MID DEVON DISTRICT COUNCIL

2014/15 ANNUAL ACCOUNTS FINANCIAL SUMMARY

The information in this leaflet can be made available in large print, Braille or audio cassette. If you would like a copy in a different form please contact us. It can also be found on our website address shown below.

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Introduction

The services provided by local councils affect people's quality of life. Mid Devon District Council has a duty to demonstrate transparently the stewardship of the public money that it spends. The annual accounts show what resources were available and how they were used to deliver services to the residents and businesses of the Mid Devon area. This annual summary is intended to provide an easily accessible guide to the information contained within the full Statement of Accounts and includes a brief explanation of important financial information about the Council.

Statement from the Head of Finance

The financial statements have been prepared in accordance with the requirements of the "Code of Practice on Local Authority Accounting in the United Kingdom 2014/15" based on International Financial Reporting Standards and other relevant accounting requirements. For the purposes of this summary some modifications were made to provide more meaningful information.

The summary financial statements have not been the subject of external review. However, the Council's 2014/15 accounts were audited by Grant Thornton and a clean bill of health issued by them. The audited version of the Council's accounts is available for examination on request, or you can view or download a copy from the Finance section of our website at https://new.middevon.gov.uk/your-council/finance/annual-accounts/

Financial Review

Revenue Expenditure

During the year financial monitoring information was produced and reported to elected councillors on a regular basis. Overall, after a transfer of £1,110k to earmarked reserves, (money set aside for future specific projects) there was a deficit of £80k for the year i.e. we spent £80k more than we had initially budgeted for the year.

Council Housing

The Council built 7 new dwellings at Fir Close, Willand during 2014/15 and sold 10 properties under the "Right to Buy " Scheme . The Council owned 3,065 dwellings available for rent at the end of the financial year. Rent is charged and accounted for in the Housing Revenue Account (HRA). It is a legal requirement that all expenditure on these houses is funded from the HRA. The HRA balance at the start of the year was £2,004k, there was a deficit in the year of £4k, after transferring £2,117k into earmarked reserves, resulting in a balance carried forward amounting to £2,000k.

Capital Expenditure

During the year capital expenditure amounted to £12,100k. The main items of expenditure included: £3,518k on Market Walk shopping centre in Tiverton and £689k on the purchase of two shops at 32/34 Fore Street Tiverton; £3,824k was spent on council house maintenance and £711k on the new council house projects at Fir Close, Willand, and St Andrews Street, Tiverton; £760k on various housing grants; and £1,263k on plant and equipment.

The council used £535k of capital receipts to fund the capital programme, £161k of finance lease funding, with the balance of the expenditure funded from external grants and contributions from reserves and revenue. The capital receipts reserve, funded from our share of asset sales, decreased from £1,071k at the beginning of the year to £985k at the end of the year.

What is Revenue Spending?

The day to day running costs of our services including employees, premises, transport and supplies of goods and services less any income generated from sales/fees/charges.

