

# MID DEVON DISTRICT COUNCIL

## 2011/12 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 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 2011/12" 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 2011/12 accounts were audited by the Audit Commission and a clean bill of health issued by them. An 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 [www.middevon.gov.uk](http://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 £11,505k funded by the non domestic rate redistribution grant of £3,685k, government Formula grant of £1,139k, a collection fund surplus of £112k and £6,080k funded by council tax (£5,151k District Council precept, £929k Parish precepts). Overall, after a transfer of £513k to earmarked reserves, (Money set aside for future specific projects) there was a deficit of £964k for the year.

### **Council Housing**

The Council owned 3,078 dwellings available for rent at the end of the financial year after selling four 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 £1,313k; there was a surplus in the year of £643k resulting in a surplus at the end of the year amounting to £1,956k.

### **Capital Expenditure**

During the year capital expenditure amounted to £4,146k. The main items of expenditure included £132k on community projects, £571k on affordable housing and £2,311k on council house improvements.

The council used £71k 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 increased from £nil at the start of the year to £418k 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.

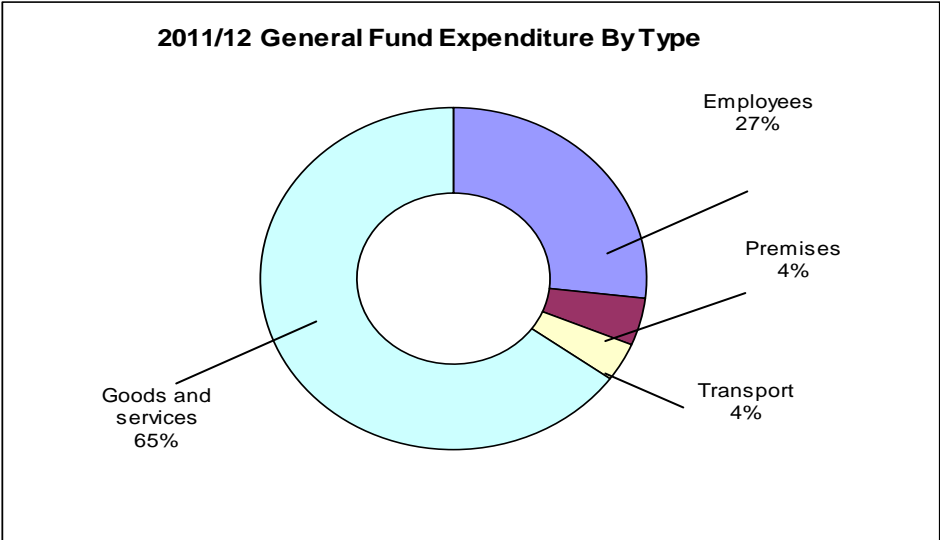
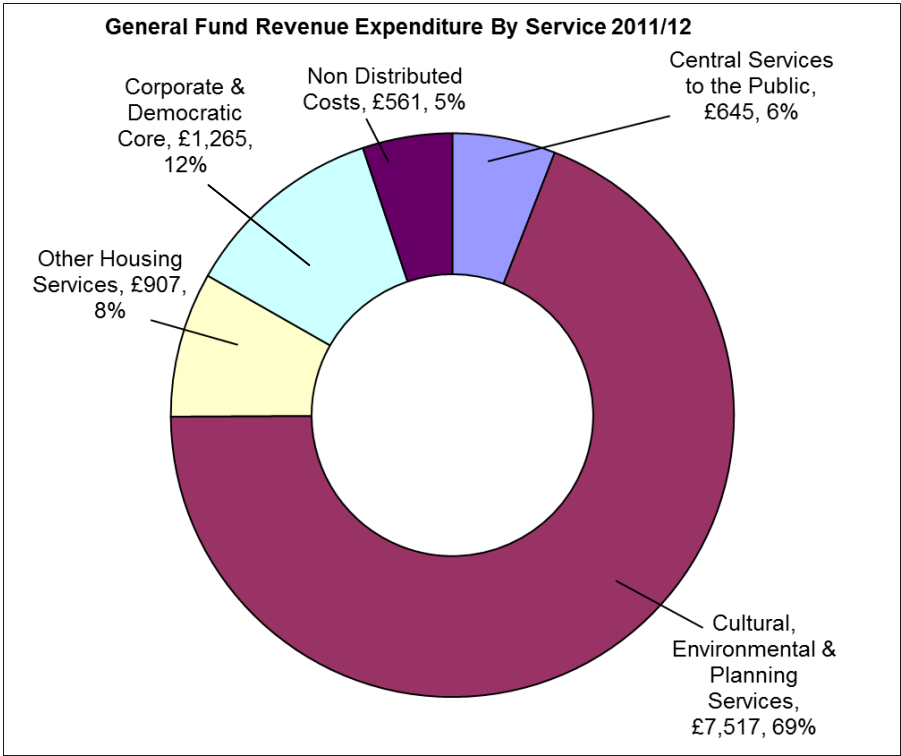
**What we spent in 2011/12** - This shows the net running costs of each of our major services.

