

2016/17 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 2016/17" 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 2016/17 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 £1,663k to earmarked reserves, (money set aside for future specific projects) there was a surplus of £30k for the year i.e. we spent £30k less than we had initially budgeted for the year.

Council Housing

The Council sold 28 properties under the "Right to Buy" Scheme in 2016/17. The Council owned 3,030 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 £2.0m; there was a surplus in the year of £2.7m, before transferring £2.7m into earmarked reserves, resulting in a balance carried forward amounting to £2.0m.

Capital Expenditure

During the year capital expenditure amounted to £5,294k. The main items of expenditure included:

- £3,166k was spent on council house maintenance;
- £1,310k on new council house projects;
- £313k on various housing grants.

The council used £819k 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 £1,442k at the beginning of the year to £2,438k 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 2016/17 - This shows the net running costs of each of our major services.

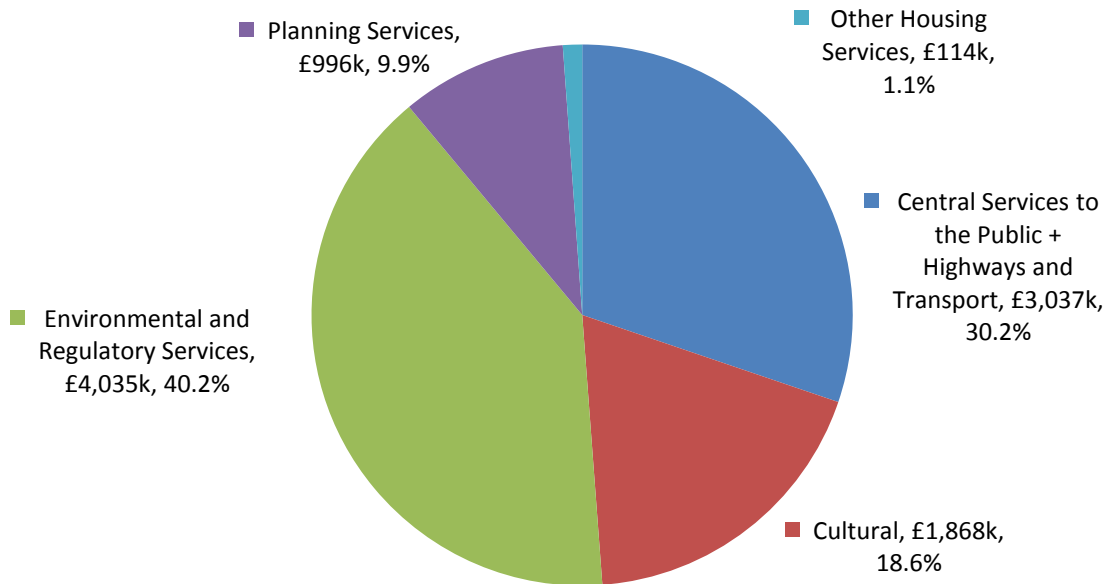
Revenue Service Running Costs	2016/17 Net Expenditure £000	2015/16 Net Expenditure £000
Central services to the public	3,299	3,589
Cultural	1,868	1,823
Environmental	4,035	3,683
Planning	996	1,916
Highways, roads & transport services	(262)	(180)
Housing revenue account	(23,140)	(3,802)
Other housing services	114	379
Net cost of services	(13,090)	7,408
Interest payable	1,347	1,336
Interest receivable	(318)	(214)
Other operating expenditure	1,401	1,544
Parish council precepts	1,357	1,201
Council tax income	(6,493)	(6,126)
Non domestic rates redistribution	(2,535)	(2,034)
Revenue Support Grant	(1,017)	(1,705)
Non ring fenced government grants	(2,338)	(1,738)
Capital grants and contributions	(1,350)	(460)
Regulatory adjustments	21,343	(455)
Adjusted (surplus) / deficit on provision of services	(1,693)	(1,243)
Transfers to / from earmarked reserves	1,663	1,412
(Surplus)/deficit for the year	(30)	169

Net incomes are represented by brackets in the above table.

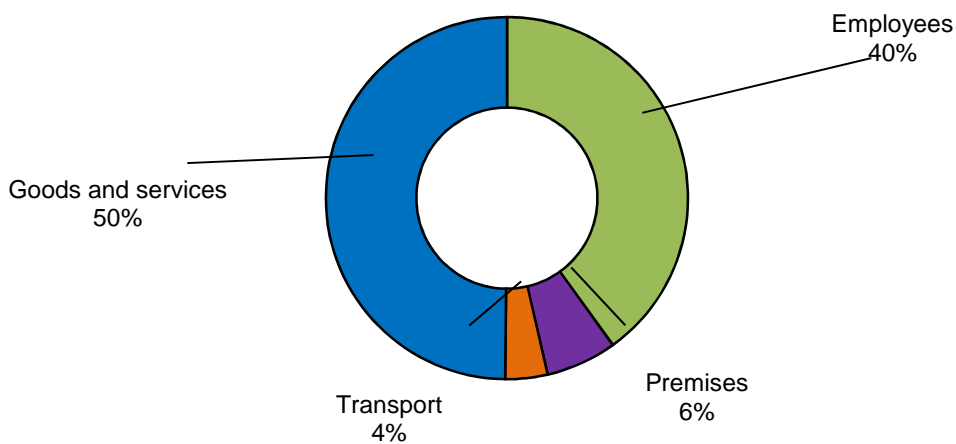
The above expenditure is represented graphically on page 5.