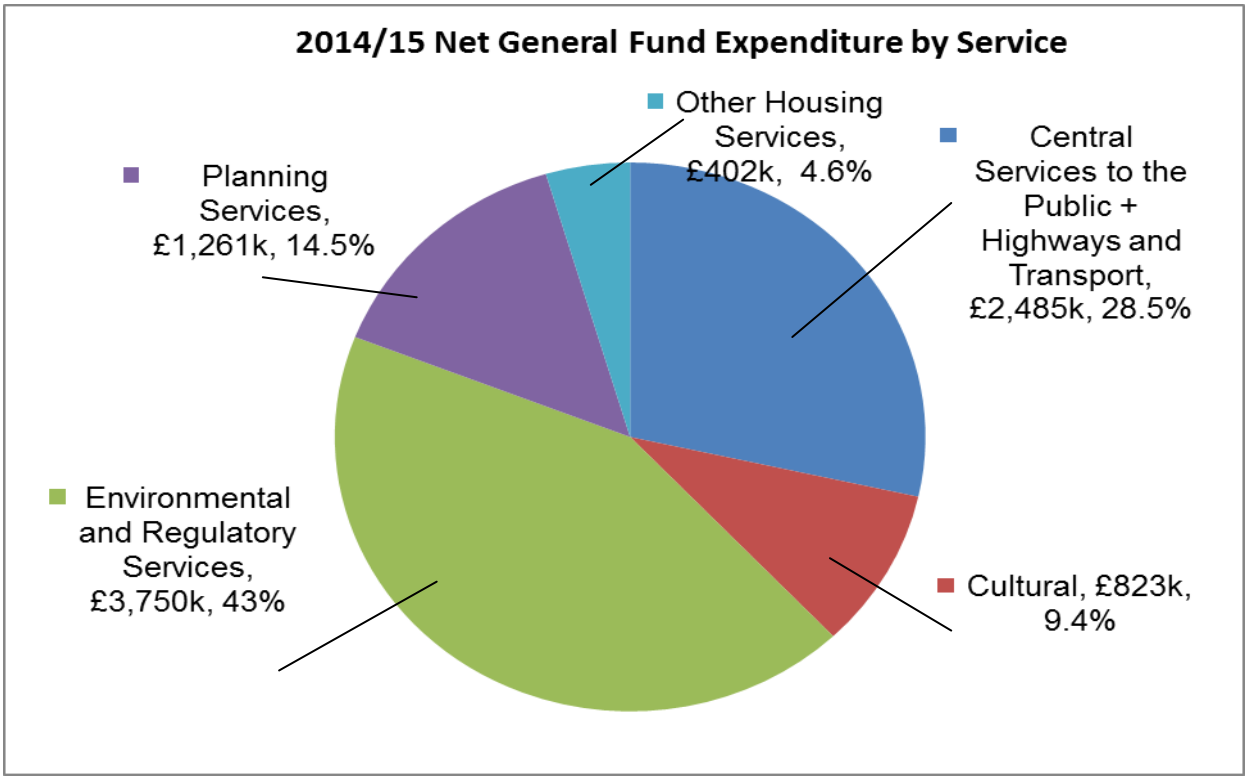
What we spent in 2014/15 - This shows the net running costs of each of our major services.

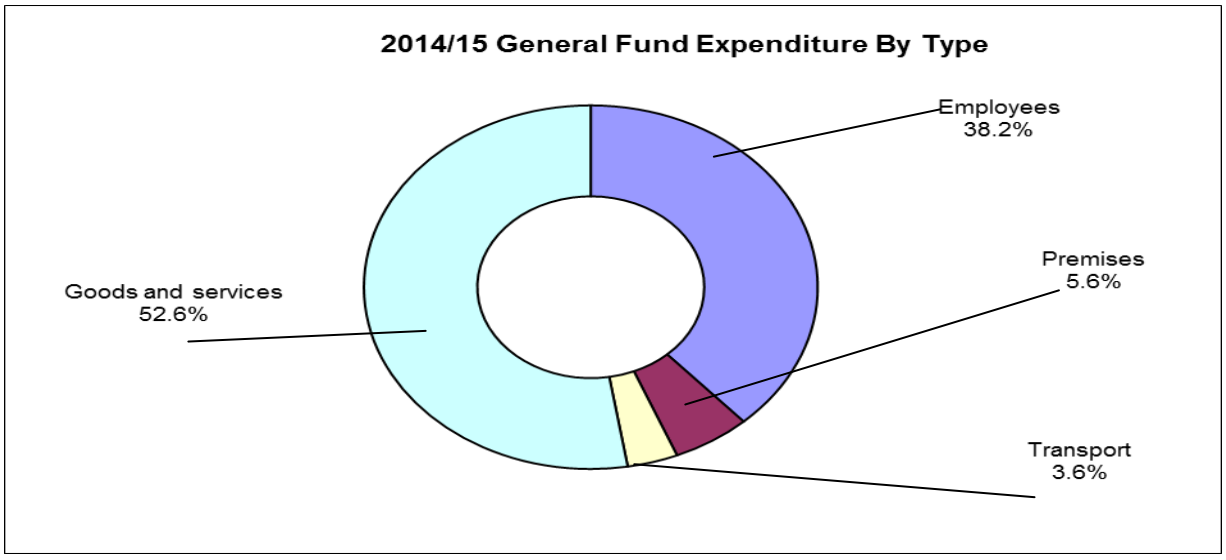
Revenue Service Running Costs	2013/14 Net Expenditure £000	2014/15 Net Expenditure £000
Central services to the public	3,064	2,752
Cultural, environmental & planning services	1,968	823
Environment and Regulatory Services	3,913	3,750
Planning Services	1,488	1,261
Highways & transport services	(134)	(267)
Housing revenue account	(8,937)	(7,608)
Other housing services	609	402
Net Cost of Services	**1,971**	**1,113**
Interest payable	1,397	1,374
Interest receivable	(145)	(173)
Other operating expenditure	1,957	(1,315)
Parish council precepts	1,046	1,119
Council tax income	(5,808)	(5,946)
Non domestic rates redistribution	(2,137)	(2,289)
Non ring fenced government grants	(3,714)	(1,392)
Capital grants and contributions	(912)	(1,924)
Regulatory adjustments	4,287	8,403
Adjusted surplus on provision of services	(2,058)	(1,030)
Transfers to / (from) earmarked reserves	2,221	1,110
(Surplus) / Deficit for the year	**163**	**80**

