

2017/18 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 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 Deputy Chief Executive (S151)

The financial statements have been prepared in accordance with the requirements of the "Code of Practice on Local Authority Accounting in the United Kingdom 2017/18" 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 2017/18 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://www.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 £619k to earmarked reserves, (money set aside for future specific projects) there was a surplus of £449k for the year i.e. we spent £449k less than we had initially budgeted for the year.

Council Housing

The Council sold 26 properties under the "Right to Buy" Scheme in 2017/18 . The Council owned 3,005 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 net surplus in the year (after accounting adjustments) of £0.255m, before transferring £0.255m into earmarked reserves, resulting in a balance carried forward amounting to £2.0m.



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.

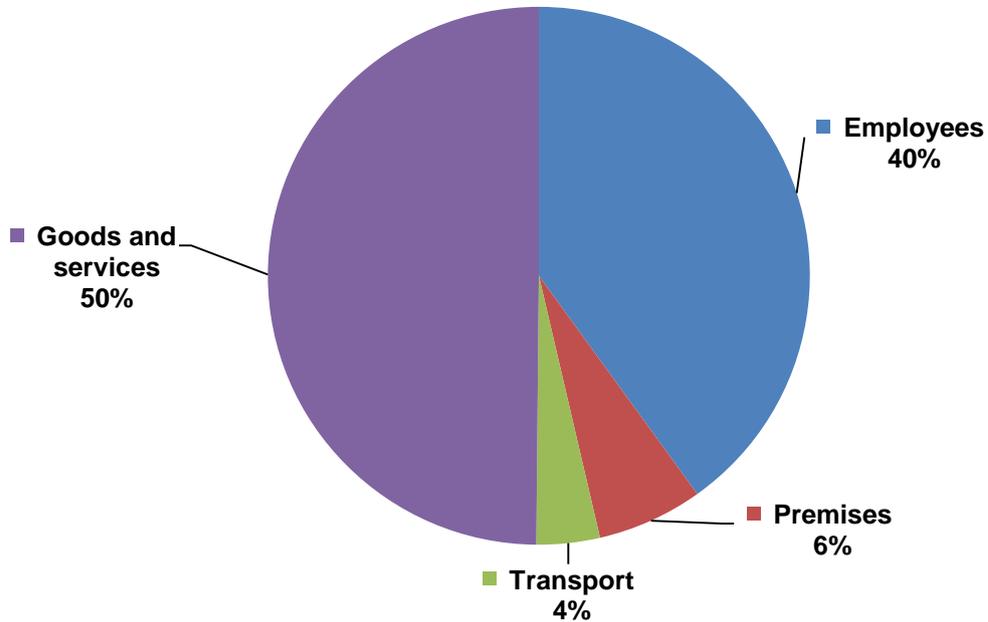
What we spent in 2017/18 - This shows the net running costs of each of our major services.

Revenue Service Running Costs	2016/17 Net Expenditure £000	2017/18 Net Expenditure £000
Community Development	465	400
Corporate Management	1,350	1,499
Car Parks	(264)	(145)
Customer Services	23	(10)
Environmental Services	1,517	1,325
Finance & Performance	(20)	(18)
Grounds Maintenance	17	76
General Fund Housing	89	149
Human Resources	160	55
I.T.Services	73	77
Legal & Democratic Services	969	899
Planning & Regeneration	779	747
Property Services	317	387
Revenues & Benefits	489	583
Recreation and Sport	1,239	1,240
Waste Services	2,847	2,566
Net cost of services	10,050	9,830
Interest payable	146	144
Interest receivable	(316)	(399)
CTS Funding Parishes	55	47
Council tax income	(5,156)	(5,409)
Non domestic rates redistribution	(1,959)	(3,059)
Revenue Support Grant	(1,017)	(498)
Non ring fenced Government grants	(2,339)	(2,142)
Reclassification of CCLA Fund (Restated 16/17)	0	(361)
Regulatory adjustments	(1,800)	(1,371)
Adjusted (surplus) / deficit on provision of services	(2,335)	(3,218)
Transfers to / from earmarked reserves	2,056	2,769
(Surplus)/deficit for the year	(280)	(449)

