

# MID DEVON DISTRICT COUNCIL

## 2013/14 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 2013/14" 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 2013/14 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 [www.middevon.gov.uk](http://www.middevon.gov.uk)

## **Financial Review**

### **Revenue Expenditure**

During the year financial monitoring information was 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 £10,740k funded by government funding of £5,851k, a collection fund surplus of £127k and £4,762k funded by council tax (net of parish precepts). Overall, after a transfer of £2,221k to earmarked reserves, (money set aside for future specific projects) there was a deficit of £163k for the year.

### **Council Housing**

The Council built 22 new dwellings at Wells Park Crediton during 2013/14 and sold 24 properties under the "Right to Buy" Scheme. The Council owned 3,068 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 £1,968k, there was a surplus in the year of £36k resulting in a balance at the end of the year amounting to £2,004k.

### **Capital Expenditure**

During the year capital expenditure amounted to £6,446k. The main items of expenditure included £3,182k on council house maintenance and £821k on the new council house project at Wells Park, Crediton, £360k on various housing grants and £891k on plant and equipment, and £285k improvements to Lords Meadow Sports Centre and Tiverton multi storey car park.

The council used £991k of capital receipts to fund the capital programme, £696k 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, increased from £757k at the beginning of the year to £1,071k 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 2013/14** - This shows the net running costs of each of our major services.

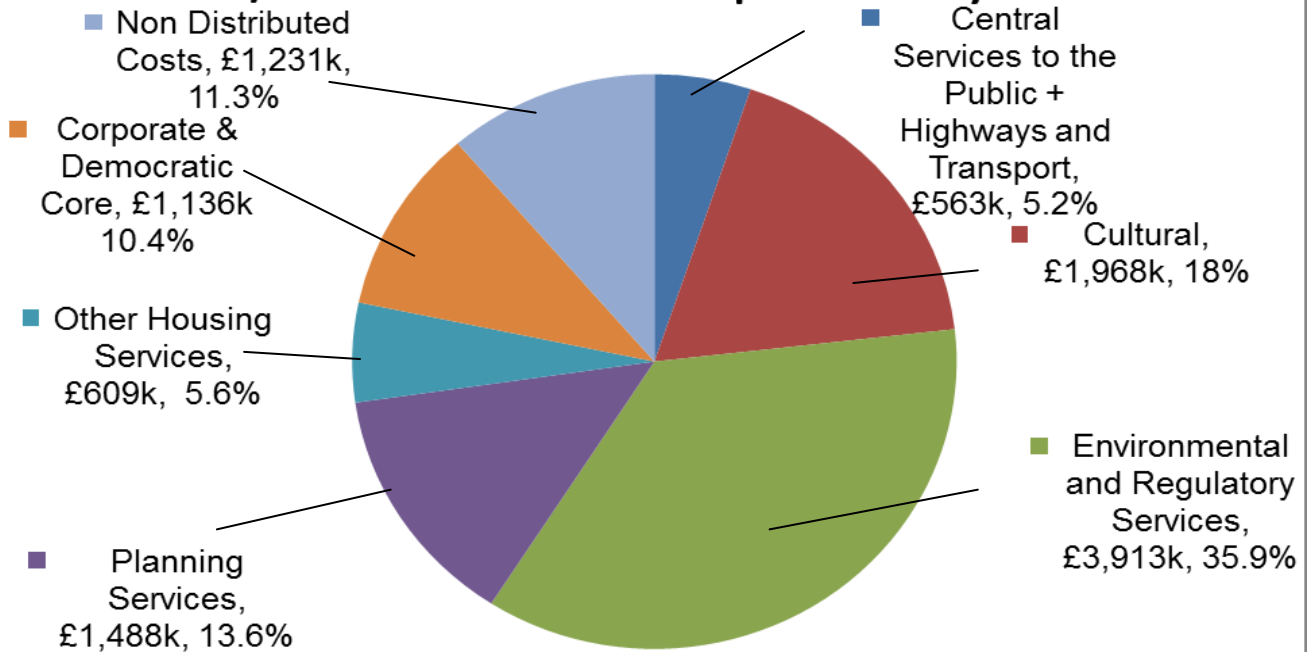
Revenue Service Running Costs	2012/13 Net Expenditure £000	2013/14 Net Expenditure £000
Central services to the public	650	697
Cultural, environmental & planning services	1,493	1,968
Environment and Regulatory Services	4,194	3,913
Planning Services	1,487	1,488
Highways & transport services	(374)	(134)
Housing revenue account	(8,431)	(8,937)
Other housing services	692	609
Corporate & democratic core	1,191	1,136
Non distributed costs	855	1,231
<b>Net cost of services</b>	<b>1,757</b>	<b>1,971</b>
Interest payable	1,454	1,397
Interest receivable	(149)	(145)
Other operating expenditure	1,212	1,957
Parish council precepts	954	1,046
Council tax income	(6,256)	(5,808)
Non domestic rates redistribution	(4,216)	(2,137)
Non ring fenced government grants	(577)	(3,714)
Capital grants and contributions	(714)	(912)
Regulatory adjustments	7,000	4,287
Adjusted surplus on provision of services	465	(2,058)
Transfers to / (from) earmarked reserves	(633)	2,221
<b>(Surplus) / Deficit for the year</b>	<b>(168)</b>	<b>163</b>

