Financial Services

FINANCIAL REPORTS & ACCOUNTS

FOR THE YEAR 2011/12

INCLUDING

Operating and Financial Review 2011/12
Statement of Accounts 2011/12
Annual Governance Statement 2011/12

Torbay Council, Town Hall, Castle Circus, Torquay, Devon TQ1 3DS

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OPERATING AND FINANCIAL REVIEW 2011/12

Welcome

Welcome to Torbay Council's Statement of Accounts for the 2011/12 financial year ending 31st March 2012. The Accounts are compiled in accordance with relevant legislation and guidance – primarily International Financial Reporting Standards (IFRS) and the CIPFA Accounting Code of Practice ("the Code").

The accounts show a "true and fair" financial picture of the Council's total income and expenditure in the 2011/12 financial year and its balance sheet as at 31st March 2012, detailing all the Council's assets and liabilities with supporting notes to add further explanation.

The accounts are prefaced by this Operating and Financial Review which aims to provide a narrative outline on the financial position of the Council for both 2011/12 and in future years.

Pen Picture of Torbay

Torbay Council is a unitary Council in the South West of England serving the three coastal towns of Torquay, Paignton and Brixham with a population in excess of 134,000, of which 80,000 are of working age.

As a unitary Council, it is responsible for a wide range of services including schools, social care, transport, culture, housing and waste. The Council's budget digest outlines the services that the Council provides and is available on the Council's website.

http://www.torbay.gov.uk/index/yourcouncil/financialservices/budget/budgetdigest201213.htm

Torbay Council has an elected Mayor as well as 36 elected ward councillors. The elected Mayor from May 2011 was Gordon Oliver who replaced Nick Bye. The majority of the 36 ward councillors are Conservative party candidates. The next full Council and Mayoral elections are due in May 2015.

Significant Events in 2011/12

On a national level changes in funding, services and legislation by the Coalition Government continue to impact on the Council, its partners and residents.

The Council continued to plan, and work with, reduced funding levels for both revenue and capital from Central Government for 2011/12 and future financial years as announced in the 2010 Comprehensive Spending Review. The 2011/12 budget approved by Council required £9 million of budget reductions and another £9m was required for 2012/13.

In February 2011 the Chief Executive proposed a new (reduced) management structure for the Council, operational from 2011 and a new senior management team in place from April 2012. In May 2012 the Council accepted the voluntary redundancy of the Council's Chief Executive which will result in further changes to senior management structure during 2012/13.

Council schools continued to convert to Academy status. In Torbay, by 31st March 2012, a total of 9 schools had converted, (6 schools converting in 2011/12), and are now fully independent of the Council.

In May 2011 the Torbay Economic Development Company started operating to provide regeneration and other services including valuation, property services and facilities management. The Council owns 100% of the new company. In May 2011 some Council staff and assets transferred to the new company.

In January 2012 the Department of Transport announced the funding for the South Devon Link Road, a scheme that will cost over £100 million to which both Torbay and Devon County Councils will contribute up to £18 million each to the scheme. This announcement was finalised in June 2012 and construction work is expected to start autumn 2012.

Purpose of Financial Report and Statement of Accounts

The purpose of the Statement of Accounts included in this document is to present to the reader with a detailed overview of the Council's financial position as at the end of March 2012 giving information as to the Council's assets and liabilities at a point in time (31st March 2012) and detail on the Council's financial performance during 2011/12. The format of this Financial Report is this Operating and Financial Review followed by the Statement of Accounts including the Core Financial Statements for 2011/12, for both the Council's "Single entity" and "Group" Accounts" and the supporting notes to those core financial statements and Collection Fund Summary Account and lastly the Annual Governance Statement.

The form and content of these accounts is highly prescribed, (by the CIPFA Code of Practice), and is produced on an IFRS basis (International Financial Reporting Standards). The classification of costs, income and services under IFRS and the "Code of Practice" is different to the Council's internal financial reporting.

External Audit and Public Inspection of the Accounts

These Accounts are subject to a detailed audit by the Council's external auditor (the Audit Commission). Under the Accounts and Audit Regulations the Accounts, with its supporting documents, are available for public inspection. Full details are available from Financial Services at Torquay Town Hall or on the Council's website at:-

http://www.torbay.gov.uk/index/council/financial_services/accountsinspection.htm

As a result of national changes to the arrangements for external audit of public bodies, Grant Thornton have been awarded the contract to audit all public bodies in the South West for the 2012/13 financial year and a for a minimum of 4 further years. This contract award was awarded on national basis and the Council was not involved.

Annual Governance Statement

The Council, under the Accounts and Audit Regulations must approve an Annual Governance Statement prepared in accordance with proper practices in relation to internal controls. The 2011/12 statement has been included within this Financial Report, but is not part of the Accounts and is outside the external auditor's opinion on the Accounts.

Rounding

The figures in these accounts are presented to the nearest £100,000 – (i.e. £0.1 million)

Overview of Financial Performance

The Council's financial performance in 2011/12 resulted in a surplus for the year after carry forwards but before approval of the transfer of the surplus to earmarked reserves. This was the underspend for the year after service carry forwards and reserve movements. This was a very challenging financial year for the Council with the requirement to make reductions of £9m as well as facing increasing demand for social care services, both adults and childrens. As a result of careful financial management including a "freeze" on staff recruitment and a moratorium of non essential purchasing, the use of the Council's contingency and some unallocated 11/12 grants, the Council stayed within its 2011/12 budget and for this officers and members should be commended.

The Council's gross expenditure in the year was in the region of £380m for revenue (day to day) spend and £22 million for capital (spend on long term assets such as roads and schools).

The Council's Comprehensive Income and Expenditure account (I&E) is the Councils income and expenditure presented on an IFRS basis. This includes a number of "non cash" items such as depreciation, pension assumptions and an earlier recognition of grants, based on conditions attached to the grant rather than matching the grant to expenditure, which should then allow the Council's accounts to be comparable to other sector accounts. The total deficit for this account for 2011/12 is a deficit of £54m. The key reasons for this deficit is an increase in the Council's pension fund liability which resulted in a deficit of £47m reflecting changes in actuarial assumptions as to both the overall pension liability and a loss on asset disposals resulting from the transfer of schools from the Council to become Academy schools.

The total from the Comprehensive Income and Expenditure statement is reflected in the Movement of Reserves statement which then adds the impact of any reserve movements to usable reserves and unusable reserves to get to the “bottom line” Council position for 2011/12. Within this is the reversal of a number of accounting entries made under IFRS that appear in the Council’s Comprehensive Income and Expenditure statement such as depreciation and pension assumptions, which are allowed, under statute, to be reversed to ensure that these entries do not have a “cash” impact on the Council Tax payer. After these adjustments the Council’s net outturn for the year was break even which matches the Council’s internal financial reporting position. This statement shows that the Council’s usable reserves had a net decrease of £3.1 million. This was primarily a reduction in capital reserves to fund capital expenditure in year offset by an increase in earmarked reserves.

The Council also spent £22.1 million on capital projects including schemes such as the Parkfield Youth facility, Tweenaway Cross, Oldway Primary school, Curledge Street Primary school and the rebuild of Cockington Court. This total is half the level of previous years and reflects, in part, the reduced capital resources from central government in the 2010 Comprehensive Spending Review to support Council’s capital expenditure.

On the balance sheet there were some significant changes in year. The major change was a £47 million increase in the Council’s pension liability for the year due to changes in actuarial assumptions such as in mortality rates and lower investment returns. As a result of revised capital investment plans the Council reduced its long term borrowing by £9 million during the year. The Council’s general fund reserve remained at £4.0 million, which is equivalent to 3.2% of the Council’s 2012/13 net revenue budget.

Overall the Council’s net assets were lower than the previous year, primarily due to the £47 million increase in the Council’s pension liability.

Torbay Group Accounts – Overview of Financial Performance

The Council has interests in a number of companies. An overview of these companies financial performance in the year is shown in the table below. The accounts for these companies are consolidated with the Council’s (single entity) accounts to produce the Council’s Group Accounts attached at page 128 to the Accounts.

Entity	**Assessed Relationship**	**Council Shareholding /Control**	**Turnover £m**	**Surplus/(Deficit) for year £m (after tax)**	**Net Equity £m**
Torbay Economic Development Company	Subsidiary	100%	3.6	(0.6)	2.8
English Riviera Tourism Company	Subsidiary	100%	0.9	0	(0.2)
TOR2	Associate	19.99%	14.8	(1.0)	(2.4)
Careers SW	Associate	25%	12.5	0.9	(3.9)
PLUSS	Associate	25%	27.4	0.6	0.3
Riviera International Centre Limited	Associate	19.99%	2.2	(0.1)	0

Key Financial Ratios

The following “basket” of rates are to provide the reader with a snapshot of the financial performance of the Council.

	2010/11	2011/12
Uncommitted General Fund Balance / Annual Budgeted Net Expenditure	3.2%	3.2%
Movement to/(from) the Uncommitted General Fund Balance	£0.271m	£0m
Council Tax In-year collection rate	96.5%	95.8%
Council Tax Council Tax Income / Overall Funding	46%	48%
Actual outturn compared to budget (before Council approved reserve movements per outturn reports)	(£1.351m)	(£0.441m)
Actual outturn compared to budget	(1.0%)	(0.4%)
Capital Financing Requirement	£m 138	£m 137
External Debt levels (principal)	£m 162	£m 153
Ratio of net financing costs to net revenue (excluding revenue contributions to capital).	7.7%	7.8%

Forward Financial look

The Council has a rolling three year “Medium Term Resource Plan” which supports service planning for future years. There are a number of significant issues that are impacting on the Council, its finances and its service delivery. These include:

Ongoing impact of the Coalition Government’s Comprehensive Spending Review announced in October 2010 which set a target of reducing Council funding by up to 30% over four years 2011/12 to 2014/15. Further reductions to those previously announced are expected.

Ongoing impact of the economic conditions with increased levels of demand for some services such as housing and council tax benefit plus reduced income levels from other services such as lower asset disposal values and from tax collection.

Ongoing impact of the demographic trends within the Council area, such as an increasing demand for adult and child social care plus changes in pupil numbers throughout the area changing demand for school places.

The Government is introducing significant reforms to Council funding for 2013/14 onwards in the Finance Bill which is due to become statute during 2012. As a result the Council has not been notified of funding allocations for future years. Changes being considered include Councils retaining a proportion of business rates (NNDR) income locally and then funding Councils by a scheme of top and tariff funds rather than passing the money into a national pool for allocation based on relative need. This review could have a significant impact on future Council funding. Increasingly core Council funding is being linked to development with incentives to Councils to promote growth with the (part) retention of business rate growth above inflation (RPI) and the new homes bonus grant linked to the number of new homes being built.

The Coalition Government is introducing a range of new legislation which impact on public services in Torbay. These include:

Transfer of schools from Councils to become Academy schools funded direct from central government. These schools are independent of the Council so their assets, income and expenditure will not form part of the Council's accounts. By the end of 2012/13 it is likely that all secondary schools in Torbay will have become Academy schools. Council funding will be reduced to reflect the lower number of schools managed by the Council.

Reform of the Benefit System includes the phased introduction of the Universal Credit from 2013, which is expected to be administered on a national basis. This will replace a number of benefits including the Council administered Housing Benefit. The Council currently pays over £60m of this benefit each year with the associated staff and IT support.

For April 2013 the Council has to introduce a local scheme of Council Tax reductions to replace the Council Tax Benefit scheme. Central Government has given Councils the flexibility to set a local scheme, (with the caveat that certain groups are protected from any reduced entitlements), however the Council's funding for this benefit is being reduced by 10%.

Under the National Health reforms the commissioning and delivery of NHS services will change. In Torbay from April 2012 the Torbay Care Trust, who the Council currently commission to provide adult social care, has been split into the NHS Torbay (a commissioning body) and the Torbay and South Devon NHS Provider Trust. It is this second organisation that from April 2012 provides adult social care services to the Council. Further changes in structures could occur from April 2013. In addition the public health function of primary care trusts is to transfer to Councils from April 2013.

The Audit Commission, who is the Council's current appointed auditor, will be significantly restructured and will lose some audit responsibilities, therefore Councils from September 2012 will have a new external auditor based on a national procurement process by the Audit Commission. Grant Thornton have been awarded the contract for the provision of external audit services to most public sector bodies in the south west.

There are a number of other central government initiatives that will impact on the Council in the future ranging from the introduction of a Community Infrastructure Levy to the Localism Act which will encourage local communities to have a greater say in local services – maybe even running some Council services themselves.

Summary of spend to budget in year

Revenue Budget:

Funding

In February 2011 the Council set a budget for 2011/12 of £125 million, which was to be funded as shown in the table below. This resulted in a zero percent increase in the level of Council Tax.

	2010/11	**2011/12**
Net Budget Requirement	£134m	**£125m**
Area Based Grant	(£13m)	**0**
NNDR (from national pool)	(£52m)	**(£47m)**
Revenue Support Grant	(£7m)	**(£15m)**
Council Tax Payers	(£62m)	**(£63m)**
Band D Council Tax – Torbay Only	£1,261.17	**£1,261.17**
Band D Council Tax – including Police, Fire and Brixham Town Council	£1,517.92	**£1,517.69**

Expenditure

In July 2012 the Council did receive a revenue outturn report detailing income and expenditure in year and reasons for any variances. The report can be obtained from the Council's website. The summary of budget and expenditure by service in 2011/12 as presented in that report is shown below.

Council Services	Revised Budget	Outturn	Net Over /(Under) spend
	£'000	£'000	£'000
Place and Environment			
Residents and Visitors	9,960	9,448	(512)
Waste	10,518	10,155	(363)
Spatial Planning	5,565	6,060	495
Torbay Development Agency	4,853	4,615	(238)
Harbours	0	0	0
	30,896	**30,278**	**(618)**
Children, Schools & Families	21,123	23,259	**2,136**
	21,123	**23,259**	**2,136**
Communities & Local Democracy			
Community Engagement	1,427	1,278	(149)
Community Safety	2,864	2,433	(431)
	4,291	**3,711**	**(580)**
Adults and Operations			
Adult Social Care	41,937	43,382	1,445
Business Services	2,615	2,336	(279)
Finance	11,005	9,793	(1,212)
Information Technology	3,999	3,866	(133)
Commercial Services	2,586	2,522	(64)
Supporting People	6,380	6,199	(181)
	68,522	**68,098**	**(424)**
Sub Total: Overspend in Year	**124,832**	**125,346**	**514**
Unallocated Grants	**955**	**0**	**(955)**
Underspend after use of grants	**125,787**	**125,346**	**(441)**
Transfer to Employment Reserve	**0**	**305**	**305**
Transfer to Comprehensive Spending Review Reserve	**0**	**136**	**136**

Capital Budget:

The Council in July 2012 did receive a capital outturn report detailing income and expenditure in year and reasons for any variances, which can be obtained from the Council's website.

Funding

The Council spent £22.1m on capital expenditure in 2011/12 and this funding is shown in the table below.

	Budget £m	Outturn £m	Variation £m
Borrowing – *of which*	4.6	3.4	(1.2)
Supported: (by Government funding)	*2.2*	*1.7*	*(0.5)*
Unsupported: (under Prudential Code)	*2.4*	*1.7*	*(0.7)*
Grants	18.9	16.4	(2.5)
Other Contributions	0.1	0.1	0
Revenue & Reserves	0.6	0.9	0.3
Capital Receipts	1.5	1.3	(0.2)
Total Funding	25.7	22.1	(3.6)

Expenditure

The expenditure in the year of £22.1 million by the four management divisions that the Council reports on for internal reporting are as follows:

	Budget £m	**Outturn £m**	**Spent %**	**Variation £m**
Childrens, Schools & Families	12.1	10.2	84	(1.9)
Place & Environment	10.1	9.2	91	(0.9)
Communities & Local Democracy	1.0	0.6	60	(0.4)
Adults & Operations	2.5	2.1	84	(0.4)
TOTALS	**25.7**	**22.1**	**86**	**(3.6)**

Material Assets or Liabilities acquired

Assets:

The Council spent £22.1m on capital assets of which £17.7m was added to the value of the Council's non current assets. The balance of £4.4m was spent on capital expenditure on assets the Council does not recognise as its own, such as Voluntary Aided and Foundation schools and capital grants. A summary of capital expenditure in 2011/12 is shown below:

Scheme	**Spend 2011/12 £m**
Office Accommodation Project	1.2
Torre Abbey - Phase 2	0.6
Cockington Court	0.7
Paignton Play Park	0.5
Schools/Education	10.1
Tweenaway Cross Junction	2.2
Other Transport	2.4
Princess Promenade	0.4
Brixham Regeneration	0.5
Disabled Facility & Renovation Grants	0.6
Affordable Housing	1.4
Other Schemes	1.5
Total	**22.1**

Liabilities

No significant liabilities were acquired by the Council in 2011/12. The Council's risk for the (new) Torbay Economic Development Company is limited under its ownership, although the Council does retain pension liability for the staff that transferred to the company up to date of transfer.

Significance of Pension liability

The Council's employees can be members of the Devon County Council Local Government Pension Scheme. As a defined benefit scheme the Council is liable for any surplus or deficit on the fund. The Council's liability is calculated on an annual basis by the fund's actuary. This value estimates the liability to the Council if all liabilities were to be realised at a point in time. In reality the impact on the Council is spread over a long period of time, (over current and future pensioners lives), with the Council reducing the deficit by its employers' contributions to the fund over the long term (over 25 years).

The Council's liability as at 31st March 2012 is assessed at £124 million, a £47 million increase compared to the previous year decrease of £77 million.

This increase is primarily due to two factors:

- a £6m reduction in asset value as a result of the actual return on pension scheme assets being less than expected

- a £40m increase in liability based on changes in actuarial assumptions about the cost of future benefits.

Explanation of any unusual costs/income

There were a number of unusual costs within the income and expenditure account in 2011/12. These include:

As a result of the 2012/13 budget process a total of £1.1m of costs were incurred of which £0.5m were paid during 2011/12 and a provision for future costs arising from the budget reductions was made in 2011/12. This provision totalled £0.6 million and was funded from the Comprehensive Spending Review Reserve and a linked capital receipt.

In 2011/12, 6 schools converted to Academy status. Four schools were Community schools where the transfer for nil consideration resulted in a loss on disposal on those assets of approx £19 million. The other two schools were previously foundation schools so there was no impact on the Council's balance sheet. Income and expenditure for these school's from date of transfer no longer forms part of the Council accounts.

On the establishment of the Torbay Economic Development Company in 2011 a number of Council assets used for regeneration purposes were transferred to the company, either the freehold or on a long lease (125 years), which resulted in a "loss on disposal". The value of the initial recognition of the Council's investment was the value of these assets transferred less any pension liability transferred in the company, subsequently adjusted for the net equity of the company as at 31/3/12.

Council Tax and NNDR -provision for bad debts. During 2011/12 the Council reviewed its policy for the provision for the uncollectability if these debts. As a result of a change to a more age of debt based calculation, there was a one off credit of £0.7m to the Collection Fund in 2011/12. The review of the provision for NNDR did not result in any significant changes.

Changes in Accounting Policies

After the significant changes in 2010/11 arising from the introduction of International Financial Reporting Standards the only significant change introduced in the CIPFA Code of Practice for 2011/12 is the introduction of heritage assets as a classification of non current assets. Heritage assets are those assets that are intended to be preserved in trust for future generations because of their cultural, environmental or historical associations. They are held by the reporting entity in pursuit of its overall objectives in relation to the maintenance of heritage. Heritage assets include historical buildings, archaeological sites, civic regalia, museum and gallery collections and works of art.

Planned Future Developments in service delivery

There are a number of changes in service delivery that the Council is planning for. These include:

Creation of a PFI funded Energy From Waste Facility in partnership with Plymouth City and Devon County Councils. This facility will be provided by the private sector but the Council's share will be recognised as a Council asset along with the relevant liability to pay the contractor for construction of the facility. The total cost of the construction of the facility is approximately £200 million and will result in an asset and long term liability for the Council when operational.

It is anticipated that more schools will opt for Academy status in addition to the six schools in 2011/12 (nine schools to date). Some schools have already informed the Council of their decision to transfer in 2012/13. From transfer date the Council's accounts will no longer consolidate any assets/liabilities or income/expenditure incurred by those schools.

The Council has submitted an application for funding to establish, along with a number of other Councils, a Local Integrated Services Trust (LIST) for the provision of services. This company should be established during 2012/13 and will seek to attract social investment to support certain services, possibly in relation to early intervention in Childrens' services.

In May 2012 the Council's Chief Executive offered to leave the Council, from September 2012. This will result in a further change in the Council's senior management team.

The impact of the reductions required under the Coalition Government's four year Comprehensive Spending Review will inevitably impact on the range of services provided and how these services are provided in the future. The Council produces a rolling forward financial plan called The Medium Term Resource Plan which is available on the Council website. Within that document, (last update November 2011), there is a summary of projected revenue income and expenditure for the next three years.

	2011/12 £'000	**2012/13 £'000**	**2013/14 £'000**	**2014/15 £'000**
Formula Grant, Council Tax & Collection Fund	125,201	121,010	121,532	122,821
Estimated Expenditure	125,201	131,703	139,073	143,900
Total Estimated Cumulative Funding Gap	**0**	**10,693**	**17,541**	**21,079**
In- year Funding Gap	0	10,693	6,848	3,538

The Council approved a four year Capital Investment Plan in February 2012 which is available on the Council website. As part of the Capital Investment Plan the Council estimates that it will receive £31.4m of new funding over the next four years from a variety of sources. A summary of anticipated capital spend over the next four years, based on funding that had been announced/confirmed by February 2012, is summarised below.

	2012/13	2013/14	2014/15	2015/16
	£m	**£m**	**£m**	**£m**
Place & Resources	7	7	3	9
Childrens Services	7	0	0	0
Adults Services & Resources	2	0	0	0
Unallocated Resources	4	2	2	0
Total	**20**	**9**	**5**	**9**

Borrowing & Investments

The Council undertakes borrowing to support its capital expenditure. As at 31st March 2012 the Council had £153 million of borrowing, primarily from the Public Works Loans Board. During 2011/12 the Council reduced its borrowing by £9 million. In addition it had a long term liability of £10m to the PFI contractor for Westlands and Homelands schools. The Council had £103m of investments at year end with a net debt position of £60 million.

The control over the level of Council borrowing is supported by the Prudential Code where the Council has to set limits in relation to its treasury management including limits for long term borrowing and liabilities to ensure that this is prudent and affordable. One of these indicators is a calculation called the Capital Financing Requirement which shows the Council's underlying need to borrow based on previous decisions on capital expenditure and borrowing offset by any repayment of principal made or other capital funding used. The key figures, in relation to borrowing and capital financing, are as follows:

Balance Sheet Values:	31/3/11 £m	31/3/12 £m
External Borrowing *	162	**153**
Long Term Liabilities	10	**10**
External Investments *	(116)	**(103)**
Net Debt	56	**60**
Treasury Management Limits:		
Capital Financing Requirement	138	**137**
Authorised Limit	224	**228**
Operational Limit	195	**201**
Revenue Income & Expenditure:	**2010/11**	**2011/12**
Interest Receivable *	(1.6)	**(1.7)**
Interest Payable *	6.3	**6.9**
Costs re long term liabilities	1.0	**0.4**
Minimum Revenue Provision (for repayment of principal)	4.0	**3.9**

* note: these costs are per Treasury Management outturn report which excludes the accounting adjustments required for statutory accounting such as fair value adjustments.

The level of Council borrowing reflects the Council's capital financing requirement plus the borrowing required by the approved four year Capital Investment Plan. The Council's investments and other cash holdings are sufficient to meet the Councils short and medium term cash requirements for revenue and capital expenditure and any "cash backed" balance sheet items such as reserves and working capital.

Significant Provisions or contingencies

The Council has provisions at year end of £1.6 million to meet known liabilities. These are primarily in relation to insurance claims, (submitted to the Council but are currently being investigated), and in relation to costs of restructuring decisions taken in 2011/12 that relate to the 2012/13 budget.

The Council has given a number of pension guarantees as Council staff transferred to other bodies such as PLUSS. These are unlikely to result in a cash payment so are treated as a contingent liability.

As owner or part owner of several limited companies the council has some exposure to risk but this is limited by share or guarantee.

The Council has provided financial guarantees to other bodies – the significant being a £975k bank overdraft and loan guarantee to Torbay Coast and Countryside Trust.

Material events after reporting date

Seven schools were due to convert in 2012/13 to academy status becoming independent of the Council.

Links to Other Financial information

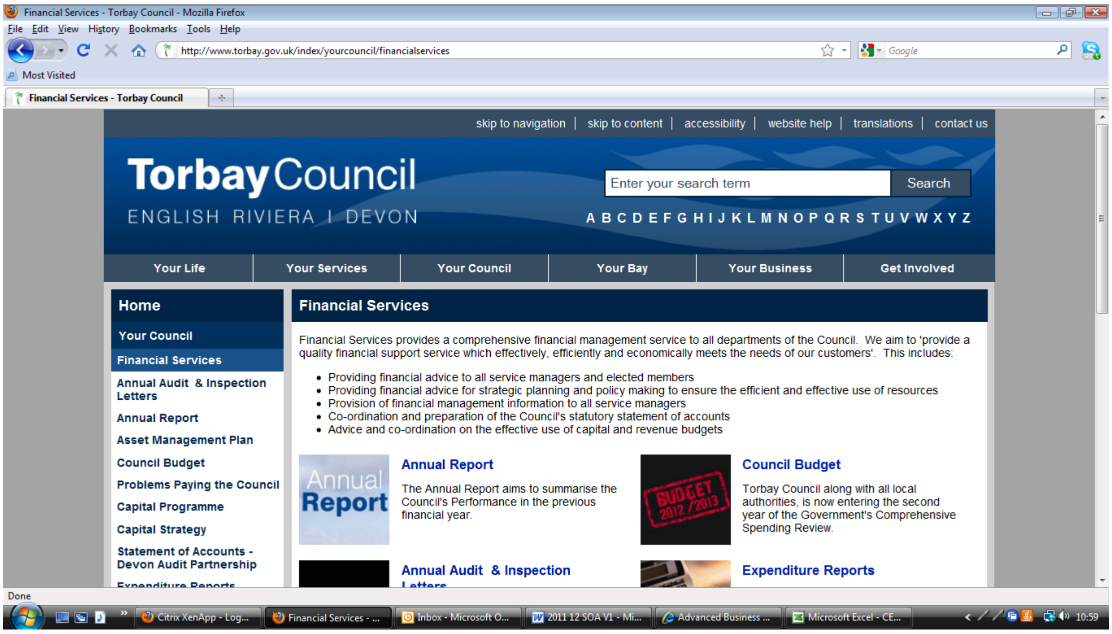
The Statement of Accounts is a key financial document published by the Council. The Council's website contains the Statement of Accounts for previous years and a range of additional financial information:

http://www.torbay.gov.uk/financialservices.

All financial reports such as monitoring reports and outturn reports are reported on a regular basis to Council Committees. All reports are available on the council website:

http://www.torbay.gov.uk/index/council/councillorsdecisions/minutesandreports.htm

An extract of the website showing the links to the Council's financial information is shown below:



Glossary

There is a glossary at the back of these documents to help explain the meaning of the some of the local government finance and IFRS accounting terms.

Signed by

Paul Looby BA CPFA

Chief Finance Officer

Torbay Council

29th June 2012

STATEMENT OF ACCOUNTS 2011/12

STATEMENT OF ACCOUNTS 2011/12

FINANCIAL CERTIFICATES

The Statement of Responsibilities for the Statement of Accounts

The Council's Responsibilities

The Council is required:-

- to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Council, that officer is the Council's Chief Finance Officer
- to manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets
- approve the Statement of Accounts

Audit Committee Approval of the Statement of Accounts 2011/2012

I confirm that the Council completed its approval process of the Statement of Accounts 2011/2012 on the 19th September 2012 at a meeting of the Council's Audit Committee.

Councillor Ray Hill

Chairman of Audit Committee

19th September 2012

The Chief Finance Officer's Responsibilities

The Chief Finance Officer is responsible for the preparation of the Council's statement of accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (Code of Practice).

In preparing this Statement of Accounts, the Chief Finance Officer has:-

- selected suitable accounting policies and then applied them consistently;
- made judgments and estimates that were reasonable and prudent;
- complied with the Code of Practice.

The Chief Finance Officer has also:-

- kept proper accounting records which were up to date;
- taken reasonable steps for the prevention and detection of fraud and other irregularities.

The Chief Finance Officer's Statement

The Statement of Accounts as required by the Accounts and Audit Regulations (last amended March 2012) is set out on pages 22 to page 146 and has been prepared in accordance with the accounting policies set out on pages 100 to 122. In my opinion it is a true and fair view of the financial position of the Council at 31st March 2012 and its income and expenditure for the year ended 31st March 2012.

The accounts are audited by the Council's External Auditor, the Audit Commission.

The Statement of Accounts 2011/12 were authorised for issue on the 29th June 2012. This is also the date up to which events after the balance sheet date have been considered.

P LOOBY BA CPFA
Chief Finance Officer
29th June 2012

The Statement of Accounts 2011/12 were authorised for approval by Members and for publication on the 19th September 2012. This is also the date up to which events after the balance sheet date have been considered.

P LOOBY BA CPFA
Chief Finance Officer
19th September 2012

Independent Auditor's Report to the Members of Torbay Council on the Audit Opinion on the Council's accounting statements

TO FOLLOW

TO FOLLOW

Core Financial Statements

Movement in Reserves Statement

This statement shows the movement in the year on the different reserves held by the Council, analysed into ‘usable reserves’ (i.e. those that can be applied to fund expenditure or reduce local taxation) and other ‘unusable’ reserves. The Surplus or (Deficit) on the Provision of Services line shows the true economic cost of providing the Council’s services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance for council tax setting. The Net Increase /Decrease before Transfers to Earmarked Reserves line shows the statutory General Fund Balance before any discretionary transfers to or from earmarked reserves undertaken by the council. The 2010/11 comparative year has been restated to reflect Heritage Assets.

2010/11 (Restated)

	General Fund Balance £m	Earmarked General Fund Reserves £m	Capital Receipts Reserve £m	Capital Grants Unapplied £m	Total Usable Reserves £m	Unusable Reserves £m	Total Council Reserves £m
		Note 8	Note 26	Note 26	Note 26	Note 27	
Balance at 31 March 2010 carried forward	3.7	31.0	0.4	19.1	54.2	47.5	101.7
<u>Movement in Reserves during 2010/11</u>							
Surplus or (deficit) on provision of services	24.4	0	0	0	24.4	0	24.4
Other Comprehensive Expenditure and Income (in I&E Statement)	0	0	0	0	0	62.0	62.0
Total Comprehensive Expenditure and Income	24.4	0	0	0	24.4	62.0	86.4
Adjustments between accounting basis & funding basis under regulations (Note 7)	(22.3)	0	0.1	(2.1)	(24.3)	24.3	0
Net Increase/Decrease before Transfers to Earmarked Reserves	2.1	0	0.1	(2.1)	0.1	86.3	86.4
Transfers to/from Earmarked Reserves (Note 8)	(1.8)	1.8	0	0	0	0	0
Increase/(Decrease) in Year	0.3	1.8	0.1	(2.1)	0.1	86.3	86.4
Balance at 31 March 2011 carried forward	4.0	32.8	0.5	17.0	54.3	133.8	188.1

2011/12

	General Fund Balance £m	Earmarked General Fund Reserves £m Note 8	Capital Receipts Reserve £m Note 26	Capital Grants Unapplied £m Note 26	Total Usable Reserves £m Note 26	Unusable Reserves £m Note 27	Total Council Reserves £m
Balance at 31 March 2011 carried forward	**4.0**	**32.8**	**0.5**	**17.0**	**54.3**	**133.8**	**188.1**
Movement in Reserves during 2011/12							
Surplus or (deficit) on provision of services	**(22.8)**	**0**	**0**	**0**	**(22.8)**	**0**	**(22.8)**
Other Comprehensive Expenditure and Income (in I&E Statement)	**0**	**0**	**0**	**0**	**0**	**(31.3)**	**(31.3)**
Total Comprehensive Expenditure and Income	**(22.8)**	**0**	**0**	**0**	**(22.8)**	**(31.3)**	**(54.1)**
Adjustments between accounting basis & funding basis under regulations (Note 7)	**23.4**	**0**	**(0.5)**	**(3.2)**	**19.7**	**(19.7)**	**0**
Net Increase/Decrease before Transfers to Earmarked Reserves	**0.6**	**0**	**(0.5)**	**(3.2)**	**(3.1)**	**(51.0)**	**(54.1)**
Transfers to/from Earmarked Reserves (Note 8)	**(0.6)**	**0.6**	**0**	**0**	**0**	**0**	**0**
Increase/(Decrease) in Year	**0.0**	**0.6**	**(0.5)**	**(3.2)**	**(3.1)**	**(51.0)**	**(54.1)**
Balance at 31 March 2012 carried forward	**4.0**	**33.4**	**0**	**13.8**	**51.2**	**82.8**	**134.0**

Comprehensive Income and Expenditure Statement

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with regulations; this may be different from the "accounting" cost. The taxation position is shown in the Movement in Reserves Statement. The 2010/11 comparative year has been restated to reflect revised service classifications and heritage asset recognition as per the Code of Practice.

