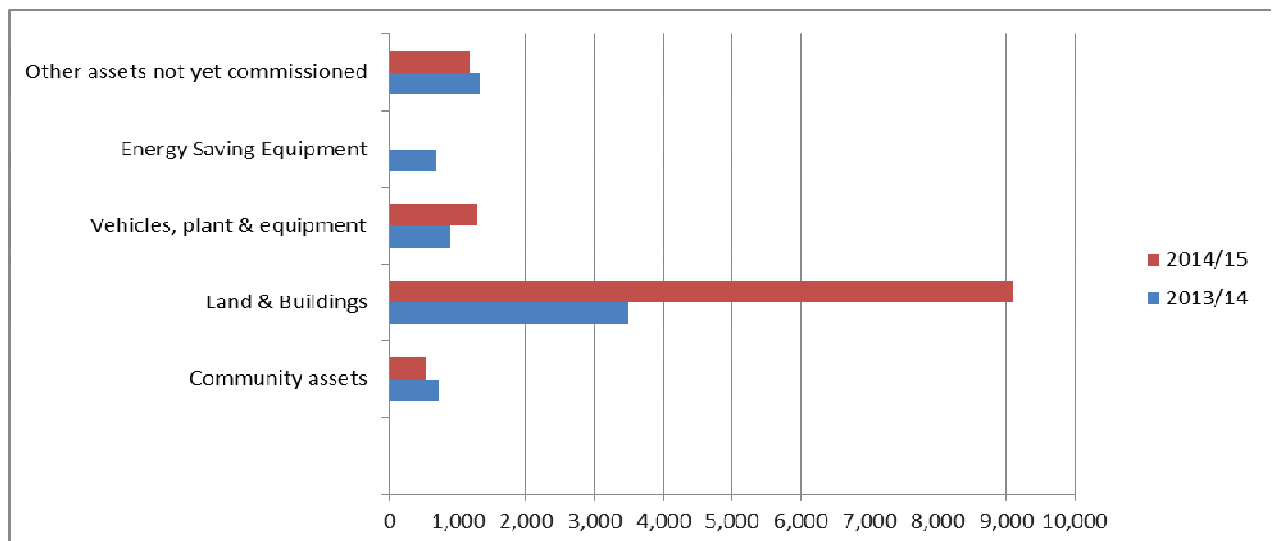
During the year capital expenditure amounted to £12,088k. The Council used £535k of capital receipts to fund the capital programme with the balance of the expenditure met by a combination of borrowing, external grants and earmarked reserves.

The three largest areas of expenditure in the 2014/15 capital programme were: £5,671k spent on improvements and additions to our existing housing stock, £4,206k on commercial property acquisitions, £988k on recycling vehicles and equipment and £761k spent on various housing related grants/projects.

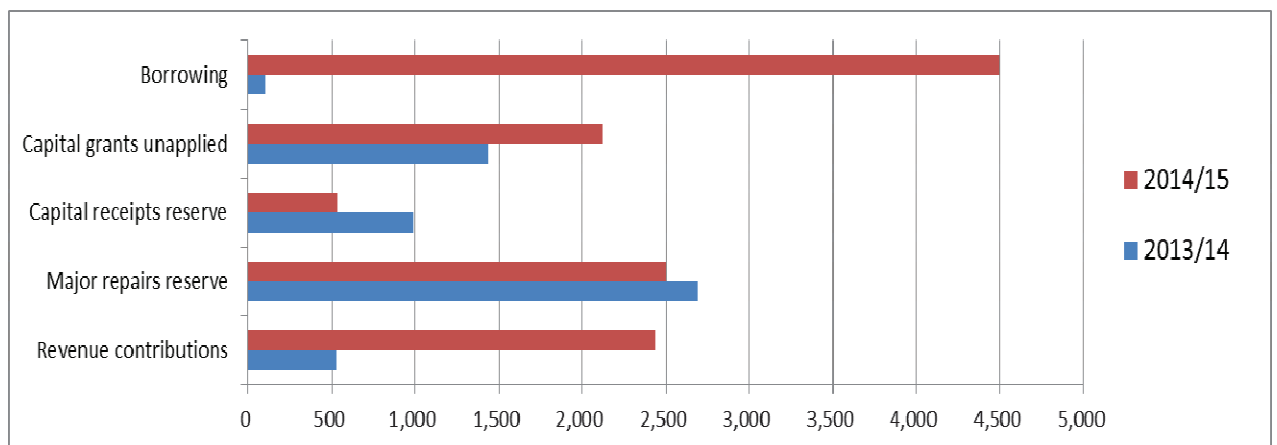
Due to the low level of capital receipts we have begun to make revenue contributions from both the General Fund and the HRA over the past few years and to this end the Council now has a Capital Contingency Reserve of £1,123k at the 31 March 2015.

A review of each of the financial statements will provide further details of the financial position of the Council for 2014/15.

Capital Expenditure £k



Capital Financing £k



2.4 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 useable reserves have increased by £3,134k to £20,482k during 2014/15.

2.5 The Comprehensive Income and Expenditure Statement

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

Page 3 of the Accounts shows an overall deficit on the Comprehensive I & E Account of £40k, 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, shown on pages 8 to 13. Once all of these adjustments are accounted for, then the final outturn deficits of £80k on the General Fund and £4k on the HRA shown on the Movement in Reserves Statement is delivered.

For information purposes, in addition to the various fees and charges levied by services, the General Fund was funded by £2,271k from Central Government Formula Grant, £2,289k from Business Rates, and Council Tax of £5,946k. In addition there were miscellaneous grants totalling £1,392k (which included £1,281k of New Homes Bonus).

2.6 Balance Sheet

The financial highlights for the Balance Sheet are shown below:

- The Property, Plant and Equipment valuation, after adjustment for additions, disposals, and finance leases, increased by £10,390k during 2014/15, predominantly due to the increase in valuation of £4,426k across the Council housing stock
- The overall Pension Scheme deficit increased by £10,323k due in the main to the fall in the discount rate assumption.

2.7 Cash Flow Statement

The financial highlights for the cash flow statement are given below:

- The Council had a net cash outflow during 2014/15 of £399k.

2.8 Housing Revenue Account (HRA) Income and Expenditure Account

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

- The Council experienced a £8,233k surplus on the HRA during 2014/15.

But after accounting for the adjustments made in the Movement on the HRA Statement of £6,120k and the transfers to Earmarked Reserves of £2,117k you arrive at the end of year over spend of £4k.

2.9 Major Repairs Reserve (MRR)

The Housing Revenue Account also holds a MRR, which is ring fenced for capital expenditure on HRA properties. This reserve effectively carries forward any unspent major repairs allowance. During 2014/15 the Council credited £2,496k to the MRR which was fully utilised. Therefore, there was no carrying balance on the MRR as at the 31/3/15.

2.10 The Collection Fund

The financial highlights for the Collection Fund are given below:

- The Council Tax Collection Fund made a deficit of £478k in the year after crediting £74k to the General Fund in relation to prior year surpluses.
- The Council Tax collection rate achieved in the year was 97.8% (97.6% in 2013/14).
- The Council set a Band D equivalent council tax rate of £182.15 in 2014/15 (i.e. frozen for the 5th successive year).
- The Business Rates Collection Fund made a surplus of £257k in the year.
- The Business rates collection rate achieved in the year was 99.0% (98.4% in 2013/14).

2.11 Pension Fund

The financial highlights of the pension fund are:

- Pension assets have increased to £52,379k (£47,998k in 13/14)
- Pension liabilities have increased to £101,722k (£87,083k in 13/14)
- Unfunded liabilities have increased to £1,285k (£1,220k in 13/14)
- The net deficit on the fund is £50,628k (£40,305k in 13/14)

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

2.12 Valuation of Property Portfolio

The Council instructed the District Valuer to value 1/5th of its asset portfolio and review the remaining assets in order to establish a "true and fair" view for the 31 March 2015 Balance Sheet.

2.13 Treasury Activities

The table below gives an overview of the Council's treasury activities during 2014/15:

31/3/14 £k	Investment categories	31/3/15 £k
3	Cash floats	3
1,745	Bank deposits	4,846
4,000	Short term deposits	500
5,748	Total	5,349

In addition to above cash equivalents the Council also held £9.5m of short term investments as at the 31 March 2015.

The Council generated investment interest of £173k, which gave an average rate of return of 0.6%. It also paid out £1,374k relating to five PWLB loans.

2.14 Post Balance Sheet Events

None.

3.0 The Financial Future of Mid Devon

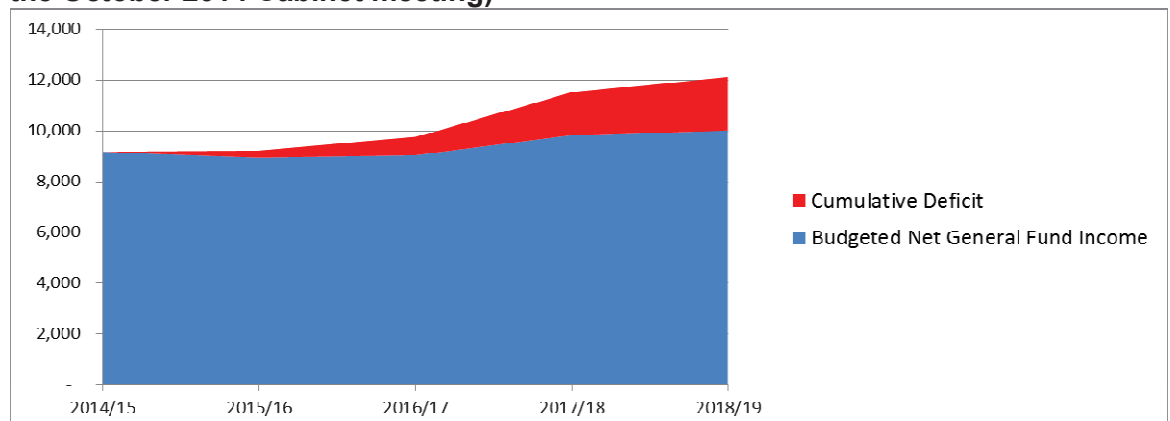
2014/15 was again a challenging financial year for the Council. The continuing large reductions in grant funding settlements from Central Government (a cut of circa £2.5m from the 2010/11 level of £6.186m) have resulted in the need to make very significant cuts in the level of expenditure that can be directed to general service provision.

However, due to more commercial attitudes, better procurement, increased income, delivery of a number of spend to save projects (e.g. solar panels/renewable energy initiatives and leisure centre enhancements) and continued reductions in staffing levels the Council has managed to work within this ever tightening resource envelope and not see a reduction in the quality or range of services being delivered.

After the recent national elections the Chancellor has pledged to continue the current austerity programme and has also tasked a number of Ministers to find an additional £13bn of public sector budget savings that he can announce in the emergency budget timetabled for the 8 July 2015. Therefore, further significant budget cuts remain highly likely and must at least be factored into updated Medium Term Financial Plans.

Strategic financial planning meetings are already underway, in order to establish what level and range of services can be delivered in the future against this back drop of ever reducing funding levels. These meetings will not simply be about exploring ways of delivering existing services at a reduced cost, they will also need to consider different delivery models, including greater partnership working and reviewing more commercial opportunities.

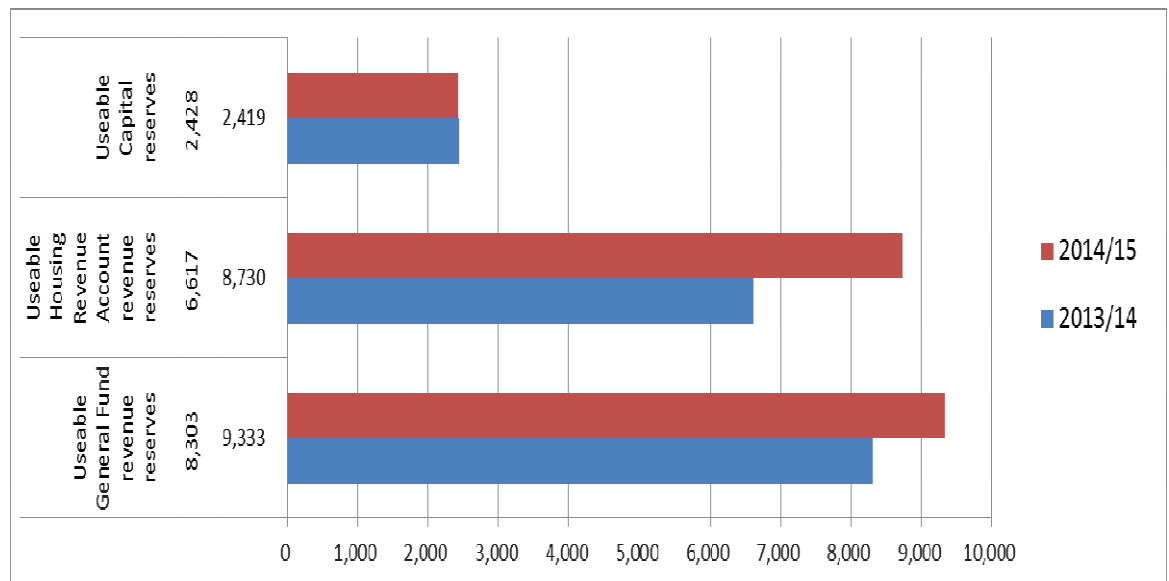
Medium Term Forecast Expenditure and Funding £k (As discussed at the October 2014 Cabinet meeting)



Notes

1. This diagram shows that delivering our existing range and level of services, without any remedial action, would result in the Council's expenditure exceeding the available resources by £2m by the end of 2018/19.
2. Central government has reduced the main Revenue Support Grant from £6.2m, in 2010/11 down to a £3.7m for 2015/16. This is a funding cut of just over 40% over the last five years.

