

MID DEVON DISTRICT COUNCIL

2010/11 ANNUAL ACCOUNTS AND FINANCIAL SUMMARY



The information in this leaflet is available in large print, Braille or audio cassette. 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 easy 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 2010/11 based on International Financial Reporting Standards for the first time and other relevant accounting requirements. For the purposes of this statement some modifications were made to provide more meaningful information.

The Council's 2010/11 accounts were audited by the Audit Commission and a clean bill of health issued by them. An audited version of the Council's accounts free available for examination on request, or you can view or download a copy from the finance section of our website at www.middevon.gov.uk

Financial Review

Revenue Expenditure

During the year financial monitoring information has been produced and reported to elected councillors on a regular basis. The resources generated and consumed in providing services and managing the Council during the year were £12,325k funded by the non domestic rate redistribution grant of £5,402k, government Formula grant of £784k, a collection fund surplus of £136k and £6,003k funded by council tax (£5,114k District Council precept, £889k Parish precepts). General fund services were delivered for a net cost of £11.296 million, creating a surplus of £1,029k for the year.

Council Housing

The Council owned 3,082 dwellings available for rent at the end of the financial year after selling seven properties during the 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 £1,443k; there was a deficit in the year of £130k resulting in a surplus at the end of the year amounting to £1,313k.

Capital Expenditure

During the year capital expenditure amounted to £3,642k. The main items of expenditure included £238k on community projects, £1,209k on affordable housing and £1,871k on council house improvements.

The council used £469k of capital receipts to fund the capital programme with the balance of the expenditure funded from external grants and contributions from reserves. The capital receipts reserve fell from £229k at the start of the year to £nil at the end of the year. The depletion of this reserve will severely restrict the Council's ability to deliver a capital programme in 2012/13.



What is Revenue Spending?

The day to day running costs of our services including employees, premises, and supplies of goods and services.

What we spent in 2010/11 - This shows the net running costs of each of our major services.

Revenue Service Running Costs	2009/10 Net Expenditure £000	2010/11 Net Expenditure £000
Central services to the public	521	524
Cultural, environmental & planning services	8,198	7,263
Highways, roads & transport services	391	499
Housing revenue account (note1)	(10,341)	50,680
Other housing services	1,887	1,575
Corporate & democratic core	2,061	1,406
Non distributed costs	(227)	674
Pension actuarial past service gain	0	(6,328)
Net cost of services	2,490	56,293
Interest payable	59	49
Interest receivable	(21)	(73)
Other operating expenditure	2,441	1,866
Parish council precepts	828	889
Council tax income	(5,958)	(6,140)
Non domestic rates redistribution	(4,923)	(5,402)
Non ring fenced government grants	(1,159)	(784)
Capital grants and contributions	(885)	(538)
Regulatory adjustments (note 1)	5,977	(47,252)
Adjusted surplus / deficit on provision of services	(1,151)	(1,092)
Transfers to / from earmarked reserves	971	63
Surplus/deficit for the year	(180)	(1,029)

Net incomes are represented by brackets in the above table.