Net incomes are represented by brackets in the above table.

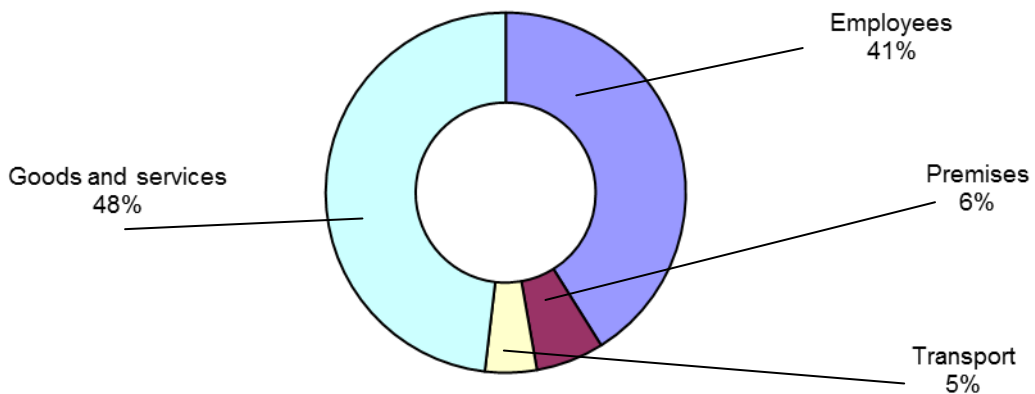
The above expenditure is represented graphically on page 5.

2012/13 Net Expenditure £000	Revenue Service Running Costs	2013/14		
		Expenditure £000	Income £000	Net Expenditure £000
	<b>CENTRAL SERVICES TO THE PUBLIC</b>			
403	Local Tax Collection	757	(247)	510
208	Elections	340	(156)	184
8	Emergency Planning	9	0	9
31	Local Land Charges	124	(130)	(6)
<b>650</b>		<b>1,230</b>	<b>(533)</b>	<b>697</b>
	<b>CULTURAL SERVICES</b>			
5	Culture & Heritage	4		4
810	Recreation & Sport	3,348	(2,285)	1,063
3	Tourism	54		54
675	Open Spaces	956	(109)	847
<b>1,493</b>		<b>4,362</b>	<b>(2,394)</b>	<b>1,968</b>
	<b>ENVIRONMENTAL SERVICES</b>			
174	Cemetery, Cremation & Mortuary	301	(107)	194
92	Community Safety	119	(35)	84
1,243	Environmental Health	1,256	(463)	793
64	Flood Defence & Land Drainage	92		92
421	Street Cleansing	375	(26)	349
2,200	Waste Collection and recycling	3,733	(1,332)	2,401
<b>4,194</b>		<b>5,876</b>	<b>(1,963)</b>	<b>3,913</b>
	<b>PLANNING SERVICES</b>			
320	Building Control and enforcement	568	(245)	323
229	Development Control	1,297	(1,201)	96
360	Planning Policy	418	(28)	390
10	Environmental Initiatives	10		10
3	Economic Development	565	(331)	234
565	Community Development	502	(67)	435
<b>1,487</b>		<b>3,360</b>	<b>(1,872)</b>	<b>1,488</b>
	<b>HIGHWAYS, ROADS &amp; TRANSPORT SERVICES</b>			
(353)	Parking Services	692	(826)	(134)
(21)	Public Transport	15	(15)	0
<b>(374)</b>		<b>707</b>	<b>(841)</b>	<b>(134)</b>
	<b>HOUSING SERVICES</b>			
<b>(8,431)</b>	<b>Local Authority Housing (HRA)</b>	<b>4,278</b>	<b>(13,215)</b>	<b>(8,937)</b>
	<b>Other Housing Services</b>			
3	- Housing Enabling	1		1
109	- General Fund Housing Management	100		100
451	- Homelessness/Housing Advice	645	(171)	474
(67)	- Housing Benefits Payments	18,869	(18,964)	(95)
196	- Housing Benefit Administration	781	(652)	129
<b>692</b>		<b>20,396</b>	<b>(19,787)</b>	<b>609</b>
	<b>CORPORATE &amp; DEMOCRATIC CORE</b>			
714	Democratic Representation & Management	626	(1)	625
477	Corporate Management	511		511
<b>1,191</b>		<b>1,137</b>	<b>(1)</b>	<b>1,136</b>
	<b>NON DISTRIBUTED COSTS</b>			
<b>855</b>	Unapportionable Central Overheads	<b>1,375</b>	<b>(144)</b>	<b>1,231</b>
<b>1,757</b>	<b>NET COST OF SERVICES</b>	<b>42,721</b>	<b>(40,750)</b>	<b>1,971</b>