Revenue Service Running Costs	2010/11 Net Expenditure £000	2011/12 Net Expenditure £000
Central services to the public	524	645
Cultural, environmental & planning services	7,263	7,517
Highways, roads & transport services	499	(293)
Housing revenue account	50,680	47,754
Other housing services	1,575	907
Corporate & democratic core	1,406	1,265
Non distributed costs	674	561
Pension actuarial past service gain	(6,328)	0
<b>Net cost of services</b>	<b>56,293</b>	<b>58,356</b>
Interest payable	49	65
Interest receivable	(73)	(115)
Other operating expenditure	1,866	1,143
Parish council precepts	889	929
Council tax income	(6,140)	(6,192)
Non domestic rates redistribution	(5,402)	(3,685)
Non ring fenced government grants	(784)	(1,471)
Capital grants and contributions	(538)	(844)
Regulatory adjustments	(47,252)	(47,735)
Adjusted surplus on provision of services	(1,092)	451
Transfers to / from earmarked reserves	62	513
<b>(Surplus) / Deficit for the year</b>	<b>(1,030)</b>	<b>964</b>

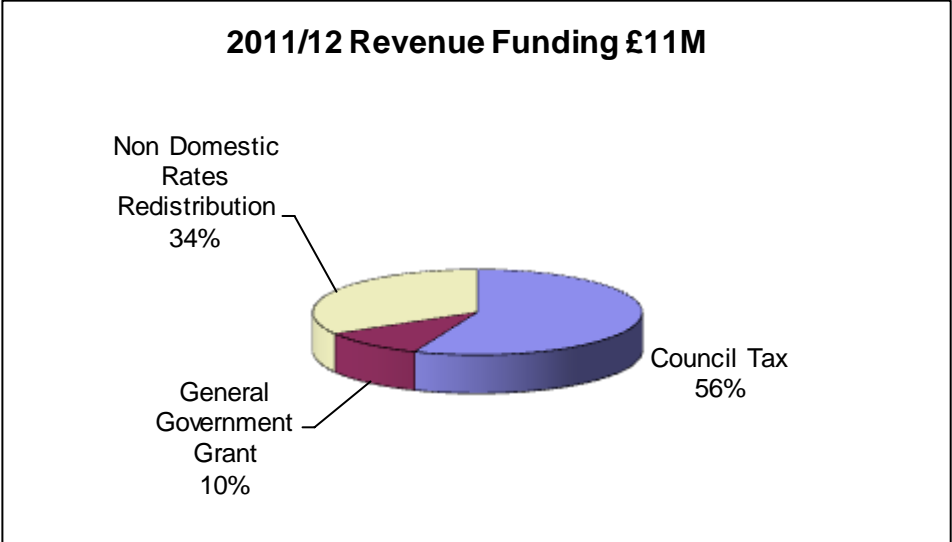
Net incomes are represented by brackets in the above table.

The same expenditure above is represented graphically on page 5.

