

# MID DEVON DISTRICT COUNCIL

## 2015/16 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 aims 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 Director of Finance, Assets and Resources**

The financial statements have been prepared in accordance with the requirements of the "Code of Practice on Local Authority Accounting in the United Kingdom 2015/16" 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 2015/16 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 £1,412k to earmarked reserves, (money set aside for future specific projects) there was a deficit of £169k for the year i.e. we spent £169k more than we had initially budgeted for the year.

### **Council Housing**

The Council built 14 new dwellings at St Andrew St Tiverton and purchased another during 2015/16 with 19 properties sold under the "Right to Buy" Scheme. The Council owned 3,060 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 £2,000k, there was a surplus in the year of £3,006k, before transferring £3,006k into earmarked reserves, resulting in a balance carried forward amounting to £2,000k.

### **Capital Expenditure**

During the year capital expenditure amounted to £4,839k. The main items of expenditure included:

- £2,846k was spent on council house maintenance;
- £860k on the new council house projects;
- £281k on various housing grants; and £546k on plant and equipment.

The council used £569k of capital receipts to fund the capital programme 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 £985k at the beginning of the year to £1,442k 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 2015/16** - This shows the net running costs of each of our major services.

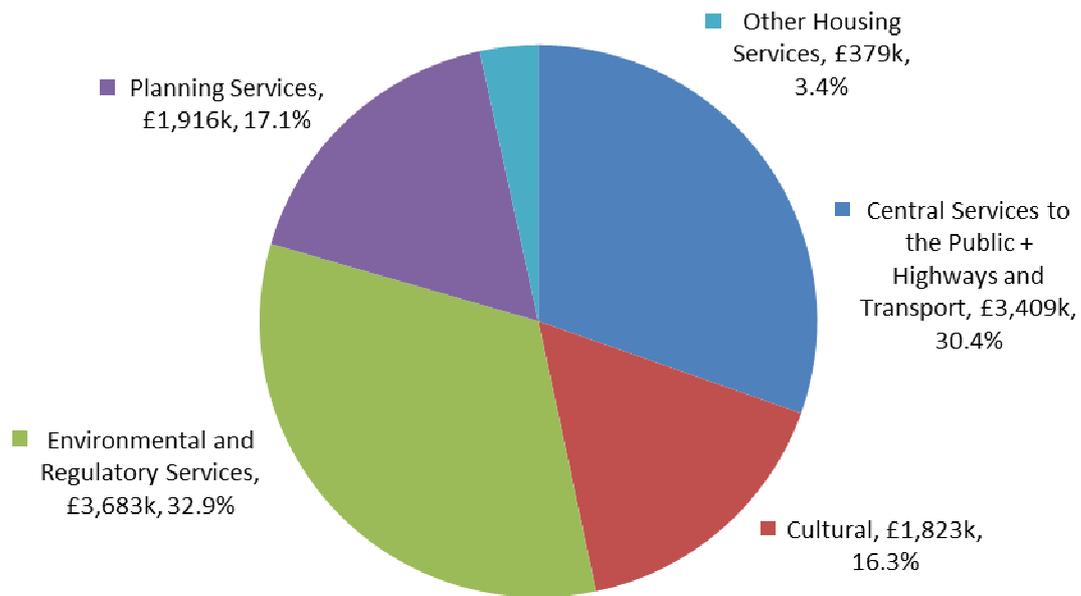
Revenue Service Running Costs	2015/16 Net Expenditure £000	2014/15 Net Expenditure £000
Central services to the public	3,589	2,752
Cultural, environmental & planning services	1,823	823
Environment and regulatory services	3,683	3,750
Planning services	1,916	1,261
Highways & transport services	(180)	(267)
Housing Revenue Account	(3,802)	(7,608)
Other housing services	379	402
<b>Net Cost of Services</b>	<b>7,408</b>	<b>1,113</b>
Interest payable	1,336	1,374
Interest receivable	(214)	(173)
Other operating expenditure	1,544	1,677
Parish council precepts	1,201	1,119
Council tax income	(6,126)	(5,946)
Non domestic rates redistribution	(2,034)	(2,289)
Revenue support grant	(1,705)	(2,271)
Non ring fenced government grants	(1,738)	(1,392)
Capital grants and contributions	(460)	(1,924)
Regulatory adjustments	(455)	7,682
Adjusted surplus on provision of services	(1,243)	(1,030)
Transfers to earmarked reserves	1,412	1,110
<b>Deficit for the year</b>	<b>169</b>	<b>80</b>

Net incomes are represented by brackets in the above table.