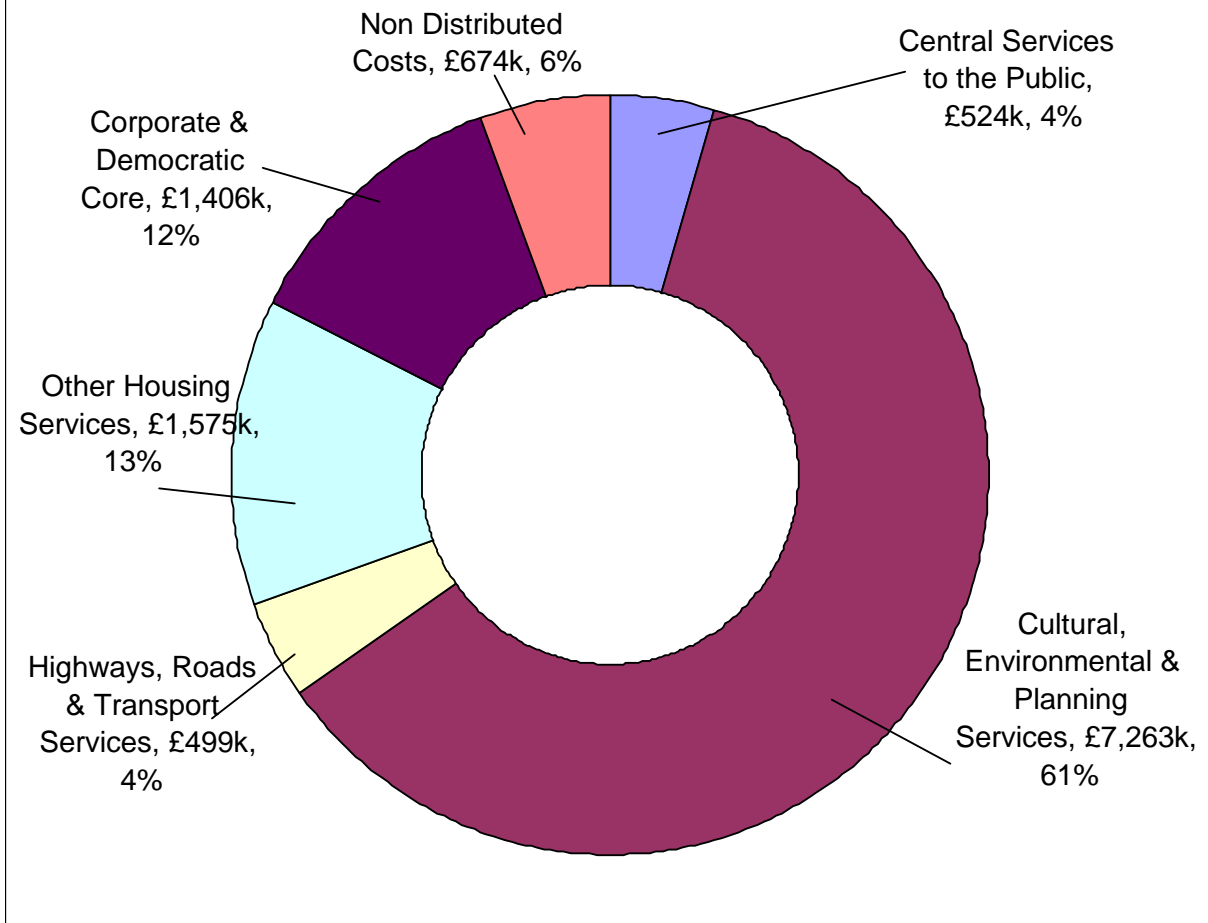
Note 1

The large increase in expenditure between the years reflects the government's change in the valuation of the Council's housing stock at 31 March 2011. It has no impact upon the annual day to day running costs of the housing service itself.

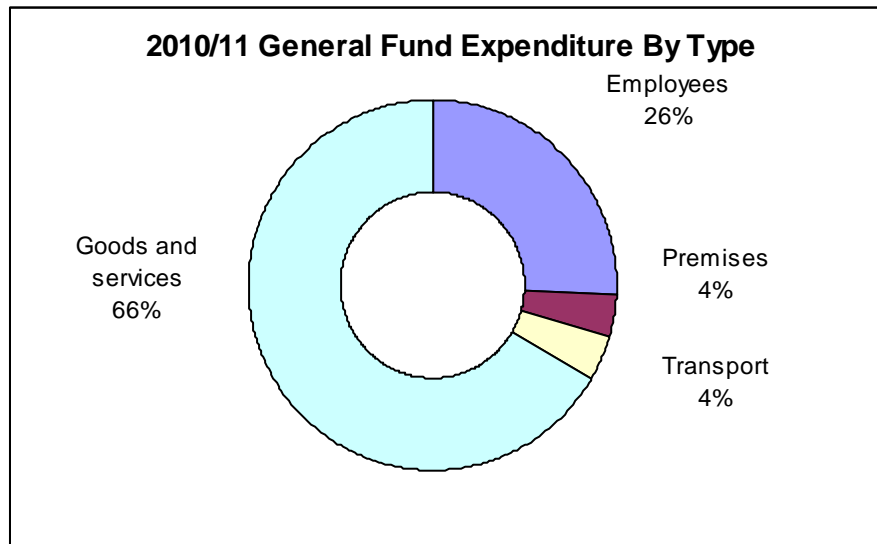
The same expenditure above is represented graphically on page 5.

