

Report for: Audit Committee

Date of Meeting:	24 June 2025
Subject:	DRAFT Statement of Accounts 2024/25
Cabinet Member:	Cllr John Downes, Cabinet Member for Governance, Finance & Risk
Responsible Officer:	Andrew Jarrett, Deputy Chief Executive (S151)
Exempt:	N/A
Wards Affected:	All
Enclosures:	N/A

Section 1 – Summary and Recommendation(s)

To present the draft version of the annual Statement of Accounts to Members published on the website and presented for external audit.

Recommendation(s):

- 1. That the Committee note the publication of the draft 2024/25 Statement of Accounts and agree to review them ahead of the conclusion of the external audit and the presentation of the final accounts for approval, planned for the 30 September 2025.**

Section 2 – Report

1.0 Introduction

- 1.1** The Statement of Accounts for 2024/25 have been produced in full compliance with the Code of Practice on Local Authority Accounting in the United Kingdom (the Code) and all other relevant accounting legislation. The main change for 2024/25 was the introduction of IFRS16 Leases. This sees the recognition of assets where the Council has the “right of use” brought onto the balance sheet, effectively now requiring all leases to be treated as debt, rather than just finance leases.

2.0 The Statement of Accounts

- 2.1 The unaudited Statement of Accounts 2024/25 were signed off by the Council's S151 Officer and have been available online since 13 June 2025 – before the statutory deadline. The period of public inspection runs from 16 June to 25 July 2025. The external audit review, is planned to start on 28 July and run until the end of August. The final, post audit accounts are planned to come back for approval on 30 September 2025.
- 2.2 The detailed management accounts were included in the outturn report presented to the Cabinet on 17 June 2025. The General Fund underspend position largely reflects a significant increase in our retained Business Rates and late funding received in relation to S106 and Homelessness. The HRA overspend position is caused by several one-off adjustments at year end. Excluding those exceptional items from both funds, performance levels were close to the initial agreed budget. This is a major corporate achievement and reflects the hard work and efforts of managers and services during the year.

2.3 Key Highlights for the year

- 2.4 This report provides a summary of the year-end position for the General Fund (£1,547k underspent), the Housing Revenue Account (£1,727k overspent), and the Capital Programme (£17,068k carried forward).
- 2.5 The main highlights of the Statement of Accounts are to be found in the Narrative Report to the accounts beginning on page 11. It outlines the main financial and non-financial performance for the year.

2.5.1 Movement in Reserves Statement (MIRS) (page 52)

In order to provide a summary financial position of how the Council ended 2024/25 a summary of the Useable Reserves Balances held as at 31 March 2025 is detailed below.

Usable Reserves	31/03/2024 RESTATED	In Year Movement	Year-End Adjustments	31/03/2025
<i>Unring-fenced Reserves</i>	£000's	£000's	£000's	£000's
General Fund	(2,025)	0	0	(2,025)
Housing Revenue Account	(455)	0	0	(455)
Total	(2,480)	0	0	(2,480)
Earmarked Reserves # (See Outturn Appendix 3)				
General Fund	(13,466)	(792)	(1,547)	(15,806)
Housing Revenue Account	(21,330)	(724)	1,727	(20,327)
Total	(34,796)	1,516	180	(36,132)

In-year, a review of S106 was undertaken and based upon technical advice, £3,161k was moved from Earmarked Reserves into Creditors (held on the Balance Sheet). This reflects that some S106 have explicit conditions that must be met before the Council can recognise the funds.

As can be seen from the above balances, the Council remains in a strong position to deal with the funding challenges it faces. Notes 6 provides further

breakdown of the Earmarked Reserves and Note 42 describes what each category of reserve is.

2.5.2 Comprehensive Income and Expenditure Statement (CIES) (Page 54)

The Outturn Report provides commentary on any Service variances against budget in excess of £20k. The Narrative report also provides some of the key financial highlights or issues within the year, including the breakdown of income and expenditure, treasury position and non-performance highlights. The exceptional one-off items are the main variances for 2024/25, leading to an overall deficit £5,452k.

2.5.3 Balance Sheet (page 55)

There are no real notable differences year-on-year. The movement in Property, Plant and Equipment reflects a lower valuation, mainly of the HRA Housing stock. Also the technical adjustments required from the review of S106 have moved funds from Earmarked Reserves into Long-term Creditors.