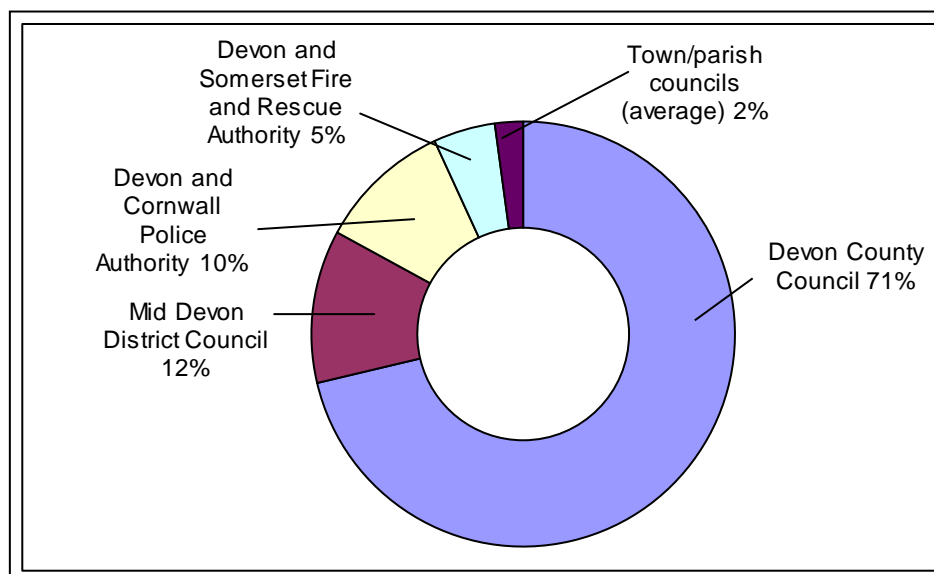
2010/11 Net Expenditure £000	Revenue Service Running Costs	2011/12		
		Expenditure £000	Income £000	Net Expenditure £000
	<b>CENTRAL SERVICES TO THE PUBLIC</b>			
357	Local Tax Collection	5,783	(5,403)	380
137	Elections	362	(129)	233
18	Emergency Planning	7	0	7
12	Local Land Charges	136	(111)	25
<b>524</b>		<b>6,288</b>	<b>(5,643)</b>	<b>645</b>
	<b>CULTURAL, ENVIRONMENTAL &amp; PLANNING SERVICES</b>			
2	Culture & Heritage	4	0	4
1,154	Recreation & Sport	3,322	(1,987)	1,335
68	Tourism	20	0	20
686	Open Spaces	916	(32)	884
164	Cemetery, Cremation & Mortuary	309	(93)	216
59	Community Safety	126	(51)	75
748	Environmental Health	1,146	(347)	799
87	Flood Defence & Land Drainage	91	(10)	81
355	Street Cleansing	400	0	400
1,425	Waste Collection	2,051	(653)	1,398
508	Recycling	1,450	(806)	644
332	Building Control and enforcement	583	(255)	328
590	Development Control	1,046	(660)	386
453	Planning Policy	385	(17)	368
124	Environmental Initiatives	16	0	16
4	Economic Development	266	(257)	9
504	Community Development	562	(8)	554
<b>7,263</b>		<b>12,693</b>	<b>(5,176)</b>	<b>7,517</b>
	<b>HIGHWAYS, ROADS &amp; TRANSPORT SERVICES</b>			
(26)	Parking Services	656	(735)	(79)
525	Public Transport	3	(217)	(214)
<b>499</b>		<b>659</b>	<b>(952)</b>	<b>(293)</b>
	<b>HOUSING SERVICES</b>			
	<b>Local Authority Housing (HRA)</b>			
<b>50,680</b>	<b>Housing Revenue Account</b>	<b>59,653</b>	<b>(11,899)</b>	<b>47,754</b>
	<b>Other Housing Services</b>			
757	- Private Sector Housing Renewal	645	(291)	354
227	- Housing Enabling	116	(1)	115
83	- General Fund Housing Management	80	0	80
385	- Homelessness/Housing Advice	423	(186)	237
(112)	- Housing Benefits Payments	17,914	(18,030)	(116)
235	- Housing Benefit Administration	739	(502)	237
<b>1,575</b>		<b>19,917</b>	<b>(19,010)</b>	<b>907</b>
	<b>CORPORATE &amp; DEMOCRATIC CORE</b>			
723	Democratic Representation & Management	728	0	728
683	Corporate Management	538	(1)	537
<b>1,406</b>		<b>1,266</b>	<b>(1)</b>	<b>1,265</b>
	<b>NON DISTRIBUTED COSTS</b>			
674	Unapportionable Central Overheads	691	(130)	561
<b>674</b>		<b>691</b>	<b>(130)</b>	<b>561</b>
<b>(6,328)</b>	<b>PENSION ACTUARIAL PAST SERVICE GAIN</b>			<b>0</b>
<b>56,293</b>	<b>NET COST OF SERVICES</b>	<b>101,167</b>	<b>(42,811)</b>	<b>58,356</b>



**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 2011/12 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.

	2010/11 £	2011/12 £
Devon County Council	1,116.36	1,116.36
Devon and Cornwall Police Authority	156.60	156.60
Devon and Somerset Fire Authority	71.77	71.77
Parishes (average)	<u>31.67</u>	<u>32.85</u>
	1,376.40	1,377.58
<b>Mid Devon District Council</b>	<b><u>182.15</u></b>	<b><u>182.15</u></b>
Total	<u>1,558.55</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 £51k.

## 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?

	2010/11 £000	2011/12 £000
General reserve (for day to day expenses) brought forward	2,389	3,419
Add/Deduct: Surplus/ (Deficit) for the year	<u>1,030</u>	<u>(964)</u>
General fund reserve carried forward	<b><u>3,419</u></b>	<b><u>2,455</u></b>



# 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 2012 this comprised:

	£000
Land, buildings and assets owned by the Council (see below)	145,428
Stocks	158
Bank deposits (including investments)	9,929
Debtors - Money owed <b>to</b> the Council	2,730
Creditors - Money owed <b>by</b> the Council (includes HRA debt see comments)	(51,825)
Pension fund deficit on page 8)	(37,405)
	<b><u>69,015</u></b>

### Financed by:

#### Spendable monies

General Fund reserve surplus carried forward	2,455
Housing Revenue Account surplus carried forward	1,956
Major Repairs reserve surplus carried forward	831
Earmarked reserves	4,255
Other reserves not cash backed	<u>59,518</u>
	<b><u>69,015</u></b>

Land, buildings and assets owned by the Council at 31 March 2012 comprised:

	£000
Assets under construction	352
Council dwellings	108,685
Other land and buildings	33,166
Vehicles, plant and equipment	1,622
Community assets	477
Infrastructure assets	201
Heritage assets	925
	<u>145,428</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. 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 2012 of £37.405 million. However this overall liability is being met by increased contributions to the pension fund each year by employees and the 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.