Total Useable Reserves £k



Andrew Jarrett
Head of Finance

4.0 STATEMENT OF ACCOUNTING POLICIES

4.1 General Principles

The Statement of Accounts summarises the Council's transactions for the 2014/15 financial year and its position at the year end of 31 March 2015. The Authority is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2003, which those Regulations require to be prepared in accordance with proper accounting practices. These practices primarily comprise the "Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 and the Service Reporting Code of Practice for Local Authorities 2014/15 (SeRCOP), supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under section 12 of the 2003 Act. The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments. These statements have been compiled on the basis of the Council remaining a going concern and all amounts have been rounded to the nearest £1,000.

4.2 Accruals and Prepayments of Income and Expenditure

Activity is accounted for in the year that 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 payments made.

Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.

Where income and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

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

4.3 Overheads and Support Services

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA Service Reporting Code of Practice for Local Authorities 2014/15 (SeRCOP). The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

- Corporate and Democratic Core – costs relating to the Council's status as a

multi-functional, democratic organization.

- Non-Distributed Costs – the cost of discretionary benefits awarded to employees retiring early and any depreciation and impairment losses chargeable to non-operational properties.

These two cost categories are defined in SeRCOP and accounted for as separate headings in the Comprehensive Income and Expenditure Statement, as part of Net Expenditure on Cost of Services.

4.4 Charges to Revenue for Non Current Assets

Services, support services and trading accounts are debited with the following amounts to record the cost of holding non current assets during the year:

- depreciation attributable to the assets used by the relevant service
- revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off
- amortisation of intangible fixed assets attributable to the service

The Council is not required to raise council tax to cover depreciation, revaluations, impairment losses or amortisations. However, it is required to make an annual provision from revenue to contribute towards the reduction in its overall borrowing requirement (equal to at least 4% of the underlying amount measured by the adjusted Capital Financing Requirement, excluding amounts attributable to HRA activity). Depreciation, revaluation and impairment losses and amortisations are therefore replaced by the Minimum Revenue Provision 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.

4.5 Employee Benefits

Benefits Payable during Employment

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits e.g. cars for current employees and are recognized 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 and are charged on an accruals basis to the Non Distributed Costs line in the Comprehensive Income and Expenditure Statement when the Authority is demonstrably committed to the termination of the employment of an officer or group of officers or making an offer to encourage voluntary redundancy.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable

by the Authority to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

Post-Employment Benefits

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

4.6 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.
- Liabilities are discounted to their value at current prices using the annualised yield on the iBoxx credit index over the fifteen year AA rated non-gilt bond index.
- The assets of the Devon County Council pension fund attributable to the Council are included in the Balance Sheet at their fair value:
 - *quoted securities* – current bid price
 - *unquoted securities* – professional estimate of fair value
 - *unitised securities* – average of the bid and offer rates
 - *property* – market value

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

Service cost comprising:

- *current service cost* – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked
- *past service cost* – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs.
- *net interest on the net defined benefit liability*, i.e. net interest expense for the authority – the change during the period in the net defined benefit liability that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement – this is calculated by applying the discount rate used to measure the defined benefit liability at the beginning of the period –

taking into account any changes in the net defined benefit liability during the period as a result of contribution and benefit payments.

Remeasurements comprising:

- *the return on plan assets* - excluding amounts included in net interest on the net defined benefit liability - charged to the Pensions Reserve as Other Comprehensive Income and Expenditure

- *actuarial gains and losses* – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions reserve as Other Comprehensive Income and Expenditure

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

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

Discretionary Benefits

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

4.7 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 recognized 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 the conditions. When conditions are satisfied, the grant or

contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non-Specific Grant Income (non-ring fenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

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

4.8 Revenue Expenditure Funded from Capital under Statute (REFCUS)

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

4.9 Value Added Tax

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

4.10 Exceptional Items

When items of income and expenses are material, their nature and amount is disclosed separately, either on the face of the Comprehensive Income and Expenditure Statement or in the notes to the accounts, depending on how significant the items are to an understanding of the Authority's financial performance.

4.11 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 policy adopted by the Authority comprises three elements:

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

3. New assets, acquired after 1 April 2008, that are not finance leases, have their capital financing calculated on a straight line basis over the life of the asset.

4.12 Events after the Balance Sheet Date

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

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

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

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

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

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

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

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

Property, Plant and Equipment

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

Recognition

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Authority and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (e.g. repairs and maintenance) is charged as an expense when it is incurred. Expenditure is treated as *revenue* in nature unless the expenditure exceeds £20k. (Except in the case of some projects where the total funding grant exceeds £20k but an individual project using this money may amount to less than this.)

Measurement

Assets are initially measured at cost comprising:

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

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

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

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

- infrastructure, community assets and assets under construction depreciated historical cost
- dwellings - fair value, determined using the basis of existing use value for social housing (EUV-SH). The adjustment factor to give EUV-SH has remained at 31%
- all other assets - fair value, determined as the amount that would be paid for the asset in its existing use (existing use value - EUV)

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

Where non-property assets have short asset 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 recognize unrealized gains. (In some cases gains might be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of a loss previously charged to a service.)

Where decreases in value are identified, they are accounted for by:

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

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

Componentization

The move to IFRS accounting has seen the introduction of componentization. This policy states that where a large asset is made up of a number of components that have differing economic lives then 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.

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 by:

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

The Council had the District Valuer estimate current values of all of the property portfolio at 31 March 2015.

In compiling the 2010/11 Accounts there was a major change in the Housing

Valuation provided by the District Valuer. The District Valuer has confirmed that the applicable rate for 2014/15 will remain at 31%.

Depreciation

Depreciation is provided for on all Property, Plant and Equipment assets by the systemic 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	15 years
Structure	60 years

Applying this model, with current rebuilding costs, a depreciation charge of £1,809k for the year has been determined. This charge has been allocated pro rata across all of the council dwellings, including new additions based upon the property's value

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

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

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

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

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

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 re-valued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure in the Comprehensive Income and Expenditure Statement. Gains or losses on sale are posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previous losses recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.

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

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

Amounts in excess of £20k 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.

Heritage Assets

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

Where such assets are identified the asset is included in the accounts as a tangible heritage asset and shown separately from vehicles, plant and equipment. If the asset was donated or acquired for less than fair value the asset is brought into the balance sheet at its fair value. The authority values heritage assets on the basis of insurance

valuations.

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

Any impairment is recognised and measured in accordance with the Authority's general policies on impairment shown in note 4.15 above.

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

4.16 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. These asset values will be re-visited at 5 yearly intervals.

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

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

Acquisition, Preservation and Management

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

4.17 Intangible Assets

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

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

Expenditure on the development of websites is not capitalised if the website is solely or primarily intended to promote or advertise the Authority's goods or services. Intangible assets are measured initially at cost. Amounts are only revalued where the

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

Capitalised internally developed software costs associated with in-house commissioning and configuration of software have been amortised over one year as there is no readily ascertainable market value.

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

4.18 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. All other leases are classified as operating leases.

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

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

The Authority as Lessee

Finance Leases

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

Lease payments are apportioned between:

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

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

The authority is not required to raise council tax to cover depreciation or revaluation

and impairment losses arising on leased assets. Instead a prudent annual contribution is made from revenue funds towards the deemed capital investment in accordance with statutory requirements. Depreciation and revaluation and impairment losses are therefore substituted by a revenue contribution in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

Operating Leases

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

The Authority as Lessor

Finance Leases

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

Lease rentals are apportioned between:

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

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

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

4.19 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. Any cash and bank balances whose term, at their initial contract date is less than three months are categorised as cash and cash equivalents.

4.20 Accounting for Local Taxes

Non Domestic Rates (NDR)

- Retained Business Rate income included in the Comprehensive Income & Expenditure Statement for the year will be treated as accrued income.
- Top Up Income included in the Comprehensive Income & Expenditure Statement for the year will be treated as accrued income.

Non Domestic Rates (NDR)

- Council Tax income included in the Comprehensive Income & Expenditure Statement for the year will be treated as accrued income.

Both NDR, Top Up Income and Council Tax will be recognised in the Comprehensive Income & Expenditure Statement in the line Taxation & Non-Specific Grant Income. As a billing authority the difference between the NDR and Council Tax included in the Comprehensive Income and Expenditure Statement and the amount required by regulation to be credited to the General Fund shall be taken to the Collection Fund Adjustment Account and reported in the Movement in Reserve Statement. Each major preceptor's share of the accrued NDR and Council Tax income will be available from the information that is required to be produced in order to prepare the Collection Fund Statement. The income for Council Tax, NDR is recognised when it is probable that the economic benefits or service potential associated with the transaction will flow to the authority, and the amount of the revenue can be measured reliably .

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

4.21 Inventories

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

4.22 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 no more than three months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

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

4.23 Financial Instruments

Financial Assets

Financial assets are classified into two types:

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

Loans and receivables

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

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

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

4.24 Provisions

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

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the Council becomes aware of the obligation, based on the best estimate at the balance sheet date of the expenditure 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.

For this set of accounts the Council has no provisions.

4.25 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. For this set of accounts the Council has no contingent liabilities.

5.0 THE STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

5.1 The Authority’s Responsibilities

The authority is required to:

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

5.2 The Head of Finance’s Responsibilities

The Head of Finance is responsible for the preparation of the Authority’s Statement of Accounts in accordance with the proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (“the Code of Practice”).

In preparing this Statement of Accounts, the Head of Finance has:

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

The Head of Finance has also:

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

5.3 Opinion

In my opinion the Statement of Accounts gives a true and fair view of the financial position of the authority at the accounting date and its income and expenditure for the year ended 31 March 2015.

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

Andrew Jarrett – CPFA
Head of Finance
Mid Devon District Council

6.0 CHIEF FINANCIAL OFFICER’S CERTIFICATE

I certify that the accounts set out in the following pages, gives a true and fair view of the financial position of the Council at 31 March 2015.

The date on which the Statement of Accounts was authorised for issue by the Head of Finance was 23 June 2015.

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

Approved by the Head of Finance

.....

Andrew Jarrett – CPFA

Dated

Approved by the Chairman of the Audit Committee

.....

Bob Evans

Dated

Approved by the Leader of the Council

.....

Clive J Eginton

Dated

Approved at a meeting of the Audit Committee on the XX September 2015

Mid Devon District Council Financial Statements 2014-15

Movement in Reserves Statement

This section shows how our reserves have moved over the year

2014/15	Notes	USEABLE RESERVES						Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000	
		REVENUE RESERVES				CAPITAL RESERVES					
		General Fund Balance £000	Earmarked General Fund Reserves £000	Housing Revenue Account £000	Earmarked HRA Reserves £000	Capital Receipts Reserve £000	Major Repairs Reserve £000				Capital Grants Unapplied £000
Balance at 31 March 2014		(2,460)	(5,843)	(2,004)	(4,613)	(1,071)	0	(1,357)	(17,348)	(70,032)	(87,380)
<u>Movement in Reserves during 2013/14</u>											
(Surplus) or deficit on the provision of services		(3,471)		(8,233)					(11,704)		(11,704)
Other Comprehensive Income and Expenditure									0	11,744	11,744
Total Comprehensive Income and Expenditure		(3,471)	0	(8,233)	0	0	0	0	(11,704)	11,744	40
Adjustments between accounting basis and funding basis under regulations	5	2,441		6,120		86	0	(77)	8,570	(8,570)	0
Net Increase/Decrease before Transfers to Earmarked Reserves		(1,030)	0	(2,113)	0	86	0	(77)	(3,134)	3,174	40
Transfers (to) / from Earmarked Reserves	6	1,110	(1,110)	2,117	(2,117)				0		
(Increase)/Decrease in 2014/15		80	(1,110)	4	(2,117)	86	0	(77)	(3,134)	3,174	40
Balance at 31 March 2015 Carried forward		(2,380)	(6,953)	(2,000)	(6,730)	(985)	0	(1,434)	(20,482)	(66,858)	(87,340)
Held for Revenue Purposes		(2,380)	(6,953)	(2,000)	(6,730)				(18,063)		
Held for Capital Purposes						(985)	-	(1,434)	(2,419)		

Mid Devon District Council Financial Statements 2014-15

Movement in Reserves Statement continued

This section shows how our reserves have moved over the year

2013/14		USEABLE RESERVES							Total Usable Reserves	Unusable Reserves	Total Authority Reserves
		REVENUE RESERVES				CAPITAL RESERVES					
		General Fund Balance	Earmarked General Fund Reserves	Housing Revenue Account	Earmarked HRA Reserves	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied			
Notes	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	
		(2,623)	(3,622)	(1,968)	(2,535)	(757)	(47)	(1,637)	(13,189)	(60,343)	(73,532)
Movement in Reserves during 2012/13											
		2,051		(8,396)					(6,345)		(6,345)
									0	(7,503)	(7,503)
		2,051	0	(8,396)	0	0	0	0	(6,345)	(7,503)	(13,848)
	5	(4,109)		6,282		(314)	47	280	2,186	(2,186)	0
		(2,058)	0	(2,114)	0	(314)	47	280	(4,159)	(9,689)	(13,848)
	6	2,221	(2,221)	2,078	(2,078)				0		0
		163	(2,221)	(36)	(2,078)	(314)	47	280	(4,159)	(9,689)	(13,848)
		(2,460)	(5,843)	(2,004)	(4,613)	(1,071)	0	(1,357)	(17,348)	(70,032)	(87,380)
		(2,460)	(5,843)	(2,004)	(4,613)				(14,920)		
						(1,071)	-	(1,357)	(2,428)		

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.