2010/11 (restated)				**2011/12**		
Gross Exp £m	**Gross Income £m**	**Net Exp £m**	**Services:**	**Gross Exp £m**	**Gross Income £m**	**Net Exp £m**
19.5	(17.4)	2.1	Central Services to the public	19.6	(17.1)	**2.5**
17.5	(2.3)	15.2	Cultural Services	12.4	(1.8)	**10.6**
22.3	(7.0)	15.3	Environmental and Regulatory	18.5	(4.3)	**14.2**
6.6	(2.8)	3.8	Planning and Regeneration	10.4	(1.7)	**8.7**
156.5	(127.7)	28.8	Education and Childrens	132.5	(93.0)	**39.5**
27.0	(9.8)	17.2	Highways and Transport	19.3	(8.2)	**11.1**
72.8	(65.1)	7.7	Housing	76.0	(68.6)	**7.4**
47.0	(2.0)	45.0	Adult Social Care	47.5	(4.0)	**43.5**
5.0	(1.6)	3.4	Corporate and Democratic Core	3.1	0	**3.1**
2.9	0	2.9	Exceptional Items – local pay review	0	0	**0**
1.4	(8.8)	(7.4)	Non distributed costs – other	1.2	(1.1)	**0.1**
0	(28.0)	(28.0)	Non distributed costs – change in inflation factor for retirement benefits	0	0	**0**
378.5	(272.5)	106.0	**Cost Of Services**	**340.5**	**(199.8)**	**140.7**
0.7	(0.8)	(0.1)	Other Operating Expenditure (Note 9)	22.0	(1.0)	**21.0**
25.2	(15.0)	10.2	Financing and Investment Income and Expenditure (Note 10)	22.2	(14.6)	**7.6**
0	(140.5)	(140.5)	Taxation and Non-Specific Grant Income (Note 11)	0	(146.5)	**(146.5)**
		(24.4)	**(Surplus)/Deficit on Provision of Services**			**22.8**
		(3.0)	(Surplus)/Deficit on revaluation on Non Current Assets			**(15.0)**
		2.5	Impairment losses on non-current assets charged to Revaluation Reserve			**0.3**
		(61.5)	Actuarial (gains) / losses on pension assets / liabilities (note 49)			**46.0**
		(62.0)	**Other Comprehensive Income and Expenditure**			**31.3**
		(86.4)	**Total (Surplus)/Deficit in Comprehensive Income and Expenditure –**			**54.1**

Balance Sheet

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Council. The Net Assets of the Council, (assets less liabilities), are matched by the reserves held by the Council. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the Council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves is those that the Council is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

1st April 2010 Restated £m	31st March 2011 Restated £m		Notes	31 March 2012 £m
319.5	326.7	Property, Plant & Equipment	12	**312.3**
18.7	20.1	Heritage Assets	15	**22.2**
4.1	4.1	Investment Property	13	**4.1**
0.7	0.7	Intangible Assets	14	**0.5**
4.4	3.0	Long Term Investments	18	**2.8**
3.0	2.9	Long Term Debtors	20	**2.9**
350.4	357.5	**Long Term Assets**		**344.8**
95.6	112.0	Short Term Investments	18	**94.4**
1.1	1.1	Assets Held for Sale	19	**0.7**
0.4	0.1	Inventories		**0.1**
11.7	12.2	Current Debtors	20	**13.7**
14.2	2.7	Cash and Cash Equivalents	21	**11.8**
123.0	128.1	**Current Assets**		**120.7**
(1.5)	(1.5)	Short Term Borrowing	24	**(2.0)**
(1.2)	(0.4)	Other Current Term Liabilities	25	**(0.4)**
(32.8)	(35.6)	Current Creditors (inc Receipts in Advance)	22	**(37.4)**
(2.3)	(2.7)	Provisions	23	**(1.4)**
(1.1)	(6.1)	Capital Grants/Contributions: Receipts in Advance	22	**(0.9)**

(38.9)	(46.3)	**Current Liabilities**		**(42.1)**
1st April 2010 Restated	**31st March 2011 Restated**		**Notes**	**31 March 2012**
£m	**£m**			**£m**
(1.3)	(1.0)	Long Term Creditors	22	**(1.2)**
(0.3)	(0.3)	Provisions	23	**(0.2)**
(132.6)	(162.7)	Long Term Borrowing	16	**(153.7)**
(30.0)	(9.9)	Other Long Term Liabilities	25	**(10.3)**
(166.4)	(76.6)	Pension Liability	49	**(123.5)**
(2.2)	(0.7)	Capital Grants/Contributions: Receipts in Advance	22	**(0.5)**
(332.8)	(251.2)	**Long Term Liabilities**		**(289.4)**
101.7	**188.1**	**Net Assets**		**134.0**
54.2	54.3	Usable reserves	26	**51.2**
47.5	133.8	Unusable Reserves	27	**82.8**
101.7	**188.1**	**Total Reserves**		**134.0**

The unaudited accounts were issued on 29th June 2012 and the audited accounts are due to be authorised for issue on 19th September 2012.

P LOOBY BA CPFA
Chief Finance Officer
19th September 2012

Cash Flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents of the Council during the reporting period. The statement shows how the Council generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Council are funded by way of taxation and grant income or from the recipients of services provided by the Council. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Council's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Council.

2010/11 Restated £m		**2011/12 £m**
(24.4)	Net (surplus) or deficit on the provision of services	22.8
(4.7)	Adjustments to net surplus or deficit on the provision of services for non cash movements (note 28)	(39.0)
1.2	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities (Note 29)	1.2
(27.9)	Net cash flows from Operating Activities	(15.0)
48.6	Investing Activities (Note 31)	(3.5)
(9.2)	Financing Activities (Note 32)	9.4
11.5	**Net (increase) or decrease in cash and cash equivalents**	**(9.1)**
14.2	Cash and cash equivalents at the beginning of the reporting period (Note 21)	2.7
2.7	**Cash and cash equivalents at the end of the reporting period (Note 21)**	**11.8**
(11.5)	Net increase or (decrease) in cash and cash equivalents	**9.1**

Notes to the Accounts

1. Heritage Assets: Change in Accounting Policy

The CIPFA Code of Practice on Local Authority Accounting 2011/12 introduced new accounting requirements for heritage assets. As set out in the Council's summary of significant accounting policies, these assets are now carried in the balance sheet at valuation or historic cost under a separate category.

Previously these assets were recognised in the property, plant and equipment classification in the balance sheet as operational assets (at valuation) or community assets (at cost) or were not recognised in the Balance Sheet as it was not possible to obtain cost information on the assets.

In applying the new accounting policy, the Council has identified that £6.3m of assets that were previously held as Property, Plant and Equipment should now be recognised as heritage assets and measured at £13.3 m with a corresponding increase in the Revaluation Reserve. In addition the Council will recognise £5.4m for the first time for assets such as the Mayoral regalia, together with fine art and exhibits (including those at Torre Abbey). Again this increase is also recognised in the Revaluation Reserve. The 1st April 2010 and 31st March 2011 Balance Sheets and 2010/11 comparative figures have been restated in the 2011/12 Statement of Accounts.

The effects of the restatement for as at 1st April 2010 are:-

- At 1 April 2010 the carrying amount of the Heritage Assets recognised is £18.7m. The element that was previously recognised in property, plant and equipment has been reclassified and written down by £6.3 m. The revaluation reserve and capital adjustment account have increased by £12.4 m.
- The fully restated 1 April 2010 Balance Sheet is provided on page 25. The adjustments that have been made to that Balance Sheet over the version published in the 2010/11 Statement of Accounts are as follows:-
-

Effect on Opening Balance Sheet 1 April 2010

	Opening Balances as at 1 April 2010	Restatement	Restated opening balances as at 1 April 2010
	£m	£m	£m
Property, Plant & Equipment	325.8	(6.3)	319.5
Heritage Assets	0	18.7	18.7
Long Term Assets	338.0	12.4	350.4
Total Net Assets	89.3	12.4	101.7
Unusable Reserves	(35.1)	(12.4)	(47.5)
Net Worth/Total Reserves	(89.3)	(12.4)	(101.7)

The effects of the restatement for 2010/11 are:-

During 2010/11 the impact on the Cost of Services in the Comprehensive Income & Expenditure Account is a decrease in depreciation in Cultural Services of £166,000 with a corresponding adjustment in the Movement in Reserves Statement. As this value is not material this statement has not been restated.

The restated Balance Sheet for 31 March 2011 is provided on page 25. The adjustments that have been made to that Balance Sheet over the version published in the 2010/11 Statement of Accounts are as follows:-

Effect on Balance Sheet 31 March 2011

	As previously Stated 31 March 2011	Restatement	Restated balances as at 31 March 2011
	£m	£m	£m
Property, Plant & Equipment	333.3	(6.6)	326.7
Heritage Assets	0	20.1	20.1
Long Term Assets	344.0	13.5	357.5
Total Net Assets	174.6	13.5	188.1
Unusable Reserves	(120.3)	(13.5)	(133.8)
Net Worth/Total Reserves	(174.6)	(13.5)	(188.1)

2. **Accounting Standards That Have Been Issued but Have Not Yet Been Adopted**

IFRS 7 - Financial Instruments: Disclosures (transfers of financial assets, issued October 2010), is intended to assist users of the financial statements to evaluate the risk exposures that relate to transfers of financial assets and the effect of those risks on the Council's financial position. The effective date of the standard was July 2011 but under the Code Councils will implement this standard from April 2012. However, the Council is of the view that the transfers described by the standard will not impact on the Council.

3. **Critical Judgements in Applying Accounting Policies**

In applying the accounting policies set out in Note 50, the Council has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements, where others may have made a different judgement, made in the statement of accounts are:

- The assets (vehicle & plant) that are leased to TOR2 as part of the contract have been treated as Council assets, while any assets purchased by TOR2 are not recognised as Council assets as these are not classified as infrastructure assets, or specified in the contract and are not for the exclusive use of the Council. The Council has considered that there are not any embedded leases within the contract.

- In assessing its existing leases under IFRS guidance the Council has only considered leases where either the value of rent or the value of the asset was material. In addition a ratio of 75% of lease term to asset life has been used as a guide to recognising leases as finance leases.
- In assessing the recognition of grants the Council has determined that if grant conditions have not been met then the grant is not recognised as income but held as a receipt in advance. If a grant could be used to support capital or revenue spend it has been treated as revenue. This would only have an impact between the totals of non specific grant income and gross service income in the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement
- In assessing the initial recognition fair value of its investment in its subsidiaries, in particular the Torbay Economic Development Company the Council has treated the value as equal to the carrying value of the assets transferred to the company less any deficit in relation to pension liabilities at date of transfer. This increase in value has been recognised in taxation and non specific grant income in the Comprehensive Income and Expenditure account. As at 31st March the investment value is adjusted to reflect the movement in the net equity of the company either by an impairment if net equity reduced or a revaluation gain.
- In assessing the fair value of its Heritage Assets the Council has used insurance valuations where available or historic cost. The asset lives of heritage assets, by their nature, have been deemed to be infinite.
- The accounting for the accounting recognition of school assets based on the Council's assessment of its control including its residual interest in asset and its control over school admissions and staff employment over these assets is as follows:

  Community Schools – assets recognised on balance sheet

  Voluntary Aided Schools – assets recognised on balance sheet

  Voluntary Controlled schools – assets <u>not</u> recognised on balance sheet

  Foundation Schools - assets <u>not</u> recognised on balance sheet

  Academy Schools - assets <u>not</u> recognised on balance sheet

Schools converting to Academy status are written out from the Council's balance sheet on date of transfer.

4. **Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty**

The Statement of Accounts contains estimated figures that are based on assumptions made by the Council about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances can't be determined with certainty, actual results could be materially different from the assumptions and estimates. There are no changes in accounting estimates in 2011/12 or expected in future years.

The item in the Council's balance sheet at 31st March 2012 for which there is a significant risk of material adjustment in the forthcoming financial year is as follows:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Pension Liability Value 31/3/12 £123.5 million	The Council's liability as at 31st March is based on a number of complex judgements relating to the discount rate used, the rate at which salaries may change, changes in retirement dates, mortality rates and expected return on pension fund assets A firm of pension actuaries are used to provide this information and every three years there is a detailed actuarial review of the fund. The value of pension assets is estimated (by the actuary) based upon information available at the Balance Sheet date, but these valuations may be earlier than the Balance Sheet date. The actual valuations at the Balance Sheet date, which may not be available until some time later, may give a different value of pension assets, but this difference is not considered to be material.	The effects on the net pension liability of changes in individual assumptions can be measured. For instance, a 0.1% change in the discount rate assumption would result in a change in the (gross) pension liability of £8 million. Similarly a change in the mortality assumption of 1 year would result in a change of £12 million. However, the assumptions interact in complex ways. During 2011/12, the Council's actuaries advised that the net pensions liability had increased by £47 million as a result of estimates being corrected as a result of experience updating of actuarial assumptions.

5. Material Items of Income and Expense

As described in the Operating Review there were a number of unusual costs within the income and expenditure account in 2011/12. These include:

As a result of the 2012/13 budget process and the restructuring of the Council's senior management actual costs and a provision for future costs arising from the reductions was made in 2011/12. These totalled £1.1 million and were funded from the Comprehensive Spending Review Reserve and a linked capital receipt.

In 2011/12 six schools converted to Academy status. Four of these schools were previously recognised on the Council's balance sheet which resulted in a loss on disposal of £19m.

On the creation of the Torbay Economic Development Company in 2011/12 the Council transferred assets with a net book value of £4m to the company for nil consideration resulting in a loss on disposal of that value. As the Council has recognised the value of its investment in the Company linked to the value of assets transferred there is a gain to the Council which is within the Taxation and non specific grant income line in the Comprehensive Income and Expenditure Statement.

There was an increase in the Council's pension fund liability which resulted in a large deficit of £47m reflecting changes in actuarial assumptions as to both the overall pension liability and return on pension fund assets.

6. Events after the Balance Sheet Date

The Statement of Accounts was authorised for issue by the Chief Finance Officer on 29th June 2012. Events taking place after this date are not reflected in the financial statements or notes.

Since 31st March 2012 to the date the Chief Finance officer authorised the accounts (29th June 2012) there are a few significant events to note:

Seven schools are due to convert to academy status in 12/13 becoming independent of the Council, of which one converted in April 2012.

In May 2012 the Council agreed to accept the request for voluntary redundancy made by the Council's Chief Executive. Details of the replacement management arrangements will be finalised during summer 2012.

Torbay Care Trust under health reforms has split into two separate bodies: NHS Torbay and Torbay and Southern Devon NHS Provider Trust. The Council's partnership agreement for Adult Social Care has transferred to the Provider Trust.

7. **Adjustments between Accounting Basis and Funding Basis under Regulations**

This note details the adjustments that are made to the total comprehensive income and expenditure recognised by the Council in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Council to meet future capital and revenue expenditure.

2011/12

2011/12	Usable Reserves			Movement in Unusable Reserves £m
	General Fund Balance £m	Capital Receipts Reserve £m	Capital Grants Unapplied £m	
Adjustments involving the Capital Adjustment Account:				
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:				
Charges for depreciation and impairment of non current assets	(23.4)	0	0	23.4
Movement in the fair value of Investment Properties	(0.1)	0	0	0.1
Movement in the market value of Assets Held for Sale	(0.1)	0	0	0.1
Amortisation of intangible assets	(0.3)	0	0	0.3
Capital Grants and Contributions Applied	12.4	0	0	(12.4)
Revenue expenditure funded from capital under statute	0.1	0	(3.0)	2.9
Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(21.5)	0	0	21.5

2011/12	Usable Reserves			Movement in Unusable Reserves £m
	General Fund Balance £m	Capital Receipts Reserve £m	Capital Grants Unapplied £m	
Notional Rent Credit	0.1	0	0	(0.1)
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:				
Statutory provision for the financing of capital investment	3.9	0	0	(3.9)
Capital expenditure charged against the General Fund	0.9	0	0	(0.9)
Adjustments involving Capital Grant Unapplied Account				
Capital Grants & Contributions unapplied credited to the Comprehensive Income and Expenditure Statement	1.5	0	(1.5)	0
Application of (prior year) Grants to capital financing transferred to the Capital Adjustment Account	0	0	7.7	(7.7)
Adjustments involving the Capital Receipts Reserve:				
Transfer of sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	0.8	(0.8)	0	0
Use of the Capital Receipts Reserve to finance new capital expenditure	0	1.3	0	(1.3)
Adjustments involving the Financial Instruments Adjustment Account:				
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	(0.8)	0	0	0.8
Adjustments involving the Financial Instruments – Available for Sale:				
Recognition of fair value of investment in subsidiary	3.6	0	0	(3.6)
Change in fair value of investment in subsidiary in year	(0.8)	0	0	0.8
Adjustments involving the Pensions Reserve:				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see Note 49)	(8.4)	0	0	8.4
Employer's pensions contributions and direct payments to pensioners payable in the year	7.5	0	0	(7.5)
Adjustments involving the Collection Fund Adjustment Account:				
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	0.8	0	0	(0.8)
Adjustment involving the Accumulated Absences Account				
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	0.4	0	0	(0.4)
Total Adjustments	**(23.4)**	**0.5**	**3.2**	**(19.7)**

2010/11

2010/11 Comparative Figures	Usable Reserves			Movement in Unusable Reserves £m
	General Fund Balance £m	Capital Receipts Reserve £m	Capital Grants Unapplied £m	
Adjustments involving the Capital Adjustment Account:				
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:				
Charges for depreciation and impairment of non current assets	(20.0)	0	0	20.0
Amortisation of intangible assets	(0.3)	0	0	0.3
Capital Grants and Contributions Applied	4.7	0	0	(4.7)
Revenue expenditure funded from capital under statute	0.4	0	(11.1)	10.7
Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(0.3)	0	0	0.3
Notional Rent Credit	0.1	0	0	(0.1)
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:				
Statutory provision for the financing of capital investment	4.0	0	0	(4.0)
Repayment to Devon County Council in relation to transferred debt	0.4	0	0	(0.4)
Capital expenditure charged against the General Fund	1.9	0	0	(1.9)
Adjustments involving Capital Grant Unapplied Account				
Capital Grants & Contributions unapplied credited to the Comprehensive Income and Expenditure Statement	1.4	0	(1.4)	0
Application of (prior year) Grants to capital financing transferred to the Capital Adjustment Account	0	0	14.6	(14.6)
Adjustments involving the Capital Receipts Reserve:				
Transfer of sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	0.5	(0.5)	0	0
Use of the Capital Receipts Reserve to finance new capital expenditure	0	0.4	0	(0.4)
Adjustments involving the Financial Instruments Adjustment Account:				
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	0.1	0	0	(0.1)
Adjustments involving the Pensions Reserve:				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see Note 49)	20.1	0	0	(20.1)
Employer's pensions contributions and direct payments to pensioners payable in the year	8.2	0	0	(8.2)
Adjustments involving the Collection Fund Adjustment Account:				

2010/11 Comparative Figures	Usable Reserves			Movement in Unusable Reserves £m
	General Fund Balance £m	Capital Receipts Reserve £m	Capital Grants Unapplied £m	
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	0.7	0	0	(0.7)
Adjustment involving the Accumulating Compensated Absences Adjustment Account Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	0.4	0	0	(0.4)
Total Adjustments	**22.3**	**(0.1)**	**2.1**	**24.3**

8. **Transfers to/from Earmarked Reserves**

This note sets out the amounts set aside from the General Fund in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund expenditure in 2011/12.

	Balance at1 April 2010 £m	Transfer Out 2010/11 £m	Transfer In 2010/11 £m	**Balance at 31 March 2011 £m**	**Transfer Out 2011/12 £m**	**Transfer In 2011/12 £m**	**Balance at 31 March 2012 £m**
Reserves earmarked for General Expenditure							
Budget Issue Reserves	0.5	(0.5)	0.9	**0.9**	**(0.6)**	**0.1**	**0.4**
Change Management & Financial Strategy	0.9	(0.6)	0.6	**0.9**	**(0.9)**	**0.2**	**0.2**
Comprehensive Spending Review Reserve	0	(1.3)	4.8	**3.5**	**(0.6)**	**0.1**	**3.0**
LGR Repayment Reserve	0.1	(0.1)	0	**0**	**0**	**0**	**0**
Financial Climate Reserve	0.2	(0.2)	0	**0**	**0**	**0**	**0**
	1.7	(2.7)	6.3	**5.3**	**(2.1)**	**0.4**	**3.6**
Reserves earmarked for specific issues							
Carry Forwards (Service)	6.1	(5.5)	7.7	**8.3**	**(5.9)**	**2.9**	**5.3**
Cemeteries Reserve	0.1	0	0	**0.1**	**0**	**0**	**0.1**
Contingent Liability & Dilapidation Reserve	0	0	0	**0**	**0**	**0.2**	**0.2**
Disposal and Property Costs Reserve	0.3	(0.1)	0	**0.2**	**0**	**0**	**0.2**

	Balance at1 April 2010 £m	Transfer Out 2010/11 £m	Transfer In 2010/11 £m	**Balance at 31 March 2011 £m**	**Transfer Out 2011/12 £m**	**Transfer In 2011/12 £m**	**Balance at 31 March 2012 £m**
EDC Reserve	0	0	0	**0**	**0**	**1.6**	**1.6**
Employment Fund	0	0	0	**0**	**0**	**0.3**	**0.3**
Employment Issues	2.7	(2.7)	0.3	**0.3**	**(0.1)**	**0**	**0.2**
Equipment Reserves	0.5	(0.1)	0	**0.4**	**(0.1)**	**0**	**0.3**
Housing – Telecare	0.3	(0.1)	0	**0.2**	**(0.2)**	**0**	**0**
Insurance Reserves	3.9	(0.8)	0.4	**3.5**	**0**	**0.4**	**3.9**
IT Equipment Reserve	0.8	0	0.2	**1.0**	**(0.2)**	**0**	**0.8**
LA Business Growth Incentive	0.2	(0.1)	0	**0.1**	**(0.1)**	**0**	**0**
Misc. Specific Reserves	0.5	(0.4)	0.3	**0.4**	**(0.1)**	**0**	**0.3**
Office Accommodation	0.3	0	0	**0.3**	**0**	**0**	**0.3**
Pension Reserve	0.2	(0.3)	0.6	**0.5**	**0**	**0.5**	**1.0**
PFI Sinking Fund	4.3	(1.4)	0.4	**3.3**	**(0.5)**	**0.5**	**3.3**
Planning Reserve	0.4	(0.1)	0.1	**0.4**	**0**	**0**	**0.4**
Public Health	0	0	0.1	**0.1**	**(0.1)**	**0.4**	**0.4**
Regeneration Reserve	0	0	0	**0**	**0**	**0.3**	**0.3**
Riviera Centre	0.3	0	0.1	**0.4**	**(0.2)**	**0**	**0.2**
Seaside Towns	0	0	0.2	**0.2**	**(0.1)**	**0**	**0.1**
South Devon Link Road	0	0	0.1	**0.1**	**0**	**0.4**	**0.5**
Supporting People Reserve	1.0	(0.2)	0	**0.8**	**(0.2)**	**0.1**	**0.7**
Tourism Reserve	0	0	0	**0**	**(0.1)**	**0.3**	**0.2**
Unsupported Borrowing	1.3	0	0.1	**1.4**	**0**	**0.9**	**2.3**
Waste Strategy Reserve	1.0	(0.6)	0	**0.4**	**(0.3)**	**0.2**	**0.3**
	24.2	(12.4)	10.6	**22.4**	**(8.2)**	**9.0**	**23.2**
Reserves to support Capital expenditure							
Capital Funding Reserve	1.7	(0.8)	0.2	**1.1**	**(0.3)**	**0.3**	**1.1**
TDA Capital Schemes	0.3	(0.3)	0.1	**0.1**	**0**	**0.3**	**0.4**
Vehicles and Plant	0.2	(0.2)	0	**0**	**0**	**0**	**0**
	2.2	(1.3)	0.3	**1.2**	**(0.3)**	**0.6**	**1.5**
School Related Reserves							
Schools Redundancy	0	(0.1)	0.2	**0.1**	**(0.1)**	**0.3**	**0.3**

	Balance at1 April 2010 £m	Transfer Out 2010/11 £m	Transfer In 2010/11 £m	**Balance at 31 March 2011 £m**	**Transfer Out 2011/12 £m**	**Transfer In 2011/12 £m**	**Balance at 31 March 2012 £m**
Early Retirement Reserve	0.3	(0.7)	0.5	**0.1**	**(0.1)**	**0.1**	**0.1**
Schools' Balances (held under a delegation scheme)	0.7	(2.2)	4.0	**2.5**	**(2.5)**	**3.5**	**3.5**
	1.0	(3.0)	4.7	**2.7**	**(2.7)**	**3.9**	**3.9**
Ring Fenced Reserves							
Harbour's Reserve	1.0	0	0.2	**1.2**	**0**	**0**	**1.2**
Trading Reserves (Operations)	0.3	(0.3)	0	**0**	**0**	**0**	**0**
	1.3	(0.3)	0.2	**1.2**	**0**	**0**	**1.2**
Other Reserves							
IFRS Restatement	0.6	(0.6)	0	**0**	**0**	**0**	**0**
	0.6	(0.6)	0	**0**	**0**	**0**	**0**
Total	31.0	(20.3)	22.1	**32.8**	**(13.3)**	**13.9**	**33.4**

The purpose for the reserves (listed in alphabetical order) held by the Council are:-

Name of Reserve	**Description of Reserve**
Budget Issues Reserve	To support future budgetary pressures facing the Council in the medium term.
Capital Funding	To reserve funding for items in the approved Capital Plan Budget.
Carry Forwards	Service Carry Forwards
Cemeteries	To provide a reserve to fund future maintenance issues on Council cemetery sites
Change Management and Financial Strategy	To fund the implementation of high level reviews and other corporate initiatives.
Comprehensive Spending Review Reserve	To fund costs associated with meeting budget reductions as a result of the Government's comprehensive spending review.
Contingent Liabilities and Dilapidations Reserve	To support the funding implications of any Council liabilities that may arise in the future, such as a dilapidation issue.
Disposal Costs and Property Issues Reserve	To support the revenue costs associated with the rationalisation of the Council's assets
Early Retirement Reserve	To enable the Council to meet childrens' redundancy-related liabilities as they fall due. Built up from annual budgets for new redundancies.
EDC Reserve	Reflects the value of funds awarded to the Economic Development Company where the work has yet to be completed.
Employment Fund Reserve	Reserve established in 2011/12 from the New Homes Bonus grant

	to create an Employment Fund to support employment opportunities.
Employment Issues Reserve	To support employment related issues, such as implication of pay modernisation, equal pay and payroll related issues.
Equipment Fund	To facilitate renewal of equipment within services where the replacement is at irregular periods.
Financial Climate	Reserve established in 2009/10 to support the Council's general fund reserve to reflect the increased risk to Council balances from external issues such as the economic conditions. Not now in use.
Harbours	Torquay, Paignton and Brixham Harbours – To finance Harbour expenditure schemes for the purpose of Harbour Users.
Housing Telecare	Reserve to support supporting people via the use of telecare with Torbay Care Trust. Reserve now not in use.
IFRS Restatement Reserve	A temporary reserve, now cleared, used to reflect the entries required on the transition to IFRS accounting standards.
Insurance Reserve	To set aside amounts to cover the future cost of past uninsured events which result in a loss to the Council. This reserve comprises estimates of potential liabilities arising from the Council's previous insurers Municipal Mutual Insurance Ltd not having sufficient solvency, to meet pre 1998 claims from Devon County Council, amounts for specific uninsured risks and a general reserve to meet as yet unknown insurance claims
IT Equipment	To provide funds for priority driven replacements of IT equipment.
Local Authority Business Growth Incentive Reserve	Reserve for the business incentive grant pending the development of plans for the effective use of this grant.
LGR Repayment	To mitigate the impact of increased Minimum Revenue Provision arising from the Council's Local Government Reorganisation Supplementary Credit Approval. Reserve now not in use.
Office Accommodation Reserve	Reserve to help meet the short term revenue costs of the implementation of this major project.
Other Specific Reserves	Includes: Land Charges, Council Elections, Taxi Survey, Devon Audit Partnership and Pearl Assurance House Repairs
Pension Reserve	To set aside monies for any potential liability for the pension costs and any Council pension funding issues
PFI Sinking Fund	To provide funds to meet the liabilities under the PFI agreement over 25 years (Westlands and Homelands Schools) and to provide funding towards Paignton Community College expansion project.
Planning Reserve	To provide for costs of Local Plan Inquiry held every 4/5 years.
Public Health	Reflects carry forward of NHS Funds for Public Health
Regeneration Reserve	A reserve to support economic regeneration and employment initiatives
Riviera Centre	Reserve to help support the Riviera Centre and any alternative use of the site
School Balances	Reflects the carry forward by schools of their delegated school budget share.
School Redundancy	Reserve to support the costs of redundancies for schools based

Reserve	staff
Seaside Towns	Reflects the balance of a government grant received in 2009/10.
South Devon Link Road	To support the development of the South Devon Link Road
Supporting People Reprovision Reserve	To set aside monies to help in the commissioning of services for the re provision of the supporting people function
TDA Capital Reserve	To support funding of TDA Capital projects such as Brixham Regeneration
Tourism Reserve	Reserve established in 2011/12 to support tourism and events.
Trading Reserves	Trading Reserves to support Operational Services. Now not in use post TOR2 contract.
Unsupported Borrowing Equalisation Reserve	Reflects the temporary surplus/deficit arising from the charges to services for the repayment of expenditure under Prudential Borrowing compared to actual interest and Revenue Provision.
Vehicles and Plant	To finance the purchase of vehicles and plant when updating the Council's fleet. Now not in use post TOR2 contract.
Waste Disposal Strategy Reserve	Reflects the reclassification of part of the equipment fund as a specific reserve for Waste Disposal Initiatives.

9. **Other Operating Expenditure**

2010/11 £m		**2011/12 £m**
0.2	Parish council precepts	**0.2**
0	Downward Revaluation on Assets held for Sale	**0.1**
(0.3)	(Gain)/loss on the disposal of non current assets	**20.7**
(0.1)	**Total**	**21.0**

10. **Financing and Investment Income and Expenditure**

2010/11 £m		**2011/12 £m**
7.3	Interest payable and similar charges	**7.4**
5.0	Pensions interest cost and expected return on pensions assets	**2.3**
(1.8)	Interest receivable and similar income	**(1.9)**
(0.3)	Income and expenditure in relation to investment properties and changes in their fair value	**(0.2)**
10.2	**Total**	**7.6**

11. **Taxation and Non Specific Grant Incomes**

2010/11 £m		2011/12 £m
(62.6)	Council tax income	**(63.7)**
(51.5)	Non domestic rates	**(47.7)**
(20.3)	Non-ringfenced government grants	**(17.7)**
0	Recognition of Investment in subsidiary	**(3.6)**
(6.1)	Capital grants and contributions	**(13.8)**
(140.5)	**Total**	**(146.5)**

12. **Property, Plant and Equipment**

Measurement Basis

Non Current assets are valued at fair value for their particular asset type (category). Fair Value will therefore reflect:

Existing Use Value for most categories of Property Plant and Equipment

Depreciated Replacement Cost for assets of a specialised nature with no readily identifiable market

Depreciated Historical Cost for Community, Infrastructure and Vehicles, Plant and Equipment

Historical Cost for Assets under Construction

Depreciation method

Assets are depreciated on a straight line basis over the useful life of each asset to reflect the pattern in which the asset's service potential is expected to be used.

Depreciation is applied to all asset types with the exception of land which is not depreciated due to its nature.

Useful lives used

The useful life of an asset represents the period over which an asset is expected to be of use in providing services for the Council.

Further detail on the Council's accounting polices, including valuation basis and asset lives used, is disclosed in the Council's Accounting Policies for Property, Plant & Equipment – paragraph 1.23).

<u>Movements on Balances</u>

Reconciliation of movements in 2011/12 and the prior year 2010/11 (restated for Heritage Assets) in Property, Plant and Equipment by category of assets is shown in the tables below.

2011/12	**Other Land & Buildings**	**Vehicles, Plant & Equipm't**	**Infra - structure Assets**	**Community Assets**	**Surplus Assets**	**Assets Under Const-ruction**	**Total Property, Plant & Equipm't**	**PFI Assets Included in Property, Plant & Equipm't**
	£m	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**
Cost or Valuation								
At 1 April 2011	**246.6**	**16.6**	**86.7**	**5.0**	**0**	**2.6**	**357.5**	**3.7**
Additions	9.7	0.9	5.2	0.6	0	0.6	**17.0**	0
Revaluation increases/ (decreases) recognised in the Revaluation Reserve	13.2	0	0	0	(0.1)	0	**13.1**	0
Revaluation Increases/ (decreases) recognised in the Surplus/Deficit on the Provision of Services	(14.1)	0	0	0	(0.1)	(2.3)	**(16.5)**	0
Derecognition - Disposals	(21.8)	(0.6)	0	0	0	0	**(22.4)**	0
Derecognition - Other	(0.1)	0	0	0	0	0	**(0.1)**	0
Assets reclassified (to)/from Held for Sale	(0.6)	0	0	0	0.8	0	**0.2**	0
Other movements in Cost or Valuation	0	0	0	(0.1)	0.2	(0.2)	**(0.1)**	0
At 31 March 2012	**232.9**	**16.9**	**91.9**	**5.5**	**0.8**	**0.7**	**348.7**	**3.7**
Accumulated Depreciation and Impairment								
At 1 April 2011	**(9.6)**	**(9.3)**	**(11.9)**	**0**	**0**	**0**	**(30.8)**	**(0.2)**
Depreciation charge	(3.2)	(1.5)	(3.3)	0	0	0	**(8.0)**	(0.1)
Depreciation written out to the Revaluation Reserve	0.3	0	0	0	0	0	**0.3**	0
Depreciation written out to the Surplus/Deficit on the Provision of Services	1.0	0	0	0	0	0	**1.0**	0
Impairment losses/(reversals) recognised in the Revaluation Reserve	(0.2)	0	0	0	0	0	**(0.2)**	0
Derecognition - Disposals	0.6	0.6	0	0	0	0	**1.2**	0
Derecognition - Other	0	0	0	0	0	0	**0**	0

Other movements in Depreciation and Impairment	0.1	0	0	0	0	0	**0.1**	0
At 31 March 2012	**(11.0)**	**(10.2)**	**(15.2)**	**0**	**0**	**0**	**(36.4)**	**(0.3)**
Net Book Value								
At 31 March 2012	**221.9**	**6.7**	**76.7**	**5.5**	**0.8**	**0.7**	**312.3**	**3.4**
At 31 March 2011	**237.0**	**7.3**	**74.8**	**5.0**	**0**	**2.6**	**326.7**	**3.5**

2010/11 **Restated**	**Other Land and Buildings**	**Vehicles, Plant & Equipm't**	**Infra-structure Assets**	**Community Assets**	**Surplus Assets**	**Assets Under Const-ruction**	**Total Property, Plant & Equipm't**	**PFI Assets Included in Property, Plant and Equipm't**
	£m	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**
Cost or Valuation								
At 1 April 2010	234.7	14.9	72.5	2.9	0	19.7	**344.7**	3.7
Additions	12.5	1.7	9.9	2.0	0	2.0	**28.1**	0
Donations	0	0	0	0	0	0	**0**	0
Revaluation increases/ (decreases) recognised in the Revaluation Reserve	(1.0)	0	0	0.1	0	0	**(0.9)**	0
Revaluation Increases/ (decreases) recognised in the Surplus/Deficit on the Provision of Services	(12.6)	0	0	0	0	0	**(12.6)**	0
Derecognition - Other	(0.6)	0	0	0	0	0	**(0.6)**	0
Assets reclassified (to)/from Held for Sale	(0.3)	0	0	0	0	0	**(0.3)**	0
Other movements in Cost or Valuation	13.9	0	4.3	0	0	(19.1)	**(0.9)**	0
At 31 March 2011	**246.6**	**16.6**	**86.7**	**5.0**	**0**	**2.6**	**357.5**	**3.7**
Accumulated Depreciation and Impairment								
At 1 April 2010	(7.0)	(7.9)	(10.3)	0	0	0	**(25.2)**	(0.2)
Depreciation charge	(3.2)	(1.4)	(1.6)	0	0	0	**(6.2)**	0

Depreciation written out to the Revaluation Reserve	0.4	0	0	0	0	0	**0.4**	0
Depreciation written out to the Surplus/Deficit on the Provision of Services	0.2	0	0	0	0	0	**0.2**	0
Derecognition - Disposals	0	0	0	0	0	0	**0**	0
Derecognition - Other	0	0	0	0	0	0	**0**	0
Other movements in Depreciation and Impairment	0	0	0	0	0	0	**0**	0
At 31 March 2011	**(9.6)**	**(9.3)**	**(11.9)**	**0**	**0**	**0**	**(30.8)**	**(0.2)**
Net Book Value:-								
At 31 March 2011	**237.0**	**7.3**	**74.8**	**5.0**	**0**	**2.6**	**326.7**	**3.5**
At 1 April 2010	**227.7**	**7**	**62.2**	**2.9**	**0**	**19.7**	**319.5**	**3.5**

Contractual Commitments for the acquisition of Property, Plant and Equipment as at 31 March 2012

The significant commitments on capital schemes with a value greater than £0.5 million together with the likely year of spend are shown in the table below:

Contract	**Purpose**	**Total Commitments**	**2012/13**	**2013/14**
Schools		£m	£m	£m
Preston Primary School	Provide specialist autism spectrum unit	0.8	0.8	0
Curledge Street Primary	Rationalise places, replace unsuitable accommodation and improve playground facilities	0.9	0.9	0
Housing				
New Growth Points – Land Acquisition	Acquisition of land to facilitate future Affordable Housing developments	0.6	0.6	0
Empty Homes Scheme	Project to bring empty accommodation back into use to provide affordable homes	0.5	0.1	0.2
Economic Regeneration				
Office Rationalisation	Centralisation of Council Offices	1.1	1.1	0
Culture				
Sea Change – Cockington Court	Development of facilities at Cockington Court to provide workshops for Creative Skills Centre	2.9	2.9	0
Total Significant Commitments		**6.8**	**6.4**	**0.2**

Nature and Effects of Changes in Accounting Estimates

In consultation with the Council's highways team the asset life for highways assets, in particular roads have been reviewed to ensure the asset life and rate of depreciation reflects the impact of the replacement of parts of the road when work such as resurfacing is undertaken. Asset lives have now been decreased from 40 years to 20 years which will increase the annual charge for depreciation. This impact has been estimated at an increased depreciation charge of £1.3m per annum.