### 2013/14 Net General Fund Expenditure by Service

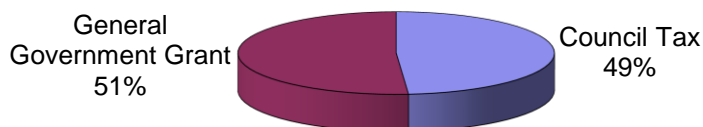


### 2013/14 General Fund Expenditure By Type

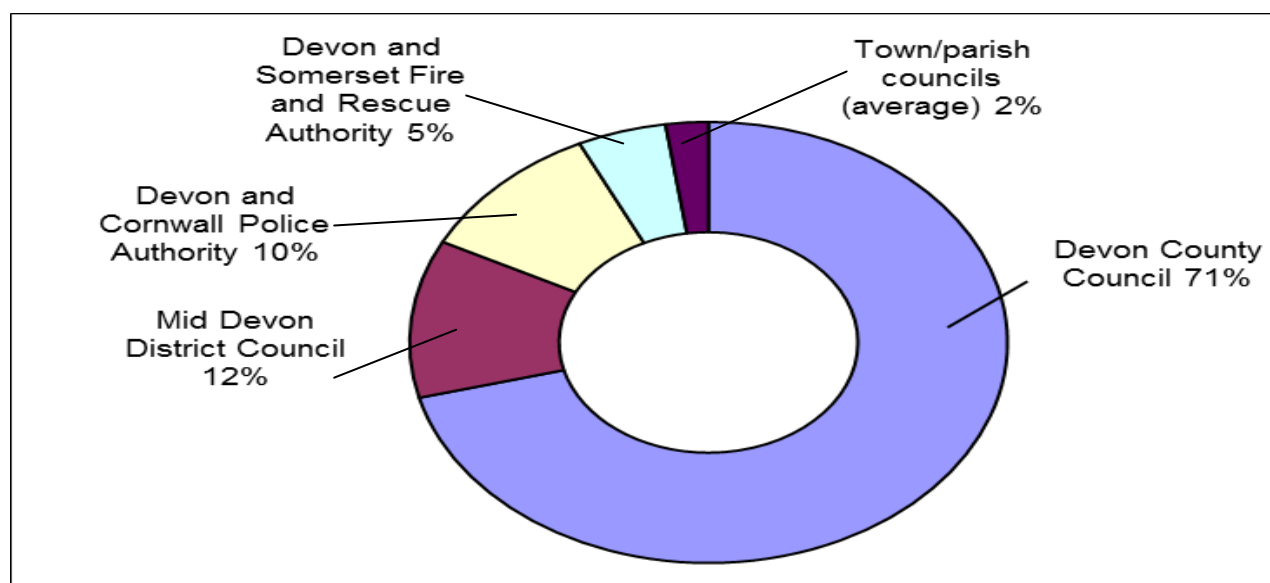


### How did we pay for these services?

### 2013/14 Revenue Funding £10M



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



Here is the average breakdown of the 2013/14 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.

	2012/13 £	2013/14 £
Devon County Council	1,116.36	1,116.36
Devon and Cornwall Police Authority	159.73	162.92
Devon and Somerset Fire Authority	73.92	75.39
Parishes (average)	<u>33.60</u>	<u>36.26</u>
	1,383.61	1,390.93
<b>Mid Devon District Council</b>	<b><u>182.15</u></b>	<b><u>182.15</u></b>
Total	<u>1,565.76</u>	<u>1,573.08</u>

## 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. 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?

	2012/13 £000	2013/14 £000
General reserve (for day to day expenses) brought forward	2,455	2,623
Add/Deduct: Surplus/ (Deficit) for the year	<u>168</u>	<u>(163)</u>
General fund reserve carried forward	<b><u>2,623</u></b>	<b><u>2,460</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 2014 this comprised:

	£000
Land, buildings and assets owned by the Council (see below)	160,406
Stock	199
Bank deposits (including investments)	12,762
Debtors - Money owed <b>to</b> the Council	2,698
Creditors - Money owed <b>by</b> the Council (includes HRA debt see comments)	(48,380)
Pension fund deficit on page 8)	(40,305)
	<b><u>87,380</u></b>

### Financed by:

#### Spendable monies

General Fund reserve surplus carried forward	2,460
Housing Revenue Account surplus carried forward	2,004
Earmarked reserves	11,813
Capital receipts reserve	1,071
Other reserves not cash backed (statutorily prescribed)	<u>70,032</u>
	<b><u>87,380</u></b>

Land, buildings and assets owned by the Council at 31 March 2014 comprised:

	£000
Assets under construction	624
Council dwellings	119,320
Other land and buildings	36,749
Vehicles, plant and equipment	2,489
Community assets	458
Infrastructure assets	291
Heritage assets	475
	<b><u>160,406</u></b>

## 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 2014 of £40.3 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.

	<b>2012/13</b>	<b>2013/14</b>
	£000	£000
<b>Income</b>		
Council house rents	(11,439)	(11,892)
Net investment income	(28)	(27)
Other income e.g. Garage, shop rents and service charges	<u>(1,224)</u>	<u>(1,323)</u>
	<u>(12,691)</u>	<u>(13,242)</u>
<b>Expenditure</b>		
Repairs and maintenance	2,440	2,755
Supervision and management	2,363	2,580
HRA share of other central overheads	319	338
Capital expenditure funded by the HRA	70	84
Other charges and adjustments	<u>7,487</u>	<u>7,449</u>
	<u>12,679</u>	<u>13,206</u>
<b>HRA Surplus for the Year</b>	<b><u>£ (12)</u></b>	<b><u>£ (36)</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 not the General Fund services paid for by Council tax payers. After adding this year's surplus to the surplus brought forward we have £1,968 million which will be used to support the Council's landlord activities in future years.

## HRA Property

There were 24 Council House properties sold under the "Right to Buy" scheme during 2013/14 and the Housing Revenue Account owned the following property at 31 March 2014:

	<b>Council Housing</b>	<b>Other Land &amp; Buildings</b>	<b>Total</b>
<b>Stock at 1 April 2013</b>	3,070	1,197	<b>4,267</b>
<b>Additions</b>	22		<b>22</b>
<b>Sales &amp; building changes</b>	(24)		<b>(24)</b>
<b>Transfer</b>			<b>0</b>
<b>Stock at 31 March 2014</b>	<b>3,068</b>	<b>1,197</b>	<b>4,265</b>





## 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 2013/14?

£000

Community Wellbeing	Lords Meadow sports centre enhancement	182
	Multi storey car park works	103
	Tiverton cemetery extension	17
	Play area refurbishment	75
	<b>Total</b>	<b>377</b>
Decent and Affordable Homes	22 new dwellings Wells Park Crediton	821
	Improvements to Council Houses	3,182
	Cullompton Eastern Relief Road	122
	Disabled facilities grants and loans	338
	Assistance to Registered Social Landlords	254
	<b>Total</b>	<b>4,717</b>
Managing the Environment	Scarab sweeper	120
	Land drainage flood schemes	20
	Major energy saving project	696
	<b>Total</b>	<b>836</b>
Assets under Construction	(The largest items are the Lord's Meadow Leisure Centre all weather pitch £162k and Tiverton skate park £166k)	<b>516</b>
<b>GRAND TOTAL</b>		<b>6,446</b>

### Where did the money come from?

	£000
Capital receipts from sales of land and buildings	991
Grants	1,438
Finance lease liabilities	696
Revenue contributions from HRA/ General Funds	<u>3,321</u>
	<b><u>6,446</u></b>

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

Asset additions - Council's assets in our balance sheet	5,712
Community projects for others	<u>734</u>
	<b><u>6,446</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 circa £2.0m in core government funding approximately (31.8%) since 2010/11, 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. 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 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 2013/14 this amounted to £531k.

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.



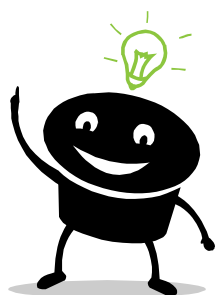
## External Auditors

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.

	2012/13	2013/14
Fees for audit services	£ 63,000	£ 63,000
Fees for certification of grant claims and returns	£ 13,000	£ 21,000
	<b>£ 76,000</b>	<b>£ 84,000</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 every financial year since 2007/08.



## 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 “2013/14 ANNUAL ACCOUNTS AND FINANCIAL SUMMARY” has been published by Mid Devon District Council Financial Services, October 2014

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