2013/14				Notes	2014/15		
Gross Expenditure	Gross Income	Net Expenditure			Gross Expenditure	Gross Income	Net Expenditure
£000	£000	£000			£000	£000	£000
3,742	(678)	3,064	Central Services to the Public		3,497	(745)	2,752
4,362	(2,394)	1,968	Cultural		3,283	(2,460)	823
5,876	(1,963)	3,913	Environment and Regulatory Services		5,824	(2,074)	3,750
3,360	(1,872)	1,488	Planning Services		3,019	(1,758)	1,261
707	(841)	(134)	Highways and Transport Services		443	(710)	(267)
4,278	(13,215)	(8,937)	Local Authority Housing (HRA)		6,123	(13,731)	(7,608)
20,396	(19,787)	609	Housing		20,083	(19,681)	402
42,721	(40,750)	1,971	Costs of Services		42,272	(41,159)	1,113
		1,367	Other Operating Expenditure	8			1,042
		2,888	Financing and Investment Income and Expenditure	9			(37)
		(12,571)	Taxation and Non-Specific Grant Income	10			(13,822)
		(6,345)	(Surplus) or Deficit on Provision of Services				(11,704)
		(4,225)	(Surplus) or deficit on revaluation of Property, Plant and Equipment	43			80
		(3,270)	Remeasurements of the net defined benefit liability	21			11,664
		(7,495)	Other Comprehensive Income and Expenditure				11,744
		(13,840)	Total Comprehensive Income and Expenditure				40

Balance Sheet

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

31 March 2014		Notes	31 March 2015
£000			£000
159,931	Property, Plant & Equipment	22	170,321
475	Heritage Assets	25	491
0	Intangible assets	26	0
0	Long-term Investments	32	500
170	Long-term Debtors	33	158
160,576			171,470
7,014	Short-term Investments	34	9,500
199	Inventories	35	184
2,528	Short-term Debtors	36	3,340
5,748	Cash and Cash Equivalents	37	5,349
15,489	Current Assets		18,373
(3,209)	Short-term Creditors	38	(3,775)
0	Provisions	40	(82)
(1,449)	Short-term Borrowing	29	(1,637)
(4,658)	Current Liabilities		(5,494)
(740)	Long-term Creditors		(725)
(42,982)	Long-term Borrowing	29	(45,656)
(40,305)	Other Long Term Liabilities	47	(50,628)
(84,027)	Long Term Liabilities	39	(97,009)
87,380	Net Assets		87,340
17,348	Usable Reserves	41	20,482
70,032	Unusable reserves	42	66,858
87,380	Total Reserves		87,340

Cash Flow Statement

This section shows what cash we spend and receive

2013/14			2014/15
£000		Notes	£000
6,345	Net surplus on the provision of services		11,704
3,710	Adjustments to net surplus or deficit on the provision of services for non-cash movements	50	(365)
(735)	Adjustments for items included in the net surplus on the provision of services that are investing and financing activities	51	(1,123)
9,320	Net cash flows from Operating Activities		10,216
(8,295)	Investing Activities	53	(8,920)
(1,464)	Financing Activities	54	(1,695)
(439)	Net decrease in cash and cash equivalents		(399)
6,187	Cash and cash equivalents at the beginning of the reporting period	37	5,748
5,748	Cash and cash equivalents at the end of the reporting period	37	5,349

Notes to the Accounts

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

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 2015 for 2014/15). The disclosure requirements are expected to be included in a subsequent edition of the Code.

In compiling the 2014/15 accounts the following accounting policies have not been adopted:

- IFRS 1: Meaning of effective IFRSSs
- IFRS 13: Fair Value Measurement (May 2011) and scope of paragraph 52 (portfolio exception)
- IAS 40: Clarifying the interrelationship of IFRS 3 Business Combinations and IAS 40 Investment property when classifying property or owner-occupied property
- IFRIC 21 Levies.

2 Critical Judgements in Applying Accounting Policies

In applying the accounting policies as set out in Note 1, the Authority has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the statements are:

- a) estimates for accrued expenditure/incomes - based on service managers and accountants calculations at year end;
- b) bad debt provision - based on historic trends, adjusted for any material movements during 2014/15;
- c) asset lives for the calculation of depreciation charges - based on service managers experience of previously used assets.

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.

Notes to the Accounts

3 Material Items of Income and Expense

During the year the Authority purchased a number of freehold retail properties in Tiverton town centre to enhance the economic regeneration of the town centre. The investment in these properties, situated at Market Walk and 32/34 Fore Street Tiverton, amounted to approximately £4.1m. (Shown within the figures in note 22). Many of the units have existing tenants and the Authority will be seeking to ensure full occupancy and to stimulate further development of our town centres as part of our economic development mandate. In the future, as a result of the acquisitions, the number of short term lessor rents we receive will increase and we shall incur some maintenance costs on the properties in our capacity as the landlord.

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

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

The items in the Authority's Balance sheet at 31 March 2015 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 from Assumptions
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 £36,112k (excl. Council Houses) would increase by £754k for every year that useful lives had to be reduced.
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 net pensions liability 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 pension liability of £101k and a 1 year increase in mortality rates would reduce the scheme obligation by £99k. However the assumptions interact in complex ways.
36	Arrears	At 31 March 2015, the Authority had a gross balance of sundry debtors of £828k. A review of significant balances suggested that a provision for doubtful debts of 39.7% or £329k was appropriate (£270k of which relates to Deposit and Rent Scheme (DARS)). However, in the current economic climate it is not certain that such an allowance would be sufficient.	If collection rates were to deteriorate, a doubling of the amount of the provision for doubtful debts (excluding DARS arrears) would require an additional £59k to be set aside. In addition, if we were to make provision for 100% of DARS arrears, £14k more would need to be allowed for.

Notes to the Accounts

5 Adjustments between Accounting Basis and Funding Basis under Regulations

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

2014/15	Usable Reserves					Total Usable Reserves	Movement in Unusable Reserves
	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied		
	£000	£000	£000	£000	£000	£000	£000
<u>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</u>							
<u>Adjustments involving the Capital Adjustment Account:</u>							
Charges for depreciation and impairment of non current assets	(1,353)	(2,165)					3,518
Revaluation losses on Property, Plant and Equipment	987	1,944					(2,931)
Amortisation of intangible assets	(118)	0					118
Income in relation to donated assets	9						(9)
Revenue expenditure funded from capital under statute	(536)						536
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	0	(386)					386
<u>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</u>							
Statutory provision for the financing of capital investment	262	947					(1,209)
Capital expenditure charged against the General Fund and HRA balances	1,453	984					(2,437)
<u>Adjustments primarily involving the Capital Grants Unapplied Account</u>							
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	566	1,634			(2,200)		
Application of grants to capital financing transferred to the Capital Adjustment Account					2,123		(2,123)
<u>Adjustments involving the Capital Receipts Reserve:</u>							
Transfer of sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	10	659	(669)				
Use of the Capital Receipts Reserve to finance new capital expenditure			535				(535)
Contribution from the Capital Receipts Reserve towards administrative costs of non current asset disposals		(13)	13				
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	(207)		207				
Balance carried forward	1,073	3,604	86	0	(77)	0	(4,686)

Notes to the Accounts

5 Adjustments between Accounting Basis and Funding Basis under Regulations

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

2014/15	Usable Reserves					Total Usable Reserves	Movement in Unusable Reserves
	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied		
	£000	£000	£000	£000	£000	£000	£000
Balance brought forward	1,073	3,604	86	0	(77)	0	(4,686)
<u>Adjustment involving the Major Repairs Reserve:</u>							
Reversal of Major Repairs Allowance credited to the HRA		2,496		(2,496)			
Use of the Major Repairs Allowance to finance new capital expenditure				2,496			(2,496)
<u>Adjustment involving the Pensions Reserve:</u>							
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(835)	20					815
Employer's pension contributions and direct payments to pensioners payable in the year.	2,156						(2,156)
<u>Adjustment involving the Collection Fund Adjustment Account:</u>							
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statements is different from council tax income calculated for the year in accordance with statutory requirements	(66)						66
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	111						(111)
<u>Adjustment involving the Accumulating Compensated Absences Adjustment Account:</u>							
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements.	2	0					(2)
Total Adjustments	2,441	6,120	86	0	(77)	0	(8,570)

Notes to the Accounts

5 Adjustments between Accounting Basis and Funding Basis under Regulations

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

2013/14	Usable Reserves						Movement in Unusable Reserves £000
	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000	
<u>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</u>							
<u>Adjustments involving the Capital Adjustment Account:</u>							
Charges for depreciation and impairment of non current assets	(1,239)	(2,008)					3,247
Revaluation losses on Property, Plant and Equipment	(598)	3,370					(2,772)
Revenue expenditure funded from capital under statute	(733)						733
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	(741)	(955)					1,696
<u>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</u>							
Statutory provision for the financing of capital investment	260	1,430					(1,690)
Capital expenditure charged against the General Fund and HRA balances	447	84					(531)
<u>Adjustments primarily involving the Capital Grants Unapplied Account</u>							
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	958	200			(1,158)		
Application of grants to capital financing transferred to the Capital Adjustment Account					1,438		(1,438)
<u>Adjustments involving the Capital Receipts Reserve:</u>							
Transfer of sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement		1,562	(1,562)				
Use of the Capital Receipts Reserve to finance new capital expenditure			991				(991)
Contribution from the Capital Receipts Reserve towards administrative costs of non current asset disposals		(31)	31				
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	(187)		187				
Transfer of deferred sale proceeds as part of the gain/loss on disposal to the Comprehensive income and Expenditure Statement		(39)	39				
<u>Adjustments involving the Deferred Capital Receipts Reserve:</u>							
Transfer of deferred sale proceeds as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement		40					(40)
Balance carried forward	(1,833)	3,653	(314)	0	280	0	(1,786)

Notes to the Accounts

5 Adjustments between Accounting Basis and Funding Basis under Regulations

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

2013/14	Usable Reserves					Total Usable Reserves	Movement in Unusable Reserves
	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied		
	£000	£000	£000	£000	£000	£000	£000
Balance brought forward	(1,833)	3,653	(314)	0	280	0	(1,786)
Adjustment involving the Major Repairs Reserve:							
Reversal of Major Repairs Allowance credited to the HRA		2,641		(2,641)			
Use of the Major Repairs Allowance to finance new capital expenditure				2,688			(2,688)
Adjustments involving the Financial Instruments Adjustment Account:							
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements		51					(51)
Adjustment involving the Pensions Reserve:							
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(4,087)	(65)					4,152
Employer's pension contributions and direct payments to pensioners payable in the year.	1,901						(1,901)
Adjustment involving the Collection Fund Adjustment Account:							
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statements is different from council tax income calculated for the year in accordance with statutory requirements	(31)						31
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	(67)						67
Adjustment involving the Accumulating Compensated Absences Adjustment Account:							
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements.	8	2					(10)
Total Adjustments	(4,109)	6,282	(314)	47	280	0	(2,186)

Notes to the Accounts

6 Transfers to / from Earmarked Reserves

This section shows movements in these reserves

General Fund - Revenue Earmarked Reserves	Balance at 1/4/13 £000	Transfers In £000	Transfers Out £000	Reclassification £000	Balance at 31/03/14 £000	Transfers In £000	Transfers Out £000	Reclassification £000	Balance at 31/3/15 £000
Capital Contingency Reserve	1,491	350	(318)	(560)	963	375	(215)		1,123
Maintenance & Amenity Reserve	777	640	(157)		1,260	113	(136)		1,237
Misc. General Fund Reserves	874	(183)	(410)	746	1,027	667	(310)		1,384
Vehicle and plant sinking funds		695			695	635	(304)	(135)	891
New Homes Bonus		1,275	(51)		1,224	1,281	(618)		1,887
General Vehicle Replacement	58	224	(124)		158		(293)	135	0
Insurance excess claims fund	155				155		(34)		121
Statutory Development Plan	81	30			111	60	(111)		60
NNDR Reserve	0	250			250				250
Refuse Vehicle Replacements	186			(186)	0				0
Total Revenue Earmarked Reserves	3,622	3,281	(1,060)	0	5,843	3,131	(2,021)	0	6,953

The £1.9m held in the New Homes Bonus reserve is currently earmarked to help fund the Private Sector Housing and Economic Development components of the future capital programme. The capital contingency reserve makes provision for an identified funding cap for future capital programmes shown in the medium term financial plan. The maintenance reserve is a collection of Section 106 contributions being used to fund revenue costs of additional play parks and amenity provision included in various planning provisions. Miscellaneous General Fund items are a large number of items that relate to specific projects that will be delivered in 2015/16. A full breakdown of the constituents was provided in the outturn report which was considered at the Cabinet meeting 4 June 2015.

Housing Revenue Account - Revenue Earmarked Reserves	Balance at 1/4/13 £000	Transfers In £000	Transfers Out £000	Reclassification £000	Balance at 31/03/14 £000	Transfers In £000	Transfers Out £000	Reclassification £000	Balance at 31/3/15 £000
Sewage Treatment Works	100		(84)		16		(16)		0
Solar Panel Income - Renewables	237	217	(109)		345	183	(158)		370
30yr Maintenance Programme	2,198	2,777	(723)		4,252	2,892	(784)		6,360
Total Revenue Earmarked Reserves	2,535	2,994	(916)	0	4,613	3,075	(958)	0	6,730

7 Transfers to/from Capital Grants Unapplied

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

	Balance at 1/4/13 £000	Transfers In £000	Transfers Out £000	Reclassification £000	Balance at 31/03/14 £000	Transfers In £000	Transfers Out £000	Reclassification £000	Balance at 31/3/15 £000
Total Funds Unapplied									
Regional Housing Pot	509	35	(385)	0	159	0	(159)	0	0
Afford Housing Contributions	507	315	(256)	0	566	142	(26)	0	682
Tiverton Enhancement Scheme	14	0	0	0	14	0	0	0	14
Air Quality Fund - Cullompton	126	40	(122)	0	44	10	0	0	54
Air Quality Fund - Crediton	240	58	0	0	298	110	0	0	408
Planning Delivery Grant	241	0	(43)	0	198	0	0	0	198
Cap Grants Unapplied Nonspecific	0	711	(633)	0	78	1,905	(1,905)	0	78
DCC Funding	0	0	0	0	0	33	(33)	0	0
Total Capital Grants Unapplied	1,637	1,159	(1,439)	0	1,357	2,200	(2,123)	0	1,434

Notes to the Accounts

8 Other Operating Expenditure

2013/14		2014/15
£000		£000
1,046	Parish Council precepts	1,119
187	Payments to the Government Housing capital receipts pool	206
134	(Gains)/Losses on the disposal of non current assets	(283)
1,367	Total	1,042

9 Financing and Investment Income and Expenditure

2013/14		2014/15
£000		£000
1,397	Interest payable and similar charges	1,374
1,805	Net interest on the net defined benefit liability	(1,238)
(145)	Interest receivable and similar income	(173)
(169)	Heritable Bank loss - write back of provision not required	0
2,888	Total	(37)

10 Taxation and Non Specific Grant Income

2013/14		2014/15
£000		£000
(5,808)	Council tax income	(5,946)
(2,137)	Non domestic rates	(2,289)
(2,867)	Revenue Support Grant	(2,271)
(847)	Non-ringfenced government grants	(1,392)
(912)	Capital grants and contributions	(1,924)
(12,571)	Total	(13,822)

Further details of specific grant income are shown at note 57.