Revaluations

The Council's assets are regularly revalued (at least once during a five year period) by the Council's appointed qualified valuer. (See accounting policies paragraph 1.23). The effective date of revaluation is usually the 1st April of the year on the revaluation.

	Other Land and Buildings £m	**Vehicles, Plant, Furniture and Equipment £m**	**Surplus Assets £m**	**Total £m**
Carried at historical cost	0	16.9	0	16.9
Valued at fair value as at:				
31 March 2012	36.2	0	0.8	37.0
31 March 2011	21.1	0	0	21.1
31 March 2010	29.6	0	0	29.6
31 March 2009	76.9	0	0	76.9
31 March 2008	69.1	0	0	69.1
Total Cost or Valuation	**232.9**	**16.9**	**0.8**	**250.6**

13. **Investment Properties**

Investment Properties are properties that the Council holds for purely a rental stream or for capital appreciation. These assets have no operational purpose for the Council.

The following items of income and expense have been accounted for in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement:

2010/11 £m		**2011/12 £m**
(0.4)	Rental income from investment property	**(0.4)**
0	Net (gain)/loss from fair value adjustments	**0.1**
0.1	Direct operating expenses arising from investment property	**0.1**
(0.3)	**Net (gain)/loss**	**(0.2)**

There are no restrictions on the Council's ability to realise the value inherent in its investment property or on the Council's right to the remittance of income and the proceeds of disposal. The Council has no contractual obligations to purchase, construct or develop investment property or repairs, maintenance or enhancement. The following table summarises the movement in the fair value of investment properties over the year:

2010/11 £m		**2011/12 £m**
4.1	Balance at start of the year	**4.1**
0	Net gains/losses from fair value adjustments	**0**
4.1	Balance at end of the year	**4.1**

14. **Intangible Assets**

The Council accounts for it's software as intangible assets if material. These are purchased licenses. There are no material internally written software assets included.

All software is given a finite useful life, based on assessments of the period that the software is expected to be of use to the Council. The useful lives assigned to the major software suites used by the Council are:

Useful life	**Intangible Assets (purchased)**
3 years	TRIPS (National database containing travel information),
5 years	Electronic Document Management
10 years	FIMS (Financial Information Management System), Decriminalised Parking

The carrying amount of intangible assets is amortised on a straight-line basis. The amortisation of £0.3 million charged to revenue in 2011/12 was charged to the relevant services within the comprehensive Income and Expenditure Statement or initially to a support service which is then absorbed as an overhead across all the service headings in the Net Expenditure of Services.

There are two items of capitalised software that are individually material to the financial statements:

Carrying Amount			**Remaining Amortisation Period**
31 March 2011 £m		**31 March 2012 £m**	
0.2	FIMS	**0.2**	2 years

	(Council's main Financial Management System)		
0.1	Decriminalised Parking Software (System to manage parking meters)	**0.1**	2 years

The movement on Intangible Asset balances during the year is as follows:

2010/11 Intangible assets (purchased software) £m		**2011/12 Intangible assets (purchased software) £m**
	Balance at start of year:	
3.3	• Gross carrying amounts	**3.6**
(2.6)	• Accumulated amortisation	**(2.9)**
0.7	Net carrying amount at start of year	**0.7**
	Additions:	
0.3	• Purchases	**0.1**
(0.3)	Amortisation for the period	**(0.3)**
0.7	Net carrying amount at end of year	**0.5**
	Comprising:	
3.6	• Gross carrying amounts	**3.7**
(2.9)	• Accumulated amortisation	**(3.2)**
0.7		**0.5**

15. Heritage Assets

The value of the Council's heritage assets are reported in the balance sheet at an insurance valuation. Where it is not practical to obtain an insurance valuation the asset is measured at historical cost (usually nil). Heritage Assets, by their nature have a long life, so have not been depreciated. In 2011/12 there have been no acquisitions or disposals, only enhancement work to Torre Abbey.

The insurance valuations for heritage assets classified as property are updated every year by an inflationary factor as recommended by the Council's insurers, then revalued every 5 years as part of a rolling programme by an external valuer. The Fine Art Collection and Mayoral Regalia are revalued periodically by external valuers to ensure the adequacy of the valuation. These assets are held on the Council's Asset Register.

The following table shows the reconciliation of the carrying value of Heritage Assets held by the Council where the assets are held at valuation. Assets are also held at historic cost. For 2011/12 the historic costs (carrying value) of these assets was nil.

	Fine Art Collection	Mayoral Regalia	Heritage Property	Total Assets
	£m	£m	£m	£m
Valuation				
1 April 2010	**5.2**	**0.2**	**13.3**	**18.7**
Additions	0	0	0.4	0.4
Revaluations	0.7	0	0.3	1.0
31st March 2011	**5.9**	**0.2**	**14.0**	**20.1**
Additions	0	0	0.6	0.6
Revaluations	0	0	1.6	1.6
Impairment losses/(reversals) recognised in the Revaluation Reserve	0	0	(0.1)	(0.1)
31st March 2012	**5.9**	**0.2**	**16.1**	**22.2**

Fine Arts Collection

This classification has a total value of £5.9m, which includes exhibits held at Torre Abbey which have an insurance valuation of £5.4m. The valuation was undertaken by external valuers, Bearnes, in 2010. The collection includes William Holman Hunt's "The Children's Holiday" which has an insurance valuation of £1.2m. There are a large number of exhibits at Torre Abbey that are not included in the valuation due to their low item value. Further details of the exhibits included in this collection are available on the council's website at:-

http://www.torre-abbey.org.uk/collections.php

The above website also provides information on visiting the Abbey.

The Council's 'Acquisition and Disposal Policy for Torre Abbey' is available on the council website:

The Council is in the process of transferring the information it holds on the Torre Abbey exhibits to a new museum database called 'MODES'. Also included in this classification is fine art exhibited at Oldway Mansion and Torquay Town Hall, which has a combined insurance valuation of £0.5m. This valuation was given by external valuers, Bearnes, in 2004.

Mayoral Regalia

Included in this collection are Chains of Office, Badges, Maces and other silver items. The collection was last valued by external valuers, Fattorini, in 2005. Some items were revalued in 2010 and a general uplift to values was applied in 2011.

Heritage Property

A number of the Council's property assets have been recognised on the balance sheet as Heritage Assets. Most of these assets are not insured so are held at historic cost, for example the D Day Embarkation Ramps. Of the property assets with an insurance valuation, Torre Abbey Mansion is the most significant being valued at £12.0m.

The Council also has properties that although culturally and historically important, are being used for operational purposes. As this purpose is more relevant to users of the financial statements these assets have been classified under the heading 'Property, Plant and Equipment' on the balance sheet. For example these assets include Torquay Town Hall and Electric House which are used as office accommodation and Cockington Court which is used for operational purposes. The Council uses an external RICS qualified valuer to provide property reinstatement valuations for insurance purposes

A summary of transactions relating to heritage assets for 2011/12 and prior year is shown in the table below.

	2010/11	**2011/12**
	£m	**£m**
Cost of Acquisitions and Enhancements:-		
- Mallock Memorial enhancement	0.2	0
- Torre Abbey – asset under construction	0.2	0.6
Value of Assets Acquired by Donation	0	0
Value of any Asset Disposed	0	0
Impairment Recognised	0	0

16. **Financial Instruments**

The following categories of financial instrument are carried in the Balance Sheet:

	Long-term			Current		
	1st April 2010 £m	31 March 2011 £m	**31 March 2012 £m**	1st April 2010 £m	31 March 2011 £m	**31 March 2012 £m**
Investments						
Loans and receivables	4.4	3.0	**0**	57.9	76.4	**58.3**
Available-for-sale financial assets	0	0	**2.8**	0	0	**0**
Financial assets at fair value through profit and loss	0	0	**0**	37.7	35.6	**36.1**
Total investments	4.4	3.0	**2.8**	95.6	112.0	**94.4**
Cash & Cash Equivalents						
Cash in hand and at Bank	0	0	**0**	1.7	0.7	**2.1**
Loans and receivables	0	0	**0**	0	0	**9.6**
Available-for-sale financial assets	0	0	**0**	12.5	2.0	**0.1**
Total Cash & Equivalents	0	0	**0**	14.2	2.7	**11.8**
Debtors (incl. Payments in Advance)						
Soft Loans	0.2	0	**0**	0	0	**0**
Financial assets carried at contract amounts	2.8	2.9	**2.9**	11.2	11.5	**10.7**
Total Debtors	3.0	2.9	**2.9**	11.2	11.5	**10.7**
Borrowings/Liabilities						
Financial liabilities at amortised cost	(132.6)	(162.7)	**(153.7)**	(1.5)	(1.5)	**(2.0)**
Total borrowings	(132.6)	(162.7)	**(153.7)**	(1.5)	(1.5)	**(2.0)**
Other Long Term Liabilities						
PFI liability	(10.1)	(9.7)	**(9.3)**	(0.4)	(0.4)	**(0.4)**
Financial Guarantees	(0.2)	(0.2)	**(1.0)**	0	0	**0**

Total other long term liabilities	(10.3)	(9.9)	**(10.3)**	(0.4)	(0.4)	**(0.4)**
Creditors (incl. receipts in advance)						
Financial liabilities carried at contract amount	(1.3)	(1.0)	**(1.2)**	(32.8)	(35.6)	**(37.4)**
Total creditors	(1.3)	(1.0)	**(1.2)**	(32.8)	(35.6)	**(37.4)**
Total Financial Instruments	(139.1)	(167.7)	**(159.5)**	86.3	88.7	**77.1**

During the year the Council has not reclassified any financial instruments or pledged any financial assets as collateral for liabilities or contingent liabilities or has any loans payable including interest due in default.

The main measurement bases used by the Council in preparing the treatment of Financial Instruments within its financial statement are as follows:

Financial Instrument	Basis of measurement	Note
Investments – fixed rate	Carrying value adjusted for interest owed at year end	Investment have both fixed term and fixed interest rates
Investments – Money Market Funds	Increase in carrying value reflected in Balance Sheet and not recognised in Income & Expenditure Account until realised	Minimal balances at year end as investment realised before year end. Interest rate determinable on 1st April.
Investments – Fund Manager	Treated as a Financial Instrument at Fair Value through Profit and Loss as the fund is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit taking.	Fund Manger and Treasury Management advisor have confirmed that the carrying value of the fund at 31st March is the fair value of the Fund.
Investments – Subsidiaries	Fair value of subsidiary is net equity of subsidiary unless negative where the fair value is nil.	Included Torbay Economic Development Company and English Riviera Tourism Company
Investments – Other	Held at carrying value on basis of materiality	
Contractual Debt/payables	Held at invoiced or billed amount less an estimate of Impairment for the uncollectability of that debt.	
PWLB Debt	Carrying value adjusted for interest due at year end	Borrowing is both fixed term and fixed interest rates
LOBO Debt	Balance measured using the effective interest rate (if a stepped rate) or fixed rate (if a	Rate calculated over full term assuming the options within the

	vanilla/flat rate) within the contract for the maximum life of the deal	contract are not exercised.
Financial Guarantee	Balance measured by applying a range of probabilities to the risk of the guarantee being called or payment made.	Only guarantee in this category is to Torbay Coast and Countryside Trust.
Financial Instruments under adverse economic conditions	All financial instruments assessed for impairment from the current economic conditions	As appropriate the impairment for contractual debt has been increased. The Council does not hold any investments which it has assessed to be subject to any impairment.

The Council in compiling its accounts assessed all its financial instruments and there were a number that were not considered material to make adjustment to the carrying value of the asset or liability. These include car loans to staff which are at a market rate, deferred payments and other minor investments.

Income, Expense, Gains and Losses

	2010/11					**2011/12**				
	Financial Liabilities	**Financial Assets**				**Financial Liabilities**	**Financial Assets**			
	Liabilities measured at amortised cost £m	Loans and receivables £m	Available-for-sale assets £m	Assets and Liabilities at Fair Value through Profit and Loss £m	Total £m	**Liabilities measured at amortised cost £m**	**Loans and receivables £m**	**Available-for-sale assets £m**	**Assets and Liabilities at Fair Value through Profit and Loss £m**	**Total £m**
Interest expense	4.7	0	0	0	4.7	**4.7**	**0**	**0**	**0**	**4.7**
Reductions in fair value re interest due	1.5	0	0	0	1.5	**2.0**	**0**	**0**	**0**	**2.0**
Reduction in Fair Value of Subsidiaries	0	0	0	0	0	**0**	**0**	**0.8**	**0**	**0.8**
Total expense in Surplus or Deficit on the Provision of Services	6.2	0	0	0	6.2	**6.7**	**0**	**0.8**	**0**	**7.5**
Interest income	0	(0.7)	0	0	(0.7)	**0**	**(0.7)**	**0**	**0**	**(0.7)**
Increases in fair value	0	(0.4)	0	(0.4)	(0.8)	**0**	**(0.4)**	**0**	**(0.5)**	**(0.9)**

Total income in Surplus or Deficit on the Provision of Services	0	(1.1)	0	(0.4)	(1.5)	**0**	**(1.1)**	**0**	**(0.5)**	**(1.6)**
Net gain/(loss) for the year	6.2	(1.1)	0	(0.4)	4.7	**6.7**	**(1.1)**	**0.8**	**(0.5)**	**5.9**

Fair Values of Assets and Liabilities

Financial liabilities, financial assets represented by loans and receivables and long-term debtors and creditors are carried in the Balance Sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments, using the following assumptions:

For PWLB debt the fair value has been assessed by using PWLB rates for new loans as at 31st March 2012, and then matched, as appropriate, to the duration on an existing maturity. No early repayment or impairment is recognised. For LOBO debt the fair value has been assessed by using a discount rate for LOBOs of similar length and structure with a comparable lender as at 31st March 2012

For Investments, such as callable deposits (assumed to maturity) and fixed term deposits where the rate is fixed, the fair value has been assessed by using a discount rate for deposits of similar length with a comparable lender as at 31st March 2012. For investments held in higher earning "cash" accounts the fair value is assumed to be the same as the nominal value of the deposit.

The fair value of debtors and creditors is taken to be the invoiced or billed amount.

The table below shows the fair values of assets and liabilities where the fair value is different to the value shown in the Council balance sheet – the "carrying value":

	1 April 2010		**31 March 2011**		**31 March 2012**	
	Carrying amount £m	**Fair value £m**	**Carrying amount £m**	**Fair value £m**	**Carrying amount £m**	**Fair value £m**
Financial Assets:						
Loans and Receivables:						
- Short Term Loans	57.9	58.2	76.4	76.5	**58.3**	**58.6**
- Long Term Loans	4.5	5.2	3.0	3.0	**0**	**0**
Financial Liabilities:						
Borrowing	(134.1)	(128.6)	(164.2)	(148.3)	**(155.7)**	**(158.0)**

The fair value of the loans and receivables (investments) is marginally higher than the carrying amount because the Council's portfolio of investments includes a number of fixed rate loans where the interest rate payable is higher than the prevailing rates at the Balance Sheet date. This shows a notional future gain (based on economic conditions at 31 March 2012) arising from a commitment to be paid interest by lenders above current market rates. As the majority of Council investments are under one year and there was as at 31st March a flat profile for interest rates in the short term there is very little difference between the carrying amount and the fair value.

The fair value of the liabilities (borrowing) is lower than the carrying amount because the Council's portfolio of loans includes a number of fixed rates where the interest rate payable is higher than the rates available for similar loans at the balance sheet date. The commitment to pay interest above current market rates increases the amount the Council would have to pay if the lender requested or agreed to early repayment of the loans.

It should be noted that the PWLB also provided a fair value of the Council's PWLB debt as at 31st March 2012 of £175.6 million (£159.8m 2010/11) This is lower than the carrying PWLB amount of £145.5m as the PWLB has used their "premature redemption rate of interest" to calculate fair value. This rate is a more punitive rate than current rates that only applies if a Council repays debt early and is not a realistic view as it is unlikely that the Council would repay/reschedule loans while they were lower than current levels.

17 Nature and Extent of Risks Arising from Financial Instruments

The Council's activities expose it to a variety of financial risks:

- credit risk – the possibility that other parties might fail to pay amounts due to the Council
- liquidity risk – the possibility that the Council might not have funds available to meet its commitments to make payments
- market risk – the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rates and stock movements

The Council's overall risk management programme (as outlined in its Treasury Management Strategy) focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services. Risk management is carried out by the Council's treasury team, under policies and practices approved by full Council in March 2010. The Council provides written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk and the investment of surplus cash. The Council's treasury team also, as required, make in year adjustments in the event of changing circumstances such as economic pressures impacting on rates or changes to investment counterparty lists.

Credit Risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposure to the Council's customers. Deposits are not made with banks and financial institutions unless they have a sufficiently high credit rating, as designated by independent credit rating agencies, or other strong measure of security such as a central government guarantee with a minimum sovereign rating of "AAA"/"AA+", with a range of investment limits relating to both value and length of deposit depending on rating. The system of counterparty selection includes a sophisticated modelling approach which combines credit ratings, credit watches, credit outlooks and credit default swaps (CDS) spreads in a weighted scoring system for which the end product is a series of colour code bands which indicate the value and durational limits for each counterparty. The Council's fund manager also complies with a list of approved institutions with appropriate maximum holdings.

The following analysis summarises the Council's potential maximum exposure to credit risk, based on experience of default and uncollectability, adjusted to reflect current market conditions.

	Amount at 31/3/12	Historical experience of default	Historical experience adjusted for market conditions at 31/3/12	Estimated maximum exposure to default and uncollectability at 31/3/12
	£m	%	%	£m
Deposits with banks and other financial institutions	58.3	0%	0%	0
Deposits held by Fund manager	36.1	0%	0%	0
Trade and other Receivables – Sundry Debt	3.6	3.0%	5%	0.2
Total	**98.0**			**0.2**

The Council does not generally allow credit to customers. In reviewing the Council's sundry debt £0.8 million of its sundry debt of the £3.6 million balance is over three months due for payment. The past due amount can be analysed by age as follows:

31/03/11		**31/03/12**
£m		**£m**
1.6	Less than 3 months	**2.8**
0.7	Three months to one year	**0.3**
0.5	More than one year	**0.5**
2.8	**Total**	**3.6**

At year end the level of impairment for Council debt is assessed and reflected in the value of the impairment disclosed on the balance sheet within the debtors total and disclosed in the debtors note (note 20) .

Liquidity Risk

As the Council has ready access to borrowings from the Public Works Loans Board and a short term overdraft facility, there is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments. Instead there is a risk that the Council will be bound to replenish a proportion of its borrowings at a time of unfavourable interest rates. The Council's treasury team aim to ensure that the Council's borrowing portfolio is spread over a range of maturities by a combination of careful planning of new loans taken out and, (where it is economic to do so), rescheduling debt.

The maturity analysis of fixed rate borrowing at fair value is as follows:

£m		£m
31/03/11		**31/03/12**
1.5	Less than one year	**2.0**
0	Between one and two years	**0.0**
4.0	Between two and five years	**1.0**
15.0	Between five and ten years	**16.0**
24.8	Between ten and twenty years	**22.8**
31.3	Between twenty and thirty years	**35.7**
87.6	Above thirty years	**78.2**
164.2	**Total**	**155.7**

The Council monitors and manages its cash flow on a daily basis to ensure it has, at all times, short term liquidity to meet payables and other liabilities.

Market Risk

There are three market related risks the Council is aware of: Interest Rate Risk, Price Risk and Foreign Exchange Risk. Further detail of each risk is outlined below:

Interest Rate Risk

The Council is exposed to significant risk in terms of its exposure to interest rate movements on its borrowing and investments. Movements in interest rates have a complex impact on the Council. For example a rise in interest rates would have the following effects:

- borrowings at variable rates – the interest expenses charged to the Comprehensive Income and Expenditure will rise
- borrowings at fixed rates - the fair value of the liabilities borrowings will rise
- investments at variable rates – the interest income credited to the Comprehensive Income and Expenditure will rise
- investments at fixed rates - the fair value of the assets will fall

Where the Council has borrowing on a fixed rate basis there will be no variation between the carrying value and fair value, so nominal gains and losses on fixed rate borrowings would not impact on the Income and Expenditure account or Movement in Reserves Statement (MIRS). However any changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Income and Expenditure and effect the general Fund Balance.

The Council has a number of strategies for managing interest rate risk. Its policy is to limit its exposure to variable rate loans. As at 31st March 2012 the Council had no borrowing at variable interest rates with £10m on market loans (LOBO) where in future years the rates could vary.

The Council's treasury management team has an active strategy for assessing interest rate exposure that supports the setting of the annual budget and which is used to proactively manage the Council's investments and borrowings during a year.

If on the 31st March 2012 the interest rates are 1% higher than the actual interest rates the financial impact would be:

a) Borrowing:

The Council had no variable rate borrowing as at 31st March 2012 so there would be no impact.

b) Investments

It is reasonable to assume that the Council's investments in "cash" accounts, money market funds and the fund manger should increase by the change in interest rates. If the Council's investment in these instruments were maintained at the level as at 31st March 2012 for a full financial year, this would generate an additional £0.7m over a year. It should be noted that if the interest rate increase was forecast it is likely the profile of fixed rate deposits would have been invested on that basis.

The impact of a 1% fall in interest rates would be as above but with the movements being reversed. The only additional issue is that if the Council had a number of callable deposits which are more likely to be called (repaid) by the borrower in a falling rate environment, which would result in the Council having to reinvest at potentially lower interest rates.

Price Risk

The Council does not generally invest in equity shares. The Council does have an equity interest in a number of companies (see note 42), of these only the share holding in TOR2 could lead to a realised share of profits.

Foreign Exchange Risk

The Council has no financial assets or liabilities denominated in foreign currencies (except for an occasional non sterling creditor payment) and thus have no exposure to loss arising from movements in exchange rates.

18 Investments

Long Term Investments

Long term investments comprise any cash investments the Council has made with a maturity in excess on one year and the fair value of its investments in its subsidiaries.

Total Invested 1st April 2010 £ m	Total Invested 31st March 2011 £ m	**Analysis of Investments by due dates**	**Total Invested 31st March 2012 £ m**
4.4	**3.0**	Money Market Investments	**0**
0	**0**	Economic Development Company (EDC)	**2.8**
0	**0**	English Riviera Tourism Company (ERTC)	**0**
4.4	**3.0**	**Total**	**2.8**

The movement in the year of the investment value of the Council subsidiaries are shown in the table below:

2010/11 Investment in Subsidiaries £m			2011/12 Investment in Subsidies £m	
EDC	**ERTC**		**EDC**	**ERTC**
0	**0**	Balance at start of year:	**0**	**0**
0	**0**	Initial Recognition of Investment	**3.6**	**0**
0	**0**	Change in value of Company	**(0.8)**	**0**
0	**0**	Fair Value as at 31st March	**2.8**	**0**

As at 31st March 2012 the Council had no money market investments with a maturity of greater than one year. (2010/11 £3.0m). The table below shows an analysis of the Money Market Investments repayments, (principal only):

Total Invested 1st April 2010 £ m	Total Invested 31st March 2011 £ m	**Analysis of Investments by due dates**	**Total Invested 31st March 2012 £ m**
2.0	**3.0**	1 up to 2 years	**0**
2.0	**0**	2 up to 3 years	**0**
0	**0**	3 up to 4 years	**0**
4.0	**3.0**	Total	**0**
4.4	*3.0*	*Fair Value as at 31st March - including interest due*	*0*

Short Term Investments

Temporary investments are short term investments with a maturity less than one year that are held for investment purposes not short term cash flow liquidity. As at 31st March 2012 the Council held £94.0 million (2010/11 £111.3 m) of short-term (money market) investments (principal only), of which £36.1 million (2010/11 £35.6m) is held by the Council's fund manager – Scottish Widows Investment Partnership.

Total Invested 1st April 2010 £ m	Total Invested 31st March 2011 £ m		**Total Invested 31st March 2012 £ m**
		Short Term Investments - less than 1 year	
45.0	**43.7**	- Cash Deposits	**52.0**
12.0	**32.0**	- Notice/Call Accounts	**5.9**
35.5	**35.6**	- Fund Manager *	**36.1**
92.5	**111.3**	Total Temporary Investments	**94.0**
95.6	*112.0*	*Fair Value as at 31st March - including interest due*	*94.4*

Note * - The Council has designated its holding with Scottish Widows at Fair Value through Profit and Loss as, in substance, the Council's holding is part of a portfolio of identified financial instruments that are managed together and there is evidence of short term profit making.

19. Assets Held for Sale

Assets held solely for rental streams or capital appreciation

2009/10 £m	2010/11 £m		**2011/12 £m**
2.4	1.1	**Balance at start of year**	**1.1**
		Assets newly classified as held for sale:	
0	0.3	- Property, Plant and Equipment	**0.6**
0	0	Assets re classified as Surplus Assets:	**(0.7)**
(0.1)	0	Revaluation losses	**(0.1)**
0.2	0	Revaluation gains	**0**
(1.4)	(0.3)	Assets sold	**(0.2)**
1.1	1.1	**Balance at year-end**	**0.7**

20 Debtors

Debtors represent monies owed to the Council and include deposits and payments in advance.

Long Term Debtors

Debtors due after one year:

1st April 2010	31 March 2011		31 March 2012
£m	£m		£m
0.4	0.3	Other Long Term Debtors	**0.2**
0.2	0.2	Loan - PLUSS	**0.2**
0.6	0.5	Sub total: Long term debtors	**0.4**
2.3	2.3	Torquay Marina	**2.3**
0.1	0.1	Cremator Replacement	**0.2**
2.4	2.4	Sub total: recognised under IFRS accounting	**2.5**
3.0	2.9	**Total Long Term Debtors**	**2.9**

Current Debtors (Due within one year including payments in advance)

1st April 2010	31 March 2011		31 March 2012
£m	£m		£m
4.3	3.9	Central government bodies	**2.4**
1.6	2.4	Other local authorities and public bodies	**2.4**
0.5	0.2	NHS bodies	**0.6**
3.2	3.2	Council Tax (inc. liability orders)	**3.4**
1.6	2.0	Housing Benefit	**2.2**
5.3	5.8	Other entities and individuals	**7.8**
16.5	17.5	**Total**	**18.8**
(4.8)	(5.3)	**Impairment (uncollectibility of debt)**	**(5.1)**
11.7	12.2		**13.7**

21. **Cash and Cash Equivalents**

The balance of Cash and Cash Equivalents is made up of the following elements:

1st April 2010 £m	31 March 2011 £m		31 March 2012 £m
1.7	0.7	Bank current accounts	**2.1**
12.5	2.0	Short-term deposits with Money Market Funds and Liquidity Accounts	**9.7**
14.2	**2.7**	**Total Cash and Cash Equivalents**	**11.8**

22 Creditors

Represents monies owed by the Council

Long Term Creditors

1st April 2010 £m	31 March 2011 £m		**31 March 2012 £m**
1.1	0.8	PFI Renewal Fund	**1.0**
0.2	0.2	Other long term creditors	**0.2**
1.3	1.0	**Total Long Term Creditors**	**1.2**

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Current Creditors (due within one year including revenue receipts in advance)

1st April 2010 £m	31 March 2011 £m		31 March 2012 £m
1.7	0.5	Central government bodies	**3.2**
3.7	4.7	Other local authorities and public bodies	**2.6**
5.2	8.9	NHS bodies	**11.9**
22.2	21.5	Other entities and individuals	**19.7**
32.8	**35.6**	**Total**	**37.4**

Capital Grants & Contributions – Received in Advance

These represent capital grants and contributions where the funding contains a condition which prevents the Council from recognising this income in its Comprehensive Income and Expenditure statement until the condition is met. Note: This accounting recognition of income does not prevent the Council using these funds for capital financing purposes.

1st April 2010	31 March 2011		**31 March 2012**
£m	£m		**£m**
2.0	0.7	Capital Grants – received but unused	**0**
0	5.6	Capital Grants - used in capital financing	**0.7**
1.3	0.5	Capital Contributions– received but unused	**0.7**
0	0	Capital Contributions – used in capital financing	**0**
3.3	**6.8**	**Total Grants & Contributions**	**1.4**
1.1	6.1	Expected to be used within 1 year	0.9
2.2	0.7	Expected to be used after 1 year	0.5

23. Provisions

Represents monies potentially owed by the Council but the timing and value of the payment is uncertain.

	Insurance £m	**Local Pay Review £m**	**Service Restructure & Reductions £m**	**Other Provisions £m**	**Total £m**
Balance at 1 April 2010					
- Due under one year	0.3	1.9	0	0.1	2.3
- Due over one year	0.3	0	0	0	0.3
	0.6	1.9	0	0.1	2.6
Balance at 31st March 2011					
- Due under one year	0.3	0.2	1.4	0.8	2.7
- Due over one year	0.3	0	0	0	0.3
	0.6	0.2	1.4	0.8	3.0

Additional provisions made in 2011/12	0.4	0	0.6	0.2	1.2
Amounts used in 2011/12	(0.4)	(0.1)	(1.4)	(0.7)	(2.6)
Balance at 31 March 2012	**0.6**	**0.1**	**0.6**	**0.3**	**1.6**
- Due Under one year	0.4	0.1	0.6	0.3	1.4
- Due over one year	0.2	0	0	0	0.2
	0.6	**0.1**	**0.6**	**0.3**	**1.6**

Description of Provisions held by the Council

Name of Provision	**Description of Provision**
Insurance	Reflects a reliable estimate of Council liability on all known claims outstanding as at 31st March, which have yet to be settled. The timing of spend will be up to three years depending on claim type.
Local Pay Review	Provision to meet the costs of implementing the Local Pay Review. The year end balance reflects the estimated value of payments to meet the lump sum payments to staff of implementing the scheme where a reliable estimate can be made. In recognising the potential for such costs the council is not conceding that any such costs will be paid in the future.
Restructure & Reductions	Provision to meet liabilities of implementing the Council's budget reductions for 2012/13 and management restructure based on decisions made by 31st March 2012.
Other Provisions	In 2011/12 provision was made in relation to the Council's liability in relation to the (new) Carbon Allowances scheme. There are also a number of other provisions that individually are insignificant.

24 Borrowing

This heading reflects the borrowing undertaken by the Council to fund its approved capital programme. Any costs of borrowing are reflected in the Income and Expenditure Account for interest charges and the Minimum Revenue Provision for the repayment of debt. Central Government will recognise the costs of any "supported" borrowing within the Council's annual funding settlement. Any "unsupported" borrowing undertaken using the Prudential Code will have to be funded from within Council resources.

Total Outstanding 1st April 2010 Principal £ m	Total Outstanding 31st March 2011 Principal £ m	Borrowing Repayable	Total Outstanding 31 March 2012 Principal £ m
		Amounts falling due within one year	
0	**0**	Public Works Loans Board & LOBO	**0**
0	**0**		**0**
		Amounts falling due in excess of one year	
10.0	**10.0**	Money Market (LOBO) - see note 23	**10.0**
122.4	**152.5**	Public Works Loans Board	**143.5**
132.4	**162.5**		**153.5**
132.4	**162.5**	**Total**	**153.5**
134.1	*164.2*	*Fair Value as at 31st March - including interest due*	*155.7*

The table below shows an analysis of the maturity of loans repayable: - (by principal outstanding).

Total Principal Outstanding 1st April 2010 £ m	Total Principal Outstanding 31st March 2010 £ m	Analysis of Loans by Maturity	Average Interest Rate	Total Principal Outstanding 31st March 2012 £ m
0	5.0	Within 1 year	-	**0**
0	0	1 up to 2 years	-	**0**
0	4.0	2 up to 3 years	-	**0**
4.0	0	3 up to 4 years	-	**0**
0	0	4 up to 5 years	4.2%	**1.0**
17.0	15.0	5 up to 10 years	3.7%	**16.0**
13.0	15.0	10 up to 15 years	4.4%	**14.8**
3.0	9.8	15 up to 20 years	4.2%	**8.0**
9.0	11.6	20 up to 25 years	4.8%	**18.6**
86.4	102.1	Over 25 years	4.3%	**95.1**
132.4	162.5	Total	4.3%	**153.5**
134.1	*164.2*	*Fair Value as at 31st March - including interest due*		***155.7***

Lenders Option Borrowers Option (LOBO)

The Council has two LOBO loans (Lenders Option Borrowers Option). One with Barclays Bank where after a short initial period of low interest, it then moved to a higher rate during 2009/10. The second, taken in 2008/09 with Dexia has, at inception, a constant rate of interest for the length of the loan but only fixed for the initial period. On both loans the lender has the option to increase the rate beyond the agreed rates after the initial period and at agreed intervals thereafter. The borrower then has the option to continue at the higher rate or repay the loan incurring no penalty. The loan will continue for the full term at the agreed rate unless the lender exercises the option to increase the rate of interest.