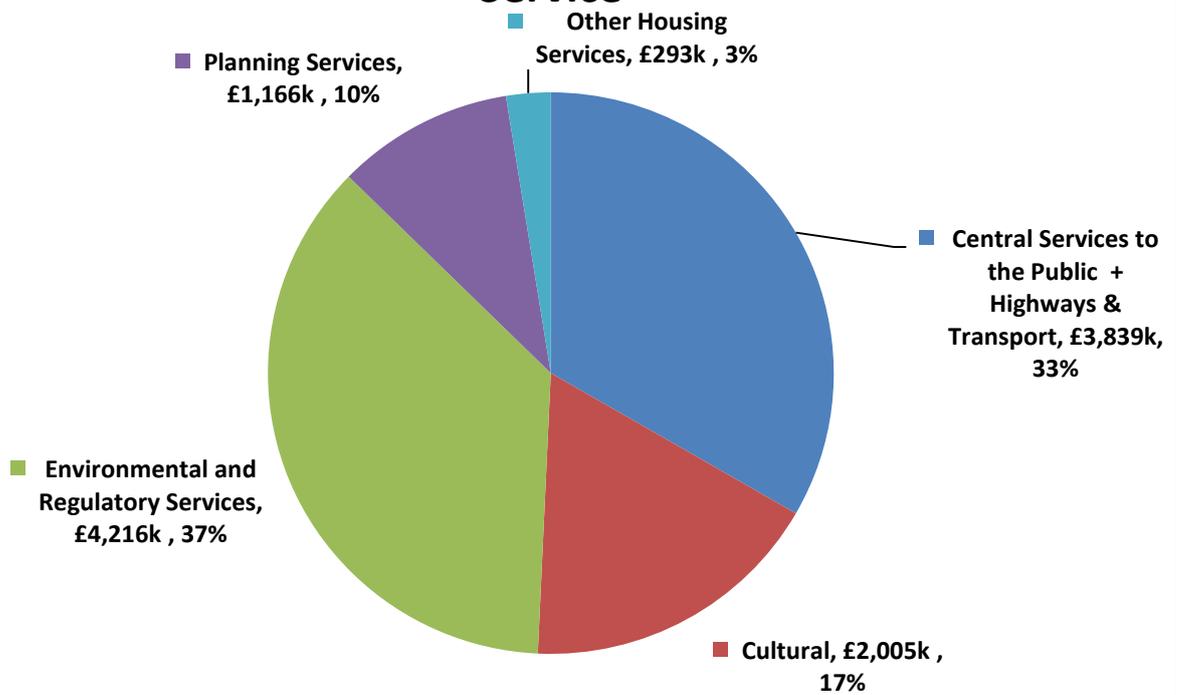
Net incomes are represented by brackets in the above table.

The above expenditure is represented by Service Type graphically on page 4.