Net incomes are represented by brackets in the above table.

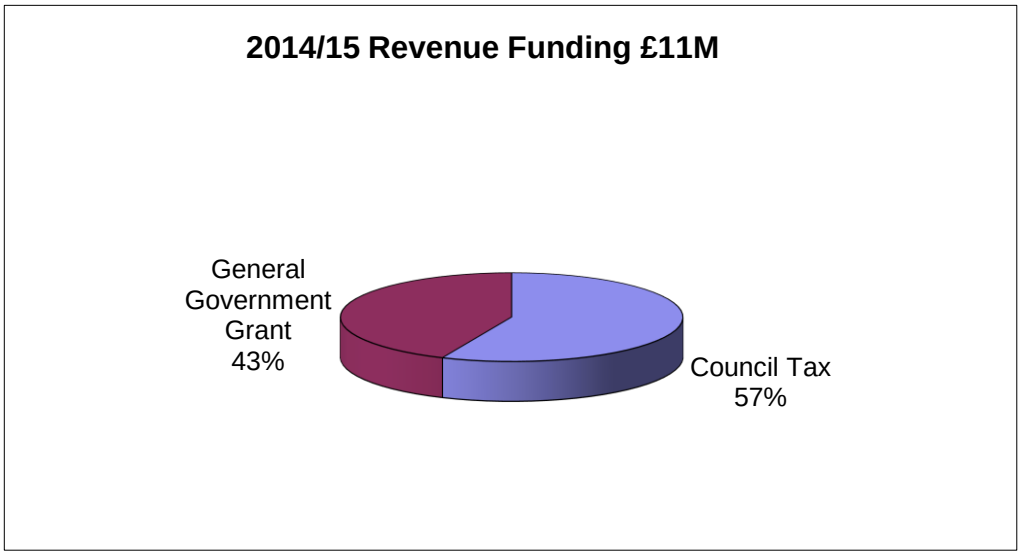
The above expenditure is represented graphically on page 5.