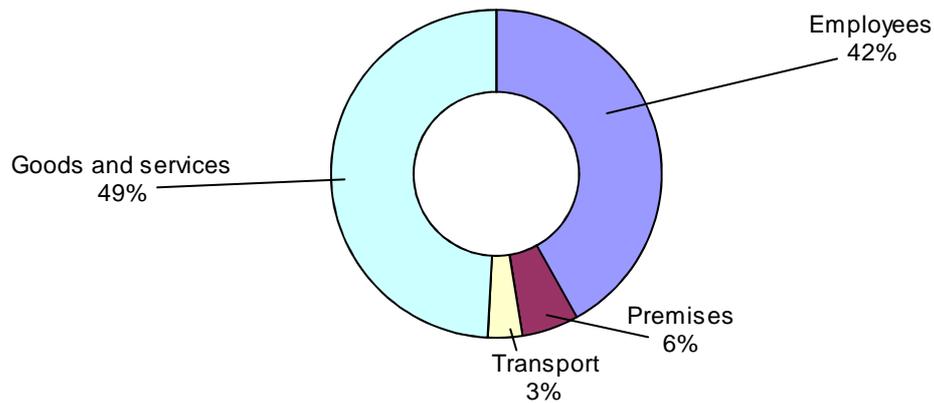
The above expenditure is represented graphically on page 5.

<b>2015/16 Net Expenditure £000</b>	<b>Revenue Service Running Costs</b>	<b>2014/15 Net Expenditure £000</b>
	<b>CENTRAL SERVICES TO THE PUBLIC</b>	
459	Local Tax Collection	402
335	Elections	210
0	Emergency Planning	1
(10)	Local Land Charges	67
725	Democratic Representation & Management	649
529	Corporate Management	417
1,551	Unapportionable Central Overheads	1,006
<b>3,589</b>		<b>2,752</b>
	<b>CULTURAL SERVICES</b>	
1,188	Recreation & Sport	340
635	Open Spaces	483
<b>1,823</b>		<b>823</b>
	<b>ENVIRONMENTAL SERVICES</b>	
183	Cemetery, Cremation & Mortuary	99
82	Community Safety	2
704	Environmental Health	922
52	Flood Defence & Land Drainage	68
429	Street Cleansing	318
2,233	Waste Collection and recycling	2,341
<b>3,683</b>		<b>3,750</b>
	<b>PLANNING SERVICES</b>	
264	Building Control and enforcement	237
747	Development Control	(42)
372	Planning Policy	527
6	Environmental Initiatives	11
163	Economic Development	178
364	Community Development	350
<b>1,916</b>		<b>1,261</b>
	<b>HIGHWAYS, ROADS &amp; TRANSPORT SERVICES</b>	
(184)	Parking Services	(253)
4	Public Transport	(14)
<b>(180)</b>		<b>(267)</b>
	<b>HOUSING SERVICES</b>	
<b>(3,802)</b>	<b>Local Authority Housing (HRA)</b>	<b>(7,608)</b>
	<b>Other Housing Services</b>	
265	- Homelessness/Housing Advice	285
(174)	- Housing Benefits Payments	(105)
288	- Housing Benefit Administration	222
<b>379</b>		<b>402</b>
<b>7,408</b>	<b>NET COST OF SERVICES</b>	<b>1,113</b>

## 2015/16 Net General Fund Expenditure by Service



## 2015/16 General Fund Expenditure By Type



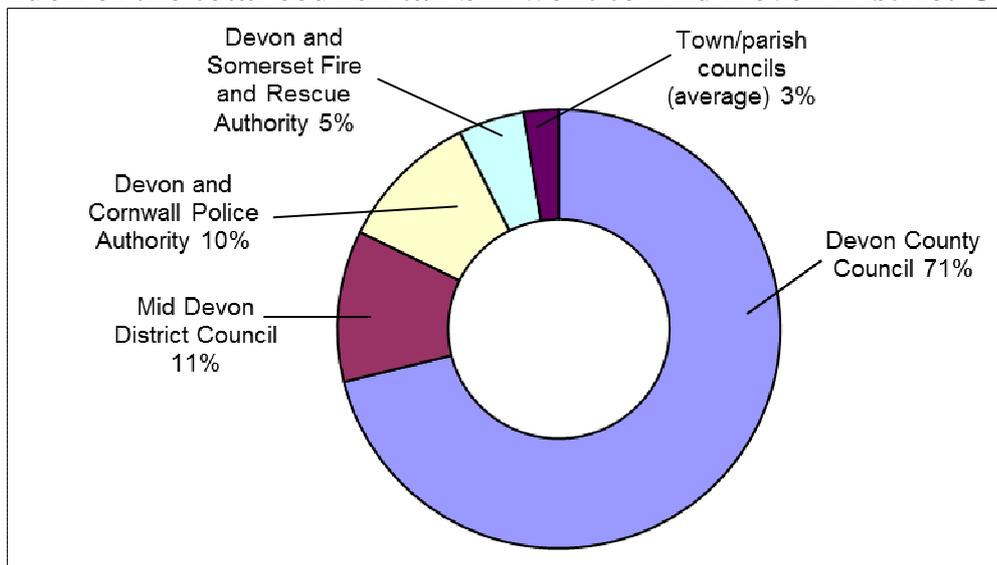
## How did we pay for these services?