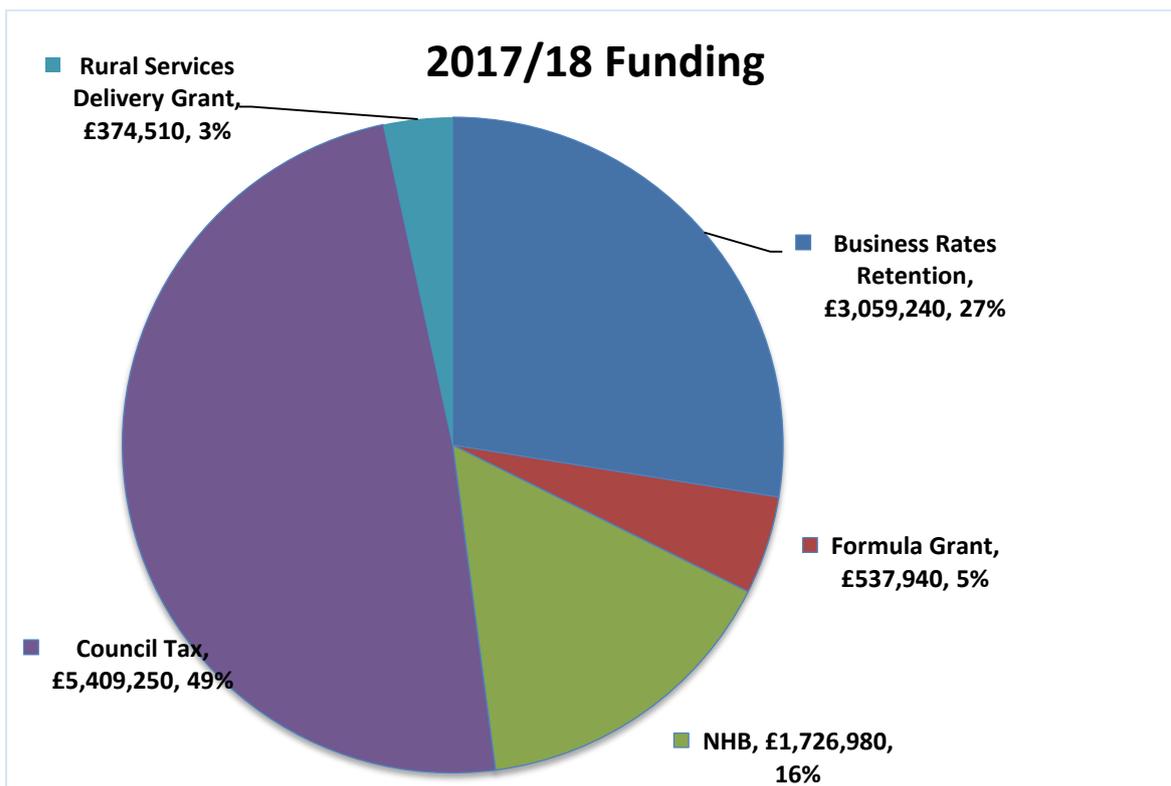
2017/18 General Fund Expenditure By Type



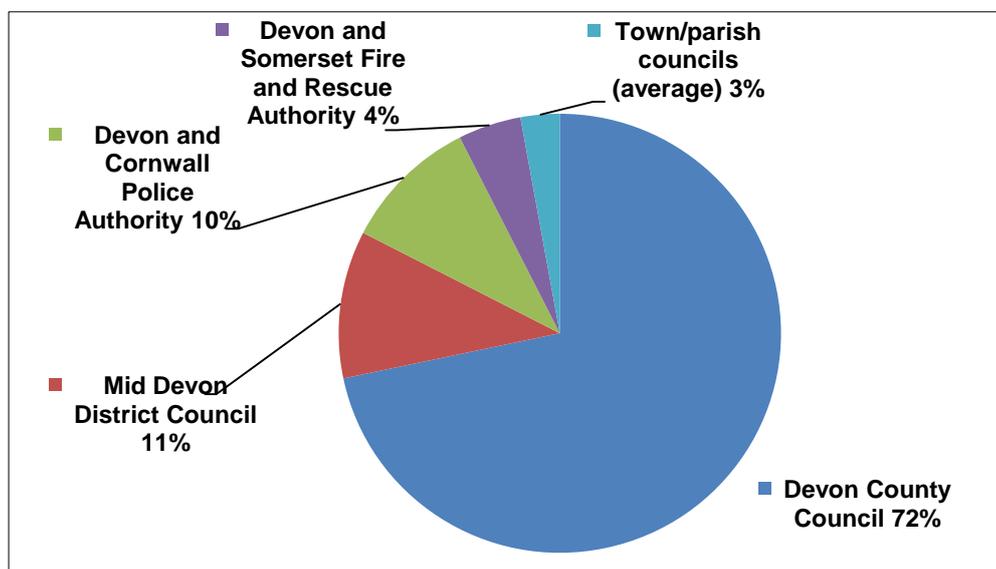
2017/18 Net General Fund Expenditure by Service



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 2017/18 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	2017/18
	£	£
Devon County Council	1,207.62	1,267.92
Devon and Cornwall Police Authority	172.84	176.28
Devon and Somerset Fire Authority	79.98	81.57
Parishes (average)	47.37	50.49
	<u>1,507.81</u>	<u>1,576.26</u>
Mid Devon District Council	<u>187.15</u>	<u>192.15</u>
Total	<u>1,694.96</u>	<u>1,768.41</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 £54k.