2013/14 Net Expenditure £000	Revenue Service Running Costs	2014/15 Net Expenditure £000
	CENTRAL SERVICES TO THE PUBLIC	
510	Local Tax Collection	402
184	Elections	210
9	Emergency Planning	1
(6)	Local Land Charges	67
625	Democratic Representation & Management	649
511	Corporate Management	417
1,231	Unapportionable Central Overheads	1,006
3,064		**2,752**
	CULTURAL SERVICES	
4	Culture & Heritage	0
1,063	Recreation & Sport	340
54	Tourism	0
847	Open Spaces	483
1,968		**823**
	ENVIRONMENTAL SERVICES	
194	Cemetery, Cremation & Mortuary	99
84	Community Safety	2
793	Environmental Health	922
92	Flood Defence & Land Drainage	68
349	Street Cleansing	318
2,401	Waste Collection and recycling	2,341
3,913		**3,750**
	PLANNING SERVICES	
323	Building Control and enforcement	237
96	Development Control	(42)
390	Planning Policy	527
10	Environmental Initiatives	11
234	Economic Development	178
435	Community Development	350
1,488		**1,261**
	HIGHWAYS, ROADS & TRANSPORT SERVICES	
(134)	Parking Services	(253)
0	Public Transport	(14)
(134)		**(267)**
	HOUSING SERVICES	
(8,937)	**Local Authority Housing (HRA)**	**(7,608)**
	Other Housing Services	
101	- General Fund Housing Management	0
474	- Homelessness/Housing Advice	285
(95)	- Housing Benefits Payments	(105)
129	- Housing Benefit Administration	222
609		**402**
1,971	**NET COST OF SERVICES**	**1,113**

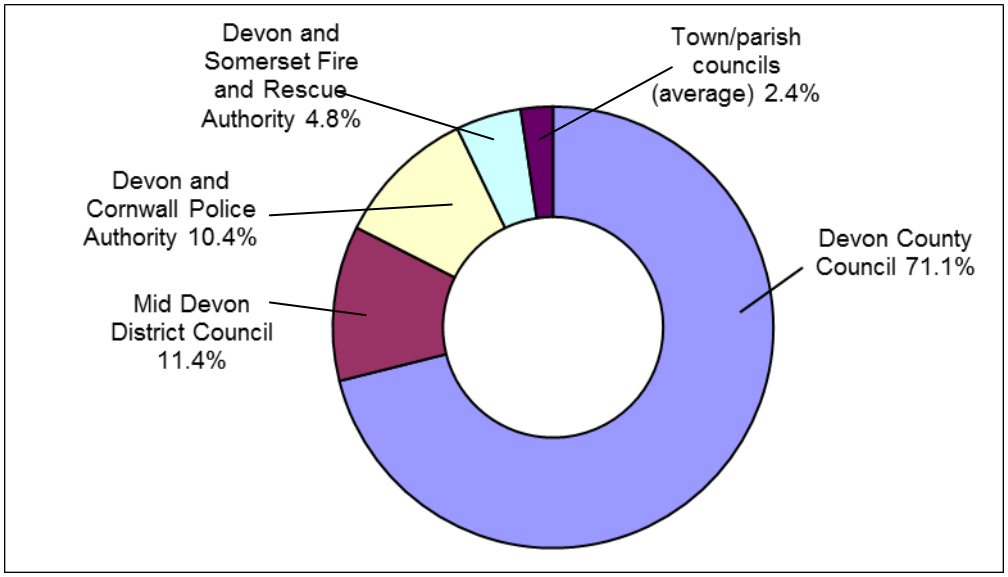




How did we pay for these services?



How much of the total council tax bill went to Mid Devon District Council?



Here is the average breakdown of the 2014/15 Council tax bill for a band D property - only approximately 11p of each £1 levied for a band D property went to Mid Devon District Council.

	2013/14	**2014/15**
	£	**£**
Devon County Council	1,116.36	1,138.59
Devon and Cornwall Police Authority	162.92	166.16
Devon and Somerset Fire Authority	75.39	76.89
Parishes (average)	36.26	37.83
	1,390.93	1,419.47
Mid Devon District Council	***182.15***	***182.15***
Total	1,573.08	1,601.62

What impact does Council Tax increases have on the Council?

Every 1% increase in Mid Devon District Council's Council Tax leads to it receiving approximately an extra £50k.