2009/10 Net Expenditure £000	Revenue Service Running Costs	2010/11		
		Expenditure £000	Income £000	Net Expenditure £000
	CENTRAL SERVICES TO THE PUBLIC			
356	Local Tax Collection	5,687	(5,330)	357
147	Elections	301	(164)	137
23	Emergency Planning	18	-	18
(5)	Local Land Charges	145	(133)	12
0	General Grants, Bequests & Donations	-	-	-
521		6,151	(5,627)	524
	CULTURAL, ENVIRONMENTAL & PLANNING SERVICES			
1	Culture & Heritage	2	-	2
2,205	Recreation & Sport	3,038	(1,884)	1,154
68	Tourism	68	-	68
830	Open Spaces	790	(104)	686
(46)	Administrative Buildings	105	(109)	(4)
221	Cemetery, Cremation & Mortuary	275	(111)	164
59	Community Safety	130	(71)	59
827	Environmental Health	985	(233)	752
58	Flood Defence & Land Drainage	88	(1)	87
361	Street Cleansing	357	(2)	355
1,276	Waste Collection	2,073	(648)	1,425
712	Recycling	1,336	(828)	508
160	Building Control	447	(296)	151
235	Enforcement	182	(1)	181
401	Development Control	1,001	(411)	590
459	Planning Policy	463	(10)	453
17	Environmental Initiatives	181	(57)	124
(278)	Economic Development	115	(111)	4
632	Community Development	610	(106)	504
8,198		12,246	(4,983)	7,263
	HIGHWAYS, ROADS & TRANSPORT SERVICES			
22	Parking Services	690	(716)	(26)
369	Public Transport	604	(79)	525
391		1,294	(795)	499
	HOUSING SERVICES			
	Local Authority Housing (HRA)			
(10,341)	Housing Revenue Account	61,943	(11,263)	50,680
(10,341)	Other Housing Services			
0	- Housing Strategy			
0	- Housing Advances			
891	- Private Sector Housing Renewal	933	(176)	757
240	- Housing Enabling	231	(4)	227
191	- General Fund Housing Management	100	(17)	83
323	- Homelessness/Housing Advice	523	(138)	385
(43)	- Housing Benefits Payments	16,686	(16,798)	(112)
285	- Housing Benefit Administration	772	(537)	235
1,887		19,245	(17,670)	1,575
	CORPORATE & DEMOCRATIC CORE			
802	Democratic Representation & Management	723	-	723
1,259	Corporate Management	689	(6)	683
2,061		1,412	(6)	1,406
	NON DISTRIBUTED COSTS			
(227)	Unapportionable Central Overheads	800	(126)	674
(227)		800	(126)	674
-	PENSION ACTUARIAL PAST SERVICE GAIN		(6,328)	(6,328)
2,490	NET COST OF SERVICES	103,091	(46,798)	56,293