2016/17 Net Expenditure £000	Revenue Service Running Costs	2015/16 Net Expenditure £000
	CENTRAL SERVICES TO THE PUBLIC	
480	Local Tax Collection	459
221	Elections	335
0	Emergency Planning	0
(36)	Local Land Charges	(10)
710	Democratic Representation & Management	725
498	Corporate Management	529
1,426	Unapportionable Central Overheads	1,551
3,299		3,589
	CULTURAL SERVICES	
1,239	Recreation & Sport	1,188
629	Open Spaces	635
1,868		1,823
	ENVIRONMENTAL SERVICES	
155	Cemetery, Cremation & Mortuary	183
66	Community Safety	82
891	Environmental Health	704
75	Flood Defence & Land Drainage	52
480	Street Cleansing	429
2,368	Waste Collection and recycling	2,233
4,035		3,683
	PLANNING SERVICES	
187	Building Control and enforcement	264
(104)	Development Control	747
487	Planning Policy	372
2	Environmental Initiatives	6
42	Economic Development	163
382	Community Development	364
996		1,916
	HIGHWAYS, ROADS & TRANSPORT SERVICES	
(264)	Parking Services	(184)
2	Public Transport	4
(262)		(180)
(23,140)	HOUSING SERVICES	(3,802)
	Local Authority Housing (HRA)	
	Other Housing Services	
89	- Homelessness/Housing Advice	265
(187)	- Housing Benefits Payments	(174)
212	- Housing Benefit Administration	288
114		379
(13,090)	NET COST OF SERVICES	7,408

2016/17 Net General Fund Expenditure by Service

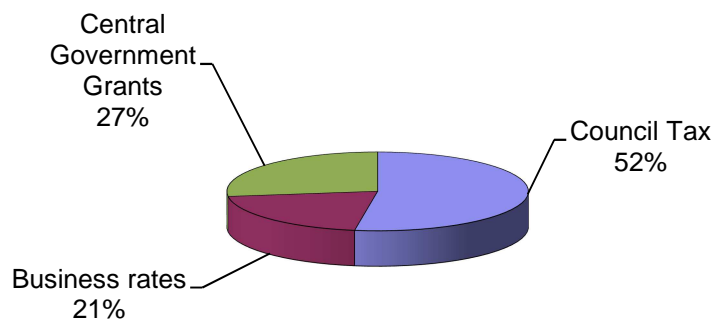


2016/17 General Fund Expenditure By Type

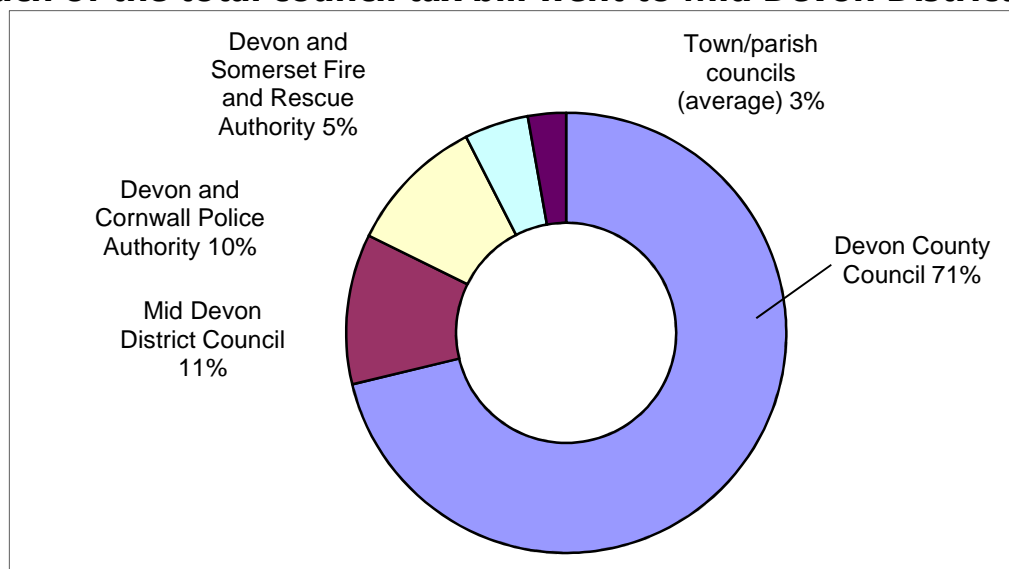


How did we pay for these services?