25 Liabilities

These relate to contracts or agreements that the Council has entered into that guarantee future payments to a third party.

1st April 2010 £m	31 March 2011 £m		**31 March 2012 £m**
		Liabilities due within 1 year	
0.8	0	DCC Transferred Debt	**0**
0.4	0.4	PFI Liability	**0.4**
0	0	Financial Guarantees	**0**
1.2	0.4	**Total due within 1 year**	**0.4**
		Liabilities due over 1 year	
19.7	0	DCC Transferred Debt	**0**
10.1	9.7	PFI Liability	**9.3**
0.2	0.2	Financial Guarantees	**1.0**
30.0	9.9	**Total due over 1 year**	**10.3**
31.2	10.3	**Total Liabilities**	**10.7**

Westland and Homelands Schools PFI Scheme

A Project Agreement was signed on 31st March 2000 with Torbay School Services Ltd (TSS) for the provision of serviced facilities at Westlands Secondary and Homelands Primary Schools in Torquay. The period of the contract is 26 years from the actual completion of the redevelopment of the Westlands School buildings, which occurred on 24th October 2001 (i.e. expires in 2027). Payments under the contract commenced on 1st April 2001 when Phase 1 of Westlands was completed. The contract specifies minimum standards for the services to be provided by the contractor, with deductions from the fee payable being made if facilities are unavailable or performance is below the minimum standards. The contractor took on the obligation to construct the schools and maintain them in a minimum acceptable condition and to procure and maintain the plant and equipment needed to operate the schools. The buildings and any plant and equipment installed in them at the end of the contract will be transferred to the Council for nil consideration. There were no changes to the contract arrangements during the year.

PFI Property Plant and Equipment

The assets used to provide services at both schools are recognised on the Council's Balance Sheet. Since the PFI contract started Westlands school became a Foundation School therefore the asset was derecognised. The Council has retained the liability. Westlands school is expected to transfer to academy status in 2012/13 however the accounting treatment will not change.

PFI Payments

The Council makes an agreed payment each year which is increased each year by inflation and can be reduced if the contractor fails to meet availability and performance standards in any year but which is otherwise fixed. In relation to this contract the Council recognises as a liability on its balance sheet the element of this annual payment that relates to the construction and purchase of the two schools. The other elements of the contract, finance costs and service charges are recognised on an annual basis in the Council's Comprehensive Income and Expenditure account. Payments remaining to be made under the PFI contract at 31 March 2012 (excluding any estimation of inflation and availability/performance deductions) are as follows:

	Payment for Services * £m	**Reimbursement of Capital Expenditure £m**	**Interest £m**	**Total £m**
Payable in 2012/13	1.6	0.4	0.5	2.5
Payable within 2 to 5 years	6.1	1.9	1.8	9.8
Payable within 6 to 10 years	7.7	3.0	1.6	12.3
Payable within 11 to 15 years	7.7	3.9	0.7	12.3
Payable within 16 to 20 years	0.7	0.5	0	1.2
Total	**23.8**	**9.7**	**4.6**	**38.1**

* Assumption that the total annual payment for all three elements to the contractor will remain constant (ignoring inflation) until 2027/28 when the contract finishes.

Although the payments made to the contractor are described as unitary payments, they have been calculated to compensate the contractor for the fair value of the services they provide, the capital expenditure incurred and interest payable. The liability outstanding to pay to the contractor for capital expenditure incurred is as follows:

2010/11		2010/12
£m		£m
10.5	Balance outstanding at start of year	10.1
(0.4)	Payments during the year	(0.4)
10.1	**Balance outstanding at year-end**	**9.7**

Financial Guarantees

Torbay Coast and Countryside Trust

The Council has agreed to act as a guarantor to the Torbay Coast and Countryside Trust for £975,000 (£975,000 2010/2011). This is relating to a bank loan and an overdraft facility, in respect of capital work and trading at Occombe Farm.

As at 31st March 2012 the fair value of this guarantee was £975,000 (£182,000 2010/11). On the basis of the TCCT financial plans there are no plans for the TCCT to be able to clear their debts in the short term without the Council agreeing to sell land leased to the TCCT. The fair value of the guarantee has been assessed at its full value. This change in value of the fair value of the guarantee has been reflected in the Council's Income and Expenditure Account and balance sheet.

Under Statutory Instrument 414/2008 (30F) the Council is allowed to neutralise the overall impact of this guarantee on its accounts until the "risk subsists".

26. **Usable Reserves**

Movements in the Council's usable reserves are detailed in the Movement in Reserves Statement and in the table below:

1st April 2010	31 March 2011		31 March 2012
£m	£m		£m
3.7	**4.0**	General Fund Reserve	**4.0**
31.0	**32.8**	Earmarked Reserves – see note 8	**33.4**
0.4	**0.5**	Usable Capital Receipts Reserve	**0**
19.1	**17.0**	Capital Grants & Contributions Unapplied	**13.8**
54.2	**54.3**	**Total Usable Reserves**	**51.2**

Details of movement in the individual usable reserves are in the tables below, except the movements in earmarked reserves which are detailed in note 8

Usable Capital Receipts Reserve

This reserve holds the balance of any capital receipts at the end of each financial year that have been received and recognised as income in the Comprehensive Income and Expenditure Account but not yet applied to finance capital expenditure.

2010/11 £m		2011/12 £m
0.4	**Balance at 1 April**	**0.5**
0.5	Transfer of sale proceeds credited as part of gains/loss on disposal to the Comprehensive Income and Expenditure Statement.	**0.8**
(0.4)	Transfer to Capital Adjustment Account when applied to finance capital expenditure	**(1.3)**
0.5	**Balance at 31 March**	**0**

Capital Grants and Contributions Unapplied Reserve

This reserve holds the balance of any capital grants and contributions at the end of each financial year that have been received and recognised as income in the Comprehensive Income and Expenditure Account but not yet applied to finance capital expenditure.

2010/11 £m		2011/12 £m
19.1	**Balance at 1 April**	**17.0**
12.5	Transfer of capital grants & contributions recognised in the Comprehensive Income and Expenditure Statement but not yet applied finance capital expenditure.	4.5
(14.6)	Transfer to Capital Adjustment Account when applied to finance capital expenditure	(7.7)
17.0	**Balance at 31 March**	**13.8**

27. **Unusable Reserves**

Movements in the Council's unusable reserves are detailed in the Movement in Reserves Statement and in the table below:

1st April 2010 £m	31 March 2011 £m		31 March 2012 £m
44.8	44.4	Revaluation Reserve	57.8
171.7	167.5	Capital Adjustment Account	146.8
(0.3)	(0.3)	Financial Instruments: Adjustment Account	(1.1)
0	0	Financial Instruments: Available for Sale	2.8
(166.4)	(76.6)	Pensions Reserve	(123.5)
1.1	1.8	Collection Fund Adjustment Account	2.6
(3.4)	(3.0)	Accumulating Compensated Absences Adjustment Account	(2.6)
47.5	**133.8**	**Total Unusable Reserves**	**82.8**

<u>Revaluation Reserve</u>

The Revaluation Reserve contains the net gains made by the Council arising from increases in the value of its Property, Plant and Equipment, Intangible Assets and the "frozen" revaluation gains in assets now classified as Investment Properties or as Assets Held for Sale. The balance is reduced when assets with accumulated gains are:

- revalued downwards or impaired and the gains are lost
- used in the provision of services and the gains are consumed through depreciation, or
- disposed of and the gains are realised.

The Reserve contains only revaluation gains accumulated since 1 April 2007, the date that the Reserve was created. Accumulated gains arising before that date were consolidated into the balance on the Capital Adjustment Account.

2010/11 £m Restated		2011/12 £m	
44.8	**Balance at 1 April**		**44.4**
0	Adjustment to Opening Balance		**2.2**
2.8	Upward revaluation of assets	**15.0**	
(2.5)	Downward revaluation of assets and impairment	**(0.3)**	

	losses not charged to the Surplus/Deficit on the Provision of Services		
0.3	Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services		**14.7**
(0.8)	Difference between fair value depreciation and historical cost depreciation	**(0.6)**	
0.1	Accumulated gains on assets sold or scrapped	**(2.9)**	
(0.7)	Amount written off to the Capital Adjustment Account		**(3.5)**
44.4	**Balance at 31 March**		**57.8**

Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The Account is credited with the amounts set aside by the Council as finance for the costs of acquisition, construction and enhancement.

The Account contains accumulated gains and losses on Investment Properties and Assets held for Sale that have yet to be consumed by the Council. The Account also contains revaluation gains accumulated on non current assets before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains. Note 7 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

2010/11 £m Restated		**2011/12 £m**	
171.7	**Balance at 1 April**		**167.5**
0	Adjustment to Opening Balance		**(2.2)**
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
(19.9)	• Charges for depreciation and impairment of non current assets	**(23.4)**	
(0.3)	• Amortisation of intangible assets	**(0.3)**	
(10.7)	• Revenue expenditure funded from capital under statute	**(2.9)**	
0.1	• Notional Rent Credit	**0.1**	

(0.3)	• Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	**(21.5)**	
(31.1)			**(48.0)**
0.7	Adjusting amounts written out of the Revaluation Reserve		**3.5**
(30.4)	Net written out amount of the cost of non current assets consumed in the year		**(44.5)**
	Capital financing applied in the year:		
0.4	• Use of the Capital Receipts Reserve to finance new capital expenditure	**1.3**	
4.9	• Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	**12.4**	
14.6	• Application of grants to capital financing from the Capital Grants Unapplied Account	**7.7**	
4.0	• Statutory provision for the financing of capital investment charged against the General Fund	**3.9**	
0.4	• Repayment of Debt Transferred from Devon County Council	**0**	
1.9	• Capital expenditure charged against the General Fund	**0.9**	
26.2			**26.2**
0	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement		**(0.1)**
0	Movements in the market value of Assets Held for Sale debited or credited to the Comprehensive Income and Expenditure Statement		**(0.1)**
167.5	**Balance at 31 March**		**146.8**

Financial Instruments Adjustment Account

The Financial Instruments Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments such as the fair value of guarantees and for bearing losses or benefiting from gains per statutory provisions.

2010/11 £m		**2011/12 £m**	
(0.3)	**Balance at 1 April**		**(0.3)**
0	Costs incurred in the year and charged to the Comprehensive Income and Expenditure Statement	**(0.8)**	
0	Proportion of costs incurred in previous financial years to be credited to General Fund Balance in accordance with statutory requirements	**0**	
0	Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements		**(0.8)**

(0.3)	**Balance at 31 March**	**(1.1)**

Financial Instruments Available For Sale Adjustment Account

The Financial Instruments Available for Sale reflects the movement in fair value of the Councils investments held as financial assets at fair value – the Council's investments in its subsidiary companies the Torbay Economic Development Company and the English Riviera Tourism Company.

2010/11 £m		**2011/12 £m**	
0	**Balance at 1 April**		**0**
0	Initial Recognition of Fair Value of Investment in Year	(3.6)	
0	Movement in Fair Value in year	0.8	
0	**Balance at 31 March**		**(2.8)**

Pensions Reserve - (Funded and Unfunded Liabilites)

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post employment benefits and for funding benefits in accordance with statutory provisions. The Council accounts for post employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Council makes employer's contributions to pension funds or pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Council has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

2010/11 £m		**2011/12 £m**
(166.4)	**Balance at 1 April**	**(76.6)**
61.5	Actuarial gains or (losses) on pensions assets and liabilities	**(46.0)**
20.1	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	**(8.4)**
8.2	Employer's pensions contributions and direct payments to pensioners payable in the year	**7.5**
(76.6)	**Balance at 31 March**	**(123.5)**

Collection Fund Adjustment Account

The Collection Fund Adjustment Account manages the differences arising from the recognition of council tax income in the Comprehensive Income and Expenditure Statement as it falls due from council tax payers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

2010/11 £m		**2011/12 £m**
1.1	**Balance at 1 April**	**1.8**
0.7	Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	**0.8**
1.8	**Balance at 31 March**	**2.6**

Accumulating Compensated Absences Adjustment Account

The Accumulating Compensated Absences Adjustment Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year e.g. annual leave entitlement carried forward at 31 March. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

2010/11 £m		**2011/12 £m**
(3.4)	**Balance at 1 April**	**(3.0)**
3.4	Settlement or cancellation of accrual made at the end of the preceding year	**3.0**
(3.0)	Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	**(2.6)**
(3.0)	**Balance at 31 March**	**(2.6)**

28 Cash Flow – Adjustment to net surplus or deficit on Provision of Services for Non Cash items

The table below lists the adjustments required in the cash flow statement to reverse non cash items accounted for in the Provision of Services in the Comprehensive Income and Expenditure Account.

2010/11 £m	Non Cash Movements in Provision Of Services	2011/12 £m
(20.0)	Depreciation, Impairment & downward valuations	**(23.4)**
(0.3)	Amortisation	**(0.3)**
(5.9)	Increase/Decrease in Creditors	**3.3**
0.4	Increase/Decrease in Debtors including impairment for bad debts	**1.3**
(0.3)	Increase/Decrease in Stock	**0**
28.3	Movement in pension liability	**0.9**
(0.3)	Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	**(21.7)**
(6.6)	Other non-cash items charged to the net surplus or deficit on the provision of services	**0.9**
(4.7)		**(39.0)**

29 Cash Flow – Adjustment for items included in the net surplus or deficit on the Provision of Services that are investing and financing activities.

The table below lists the adjustments required in the cash flow statement to reverse items for investing and financing activities that are accounted for in the Provision of Services in the Comprehensive Income and Expenditure Account

2010/11 £m	Investing and Financing Activities in Provision Of Services	2011/12 £m
0.3	Proceeds from short-term (not considered to be cash equivalents) and long-term investments.	0.3
0.9	Proceeds from the sale of Property, Plant & Equipment, Investment Properties and Intangible Assets.	0.9
1.2		**1.2**

30. Cash Flow Statement – Operating Activities – Interest Paid & Received

The cash flows for operating activities include the following items:

2010/11 £m		2011/12 £m
(4.5)	Interest received	(1.4)
7.3	Interest paid	6.3
2.8	**Total Interest Received & Paid**	4.9

31 Cash Flow Statement – Investing Activities

The cash flows for investing activities include the following items:

2010/11 £m		2011/12 £m
32.0	Purchase of property, plant and equipment, investment property and intangible assets	**18.6**
17.8	Purchase of short-term and long-term investments	**0**
(0.9)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	**(0.9)**
(0.3)	Proceeds from short-term and long-term investments	**(21.2)**
48.6	Net cash flows from investing activities	**(3.5)**

32. Cash Flow Statement – Financing Activities

The cash flows for financing activities include the following items:

2010/11 £m		2011/12 £m
(10.0)	Cash receipts from short- and long-term borrowing	0
0.8	Cash payments for the reduction of the outstanding liabilities relating to transferred debt and on-balance sheet PFI contracts	0.4
0	Repayments of short- and long-term borrowing	9.0
(9.2)	**Net cash flows from financing activities**	**9.4**

33. Amounts Reported for Resource Allocation Decisions

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the Service Reporting Code of Practice. However, decisions about resource allocation are taken by the Mayor and Council on the basis of budget reports analysed across directorates. These reports are prepared on a different basis from the accounting policies used in the financial statements. In particular:

- no charges in relation to capital expenditure are included on the management reports (whereas depreciation, revaluation and impairment losses in excess of the balance on the Revaluation Reserve and amortisations are charged to services in the Comprehensive Income and Expenditure Statement)
- the cost of retirement benefits is based on cash flows (payment of employer's pensions contributions) rather than current service cost of benefits accrued in the year
- expenditure on support services is budgeted for and included in management reports but not allocated to services.
- Expenditure on capital financing such as minimum revenue provision are included in management reports but not charged to services in the Comprehensive Income and Expenditure Statement.
- Transactions with bodies within the Council's group are included in within management reporting but other group transactions are not included.

The income and expenditure of the Council's four directorates recorded in the budget reports for the year is as follows:

Directorate Income and Expenditure	**Adults**	**Childrens**	**Communities and Local Democracy**	**Place & Environment**	**Total**
2011/12	**£m**	**£m**	**£m**	**£m**	**£m**
Fees, charges & other service Income					
Service income	(14.3)	(12.9)	(1.7)	(14.4)	(43.3)
Government grants	(85.0)	(83.9)	(0.2)	(0.8)	(169.9)
Total Income	**(99.3)**	**(96.8)**	**(1.9)**	**(15.2)**	**(213.2)**
Employee expenses	14.3	73.1	4.6	8.1	**100.1**
Other service expenses	153.5	47.0	1.0	37.4	**238.9**
Total Expenditure	**167.8**	**120.1**	**5.6**	**45.5**	**339.0**
Net Expenditure	**68.5**	**23.3**	**3.7**	**30.3**	**125.8**

Reconciliation of Directorate Income and Expenditure to Cost of Services in the Comprehensive Income and Expenditure Statement

This reconciliation shows how the figures in the analysis of directorate income and expenditure relate to the amounts included in the Comprehensive Income and Expenditure Statement.

	2010/11	**2011/12**
	£m	**£m**
Net expenditure in the Directorate Analysis	132.7	125.8
Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the Analysis	(13.8)	23.1
Amounts included in the Analysis not included in the Comprehensive Income and Expenditure Statement	(12.9)	(8.2)
Cost of Services in Comprehensive Income and Expenditure Statement	**106.0**	**140.7**

The following table shows the management structure used in 2011/12 restated as if it were in use in 2010/11.

Directorate Income and Expenditure	**Corporate Support**	**People**	**Environment**	**Operational Support**	**Total**
2010/11 Comparative Figures	**£m**	**£m**	**£m**	**£m**	**£m**
Fees, charges & other service income					
Service Income	(3.9)	(18.6)	(19.1)	(7.5)	**(49.1)**
Government grants	(2.1)	(103.5)	(2.9)	(80.0)	**(188.5)**
Total Income	**(6.0)**	**(122.1)**	**(22.0)**	**(87.5)**	**(237.6)**
Employee expenses	7.6	86.8	14.4	8.8	**117.6**
Other service expenses	17.6	100.9	38.2	96.0	**252.7**
Total Expenditure	**25.2**	**187.7**	**52.6**	**104.8**	**370.3**
Net Expenditure	**19.2**	**65.6**	**30.6**	**17.3**	**132.7**

This reconciliation shows how the figures in the analysis of [directorate] income and expenditure relate to a subjective analysis of the Surplus or Deficit on the Provision of Services included in the Comprehensive Income and Expenditure Statement.

2011/12	**Directorate Analysis**	**Amounts not reported to management for decision making**	**Amounts not included in I&E**	**Cost of Services**	**Corporate Amounts**	**Total**
	£m	**£m**	**£m**	**£m**	**£m**	**£m**
Fees, charges & other service income	(43.3)	0	15.6	**(27.7)**	(1.0)	**(28.7)**
Interest and investment	0	0	0	**0**	(14.6)	**(14.6)**
Income from council tax	0	0	0	**0**	(63.7)	**(63.7)**
Government grants and contributions	(169.9)	(4.5)	2.3	**(172.1)**	(82.7)	**(254.8)**
Total Income	**(213.2)**	**(4.5)**	**17.9**	**(199.8)**	**(162.1)**	**(361.9)**
Employee expenses	100.1	(2.0)	0	**98.1**	0	**98.1**
Other service expenses	238.9	4.3	(26.1)	**217.1**	0.2	**217.3**
Depreciation, amortisation and impairment	0	25.3	0	**25.3**	0.1	**25.4**
Interest Payments	0	0	0	**0**	22.1	**22.1**
Precepts & Levies	0	0	0	**0**	0.2	**0.2**
Gain or Loss on Disposal of Non Current Assets	0	0	0	**0**	21.6	**21.6**
Total	**339.0**	**27.6**	**(26.1)**	**340.5**	**44.2**	**384.7**
(Surplus)/Deficit	**125.8**	**23.1**	**(8.2)**	**140.7**	**(117.9)**	**22.8**

2010/11 Restated	Directorate Analysis	Amounts not reported to management for decision making	Amounts not included in I&E	Cost of Services	Corporate Amounts	Total
	£m	£m	£m	£m	£m	£m
Fees, charges & other service income	(49.1)	(35.2)	15.0	**(69.3)**	(0.8)	**(70.1)**
Interest and investment income	0	0	0	**0**	(15.0)	**(15.0)**
Income from council tax	0	0	0	**0**	(62.7)	**(62.7)**
Government grants and contributions	(188.5)	(15.2)	0.5	**(203.2)**	(77.8)	**(281.0)**
Total Income	**(237.6)**	**(50.4)**	**15.5**	**(272.5)**	**(156.3)**	**(428.8)**
Employee expenses	117.6	2.1	0	**119.7**	0	**119.7**
Other service expenses	252.7	14.3	(28.4)	**238.6**	0.2	**238.8**
Depreciation, amortisation and impairment	0	20.2	0	**20.2**	0	**20.2**
Interest Payments	0	0	0	**0**	25.2	**25.2**
Precepts & Levies	0	0	0	**0**	0.2	**0.2**
Gain or Loss on Disposal of Non Current Assets	0		0	**0**	0.3	**0.3**
Total expenditure	**370.3**	**36.6**	**(28.4)**	**378.5**	**25.9**	**404.4**
(Surplus) or deficit on the provision of services	**132.7**	**(13.8)**	**(12.9)**	**106.0**	**(130.4)**	**(24.4)**

34. **Trading Operations**

The Council does not have any internal trading operations that are operated on a fully commercial basis. Where a Council service does include a supply to external customers the income and the relevant expenditure is disclosed within the appropriate service heading in the Comprehensive Income and Expenditure Statement. This includes services such as harbours, car parking, services to schools including academies and external print work. The Council's interests in companies that "trade" are disclosed in the Council's 2011/12 Group Accounts

35. **Agency Services**

The Council provides professional services to the Environment Agency in relation to rivers and to Pell Frishmann on a contract for South West Water. The value of this work is less than £200,000.

The Council, as a billing Council, also acts as an agent to both Central Government for the collection of NNDR (Business rates) and for the proportion of the collection fund for Council Tax for the major precepting bodies – Devon and Cornwall Police and Devon and Somerset Fire and Rescue Service. The Council is funded for this work within its overall funding.

36 **Pooled Budgets**

Under section 75 of the NHS Act 2006, the Council has entered into a pooled budget arrangement with Torbay Care Trust for the joint provision of an equipment store for the purchase and distribution of items to meet the social care and health needs of people living in the Torbay area. The Council and the Trust have an agreement in place for funding these with the partners contributing funds to the agreed budget equal to a 50% split to each partner. The same proportions are used to meet any deficit or share any surplus arising on the pooled budget at the end of each financial year.

The pooled budget is hosted by the Council as the lead Council on behalf of the two partners to the agreement.

2010/11 £m			**2011/12 £m**	
		Funding provided to the pooled budget:		
0.5		• the Council	**0.6**	
0.5		• the Trust	**0.5**	
	1.0			**1.1**
		Expenditure met from the pooled budget:		
(0.5)		• The Council	**(0.6)**	
(0.5)		• the Trust	**(0.5)**	
	(1.0)			**(1.1)**
	0	Net surplus on the pooled budget during year		**0**
	0	Council share of 50% of the net surplus arising on the pooled budget		**0**
	£000's			**£000's**
	32	Shared surplus for the year		**34**

37. **Members' Allowances**

Under the Council's Members Allowances scheme the following amounts were paid to members of the Council during the year.

2010/11 £000's		2011/12 £000's
466	Basic and Special Responsibility Allowance	**424**
5	Expenses	**4**
471	Total	**428**

The current Allowances' scheme can be found on the Council's website at www.torbay.gov.uk/index/council/councillors-democracy/constitution.htm.

38. **Officers' Remuneration**

The remuneration paid to the Council's senior employees is as follows:

		Salary £000's	Expenses £000's	Compen-sation for Loss of Office £000's	Pension Contribution at "common rate" £000's	Total £000's
Elizabeth Raikes (Chief Executive)	**2011/12**	**151**	**6**	**0**	**24**	**181**
	2010/11	151	1	0	23	175
Caroline Taylor (Deputy Chief Executive)	**2011/12**	**109**	**1**	**0**	**16**	**126**
	2010/11	109	1	0	16	126
Richard Williams (Director of Childrens Services from August 2011)	**2011/12**	**71**	**0**	**0**	**10**	**81**
	2010/11	-	-	-	-	-
People Commissioner & Director of Childrens Services to July 2011)	**2011/12**	**80**	**0**	**55**	**7**	**142**
	2010/11	125	1	0	19	145
Charles Uzzell (Environment Commissioner)	**2011/12**	**109**	**0**	**0**	**16**	**125**
	2010/11	109	1	0	16	126
Operational Commissioner to January 2012	**2011/12**	**78**	**0**	**41**	**11**	**130**
	2010/11	91	1	0	14	106
Paul Looby (Chief Finance Officer - May 2011)	**2011/12**	**78**	**0**	**0**	**12**	**90**
	2010/11	**-**	**-**	**-**	**-**	**-**
Chief Finance Officer to June 2011	**2011/12**	**21**	**0**	**43**	**0**	**64**
	2010/11	78	1	0	12	91
Anthony Butler (Monitoring Officer)	**2011/12**	**46**	**0**	**0**	**7**	**53**
	2010/11	50	0	0	7	57
Monitoring Officer	**2011/12**	**-**	**-**	**-**	**-**	**-**
	2010/11	5	0	0	0	5

Notes The Monitoring Officer to 2010/11 was employed on a contractual basis.

Expenses include any payments in relation to local elections where the Council is responsible for the election.

The number of employees whose taxable remuneration, excluding employer's pension contributions, exceeds £50,000 while employed by Torbay Council is set out in the table below in bands of £5,000. Remuneration for these purposes includes all sums paid or receivable by an employee and sums due by way of allowance (as far as those sums are chargeable to UK income tax) and the money value of any other benefits received other than in cash.

Number of Employees by employer 2010/11			Remuneration Band	**Number of Employees by employer 2011/12**		
Council	Schools - Council	Schools - Governing Body		**Council**	**Schools - Council**	**Schools - Governing Body**
12	**13**	**11**	£50,000 to £54,999	**14**	**16**	**4**
7	**10**	**10**	£55,000 to £59,999	**5**	**9**	**9**
4	**4**	**8**	£60,000 to £64,999	**8**	**2**	**4**
2	**3**	**2**	£65,000 to £69,999	**0**	**3**	**1**
3	**1**	**1**	£70,000 to £74,999	**5**	**2**	**1**
4	**1**	**1**	£75,000 to £79,999	**1**	**0**	**0**
5	**1**	**1**	£80,000 to £84,999	**1**	**1**	**1**
0	**1**	**0**	£85,000 to £89,999	**0**	**0**	**0**
2	**1**	**0**	£90,000 to £94,999	**1**	**0**	**0**
0	**1**	**0**	£95,000 to £99,999	**0**	**0**	**0**
0	**0**	**1**	£100,000 to £104,999	**1**	**1**	**0**
2	**0**	**0**	£105,000 to £109,999	**2**	**0**	**1**
0	**0**	**0**	£110,000 to £114,999	**0**	**0**	**0**
0	**0**	**0**	£115,000 to £119,999	**1**	**1**	**0**
0	**0**	**0**	£120,000 to £124,999	**0**	**0**	**0**
1	**0**	**0**	£125,000 to £129,999	**0**	**0**	**0**
0	**0**	**0**	£130,000 to £134,999	**1**	**0**	**0**
0	**0**	**0**	£135,000 to £139,999	**0**	**0**	**0**
0	**0**	**0**	£140,000 to £144,999	**0**	**0**	**0**
0	**0**	**0**	£145,000 to £149,999	**0**	**0**	**0**
0	**0**	**0**	£150,000 to £154,999	**0**	**0**	**0**
1	**0**	**0**	£155,000 to £159,999	**1**	**0**	**0**
43	**36**	**35**		**41**	**35**	**21**

39. External Audit Costs

The Council has incurred the following costs in relation to the audit of the Statement of Accounts, certification of grant claims and statutory inspections and to non-audit services provided by the Council's external auditors:

2010/11 £000		**2011/12 £000**
227	Fees payable to the Audit Commission with regard to external audit services carried out by the appointed auditor for the year	**207**
34	Fees payable to the Audit Commission for the certification of grant claims and returns for the year	**35**
4	Fees payable in respect of other services provided by the Audit Commission during the year	**0**
265	Total	**242**

40. Dedicated Schools Grant (DSG)

The Dedicated Schools Grant is a ring-fenced grant and can only be applied to meet expenditure properly included in the Schools Budget. The Schools Budget includes elements for a restricted range of services provided on a Council-wide basis and for the Individual Schools Budget, which is divided into a budget share for each school. Over and under-spends on the two elements are required to be accounted for separately. The Council is able to supplement the Schools Budget from its own resource but for this year it has chosen not to do so.

The Council has fully deployed the DSG grant to support the Schools Budget in accordance with the relevant legislation (Education Act 2002 & School Standards Framework Act 1998). This was evidenced by the Chief Finance Officer's certification of the Section 251 (Schools outturn) statement to the Department for Education.

Details of the deployment of DSG receivable for 2011/12 are as follows:

Schools Budget Funded by Dedicated Schools Grant 2011/12

	Central Expenditure	**Individual Schools Budget**	**Total**
	£m	£m	**£m**
Final DSG for 2011/12	7.5	61.9	69.4
Plus: Brought forward from 2010/11	0.4	0	0.4
Less: Carry forward to 2012/13 agreed in advance	0	0	0
Agreed budgeted distribution in 2011/12	7.9	61.9	69.8
Less: Actual Central Expenditure	(7.9)	0	(7.9)
Less: Actual ISB deployed to schools	0	(61.9)	(61.9)
Carry forward to 2012/13 *	0	0	0

* Actual carry forward to 2012/13 is £12,525.

41. Grant Income

The Council credited the following grants and contributions to the Comprehensive Income and Expenditure Statement. As a result of funding changes by Central Government the mix of the Council's grant funding has changed significantly in 2011/12.

2010/11 £m	Credited to Taxation and Non Specific Grant Income	2011/12 £m
7.5	Revenue Support Grant	**14.7**
-	Local Support Services Grant	**0.6**
12.2	Area Based Grant	**-**
-	New Homes Bonus Grant	**0.3**
-	Council Tax Freeze Grant	**1.6**
51.5	NNDR Redistribution	**47.7**
0.6	Grant re PFI Finance costs	**0.5**
6.0	Capital Grants & Contributions	**13.8**
77.8	**Total**	**79.2**
2010/11 £m	**Credited to Cost of Services**	**2011/12 £m**
71.1	Dedicated Schools Grant (Department of Education)	**69.4**
79.4	Benefit Subsidy & Admin Grant (Dept of Work & Pensions)	**82.8**
11.3	Standards Fund (Department of Education)	**-**
12.1	Post 16 Funding (Learning & Skills Council)	**3.9**
-	Early Intervention Grant	**6.1**
14.1	Other Central Government Grants – Revenue	**5.4**
15.2	Other Central Government Grants – Refcus *	**4.5**
203.2	**Total**	**172.1**

The Council has received a number of grants and contributions that have yet to be recognised as income as they have conditions attached to them that will require the monies or property to be returned to the giver. The balances at the year-end are shown in Note 22.

Note * Refcus Grants are Capital Grants that are used to fund "Revenue Expenditure Funded Under Statute" where the Council has to charge to revenue, capital expenditure where no asset is created, such as spend in relation to Foundation schools where the Council does not recognise the asset on its balance sheet.

42. Related Parties

The Council is required to disclose material transactions with related parties – bodies or individuals that have the potential to control or influence the Council or to be controlled or influenced by the Council. Disclosure of these transactions allows readers to assess the extent to which the council might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Council. Any balances due to/from these related parties at the end of a financial year are included within the Council's total debtor and creditor figures.

Interest in Companies

The Council maintains involvement with a number of subsidiary and associated companies. Where the Council has a significant controlling influence in these companies and the transactions are material, they are consolidated within the Council's Group Accounts. The figures included within the Group accounts are based on unaudited accounts.

The companies consolidated in the Group Accounts are:

Company	**Accounting basis for consolidation**
Torbay Economic Development Company	Subsidiary
English Riviera Tourism Company	Subsidiary
TOR2 Ltd	Associate
Careers South West	Associate
Riviera International Conference Centre Ltd.	Associate
The PLUSS Organisation Ltd	Associate

Further information on these companies and their relationship with Torbay Council is available in the Council's Group Accounts including a table on page 129 listing principal activities, board members and year end balances.

The Council has provided pension guarantees to the Torbay Economic Development Company, the English Riviera Tourism Company, PLUSS and Careers South West. Also the Council has provided a bank guarantee and loan to PLUSS. Further details are disclosed in note 44 Contingent Liabilities.

Other interests in Companies

The following companies are also related to the Council. However they are not considered material in financial terms and they are not consolidated within the Group Accounts:

Torbay Enterprise Agency Limited is a private company limited by guarantee without share capital under the control of Torbay Council. The nature of the company is to support businesses within Torbay. Torbay Council staff and Councillors comprise all members and directors of this company. The company is now not actively trading but has not yet been closed down.

Brighter Bay Limited (company limited by guarantee) has had no financial transactions and was dissolved as of 5th June 2012.

Torbay Development Agency Limited: This Company has had no financial transactions and was dissolved as of 6th December 2011.

SWERCOTS Ltd is the South West of England Regional Co-ordination of Trading Standards and represents the 15 South West Regional Authorities. In February 2012 the company went into voluntary liquidation with its assets likely to transfer in 2012/13 to a successor body – the Trading Standards Partnership South West – also called SWERCOTS.

South West Grid for Learning Trust is limited by guarantee and was incorporated on 9th October 2005 with the 15 South West Regional Authorities as members. The company objectives are the advancement of education as a solely charitable purpose by any means relating to the effective use of information and communication technologies for the benefit of the public. There are no transactions/liabilities associated with Torbay Council's membership other than the nominal initial one-off fee. For financial reporting this relationship has been treated as an investment.

Torbay Town Centres Limited. In 2008/09 the Council with representatives from local businesses formed this company to support the process for establishing Business Improvement Districts (BID) in the Torbay area. The Council collects the BID levy on behalf of the Torquay BID and the Paignton BID on an agency basis. The value of the levy collected by the Council and paid to the company in 2011/12 was £0.4million. (2010/11 £0.2million)

Trust Funds

The Council acts as a Trustee for a number of funds. These balances do not form part of the Council's accounts. The value of these funds as at 31st March 2012 was £43,000 (£44,000 2010/11). Of this balance £38,000 is held within the Council's bank account with the balance of £5,000 relating to the (civic) Mayor of Torbay's charity fund held in a separate bank account.

Central Government

Central government (Her Majesty's Government for the United Kingdom of Britain and Northern Ireland) has effective control over the general operations of the Council – it is responsible for providing the statutory framework within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. council tax bills, housing benefits). Grants received from government departments are set out in Note 41.