Notes to the Accounts

11 Operating Leases

Authority as Lessee

Vehicles, Plant, Furniture and Equipment

The Authority holds a number of plant and equipment items under terms of operating leases (e.g. photocopiers, a franking machine, various IT equipment and fitness equipment).

Payments under Operating Leases

The Authority has made payments of £38k under operating leases in 2014/15 (£109k in 2013/14) comprising of the following elements:

2013/14		2014/15
£000		£000
25	Land & Buildings	36
84	Vehicles, Plant & Equipment	2
109	Total	38

For future years liabilities for Finance and Operating Leases see note 59.

Authority as Lessor

The gross value of assets held for use in operating leases as at 31 March 2015 was £7,136k (£3,580k in 2013/14)

	2013/14			2014/15		
	Gross Value	Net Book Value	Rental Income	Gross Value	Net Book Value	Rental Income
	£000	£000	£000	£000	£000	£000
HRA Shops	1,165	1,165	(107)	1,209	1,209	(108)
General Fund Shops	0	0		3,745	3,745	(33)
Other GF Land & Buildings	968	968	(54)	865	865	(68)
Industrial Units	1,447	1,447	(97)	1,317	1,317	(93)
Total	3,580	3,580	(258)	7,136	7,136	(302)

The Council also received £12,953k from the rental of 1,157 Garages Rents and 3,065 Council Houses. For more information see the Housing Revenue Account notes.

Notes to the Accounts

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	2013/14		2014/15	
	Number of Employees	Left During Year	Number of Employees	Left During Year
£50,000 - £54,999	1	0	1	0
£55,000 - £59,999	1	0	1	0
£60,000 - £64,999	4	0	2	0
£65,000 - £69,999	1	0	1	0
£70,000 - £74,999	0	0	0	0
£75,000 - £79,999	0	0	0	0
£80,000 - £84,999	0	0	0	0
£85,000 - £89,999	0	0	0	0
£90,000 - £94,999	0	0	0	0
£95,000 - £99,999	1	0	1	0
£100,000- £104,999	0	0	0	0
£105,000 - £109,999	0	0	0	0
£100,000- £104,999	0	0	0	0
£105,000 - £109,999	0	0	0	0
£110,000 - £114,999	0	0	0	0
£115,000 - £119,999	0	0	1	1
£120,000 - £124,999	0	0	0	0
£125,000 - £129,999	0	0	0	0
£130,000 - £134,999	0	0	0	0
£135,000 - £139,999	0	0	1	1

The above table includes two employees who received termination payments in 2014-15.

All of the employees in the above table are included in the Senior Officers table.

In completing the 2014/15 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 2014/15

Notes to the Accounts

12 Officers' Emoluments

Senior Officers Earning in Excess of £50,000

Post Title	Financial Year	Salary (Including Allowances)	Compensation for Loss of Employment	Expenses	Benefits in Kind	Total Remuneration excluding pension contributions	Pension Contributions	Total Remuneration including pension contributions
Chief Executive	2014/15	97,637				97,637	18,356	115,993
	2013/14	97,637				97,637	17,868	115,505
Head of Business Information Services	2014/15	54,175				54,175	10,185	64,360
	2013/14	53,322				53,322	9,758	63,080
Head of Planning and Regeneration. Note 1	2014/15	62,819	73,471			136,291	11,810	148,101
	2013/14	62,476				63,476	11,433	73,909
Head of Financial Services	2014/15	62,819				62,819	11,810	74,630
	2013/14	62,476				62,476	11,433	73,909
Head of HR & Development	2014/15	62,819				62,819	11,810	74,630
	2013/14	61,249				61,249	11,209	72,458
Head of Communities and Governance	2014/15	58,034				58,034		58,034
	2013/14	56,586				56,586		56,586
Head of Environmental Services. Note 2	2014/15	46,857	71,890			118,747	8,809	127,556
	2013/14	61,249			1,078	62,327	11,209	73,536
Head of Housing & Property Services	2014/15	66,453				66,453	12,423	78,876
	2013/14	64,420			1,078	65,498	11,787	77,285

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

The pension contribution figures have increased from 18.3% to 18.8% which is the new common contribution rate applicable from 2014-15 onwards.

Note 1. The Head of Planning left this Authority on the 31-3-15.

Note 2. The Head of Environmental Services left this Authority on the 31-12-14.

Notes to the Accounts

13 Termination Benefits

2014/15

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	6	7	38
£20,000 - £39,999	1		1	29
£40,000 - £59,999				0
£60,000 - £79,999	2		2	145
				212

2013/14

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	4	3	7	55
£20,000 - £99,999	0	1	1	22
				77

Note - these termination benefits will be more than offset by future salary savings as most of these posts have not been replaced.

14 External Audit Costs

Fees paid to Mid Devon's appointed external auditor, the Audit Commission, were as follows.

2013/14 £000		2014/15 £000
63	Fees payable with regard to the annual audit fee	64
21	Fees payable for the certification of claims and returns	9
84	Total	73

Notes to the Accounts

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 effective control 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 57 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. In addition, members are asked to declare separately any transactions with the Authority. The Head of Finance has reviewed these existing declarations and has decided none warrant disclosure in this years Accounts.

Officers of the Council are bound by the Council's Code of Conduct. Senior Officers (which encompasses all members of Management Team) are required to declare any related party transactions with the Council. No transactions have required disclosure.

16 Members Allowances

2013/14		2014/15
£000		£000
264	Allowances	267
27	Expenses	24
291	Total	291

17 Acquired and/or Discontinued Activities

The Council did not acquire any new activities or discontinue any existing ones during 2014/15.

Notes to the Accounts

18 Depreciation and Impairment of Fixed Assets

2013/14		2014/15
£000		£000
3,247	Depreciation	3,518
-	Amortisation of intangible assets	118
(2,771)	Net reversal of impairment of fixed assets	(2,931)
£476	Total	£705

19 Capital Financing

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

2013/14		2014/15
£000		£000
	Housing Revenue Account - Capital Financing Requirement	
1,398	HRA self financing settlement - see note below	916
33	Finance leases	31
1,431		947
	General Fund - Capital Financing Requirement	
142	Assets acquired prior to 1/4/13	78
	Assets acquired by PWLB loans after 1/4/13	100
118	Finance leases	84
260		262
£1,691	Total	£1,209

The method of calculating the capital financing charge has been changed this year - please see the accounting policy note number 4.11 . As a result of this change the capital financing charge on the HRA self financing settlement is now being charged over the life of the underlying assets, 50 years, rather than the term of the loan 25 years. Overall the sum that needs to be financed has remained the same.

20 Insurance

All major risks have been identified and are insured with applicable excesses. There were no major claims outstanding as at the 31/3/15.

Notes to the Accounts

21 Pensions

All of the pension figures included in the 2014/15 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 final salary scheme) and is fully funded, meaning that the Council and its employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with the investment assets. Governance of the scheme is the responsibility of the pensions committee of Devon County Council. Policy is determined in accordance with the Pension Fund Regulations.

The principal risks to the authority of the scheme are the longevity assumptions, statutory changes to the scheme, structural changes to the scheme (i.e. large scale withdrawals from the scheme), changes to inflation, bond yields and the performance of the equity investments held by the scheme. These are mitigated to a certain extent by the statutory requirements to charge to the General fund and Housing revenue Account the amounts required by statute as described in the accounting policies note.

Arrangements for the award of discretionary post-retirement benefits upon early retirement .

This is an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made. There are no investment assets built up to meet these pension liabilities and cash has to be generated to meet actual pension payments as they eventually fall due.

Discretionary Post-retirement Benefits

Discretionary post-retirement benefits on early retirement are an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made. There are no plan assets built up to meet these pension liabilities.

Transactions relating to Retirement Benefits

The Council recognises the cost of retirement benefits in the Net Cost of Services when they are earned by employees rather than when the benefits are eventually paid as pensions. However, the charge the Council is required to make against council tax is based on the cash payable in the year, so the real cost of retirement benefits is reversed out in the note titled Adjustments between Accounting Basis and Funding Basis under Regulations (AABFBR). The following transactions have been made in the Income and Expenditure Account and the AABFBR:

Notes to the Accounts

21 Pensions continued

Pension Assets and Liabilities Recognised in the Balance Sheet

	Local Government Pension Scheme		Discretionary Benefit Arrangements	
	2013/14	2014/15	2013/14	2014/15
	£000	£000	£000	£000
Present value of the defined benefit obligation	87,083	101,722	1,220	1,285
Fair value of plan assets	47,998	52,379		
Sub-total	39,085	49,343	1,220	1,285
Other movements in the liability (asset)				
Net liability from defined benefit obligation	39,085	49,343	1,220	1,285

Comprehensive Income and Expenditure Statement

	Local Government Pension Scheme		Discretionary Benefit Arrangements	
	2013/14	2014/15	2013/14	2014/15
	£000	£000	£000	£000
<i>Cost of Services</i>				
<i>Service cost comprising:</i>				
Current service cost	2,292	2,053		
Past service costs	55	0		
(Gain) / loss from settlements				
<i>Expenditure</i>				
Net interest expense	1,779	1,727		
Administrative expenses	26	27		
<i>to the Surplus or Deficit on the Provision to the Comprehensive Income and</i>	4,152	3,807	0	0
Remeasurement of the net defined benefit liability comprising:				
Return on plan assets (excluding the amount included in the net interest expense)	(123)	(2,992)		
Actuarial gains and losses arising on changes in demographic assumptions	75	0		
Actuarial gains and losses arising on changes in financial assumptions.	(3,222)	11,664		
<i>to the Comprehensive Income and</i>	(3,270)	8,672	0	0
<i>Movement in Reserves Statement</i>				
Reversal of net charges made to the surplus or Deficit on the Provision of Services for post-employment benefits in accordance with the Code.	1,019	(10,323)		
<i>Actual amount charged against the General Fund Balance for pensions in the year:</i>				
Employers' contributions payable to the scheme	1,901	2,156		
Retirement benefits payable to pensioners			(3,154)	21(3,388)

Notes to the Accounts

21 Pensions continued

Reconciliation of the Movements in the Fair Value of Scheme Assets

	Local Government Pension		Discretionary Benefit Arrangements	
	2013/14	2014/15	2013/14	2014/15
	£000	£000	£000	£000
Opening fair value of scheme assets	46,912	47,998		
Interest income	2,048	2,097		
Remeasurement gain / (loss):	(321)	0		
- The return on plan assets, excluding	123	2,992		
- Other	(26)	(27)		
Contributions from employer	1,901	2,156		
Contributions from employees into the scheme	515	551		
Benefits paid	(3,154)	(3,388)		
Other				
Closing fair value of scheme assets	47,998	52,379		

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

	Funded Liabilities: Local Government Pension Scheme		Unfunded Liabilities: Discretionary Benefits	
	2013/14	2014/15	2013/14	2014/15
	£000	£000	£000	£000
Opening balance at 1 April	88,236	88,395		(92)
Current service cost	2,292	2,053		
Interest cost	3,827	3,824		
Contributions from scheme participants	515	551		
Remeasurement (gains) and losses:				
- Actuarial gains and losses arising on changes in demographic assumptions	75	0		
- Actuarial gains and losses arising on changes in financial assumptions.	1,553	11,639		
- Other				
Past service cost	55	0		
Losses / (gains) on curtailment				
Experience loss / (gain) on defined benefit obligation	(5,096)	25		
Benefits paid	(3,062)	(3,297)	(92)	(91)
Closing balance at 31 March	88,395	103,190	(92)	(183)

Notes to the Accounts

21 Pensions continued

Basis for Estimating Assets and Liabilities

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

Both the Local Government Pension scheme and discretionary benefits liabilities have been estimated by Barnett Waddingham, an independent firm of actuaries, estimates for the Local Government Pension Scheme being based upon the latest full valuation of the scheme as at 31 March 2013 and has then been updated for estimated fund returns, asset statement, market returns, income and expenditure or as at the 31 March 2014.