General Fund Revenue Expenditure By Service 2010/11

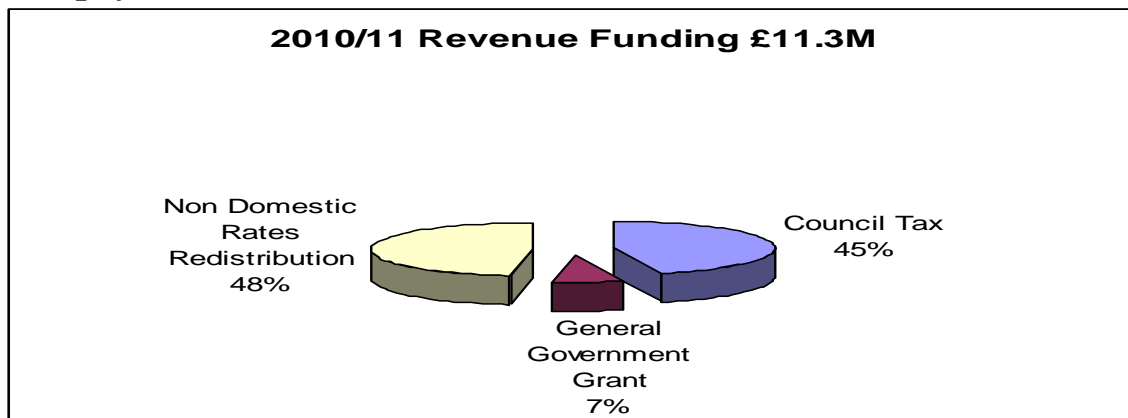


2010/11 General Fund Expenditure By Type

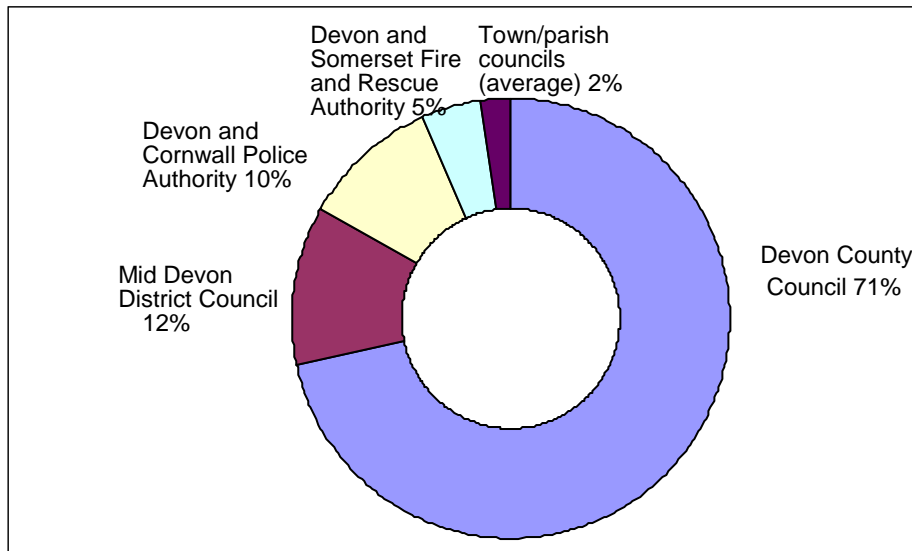


How did we pay for these services?

2010/11 Revenue Funding £11.3M



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



Here is the average breakdown of the 2010/11 Council tax bill for a band D property - only approximately 12p of each £1 levied for a band D property went to Mid Devon District Council.

	2009/10 £	2010/11 £
Devon County Council	1,094.67	1,116.36
Devon and Cornwall Police Authority	149.22	156.60
Devon and Somerset Fire Authority	66.19	71.77
Parishes (average)	<u>29.78</u>	<u>32.85</u>
	1,342.85	1,377.58
Mid Devon District Council	<u>179.46</u>	<u>182.15</u>
Total	<u>1,522.31</u>	<u>1,559.73</u>

What impact do 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 approximately only 50% 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. 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?

	2009/10 £000	2010/11 £000
General reserve (for day to day expenses) brought forward	2,209	2,389
Add: Surplus for the year	<u>180</u>	<u>1,029</u>
General fund reserve carried forward	<u>2,389</u>	<u>3,418</u>



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 2011 this comprised:

	£000
Land, buildings and assets owned by the Council	145,385
Stocks	129
Bank deposits (including investments)	6,368
Debtors - Money owed to the Council	2,554
Creditors - Money owed by the Council	(2,748)
Pension fund deficit	<u>(25,562)</u>
	<u>126,126</u>
Financed by:	
<u>Spendable monies</u>	
General Fund reserve surplus carried forward	3,418
Housing Revenue Account surplus carried forward	1,313
Major Repairs reserve surplus carried forward	827
Earmarked reserves	<u>3,743</u>
	9,301
Other reserves not cash backed	<u>116,825</u>
	<u>126,126</u>

Land, buildings and assets owned by the Council at 31 March 2011 comprised:

	£000
Council dwellings	110,378
Other land and buildings	32,782
Vehicles, plant and equipment	1,219
Infrastructure assets	205
Community assets	487
Assets under construction	<u>314</u>
	<u>145,385</u>

Asset Revaluations

Where the market value of the land and buildings has increased over the book value shown in the asset register the surplus appears in the accounts. This year the Department of Communities and Local Government revised the adjustment factor for the valuation of council houses from 44% to 31% and this led to a large fall in the value of our Council Housing in the balance sheet. These revaluation gains and impairment losses are merely “paper” gains or losses as the assets remain in our possession and have not been sold. This is not money we can use to fund services the Council provides.

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 pensions liabilities with the investment assets.

The Council has an attributed pension liability at 31 March 2011 of **£25.56 million**. However this overall liability is being met by increased contributions to the pension fund each year by employees and employer 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.

	2009/10	2010/11
	£000	£000
Income		
Council house rents	(10,003)	(10,195)
Net investment income	(7)	(13)
Other income e.g. Garage, shop rents and service charges	<u>(1,164)</u>	<u>(1,080)</u>
	<u>(11,174)</u>	<u>(11,288)</u>
Expenditure		
Repairs and maintenance	3,021	2,580
Supervision and management	2,287	2,357
HRA share of other central overheads	408	330
Capital expenditure funded by the HRA	233	74
Other charges and adjustments	<u>5,681</u>	<u>6,077</u>
	<u>11,630</u>	<u>11,418</u>
HRA (Surplus)/Deficit for the Year	<u>£ 456</u>	<u>£ 130</u>

The surplus for the year is carried forward in the Housing Revenue account reserves and can only be used for council houses and rented accommodation, not the General Fund services paid for by Council tax payers. After adding this year's deficit to the surplus brought forward we have **£1.3 million** which will be used to support the Council's landlord activities in future years.