Other bodies

The table below outlines transactions between the Council and other assisted organisations where the influence is considered to be material, either to the Council or to the organisation.

	2010/11		**2011/12**	
	Receipts	**Payments**	**Receipts**	**Payments**
	£ 000's	£ 000's	£ 000's	£ 000's
Precepts				
Environment Agency	0	39	0	43
Inshore Fisheries & Conservation Authority	0	56	0	26
Brixham Town Council	0	187	0	186
Assisted Organisations				
Torbay Citizens Advice Bureau	0	193	0	183
Torbay Coast & Countryside Trust	0	239	0	213

Members

Members of the council have direct control over the Council's financial and operating policies. The total of members' allowances paid in 2011/12 is shown in Note 37. The Members' Record of Interests and Register of Gifts & Hospitality for each Member are available on the Council's website.

http://www.torbay.gov.uk/DemocraticServices/mgMemberIndex.aspx?bcr=1

In addition for 2011/12 the following declarations were made in relation to Members financial transactions with the Council:-

Councillor J Richards declared that she is a director of J & J Catering (Devon) Ltd and holds a street traders licence value £900 (2010/11: £237).

Councillor D Thomas declared that he holds a street traders licence with Councillor J Richards. The Councillor is also owner of Gold Print which has provided a printing service to for Blatchcombe Community Partnership value £245 which was paid during 2011/12.

Officers

Officers have declared interests in the following

Mrs S Cheriton declared that she is a Director of Torbay Coast and Countryside Trust, Director of English Riviera Tourism Company and Director of English Riviera Geopark Company.

Mrs C Taylor declared that her husband is a freelance musician/composer and occasionally works in schools within Torbay on specific projects and may be involved in cultural projects.

Mr C Uzzell declared his wife is owner of Roots Personal Development Limited, a company that operates nationally but has done unpaid work for Outset Torbay which is funded by the Economic Development Company

Mr S Parrock declared he is Chief Executive of Torbay Economic Development Company

The Council maintains a Register of Gifts & Hospitality for officers. During 2011/12 where officers received hospitality and prizes (over the value of £25) in the course of their employment this was declared in the Register.

Other Public Bodies [subject to common control by central government]

Torbay Care Trust

In December 2005 the Council entered a “partnership agreement” with Torbay Care Trust, (formerly Torbay Primary Care Trust) for the provision of adult care services formally operated by the Council. The Council remains ultimately responsible for adult social care.

Torbay Care Trust under health reforms has split into two bodies: NHS Torbay and Torbay and Southern Devon NHS Provider Trust. The Council’s partnership agreement for adult social care has transferred to the Provider Trust.

The expenditure and income for the pooled budget for the partnership agreement is shown in the table below.

2010/11 £m	Partnership Agreement Memorandum Account	2011/12 £m
(44.1)	Health Funding	**(57.2)**
(43.5)	Torbay Council Funding	**(43.1)**
(87.6)	**Total Pooled Budget Funding**	**(100.3)**
30.2	Net Social Care Commissioned Expenditure	**30.0**
-	Pooled Provider Expenditure (NHS & Social Care)	**53.1**
-	Support Services	**16.6**
29.2	Health Commissioned Expenditure	**-**
27.9	Pooled Provider Expenditure	**-**
87.3	**Total Pooled Budget Expenditure** **	**99.7**
(0.3)	**(Surplus)/ Deficit**	**(0.6) ***

* As a result of the risk share arrangement between the Care Trust and the Council the surplus on the pooled budget for 2011/12 was retained by the Care Trust.
** Due to changes in the pooled budget in relation to Health services the expenditure categories are not directly comparable between the two financial years.

Pooled Budget

The Council has a pooled budget arrangement with Torbay Care Trust for the provision of a joint equipment store. Transactions and balances outstanding are detailed in Note 36.

Joint Committees

Devon Audit Partnership

From April 2009 Torbay set up a Joint Committee with Devon County Council and Plymouth City Council for the provision of a shared internal audit service. The service is also able to provide audit services to other organisations.

Devon County is the ”host” Council for the Joint Committee with all staff now employed by Devon County Council. Assets and Liabilities of the Joint Committee are split on an agreed basis (number of FTE’s on inception of the Committee). Torbay’s share is equal to 27%. Each partner is required to reflect their share of income and expenditure and any assets and liabilities within their accounts. The impact on the Council’s accounts of this change is not material. Torbay’s contribution to the partnership for 2011/12 was £0.4m (2010/11 £0.4m).

A summary of the Joint Committee’s accounts and Torbay’s share is shown in the table below:

2010/11	Devon Audit Partnership	2011/12	2011/12
Torbay share		**Total**	**Torbay share**
£m	Income & Expenditure Account:	**£m**	**£m**
(0.5)	Income	**(1.7)**	**(0.5)**
0.5	Expenditure	**1.7**	**0.5**
0	(Surplus)/Deficit transferred to/from reserve	**0**	**0**
£m	Balance Sheet:	**£m**	**£m**
0	Current Assets & Liabilities	**0.2**	**0**
0	Reserves	**(0.2)**	**0**
0	**Total balance sheet**	**0**	**0**
£000's		**£000's**	**£000's**
(6)	(Surplus)/Deficit for Year	**(44)**	**(12)**

PATROL – Parking and Traffic Regulations Outside London.

It is a statutory requirement for Councils undertaking civil parking enforcement to join this Joint Committee in order to access independent adjudication. The agreed primary objectives of the Joint Committee are the provision of:

a) a fair adjudication service for Appellants
b) consistency in access to adjudication;
c) a cost effective and equitable adjudication service for all Parking Authorities
d) to deal with a wide range of authorities with varying levels of demand for adjudication.

43. Impairment Losses

Impairment losses and impairment reversals are charged to the Surplus or Deficit on the Provision of Services and to Other Comprehensive Income and Expenditure. The impairment by asset class is shown within Note 12 reconciling the movement over the year in Property, Plant and Equipment.

During 2011/12, the Council has recognised an impairment loss of £15.4m in total (£13.6m 10/11).

Of this sum £4.5 million related to the Parkfield Youth Project, £2.1 million in relation to Cockington Court and £3.5 million related to Mayfield Special School. All three were major capital projects that were substantially completed in 2011/12 and were then subsequently valued on an operational use basis linked to rental streams where appropriate. This valuation on completion gave rise to these significant impairment losses.

44. Contingent Liabilities

Pension Guarantees

The Council has a number of contingent liabilities in relation to pension guarantees arising either from the externalisation of Council services or support to local organisations. For externalisations the Council has guaranteed to meet any pension related financial liabilities arising on staff prior to transfer.

These are listed in the table below:

Organisation	Relationship to Council
Torquay Museum	Grant funded
Economic Development Company	Subsidiary
English Riviera Tourism Company	Subsidiary
PLUSS	Associate
South West Grid for Learning	Linked public sector body
Careers South West	Associate
Torbay Coast & Countryside Trust	Grant funded
Torbay Catering Services	Contractor

There is no pension guarantees for TOR2 as in 2010/11 the Council funded a £0.25 million bond to meet any liabilities and the Council will fund any increase in the TOR2 employer contributions required to met any deficit in relation to the staff that transferred to TOR2.

Landfill

Although the Government has terminated the Landfill Allowance Trading Scheme (LATS) because of its expectation to meet EU landfill targets set for the UK, the cost of landfill continues to be a significant issue within Torbay Council as it strives to meet the cost of the Government's landfill tax escalator which increases by £8 per tonne each year. Ongoing recycling and diversion measures plus the proposed PFI scheme for an Energy From Waste Facility with Plymouth City Council and Devon County Council will continue to ensure a reducing tonnage base on which the tax is applied. In 2010/11, a preferred contractor (MVV Environmental) was chosen for the PFI project by the three Councils.

Bank Guarantees

The Council provides the following bank guarantees for overdrafts and/or loans.

Organisation	Value of guarantee
PLUSS	£125,000
Torbay Coast & Countryside Trust	£975,000

Loans

The Council has provided the following loan or loan facility to the following organisations. These loans are included in the Council's debtor balances on the balance sheet as at 31st March 2012.

Organisation	Value of loan
PLUSS	£208,000
Torbay Economic Development Company	£575,000 *
Academy Schools	£86,000
Car Loans – staff	£23,000
Babbacombe Cliff Railway	£22,000
Housing Loans	£8,000

Note * loan facility not used as at 31st March 2012

45. Termination Benefits and Exit Packages

In 2011/12 the Council continued, as part of the Council's budget reductions, the process to terminate the contracts of a number of employees and announced plans that would result in further terminations in 2012/13, incurring an estimated cost of £0.5 million in relation to staff redundancy and strain costs. There were additional termination costs as a result of other service specific issues such as school related costs.

The number of exit packages banded by the total cost of each exit package, split by compulsory redundancy and other departures, (such as voluntary redundancy or settlements), are detailed in the table below. The costs disclosed are redundancy and strain payments and relate to staff employed by the Council, including schools, only.

Note: These are exit packages that were accounted for in the Council's comprehensive income and expenditure account in the relevant year i.e. on a "demonstrably committed" basis not a cash basis.

Number of Exit packages by band 2010/11				**Value of Exit package**	**Number of Exit packages by band 2011/12**			
Compulsory Redundancy		Other Departures			**Compulsory Redundancy**		**Other Departures**	
No. In Band	Total Cost £000's	No. In Band	Total Cost £000's		**No. In Band**	**Total Cost £000's**	**No. In Band**	**Total Cost £000's**
19	101	33	238	1,000-14,999	**56**	**229**	**33**	**115**
8	168	13	268	15,000-24,999	**6**	**113**	**3**	**62**
3	85	10	287	25,000-34,999	**3**	**93**	**1**	**25**
0	0	2	80	35,000-44,999	**1**	**40**	**2**	**90**
2	106	1	53	45,000-54,999	**1**	**52**	**0**	**0**
0	0	1	60	55,000-64,999	**1**	**60**	**2**	**116**
1	75	1	69	65,000-74,999	**0**	**0**	**0**	**0**
2	156	0	0	75,000-84,999	**0**	**0**	**0**	**0**
1	95	0	0	85,000-94,999	**0**	**0**	**0**	**0**
0	0	0	0	95,000-104,99	**0**	**0**	**0**	**0**
0	0	0	0	105,000-114,999	**0**	**0**	**0**	**0**
1	117	0	0	115,000-124,999	**0**	**0**	**0**	**0**
0	0	0	0	125,000-134,999	**0**	**0**	**0**	**0**
37	**903**	**61**	**1,055**		**68**	**587**	**41**	**408**

46 Capital Expenditure and Capital Financing

The total amount of capital expenditure incurred in the year is shown in the table below, together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the Council over their asset life, the expenditure results in an increase in the Capital Financing Requirement (CFR). This is a measure of the capital expenditure incurred historically by the Council that has yet to be financed. The CFR is analysed in the table below.

2010/11 £m		2011/12 £m
129.7	**Opening Capital Financing Requirement**	**137.6**
	Capital investment	
29.2	Property, Plant and Equipment	**17.6**
0	Investment Properties	**0**
0.3	Intangible Assets	**0.1**
14.3	Revenue Expenditure Funded from Capital under Statute	**4.4**
	Sources of finance	
(0.4)	Capital receipts	**(1.3)**
(28.9)	Government grants and other contributions	**(16.5)**
	Sums set aside from revenue:	
(2.2)	• Direct revenue contributions	**(0.9)**
(4.0)	• MRP	**(3.9)**
(0.4)	• DCC Transferred Debt	**0**
137.6	**Closing Capital Financing Requirement**	**137.1**
	Explanation of movements in year	
4.2	Increase in underlying need to borrowing (supported by government financial assistance)	**1.7**
8.1	Increase in underlying need to borrowing (unsupported by government financial assistance)	**1.7**
(4.4)	Provision for repayment of borrowing (MRP)	**(3.9)**
7.9	Increase/(decrease) in Capital Financing Requirement	**(0.5)**

47. Leases

Council as Lessee

Operating Leases - Equipment

In previous years the Council has acquired its fleet of refuse collection vehicles by entering into operating leases, with typical lives of seven years. Payments in 2011/12 totalled less than £0.1 million. From July 2010 all Council operating leases for vehicles were sub-let to TOR2. The Council will not receive any sublease payments where a lease is in its “primary” period. However TOR2 will reimburse the Council for any costs of any leases extended into a “secondary” period.

Operating Leases - Property

The Council has leases for a number of properties, primarily for office accommodation with typical lives of ten years. A number of leases have “break clauses” to enable early exit of the lease if required which will reduce future payments if enacted. In 2011/12 the Council enacted the break clauses on Roebuck House and part of Union House. Payments in 2011/12 totalled £0.5 million (£0.5m 2010/11).

The future minimum lease payments due under property leases in future years are:

31 March 2011 £m	**Total payments due classified by year of expiry of lease term**	**31 March 2012 £m**
0.5	Not later than one year	**0.4**
2.2	Later than one year and not later than five years	**0.9**
0.9	Later than five years	**0.3**
3.6		**1.6**

Finance Leases

The Council, as lessee, does not have any material finance leases.

Council as Lessor

Operating Leases - Property

The Council leases out property under operating leases for the provision of services, such as cafes and golf clubs and for economic development purposes to provide suitable affordable accommodation for local businesses. From May 2011 a number of these properties leases for economic development purposes were transferred to the Economic Development Company

Payments received in 2011/12 totalled £2.5 million (£3.1m 2010/11).

The future minimum property lease payments receivable in future years are:

31 March 2011 £m	Total payments due classified by year of expiry of lease term	31 March 2010 £m
2.5	Not later than one year	**2.3**
9.2	Later than one year and not later than five years	**9.1**
54.7	Later than five years	**55.9**
66.4		**67.3**

Finance Leases

The Council, as lessor, does not have any material finance leases.

48. Pensions Schemes Accounted for as Defined Contribution Schemes

Teachers employed by the Council are members of the Teachers' Pension Scheme, administered by the Department for Education. The Scheme provides teachers with specified benefits upon their retirement, and the Council contributes towards the costs by making contributions based on a percentage of members' pensionable salaries.

The Scheme is technically a defined benefit scheme. However, the Scheme is unfunded and the Department for Education uses a notional fund as the basis for calculating the employers' contribution rate paid by local authorities. The Council is not able to identify its share of underlying financial position and performance of the Scheme with sufficient reliability for accounting purposes. For the purposes of this Statement of Accounts, it is therefore accounted for on the same basis as a defined contribution scheme.

In 2011/12, the Council paid £4.1 million (£5.4m 10/11) to Teachers' Pensions in respect of teachers' retirement benefits, representing 14% (14% 10/11) of pensionable pay. In 2011/12 the employers' contribution rate was 14.1% (14.1% 10/11) and no termination benefits were awarded. The continued conversion of schools to Academy status reduced the Council's pension payment in 2011/12 compared to 2010/11.

There were no contributions remaining payable at the year-end. The payments for 2012/13 are estimated to be less due to more schools moving to be Academy schools.

49. Defined Benefit Pension Schemes

Participation in pension schemes

As part of the terms and conditions of employment of its officers, the Council makes contributions towards the cost of post employment benefits. Although these benefits will not actually be payable until employees retire, the Council has a commitment to make the payments that needs to be disclosed at the time that employees earn their future entitlement.

The Council participates in two post employment schemes:

- The Local Government Pension Scheme, administered locally by Devon County Council – this is a funded defined benefit final salary scheme, meaning that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets.

- Arrangements for the award of discretionary post retirement benefits upon early retirement - this is an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made. However, there are no investment assets built up to meet these pensions liabilities, and cash has to be generated to meet actual pensions payments as they eventually fall due.

Analysis of Results:

The Current Service costs are £4 million lower in 2011/12 compared to 2010/11 due to unwinding of the significant changes in 2010/11. Employee and employer contributions are also lower compared to the previous year due to the transfer of staff from the scheme in relation to service changes in relation to Economic Development Company and Academy schools.

The significant changes are on the balance sheet value of the pension liability (and on the corresponding pension reserve). The increase of £47 million in the liabilities in the fund is primarily due to three factors:

- a £1 million decrease in liability as a result of staff transferring out of the scheme in relation to service changes in relation to Economic Development Company and Academy schools,

- a £6 million increases in liability as a result of actuarial losses on the actual rate of return on fund assets compared to estimated returns.

- a £40 million increase in liability as a result of changes in actuarial assumptions including future changes in benefits costs such as the rate of salary increases which increase the “real discount rate”.

Transactions relating to post employment benefits

The cost of retirement benefits is recognised in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge required to be made against council tax is based on the cash payable in the year, so the real cost of post employment/retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement.

The movements in actuarial gains/losses are recognised in the Pension Reserve and Other Comprehensive Income and Expenditure section.

The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year:

Post Employment Benefits	Local Government Pension Scheme £m		Discretionary Benefits Arrangements £m	
Comprehensive Income and Expenditure Statement	**2010/11**	**2011/12**	**2010/11**	**2011/12**
Cost of Services:				
Current service cost	10.8	**6.9**	0	**0**
Past service costs	(27.3)	**0**	(0.7)	**0**
Settlements and curtailments	(7.9)	**(0.9)**	0	**0**
Financing and Investment Income and Expenditure				
Interest cost	17.2	**14.3**	0.5	**0.4**
Expected return on scheme assets	(12.7)	**(12.3)**	0	**0**
Total Charged to the Surplus or Deficit on the Provision of Services	(19.9)	**8.0**	(0.2)	**0.4**
Charged to Other Comprehensive Income and Expenditure				
Actuarial (gains) and losses	(60.3)	**45.4**	(1.2)	**0.6**
Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	(80.2)	**53.4**	(1.4)	**1.0**
Movement in Reserves Statement				
Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code	80.2	**(53.4)**	1.4	**(1.0)**
Actual amount charged against the General Fund Balance for pensions in the year:				
Employers' contributions payable to scheme	7.6	**6.9**		
Retirement benefits payable to pensioners			0.6	**0.6**

Assets and liabilities in relation to post employment benefits

Reconciliation of present value of the scheme liabilities (defined benefit obligation):

	Funded liabilities: Local Government Pension Scheme £m		Unfunded liabilities: Discretionary Benefits £m	
	2010/11	**2011/12**	**2010/11**	**2011/12**
Opening balance at 1 April	(355.8)	**(263.8)**	(10.3)	**(8.3)**
Current service cost	(10.8)	**(6.9)**	0	**0**
Interest cost	(17.2)	**(14.3)**	(0.5)	**(0.4)**
Contributions by scheme participants	(2.8)	**(2.3)**	0	0
Actuarial gains and losses	66.2	**(39.1)**	1.2	**(0.6)**
Benefits paid	10.1	**10.4**	0.6	**0.6**
Past service costs	27.3	**0**	0.7	**0**
Curtailments	(0.3)	**(1.0)**	0	**0**
Settlements	19.5	**6.3**	0	**0**
Closing balance at 31 March	(263.8)	**(310.7)**	(8.3)	**(8.7)**

Reconciliation of fair value of the scheme (plan) assets:

	Local Government Pension Scheme £m	
	2010/11	**2011/12**
Opening balance at 1 April	199.7	**195.5**
Expected return on scheme assets	12.7	**12.3**
Actuarial gains and losses	(5.9)	**(6.3)**
Employer contributions	7.6	**6.9**
Contributions by scheme participants	2.8	**2.3**
Benefits paid	(10.1)	**(10.4)**
Receipt/Payment of bulk transfer value	(11.3)	**(4.4)**
Closing balance at 31 March	**195.5**	**195.9**

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the Balance Sheet date. Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets.

The actual return on scheme assets in the year was £6.1m (2010/11: £14.2m).

Scheme History and experience gains and losses

The fair value of the fund and the actuarial experience of gains and losses on the Pensions Reserve in 2011/12 and the previous five years can be analysed into the following categories:

	2007/08 £m	**2008/09 £m**	**2009/10 £m**	**2010/11 £m**	**2011/12 £m**
Present value of liabilities:					
Local Government Pension Scheme	(228.7)	(253.0)	(355.8)	(263.8)	**(310.7)**
Discretionary Benefits	(9.2)	(9.4)	(10.2)	(8.3)	**(8.7)**
Fair value of assets in the Local Government Pension Scheme	182.1	149.5	199.6	195.5	**195.9**
Surplus/(deficit) in the scheme:					
Local Government Pension Scheme	(46.6)	(103.5)	(156.2)	(68.3)	**(114.8)**
Discretionary Benefits	(9.2)	(9.4)	(10.2)	(8.3)	**(8.7)**
Total	**(55.8)**	**(112.9)**	**(166.4)**	**(76.6)**	**(123.5)**
Experience of gains and (losses) on assets	(17.4)	(49.5)	40.4	(5.9)	(6.3)
Percentage experience on assets as % of total assets	(10%)	(33%)	20%	(3%)	(3%)
Experience gains and (losses) on liabilities	(1.8)	(1.0)	0.4	17.5	(0.1)
Percentage experience on liabilities as % of total liabilities	(1%)	(0%)	0%	6%	0%
Total	**(19.2)**	**(50.5)**	**40.8**	**11.6**	**(6.4)**
Cumulative Actuarial Gain/(Loss)	15.9	(39.7)	(85.9)	(24.4)	(70.4)

The liabilities show the underlying commitments that the Council has in the long run to pay post employment (retirement) benefits. The total liability of £123 million has a substantial impact on the net worth of the Council as recorded in the Balance Sheet reducing the net worth of the Council to £134 million. However, statutory arrangements for funding the deficit mean that the financial position of the Council remains healthy:

- the deficit on the local government scheme will be made good by contributions over the remaining working life of employees (ie, before payments fall due), as assessed by the scheme actuary

- finance is only required to be raised to cover discretionary benefits when the pensions are actually paid.

The total contributions expected to be made to the Local Government Pension Scheme by the council in the year to 31 March 2013 is £5.9 million. Expected contributions for the Discretionary Benefits scheme in the year to 31 March 2013 are £0.6 million.

Basis for estimating assets and liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. Both the Local Government Pension Scheme and Discretionary Benefits liabilities have been assessed by Barnett Waddingham, an independent firm of actuaries. Estimates for the Devon County Council Fund are based on the last full valuation of the scheme as at 1 April 2010.

The principal assumptions used by the actuary have been:

	Local Government Pension Scheme		**Discretionary Benefits**	
	2010/11	**2011/12**	**2010/11**	**2011/12**
Long-term expected rate of return on assets				
Equity investments	7.4%	**6.3%**	–	–
Gilts	4.4%	**3.3%**	–	–
Other Bonds	5.5%	**4.6%**	–	–
Property	5.4%	**4.3%**	–	–
Cash	3.0%	**3.0%**	–	–
Target Return Portfolio	5.0%	**4.7%**	–	–
Expected Return on Assets	6.5%	**5.4%**	–	–
Mortality assumptions:				
Longevity from age 65: retiring today				
Men	20.3 yrs	**20.5 yrs**	20.3 yrs	**20.5 yrs**
Women	24.4 yrs	**24.5 yrs**	24.4 yrs	**24.5 yrs**

Longevity from age 65: retiring in 20 years				
Men	22.4 yrs	**22.5 yrs**	-	**-**
Women	26.3 yrs	**26.4 yrs**	-	**-**
Rate of inflation (RPI)	**3.5%**	**3.3%**	**3.5%**	**3.3%**
Rate of Inflation (CPI)	**2.7%**	**2.5%**	**2.7%**	**2.5%**
Rate of increase in salaries	**5.0%**	**4.7%**	**-**	**-**
Rate of increase in pensions	**2.7%**	**2.5%**	**2.7%**	**2.5%**
Rate for discounting scheme liabilities	**5.5%**	**4.6%**	**5.5%**	**4.6%**
Take-up of option to convert annual pension into retirement lump sum	**50%**	**50%**	-	-

The Discretionary Benefits arrangements have no assets to cover its liabilities. The Local Government Pension Scheme's assets consist of the following categories, by proportion of the total assets held:

	31 March 2011 %	**31 March 2012 %**
Equity investments	70	**69**
Gilts	17	**18**
Other Bonds	0	**0**
Property	5	**6**
Cash	7	**6**
Target Return Portfolio	1	**1**
	100	**100**

Contributions to Devon County Unfunded Discretionary Pension

The Council is responsible for a proportion of pension payments awarded by Devon County Council prior to 1st April 1998. It was agreed that the Council would make annual contributions to meet the cost of future payments made by Devon County Council. These amounts do not have sufficient characteristics of liabilities directly in respect of retirements benefits for which IAS19 retirement benefits apply. Therefore these amounts have been disclosed as amounts payable to Devon County Council as they fall due each year. In 2011/12 these amounted to £0.8 million (£0.8 million in 2010/11). It is estimated that, if IAS19 applied to these contributions, the total liabilities in relation to these pre 1998 enhancements at the liability at 31st March 2012 to be £85 million (2010/11: £94m), of which Torbay's share, based on taxbase, would be £10 million (2010/11: £11m).

50. Summary of Significant Accounting Policies

Torbay Council - Significant Accounting Policies - 2011/12

1.1 General Principles and Concepts

The Statement of Accounts summarises the Council's transactions for the 2011/12 financial year and its position at the year-end of 31 March 2012. The Council is required to prepare an annual Statement of Accounts (by the Accounts and Audit Regulations 2011). These are prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2011/12 (The Code) and the Service Reporting Code of Practice 2011/12, supported by International Financial Reporting Standards (IFRS)

The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

1.2 Pervasive Accounting Concepts

- Accruals

The financial statements are prepared on an accruals basis. The accruals basis of accounting requires the non cash effects of transactions to be reflected in the financial statements of the accounting period in which these effects are experienced, and not the period in which any cash is paid or received.

- Going Concern

These accounts are prepared on a going concern basis, i.e the accounts are prepared on the assumption that the Council will continue in operational existence for the foreseeable future. This means in particular that the income and expenditure accounts and balance sheet assume no intention to curtail significantly the scale of operation.

- Primacy of Legislative Requirements

Local Authorities derive their power from statute and their financial and accounting framework is closely controlled by primary and secondary legislation. To the extent that treatments are prescribed by law the accounting concepts outlined above may not apply in all cases. It is a fundamental principle of local Council accounting that, where specific legislative requirements and accounting principles conflict, legislative requirements shall apply.

1.3 Accounting Policies

Accounting Policies are the principles, bases, conventions, rules and practices applied by an entity that specify how the effects of transactions and other events are reflected in the financial statements. These include estimation techniques that have been used in applying the policies. The accounting policies that are significant to the understanding of the Council's accounts are listed below:

1.4 Accruals of Income and Expenditure

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. Where the exact amount of the sum is unknown an estimate will be made based on historical knowledge of the type of transaction and the value of similar payments. An exception is where there are regular bills, such as utilities and staff travel payments where, if not material, no accruals have been made as over a period of time the number of payments per year will even out. In addition where the exact value of a transaction or a number of transactions is not yet known estimates of the amounts due/owed have been made.

In particular:

- Revenue from the sale of goods is recognised when the Council transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.

- Revenue from the provision of services is recognised when the Council can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.

- Supplies are recorded as expenditure when they are consumed. Where appropriate there is a gap between the date supplies are received and their consumption they are carried as inventories on the Balance Sheet.

- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.

- Interest receivable on investments and payable on borrowings, where material, is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.

Where income and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected. This charge is based on an assessment of the impairment of its debt based on the uncollectability of its debt outstanding. The level of the provision depends on the type and age of debt outstanding. Internal transactions between different sections of the Council, including schools have been netted off so to have no impact on the Council's balance sheet.

1.5 Cash and Cash Equivalents

Cash is represented by cash in Council bank current accounts along with balances held by local payment schools and petty cash/imprest accounts. In practice cash reflects the balance as at 31st March per the "cash book" of its financial systems which reflect the position of the Council after transactions processed through the account have been cleared such as cheques and BACs payments.

Cash equivalents are short term cash investments that are held for the purpose of meeting short term cash commitments rather than for investment purposes. These represent monies held in money market funds (or equivalent) for cash flow purposes. All other cash holdings, such as fund manager holding, fixed term deposits and notice accounts, irrespective of the liquidity of the holding or the length of any fixed term are held for investment purposes and not for meeting short term cash commitments. The Council also uses highly liquid call accounts where an assessment will be made at year end to establish whether the holding at that date is held for short term cash flow or investment purposes.

In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Council's cash management.

1.6 Collection Fund

The Councils is the billing authority for the Torbay area. This means that the Council, acting on an agency basis, is responsible for the collection of NNDR and Council tax and for the payment of those taxes to central government and the precepting bodies. The Council maintains a separate Collection Fund account for Council tax and NNDR transactions.

<u>National Non Domestic rates (NNDR)</u>

In collecting business rates the Council is acting as agent for central government. The Council then reflects the net value of NNDR collection as at 31st March – such as arrears, impairment, and receipts in advance as an accrual due from/to central government.

Council Tax

The Council only reflects in its balance sheet its own share of the net value of Council tax collection as at 31st March – such as arrears, impairment, and receipts in advance. The share is calculated on the value of Council's own precept as a percentage of the total Council tax precept from all precepting authorities in a year. The share relating to the other precepting bodies is an accrual due to/from the Devon and Somerset Fire and Devon and Cornwall Police services.

The Council reflects in its Comprehensive Income and Expenditure Account its Council tax income in year as the precept set for the year adjusted for the Council's actual surplus/deficit on the collection fund at year end plus any adjusted required for the previous year's surplus or deficit.

1.7 Exceptional Items

When items of income and expense are material, their nature and amount is disclosed separately, either on the face of the Comprehensive Income and Expenditure Statement or in the notes to the accounts, depending on how significant the items are to an understanding of the Council's financial performance.

1.8 Prior period Adjustments and Changes in Accounting Policies and Estimates

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, i.e., in the current and future years affected by the change and do not give rise to a prior period adjustment.

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Council's financial position or financial performance. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

For 2011/12 to reflect the changes in the CIPFA Code in relation to Heritage Assets the Council's 2010/11 comparative information has been restated. The impact on the 2011/12 accounts is shown is Note 1 to these accounts.

1.9 Charges to Revenue for Non-Current Assets

Services including support services are debited with the following amounts to record the cost of holding non current assets during the year:

- depreciation attributable to the assets used by the relevant service

- impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written-off

- amortisation of intangible non current assets attributable to the service.

The Council is not required to raise council tax to fund depreciation, impairment losses or amortisations. However, it is required to make an annual contribution from revenue (Minimum Revenue Provision - MRP) towards the reduction in its overall borrowing requirement calculated on a prudent basis determined by the Council in accordance with statutory guidance.

Depreciation, revaluation and impairment losses and amortisations are therefore replaced by the contribution in the General Fund Balance (MRP) by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

Services using the Prudential Code to undertake Unsupported Borrowing will be charged interest and principal in their service accounts to recover the cost of the borrowing over an appropriate period on an equalised (annuity) payment basis. This will either be a direct charge to the service or a virement of budget. These internal (non-statutory) charges will be off-set within the relevant service revenue accounts in the Service Reporting presentation of the Comprehensive Income and Expenditure Account. If the charges to services create a significant surplus or shortfall compared to actual interest and Revenue Provision costs in a financial year the balance will be transferred to an Unsupported Borrowing Equalisation Reserve to meet future surpluses or shortfalls or an additional (voluntary) revenue provision will be made.

Annual contribution from revenue (Minimum Revenue Provision)

Provisions in the Local Government Act 2003 require authorities to set aside revenue resources for repayment of debt incurred as a result of funding capital expenditure. The minimum provision (Minimum Revenue Provision - MRP) is calculated in accordance with the relevant Capital Finance Regulations. In general terms the MRP is, as a minimum, 4% of the Council's underlying need to borrow represented by the Capital Financing Requirement, subject to all reductions allowed under the Regulations.

Contributions from services who have undertaken capital projects prior to April 2008 funded from Unsupported Borrowing using the Prudential Code are credited to the Revenue account to offset the increased MRP resulting from such borrowing. Any surplus or shortfall contributions compared to this increased MRP are currently transferred to or from the Unsupported Borrowing Equalisation Reserve.

The Local Council (Capital Finance and Accounting) (Amendment) Regulations. (SI 2007/573) changed the method of calculation from 2006/07. If the new calculation leads to a higher MRP than under previous rules, an adjustment can be made to ensure there is no penalty to the Council. The Council applies this option to negate the adverse effect on the Council of the new calculation.

The Local Council (Capital Finance and Accounting) (Amendment) Regulations. (SI 2008/414) supported by statutory guidance on the Minimum Revenue Provision further revised the method of calculation from 2008/09. The Council set a Policy for Revenue Provision that will charge 4% on all capital expenditure funded from borrowing supported by central government and will charge a prudent amount linked to asset life on an annuity basis to assets, once operational, funded from unsupported borrowing.

The Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2010 supported by statutory guidance on the Minimum Revenue Provision further changed the method of calculation from 2009/10 in relation to PFI accounting. The Council has set a Policy for Revenue Provision that the value of Revenue provision due on the PFI scheme in a year is equal to the reduction of the long term liability due to the contractor in relation to the PFI scheme.

In 1998 after attaining Unitary status the Council agreed to pay a tax base share of Devon County Council's borrowing as at 31/3/98. On the 1st October 2010 this liability to Devon County Council was converted to an equivalent value of PWLB borrowing which is also reflected as a liability on the Council's balance sheet. The annual cost of this liability is now reflected in the Council's interest costs and in a budget to fund the repayment of the liability over the average life of the new PWLB borrowing.

1.10 Employee Benefits

Benefits Payable During Employment

Short term employee benefits are those due to be settled within 12 months after the year end in which the employee renders the service. A liability is recognised at year end. They include such benefits as wages and salaries and paid annual leave for current employees and are recognised as an expense for services in the year in which employees render service to the Council.

An accrual is made for the cost of holiday entitlements (or any form of leave e.g. “flexi leave”) earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. At year end this accrual is assessed as:

For staff with an annual leave entitlement this is based on a sample of a cross section of staff resulting in an average percentage of leave carried forward which is applied equally over all services with this type of employee.

For staff with a term time entitlement, such as teachers this is based on a CIPFA template for assessing the value of leave due as at year end including leave due until the start of the school’s summer term.

The Council does not pay any bonuses or any other short term benefits either monetary or non monetary.

The Council does not pay any Long term employee benefit either monetary or non monetary.

The accrual is charged to Surplus or Deficit on the Provision of Services. There is a statutory override for this transaction to nullify the impact of this liability on the Council tax payer reversed out through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs with a corresponding entry in the Accumulated Absences Account.

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy. These are charged on an accruals basis to services or shown as a exceptional cost if material in the Comprehensive Income and Expenditure Statement when the Council is demonstrably committed to the termination of the employment of an officer or group of officers or making an offer to encourage voluntary redundancy. If there is uncertainty over the number of employees who will accept an offer of termination benefits the Council will disclose a contingent liability

Post Employment Benefits

Employees of the Council are members of two separate pension schemes:

- The Teachers' Pension Scheme, administered by Capita Teachers' Pensions on behalf of the Department for Education (DfE).