The significant assumptions used by the actuary have been:

	Local Government Pension Scheme		Discretionary Benefit	
	2013/14	2014/15	2013/14	2014/15
Mortality assumptions:				
Longevity at 65 for current pensioners				
- Men	22.7	22.8		
- Woman	26.0	26.1		
Longevity at 65 for future pensioners				
- Men	24.9	25.1		
- Woman	28.3	28.4		
Rate of inflation	2.8%	2.4%		
Rate of increase in salaries	4.6%	4.2%		
Rate of increase in pensions	2.8%	2.4%		
Rate for discounting scheme liabilities	4.4%	3.3%		

Local Government Pension Scheme assets comprised:

	Fair value of scheme assets	
	2013/14 £000	2014/15 £000
Cash and cash equivalents	960	903
Equities:		
UK	12,479	12,912
Overseas	16,319	18,068
Sub-total equities	28,798	30,980
Bonds:		
- Gilts	3,360	3,332
- Other Bonds	2,400	1,821
Sub-total bonds	5,760	5,153
Other investments:		
- Infrastructure	960	1,452
- Property	4,320	5,236
- Target Return Portfolio	7,200	7,724
- Alternative Assets	0	931
Sub-total other investment funds	12,480	15,343
Total assets	47,998	52,379

Notes to the Accounts

21 Pensions continued

Estimation of Assets and Liabilities

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table on page 22. The sensitivity analyses shown below have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all other assumptions remain constant. The assumptions in longevity, for example, assume that life expectancy increases or decreases for men and women. In practice, this is unlikely to occur, and changes in some of the assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies for the scheme, i.e. on the actuarial basis using the projected unit credit method. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in the previous period.

Impact on the Defined Benefit Obligation in the Scheme

	Increase in Assumption	Decrease in Assumption
	£000	£000
Longevity (increase or decrease in 1 year)	(3,605)	3,637
Rate of inflation (increase or decrease by 0.1 %)	n/a	n/a
Rate of increase in salaries (increase or decrease by 0.1%)	249	(247)
Rate of increase in pensions (increase or decrease by 0.1%)	1,603	(1,574)
Rate for discounting scheme liabilities (increase or decrease by 0.1%)	(1,804)	1,838
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 2016. 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. The Act provides for scheme regulations to be made within a common framework, to establish new career average revalued earnings schemes to be pay pensions and other benefits to certain public servants.

The authority anticipated to pay £2,195,980 expected contributions to the scheme in 2014/15

The weighted average duration of the defined benefit obligation for scheme members is 18 years. (2013/14 18 years)

Notes to the Accounts

22 Property, Plant and Equipment

Movements in Balances

2014/15	Assets Under Construction	Council Dwellings	Other Land & Buildings	Vehicles Plant & Equip	Community Assets	Infra-structure Assets	Surplus Assets	Total Property, plant and Equipment
Cost or Valuation	£000	£000	£000	£000	£000	£000	£000	£000
At 1 April 2014	624	119,320	36,752	4,413	516	291		161,916
Additions	1,785	4,206	4,286	1,264				11,541
Revaluation increases/(decreases) recognised in the Revaluation reserve		(1,960)	(1,039)			(4)		(3,003)
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services		1,944	1,110					3,054
Derecognition - Disposals	(14)	(386)				(71)		(471)
Derecognition - Other				(252)				(252)
Reclassification	(1,019)	622	226			76		(95)
At 31 March 2015	1,376	123,746	41,335	5,425	516	292	0	172,690

Accumulated Depreciation and Impairment

At 1 April 2014			(3)	(1,924)	(58)			(1,985)
Depreciation charge		(1,959)	(1,020)	(513)	(9)	(11)		(3,512)
Depreciation written out to the Revaluation Reserve		1,959	1,018			11		2,988
Derecognition - Disposals				140				140
At 31 March 2015			(5)	(2,297)	(67)			(2,369)
Net Book Value								
At 31 March 2015	1,376	123,746	41,330	3,128	449	292	0	170,321
At March 2014	624	119,320	36,749	2,489	458	291	0	159,931

Notes to the Accounts

22 Property, Plant and Equipment

Nature of asset holding	Assets Under Construction	Council Dwellings	Other Land & Buildings	Vehicles Plant & Equip	Community Assets	Infra-structure Assets	Surplus Assets	Total Property, plant and
	£000	£000	£000	£000	£000	£000	£000	£000
Owned	£1,376	£123,746	£41,330	£2,447	£449	£292	£0	£169,640
Subject to Finance Leases	£-	£-	£-	£681	£-	£-	£-	£681

(See note 59 for finance lease information.)

At 31 March 2015 the Council had £1,376k of assets under construction - £1,272k in respect of Council House building in St Andrew's Street, £41k for Council house building at Palmerston Park, Tiverton, £25k relating to the Web transformation project and £38k in respect of a number of smaller projects.

Revaluations

The Council carries out a rolling programme that ensures that all Property, Plant and Equipment required to be measured at fair value is revalued every five years. Valuations of land and buildings were carried out by the District Valuer and Valuation Office. Valuations were carried out in accordance with methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors.

	Assets Under Construction	Council Dwellings	Other Land & Buildings	Vehicles Plant & Equip	Community Assets	Infra-structure Assets	Surplus Assets	Total Property, plant and Equipment
	£000	£000	£000	£000	£000	£000	£000	£000
Valued at Historical Cost	1,376			3,128			0	4,504
Valued at fair value in year								
2014/15		123,746	41,330		449	292		165,817
2013/14		119,320	36,749		458	291		156,818
2012/13		112,475	6,924		45	26		119,470
2011/12			5,237			84		5,321
2010/11			3,541			73		3,614

Notes to the Accounts

22 Property, Plant and Equipment

Movements in Balances

2013/14	Assets Under Construction	Council Dwellings	Other Land & Buildings	Vehicles Plant & Equip	Community Assets	Infra-structure Assets	Surplus Assets	Total Property, plant and Equipment
Cost or Valuation	£000	£000	£000	£000	£000	£000	£000	£000
At 1 April 2013	2,715	112,475	34,819	3,469	516	206		154,200
Additions	1,337	3,182	302	891				5,712
Revaluation increases/(decreases) recognised in the Revaluation reserve		(1,807)	2,319			85		597
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services		3,378	(607)					2,771
Derecognition - Disposals	(162)	(955)	(130)	(28)				(1,275)
Derecognition - Other				(89)				(89)
Reclassification	(3,266)	3,047	49	170				0
At 31 March 2014	624	119,320	36,752	4,413	516	291	0	161,916

Accumulated Depreciation and Impairment

At 1 April 2013			(953)	(1,474)	(49)	(14)		(2,490)
Depreciation charge		(1,809)	(849)	(567)	(9)	(13)		(3,247)
Opening adjustment			6					6
Depreciation written out to the Revaluation Reserve		1,809	1,793			27		3,629
Derecognition - Disposals				28				28
Derecognition - Other		0	0	89	0	0		89
At 31 March 2014	0	0	(3)	(1,924)	(58)	0	0	(1,985)

(See note 59 for finance lease information.)

Nature of asset holding

Owned	£624	£119,320	£36,749	£1,748	£458	£291	£0	£159,190
Subject to Finance Leases	£-	£-	£-	£741	£-	£-	£-	£741

Notes to the Accounts

At 31 March 2014 the Council had £624k of assets under construction - £30k related to the Council House Building projects, £162k Lords Meadow Leisure Centre all weather pitch, 166k in relation to the Tiverton skate park replacement, £90k in relation to sewage treatment works, £96k in for software upgrades, 67k for additional car parking provision at Exe Valley Leisure Centre and £13k in respect of the Tiverton Town Hall development.

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, works on properties not owned by the basis of the benefit that the service received as a result of the expenditure net of any capital grants received.

	Balance at 1/4/13	Expend	Transfer in Year	Amount Financed or Written Off	Balance at 31/03/14	Expend	Transfer in Year	Amount Financed or Written Off	Balance at 31/3/15
Description	£000	£000	£000	£000	£000	£000	£000	£000	£000
Affordable housing	0	255		(255)	0	27		(27)	0
Private Sector Housing Grants & DFG's	0	337		(337)	0	476		(476)	0
Other REFUCUS	0	142		(142)	0	33		(33)	0
Total	0	734	0	(734)	0	536	0	(536)	0

Capital grants received to finance these projects amounted to £287k (2013/14 £337k).

24 Summary of Capital Expenditure and Financing

2013/14		2014/15
£000		£000
50,914	Opening Capital Financing Requirement	50,020
	Capital investment	
5,712	Property, Plant and Equipment	11,541
0	Intangible assets	23
734	Revenue Expenditure Funded from Capital under Statute	536
	Sources of Finance	
(991)	- Capital receipts applied	(535)
(2,688)	Use of Major Repairs Allowance to finance HRA new capital expenditure	(2,496)
(1,438)	- Government grants and contributions	(2,123)
	Sums set aside from revenue:	
(532)	Direct revenue contributions	(2,437)
(1,691)	Statutory provision for the financing of capital investment	(1,209)
50,020	Closing Capital Financing Requirement	53,320
	Explanation of movements in year	
894	Increase in underlying need to borrowing (unsupported by government financial assistance)	3,300
894	(Decrease)/Increase in Capital Financing Requirement	3,300

Notes to the Accounts

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 (See note 4.18a page Xvi).

Art Collection Movements

2013/14		2014/15
£000		£000
	Cost or Valuation	
925	At 1 April 2014	475
	Additions	
0	Additions (Donated assets)	10
(450)	Disposals	0
0	Revaluation increases/(decreases) recognised in the Revaluation reserve	6
0	Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	0
475	At 31 March 2015	491

Heritage Assets: Summary of Transactions

	2009/10	2010/11	2011/12	2013/14	2014/15
	£000	£000	£000	£000	£000
Value of Heritage Assets Acquired by Donation					
Art Collection	925	925	925	475	491
Carrying Value of assets at 31 March	925	925	925	475	491

Art Collection

The Authorities 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 have been valued for insurance purposes by Chilcotts professional Fine Art Valuers and Auctioneers at 31 March 2012. It is the Council's intention to only have these assets re-valued on a rolling five yearly basis.

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

Notes to the Accounts

25 Heritage Assets

Civic Regalia

The civic regalia was valued by G W Pack Jewellers for the sum of £23.2k on 23 May 2013.

Heritage Assets of Particular Importance

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

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

A full length portrait in ornate giltwood and plaster frame.

	2013/14 £000	2014/15 £000
	250	250

Preservation and Management

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

26 Intangible Assets

The Authority accounts for its software to the extent that the software is not an integral part of a particular IT system and accounted for as part of the hardware item of Property, Plant and Equipment.

The carrying amount of intangible assets is amortised in full in the first year. The amortisation of £118k charged to revenue in 2014/15 was charged to the following service headings:

	2013/14 £000	2014/15 £000
IT Software Support & Maintenance		118
Total	0	118

Movements in Balances

The movement on Intangible Asset balances during the year is as follows:

	2013/14 Other Assets £000	2014/15 Other Assets £000
Balance at start of year:		
- Gross carrying amounts	271	271
- Accumulated amortisation	(271)	(271)
Net carrying amount at start of year	0	0
Additions		
- Internal development		
- Purchases		23
Reclassification		95
Derecognition - Disposals		
Amortisation charge for the period		(118)
Net carrying amount at the end of year	0	0

Notes to the Accounts

26 Intangible Assets

Comprising:	2013/14 £000	2014/15 £000
Gross carrying amounts	271	389
Accumulated amortisation	(271)	(389)
	0	0

Amortisation of intangible assets has been charged to the following services in the Comprehensive income and expenditure account:

	2013/14 £000	2014/15 £000
Central Services - IT Software Support and Maintenance		(118)
Total	0	(118)

27 Commitments under Capital Contracts

	2013/14 £000	2014/15 £000
Various MRA works	1,185	1,240
St Andrews Street Council House building project		1,324
	1,185	2,564

Various MRA works

Costs to date		0
Retentions accrued		0
Commitment outstanding		1,240
		1,240

St Andrews Street Council House Building Project

Costs to date		816
Retentions accrued		43
Commitment outstanding		465
		1,324

28 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 2014/15 accounts at their 31/3/15 valuation. The District Valuer has made his 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 District Valuer's Office, and MRICS FAAV qualified, undertook a valuation exercise to reassess the value of the housing stock as at 31 March 2015. 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 31% to adjust the value of Council House values to EUV - SH, effective from 2011/12, has been confirmed to remain at the same level of discount for 2014/15.

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 District Valuer has undertaken a comprehensive impairment review of the Council's assets as at the 31 March 2015.

Notes to the Accounts

29 Long Term Borrowing

As at the 31/3/15 the Council had 5 long term loans from the Public Works Loan Board (PWLB) comprising:

- 1 - £46.59m to fund the Housing Revenue Account stock purchase - 25 year loan @ 2.94% maturing 28/3/37
- 2 - £430k to fund new gym equipment and 2 refuse vehicles - 5 year loan @ 1.32% maturing 28/3/18
- 3 - £102k to fund a new street sweeper - 7 year loan @ 2.18% maturing 11/3/21
- 4 - £163k to fund a recycling baler - 10 year loan @ 2.68% maturing 25/3/24
- 5 - £4,173k to fund the purchase of properties at Market Walk Tiverton and 32-34 Fore Street Tiverton
 - 25 year loan @ 2.61% maturing 27/3/40

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

Lender	Maturity Date	Balance @	Balance @
		31/03/2014	31/03/2015
		£000	£000
Public Works Loan Board	< 1 year	1,449	1,637
	2 - 5 years	4,661	5,254
	Over 5 years	38,321	40,402
Total loan value outstanding		44,431	47,293

30 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 £250k at 31 March 2015 and comprised land and buildings.