Why do we have to increase the Council tax?

Each year the Council's costs increase with only about 41% of our funding provided by grants from central government. If the increase in costs is not met in full by the increase in the government grants then the difference has to be absorbed by the Council Tax payer, or by using reserves if they are available, or by reductions in cost or increases in fees and charges. Please also see the later section on financial challenges facing the Council which explains further some of the cost pressures facing us.

Did we have any money left over?

	2013/14	**2014/15**
	£000	**£000**
General reserve (for day to day expenses) brought forward	2,623	2,460
Add/Deduct: Surplus/ (Deficit) for the year	(163)	(80)
General fund reserve carried forward	**2,460**	**2,380**

What are we worth?

Balance Sheet

At the end of each year we prepare a balance sheet which shows what the Council owns and owes. At 31 March 2015 this comprised:

	£000
Land, buildings and assets owned by the Council (see below)	170,812
Stock	184
Bank deposits (including investments)	15,349
Debtors - Money owed **to** the Council	3,498
Creditors - Money owed **by** the Council	(51,875)
Pension fund deficit	(50,628)
	87,340
Financed by:	
Spendable monies	
General Fund reserve surplus carried forward	2,380
Housing Revenue Account surplus carried forward	2,000
Earmarked reserves	13,683
Capital receipts reserve	985
Capital grants not yet used	1,434
Other reserves not cash backed (statutorily prescribed)	66,858
	87,340

Land, buildings and assets owned by the Council at 31 March 2015 comprised:

	£000
Assets under construction	1,376
Council dwellings	123,746
Other land and buildings	41,330
Vehicles, plant and equipment	3,128
Community assets	449
Infrastructure assets	292
Heritage assets	491
	170,812

Pension Deficit

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 pension liabilities with the investment assets.

The Council has an attributed pension liability at 31 March 2015 of £50.6 million. However this overall liability is being met by increased contributions to the pension fund each year by employees and the employer, and revisions to scheme benefits, whose aim is to close this funding gap over the longer term. (Stock market fluctuations have a profound effect on this liability figure).

Housing Revenue Account

Legislation requires that a separate account be kept in respect of the Council houses and rented accommodation and for all of the activities associated with their running.

	2013/14	2014/15
Income	£000	£000
Council house rents	(11,892)	(12,422)
Net investment income	(27)	(48)
Other income e.g. Garage, shop rents and service charges	(1,323)	(1,309)
	(13,242)	(13,779)
Expenditure		
Repairs and maintenance	2,755	2,679
Supervision and management	2,580	3,008
HRA share of other central overheads	338	380
Capital expenditure funded by the HRA	84	984
Other expenditure and accounting adjustments	7,449	6,732
	13,206	13,783
HRA (Surplus)/Deficit for the Year	**£ (36)**	**£4**

Any surplus for the year is carried forward in the Housing Revenue Account reserves and can only be used for council houses and not the General Fund services paid for by Council tax payers. After adding this year's deficit to the surplus brought forward we have £2 million which will be used to support the Council's landlord activities in future years.

HRA Property

There were 10 Council House properties sold under the "Right to Buy" scheme during 2014/15 and the Housing Revenue Account owned the following property at 31 March 2015:

	Council Housing	Other Land and Buildings
Stock at 1 April 2014	3,038	1,197
Additions	7	1
Sales and building changes	(10)	
Stock at 31 March 2015	**3,065**	**1,198**

Capital Expenditure

What is capital spending?

This is money spent by the Council on purchasing, upgrading and improving assets such as buildings and major equipment needed such as refuse vehicles and is accounted for separately from the day-to-day revenue expenditure.

What did we spend in 2014/15?