	<b>2010/11</b>	<b>2011/12</b>
<b>Income</b>	£000	£000
Council house rents	(10,195)	(10,717)
Net investment income	(13)	(22)
Other income e.g. Garage, shop rents and service charges	<u>(1,080)</u>	<u>(1,182)</u>
	<u>(11,288)</u>	<u>(11,921)</u>
<b>Expenditure</b>		
Repairs and maintenance	2,580	2,532
Supervision and management	2,357	2,354
HRA share of other central overheads	330	305
Capital expenditure funded by the HRA	74	-
Other charges and adjustments	<u>6,077</u>	<u>6,087</u>
	<u>11,418</u>	<u>11,278</u>
<b>HRA Deficit / (Surplus) for the Year</b>	<b><u>£ 130</u></b>	<b><u>£(643)</u></b>

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 surplus to the surplus brought forward we have **£1.956 million** which will be used to support the Council's landlord activities in future years.

### HRA Property

There were four "right to buy" properties sold during 2011/12 and the Housing Revenue account owned the following property at 31 March 2012:

	<b>Council Housing</b>	<b>Other Land &amp; Buildings</b>	<b>Total</b>
<b>Stock at 1 April 2011</b>	3,082	1,190	4,272
<b>Additions</b>		5	5
<b>Sales</b>	(4)		(4)
<b>Stock at 31 March 2012</b>	<b>3,078</b>	<b>1,195</b>	<b>4,273</b>

### Changes to the HRA

This year the government changed the financing of the Housing Revenue Account and the Council had to borrow £46 million in respect of the Council housing stock. This money was immediately paid over to the Department of Communities and Local Government as required and now the debt will be repaid over 25 years. However the Authority will no longer be required to pay a net negative subsidy payment to the government each year, which amounted to £3.99 million in 2011/12. So overall, at present, approximately £1.3 million more money will be available to maintain our housing stock and run the HRA than in earlier years.





## 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 2011/12?

£000

Community Wellbeing	All weather pitch renewal	100
	Play equipment and resurfacing	67
	Air quality equipment	23
	Car park resurfacing	40
	Leisure centre boiler refurbishment	48
	<b>Total</b>	<b>278</b>
Decent and Affordable Homes	Council house works	2,311
	Affordable housing provision	81
	Housing grants to aid Decent Homes Provision	210
	Disabled facilities grants	280
	<b>Total</b>	<b>2,882</b>
Delivering a Well Managed Council	Solar panels on buildings	525
	Upgraded IT systems	155
	Vehicles	97
	New finance leases (mostly vehicles)	38
	<b>Total</b>	<b>815</b>
Managing the Environment	Street sweeper	65
Assets under Construction		172
<b>GRAND TOTAL</b>		<b>4,212</b>

### Where did the money come from?

	£000
Capital receipts from sales of land and buildings	71
Grants	2,536
Finance lease liabilities	38
Revenue contributions from HRA/ General Funds	1,567
	<b><u>4,212</u></b>

### This is shown in the full accounts as:

Asset additions - Council's assets in our balance sheet	3,509
Community projects for others	703
	<b><u>4,212</u></b>



# 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 new austerity measures introduced by the government have already led to a loss of £1.5m in core government funding (26%) over the last two years, with further reductions likely in future years. 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 approximately £450 k from the Regional Housing pot with less money available to improve housing in our area.

## **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**

Historically much of the capital programme has been funded by “right to buy” sales of council dwellings and other land and asset sales. Sales have fallen dramatically in more recent years with only four during 2011/12. 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, within government forecasts, 75% of the proceeds have 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.

	2010/11	2011/12
Fees for audit services	£ 110,000	£ 96,000
Fees for certification of grant claims and returns	£ 27,000	£ 25,000
	<b>£ 137,000</b>	<b>£ 121,000</b>

## 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 the 2006/07, 2007/08, 2008/09, 2009/10, 2010/11 and 2011/12 financial years.

In November 2012 the Council will move to newly appointed auditors, Grant Thornton, who have won the new South West contract, after the demise of the Audit Commission.



## 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 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 "2011/12 ANNUAL ACCOUNTS AND FINANCIAL SUMMARY" has been published by Mid Devon District Council Financial Services, October 2012

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