31 Financial Instruments

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

2014/15	Financial Liabilities		Financial Assets		Total
	Liabilities measured at amortised cost	Finance lease assets	Loans and receivables	Available for-sale assets	
	£000	£000	£000	£000	
Interest payable	0		1,336	0	1,336
Interest payable on finance leases		38			38
Impairment losses	0		0	0	0
Interest payable and similar charges	0	38	1,336	0	1,374
Interest income	0		(173)	0	(173)
Interest and investment income	0	0	(173)	0	(173)
Impairment charge (interest accrual) reversal in Adjustments between Accounting basis and Funding Basis under Regulations	0	0	0	0	0
Net (gain)/loss for the year	0	38	1,163	0	1,201

Notes to the Accounts

31 Financial Instruments

2013/14	Financial Liabilities		Financial Assets		Total £000
	Liabilities measured at amortised cost	Finance lease assets	Loans and receivables	Available - for-sale assets	
	£000	£000	£000	£000	
Interest payable			1,377		1,377
Interest payable on finance leases		20			20
Impairment losses					0
Interest payable and similar charges	0	20	1,377	0	1,397
Interest income					
Interest and investment income	0	0	(145)		(145)
Interest and investment income	0	0	(145)	0	(145)
Impairment charge (interest accrual) reversal in Adjustments between Accounting basis and Funding Basis under Regulations	0	0	0	0	0
Net (gain)/loss for the year	0	20	1,232	0	1,252

Fair Value of Assets and Liabilities Carried at Amortised Cost

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

- an estimated interest rate of 0.6% for loans receivable (this percentage is based on an average rate of interest on all fixed term deposits outstanding)
- where an instrument will mature in the next 12 months, the carrying amount is assumed to approximate the fair value. The Authority only deals in these kind of instruments.
- the fair value of trade and other receivables is taken to be the invoiced or billed amount less any bad debt provision.

Notes to the Accounts

The fair values calculated are as follows:

	31/03/2014		31/03/2015	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial Assets	£000	£000	£000	£000
Long term investment	0	0	500	500
Short term investment	7,014	7,014	9,500	9,500
Cash and cash equivalents	4,000	4,000	4,849	4,849
Loans and trade receivables	392	392	470	470
Total	11,406	11,406	15,319	15,319
Financial Liabilities				
Long term borrowing	(44,431)	(44,269)	(47,293)	(53,756)
Finance leases	(742)	(742)	(681)	(681)
Trade payables	(896)	(896)	(637)	(637)
Total	(46,069)	(45,907)	(48,611)	(55,074)

Disclosure of Nature and Extent of Risks Arising from Financial Instruments

- liquidity risk - the possibility that the Council might not have funds available to meet its commitments to make payments
- market risk - the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rates and stock market movements.

The Council's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services. A treasury management strategy is formally approved annually by the Executive. This identifies all treasury risks and forms the basis of the day to day operating guidance applied by the Treasury Accountant when making decisions on placing any surplus funds (i.e. to whom, for how long, for how much, etc.) . This treasury strategy can be found on the Council's website.

Credit Risk

Credit risk arises from deposits with banks and building societies as well as credit exposure to the Council's customers. The treasury policy has evolved to the present where the use of the main UK Banks and Building Societies (with a FITCH rating of F1 or higher) up to a maximum deposit value of £5m with any one institution. Once again this evidences our prudent approach to lending of surplus funds. The Council has continued to apply this lending strategy during the whole of 2014/15.

32 Long Term Investments

	31/03/2014		31/03/2015		
	£000		£000		
	0		500		
Bank/Building Society	Term From	To	Fixed Interest Rate %	31/03/2014 £000	31/03/2015 £000
Lloyds	06/02/2015	08/02/2016	1.00%		500

Notes to the Accounts

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

31/03/2014 £000		31/03/2015 £000
170	Other entities and individuals	158
170	Total	158

34 Short Term Investments

31/03/2014 £000	31/03/2015 £000
7,014	9,500

Bank/Building Society	Term	Fixed Interest	31/03/2014 £000	31/03/2015 £000
	From	To	Rate %	
Coventry	15/01/2015	21/04/2015	0.46%	1,500
Lloyds	20/02/2015	29/05/2015	0.57%	500
Lloyds	16/03/2015	16/09/2015	0.70%	1,500
Lloyds	15/01/2015	10/08/2015	0.70%	1,000
Barclays	01/12/2014	01/09/2015	0.78%	500
Barclays	15/08/2014	14/08/2015	0.99%	500
Nationwide	15/05/2014	15/05/2015	0.83%	3,000
Lloyds	15/07/2014	15/07/2015	0.95%	1,000
				7,014
	Total		7,014	9,500

35 Inventories

	31/03/2014 £000	31/03/2015 £000
Raw materials	199	184

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

31/03/2014 £000		31/03/2015 £000
453	Central government bodies	1,051
167	Other local authorities	148
8	NHS bodies	8
0	Public corporations and trading funds	0
2,942	Other entities and individuals	3,165
(1,042)	Less: bad debt provisions	(1,032)
2,528	Total	3,340

37 Cash and Cash Equivalents

31/03/2014 £000		31/03/2015 £000
3	Cash held by the Authority	3
1,745	Bank current accounts	4,846
4,000	Short-term deposits with financial institutions (See below)	500
5,748		5,349

Notes to the Accounts

Note - The Council has treated any investment holding with a duration of less than 3 month when placed as a cash equivalent.

Bank/Building Society	Term		Fixed Interest	31/03/2014	31/03/2015
	From	To	Rate %	£000	£000
Barclays	02/03/2015	21/04/2015	0.38%		500
	Total			4,000	500

38 Short Term Creditors (amounts due in more than 12 months)

31/03/2014 £000		31/03/2015 £000
(402)	Central government bodies	(694)
(134)	Other local authorities	(291)
(13)	NHS bodies	(8)
(2,660)	Other entities and individuals	(2,782)
(3,209)	Total	(3,775)

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

31/03/2014 £000		31/03/2015 £000
(43,100)	Central government bodies	(45,774)
(622)	Other entities and individuals	(607)
(43,722)		(46,381)
(40,305)	Other Long Term Liabilities	(50,628)
0	Capital Grants Receipts in Advance (Note 57)	0
(84,027)	Total	(97,009)

40 Provisions

The Council has made a provision for the settlement of a group legal action that was brought against UK local authorities in connection with local land charges. Although the case has been decided, and local authorities will be expected to pay a settlement, the court now has to decide on the level of legal charges to be reimbursed. The amount of the provision includes the share of the claim in respect of Mid Devon District Council. The government has awarded local authorities some money towards the cost of the claim. It is unclear whether a further sum will be received. The award of legal costs and payment by Mid Devon District council is expected to be concluded within the year ended 31 March 2016 and a provision of £82k has been made in accordance with the Global Settlement Schedule produced by Bevan Brittan solicitors who represent the local authorities.

31/03/2014 £000		31/03/2015 £000
0	Local land charges provision	(82)

41 Usable Reserves

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

Notes to the Accounts

42 Unusable Reserves

31/03/2014 £000		31/03/2015 £000
(10,692)	Revaluation reserve (note 43)	(10,418)
(99,695)	Capital Adjustment Account (note 44)	(107,071)
0	Financial Instruments Adjustment Account (note 45)	0
(40)	Deferred Capital Receipts Reserve (note 46)	(40)
40,305	Pensions Reserve (note 47)	50,628
(32)	Collection Fund Adjustment Account (note 48)	(77)
122	Accumulating Compensated Absences Adjustment Account (note 49)	120
(70,032)	Total Unusable Reserves	(66,858)

43 Revaluation Reserve

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

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

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

31/03/2014 £000		31/03/2015 £000
(6,648)	At 1 April 2014	(10,692)
(6)	Opening adjustment	
(4,564)	Upward revaluation of assets	(1,086)
339	Downward revaluation of assets and impairment losses not posted to the Surplus on the Provision of Services	1,166
(10,879)	Surplus or deficit on revaluation of non-current assets not posted to the Surplus on the Provision of Services	(10,612)
187	Difference between fair value depreciation and historical cost depreciation	194
(10,692)	At 31 March 2015	(10,418)

Notes to the Accounts

44 Capital Adjustment Account

The capital adjustment account absorbs the timing differences arising from different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The account is debited with the cost of the acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The account is credited with the amounts set aside by the Authority as finance for the costs of acquisition, construction or enhancement.

The account contains revaluation gains and losses on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains.

This note provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

31/03/2014		31/03/2015
£000		£000
(95,073)	At 1 April 2014	(99,695)
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement	
3,247	Charges for Depreciation and impairment of non current assets	3,518
(2,772)	Revaluation losses on Property, Plant and Equipment	(2,931)
0	Amortisation of intangible assets	118
733	Revenue expenditure funded from capital under statute	536
1,696	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	386
(92,169)		(98,068)
(187)	Adjusting amounts written out of the Revaluation Reserve	(194)
(92,356)	Net written out amount of the cost of non current assets consumed in the year	(98,262)
	Capital financing applied in the year:	
(991)	Use of the Capital Receipts Reserve to finance new capital expenditure	(535)
(2,688)	Use of the Major Repairs Reserve to finance new capital expenditure	(2,496)
0	Donated assets funding	(9)
(1,438)	Application of grants to capital financing from the Capital Grants Unapplied Account	(2,123)
(1,691)	Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	(1,209)
(531)	Capital expenditure charged against the General Fund and HRA balances	(2,437)
(99,695)	At 31 March 2015	(107,071)

Notes to the Accounts

45 Financial Instruments Adjustment account

The Authority used this Account to manage premiums paid on the early redemption of loans. Premiums were debited to the HRA Income and Expenditure Account when they are incurred, but reversed out of the HRA balance to the Movement of Reserves Statement. Over time, the expense is posted back to the Housing Revenue Account in accordance with statutory arrangements for spreading the burden on the Council's tenants. This period was ten years and as a result the balance at 31 March 2014 has been fully eliminated from the HRA.

31/03/2014		31/03/2015
£000		£000
51	At 1 April 2014	0
(51)	Proportion of premiums incurred in previous financial years to be changed against the HRA balance in accordance with statutory requirements	0
(51)	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	0
0	At 31 March 2015	0

46 Deferred Capital Receipts Reserve

31/03/2014		31/03/2015
£000		£000
0	At 1 April 2014	(40)
0	Transfer to the Capital Receipts Reserve upon receipt of cash	0
(40)	MDDC net share of rent to buy properties	
(40)	At 31 March 2015	(40)

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 Department of Communities and Local Government under the Pooling legislation.

Notes to the Accounts

47 Pensions Reserve

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

31/03/2014		31/03/2015
£000		£000
41,324	At 1 April 2014	40,305
(3,147)	Remeasurement of net defined liability	11,664
4,029	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	815
(1,901)	Employer's pension contributions and direct payments to pensioners payable in the year	(2,156)
40,305	At 31 March 2015	50,628

48 Collection Fund Adjustment Account - Council Tax

The Collection Fund Adjustment Account manages the differences arising from the recognition of the council tax income in the Comprehensive Income and expenditure Statement as it falls due from council tax payers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection fund

31/03/2014		31/03/2015
£000		£000
(130)	At 1 April 2014	(99)
31	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	66
(99)	At 31 March 2015	(33)

The (£33k) represents MDDC's share (13.73%) of the overall Collection Fund Surplus of (£241k) at 31/03/15 (see page 68).

Notes to the Accounts

Collection Fund Adjustment Account - NNDR

The NNDR Adjustment Account manages the differences arising from the recognition of the NNDR income in the Comprehensive Income and expenditure Statement as it falls due from NNDR payers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

31/03/2014		31/03/2015
£000		£000
	At 1 April 2014	67
67	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	(111)
67	At 31 March 2015	(44)

This balance is made up of (£18k) which represents MDDC's share (40%) of the overall NNDR Surplus of (£44k) at 31/03/15 (see page 69) & (£26k) which represents additional income from renewable energy schemes.

49 Accumulating Compensating Absences Adjustment Account

31/03/2014		31/03/2015
£000		£000
132	At 1 April 2014	122
(132)	Settlement or cancellation of accrual made at the end of the preceding year	(122)
(10)	Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements.	(2)
122	Amounts accrued at the end of the current year	120
122	At 31 March 2015	120

Notes to the Accounts

50 Cash Flow - Adjustments to Net Surplus on the Provision of Services for Non cash movements

31/03/2014		31/03/2015
£000		£000
3,247	Depreciation	3,518
-	Amortisation	118
(2,772)	Impairment	(3,054)
	Bad debts written off	87
	Decrease in bad debt provisions	(18)
(608)	(Decrease)/increase in creditors	57
23	Decrease /(increase) in debtors	(493)
(48)	(Increase)/decrease in inventories	15
1,696	Carrying amount of non-current assets sold	386
2,251	Pension liability reversal	(1,341)
(79)	Other adjustments	360
3,710		(365)

51 Cash Flow - Adjustment for items in the net surplus or deficit on the provision of services that are investing or financing activities

31/03/2014		31/03/2015
£000		£000
(1,159)	Other receipts from financing activities	(2,191)
734	REFCUS adjustment	536
(1,562)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(669)
1,397	Interest Paid	1,374
(145)	Interest received	(173)
	Difference between preceptors share and amount of NNDR paid to them	
(735)		(1,123)

52 Cash Flow Statement - Operating Activities

The cash flows for operating activities include the following items:

31/03/2014		31/03/2015
£000		£000
(145)	Interest received	(173)
1,397	Interest paid	1,374
1,252		1,201

Notes to the Accounts

53 Cash Flow Statement - Investing Activities

31/03/2014		31/03/2015
£000		£000
(5,712)	Purchase of property, plant and equipment, investment property and intangible assets	(11,554)
(734)	Other cash payments (REFCUS)	(536)
1,562	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	669
1,159	Capital grants received	2,191
(4,014)	Purchase of temporary investments	(2,986)
696	Other investing activities	4,497
145	Interest received	173
(1,397)	Interest paid	(1,374)
(8,295)	Net cash flows from investing activities	(8,920)

54 Cash Flow Statement - Financing Activities

31/03/2014		31/03/2015
£000		£000
(151)	Cash payments for the reduction of the outstanding liabilities relating to finance leases	(221)
(1,313)	PWLB debt repayment	(1,474)
	Other payments for financing activities	
(1,464)	Net cash flows from financing activities	(1,695)

Notes to the Accounts

55 Amounts Reported for Resource Allocation Decisions

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the Best Value Accounting Code of Practice. However decisions about resource allocation are taken by the Authority's Cabinet on the basis of budget reports analysed across services. These reports are prepared on a different basis from the accounting policies used in the financial statements. In particular:

- the cost of retirement benefits is based on cash flows (payment of employer's pension contributions) rather than current service cost of benefits accrued in the year

The income and expenditure of the Authority's principal services for the year is as follows:

Service Income and Expenditure

	31/03/2014	31/03/2015
	£000	£000
Community Development	372	392
Corporate Management	1,091	1,183
Car Parks	(98)	(222)
Customer Services	(86)	(4)
Environmental Services	1,418	1,348
Finance And Performance	46	-
Grounds Maintenance	313	(8)
General Fund Housing	60	260
Human Resources	36	81
I.T. Services	(54)	(22)
Legal & Democratic Services	804	879
Planning And Regeneration	920	847
Property Services	452	391
Revenues And Benefits	955	522
Recreation And Sport	573	890
Waste Services	2,577	2,613
HRA	(689)	(92)
Total	8,690	9,058

This reconciliation shows how the figures in the analysis of service income and expenditure relate to the amounts in the Comprehensive Income and expenditure Statement.