### 2015/16 Revenue Funding £11.6m

Central Government Grants  
30%



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



Here is the average breakdown of the 2015/16 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.

	2015/16 £	2014/15 £
Devon County Council	1,161.27	1,138.59
Devon and Cornwall Police Authority	169.47	166.16
Devon and Somerset Fire Authority	78.42	76.89
Parishes (average)	41.66	37.83
	<u>1,450.82</u>	<u>1,419.47</u>
<b>Mid Devon District Council</b>	<b><u>182.15</u></b>	<b><u>182.15</u></b>
Total	<u>1,632.97</u>	<u>1,601.62</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 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 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 costs 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?

	2015/16 £000	2014/15 £000
General reserve (for day to day expenses) brought forward	2,380	2,460
Deduct: (Deficit) for the year	<u>169</u>	<u>(80)</u>
General fund reserve carried forward	<b><u>2,211</u></b>	<b><u>2,380</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 2016 this comprised:

	<b>£000</b>
Land, buildings and assets owned by the Council (see below)	169,611
Stock	195
Bank deposits (including investments)	22,277
Debtors - Money owed <b>to</b> the Council	2,754
Creditors - Money owed <b>by</b> the Council	(52,542)
Pension fund deficit	(47,032)
	<b><u>95,263</u></b>
<b>Financed by:</b>	
<b><u>Spendable monies</u></b>	
General Fund reserve surplus carried forward	2,211
Housing Revenue Account surplus carried forward	2,000
Earmarked reserves	18,101
Capital receipts reserve	1,442
Capital grants not yet used	<u>1,722</u>
<b>TOTAL USABLE, CASH BACKED RESERVES</b>	<b>25,476</b>
Other reserves not cash backed (statutorily prescribed)	<u>69,787</u>
	<b><u>95,263</u></b>

Land, buildings and assets owned by the Council at 31 March 2016 comprised:

	£000
Assets under construction	506
Council dwellings	123,488
Other land and buildings	41,488
Vehicles, plant and equipment	2,918
Community assets	439
Infrastructure assets	281
Heritage assets	<u>491</u>
	<u>169,611</u>

## 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 2016 of £47 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>2015/16</b>	<b>2014/15</b>
	£000	£000
<b>Income</b>		
Council house rents	(12,780)	(12,422)
Net investment income	(42)	(48)
Other income e.g. Garage, shop rents and service charges	<u>(1,100)</u>	<u>(1,309)</u>
	<u>(13,922)</u>	<u>(13,779)</u>
<b>Expenditure</b>		
Repairs and maintenance	2,417	2,679
Supervision and management	2,985	3,008
HRA share of other central overheads	369	380
Capital expenditure funded by the HRA	590	984
Other expenditure and accounting adjustments	<u>7,561</u>	<u>6,732</u>
	<u>13,922</u>	<u>13,783</u>

**HRA Deficit for the Year** **£0** **£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. We have £2 million which will be used to support the Council's landlord activities in future years.

## HRA Property

There were 19 Council House properties sold under the "Right to Buy" scheme during 2015/16 and the Housing Revenue Account owned the following property at 31 March 2016:

	<b>Council Housing</b>	<b>Other Land and Buildings</b>
Stock at 1 April 2015	3,065	1,198
Additions	16	
Sales and building changes	(21)	(11)
<b>Stock at 31 March 2015</b>	<b>3,060</b>	<b>1,187</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 2015/16?

	<b>£000</b>
Improvements to Council Houses	2,846
Council house building, including some properties under construction	860
Improvements to property	106
Vehicles and plant	547
Disabled facilities grants	281
Affordable Housing assistance	25
Other assets under construction	174
<b>Total</b>	<b>4,839</b>

### Where did the money come from?

	<b>£000</b>
Capital receipts from sales of land and buildings	569
Grants	454
Major repairs allowance	2,390
Revenue contributions from HRA/ General Fund	<u>1,426</u>
	<b><u>4,839</u></b>

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

Asset additions - Council's assets in our balance sheet	4,533
Community projects for others	<u>306</u>
	<b><u>4,839</u></b>



## Financial Challenges Facing the Council

### Inflation

The Council is exposed to inflation in the same manner as Council Tax payers are, 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 about £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. Following the BREXIT referendum there is considerable uncertainty for the UK economy. 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 Council 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 2015/16 this amounted to £835k.

However going forward if we suffer further budgetary cuts 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 will be in future years.



## 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	2015/16
Fees for audit services	£64,000	£48,000
Fees for certification of grant claims and returns	£9,000	£10,000
	<b>£73,000</b>	<b>£58,000</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 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 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 it can be improved.

This "2015/16 ANNUAL ACCOUNTS AND FINANCIAL SUMMARY" has been published by Mid Devon District Council Financial Services, August 2016

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