- The Local Government Pensions Scheme, administered by Devon County Council.

Both schemes provide defined benefits to members (retirement lump sums and pensions), earned as employees worked for the Council.

However, the arrangements for the teachers' scheme mean that liabilities for these benefits cannot ordinarily be identified specifically to the Council. The scheme is therefore accounted for as if it was a defined contribution scheme and no liability for future payments of benefits is recognised in the Balance Sheet. The Education and Childrens’ Services line in the Comprehensive Income and Expenditure Statement is charged with the employer's contributions payable to Teachers' Pensions in the year.

The Local Government Pension Scheme

The Local Government Scheme is accounted for as a defined benefits scheme:

- The liabilities of the Devon County pension fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method - i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to-date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projections of projected earnings for current employees.

- Liabilities are discounted to their value at current prices, using a discount rate based on the indicative rate of return on an appropriate high quality corporate bond.

The Pension Fund's Actuary has stated that the pension figures, calculated under IAS 19, supplied for Torbay are consistent with the Code of Practice provided by CIPFA. Further detail is provided in the notes to the accounts in accordance with IAS 19.

The assets of Devon County Council pension fund attributable to the Council are included in the Balance Sheet at their fair value:

- quoted securities - current bid price
- unquoted securities - professional estimate
- unitised securities - current bid price
- property - market value.

The change in the net pensions liability is analysed into seven components:

- Current service cost - the increase in liabilities as a result service earned this year - allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked
- Past service cost - the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years - debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs
- Interest cost - the expected increase in the present value of liabilities during the year as they move one year closer to being paid - debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
- Expected return on assets - the annual investment return on the fund assets attributable to the Council, based on an average of the expected long-term return - credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
- Gains or losses on settlements and curtailments - the result of actions to relieve the Council of liabilities or events that reduce the expected future service or accrual of benefits of employees such as the transfer of staff to an alternative supplier - debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs
- Actuarial gains and losses - changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions - debited to the Pensions Reserve
- Contributions paid to the Devon County Council Local Government pension scheme - cash paid as employer's contributions to the pension fund in settlement of liabilities

In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General

Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

The overall amount to be met from Government grants and local taxation has remained unchanged after the impact of all these entries, but the Cost of Services on the Comprehensive Income and Expenditure Account in 2011/12 are lower after the replacement of employers' contributions by IAS 19 related costs. The net deficit on the Provision of Services is slightly higher than it would otherwise have been.

The requirement to recognise the net pensions liability under IAS19 has reduced the reported net worth of the Council by 48%. (31% 2010/2011).

Discretionary Benefits

The Council does not now make any discretionary awards of retirement benefits in the event of early retirements.

Torbay Council in 1998 agreed to fund a tax base share of Devon County's enhanced pension payments (unfunded benefits). As this is a liability to Devon County Council and not to a pension fund these costs have not been treated as pension related and therefore IAS 19 does not apply to these costs.

Any costs of discretionary awards in previous years are charged to the Comprehensive Income and Expenditure Statement as the costs are incurred – i.e when the benefits are paid to the pensioner.

1.11 Events After The Balance Sheet Date

Events after the balance sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. Two types of events, if material, could be identified:

- those that provide evidence of conditions that existed at the end of the reporting period - the Statement of Accounts is adjusted to reflect such events

- those that are indicative of conditions that arose after the reporting period -the Statement of Accounts is not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

1.12 Financial Instruments

Financial Liabilities

Financial liabilities are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost.

Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

For most of the borrowings that the Council has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest); and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement. (The interest due is shown on the balance sheet as short or long term depending on the timing of the expected cash flow of the interest payment). The exception is the stepped rate LOBO loan the Council has with Barclays. This has been recognised at amortised cost and an effective interest rate calculated for the maximum duration of the loan. This effective interest rate is charged to the Comprehensive Income and Expenditure account.

Gains and losses on the repurchase or early settlement of borrowing (if any) are credited and debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement in the year of repurchase/settlement.

Financial Assets

Financial assets are classified into two types:

- loans and receivables (i.e investments and loans) - assets that have fixed or determinable payments but are not quoted in an active market
- available-for-sale assets (i.e investments and cash equivalents) - assets that have a quoted market price and/or do not have fixed or determinable payments.

Loans and Receivables (investments and loans)

Loans and receivables are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the loans that the Council has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

Available for Sale Assets

Available-for-sale assets, such as money market funds, are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Where the asset has fixed or determinable payments, annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the amortised cost of the asset multiplied by the effective rate of interest for the instrument. Where there are no fixed or determinable payments, income is credited to the Comprehensive Income and Expenditure Statement when it becomes receivable by the Council.

Assets are maintained in the Balance Sheet at fair value. Values are based on the following principles:

- instruments with quoted market prices - the market price
- other instruments with fixed and determinable payments - discounted cash flow analysis

Changes in fair value are balanced by an entry in the Available-for-Sale Reserve and the gain/loss is recognised in the Surplus or Deficit on Revaluation of Available-for-Sale Financial Assets.

Available for Sale Assets – Investment in Subsidiaries

In assessing the initial recognition fair value of its investment in its subsidiaries, in particular the Economic Development Company, the Council has treated the value as equal to the carrying value of the assets transferred to the company less any deficit in relation to pension liabilities as at date of transfer. As at 31st March each year the investment value is adjusted to reflect the movement in the net equity of the company either by an impairment charged to the Cost of Services in the Comprehensive

Income and Expenditure Account if net equity reduced or a revaluation gain in Other Comprehensive Income and Expenditure. If the net equity of the subsidiary is negative the fair value is assessed as nil.

Assets carried at Fair Value through Profit and Loss

The Council's holding with its funding manager has been designated as a Financial Asset at Fair Value through Profit and Loss. The definition is met as the Council's holding is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent pattern of short-term profit making as the Fund Manger is a set a benchmark target to achieve for each year.

Any changes in the fair value of the asset are reflected in the carrying value of the asset and the changes in year credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

Financial Instruments Entered Into Before 1 April 2006

The Council entered into a financial guarantee with a bank in relation to the Torbay Coast and Countryside Trust that is required to be accounted for as financial instruments but has a statutory override (see below) to negate the impact on council taxpayers. This guarantee is reflected in the Statement of Accounts to the extent that provisions might be required or a contingent liability note is needed under the policies set out in the section on Provisions, Contingent Liabilities and Contingent Assets.

Pension guarantees are deemed to be outside the scope of financial instruments and have not been recognised. These guarantees are reflected in the Statement of Accounts to the extent that provisions might be required or a contingent liability note is needed.

Financial Instruments – Statutory Overrides

Statutory Instruments have been introduced to negate the impact on Council Tax of the various changes to the Council's accounts as a result of implementing the Financial Reporting Standards for financial instruments. The Council has used the following provision:

- SI 2008 414 – provision to mitigate the impact of Financial Guarantees up to 9th November 2007 and the impact of the recalculation of interest on an amortised costs basis on stepped rate loans.

Financial Instruments – interest due at year end

On both investments and borrowings any interest due either to or from the Council is added to the value of the asset or liability and then classified as short or long term depending on the timing of the expected cash flow of the interest payment.

1.13 Government Grants and Contributions

Whether paid on account, by instalments or in arrears, government grants and third party contributions, such as developers' contributions under section 106 agreements, and donations (if any) are recognised on the balance sheet as due to the Council when there is reasonable assurance that:

- the Council will comply with the conditions attached to the payments, and
- the grants or contributions will be received.

Amounts recognised as due to the Council are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset acquired using the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor. An obligation to return funds does not arise until it is expected that the condition will be breached.

The recognition of grants and contributions is on an accruals basis. Developer contributions under S106 agreements are presumed to have conditions unless clear evidence to the contrary that would require repayment if not met and are recognised as a receipt in advance.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors (receipts in advance). When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions including grants for REFCUS) or Taxation and Non-Specific Grant Income (non-ring-fenced revenue grants such as Revenue Support Grant and all capital grants) in the Comprehensive Income and Expenditure Statement. Grants relating to future expenditure or future financial years will be recognised in the year they are received subject to any conditions as above.

Where a grant or contribution is recognised in the Income and Expenditure account but at the balance sheet date that grant could be used for either revenue (i.e REFCUS) or capital expenditure it is treated as a revenue grant credited to the appropriate service in the net cost of services.

Where capital grants are credited to the Comprehensive Income and Expenditure Statement or capital grants relating to expenditure classified as REFCUS are treated for financial reporting as a revenue grant and reported as income within the relevant service, they are reversed out of the General Fund Balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants (or Contributions) Unapplied Reserve. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants (or Contributions) Unapplied reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

All grants and contributions are subject to a de minimis, where if the value of the grant or contribution is less than £50,000 the income will be recognised in the Comprehensive Income and Expenditure Account immediately.

If a revenue grant or contribution remains unused at then end of a financial year then the funding will be transferred into an earmarked reserve.

1.14 Business Improvement Districts

Business Improvement District (BID) schemes have been established in the Torquay and Paignton areas. The schemes are funded by a BID levy paid by non-domestic ratepayers and managed by Torbay Town Centres Company Limited. The Council acts as an agent under the scheme and charges for and collects the levy on behalf of the company. The only costs in relation to this scheme in the Comprehensive Income & Expenditure Statement are any costs and income associated with the administration costs of the collection of the levy.

1.15 Intangible Assets

Subject to a de minimis of £50,000, expenditure on non-monetary assets that do not have physical substance but are controlled by the Council as a result of past events (e.g. software licences) is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the Council. Subsequent expenditure is charged to Services in the year it is incurred.

Subject to a de minimis of £50,000 internally generated assets, if any, are capitalised where it is demonstrable that the project is technically feasible and is intended to be completed (with adequate resources being available) and the Council will be able to generate future economic benefits or deliver service potential by being able to sell or use the asset. Expenditure is capitalised where it can be measured reliably as attributable to the asset and is restricted to that incurred during the development phase (research expenditure cannot be capitalised).

Expenditure on the development of the Council websites is not capitalised as the website is solely or primarily intended to promote or advertise the Council's goods or services.

Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by the Council can be determined by reference to an active market. In practice, no intangible asset held by the Council meets this criterion, and they are therefore carried at amortised cost. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service line(s) in the Comprehensive Income and Expenditure Statement (between 3 -10 years depending on the asset). An asset is tested for impairment whenever there is indication that the asset might be impaired - any losses recognised are posted to the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account.

1.16 Heritage Assets

Subject to a de minimis of £50,000, expenditure on, or the value of donated heritage asserts, are capitalised where the Council has information on the cost or value of the heritage asset. Within one location a number of articles have been grouped into a single collection which is accounted for as an individual Heritage asset.

Heritage assets are those assets that are intended to be preserved in trust for future generations because of their cultural, environmental or historical associations. They are held by the reporting entity in pursuit of its overall objectives in relation to the maintenance of heritage. Heritage assets include historical buildings, archaeological sites, civic regalia, museum and gallery collections and works of art.

Heritage assets, if material, located within a community asset (for example, an historic building within a park) are accounted for separately from the community asset.

Operational heritage assets (i.e. those that, in addition to being held for their heritage characteristics, are also used by the Council for other activities or to provide other services) are accounted for as operational assets, and are valued in the same way as other assets of that general type (buildings, for example).

Heritage assets (other than operational heritage assets) are measured at valuation in accordance with FRS 30 i.e valuations may be made by any method that is appropriate and relevant such as insurance valuations. Where the Council has used insurance valuations this is the value insured which includes rebuild costs and is subject to indexation. Where it is not practicable to obtain a valuation at a cost which is commensurate with the benefits to users of the financial statements, heritage assets are measured at historical cost.

By their nature heritage assets are being preserved for the benefit of future generations therefore the estimated life of these assets are likely to have indefinite lives or in excess of 99 years.

Therefore depreciation is not required on heritage assets which have indefinite lives or where the asset life is in excess of 99 years as the depreciation value per annum will not be material. However, if applicable, individual depreciation rates will be set in relation to individual assets.

An asset is tested for impairment whenever there is indication that the asset might be impaired for example, where it has suffered physical deterioration or breakage or new doubts arise as to its authenticity.

- any losses recognised are posted to the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

Where expenditure on heritage assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account.

Where capital expenditure has occurred and a new valuation has not been issued, the expenditure in year is deemed to have increased the current value of the asset by a “pound for pound” amount either added to the value of the asset or as an asset under construction. Where expenditure is assessed as not adding value to the asset, the corresponding value will be written off as impairment.

The Council's 2010/11 statements have been restated to reflect the introduction of heritage assets. This has resulted in assets previously recognised being reclassified and revalued as heritage assets with the corresponding change reflected in the revaluation reserve. Where assets may have been donated in the past any changes in value from restatement have been included in the revaluation reserve as the cost of identifying the exact provenance of each asset would not be commensurate to the benefit of the users of the accounts.

1.17 Interests in Companies and other Entities

The Council accounts for it investments in its subsidiary companies at fair value. This is taken to be the net equity of the company at each financial year end. The fair value is recognised as a long term investment with the balance held in the Financial Instruments available for sale reserve.

Any downward movement in fair value is treated as impairment in the Cost of Services and reversed in the Movement of Reserves Statement. If there is an increase in fair value this is treated as a revaluation gain. If the net equity of a subsidiary is negative the fair value is then recognised as nil.

The value initial recognition of subsidiaries is recorded as income in the Taxation and non Specific grant income in the Comprehensive Income and Expenditure Statement.

The Council recognises the value of its other interests in companies, such as associates, at cost.

Companies

The Council has material interests in companies and other entities that have the nature of subsidiaries and associates. In the Council's own single-entity accounts, the interests in companies and other entities are recorded as financial assets at cost or fair value. For 2011/12 the value of the Council's interests in these companies is considered to be sufficiently material to require the production of group accounts for the Council.

The Council wholly owns Torbay Enterprise Agency (not trading), Torbay Economic Development Agency, English Riviera Tourism Company and Brighter bay Limited (dormant) and has representation and/or interests in SWERCOTS Ltd, SWGFL, Careers South West, Torbay Town Centres Company Limited, the PLUSS Organisation and TOR2.

Details of the companies that the Council has an interest in are listed in the Related Parties note to these accounts and, if material, in its Group Accounts. Further details on some of these interests are summarised below:

TOR2

This private company, a joint venture between Torbay Council and May Gurney, started trading on 19th July 2010 taking over a number of services and staff previously undertaken by the Council. The Council owns 19.99% of the shares with May Gurney owning 80.01%. This investment is recognised at historic cost (£19.99) as a long term investment on the Council's balance sheet. May Gurney plc, as parent company, has provided a guarantee to cover any liabilities for TOR2 ltd. Depending on TOR2's trading there is profit share payable to the two owners but not applicable in 2011/12. The assets owned by the Council and licensed to TOR2 remain as Council assets on the balance sheet, while any assets purchased by TOR2 are recognised on TOR2's balance sheet as the Council's contract with TOR2 does not specify the use of specific assets and TOR2 is expected to use their assets on other contracts. The Council in 2010/11 funded the purchase of a bond to cover any future pension liabilities in relation to the council staff that transferred to the new company and the Council will fund TOR2 for any employer contributions in excess of the rate applicable on date of transfer. These costs will be recognised in the year that they arise.

Torbay Care Trust

The Council entered a "partnership agreement" with Torbay Care Trust (formerly Torbay Primary Care Trust) on the 1st December 2005. This partnership was to enable the Care Trust to provide Adult Care

Services delegated by the Council. Council staff working in Adult Social Care transferred employment to the Care Trust. The Council however remains accountable for adult social care. In 2011/12 any under/overspends on the adults social care function provided by the Torbay Care Trust is the Council's responsibility subject to an agreed calculation of the split of any overspend between the Council and Torbay Care Trust.

Section 76 of the NHS Act 2006 permits Primary Care Trusts to exercise various local Council functions, and for local authorities to exercise various Primary Care Trust functions. The Torbay Primary Care Trust was re designated as a Care Trust under the Health and Social Care Act 2001. The Care Trust remains within the Department of Health accounting boundary.

The Council and the Care Trust are accounting for the partnership on the basis that the Council is funding the Care Trust to undertake delegated activities. The Care Trust will continue to provide the former Primary Care Trust activities. The Care Trust will account for income and expenditure on the Adult Social Care functions in the appropriate service category and will account for the funding received for the Council as "providing" income. The Council will show the funding paid to the Care Trust for providing the delegated functions within its Income and Expenditure Account. The partnership will also be part of the related parties note.

As the Council is accountable for social care, government grants are accounted for within the Council's Income and Expenditure Account and then passed to the Care Trust as part of the overall funding. In addition the Council continues to support a number of functions on behalf of the Care Trust, in particular, a debtor's function for charges for social care. In 2011/12 the Council received funds from the Torbay Care Trust funds to be used to support social care. This has been treated as income in the Cost of Services.

In addition the Council is the lead body for a pooled budget with the Torbay Care Trust for the Joint Equipment Store.

Torbay Economic Development Company

The Economic Development Company, a company limited by shares, is 100% owned by the Council and started trading in May 2011. The Council transferred a number of properties and allocated a number of long term leases (125 years) to the company at either nil consideration or a peppercorn rent. These assets were treated as a disposal in the Council's accounts. The value of the assets disposed less the deficit on pension at date of transfer is taken to be the value of the Council's initial investment in the company.

1.18 Inventories and Long Term Contracts

The Council has valued all inventories at the lower of cost or current replacement cost subject to a general de minimis for recognition of £50,000. This valuation is assumed to be broadly equal to an average cost valuation of the inventory.

In relation to the Joint Equipment Store, managed as a pooled budget with the Torbay Care Trust, due to the nature of the purchases the costs are directly charged to revenue as they are incurred.

1.19 Investment Property

Investment properties are those that are used solely to earn rentals and/or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods or is held for sale. The Council has assumed that all properties have an operational purpose such as tourism or regeneration unless it is clear that there is no direct service benefit and the properties are used solely to earn rentals and/or for capital appreciation

Investment properties are measured initially at cost and subsequently at fair value, based on the amount at which the asset which could be exchanged between knowledgeable parties at arm's-length. Properties are not depreciated but are revalued annually according to market conditions at the year-end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal. Any net increase in value prior to the asset being classified as an investment property is held and ‘frozen’ in the Revaluation Reserve until the asset is disposed or reclassified.

Rentals received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain for the General Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance. Any gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £25,000) the Capital Receipts Reserve.

1.20 Jointly Controlled Operations

Jointly controlled operations are activities, such as Joint Committees, undertaken by the Council in conjunction with other venturers that involve the use of the assets and resources of the venturers rather than the establishment of a separate entity. The Council recognises on its Balance Sheet the assets that it controls and the liabilities that it incurs and debits and credits the Comprehensive Income and Expenditure Statement with the expenditure its incurs and the share of income it earns from the activity of the operation.

Devon Audit Partnership

This is a Joint Committee established by Torbay, Plymouth and Devon County Council for the provision of internal audit services to the three Councils. The three Council’s recognise in their accounts their share of the partnerships’ income, expenditure, assets and liabilities.

PATROL – Parking and Traffic Regulations Outside London

It is a statutory requirement for Councils undertaking civil parking enforcement to join this Joint Committee in order to access independent adjudication.

1.21 Leases

The Council’s leases relate mainly to accommodation where the Council both leases in and leases out property.

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee.

The Council has considered all its leases for possible classification as finance or operating leases. The Council presumes a lease to be an operating lease unless there is evidence to the contrary and it is material to the accounts that a lease is classified as a finance lease. The Council in assessing the existence and materiality of a finance lease considered the following issues:

- “Footprint” of building is less than 5% of total land area
- Lease term is greater than 75% of asset life
- Value of gross value of asset is greater then £0.1m
- Value of annual rent is greater then £10,000
- Minimum Lease payment calculation will use PWLB rates at inception of lease
- Minimum Lease payment is 75% of current asset value

Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification. The land value is presumed to be 20% of the total value of the asset unless there is evidence to the contrary.

After the assessment the Council does not have any material finance leases either as lessee or lessor.

Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

All lease transactions, such as recognition, smoothing of operating lease payments/receipts are subject to a de minimis of £50,000 per annum.

Where an asset has a long term lease over 99 years it will be recognised in the Council's accounts as a disposal and written out of non current assets and reflected as either a capital receipt, if the tenant has paid a lump sum, or as a long term debtor if the tenant is making ongoing annual payments.

The Council as Lessee

Operating Leases

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefitting from use of the leased property, plant or equipment. Charges are made, if material, on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g, there is a rent-free period at the commencement of the lease).

The Council as Lessor

Operating Leases

Where the Council grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the relevant service line in the Comprehensive Income and Expenditure Statement. Credits are made on a straight-line basis over the life-of the lease, even if this does not match the pattern of payments (e.g., there is a premium paid at the commencement of the lease). Where material Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

Crematorium

In 2008/09 the Council entered into a 25 year contract with Westerleigh Crematorium Services Ltd for the operation of its crematorium. The contractor pays a fixed annual sum for this contract however the contract specifies that the contractor is to construct a replacement cremator at the end of the contract that will be passed back to Council ownership at the end of the contract period. The Council has recognised this future asset as a long term debtor which is increased each year by notional rent credits which are sufficient over the life of the lease to equal the estimated value of the replacement cremator. At the end of the contract when the asset transfer the debtor will be reversed and a non current asset recognised on the Council balance sheet.

1.22 Overheads and Support Services

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA Service Reporting Code of Practice 2011/12. The total absorption costing principle is used - the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

- Corporate and Democratic Core. - costs relating to the Council's status as a multi-functional, democratic organisation.
- Non Distributed Costs -the cost of discretionary benefits awarded to employees retiring early and, if applicable, impairment losses chargeable on Assets Held for Sale.

These two cost categories are defined in Service Reporting Code of Practice 2011/12, and accounted for as separate headings in the Comprehensive Income and Expenditure Statement, as part of Net Expenditure on Continuing Services.

The majority of the costs of management and administration and central services have been charged to services based on an appropriate (fair) basis. E.g. accommodation on floor area, personnel on head count.

The Council is required to present the service expenditure analysis in accordance with the CIPFA Service Reporting Code of Practice 2011/12. This analysis is in some service areas different to the Council's internal budgeting and monitoring arrangements

1.23 Property, Plant and Equipment

Assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and that are expected to be used during more than one financial year are classified as Property, Plant and Equipment.

Recognition

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Council and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e., repairs and maintenance) is charged as an expense when it is incurred.

A general de-minimis limit of £25,000 is applied to recognition of expenditure on Property, Plant and Equipment. Exceptions to the de-minimis limit are made for projects or individual purchases under £25,000 where there are specific service requirements to do so e.g. school minor improvement works which are funded under Special Government Initiatives and fleet vehicle purchases.

The Council's recognition (or otherwise) of the different types of school assets are as follows:

Community Schools:

The land and buildings are owned by the Council who provide a service from these properties. These assets are recognised as Council assets. If a community school becomes an Academy school the asset is treated as a disposal at nil value on the relevant date. The Council has one community school where the land and building is leased under a 99 year lease. This is accounted for as a Council asset.

Academy Schools:

The land and buildings for the three academy schools within Torbay are owned by the charitable trusts that operate these schools. These schools are funded directly from central government and are not recognised as Council assets. For any school converting to Academy status during 2011/12 the date of disposal for accounting purposes is the 1st April 2011.

Foundation Schools:

The land and buildings are vested in the governing bodies of the schools. The governing bodies control admission to the schools and employ all the staff. These are not recognised as Council assets. This includes the Council's one foundation school which is also a PFI funded school.

Voluntary Aided Schools:

The land and buildings are owned by the charitable trusts that operate these schools. The charitable trusts control admission to the schools and employ all the staff. These are not recognised as Council assets.

Voluntary Controlled Schools:

The land and buildings are owned by the charitable trusts that operate these schools. The Council controls admission to the schools and employs all the staff. Although the Council has no benefit to any residual value of the asset as the Council controls the service provided these are recognised as Council assets.

Measurement

Assets are initially measured at cost, comprising:

- the purchase price

- any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management

The Council does not capitalise borrowing costs incurred whilst assets are under construction.

List of asset categories & their definitions

The Property, Plant & Equipment category on the balance sheet is comprised of a number of sub categories:

Vehicles, Plant & Equipment – Assets used for operational purposes

Community Assets - assets which the Council intends to hold in perpetuity, which may have an indeterminate life and may have restrictions on disposal.

Surplus Assets – assets which are surplus to service needs but do not meet the criteria to be classified as Assets Held for Sale.

Infrastructure Assets – assets which form the underlying framework of the physical environment and by their nature cannot be sold. They include coastal defence and drainage systems and transport infrastructure assets. Transport infrastructure assets form the underlying transport framework of the physical environment and by their nature cannot be sold. They include highways, footways, and associated assets.

Assets under construction (Work in Progress) - where capital projects are incomplete and the assets under construction are not yet operational at the year end.

Other Land and Buildings – Assets used for operational purposes, including any operational heritage assets.

Assets are then carried in the Balance Sheet using the following measurement bases:

- Vehicles, plant & equipment - lower of net current replacement cost or net realisable value in existing use. For non-specialised operational assets, net current replacement cost is calculated on the basis of Existing Use Value (EUV); for specialised operational assets, net current replacement cost is calculated on the basis of Depreciated Replacement Cost (DRC). Since these assets often have relatively short useful lives and/or low individual values, Depreciated historical cost is used as a proxy for fair value.

- Community Assets – depreciated historical cost and, as with Infrastructure Assets, generally their value is increased as capital expenditure is incurred.

- Surplus Assets (if any) - Lower of net current replacement cost or net realisable value. Net current replacement cost is calculated on the basis of Market Value. Fair value as measured by Existing Use Value (EUV) but since, as Surplus assets, they will not have an existing use the valuation will be based on its use before it was decommissioned.

- Transport Infrastructure and Other Infrastructure – depreciated historical cost. Their value is usually increased as expenditure is incurred unless the asset is not available for use, when it will be treated as an Asset under Construction. Infrastructure assets transferred from Devon County Council upon Local Government re-organisation in 1998 are held at the value disaggregated by the County Council using tax base, subject to depreciation.

- Assets under construction (Work in Progress) – where capital projects are incomplete and the assets under construction are not yet operational at the year end, the added value of any significant works in progress is assessed by the Council's valuer pending the issue of a revaluation certificate upon completion of the works or expenditure to date is used in proxy. For assets valued at historical cost (infrastructure and community assets) costs are disclosed under operational fixed assets as they are incurred. The value of assets under construction from a prior year where a new valuation is issued, to the extent that valuation is in excess of the capital expenditure, is cleared to the Revaluation Reserve.

- all other assets (primarily land and buildings) - fair value, determined as the amount that would be paid for the asset in its existing use (existing use value - EUV**)**

Where there is no market-based evidence of fair value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of fair value.

Where non-property assets that have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for fair value.

Where an asset is recategorised during a financial year it will be revalued according the measurement relevant to that category of asset. If material the asset will be revalued in year, otherwise the asset will be revalued as part of the rolling 5 year programme.

Assets included in the Balance Sheet at fair value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their fair value at the year-end, but as a minimum every five years. All asset valuations are carried out in accordance with the Statements of Asset Valuation Practices and Guidance notes published by RICS and CIPFA. The management of property valuations is undertaken by Chris Bouchard A.R.I.C.S. who is an employee of Torbay Economic Development Company. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of a loss previously charged to a service.

Assets where a material change (e.g. capital expenditure on improvement or enhancement) occurs during the year are revalued as at the time of the change. Where there is a revaluation in year and capital expenditure has occurred in the year, the revaluation is assumed to have reflected the value of the expenditure in year.

Where a fixed asset is included in the balance sheet at current value, the difference between the amount at which the asset was included in the balance sheet immediately prior to the latest revaluation and the new value is credited or debited to the Revaluation Reserve.

Where capital expenditure has occurred and a new valuation certificate has not been issued, the expenditure in year is deemed to have increased the current value of the asset by a "pound for pound" amount. Where expenditure is assessed as not adding value to the asset, the corresponding value will be written off as impairment.

The Revaluation Reserve contains revaluation gains recognised since April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

Downward Revaluations (Impairment)

Assets are assessed at each year-end as to whether there is any indication that an asset type or range of assets may be materially impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

Where impairment losses are identified, they are accounted for by:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)

- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line(s) in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

Where capital expenditure in year has not added value to an asset the expenditure is written off to the Income and Expenditure account as impairment.

Depreciation

Depreciation is provided for on all Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their useful lives as estimated by the Council's Valuer, making an allowance for any residual value. Annual depreciation is calculated based upon the opening Balance Sheet value for each asset unless a material change has occurred during the financial year, in which case a pro-rata adjustment is made.

An exception is made for assets without a determinable finite useful life (i.e. freehold land and certain Community Assets) and assets that are not yet available for use (i.e. assets under construction).

Depreciation is calculated on the following bases:

- buildings - straight-line allocation over the useful life of the property as estimated by the valuer

- vehicles, plant, furniture and equipment - a percentage of the value of each class of assets in the Balance Sheet usually over periods between 3 to 10 years depending on the nature of the asset. Straight – line allocation over the expected useful life of the asset.

- infrastructure - straight-line allocation generally over 40 years or 20 years for Transport infrastructure.

Where an item of Property, Plant and Equipment asset has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately. The Council only assess an asset for componentisation (beyond the standard land and buildings split) if the asset has a gross value of more than £2m and the value of a type of component within an asset has a value in excess of £0.5m. Where appropriate for assets of a similar operational purpose, (such as schools), standard percentage splits over significant components will be used. Where, if material, expenditure in year is incurred on a replacement component and no revaluation of the asset has occurred the value of the old component (adjusted for depreciation to date) will be removed.

The Council has determined the following components:

Land

Building/Structure

Plant & Machinery

Furniture & Equipment

Infrastructure

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

1.24 Disposals and Assets Held for Sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale.

To be an asset held for sale the Council is actively taking actions to dispose of the site – such as the active marketing of the site. If the asset sale is expected within 12 months it is classified as a current asset and of sale not expected within 12 months it is held as a non current asset.

The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease in fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previous losses recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.

If assets no longer meet the criteria to be classified as Assets Held for Sale, they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as held for sale; adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as Held for Sale, and their recoverable amount at the date of the decision not to sell. Any changes in criteria apply from the next balance sheet date therefore no restatement of opening balances is required.

Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale.

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any net increase in value prior to the asset being classified as an Assets Held for Sale is held and ‘frozen’ in the Revaluation Reserve until the asset is disposed or reclassified.

Amounts received for a disposal in excess off £10,000 are categorised as capital receipts. Receipts below the de-minimis level of £10,000 (with reference to the Capital Finance Regulations 2003) are not recognised as capital receipts and are retained in the Comprehensive Income & Expenditure Account. The balance of receipts is required to be credited to the Capital Receipts Reserve, and can then only be used for new capital investment or set aside to reduce the Council's underlying need to borrow.

The Council could also receive capital receipts not directly related to the disposal of an asset. These include the Council’s share of Right to Buy Receipts arising from the Council’s housing stock which was transferred to Riviera Housing Trust in 2001. These are regarded as deferred receipts arising from the original disposal and are accounted for as a refinement of the estimated gain/loss made on the original disposal, and hence posted as gains/losses in the Income and Expenditure Account of the year of receipt.

Other capital receipts, not directly or indirectly linked to an asset such as repayment of renovation grants will be credited to the relevant service and then reversed in the Statement of Movement on the General Fund Balance.

Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement. The written-off value of disposals is not a charge against council tax, as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

Costs of disposal are not charged to gains/losses on disposal unless material. The Council has taken the option allowed by legislation to charge costs of disposal up to 4% of the value of a capital receipt and this is reflected in the Council's Capital Investment Plan. This option was not used in 2011/12.

1.25 Private Finance Initiative (PFI) and Similar Contracts

PFI and similar contracts are agreements to receive services, where the responsibility for making available the property, plant and equipment needed to provide the services passes to the PFI contractor. As the Council is deemed to control the services that are provided under its PFI schemes, and as ownership of the property, plant and equipment will pass to the Council at the end of the contracts for no additional charge, the Council carries the assets used under the contracts on its Balance Sheet as part of Property, Plant and Equipment and depreciated in the same way as property, plant and equipment owned by the Council.

Westlands and Homelands Schools – Private Finance Initiative.

The Council entered into a 26 year contract with a private sector partner, for the provision of serviced facilities at Westlands Secondary and Homelands Primary Schools in Torquay. The Project Agreement was signed on 31st March 2000 with Torbay School Services Ltd. The contract became effective on 10th May 2000 at which time both parties agreed that the conditions precedent had been satisfied. The contract is a "design, build, finance and operate" PFI contract.

The original recognition of these assets at fair value (based on the cost to purchase the property, plant and equipment) was balanced by the recognition of a liability for amounts due to the scheme operator to pay for the capital investment. For Westlands and Homelands Schools, the liability was written down by an initial capital contribution of £16m. The asset relating to one of the PFI schools, Westlands, which is a foundation school, is not recognised although the long term liability is.

The amounts payable to the PFI operators each year are analysed into three elements:

- fair value of the services received during the year - debited to the relevant service in the Comprehensive Income and Expenditure Statement.
- finance cost - an interest charge on the outstanding Balance Sheet liability, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.
- payment towards liability - applied to write down the Balance Sheet liability towards the PFI operator.

In addition the Council makes an annual revenue provision to the Capital Adjustment Account that is equal to the annual reduction in the liability to the contractor and correspondingly reduces the Council's Capital Financing Requirement.

The Council is in receipt of Government support for part of the cost of the scheme. The Council set up a sinking fund reserve to set aside some of the grant proceeds so that the scheme can be funded evenly from Government support over its operational life.

1.26 Provisions, Contingent Liabilities and Contingent Assets

Provisions

Provisions are made where an event has taken place that gives the Council a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. For instance, the Council maybe involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the Council becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year - where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

Where some or all of the payment required to settle a provision is expected to be recovered from another party (e.g from an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the Council settles the obligation.

Carbon Allowances

The cost of the Council's consumption of utilities which leads to a cost under the use of Carbon Allowances scheme is accounted for as a provision in Cost of Services in the Comprehensive Income and Expenditure Account in the year that the consumption relates.

Contingent Liabilities

A contingent liability arises where an event has taken place that gives the Council a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably. Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

Contingent Assets

A contingent asset arises where an event has taken place that gives the Council a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council.

Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

1.27 Reserves

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against council tax for the expenditure. The purpose of each of the Council's reserves is explained within the notes to the core financial statements.

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, retirement and employee benefits and do not represent usable resources for the Council - these reserves are explained in the relevant policies.