2013/14		2014/15
£000		£000
8,690	Net expenditure in the service	9,058
0	Net expenditure of services and support services not included in the Analysis	-
(6,655)	Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the Analysis	(7,945)
0	Amounts included in the analysis not included in the Comprehensive Income and Expenditure Statement	-
1,971	Cost of services in Comprehensive Income and Expenditure account	1,113

Mid Devon District Council Financial Statements 2014-15

Notes to the Accounts

56 Reconciliation to Subjective Analysis

This reconciliation shows how the figures in the analysis of services income and expenditure relate to a subjective analysis of the Surplus or Deficit on the Provision of Services included in the Comprehensive Income and Expenditure Statement.

2014/15	Service Analysis	Support Services not in Analysis	Amounts not reported to management for decision making	Amounts not included in the I and E	Allocation of recharges	Cost of services	Corporate Amounts	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Fees and charges	(20,131)		(1,068)			(21,199)		(21,199)
Interest and investment income							(173)	(173)
Income from Council Tax							(5,946)	(5,946)
Government grants and contributions	(22,095)		1,633			(20,462)	(7,876)	(28,338)
Total Income	(42,226)	0	565	0	0	(41,661)	(13,995)	(55,656)
Employees	13,503		(101)			13,402		13,402
Other expenses	37,781		(9,115)			28,666	(1,238)	27,428
Support Services			0			0		0
Depreciation, amortisation & impairment			706			706		706
Interest payments							1,374	1,374
Payments to Housing Pool							206	206
Parish Council Precepts							1,119	1,119
Loss on disposal of assets							(283)	(283)
Total Expenditure	51,284	0	(8,510)	0	0	42,774	1,178	43,952
Surplus deficit on the provision of services	9,058	0	(7,945)	0	0	1,113	(12,817)	(11,704)

Mid Devon District Council Financial Statements 2014-15

Notes to the Accounts

56 Reconciliation to Subjective Analysis continued

2013/14	Service Analysis	Support Services not in Analysis	Amounts not reported to management for decision making	Amounts not included in the I and E	Allocation of recharges	Cost of services	Corporate Amounts	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Fees and charges	(20,417)		(171)			(20,588)		(20,588)
Interest and investment income							(145)	(145)
Income from Council Tax							(5,808)	(5,808)
Government grants and contributions	(20,913)		344			(20,569)	(6,763)	(27,332)
Total Income	(41,330)	-	173	0	0	(41,157)	(12,716)	(53,873)
Employees	13,254		436			13,690		13,690
Other expenses	36,702		(7,739)			28,963	1,636	30,599
Support Services			-			0		0
Depreciation, amortisation & impairment			475			475		475
Interest payments							1,397	1,397
Payments to Housing Pool							187	187
Parish Council Precepts							1,046	1,046
Loss on disposal of assets							134	134
Total Expenditure	49,956	-	(6,828)	0	0	43,128	4,400	47,528
Surplus deficit on the provision of services	8,626	-	(6,655)	0	0	1,971	(8,316)	(6,345)

Notes to the Accounts

57 Grant Income

The Authority credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2014/15

Credited to Taxation and Non Specific Grant Income

2013/14		2014/15
£000		£000
(5,808)	Council Tax	(5,946)
(2,137)	Non Domestic Rates	(2,289)
(2,867)	Revenue Support Grant	(2,271)
(53)	Council Tax Freeze Grant	(54)
(715)	New Homes Bonus	(1,281)
	Homes & Communities Agency	(1,530)
(991)	Other	(451)
(12,571)	Total	(13,822)

Credited to Services

2013/14		2014/15
£000		£000
(18,916)	Housing Benefit Subsidy	(18,890)
(630)	Section 106s	(300)
(57)	Homelessness	(56)
(444)	Housing Benefit Admin Grant + Additional Grant	(391)
(106)	Business Rates - Cost of Collection Grant	(106)
(185)	Others	(870)
(20,338)	Total	(20,613)

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

Capital Grants Receipts in Advance due in less than one year

2013/14		2014/15
£000		£000
0		0

Capital Grants Receipts in Advance due in more than one year

2013/14		2014/15
£000		£000
0		0

Revenue Grants Receipts in Advance due in less than one year

2013/14		2014/15
£000		£000
0		0

Notes to the Accounts

Revenue Grants Receipts in Advance due in more than one year

2013/14	2014/15
£000	£000
0	0

58 Contingent Liabilities

There are no contingent liabilities at 31 March 2015.

59 Leases

Authority as Lessee

The Council has acquired a number of vehicles and items of equipment under finance

2013/14	2014/15
£000	£000
741	681
Vehicles, Plant and Equipment	

59 Leases continued

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:

2013/14	2014/15
£000	£000
(119)	(111)
(622)	(570)
0	0
(741)	(681)
Finance lease liabilities (net present value of minimum lease payments):	
- current	
- non current	
Finance costs payable in future years	
Minimum lease payments	

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

Minimum Lease Payments

2013/14	2014/15
£000	£000
119	111
274	323
348	247
741	681
Not later than one year	
Later than one year and not later than five years	
Later than five years	

Notes to the Accounts

Finance Lease Liabilities

2013/14		2014/15
£000		£000
119	Not later than one year	111
274	Later than one year and not later than five years	323
348	Later than five years	247
741		681

59 Leases continued

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

2013/14		2014/15
£000		£000
1	Not later than one year	48
3	Later than one year and not later than five years	47
2	Later than five years	1
6		96

Minimum Lease Payments incurred during the year

2013/14		2014/15
£000		£000
109	Operating Leases for vehicles, equipment, land and buildings	38
53	Hire payments for vehicles, plant and equipment	70
162		108

Notes to the Accounts

Authority as Lessor

Finance Leases

The Authority has no material finance leases as a lessor.

Operating Leases

The Authority leases out property under operating leases for the following purposes:

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

2013/14		2014/15
£000		£000
238	Not later than one year	590
487	Later than one year and not later than five years	1,249
552	Later than five years	690
1,277		2,529

59 Leases continued

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 Note 11.

60 Impairment Losses and Reversals

Where property valuations fall, if there is no revaluation reserve, the fall in value is charged to the relevant service in the Comprehensive Income and Expenditure Statement. This is then reversed out in the Adjustments between Accounting Basis and Funding Basis under Regulations so that the Council taxpayer 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.

Notes to the Accounts

The following amounts have been charged or credited (negative figures represent impairments following a decrease in value) to the Comprehensive Income and Expenditure Statement following the revaluation of certain properties. See note 28 for further details of the non current asset valuation.

2013/14		2014/15	
£000		£000	
3,378	Council Dwellings	1,944	
(607)	Other Land & Buildings	1,110	
2,771		3,054	

The £1,110k impairment reversal (increase in value) across a number of Council property assets (shops, toilets etc.) has arisen as a result of the Valuer obtaining more market information and changes to income streams derived from these assets.

Housing Revenue Account (HRA) Income and Expenditure Account

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

2013/14		2014/15	
£'000		Note	£'000
	Expenditure		
2,755	Repairs and Maintenance		2,679
2,580	Supervision and Management		3,008
(1,394)	Depreciation and impairment of non-current assets	74	67
(1)	Increase/(Decrease) in bad debt provision		(11)
3,940	Total Expenditure		5,743
	Income		
(11,892)	Dwelling rents	73	(12,422)
(523)	Non-dwelling rents		(531)
(800)	Charges for services and facilities		(778)
(13,215)	Total Income		(13,731)
(9,275)	Net Cost of HRA Services as included in the Comprehensive Income and Expenditure Statement		(7,988)
183	HRA services share of Corporate and Democratic Core		184
155	HRA share of other amounts included in the whole Authority Net Cost of Services but not allocated to specific services		196
(8,937)	Net Cost / (Income) of HRA Services		(7,608)
(607)	(Gain)/loss on sale of HRA fixed assets		(273)
	Other operating income		
1,375	Interest payable and similar charges - see note below	76	1,330
(27)	Interest and investment income		(48)
(200)	Capital grants and contributions receivable		(1,634)
(8,396)	Deficit / (Surplus) for the year on HRA Services		(8,233)

Movement on the HRA Statement

This Account shows in more detail the income and expenditure on HRA services included in the whole authority Income and Expenditure Account (comprising as well as the amounts included in the whole authority Net Cost of Services for the HRA, the HRA's share of amounts included in the whole authority Net Service Cost but not allocated to individual services and the HRA's share of operating income and expenditure such as Pension Interest Costs and Expected Return on Pension Assets).

2013/14		2014/15	
£'000		Note	£'000
(1,968)	Balance on the HRA at the end of the previous year		(2,004)
(8,396)	Deficit / (Surplus) for the year on the HRA Income and Expenditure Account		(8,233)
6,282	Adjustments between accounting basis and funding basis under statute	61	6,120
(2,114)	Net (increase) or decrease before transfers to or from reserves		(2,113)
2,078	Transfers (to) or from reserves		2,117
(36)	(Increase) or decrease in year on the HRA		4
(2,004)	Balance on the HRA at the end of the current year		(2,000)

Notes to the Accounts

61 Adjustments between Accounting Basis and Funding Basis under Regulations

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

2014/15	Usable Reserves				Total Usable Reserves	Movement in Unusable Reserves
	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied		
	£000	£000	£000	£000	£000	£000
<u>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</u>						
<u>Adjustments involving the Capital Adjustment Account:</u>						
Charges for depreciation and impairment of non current assets	(2,165)					2,165
Revaluation losses on Property, Plant and Equipment	1,944					(1,944)
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	(386)					386
<u>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</u>						
Statutory provision for the financing of capital investment	947					(947)
Capital expenditure charged against the General Fund and HRA balances	984					(984)
<u>Adjustments primarily involving the Capital Grants Unapplied Account</u>						
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	1,634			(1,634)		
<u>Adjustments involving the Capital Receipts Reserve:</u>						
Transfer of sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	659	(659)				
Contribution from the Capital Receipts Reserve towards administrative costs of non current asset disposals	(13)	13				
Transfer of deferred sale proceeds as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement						
Repayment of Mortgage Principal						0
<u>Adjustment involving the Major Repairs Reserve:</u>						
Reversal of Major Repairs Allowance credited to the HRA	2,496		(2,496)			
<u>Adjustment involving the Pensions Reserve:</u>						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	20					(20)
Total Adjustments	6,120	(646)	(2,496)	(1,634)	0	(1,344)

Notes to the Accounts

61 Adjustments between Accounting Basis and Funding Basis under Regulations

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

2013/14	Usable Reserves					Movement in Unusable Reserves
	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Total Usable Reserves	
	£000	£000	£000	£000	£000	£000
<u>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</u>						
<u>Adjustments involving the Capital Adjustment Account:</u>						
Charges for depreciation and impairment of non current assets	(2,008)					2,008
Revaluation losses on Property, Plant and Equipment	3,370					(3,370)
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	(955)					955
<u>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</u>						
Statutory provision for the financing of capital investment	1,430					(1,430)
Capital expenditure charged against the General Fund and HRA balances	84					(84)
<u>Adjustments primarily involving the Capital Grants Unapplied Account</u>						
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	200			(200)		
Application of grants to capital financing transferred to the Capital Adjustment account				200		(200)
Balance carried forward	2,121	0	0	0	0	(2,121)

Notes to the Accounts

61 Adjustments between Accounting Basis and Funding Basis under Regulations

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

2013/14	Usable Reserves					Movement in Unusable Reserves
	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Total Usable Reserves	
	£000	£000	£000	£000	£000	£000
Balance brought forward	2,121	0	0	0	0	(2,121)
<u>Adjustments involving the Capital Receipts Reserve:</u>						
Transfer of sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	1,562	(1,562)				
Contribution from the Capital Receipts Reserve towards administrative costs of non current asset disposals	(31)	31				
Transfer of deferred sale proceeds as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(39)	39				
<u>Adjustments involving the Deferred Capital Receipts Reserve:</u>						
Transfer of deferred sale proceeds as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	40					(40)
<u>Adjustment involving the Major Repairs Reserve:</u>						
Reversal of Major Repairs Allowance credited to the HRA	2,641		(2,641)			
Use of the Major Repairs Allowance to finance new capital expenditure			2,688			(2,688)
<u>Adjustments involving the Financial Instruments Adjustment Account:</u>						
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	51					(51)
<u>Adjustment involving the Pensions Reserve:</u>						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(65)					65
<u>Adjustment involving the Accumulated Absences Account:</u>						
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	2					(2)
Total Adjustments	6,282	(1,492)	47	0	0	(4,837)

Notes to the Accounts

62 Housing Stock

The Housing Revenue account owned the following property:

	Council Housing	Other Land & Buildings	Total
At 1 April 2014	3,068	1,197	4,265
Additions	7	1	8
Sales	(10)		(10)
Improvement changes			-
Transfers			-
At 31 March 2015	3,065	1,198	4,263

The Authority has previously sold 3 properties under the **Rent to Mortgage** Scheme whereby the tenants were able to purchase the property, the treatment of these is that the authority has an assigned debt when these properties are sold. Therefore a debtor exists in the Balance Sheet for **£158k** that represent MDDC's share due when these are sold, a Creditor has also been created for **£119k** to represent the Pooling Liability (at 75%) that will be due to be paid upon receipt of MDDC share when these properties are sold.