		£000
Community Wellbeing	Lords Meadow all weather pitch	13
	Exe Valley car parking extension	43
	Shops – Market Walk/Fore Street Tiverton	4,206
	Tiverton Skate Park works	27
	Sports equipment	161
	Play area refurbishment, Crediton	114
	Total	**4,564**
Decent and Affordable Homes	Council House Building – Fir Close Willand	605
	Improvements to Council Houses	3,824
	Council House Building St Andrews Street	1,272
	Disabled facilities grants and loans	760
	Affordable housing	27
	Total	**6,488**
Managing the Environment	Recycling vehicles	826
	Recycling baler	163
	Land drainage	33
	Total	**1,022**
Assets under Construction	Assets not yet commissioned	26
	GRAND TOTAL	**12,100**

Where did the money come from?

	£000
Capital receipts from sales of land and buildings	535
Grants	2,123
Finance lease liabilities	161
Public Works Loan Board – (Borrowing)	4,335
Revenue contributions from HRA/ General Fund	4,946
	12,100

This is shown in the full accounts as:

Asset additions - Council's assets in our balance sheet	11,564
Community projects for others	536
	12,100

Financial Challenges Facing the Council

Inflation

The Council is exposed to inflation in the same manner as Council Tax payers, although through our procurement practices we seek to minimise our costs.

Public Sector Finances

The austerity measures introduced back in 2010/11 by the government have already led to a loss of circa £2.5m in core government funding approximately (40 %). Future increases in taxation such as national insurance and insurance premium tax could also lead to increased costs for the Council. It is anticipated that a similar % reduction in the formula grant is planned over the life of the new Parliament term.

External Funding Sources

The Council receives money from a number of different sources, including government agencies and organisations. With the economy in recession many organisations have reduced income flows. We are therefore unlikely to receive funding at the levels experienced in the past, which will necessarily restrict our ability to maintain and fund certain projects.

Efficiency Savings

Our procurement processes are designed to reduce costs, and computers and software are employed to reduce the time taken to process transactions, it becomes progressively harder to achieve savings year after year without affecting the services we provide.

Budgetary Cost Pressures

Each of our services is affected by external factors which are beyond our control. For example as our population grows, with new housing developments, we may reach a stage where we might incur stepped cost changes e.g. another refuse vehicle. In producing balanced budgets each year we need to bring in all of these factors. Some areas such as utilities are dependent upon oil prices, whose price increases may be significantly above inflation.

Capital Programme

Our capital programme is financed from a combination of asset sales, third party grants and government grants, with one in particular, the New Homes Bonus, making a significant contribution to our total funding. There are regulations on certain asset sales and only a proportion of the sale proceeds are retained by the Authority with the balance being paid to central government. As our funding has not been sufficient for our needs we have had to supplement this with a revenue contribution from our normal day to day running costs. In 2014/15 this amounted to £1,453k.

However going forward with further budgetary cuts forecast from central government we may be forced to cut the amount given to help fund the capital programme. There is therefore some uncertainty as to how large the capital programme in future years will be.

External Auditors

External auditors are appointed to audit the Council's financial affairs each year. Our auditor Grant Thornton provide a range of services to the Council including auditing the financial statements and certification of various grants.

	2014/15	2013/14
Fees for audit services	£ 64,000	£ 63,000
Fees for certification of grant claims and returns	£ 9,000	£ 21,000
	£ 73,000	**£ 84,000**

Financial Management

The Council's external auditors are required to give an opinion on the financial statements. Ideally this opinion should be "unqualified" or "clean". Where the opinion is qualified, each qualification identifies an area where the financial statements are unreliable. The Council's accounts have been unqualified for many years and we have received a positive statement from our auditors in terms of value for money.

Your Views

The full financial statements produced each year must comply with legislative and accounting presentation requirements and necessarily contain a large volume of information. This summary of financial information is meant to be a more user friendly summary version for residents and stakeholders designed to focus on the key financial highlights for the year.

We are interested in your views as to how effective this publication is and your suggestions as to how the information contained within can be improved.

This "2014/15 ANNUAL ACCOUNTS AND FINANCIAL SUMMARY" has been published by Mid Devon District Council Financial Services, September 2015
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