1.28 Revenue Expenditure Funded from Capital under Statute

Expenditure incurred during the year that may be capitalised under statutory provisions but that does not result in the creation of a Council non-current asset has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year (e.g. payments to third parties such as Private Sector Renovation Grants or spend on Foundation schools). Any grants or contributions received used to fund this expenditure, or expected to be used to fund REFCUS in the future, will also be treated as a revenue income. Where a grant has been received and as at year end it is not confirmed whether the grant will be spent on capital or REFCUS expenditure the Council has treated this as revenue grant. The grant will then, via the Movement in Reserves Statement be transferred to either the Capital Adjustment Account if expenditure has been incurred or to the capital grants unapplied reserve if expenditure has not yet been incurred.

Where the Council has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the level of council tax.

Although REFCUS, for financial reporting is treated as revenue expenditure, it is still, by statue, capital expenditure therefore the costs and sources of funding for REFCUS will appear within the notes for capital expenditure and financing.

1.29 Value Added Tax (VAT)

VAT payable is included as an expense only to the extent that it is not recoverable from Her Majesty's Revenue and Customs. VAT receivable is excluded from income.

COLLECTION FUND SUMMARY ACCOUNT 2011/2012

This account reflects the statutory requirements for billing authorities to maintain a separate Collection Fund, which shows the transactions of the billing authority in relation to non-domestic rates and the council tax, and illustrates the way in which these have been distributed to preceptors and the General Fund.

2010/11			**2011/12**	
£ m	£ m		**£ m**	**£ m**
		Income		
(59.0)		Council Tax Receivable	(59.2)	
(15.6)		Transfers from General Fund - Council Tax Benefits	(15.7)	
	(74.6)			**(74.9)**
	(32.1)	Income from business ratepayers (NNDR)		**(35.1)**
	(106.7)	Total Income		**(110.0)**
		Expenditure		
		Precepts and Demands:-		
7.6		Devon & Cornwall Police Authority	7.6	
3.5		Devon Fire Authority	3.5	
61.4	**72.5**	Torbay Council's own Demand (including Brixham Town Council)	61.8	**72.9**
	0.7	*Distribution of previous years estimated collection fund surplus. Note D*		**1.4**
		National Non-domestic Rates (NNDR):-		
31.5		Payments to NNDR Pool	34.5	
0.2	**31.7**	Cost of Collection Allowance	0.2	**34.7**
		Bad and Doubtful Debts/Appeals:-		
		Council tax		
0.5		Write Offs for uncollectable amounts	0.3	
0.1	**0.6**	Allowance for Impairment	(0.7)	**(0.4)**
		NNDR		
0.4		Write Offs for uncollectable amounts	0.4	
0.0	**0.4**	Allowance for Impairment	0	**0.4**
	105.9	Total Expenditure		**109.0**
	(0.8)	(Surplus)/Deficit for year		**(1.0)**

£m	**Movement of Fund Balance**	**£m**
(1.3)	Balance brought forward as at 1st April	**(2.1)**
(0.8)	Surplus for the year	**(1.0)**
(2.1)	Balance carried forward as at 31st March	**(3.1)**
(0.3)	Balance attributable to major precepting bodies. *Note E.*	***(0.5)***
(1.8)	Balance attributable to Torbay Council*. Note E.*	***(2.6)***

Note: Brixham Town Council, a local precepting authority, ‘precepts’ on Torbay Council as a billing authority to fund its activities, the precept for 2011/12 was £0.186m (£0.186m in 2010/11) and is received from council taxpayers in the town council’s area. This precept is included in Torbay Council’s demand on the collection fund.

NOTES TO THE COLLECTION FUND SUMMARY ACCOUNT

These notes represent the statutory requirement for a billing Council to maintain a separate Collection Fund. The accounts are consolidated with the Council's main accounts.

A) Council Tax Base 2011/12

For Council tax purposes the number of domestic properties in each band converted to a Band D equivalent for **2011/12** was as follows:

Valuation Band	Ratio to Band D	Amount payable by all council tax payers			Additional amount payable by council tax payers resident in the Brixham Town Council area		
		No Dwellings in valuation list	No of Dwellings Band D Equivalent	Average Council Tax Per Dwelling £	No Dwellings in valuation list	No of Dwellings Band D Equivalent	Average Council Tax Per Dwelling £
A	6/9	13,195	6,954	993.03	1,407	**740**	18.77
B	7/9	16,959	11,471	1,158.53	2,236	**1,520**	21.89
C	8/9	16,176	12,824	1,324.04	2,454	**1,954**	25.02
D	1	9,709	8,827	1,489.54	1,493	**1,363**	28.15
E	11/9	4,952	5,588	1,820.55	641	**738**	84.41
F	13/9	2,251	2,994	2,151.56	309	**407**	40.66
G	15/9	1,204	1,769	2,482.57	90	**137**	46.92
H	2	119	164	2,979.08	6	**5**	56.30
TOTAL		64,565	50,591		8,636	**6,864**	
Less Allowance for Non Collection @ % (3.5% 2010/11)			(1,770)			**(240)**	
TAX BASE 2011/12			**48,821**			**6,624**	

The number of dwellings Band D equivalent for 2011/12 is required for the setting of the Council Tax. It is calculated prior to the start of the financial year by using the number of dwellings on the valuation list adjusted to set the number of chargeable dwellings per band. This is then adjusted for an appropriate level of reduced assessments (discounts) prior to the number of dwellings in each band being put in a ratio compared to Band D. For further details on this please see "Report 321 10 Council Tax Base 1112" from the Council meeting of 14th December 2010.

B) Council Tax Income 2011/12

Precepts and Demands:

The following Authorities made a demand on the Collection Fund in 2011/12.

	£ m
Torbay Council (see note below)	61.8
Devon and Cornwall Police Authority	7.6
Devon & Somerset Fire & Rescue Authority	3.5
Total Demands on Collection Fund 2011/2012	**72.9**
Divided by Council Tax Base:-	
Torbay Council Tax Base	48,820.60
Brixham Town Council Tax Base	6,623.86
Band D Council Tax (excluding Brixham Town Council precept)	1,489.54
Band D Council Tax (including Brixham Town Council precept)	1,517.69

Note: Brixham Town Council's precept is included in Torbay Council's demand on the collection fund.

The income credited to the Collection Fund in 2011/12 can be analysed as follows.

	£ m
Gross Council Tax Payable for Year	86.4
Reduced Assessments (discounts)	(11.5)
Actual Income from Council tax	**(74.9)**
Less Council Tax Benefit	(15.7)
Total Council tax Income 2011/12	**(59.2)**

The difference of £2.0 million between the actual Council Tax income (£74.9m) and the estimated income (£72.9m) is due to changes during the year in the Council Tax Base and collection rates. These changes include the number of eligible properties, discounts and the actual and estimated tax collection rate.

C) Income from Business Rates

Under the arrangements for uniform business rates, the Council collects non-domestic rates for its area, which are based on local rateable values multiplied by a uniform rate. The total amount, less certain reliefs and other deductions, is paid to a central pool (the NNDR Pool) managed by Central Government, which in turn pays back to Authorities their share of the pool based on a standard amount per head of the resident population. The total rateable value as at 31st March 2012 was £100.0m (2010/2011: £100.5m).

In line with the Local Government Act 2003, from 1st April 2005, there are two multipliers, the small business non-domestic rating multiplier, which is applicable to those that qualify for the small business relief; and the non-domestic rating multiplier, which includes the supplement to pay for small business relief. The small business non-domestic rating multiplier for 2011/12 was 45.0 pence per pound of rateable value and the non domestic rating multiplier was 45.8 pence per pound.

As part of the NNDR regulations, all commercial premises have been revalued by the Valuation Office and a new rating list put into effect from 01/04/10. As part of this process the total rateable value increase is offset by a decrease in the multiplier.

D) Distribution of previous years' estimated Collection Fund surplus/(deficit)

2010/2011 £000's		2011/2012 £000's
543	Torbay Council	**1,209**
66	Devon and Cornwall Police Authority	**150**
31	Devon & Somerset Fire & Rescue Authority	**69**
640	**Total**	**1,428**

E) Accounting for the Collection Fund balance

The opening balance for the Collection Fund for 2011/12 was £2.1m. The balance as 31 March 2012 was £3.1m surplus. Surpluses and deficits are shared with the other major precepting bodies that make a demand on the fund. The Council accounted for the Collection Fund balance in its 2011/12 Statement of Accounts as follows.

2010/11 £m	**Major Precepting Bodies:-**	**2011/12 £m**
1.8	Torbay Council	**2.6**
0.2	Devon and Cornwall Police Authority	**0.3**
0.1	Devon and Somerset Fire and Rescue Authority	**0.2**
2.1		**3.1**

In the Balance Sheet as at 31 March 2012 the Council included the disaggregated amounts for Devon & Cornwall Police Authority and Devon and Somerset Fire and Rescue Authority within its current assets and liabilities. The surplus attributable to Torbay Council has been treated as a credit on the Collection Fund Adjustment Account.

In addition to the statutory Collection Fund Statement, the Council in its Income & Expenditure account now reflects, as income in year, its share, based on precepting values, of the year end Collection Fund position. The Council on its balance sheet reflects its share of year end assets (arrears and impairment) and liabilities (prepayments) attributable to the Collection Fund. The balance is shown in the accounts of the individual precepting bodies

GROUP ACCOUNTS 2011/12

For 2011/12 Torbay Council is publishing group accounts along with its single entity accounts. This is the first time in recent years that the Council has published Group Accounts. This change is due to changes in the value of the interests the Council holds in various companies that are now considered to be material to the users of the Statement of Accounts. These Accounts aim to provide users with a full picture of the Council's control and influence.

The Group Accounts are prepared in accordance with relevant legislation and guidance, primarily International Financial Reporting Standards (IFRS) and the CIPFA Accounting Code of Practice ("the Code").

In preparing the Group Accounts the Council has aligned the accounting policies of all group companies with those of the Council and made consolidation adjustments where necessary.

For subsidiaries the Council has consolidated the financial statements of the subsidiary companies with those of the Council on a line by line basis; and has eliminated in full balances, transactions, income and expenses between the Council and its subsidiary.

Additional notes to support the Group Accounts are only provided where there is a material difference to the notes to the Council's single entity Accounts. Debtor and Creditors included in the Group Accounts exclude any amounts owed within the Group. Any council contingent liability in relation to its group members are disclosed in the single entity accounts note 42. So users may wish to refer to the individual notes included in the Council's single entity accounts.

All the companies within the group have a reporting period end date of the 31st March. Subsidiary companies have been consolidated into the group accounts using acquisition accounting and Associates by equity accounting. The net equity of subsidiaries, whether in deficit or surplus, has been consolidated. Associates have only been consolidated to their net equity if surplus. If the net equity is in deficit due to cumulative losses, deductions (from Group reserves) are suspended so that the carrying amount does not become negative.

For those companies within the group that are 'Limited by Guarantee and not having a share capital' any surplus is reinvested into their activities. The Torbay Economic Development Company Ltd is a private limited company; however the intention is that any surplus is reinvested into the service. TOR2 is also a private limited company where the Council is due a share of any profits (not applicable in 2010/11 or 2011/12).

The Council's interest in TOR2 Ltd and the Riviera International Centre Ltd is 19.99%. These are less than the accounting presumption that a 20% holding in a company is necessary for significant influence. The Council has considered its relationship with these companies and has concluded that it does have significant influence over them due to the dependence they have on the council. Therefore both companies have been treated as associates.

The consolidation has resulted in relatively small movements between the Council's single entity account compared to the group accounts as the Council is the main funder of both subsidiary companies and only one of the associates has a surplus in its net equity. The value of the non current assets in the subsidiary companies is a result of the Council transferring assets to the companies at nil consideration.

	Torbay Council Single entity accounts	Torbay Council Group Accounts	Variance	Note
Total Reserves/Net Equity/Net Assets	134.0	133.7	(0.3)	No material movement in net assets
Long Term Assets	344.8	346.0	1.2	Revaluation of EDC assets less value of Council investment
Current Debtors	13.7	11.3	(2.4)	Consolidation of monies owed by Subsidiaries
Cash & Cash Equivalents	11.8	14.6	2.8	Primarily Cash balances held by EDC
Net Pension Liability	(123.5)	(124.9)	(1.4)	Subsidiaries part of LGPS
(Surplus)/Deficit on Provision of Services	22.8	26.2	3.4	Reversal of gain on recognition of EDC

As at the 31st March 2012 the net balances outstanding between members of the group were:-

Torbay Council and TOR2 Ltd, a net £1.7m owed by the Council

Torbay Council and the Torbay Economic Development Company, a net £1.4m owed by TEDC

The following companies fall within the Torbay Council group of companies for accounting purposes:-

Company Name and Reg'n No	Type of Company	Commenced Trading	Principal Activities during the year	Assessed Relationship	Shareholding /Control and Company Directors
Torbay Economic Development Company Ltd	Private Limited Company	14th April 2011	To bring about Regeneration in Torbay In 11/12 Council paid	Subsidiary	Shareholding /Control: 100% Members of Torbay Council that are Directors of this

07604855			£2.2m grant plus payments for professional fees In 11/12 one off fees of £2m were paid		Company are as follows:- Cllr Alan Faulkner Cllr David Thomas Cllr Alan Tyerman A full list of directors is available at:- http://www.torbay.gov.uk/tda-index/tda-aboutus/tda-edc.htm
English Riviera Tourism Company Ltd 07223987	Local Authority Controlled Company Limited by Guarantee and not having a share capital	1st October 2010	Marketing the English Riviera and managing and delivering the English Riviera Visitor Information Service In 11/12 Council paid £0.6m grant	Subsidiary	Shareholding /Control: 100% Members of Torbay Council that are Directors of this Company are as follows:- Cllr. Roger Stringer Cllr. Jeanette Richards A full list of directors is available at:- http://englishrivieratourism.co.uk/ertc-board-members.php
Torbay Enterprise Agency Ltd 02222483	Local Authority Controlled Company Limited by Guarantee and not having a share capital	Incorporated: 17th February 1988	Provision of free professional advice and practical guidance to small business in Torbay and the management and rental of industrial units	Subsidiary Not consolidated as not material	Shareholding /Control: 100% Members of Torbay Council that are Directors of this Company are as follows:- Cllr Derek Mills The full list of directors who held office during the year were as follows: Cllr Derek Mills Adrian Sheen
Brighter Bay Ltd 07157188	Local Authority Controlled Company Limited by Guarantee and not having a share capital	Incorporated: 15th February 2010 – Dormant in 2011/12. Company was dissolved on 5th June 2012	Dormant	Subsidiary Not consolidated as not trading	Shareholding /Control: 100%

TOR2 Ltd 07204696	Company limited by share	19th July 2010	Waste and recycling collections; maintenance of highways, grounds, parks, car parks, buildings and the Council's vehicle fleet; street and beach cleansing; and out of hours call centre support in the Torbay area Council has 10 year contract with TOR2 for a number of services with an annual value of approx £12m	Associate	Shareholding /Control: 19.99% Members of Torbay Council that are Directors of this Company are as follows:- Cllr Peter Addis The full list of directors who held office during the year were as follows: Philip Fellowes-Prynne David Hogg (resigned 9 May 2011) Gary Mills (resigned 1 December 2011) Nicola Peake (resigned 31 December 2011) Matt Stevens (resigned 13 March 2012) Clare Tanner (resigned 31 January 2012) Ciaran Kennedy (appointed 9 May 2011) Peter Addis (appointed 31 January 2012) Jonathan Wilkinson (appointed 1 January 2012)
Careers South West Ltd 3029947	Local Authority Controlled Company Limited by Guarantee and not having a share capital	1st April 2008 formerly Connexions Cornwall & Devon Ltd	To develop, co-ordinate, operate and ensure provision of support services for young people and provide careers advice, information and guidance to people of all ages. In 11/12 Council funded a £1m payment	Associate	Shareholding /Control: 25% A list of directors is available at: http://www.careerssw.org/about-csw/about-us-2/our-board
The PLUSS Organisation Ltd	Local Authority Controlled Company Limited by	1st August 2005	Primary purpose is to inspire people of all abilities to achieve a career.	Associate	Shareholding /Control: 25% Members of Torbay Council that are Directors of this

05171613	Guarantee and not having a share capital		The key areas are employment services and supported enterprises In 11/12 Council funded a £0.6m payment plus purchases of equipment.		Company are:- Councillor Stocks A full list of directors is available at: http://pluss.org.uk/pluss-board-directors
Riviera International Centre Limited 4390746	Company Limited by Guarantee and not having a share capital	8th March 2002	Provision of conference and leisure activities In 11/12 Council funded a £0.8m payment	Associate	Shareholding /Control:19.99% Members of Torbay Council that are/were Directors of this Company are as follows:- Mr R M Pernull-Excell Mr D N Thomas (Resigned 3 June 2011) The full list of directors who held office during the year were as follows: Mr R M Pernull-Excell (Appointed 3 June 2011) Mr B M Cole (Resigned 31 March 2012) Mr C D Hart (Resigned 31 March 2012) Mr M J Clarke (Resigned 31 March 2012) Mrs S P Faryna (Resigned 31 March 2012) Mr D N Thomas (Resigned 3 June 2011)

Group Movement in Reserves Statement

This statement shows the movement in the year on the different reserves held by the Council and its group members, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other 'unusable' reserves. The Surplus or (Deficit) on the Provision of Services line shows the true economic cost of providing the Council's group services, more details of which are shown in the Group Comprehensive Income and Expenditure Statement.

	General Fund Balance	Earmarked General Fund Reserves	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Authority Reserves	Authority's share of reserves of Subsidiaries and Associates	Total Reserves
	£m	£m	£m	£m	£m	£m	£m	£m	£m
Balance at 31 March 2010 carried forward	**3.7**	**31.0**	**0.4**	**19.1**	**54.2**	**47.5**	**101.7**	**0**	**101.7**
<u>Movement in Reserves during 2010/11</u>									
Surplus or (deficit) on provision of services	25.5	-	-	-	25.5	-	**25.5**	**0**	**25.5**
Other Comprehensive Expenditure and Income (in I&E Statement)	-	-	-	-	**-**	65.7	**65.7**	**0**	**65.7**
Total Comprehensive Expenditure and Income	**25.5**	**-**	**-**	**-**	**25.5**	**65.7**	**91.2**	**0**	**91.2**
Adjustments between Group Accounts and Authority Accounts	(1.1)				**(1.1)**	**(3.7)**	**(4.8)**	**0.1**	**(4.7)**
Adjustments between accounting basis & funding basis under regulations	(22.3)	-	0.1	(2.1)	**(24.3)**	24.3	**-**	**0**	**0**
Net Increase/Decrease before Transfers to Earmarked Reserves	**2.1**	**-**	**0.1**	**(2.1)**	**0.1**	**86.3**	**86.4**	**0.1**	**86.5**
Transfers to/from Earmarked Reserves	(1.8)	1.8	-	**0**	**-**	-	**-**	**0**	**0**
Increase/(Decrease) in Year	**0.3**	**1.8**	**0.1**	**(2.1)**	**0.1**	**86.3**	**86.4**	**0.1**	**86.5**

	General Fund Balance £m	Earmarked General Fund Reserves £m	Capital Receipts Reserve £m	Capital Grants Unapplied £m	Total Usable Reserves £m	Unusable Reserves £m	Total Authority Reserves £m	Authority's share of reserves of Subsidiaries and Associates £m	Total Reserves £m
Balance at 31 March 2011 carried forward	**4.0**	**32.8**	**0.5**	**17.0**	**54.3**	**133.8**	**188.1**	**0.1**	**188.2**
<u>Movement in Reserves during 2011/12</u>									
Surplus or (deficit) on provision of services	(26.3)	-	-	-	(26.3)	-	**(26.3)**	**0**	**(26.3)**
Other Comprehensive Expenditure and Income (in I&E Statement)	-	-	-	-	**-**	(32.5)	**(32.5)**		**(32.5)**
Total Comprehensive Expenditure and Income	**(26.3)**	**-**	**-**	**-**	**(26.3)**	**(32.5)**	**(58.8)**		**(58.8)**
Adjustments between Group Accounts and Authority Accounts	3.5				**3.5**	(1.6)	**1.9**	**2.4**	**4.3**
Adjustments between accounting basis & funding basis under regulations (Note 7)	23.4	-	(0.5)	(3.2)	**19.7**	(19.7)	**-**	**-**	
Net Increase/Decrease before Transfers to Earmarked Reserves	**0.6**	**-**	**(0.5)**	**(3.2)**	**(3.1)**	**(53.8)**	**(56.9)**	**2.4**	**(54.5)**
Transfers to/from Earmarked Reserves (Note 8)	(0.6)	0.6	-	**-**	**-**	-	**-**		**-**
Increase/(Decrease) in Year	**0.0**	**0.6**	**(0.5)**	**(3.2)**	**(3.1)**	**(53.8)**	**(56.9)**	**2.4**	**(54.5)**
Balance at 31 March 2012 carried forward	4.0	33.4	0	**13.8**	**51.2**	**80.0**	131.2	**2.5**	**133.7**

Group Comprehensive Income and Expenditure Statement

This statement shows the accounting cost in the year of providing services by the council, its subsidiaries and its share of associates in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation.

	2010/11				2011/12	
Gross Exp £m	**Gross Income £m**	**Net Exp £m**	**Services:**	**Gross Exp £m**	**Gross Income £m**	**Net Exp £m**
19.5	(17.4)	**2.1**	Central Services to the Public	19.6	(17.1)	**2.5**
17.7	(2.3)	**15.4**	Cultural Services	12.7	(2.1)	**10.6**
22.3	(7.0)	**15.3**	Environmental and Regulatory Services	17.7	(4.3)	**13.4**
6.6	(2.8)	**3.8**	Planning and Regeneration Services	10.9	(2.1)	**8.8**
156.5	(127.7)	**28.8**	Childrens and Education Services	132.5	(93.0)	**39.5**
27.0	(9.8)	**17.2**	Highways and Transport Services	19.3	(8.2)	**11.1**
72.8	(65.1)	**7.7**	Housing Services	76.0	(68.6)	**7.4**
47.0	(2.0)	**45.0**	Adult Social Care	47.5	(4.0)	**43.5**
5.0	(1.6)	**3.4**	Corporate and Democratic Core	3.1	0	**3.1**
2.9	0	**2.9**	Exceptional Items – local pay review	0	0	**0**
1.4	(8.8)	**(7.4)**	Non distributed costs – other	1.7	(1.1)	**0.6**
0	(28.0)	**(28.0)**	Non distributed costs – change in inflation factor for retirement benefits	0	0	**0**
378.7	**(272.5)**	**106.2**	**Cost Of Services**	**341.0**	**(200.5)**	**140.5**
0.7	(0.8)	**(0.1)**	Other Operating Expenditure	22.0	(1.0)	**21.0**
25.2	(15.0)	**10.2**	Financing and Investment Income and Expenditure	22.2	(14.6)	**7.6**
0	(140.5)	**(140.5)**	Taxation and Non-Specific Grant Income	0	(142.9)	**(142.9)**
		(24.2)	**(Surplus) or Deficit on Provision of Services**			**26.2**
		(1.3)	Share of the (surplus) or deficit on the provision of services by associates.			**(0.1)**
		0	Tax expenses of subsidiaries			**0**
		0	Tax expenses of associates			**0.2**
		(25.5)	**Group (Surplus)/Deficit**			**26.3**
		(3.0)	Surplus or deficit on reval-			**(15.0)**

	uation of non current assets	
2.5	Impairment losses on non-current assets charged to Revaluation Reserve	0.3
(61.5)	Actuarial (gains) / losses on pension assets / liabilities	46.0
(4.0)	Share of other Comprehensive income and expenditure of associates	1.3
0.3	Tax relating to Other Comprehensive and Expenditure - Associates	(0.1)
(65.7)	**Other Comprehensive Income and Expenditure**	**32.5**
(91.2)	**Total Comprehensive Income and Expenditure**	**58.8**

Group Balance Sheet

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Council, its subsidiaries and its share of associates. The net assets of the Council, (assets less liabilities), are matched by the reserves held by the Council. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the Council or members of its group may use to provide services. The second category of reserves is those that the Council is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve).

1 April 2010	31 March 2011		31 March 2012
£m	£m		£m
319.5	**326.7**	Property, Plant & Equipment	**316.3**
18.7	**20.1**	Heritage Assets	**22.2**
4.1	**4.1**	Investment Property	**4.1**
0.7	**0.7**	Intangible Assets	**0.5**
4.4	**3.0**	Long Term Investments	**0**
0	**0.2**	Investments in Associates	**0**
3.0	**2.9**	Long Term Debtors	**2.9**
350.4	**357.7**	**Long Term Assets**	**346.0**
95.6	**112.0**	Short Term Investments	**94.4**
1.1	**1.1**	Assets Held for Sale	**0.7**
0.4	**0.1**	Inventories	**0.1**
11.7	**12.3**	Short Term Debtors	**11.3**
14.2	**2.8**	Cash and Cash Equivalents	**14.6**
123.0	**128.3**	**Current Assets**	**121.1**
(1.5)	**(1.5)**	Short Term Borrowing	**(2.0)**
(1.2)	**(0.4)**	Other Short Term Liabilities	**(0.4)**
(32.8)	**(35.8)**	Short Term Creditors (inc Receipts in Advance)	**(37.9)**

(2.3)	**(2.7)**	Provisions	**(1.4)**
(1.1)	**(6.1)**	Capital Grants/Contributions: Receipts in Advance	**(0.9)**
1 April 2010	**31March 2011**		**31 March 2012**
£m	**£m**		**£m**
(38.9)	**(46.5)**	**Current Liabilities**	**(42.6)**
(1.3)	**(1.0)**	Long Term Creditors	**(1.2)**
(0.3)	**(0.3)**	Provisions	**(0.2)**
(132.6)	**(162.7)**	Long Term Borrowing	**(153.7)**
(30.0)	**(9.9)**	Other Long Term Liabilities	**(10.3)**
(166.4)	**(76.7)**	Pension Liability	**(124.9)**
(2.2)	**(0.7)**	Grants/Contributions Receipts in Advance- Capital	**(0.5)**
(332.8)	**(251.3)**	**Long Term Liabilities**	**(290.8)**
101.7	**188.2**	**Net Assets**	**133.7**
54.2	**54.4**	Usable reserves	**53.7**
47.5	**133.8**	Unusable Reserves	**80.0**
101.7	**188.2**	**Total Reserves**	**133.7**

The unaudited accounts were issued on 29th June 2012 and the audited accounts were authorised for issue on 19th September 2012.

P LOOBY BA CPFA
Chief Finance Officer
19th September 2012

Group Cash Flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents of the Council and its subsidiaries. The statement shows how the Council and subsidiaries generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Council are funded by way of taxation and grant income or from the recipients of services provided by the Council. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Council's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Council.

2010/11		**2011/12**
£m		**£m**
(24.2)	Net (surplus) or deficit on the provision of services	26.2
(5.0)	Adjustments to net surplus or deficit on the provision of services for non cash movements	(45.1)
1.2	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	1.2
(28.0)	Net cash flows from Operating Activities	(17.7)
48.6	Investing Activities	(3.5)
		9.4
(9.2)	Financing Activities	
11.4	**Net (increase) or decrease in cash and cash equivalents**	**(11.8)**
14.2	Cash and cash equivalents at the beginning of the reporting period	2.8
2.8	**Cash and cash equivalents at the end of the reporting period**	**14.6**
(11.4)	Net increase or (decrease) in cash and cash equivalents	**11.8**

Notes to Group Accounts

1. Summary of Group Movements in the Movement in Reserves Statement

This table identifies the movements in the unusable and usable reserves for the Council's share of Subsidiaries and Associates which reconciles to the Group Movement on Reserves Statement.

	Group Reserves Attributable to the Authority		
	Usable Reserves	**Unusable Reserves**	**Total**
2010/11			
Balance at 1 April 2010	0	0	0
Surplus or (deficit) on the Provision of Services	0.2	0	0.2
Other Comprehensive Income & Expenditure	0	0.1	(0.1)
Balance at 31 March 2011	**0.2**	**(0.1)**	**0.1**
2011/12			
Balance at 1 April 2011	0.2	(0.1)	0.1
Surplus or (deficit on the Provision of Services	(0.8)	0	(0.8)
Other Comprehensive Income & Expenditure	0	3.2	3.2
Balance at 31 March 2012	**(0.6)**	**3.1**	**2.5**

2. Adjustments between Group Accounts and Council Accounts in the Group Movement in Reserves Statement

This table identifies the adjustments made between the Group Accounts and Council's Accounts to reflect changes made on consolidation to balance to the Council's single entity General Fund Reserve balance.

	General Fund Balance	Unusable Reserves	Total
	£m	£m	£m
2010/11			
Subsidiaries Trading Position	0.2	0	**0.2**
Council's share of Associates Profit/loss on Provision of Service	(1.3)	0	**(1.3)**

	General Fund Balance	Unusable Reserves	Total
	£m	£m	£m
Actuarial (Gains)/Losses	0	(3.7)	**(3.7)**
	(1.1)	**(3.7)**	**(4.8)**
2011/12			
Movement in fair value of subsidiary	(0.8)	0	(0.8)
Subsidiaries Trading Position	0.1	0	0.1
Pension charge for Subsidiary (NDC)	0.5	0	0.5
Taxation EDC investment	3.6	0	3.6
Council's share of Associates Profit/Loss on Provision of Service	(0.1)	0	(0.1)
Tax - Associates	0.2	0	0.2
Property Revaluations	0	(4.0)	(4.0)
Actuarial (Gains)/Losses	0	2.4	2.4
	3.5	**(1.6)**	**1.9**

3 Summary financial information of Associate Companies

This table lists summary information about the Council's interest in associate companies and its relationship with them in terms of ownership and trading.

	TOR2 Ltd		**Careers South West Ltd**		**The PLUSS Organisation Ltd**		**Riviera International Centre Limited**	
	Total	Torbay Council's Share (19.99%)	Total	Torbay Council's Share (25%)	Total	Torbay Council's Share (25%)	Total	Torbay Council's Share (19.99%)
2010/11	£m	£m	£m	£m	£m	£m	£m	£m
Income	(10.7)	(2.1)	(16.2)	(4.1)	(23.3)	(5.8)	(3.2)	(0.6)
Expenditure	12.4	2.5	11.5	2.9	20.7	5.2	3.3	0.6
Operating (Profit) or loss	1.7	0.4	(4.7)	(1.2)	(2.6)	(0.6)	0.1	0
Other Comprehensive Income	0.2	0	0.4	0.1	0.1	0	0	0
Actuarial (gains)/Losses recognised in the pension scheme	0	0	(11.9)	(3.0)	(4.0)	(1.0)	0	0

Taxation (including deferred)	(0.5)	(0.1)	0.1	0	1.8	0.5	0	0
Total	1.4	0.3	(16.1)	(4.2)	(4.7)	(1.1)	0.1	0
Assets	8	1.6	3.8	1.0	7.2	1.8	0.5	0.1
Liabilities	(9.4)	(1.9)	(4.7)	(1.2)	(6.3)	(1.6)	(0.4)	(0.1)
Total	**(1.4)**	**(0.3)**	**(0.9)**	**(0.2)**	**0.9**	**0.2**	**0.1**	**0**
2011/12								
Income	(14.8)	(2.9)	(12.5)	(3.1)	(27.4)	(6.9)	(3.0)	(0.6)
Expenditure	16.0	3.2	11.9	3.0	26.7	6.7	3.1	0.6
Operating (Profit) or Loss	1.2	0.3	(0.6)	(0.1)	(0.7)	(0.2)	0.1	0.0
Other comprehensive income and expenditure	0.1	0	(0.3)	(0.1)	(0.1)	0	0	0
Actuarial (Gains)/Losses recognised in the pension scheme	0	0	3.9	1.0	1.7	0.4	0	0
Taxation	(0.3)	(0.1)	0	0	(0.3)	0	0	0
Total	1.0	0.2	3.0	0.8	0.6	0.2	0.1	0
Assets	5.9	1.2	3.9	1.0	7.7	1.9	0.4	0.1
Liabilities	(8.3)	(1.7)	(7.8)	(2.0)	(7.4)	(1.9)	(0.4)	(0.1)
Total	**(2.4)**	**(0.5)**	**(3.9)**	**(1.0)**	**0.3**	**0**	**0**	**0**
Unrecognised share of loss to ensure carrying amount does not become negative	-	(0.5)	-	(1.0)	-	-	-	-

4 Property, Plant and Equipment

This table reconciles the movement in Group Property Plant and Equipment assets. The measurement basis, depreciation method and useful lives used in the Group Accounts are materially consistent with the information provided in Note 12 of the Council's single entity accounts.

Comparator information for prior years is the same as Note 12 in the Council's single entity accounts.

2011/12	Other Land & Buildings	Vehicles, Plant & Equipm't	Infra - structure Assets	Community Assets	Surplus Assets	Assets Under Const-ruction	Total Auhtority's Property, Plant & Equipment	Subsidiaries Property, Plant & Equipment	Total Property, Plant and Equipment	PFI Assets Included in Property, Plant & Equipm't
	£m	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**
Cost or Valuation										
At 1 April 2011	**246.6**	**16.6**	**86.7**	**5.0**	**0**	**2.6**	**357.5**	**0**	**357.5**	**3.7**
Additions	9.7	0.9	5.2	0.6	0	0.6	**17.0**	0	**17.0**	0
Revaluation increases/ (decreases) recognised in the Revaluation Reserve	13.4	0	0	0	0	0	**13.4**	4.0	**17.4**	0
Revaluation Increases/ (decreases) recognised in the Surplus/Deficit on the Provision of Services	(14.2)	0	0	0	(0.1)	(2.3)	**(16.6)**	0	**(16.6)**	0
Derecognition - Disposals	(21.8)	(0.6)	0	0	0	0	**(22.4)**	0	**(22.4)**	0
Derecognition - Other	(0.1)	0	0	0	0	0	**(0.1)**	0	**(0.1)**	0
Assets reclassified (to)/from Held for Sale	(0.6)	0	0	0	0.7	0	**0.1**	0	**0.1**	0
Other movements in Cost or Valuation	(0.1)	0	0	(0.1)	0.2	(0.2)	**(0.2)**	0	**(0.2)**	0
At 31 March 2012	**232.9**	**16.9**	**91.9**	**5.5**	**0.8**	**0.7**	**348.7**	**4.0**	**352.7**	**3.7**
Accumulated Depreciation and Impairment										
At 1 April 2011	**(9.6)**	**(9.3)**	**(11.9)**	**0**	**0**	**0**	**(30.8)**	**0**	**(30.8)**	**(0.2)**
Depreciation charge	(3.2)	(1.5)	(3.3)	0	0	0	**(8.0)**	0	**(8.0)**	(0.1)
Depreciation written out to the Revaluation Reserve	0.3	0	0	0	0	0	**0.3**	0	**0.3**	0
Depreciation written out to the Surplus/Deficit on the Provision of Services	1.0	0	0	0	0	0	**1.0**	0	**1.0**	0

	Other Land & Buildings	Vehicles, Plant & Equipm't	Infra - structure Assets	Community Assets	Surplus Assets	Assets Under Const-ruction	Total Auhtority's Property, Plant & Equipment	Subsidiaries Property, Plant & Equipment	Total Property, Plant and Equipment	PFI Assets Included in Property, Plant & Equipm't
Impairment losses/(reversals) recognised in the Revaluation Reserve	(0.2)	0	0	0	0	0	**(0.2)**	0	**(0.2)**	0
Derecognition - Disposals	0.6	0.6	0	0	0	0	**1.2**	0	**1.2**	0
Derecognition - Other	0	0	0	0	0	0	**0**	0	**0**	0
Other movements in Depreciation and Impairment	0.1	0	0	0	0	0	**0.1**	0	**0.1**	0
At 31 March 2012	**(11.0)**	**(10.2)**	**(15.2)**	**0**	**0**	**0**	**(36.4)**	**0**	**(36.4)**	**(0.3)**
Net Book Value										
At 31 March 2012	**221.9**	**6.7**	**76.7**	**5.5**	**0.8**	**0.7**	**312.3**	**4.0**	**316.3**	**3.4**
At 31 March 2011	**237.0**	**7.3**	**74.8**	**5.0**	**0**	**2.6**	**326.7**	**0**	**326.7**	**3.5**

5 Defined Benefit Pension Schemes

Note 49 of the Council's single entity accounts explain the Council's participation in the Local Government Pension Scheme. Both the Council's subsidiaries also participate in this scheme along with a number of the Council's associates.