2016/17 Revenue Funding £12.4m



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



Here is the average breakdown of the 2016/17 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.

	2016/17	2015/16
	£	£
Devon County Council	1,207.62	1,161.27
Devon and Cornwall Police Authority	172.84	169.47
Devon and Somerset Fire Authority	79.98	78.42
Parishes (average)	<u>47.37</u>	<u>41.66</u>
	1,507.81	1,450.82
Mid Devon District Council	<u>187.15</u>	<u>182.15</u>
Total	<u>1,694.96</u>	<u>1,632.97</u>

What impact do increases in Council Tax have on the Council?

Every 1% increase in Mid Devon District Council's Council Tax leads to it receiving approximately an extra £64k.

Why do we have to increase the Council tax?

Each year the Council's costs increase with only about 27% 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?

	2016/17	2015/16
	£000	£000
General reserve (for day to day expenses) brought forward	2,211	2,380
Surplus / (Deficit) for the year	<u>30</u>	<u>(169)</u>
General fund reserve carried forward	<u>2,241</u>	<u>2,211</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 2017 this comprised:

	£000
Land, buildings and assets owned by the Council (see below)	189,465
Stock	200
Bank deposits (including investments)	26,385
Assets held for sale	419
Debtors - Money owed to the Council	2,939
Creditors - Money owed by the Council	(49,030)
Pension fund deficit	<u>(63,534)</u>
	<u>106,844</u>
Financed by:	
<u>Spendable monies</u>	
General Fund reserve surplus carried forward	2,241
Housing Revenue Account surplus carried forward	2,000
Earmarked reserves	22,480
Capital receipts reserve	2,438
Capital grants not yet used	<u>2,164</u>
TOTAL USABLE, CASH BACKED RESERVES	31,323
Other reserves not cash backed (statutorily prescribed)	<u>75,521</u>
	<u>106,844</u>

Land, buildings and assets owned by the Council at 31 March 2017 comprised:

	£000
Assets under construction	1,967
Council dwellings	141,024
Other land and buildings	41,890
Vehicles, plant and equipment	2,357
Community assets	429
Infrastructure assets	269
Surplus assets	1,075
Heritage assets	<u>454</u>
	<u>189,465</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 2017 of £65.5 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, the aim of which 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.

	2016/17	2015/16
	£000	£000
Income		
Council house rents	(12,604)	(12,780)
Net investment income	(59)	(42)
Other income e.g. Garage, shop rents and service charges	<u>(1,072)</u>	<u>(1,100)</u>
	<u>(13,735)</u>	<u>(13,922)</u>
Expenditure		
Repairs and maintenance	2,695	2,417
Supervision and management	2,902	2,985
HRA share of other central overheads	337	369
Capital expenditure funded by the HRA	985	590
Other expenditure and accounting adjustments	<u>6,816</u>	<u>7,561</u>
	<u>13,735</u>	<u>13,922</u>
HRA Deficit for the Year	<u>£0</u>	<u>£0</u>

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 28 Council House properties sold under the "Right to Buy" scheme during 2016/17 and the Housing Revenue Account owned the following property at 31 March 2017:

	Council Housing	Other Land and Buildings
Stock at 1 April 2016	3,060	1,187
Additions	0	0
Sales and building changes	(30)	0
Stock at 31 March 2017	3,030	1,187



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 2016/17?

	£000
Improvements to Council Houses	3,166
Council house building, including some properties under construction	1,310
Improvements to property	104
Intangible assets	73
Vehicles and plant	100
Disabled facilities grants	313
Affordable Housing assistance	20
Other assets under construction	208
Total	5,294

Where did the money come from?

	£'000
Capital receipts from sales of land and buildings	819
Grants	1,170
Major repairs allowance	2,797
Revenue contributions from HRA/ General Fund	508
	<u>5,294</u>

This is shown in the full accounts as:

Asset additions - Council's assets in our balance sheet	4,961
Community projects for others	<u>333</u>
	<u>5,294</u>



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 by the government in 2010/11 have already led to a loss of about £2.5m in core government funding (approximately 40%). 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 more difficult 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 incur stepped cost changes e.g. needing an additional 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 2016/17 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.



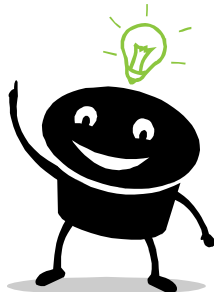
External Auditors

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

	2016/17	2015/16
Fees for audit services	£48,000	£48,000
Fees for certification of grant claims and returns	£7,000	£12,000
Tax Advice	£10,000	£0
	£65,000	£60,000

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 passed without qualification 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 document is intended as 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 "2016/17 ANNUAL ACCOUNTS AND FINANCIAL SUMMARY" has been published by Mid Devon District Council Financial Services, August 2017

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