2.5.4 Cash Flow Statement (page 56)

Once again, there is only a very minor movement in cash during the year. This masks some more notable movements such as the overall deficit on the provision of service as shown in the CIES, offset by the lower investments in PPE than in the previous year (see Note 53).

2.5.5 Housing Revenue Account (page 123)

The only notable movement is due to the impairment of Council Dwellings, following a lower revaluation primarily attributable to the movement in house prices during the year.

2.5.6 Collection Fund (page 135)

The Council Tax collected increased by nearly £5m due to the combination of an increase in the Band D charge and improved collection rate. This resulted in a surplus being generated, overturning the previous deficit on the fund. Mid Devon's share of this surplus amounts to £108k.

The Business Rates receivable also increased through an excellent collection rate. Despite this, there is a deficit on the fund of £618k, with Mid Devon's 40% share of this amounting to £247k.

3.0 **Appraisal of Going Concern Concept at 31 March 2025**

- 3.1 As with all principal local authorities, the Council is required to compile its Statement of Accounts in accordance with the Code of Practice on Local Authority Accounting for 2024/25 (hereafter referred to as the Code) as published by the Chartered Institute of Public Finance and Accountancy (CIPFA). In accordance with the Code, the Council's Statement of Accounts is prepared assuming that the Council will continue to operate for the foreseeable future and that it is able to do so within the current and anticipated resources available.

- 3.2 If an authority were in financial difficulty, as has been the case for several authorities over recent years, alternative arrangements have been made by Government either for the continuation of the services it provides or for assistance with the recovery of a deficit over more than one financial year.

3.3 2024/25 Financial Position

- 3.3.1 At 31 March the financial statements show a General Fund reserve standing at £2,025k, which equates to circa 13.8% of our budgeted Net Cost of Service for 2024/25 (see page 12). These resources should be viewed against the estimated requirement to retain a minimum of £2,000k to meet unforeseen financial risks. General Reserves therefore remain marginally higher than required for this purpose. In addition there are also General Fund Earmarked Reserves amounting to £15,806k. (£13,466k 31 March 2024 following the restatement of S106). This increase was largely down to the receipt of late income from S106 and Grant funding – held for future years.
- 3.3.2 The Council approved a balanced budget for 2025/26 that maintains the services provided. The budget included meeting inflationary pressures (at that time) and unavoidable service cost pressures, all within the referendum limits for Council Tax increases.
- 3.3.3 The Council has external debt of £29.398m across two external loans that have different maturity dates to ensure a balanced portfolio, with further repayments of £2,033k planned to be made during 2025/26.
- 3.3.4 The Balance Sheet at 31 March shows that we have net current assets of £10,887k (£14,968k in 2023/24). The reduction is due to lower levels of Short-term Investments as we have increased the level of internal borrowing to support the enhanced capital programme, and higher Short-term Creditors where we owe Devon County for works to date on the Cullompton Relief Road. The current ratio¹ is favourable at 1.74 (2.23 in 2023/24). Short term liabilities at 31 March amounted to £14,722k whereas our short-term investments of £9,000k and cash equivalents of £3,392k, giving a short-term cash shortfall of £2,330k.
- 3.3.5 The Council's net assets amounted to £205,651k (£211,102k in 2023/24). This includes the net pension scheme liability of £9,581k (£10,166k in 2023/24). Excluding the pension liability, the current net worth is £215,232k (£221,268k in 2024/25).

3.4 Medium Term Financial Plan

- 3.4.1 Following the announcement of Local Government Review in December 2024, it is likely that the current structure of upper and lower tier authorities in Devon will alter by April 2028. Options are currently being considered and work will get underway on delivering the change once Government have outlined the new approach.

¹ (current assets / current liabilities) – Greater than 1 is the target.