63 Number of dwellings by type

31 March 2014		31 March 2015	
1,465	Houses	1,463	
1,012	Bungalows	1,012	
591	Flats	590	
3,068	Total	3,065	

64 HRA Dwelling Valuation

The vacant possession value of dwellings in the HRA is £399,180k (based on a 1 April 2015 valuation of £123,746k). This definition assumes that vacant possession would be provided on completion of the sale of all the dwellings. The difference between these two figures reflects the economic costs to Government of providing social housing at less than market rents.

31 March 2014		31 March 2015	
£000		£000	
384,903	Vacant Possession Value	399,180	
119,320	Existing Use Value for Social Housing (EUV-SH)	123,746	

The 31 March 2015 dwellings valuation has been calculated by the Valuation Office who have supplied the Council with beacon property values across the range of housing stock. After applying these indices the overall dwelling valuation has increased by 3.7% or £14,277k.

Notes to the Accounts

65 HRA Non-Current Assets

2013/14		31 March 2015	
£000	HRA Non-Current Assets		£000
119,320	Dwellings		123,746
6,386	Other land and buildings		6,436
100	Vehicles, plant and equipment		82
216	Infrastructure assets		215
5	Assets under Construction		1,327
126,027			131,806

66 Capital Expenditure

2014/15			2014/15
£000	Expenditure	Funding	£000
4,109	Improvements to dwellings	Major repairs reserve	2,496
711	Construction of dwellings	Capital grants	2,132
1,327	Assets under construction	Revenue contribution	984
		Useable Capital Receipts	535
6,147			6,147

2013/14			2013/14
£000	Expenditure	Funding	£000
3,182	Improvements to dwellings	Major repairs reserve	2,688
820	Construction of dwellings	Internal borrowing	820
	Purchase of land (St Andrew St)	Transfer to Capital Receipts Reserve	294
	Purchase of land (Palmerston	Revenue contribution	200
4,002			4,002

67 Major Repairs Reserve

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 at least equal to depreciation for the year is spent on upgrading the properties, their value should be maintained at a consistent level. This reserve held an available balance of £0 at 31 March 2015.

2013/14		2014/15	
£000		£000	
47	At 1 April 2014		0
2,641	Amount transferred from Housing Revenue Account		2,496
(2,688)	Capital expenditure incurred during the year		(2,496)
0	At 31 March 2015		0

Notes to the Accounts

68 Capital Receipts

2013/14		2014/15
£000		£000
1,547	Sale of council houses	659
15	Sale of land	0
0	Sale of council houses - discount repaid	0
0	Council house loan repayments	0
1,562	Total	659

69 Pension Liability: Current Year Costs

Each year the HRA Income and Expenditure Account is charged with an amount to reflect the true cost of pension contributions in relation to that year. Since this is not an actual cost in year, it is reversed out again in the table in note 61.

2013/14		2014/15
£000		£000
(108)	Net interest on the defined benefit liability	20

70 Arrears

At 31st March 2015 the rent arrears as a proportion of gross rent income totalled 1.2% (1.5% at 31st March 2014). Rent written off during 2014/15 amounted to £43k (£21k in 2013/14). The breakdown of the total arrears is shown below.

31 March 2014		31 March 2015
£000		£000
173	Rent (dwellings & garages)	150
12	Housing benefit overpayments	10
11	Court costs	19
47	Rechargeable Repairs	43
17	Other	20
260	Total	242

71 Bad Debt Provision

The provision for bad debt for the housing service stands at £119k as at 31 March 2015 (£129k 31 March 2014).

72 Rents Paid in Advance

2013/14		2014/15
£000		£000
(112)	Dwellings rental income paid in advance	(108)

Notes to the Accounts

73 Gross Rents

This represents the total rent income due for the year after allowing for voids and other adjustments. At the year-end 0.8% of properties were vacant compared to a figure of 1.3% in 2013/14. The rents set averaged at £78.51 per week based on a 52 week year (2013/14 £74.91).

74 Depreciation & Impairment of Fixed Assets

Depreciation and Amortisation

2013/14		2014/15
£000	Operational Assets	£000
1,809	Dwellings	1,959
122	Other Land and Buildings	133
12	Infrastructure	9
0	Intangible assets	0
33	Vehicles, Plant and Equipment (Finance Leases)	33
1,976	Total	2,134

Impairment

2013/14		2014/15
£000	Operational Assets	£000
(3,379)	Dwellings	(1,944)
9	Other Land and Buildings	(123)
(3,370)	Total	(2,067)

75 Deferred Premiums

When the Council became debt free in 2004 some loans associated with the HRA were redeemed. Premiums were charged on the repayment of the loans which have previously been charged to the HRA over a ten year period. The SORP now requires that the balance of the premiums be written off immediately to the HRA Income and Expenditure Account. However, there is a statutory override which means that an adjustment is made through the Adjustments between Accounting Basis and Funding Basis under Regulations on the HRA Balance so that the net annual charge to the HRA is the same as before. The deferred premiums are now carried forward in the new financial instruments adjustment account (see note 44). The charge for 2014/15 was £0k (2013/14 £51k).

76 Interest payable and similar charges

2013/14		2014/15
£000		£000
1,322	PWLB loan interest - HRA self financing	1,269
(10)	Interest adjustment	0
60	Internal self financing - General Fund	58
3	Finance lease interest	3
1,375		1,330

Notes to the Accounts

77 Finance Lease Costs

Finance lease costs now appear in several places on the accounting statements. The following provides an explanation of where they appear and their corresponding values.

2013/14		2014/15
£000		£000
	Housing Revenue Account Income and Expenditure Account	
3	Finance lease interest	3

33	Depreciation on finance lease assets	31
----	--------------------------------------	----

2013/14		2014/15
£000	Adjustments between Accounting Basis and Funding Basis under Regulations	£000
(33)	Depreciation reversed	(31)

33	Capital financing of finance lease assets	31
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Balance Sheet		
44	Asset - Plant and Equipment	16
(30)	Liability < 1 year	(16)
(14)	Liability > 1 year	0

78 Self Financing Settlement Payment

The HRA subsidy system has been replaced with Self Financing. The financial effect of this was that the subsidy payment of circa £4m per annum has been replaced by a one-off settlement payment of £46,590,000. The size of this is based on a valuation of Mid Devon's housing service over the 30 years from 2012-2042. In order to fund it, MDDC have taken on a debt from the Public Works Loan Board (PWLB) and will be required to make payments of £2.6m per annum (made up of £1.2m interest and £1.4m principal).

2013/14		2014/15
£000		£000
(45,315)	Opening Balance	(43,983)
10	Adjustment based upon revised PWLB schedule	0
1,322	Repaid in Year	1,361
(43,983)	Closing Balance	(42,622)

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.

2013/14			2014/15
£000	INCOME	Notes	£000
(41,950)	Council Tax receivable		(43,387)
	Transfers from General Fund		
(41,950)	Total Income		(43,387)
	EXPENDITURE		
	Precepts, Demands and Shares	82	
	- Central Government		
29,197	- Devon County Council		30,737
4,764	- Mid Devon District Council		4,917
4,261	- Devon and Cornwall Police		4,486
1,972	- Devon Fire and Rescue		2,076
948	- Parish Precepts		1,021
41,142			43,237
	Charges to Collection Fund		
23	- Write offs of uncollectable amounts		71
94	- Increase in provision for bad debts		26
117			97
	Apportionment of previous year's Surplus		
	- Central Government		
656	- Devon County Council		377
127	- Mid Devon District Council		74
94	- Devon and Cornwall Police		55
43	- Devon Fire and Rescue		25
920			531
42,179	Total Expenditure		43,865
229	(Surplus) / Deficit for the year		478
(948)	Opening Balance at 1st April		(719)
(719)	Closing Balance at 31 March	48	(241)

The £241k represents the overall surplus on the Council Tax element of the Collection Fund at 31/03/15. Of this 13.73% is due to MDDC, which equates to £33k (see note 48 on page 40).

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.

2013/14			2014/15
£000	INCOME	Notes	£000
(14,532)	Business Rates receivable	80	(15,128)
(78)	Transitional Protection Payments		(6)
(14,610)	Total Income		(15,134)
	EXPENDITURE		
	Precepts, Demands and Shares		
7,271	- Central Government		7,242
1,309	- Devon County Council		1,304
5,817	- Mid Devon District Council		5,794
145	- Devon Fire and Rescue		145
14,542			14,485
	Charges to Collection Fund		
93	- Write offs of uncollectable amounts		142
26	- Increase in provision for bad debts		13
15	- Increase in provision for appeals		351
106	- Cost of Collection		106
41	- Disregarded Amounts		68
281			680
	Apportionment of previous year's Deficit		
	- Central Government		(144)
	- Devon County Council		(26)
	- Mid Devon District Council		(115)
	- Devon Fire and Rescue		(3)
0			(288)
14,823	Total Expenditure		14,877
213	(Surplus) / Deficit for the year		(257)
0	Opening Balance at 1st April		213
213	Closing Balance at 31 March	48	(44)

The £44k represents the overall Surplus on the Non-domestic rate element of the Collection Fund at 31/03/15. Of this 40% is attributable to MDDC, which equates to £18k (see note 48 on page 41)

Notes to the Collection Fund

79 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.

80 Income from Business Rates

Under the revised arrangements for uniform 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, less certain reliefs and other deductions, is paid to a central pool (the NNDR pool) managed by central government, which in turn pays back to authorities their share of the pool based on a standard amount per head of the local population. The amount at the 31 March 2015 is £19,589k. This is calculated by taking the rateable value at that date of 40,640,257 multiplied by the uniform business rate of 48.2p per £.

81 Calculation of Council Tax Base

The council tax base is calculated by taking the number of chargeable dwellings in each valuation band (adjusted for discounts as necessary) and converted into the number of Band D equivalent properties multiplied by the council tax rate per Band D properties.

	Number of Dwellings	
	Actual	Band D
A	5,103.8	3,401.6
B	7,963.8	6,194.0
C	6,007.8	5,340.2
*D	2,833.3	2,833.3
E	4,099.0	5,009.9
F	2,199.8	3,177.4
G	889.5	1,482.5
H	54.0	108.0
Total	29,150.8	27,547.0

* LCTS scheme taken out of the band D figures

82 Precepting Authorities

2013/14		2014/15
£000		£000
29,197	Devon County Council	30,737
4,764	Mid Devon District Council	4,917
4,261	Devon and Cornwall Police	4,486
1,972	Devon Fire and Rescue	2,076
948	Parish Precepts	1,021
41,142	Total	43,237

GLOSSARY OF TERMS

Accounting Period

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

Actual

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

Actuarial Gains and Losses

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

Actuary

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

Accruals

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

Accumulated Compensated Absences Adjustment Account

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

Actuarial Gains and Losses

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

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

Accumulated Compensated Absences Adjustment Account

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

Amortisation

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

Appointed Auditors

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

Assets

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

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

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

Audit Committee

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

Audit of Accounts

An independent examination of the Council's financial affairs.

Authorised Limit

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

Balances

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

Balance Sheet

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

Best Value Accounting Code of Practice

Details standard definitions of service and total cost which enables spending comparisons to be made with other local authorities.

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.

Comprehensive Spending Review (CSR)

CSR is the public expenditure planning process introduced by the government in 1997.

Contingency

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

Contingent Liabilities or Assets

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

Corporate Democratic Core

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

Council Tax

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

Council Tax Requirement

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

Council Tax Support Scheme (CTSS)

The means tested scheme that replaced Council tax Benefit and reduces the Council Tax bill of those who qualify.

Creditor

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

Current Assets

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

Current Liabilities

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

Current Service Cost

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

Curtailment

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

Debtor

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

Deferred Capital Receipts

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

Deferred Charges (now known as REFCUS see below)

Expenditure which may properly be capitalised but which does not result in tangible fixed assets owned by the Council. These charges are to be amortised to revenue over an appropriate period.

Deferred Contributions

Amounts paid to us for future activities.

Deferred Liabilities

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

Defined Benefit Scheme

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

Department for Communities and Local Government (DCLG)

A department of Central Government with an overriding responsibility for determining the allocation of general resources to Local Authorities.

Depreciation

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

Derecognition

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

Earmarked Reserves

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

Employee Costs

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

Exceptional Items

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

Expenditure

This refers to amounts paid by the Authority for goods and services rendered of either capital or revenue nature. This does not necessarily involve a cash payment

since expenditure is deemed to have been incurred once the goods and services have been received even if they have not been paid for.

External Audit

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

Fair value

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

Fees and Charges

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

Finance Lease

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

Financial Instruments

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

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.

Intangible Assets

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

Interest

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

International Financial reporting Standard (IFRS)

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

Inventories (previously Stock)

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

Joint Venture

This is an entity in which the reporting Authority has an interest on an longer term basis and is jointly controlled by the reporting Authority and one or more entities under a contractual or other binding arrangement.

Local Authority (Scotland) Accounts Advisory Committee (LASAAC)

A joint committee with CIPFA which produces the Code of Practice on Local Authority Accounting in the United Kingdom (referred to as the 'Code').

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.

Management Team

A meeting of the Chief Executive and Heads of service.

Medium Term Financial Strategy (MTFS)

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

Member

An elected councillor of the Council.

Minimum Revenue Provision (MRP)

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

National Non Domestic rate (NNDR)

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

Net Book Value

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

Net Debt

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

Net Realisable Value (NRV)

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

Non Current Assets

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

Non-distributed Costs

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

Operating Lease

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

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.

Virement

The authorised transfer of budget from one area of service to another.