Why do we have to increase the Council tax?

Each year the Council's costs increase with only about 26% of our funding now 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 £000	2017/18 £000
General reserve (for day to day expenses) brought forward	2,321	2,602
Surplus / (Deficit) for the year	<u>281</u>	<u>88</u>
General fund reserve carried forward	<u>2,602</u>	<u>2,690</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 2018 this comprised:

	£000
Land, buildings and assets owned by the Council (see below)	196,986
Stock	227
Bank deposits (including investments)	30,752
Assets held for sale	240
Debtors - Money owed to the Council	5,236
Creditors - Money owed by the Council	(48,829)
Pension fund deficit	<u>(60,009)</u>
	<u>124,603</u>

Financed by:

Spendable monies

	£000
General Fund reserve surplus carried forward	2,690
Housing Revenue Account surplus carried forward	2,000
Earmarked reserves	25,915
Capital receipts reserve	3,501
Capital grants not yet used	<u>2,935</u>
TOTAL USABLE, CASH BACKED RESERVES	37,041
Other reserves not cash backed (statutorily prescribed)	<u>87,562</u>
	<u>124,603</u>

Land, buildings and assets owned by the Council at 31 March 2018 comprised:

	£000
Assets under construction	3,225
Council dwellings	145,221
Other land and buildings	44,455
Vehicles, plant and equipment	3,078
Community assets	419
Infrastructure assets	258
Heritage assets	330
	<u>196,986</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 2018 of £60.0 million. This 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	2017/18
	£000	£000
Income		
Council house rents	(12,604)	(12,387)
Net investment income	(59)	(38)
Other income e.g. Garage, shop rents and service charges	<u>(1,072)</u>	<u>(1,110)</u>
	<u>(13,735)</u>	<u>(13,535)</u>
Expenditure		
Repairs and maintenance	2,695	2,605
Supervision and management	2,902	3,023
HRA share of other central overheads	337	297
Capital expenditure funded by the HRA	985	987
Other expenditure and accounting adjustments	<u>6,816</u>	<u>6,623</u>
	<u>13,735</u>	<u>13,535</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 26 Council House properties sold under the "Right to Buy" scheme during 2017/18 and the Housing Revenue Account owned the following property at 31 March 2018:

	Council Housing	Other Land and Buildings
Stock at 1 April 2017	3,030	1,187
Additions	1	0
Sales and building changes	(26)	0
Stock at 31 March 2018	3,005	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 2017/18?

	£000
Improvements to Council Houses	2,672
Council house building, including some properties under construction	1,569
New Acquisitions and Improvements to property	2,438
Vehicles and plant	1,361
Disabled facilities grants	441
Affordable Housing assistance	16
Other assets under construction	26
Total	8,523

Where did the money come from?

	£'000
Capital receipts from sales of land and buildings	2,400
Grants	1,866
Major repairs allowance	2,273
S106 monies applied (from Developers)	516
Revenue contributions from HRA/General Fund	<u>1,468</u>
	<u>8,523</u>

This is shown in the full accounts as:

Asset additions - Council's assets in our balance sheet	8,066
Community projects for others	<u>457</u>
	<u>8,523</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 £3.5m in core Government funding (approximately 51%). The future of local government funding remains a very uncertain one. Major changes to New Homes Bonus, the elimination of Revenue Support Grant, the Fairer Funding review and the ongoing discussions regarding the move to 100% business rate localisation, all make any attempt at structured medium term financial planning an increasingly difficult challenge.

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. In 2017/18 this amounted to £1.468m.

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	2017/18
Fees for audit services	£48,000	£48,000
Fees for certification of grant claims and returns	£7,000	£7,000
Tax Advice	£10,000	-
	£65,000	£55,000

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 "2017/18 ANNUAL ACCOUNTS AND FINANCIAL SUMMARY" has been published by Mid Devon District Council Financial Services, August 2018