- 3.4.2 Major uncertainties around the future of Local Government remain until such time as the outcome of the Fair Funding Review and the review of the Business Rates Retention scheme are known. Adding to this is the need for Government to re-balance the nation's finances which is likely to mean continuing the squeeze on local government finances. These all place complex and inter-related difficulties in estimating the financial resources that will be available to the Council over the next 3 years.
- 3.4.3 Due to these uncertainties the Council has worked hard over the past few years to; reduce operational costs; increase income; explore more shared arrangements and increase its level of available reserves to mitigate. This has enabled it to protect frontline service provision and maintain a "prudent" level of balances. The reserves held provides a financial "buffer" against some of these circumstances and "weather" the current cost of living crisis, which by their very nature are hard to predict and quantify. However, the Council will clearly need to focus on the future financial challenges.
- 3.4.4 The Medium Term Financial Plan indicates the future financial pressure that the Council faces based upon assumptions on Government funding and the ongoing uncertainty surrounding our main funding sources. The report shows that even if no action were taken to balance the 2026/27 General Fund budget there would be sufficient General Reserves to balance that year's budget.
- 3.4.5 This Council continues to take proactive steps to strategically plan for further reductions in Central Government financial support. The Cabinet have ongoing dialogue with Leadership Team, who in turn have discussions with Corporate Managers and service managers to discuss funding reduction scenarios in order to balance our ongoing expenditure needs associated with the current Corporate Plan.
- 3.4.6 A strong culture of financial awareness is now embedded throughout the Council. This is enhanced with regular budget monitoring reports produced for Leadership Team meetings, meetings of the Cabinet and the Policy Development Groups.
- 3.4.7 The Council has already started its process of budget setting for 2026/27 in order to be able to explore all the options provided by Corporate Managers and the Leadership Team to deliver savings and maximise income, at the same time as reducing costs wherever possible.
- 3.4.8 Despite these challenges, there are no future obligations or circumstances that we can foresee that could cause the Council to change its view of long term stability and of the going concern of the Council. It is therefore concluded that Mid Devon District Council is a going concern at 31 March 2025.

4.0 The Council's Governance Arrangements

- 4.1 The Annual Governance Statement is to be reviewed by the Committee alongside this report. The report was written by the Head of Finance, Property and Climate Resilience and approved by the Senior Leadership Team. It includes a review of the effectiveness of the Council's governance arrangements and concludes that the existing arrangements remain fit for purposes and help provide reasonable assurance of their effectiveness.

5.0 The Audit

- 5.1 Our external auditors, Bishop Fleming, will largely undertake their audit in August. Therefore, their final audit opinion is planned to be submitted to 30 September Audit Committee. This will include the annual commentary on our arrangements to secure economy, efficiency and effectiveness in our use of resources. Bishop Fleming will be able to give a verbal update on current progress and any findings from the Interim Audit to this committee.

6.0 Conclusion

- 6.1 Members are asked to review the Statement of Accounts to conclude at the October Audit Committee whether they reflect a true and fair view of the financial position of the Council as at 31 March 2025.

Financial Implications

Good financial management and administration underpin the entire document.

Legal Implications

It is a statutory requirement to follow the Code of Practice on Local Authority Accounting in the United Kingdom (the Code) when producing the Statement of Accounts.

Risk Assessment

The Section 151 Officer is responsible for the administration of the financial affairs of the Council. Adhering to the Code mitigates the risk of receiving a qualified set of accounts. The Finance Team has also reviewed its overall calculations/workings against the CIPFA published Disclosure Checklist for 2024/25.

Impact on Climate Change

No impacts identified for this report.

Equalities Impact Assessment

No equality issues identified for this report.

Relationship to Corporate Plan

The financial resources of the Council impact directly on its ability to deliver the Corporate Plan prioritising the use of available resources in 2025/26. The Monitoring Report indicates how the Council's resources have been used to support the delivery of budgetary decisions.

Section 3 – Statutory Officer sign-off/mandatory checks

Statutory Officer: Andrew Jarrett

Agreed by or on behalf of the Section 151

Date: 16/06/2025

Statutory Officer: Maria De Leburne

Agreed on behalf of the Monitoring Officer

Date: 16/06/2025

Chief Officer: Stephen Walford

Agreed by or on behalf of the Chief Executive/Corporate Director

Date: 16/06/2025

Performance and risk: Dr Stephen Carr

Agreed on behalf of the Corporate Performance & Improvement Manager

Date: 16/06/2025

Cabinet member notified: No

Section 4 - Contact Details and Background Papers

Contact: Andrew Jarrett, Deputy Chief Executive (S151)

Email: ajarrett@middevon.gov.uk

Telephone: 01884 23(4242)

Background papers: Draft 2024/25 Statement of Accounts
Draft 2024/25 Annual Governance Statement