HRA Property

There were seven "right to buy" properties sold during 2010/11 and the Housing Revenue account owned the following property at 31 March 2011:

	Council Housing	Other Land & Buildings	Total
Stock at 1 April 2010	3,091	1,185	4,276
Additions		4	4
Sales	(7)		(7)
Improvement changes	(1)		(1)
Transfers	(1)	1	
Stock at 31 March 2011	3,082	1,190	1,190

Future Changes to the HRA

The government have announced that the current housing revenue subsidy system is to be scrapped with effect from 1 April 2012. The full details of the new regime have yet to be finalised but Mid Devon District

Council will need to borrow approx £48 million in respect of it's council dwellings. The Authority will no longer be required to pay a net negative subsidy payment to the government, which amounted to £3.9 million in 2010/11.



Capital Expenditure

What is capital spending?

This is money spent by the Council on purchasing, upgrading and improving assets such as buildings and public open space and is accounted for separately from the day-to-day revenue expenditure.

What did we spend in 2010/11?

		£000
Community Wellbeing	Open space community and play area facilities	14
	Upgrade of Warden Scheme Alarm Equipment	103
	Air quality equipment	35
	Other community projects and grants	86
	Total	238
Decent and Affordable Homes	Council house works	1,871
	Affordable housing provision	241
	Housing grants to aid Decent Homes Provision	809
	Assistance to Registered Social Landlords	159
	Total	3,080
Delivering a Well Managed Council	New leisure IT system	29
	Upgraded IT systems	142
	Car park equipment	29
	New finance leased equipment	124
	Total	324
GRAND TOTAL		3,642

Where did the money come from?

	£000
Capital receipts from sales of land and buildings	469
Grants	2,790
Finance lease liabilities	124
Revenue contributions from HRA/ General Funds	<u>259</u>
	<u>3,642</u>

This is shown in the full accounts as:

Asset additions - Council's assets in our balance sheet	2,674
Community projects for others	<u>968</u>
	<u>3,642</u>



Financial Challenges Facing the Council

Inflation

Inflation is currently low, but with the government injecting funds into the economy by quantitative easing inflationary pressures could develop in the British economy. If this were to occur Mid Devon District Council is not immune from these effects, although through our procurement practices we seek to minimise our costs.

Public Sector Finances

Following the banking crisis and the financial support provided by the British government public sector borrowing has increased. Much of the funding for various different types of expenditure comes from government grants. The new austerity measures introduced by the government have already led to a series of budgetary cuts, with further reductions likely in future years. Our Formula grant was cut by £865k or 15.2% this year with a provisional cut of £655k or 13.6% for 2012/13. Future increases in taxation such as national insurance and insurance premium tax could also lead to increased costs for the Council.

External Funding Sources

The Council receives money from a number of different sources, including government agencies and organisations such as the Lottery. 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. For example we will lose £450k from the Regional Housing pot with less money available to improve housing in our area.

Efficiency Savings

The government requires that local authorities generate cash savings of a minimum of 2.5%, year on year. Although 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

Historically much of the capital programme has been funded by “right to buy” sales of council dwellings. Sales have fallen dramatically in more recent years with only 7 during 2010/11. Inevitably, this has led, and will continue to lead, to pressure on the capital programme, reducing the amount of money we have

available to spend. When we sell a council house under the “Right to Buy” scheme 75% of the proceeds has to be paid over to the government.



External Auditors

External auditors are appointed by the Audit Commission each year. They provide a range of services to the Council including auditing the financial statements and certification of various grants.

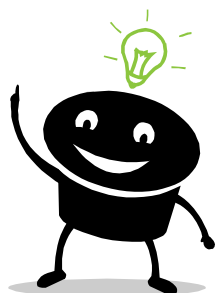
	2009/10	2010/11
Fees for audit services	£ 109,000	£ 110,000
Fees for statutory inspection (note 1)	£ 19,000	£ -
Fees for certification of grant claims and returns	£ 24,000	£ 27,000
	£ 152,000	£ 137,000

Note 1

The government has withdrawn the annual Use of Resources inspection and has now legislated to disband the Audit Commission from 2013/14.

Financial Management

The Council’s external auditors are required to give an opinion on the financial statements. Ideally and 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 the 2006/07, 2007/08, 2008/09, 2009/10 and 2010/11 financial years.



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 user friendly summary version for residents and stakeholders that is 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 “2010/11 ANNUAL ACCOUNTS AND FINANCIAL SUMMARY” has been published by Mid Devon District Council Financial Services, October 2011

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