The two subsidiaries are members of the Devon County Pension Scheme with the same actuary as the Council the background to the scheme and scheme assumptions are as outlined in the Council's note 49. The reasons for the movement in the net pension liability for the two subsidiaries are similar to Council in that changes in actuarial assumptions has increased the liability with a corresponding actuarial loss in reflected in the Group Comprehensive Income and Expenditure Statement.

The following table summarises the net pension liability of the Group:

	2010/11 £m	2011/12 £m
Torbay Council		
Present value of liabilities:	(272.1)	**(319.4)**
Fair value of assets in the Local Government Pension Scheme	195.5	**195.9**
Surplus/(deficit) in the scheme:	**(76.6)**	**(123.5)**
Economic Development Company		
Present value of liabilities:	-	**(4.1)**
The Fair value of assets in the Local Government Pension Scheme	-	**2.9**
Surplus/(deficit) in the scheme:	**-**	**(1.2)**
English Riviera Tourism Company		
Present value of liabilities:	(0.6)	**(0.7)**
Fair value of assets in the Local Government Pension Scheme	0.5	**0.5**
Surplus/(deficit) in the scheme:	**(0.1)**	**(0.2)**

following table summarises the Group Transactions in the Pension Scheme reflected in the Group Comprehensive Income and Expenditure Account.

Post Employment Benefits	**Torbay Council**		**EDC**		**ERTC**	
Comprehensive Income and Expenditure Statement	**2010/11**	**2011/12**	**2010/11**	**2011/12**	**2010/11**	**2011/12**
Cost of Services:	(25.1)	6.0	-	0.8	0.2	0
Financing and Investment Income and Expenditure	5.0	**2.4**	**-**	0	0	**0**
Total Charged to the Surplus or Deficit on the Provision of Services	(20.1)	**8.4**	**-**	0.8	0.2	**0**
Charged to Other Comprehensive Income and Expenditure	(61.5)	**46.0**	**-**	0.7	0	**0.2**

Post Employment Benefits **Comprehensive Income and Expenditure Statement**	**Torbay Council**		**EDC**		**ERTC**	
	2010/11	**2011/12**	**2010/11**	**2011/12**	**2010/11**	**2011/12**
Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	**(81.6)**	**54.4**	**-**	**1.5**	**0.2**	**0.2**

ANNUAL GOVERNANCE STATEMENT 2011/12

ANNUAL GOVERNANCE STATEMENT FOR THE FINANCIAL YEAR 2011/12

Scope of responsibility

Torbay Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded, properly accounted for and used economically, efficiently and effectively. Torbay Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, the Council is also responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, which includes arrangements for the management of risk.

Torbay Council has approved and adopted a code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE Framework *Delivering Good Governance in Local Government.* A copy of the code is on the Council's website at The Council's Constitution or can be obtained from Democratic Services. This statement explains how Torbay Council has complied with the code and also meets the requirements of regulation 4 (2) of the Accounts and Audit regulations 2003 as amended by the Accounts and Audit (Amendment) (England) Regulations 2006 in relation to the publication of a statement on internal control.

The purpose of the governance framework

The governance framework comprises the systems and processes, and culture and values, by which the authority is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables the authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost effective services.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can, therefore, only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of Torbay Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The governance framework has been in place at Torbay Council throughout the year ended 31st March 2012 and up to the date of approval of the annual report and statement of accounts.

The Governance framework

The key elements of Torbay Council's governance framework are summarised below:

(A) Arrangements for identifying and communicating the authority's vision of its purpose and intended outcomes for citizens and service users

- A Community Plan refreshed in Autumn 2011 sets out the Council's vision developed jointly with the Torbay Strategic Partnership which brings together representatives of the public, voluntary and business sectors
- A medium term resource plan which is regularly and updated to support the achievement of the Council's corporate priorities
- A transformation programme aimed at reducing costs and improving services and customer satisfaction
- A performance management framework which includes monthly performance reports reported to the public reporting quarterly covering financial performance, risks, and achievement of key performance targets and priorities
- A programme of consultation with the public through public meeting and other mediums on a regular basis. Members and officers have also undertaken consultation with stakeholders when new strategies and policies have been developed
- As part of its budget setting process the Council co-ordinates a series of public events to gain an understanding of the communities views. The Council's main partners, the Care Trust, Police, Fire and Rescue and the Voluntary Sector also attend these events so that the local community has a comprehensive understanding of its local public and voluntary sectors
- The Council and the Care Trust, together with the Police and other partners have worked together to identify the needs of the area, including Health matters, and published a Joint Strategic Needs Assessment
- The Corporate Plan and Business Plans are reviewed annually as part of the Council's Annual Planning Cycle
- The Council's Communication Strategy, is communicated to staff, and all stakeholders via regular internal and external updates using promotional material, the web, the intranet
- Torbay Council 2011/12 Statement of Accounts for the year ended 31st March 2012
- Community Partnerships where local ward members and stakeholders can discuss concerns and issues with their constituents

(B) Arrangements for reviewing the authority's vision and its implications for the authority's governance arrangements

- The authority has also kept under review other key initiatives such as the actions arising from the Joint Strategic Needs Assessment for Health and Well Being, development of an Older Persons Strategy etc. and where appropriate have adapted the priority issues facing the Council
- The authority closely monitors improvements in Children's Services through the Safeguarding Improvement Board, has engaged with children and young people who have been through the safeguarding system and has allocated additional resources where appropriate.

- Regular consultation events were also used to inform the development and review of the authority's aims. These have continued to be used to obtain feedback on both service delivery and proposed plans and developments

- The budget setting process includes detailed scrutiny of proposals and their links to the Council's aims, priorities and stakeholder views, together with equalities impact assessments

- Issues identified in the Community Plan are monitored and tracked through the Corporate Plan and Business Plans and performance against targets is recorded on SPAR and reported through the scorecard to the appropriate body, the senior management team on a monthly basis and the Strategic Leadership Board (SLB) and Overview and Scrutiny quarterly

- The Council is also very mindful that the staff are also key stakeholders and as such, senior officers and Members have taken part in road shows. Internal communication approaches have been reviewed to ensure all staff are aware of all issues and new policies and practices. Positive working relationship with trades unions through monthly formal meetings and informal meetings with the Chief Executive (CEX) and consultation where appropriate

(C) Arrangements for measuring the quality of services for users, for ensuring they are delivered in accordance with the authority's objectives and for ensuring that they represent the best use of resources

- Surveys of users in service specific groups are used together with Viewpoint surveys to assess quality of service and enable policy changes to be made in light of user feedback. All these surveys and results are publicly accessible on the Council website. In addition the Council also encourages user involvement in appropriate services areas, examples being Speaking out in Torbay (SPOT) within the learning disabilities and Torbay Together Involvement group for consultation groups

- The Council records performance information using performance-reporting software 'Service Performance and Risk' (SPAR) and action on areas of poor performance is closely scrutinised, monthly by the senior leadership team and quarterly by the Senior Leadership Board and Overview and Scrutiny members. The performance reporting system is based on exceptions and where performance is identified as a concern, appropriate corrective action will be considered, scrutinised and monitored

- The Council uses a range of benchmarking information, including the Audit Commission comparative data set and National Health Service (NHS) data. It uses the data to measure performance against comparators and to identify authorities from whom the Council could learn, and to identify potential areas of focus for budget reductions

- There is also a range of consultation and feedback mechanisms for obtaining feedback from customers

- Equality Impact Assessments (EIAs) are used to ensure that we provide services that meet the diverse needs of the community. The EIAs are used to enable managers to fully consider the impact of proposed decisions on the community.

(D) Arrangements for defining and documenting the roles and responsibilities of the executive, non executive, scrutiny and officer functions, with clear delegation arrangements and protocols for effective communication

- The Constitution sets out how decisions are made and the procedures that are followed to ensure that these are efficient, transparent and accountable to local people

- This includes the publication of a monthly Forward Plan containing all key decisions

- The Constitution includes Standing Orders, Financial Regulations, Delegated powers, Contract Procurement rules and the budget and policy framework. These are underpinned by Codes of Conduct for officers and Members, Gifts and Hospitality rules, local protocols and by the Authority's Code of Corporate Governance

- The full Council of 37 elected Members, including the elected Mayor, is responsible for approving the budget and the policy framework. The Mayor is responsible for decisions within this framework and has been supported by other Members who oversee and advise on specific areas

- Matters outside of the budget and policy framework are referred to full Council for decision. Other matters are considered at full council where recommendations and/or advice are made to the mayor who normally makes decisions at those meetings.

- A Scrutiny function with the Overview & Scrutiny Board which undertakes a range of reviews into policies and performance. The Board also has the facility to 'call–in' Mayoral decisions or Officer key decisions and makes recommendations as appropriate. In relation to health and social care matters, the Health Scrutiny Board holds the council and local NHS organisations to account

- An Audit Committee is responsible for all internal and external audit matters along with some other Governance associated matters

- Some regulatory functions remain the responsibility of the Council and most of these are delegated to a small number of regulatory committees appointed annually by the Council

- All meetings are open to the public but a small number of exempt or confidential matters are considered in private when the press and public are formally excluded from meetings. It is the Council's objective to keep these private papers to a minimum with confidential and exempt elements mainly provided in annexes to fuller public reports . This ensures open and transparent decision making is undertaken at all times. Council officers provide appropriate advice at the points of consideration and decision, and report to Members on progress and outcomes of decisions taken

- The Authority has developed a number of Local Protocols (including in relation to Member and Officer Relations; Planning Matters and the role of the Monitoring Officer), all in line with good Corporate Governance

- The Council's Standards Committee has a majority of Independent Members (five independent members, four Torbay councillors and 3 Brixham Town councillors) and is chaired by an Independent Member. This far exceeds the legal requirement for involvement of Independent Members and the Committee has been given responsibility for promoting high ethical standards amongst Members; monitoring the operation of the Members' Code of Conduct (including observing performance at public meetings and training members); and dealing with complaints against Members under the Local Protocols

- The Council has an approved organisational structure with job descriptions for all officers and Members

(E) Arrangements for developing, communicating and embedding codes of conduct, defining the standards of behaviour for members and staff

- The Council's intranet contains a range of policies, procedures and guidance for all staff including Human Resources (HR) policies, Computer Security Policy, Freedom of Information Policy and Data Protection Policy and the Corporate Plan and Constitution

- Legislative changes, are monitored and reported to Strategic Leadership Team (SLT) and communicated to staff as required.

- Corporate induction courses are run on a regular basis. Managers are responsible for local induction arrangements. Officers in politically restricted posts and those responsible for negotiating contracts are required to register their personal interests

- Following the local Government elections in May 2011, a comprehensive member induction programme was put in place

- The Council has a Fraud and Corruption Policy which is reviewed regularly and has been communicated to all staff and is available on the Council's Intranet. That has been discussed and approved by the Council's Standards Committee

- The Standards Committee's remit includes the conduct of Members and investigating complaints in respect of individual Members and is comprised of a majority of independent co-opted Members. The Standards Committee has an annual work programme to promote and embed ethical standards and this is reported to the Council

- The Standards Committee's members also observe Council and other meetings and provide feedback reports on probity and conduct issues. This has resulted in improvements to the Constitution, procedures and a coaching programme for individual councillors

(F) Arrangements for reviewing and updating Standing Orders and Financial Regulations, a scheme of delegation and supporting procedure notes/manuals, which clearly define how decisions are taken and the processes and controls required to manage risks

- The Council's Constitution is reviewed throughout the year by the Monitoring Officer, Section 151 Officer and Democratic Services Manager in consultation with the Mayor and Group Leaders to ensure the Council's governance arrangements reflect best practice

- Commissioners and Executive Heads are responsible for managing risk within their departments

- The Executive Head Community Safety is responsible for the implementation and monitoring of the risk management strategy

- The Council completed a detailed review of its Risk Management Policy and Strategy and the Strategic Risk Register in the current year

- The Council, when considering any matter, will have a risk assessment within the report

- The Council fully recognises the need to continue to manage risks in all projects and, where appropriate Prince II and MSP are applied

(G) Ensuring the Authority's financial management arrangements conform with the governance arrangements of the CIPFA statement on the role of the Chief Finance Officer (CFO) in local government.

- The Chief finance Officer (CFO) has direct access to the Chief Executive on all matters and has direct access to all Members and senior officers of the Council

- The Council follows practices to ensure it makes best use of its resources. The CFO works with the Commissioners and Executive Heads to identify any financial issues which may require management action. These are reported to the Overview and Scrutiny Board and Council on a quarterly basis, regular discussions take place with the Executive Member with responsibility for finance

- All reports to Members include a section on the resource implications, prior to publication these implications are cleared by the CFO or one of his senior staff. These reports also cover value for money and benchmarking implications where appropriate

- The full Council approves the Treasury Management Strategy on an annual basis and all Members are briefed on key financial issues

- The CFO has responsibility for ensuring that the Council operates secure and reliable financial and accounting systems. Devon Audit Partnership undertake the role of auditing these systems to give the assurance needed

- The Council has developed a Medium Term Resource Plan, which is reviewed on an on-going basis to take into account new information and changing circumstances, this is used to inform reports to members, detailed in year plans are produced as part of the annual budget process, these in year plans represent the business units individual business plans through which financial and operational performance are monitored

(H) Undertaking the core functions of an Audit Committee, as defined in CIPFA's *Audit Committees – Practical Guidance for Local Authorities*

- A stand alone Audit Committee was established during 2008-09 and meets on a quarterly basis where reports from both Internal and External Audit are considered as well as risk and associated matters

(I) Ensuring compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful

- The system of internal financial control is based on a coherent accounting and budgeting framework including Financial Regulations, Contract Standing Orders, Scheme of Delegation and accountability

- Medium-term resource plans covering both revenue and capital spend which provides a framework for the planning and monitoring of resource requirements. These also link in with the business development proposals which are fed by the Strategic Plan

- Operation of the Capital Strategy aims to ensure that investment is linked to Strategic Objectives. Bids for capital and other asset management funding require an effective 'business case' linked to Strategic Objectives, and progress in delivering projects is formally monitored by the Capital Asset Management Team, Councillors and Commissioners' Management Teams. Linked in with this is the Asset Management Plan which ensures that assets are only retained for effective business purposes

- Financial stewardship in respect of both capital and revenue is reported to Overview and Scrutiny and Council quarterly, and is considered regularly by the Strategic Leadership Team. Management Teams also consider their respective budgets on a regular basis. This is supported by an established budget monitoring process by managers and Finance staff and the electronic distribution of budget monitoring reports to all managers

- Commissioners and Executive Heads are required to produce an annual statement of Internal Control for their areas which includes statements about risk and the internal control framework. This is supported by Internal Audit who help embed risk management by cyclical audits and other management initiatives

(J) Arrangements for Whistle-blowing and for receiving and investigating complaints from the public

- The **Fraud & Corruption Policy, Fraud Response Plan and Whistle Blowing Policy** were reviewed and updated in 2008. The Policy is available on the website, intranet and direct from the Information Governance team. The Authority also subscribes to Public Concern at Work which provides a staff helpline

- The Council has an established phone line that any whistle blowing call can be made to and which goes directly to the area which has responsibility for dealing with these issues in the first instance. These are recorded and passed on to the appropriate part of the organisation to investigate and the outcomes are monitored

- The Council has procedures for dealing with customer complaints and provides the means for customers to feedback concerns or issues. Complaints are analysed and reported back to Members and Managers along with the actions taken. An Annual Report is produced outlining the complaints and compliments handled by the Council and Ombudsman during the previous financial year. This is reported to the Overview & Scrutiny Board. Customer Care standards have been agreed and published. The complaints procedures are regularly reviewed.

(K) Identifying the development needs of Members and senior officers in relation to their strategic roles, supported by appropriate training

- A comprehensive induction took place for elected Members following the local elections in May 2011 Dedicated support within the Democratic Services team has been identified to work on the Council's approach to member development and the Council was awarded the South West Charter for Elected Member Development in March 2008 and Charter Plus in 2010. Annual one to one development sessions with senior officers from the Democratic Services team are offered to all Members and a Members' skills framework is used to identify development needs which in turn inform the annual Members' development programmes. 35 members have personal development plans. Corporate training needs for Members are also identified by the Commissioning Officer Group

- The Member Development Strategy seeks to build on the work already undertaken to ensure a structured approach and that all members, including our co-opted members on Overview and Scrutiny and Independent Members on the Standards Committee, are supported in their role. It also ensures that the Members are effective in supporting the Council's corporate objectives

- Strategic roles and development needs are identified and assessed through Senior Management Forums, annual Results and Development Annual Review (RADARs) and Management Team Meetings

- The Council has strongly supported staff development, particularly through programmes such as Institute of Leadership and Management

(L) Arrangements for establishing clear channels of communication with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation

- The Council used the Audit Commission stakeholder analysis to improve local relations. Regular consultation events are held with public and voluntary services plus regular business forum meetings. Other consultation and feedback surveys are also undertaken throughout the year including via the refreshed Viewpoint Panel

- Torbay Council operates a Call Centre which is based in Torquay and deals with a wide variety of calls from residents and visitors over an expanding range of issues as more services are included in those dealt with in the first instance by the centre

- All customer contact received via our Call Centre or our Connections offices is documented to ensure the information is actioned by, or forwarded to, the relevant department, as necessary.

The Council also uses its libraries and Tourist Information Centres as initial contact points from which enquiries can also be dealt with

- The Consultation and Engagement framework is available on the website indicating mechanisms and groups and how the Consultation and Engagement Group effectively manages engagement with the public and voluntary sector. There are also a number of Community Partnerships across Torbay and regular newsletters to Viewpoint Panel members. Councillors have also been encouraged to produce their own means of communication and, for example a number have created their own websites

- A number of community groups have been established to support those members of the community who can be regarded as "hard to reach", e.g. Black Minority Ethnic groups, Lesbian Gay Bisexual and Transexual, Faith, Older Persons, Young People and those with Disabilities. The Council's approach is to support the development of these groups and build their capacity to make them largely self-sufficient

(M) Incorporating good governance arrangements in respect of partnerships and other group working as identified by the Audit Commission's report on the governance of partnerships, and reflecting these in the authority's overall governance arrangements

- The governance of the Torbay Strategic Partnership was considered and reviewed in 2011 to ensure its fitness for purpose in delivering the new Community Plan to reflect the changes in delivery Partnerships. A further review will be undertaken in response to changes in government policy

- The Council's Code of Corporate Governance is available on its website and Local Strategic Partnership stakeholders are aware of governance arrangements and the link to the council code and processes. There is a robust Constitution established for the Torbay Strategic Partnership and for the local Community Partnerships

- Appropriate arrangements in respect of service specific partnerships such as the Torbay Care Trust and the Torbay Coast & Countryside Trust, TOR2 and English Riviera Tourist Company and Economic Development Company are in place

Review of effectiveness

- Torbay Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the executive managers within the Authority who have responsibility for the development and maintenance of the governance environment, the Head of the Devon Audit Partnership's annual report, and also by comments made by the External Auditors and other review agencies and inspectorates

- Overall responsibility for the governance framework including the system of internal control rests with the Mayor and Chief Executive and they receive regular reports from the Section 151 Officer on financial issues and the Monitoring Officer on legal issues as and when appropriate. This includes regular budget monitoring information and the Medium Term Resource Plan

- This is supported by an annual review of Internal Audit by the Section 151 Officer which reviews compliance with the CIPFA Code of Practice and the effectiveness of the audit service. 2011-12 saw the third year of operation of the Devon Audit Partnership which was the amalgamation of the three Internal Audit functions of Devon County Council, Plymouth City Council and Torbay Council and has continued during this year. As in previous years the service undertook certain assurance work on behalf of the Council and to give assurance to the external auditors as part their audit opinion. The external auditors raised no concerns about the standard of work performed by the Devon Audit Partnership. No major issues were identified and the service has maintained the level of assurance it is able to provide to management

- The Council's Constitution is continually reviewed throughout the year by the Monitoring Officer, Section 151 Officer and Democratic Services Manager in consultation with the Mayor and Group Leaders and defines the relative responsibilities of the Council, the Mayor, Overview and Scrutiny and Senior Officers. This also includes the Schemes of Delegation, and also the Officer Scheme of Delegation

- Torbay operates a mayoral system and has a constitutional working party whereby improvements and changes to the constitution are made and agreed. All members are inducted into the importance and processes of good governance and have informal and if required, formal ways of raising governance issues with the monitoring officer, chief executive, section 151 Officer and the senior leadership team This has been supported by detailed training programme for new and existing members in the first few months of the new administration

- Since May 2011 elections the new Mayor has chosen to operate a system whereby both full council decisions (part of the policy framework) and Mayoral decisions are taken at council in order to further introduce further transparency and public accountability

- The Audit Committee and Overview and Scrutiny Board operate to provide assurance and call the executive to account, through decisions in the forward plan, performance management and risk and the use of 'call in' where appropriate

- Risk is embedded in performance management and can therefore be challenged and has oversight through the Executive, Audit Committee and Overview and Scrutiny Board

- The standards committee continue to be part of the successful operation of the council's governance, despite the national system being stood down in the localism bill. Members here wish to retain it in order to provide a transparent and fair mechanism for members to be called to account if concerns /complaints are made by officers, the public or other members

- There is also the whistle blowing mechanism which can be used to raise concerns which can include governance matters. Standards also provide independent feedback to members in their public duties through observing conduct at Council, and Overview and Scrutiny. This has allowed members to improve their performance individually and collectively, in addition to the 1-1s of member performance management

- The Council continues to challenge itself in governance and includes governance 'days' for all members to refocus when required

- The council's section 151 officer holds regular meetings with the Head of the Devon Audit Partnership (DAP) with responsibility for Torbay to discuss all on-going and planned work and any issues which arise. The Head of Internal Audit reports 6 monthly to the Audit Committee setting out work undertaken and the planned work for the year. This will include reporting on audits and work undertaken where there are concerns over practice or systems of internal control and sets out how these will be addressed

Internal Audit

- The Council's Internal Audit Plan, which is risk based, is agreed annually with Commissioners and the Council's Audit Committee. This provides the basis for the review of internal control and governance within the Council and includes the following: -

    - Annual reviews of the Council's key financial systems by Internal Audit against known and evolving risks

- Cyclical reviews by Internal Audit of internal controls in operation within each service area against known and evolving risks based on a detailed risk assessment which considers the strategic and operational risks identified in the Corporate Risk Register and Business Plans and also includes consideration of materiality, sensitivity and previous audit and inspection findings;

- Work in relation to the prevention of fraud and corruption and an allowance for the investigation of any potential irregularities identified either from audit work or through the Council's whistle-blowing policy.

- Advice and support to ensure future safeguards when implementing new systems

- Value for Money work in relation to assessing the efficiency, economy and effectiveness of the Council's operations and recommending improvements as necessary

- The Council also receive reliance from the NHS Internal Audit Confederation over the controls in operation at Torbay Care Trust. The controls cover the provision of the adult social services

- Achievement of the Audit Plan is reported to the Audit Committee on a twice yearly basis. This report also includes an opinion and assurance about the system of internal control throughout the Council

- Regular meetings were also held between the Section 151 Officer and a representative of the Devon Audit Partnership to discuss specific issues that have arisen

Significant governance Issues

Areas of the Council's work where further action is required

Issue	Action Planned
TOR2 – Contract monitoring arrangements – there were issues that arising from the examination of systems and controls that warrant inclusion in the Annual Governance Statement as follows: • The need to ensure that visibility of TOR2's performance is available to scrutiny by senior Council Officers and Members via the timely provision of quarterly and annual reports, and subsequent challenge via appropriate meetings • The need to ensure that proper governance arrangements of TOR2 are in place via effective presence at Board level and subsequent dissemination of information to relevant Council officers and Members	• Although the information required within the mentioned reports has been available to the council it was not presented as per contractual requirements and contained within formal quarterly and annual reports. The annual and first quarterly reports are now being produced in draft form for approval with final versions available for the end of July 2012. These reports will be presented to the Quarterly Strategic Partnership meetings held between the Council and the JVCCo senior management for approval and sign off • The Council's representation at Board level has been reviewed, with representation now undertaken by a nominated Council Member with the support of the Council's Governance Officer. Regular meetings between the Board representative and the Council's Partnership Manager responsible for the TOR2 contract now supports exchange of information

Signed on behalf of Torbay Council:

……...................…………… ……………..............

Chief Executive Mayor

Date.................................. ....

GLOSSARY OF TERMS

A

Actuarial Gains & Losses – For a defined pension scheme, the changes in actuarial deficits or surpluses that arise because events have not matched previous assumptions and/or actuarial assumptions have changed.

Agency – Under an agency arrangement the Council acts on behalf of other bodies, so in effect any monies that flow through the Council's accounts under that arrangement are not the Council's asset or liability.

Amortisation - a term used to refer to the charging of the value of a transaction or asset (usually related to intangible assets or deferred charges) to the Income and Expenditure Account over a period of time, reflecting the value to the Council (similar to the depreciation charge for tangible fixed assets).

Amortised Cost – the fair value of a financial instrument valued using the effective interest rate inherent in the contract.

Area Based Grant – a general government grant that was introduced in 2008/09 replacing a number of service specific grants and the Local Area Agreement Grant. Area Based Grant was ended as a funding stream by central government in 2011/12

Assets Held For Sale – a category of property where the property is expected to be sold and is to be actively marketed so is classified as as a current asset rather than a non current asset.

Assets Under Construction – expenditure incurred to date on an asset that is being constructed and at balance sheet date is not operational.

Authorised for Issue Date – The date up to which the Council will have included latest information of financial transactions that would have a significant impact on both the Accounts for the year or on the readers understanding of the Council's financial position.

B

Borrowing - Councils borrow to fund Capital expenditure or for temporary cash flow requirements. The majority of Council borrowing will be from Central Government by means of the Public Works Loans Board. Council's are free to use other borrowing options provided they are within the Council's treasury management arrangements.

C

Capital Expenditure - payments made for the acquisition, provision or improvement of assets, which will be of a long-term value to the Council, e.g., land and buildings.

Capital Adjustment Account - The Capital Adjustment Account represents the capital funding used to finance capital investment immediately from capital receipts and directly from revenue. It also contains amounts which in the past were required by statute to be set aside from capital receipts for the repayment of external loans. The Account is also used to compensate the General Fund Revenue Account for any excess of charges paid in respect of depreciation of assets over the statutory Minimum Revenue Provision which Council Taxpayers are required to bear.

Capital Financing Requirement - The Capital Financing Requirement shows the underlying need to borrow as a result of capital investment and resources set aside in the year. The CFR was introduced from 1 April 2004 by the Prudential Code for Capital Finance and reflects the movement in the Balance Sheet Accounts for Fixed Assets, Capital Financing Account, Government Grants Deferred and the Fixed Asset Restatement Account.

Capital Receipts - money received from the sale of assets or the repayment of grants and loans which is available for financing future capital expenditure.

Cash & Cash Equivalents – cash, bank balances and short term investments that are held for the primary purpose of short term cash flow purposes and not for investment purposes.

CIPFA – The Chartered Institute of Public Finance and Accountancy – the accounting institute that helps regulate and support accountants in the public sector.

Code – The CIPFA Accounting Code of Practice – the guidance for Council's in producing their IFRS compliant accounts.

Corporate and Democratic Core – All activities which the Council engage in specifically because they are elected, multi-purpose authorities.

Current Service Costs (pension) – The increase in the present value of a defined benefit pension scheme's costs due to the employee service in the current period.

Current Value – The value that the majority of fixed assets are held at in the Council's balance sheet. This value reflects the most recent valuation of that asset or pending a valuation the current value is increased by capital expenditure on that asset.

Curtailment – For a defined benefit pension scheme, an event that reduces the expected years of future service of employees.

Creditors - amounts owed by the Council for work done, goods received or services rendered but for which payment had not been made by the end of the year.

D

DCLG – the Department for Communities and Local Government, the central government department responsible for local government.

DfE – the Department of Education, the central government department responsible for a number of service including schools. (Formerly the DCSF – Department for Childrens, Schools and Families).

Debtors - sums of money due to the Council but unpaid at the end of the year.

Defined contribution / defined benefit schemes (Pension costs) – There is an important distinction between defined contribution and defined benefit schemes in terms of pension accounting. The key features of each scheme are as follows:

Defined contribution:
• employer pays fixed amounts into the scheme and has no obligation to pay further amounts if the scheme does not have sufficient assets to pay employee benefits
• accounted for by charging employer contributions to revenue as they become payable

Defined benefit:
• retirement benefits are determined independently of the investments of the scheme and employers have obligations to make contributions where assets are insufficient to meet employee benefits

• accounted for by recognising liabilities as benefits are earned (ie employees work qualifying years of service), matching them with the organisations attributable share of the scheme's investments

Depreciation - Amounts set aside from the revenue account which represent the wearing out, consumption of loss of value of a fixed asset spread over the useful life of the asset.

E

Exceptional Items – Events or transactions that fall within the ordinary activities of the Council and need to be disclosed separately due to their size to give fair presentation of the accounts.

Expected Rate of Return on Pension Assets – The average rate of return, including income but net of scheme expenses, expected over the remaining life of the pension.

Extraordinary Items – Abnormal material items, which fall outside the ordinary activities of the Council and which are not expected to recur.

F

Fair Value – the price an asset could be exchanged for in an arm's length transaction less any grant.

Fair Value through Profit and Loss – A classification of a type of financial asset. The Council's fund manager holding as been designated into this category as this holding meets the definition of this type of financial instrument – I.e. the holding is part of a portfolio of investments managed as a whole.

Finance Lease – A finance lease is a lease that transfers substantially all the risks and rewards of ownership of an asset to the lessee. Accounting guidance requires that it should be presumed that such a transfer of risks and rewards occurs if at the inception of a lease the present value of the minimum lease payments including any initial payment, amounts to substantially all (normally ninety per cent or more) of the fair value of the leased asset. The present value is calculated by using the interest rate implicit in the lease.

Financial Instrument – a general term relating to a number of contractual arrangements, such as investments, borrowing, debtors and creditors, that a Council may incur. Based on this classification there are a number of additional accounting requirements relating to the fair value of an arrangement which may be different to the contractual amount due to an assessment of risk or value.

Formula Grant – The general grant awarded to Councils to support their revenue activities that comprises Revenue Support Grant and redistributed business rates.

Funded Pension Liabilities – These are liabilities relating to pensions due in the future to members of a pension fund based on the "standard" entitlements within the scheme.

G

Grants – Receipts in Advance – a grant from central government or other body that has conditions that will require repayment of the grant if not complied with. These grants are not recognised as income until the conditions are met.

H

Heritage Assets Heritage assets are those assets that are intended to be preserved in trust for future generations because of their cultural, environmental or historical associations.Heritage assets include historical buildings, archaeological sites, civic regalia, museum and gallery collections and works of art.

Historical Cost – the historical or original cost of a fixed asset which can be increased by further capital expenditure on that asset.

I

Impairment – A reduction in the value of a fixed asset, below its balance sheet value.

Intangible Assets – (notably software) are recognised on the Balance Sheet at their cost of acquisition or development but only revalued in restricted circumstances.

Interest Costs for Pensions – The expected increase in value for a defined benefit scheme, as it draws closer to settlement.

Investment Properties – land and buildings held only for the income stream or for capital appreciation.

IFRS – International Financial Reporting Standards. These are the financial “rules” that Council accounts will have to comply with for reporting periods from 2010/11. These rules should be consistently applied throughout all bodies throughout the world.

J

Joint Arrangement – An arrangement under which the participants engage in joint activities but do not create a legal entity because it would not carry on a trade or business of its own.

Joint Committee – a formal committee of local authorities established under the provisions of Local Government Act 1972 usually for the management of a shared service.

L

Liquid Resources – Current asset investments that are readily disposable by the Council without disrupting its business.

Local Pay Review – Council are required to evaluate the pay of all staff (except teachers) to ensure equality of pay for all staff. This is due to be implemented with an effective date of April 2007.

Local Services Support Grant (LSSG) – a new unringfenced grant from central government replacing the Area Based Grant.

LOBO – A “Lender Option, Borrowing Option” loan. Such a loan has a set rate for a defined period, after which point, the lender has the option of changing the rate. If that option is actioned the borrower then has the option to either accept the new rate or repay the loan.

M

Minimum Revenue Provision - The minimum amount which must be charged to a Council’s revenue account each year and set aside as provision for repayment of debt as required by the Local Government Act 2003. For assets funded form unsupported borrowing this must be a “prudent” amount.

N

Net Book Value – The amount at which fixed assets are included in the balance sheet.

Net Debt – The Council’s borrowings less cash investments.

New Homes Bonus Grant – A general grant from 2011/12 that is linked to the growth in the number of properties available for occupation either from a new home or an empty home brought back into use.

NNDR – National Non Domestic Rates, a national tax collected on a local level formally known as business rates.

Non Current Assets – assets, primarily land and buildings, that have an asset life of over one year and are not used for trading purposes.

Non Distributed Cost –a category within the Council's cost of services that represents past service costs (see below) and other costs that have not been attributed to specific services.

O

Operating Lease – An operating lease is a lease other than a finance lease (please see above). The future obligations relating to operating leases are disclosed to provide the reader with an estimate of the outstanding undischarged obligations in relation to such leases.

P

Past Service Cost – The increase in the present value of a defined benefit pension scheme, as a result of improvements to, retirement benefits.

PFI - Private Finance Initiative – A method of using private investment to fund public sector schemes often supported by central government. The private sector typically builds an asset such as a school and then charges the Council over a period of typically 25 years to use and pay for the asset.

Post Balance Sheet Events – Those events, both favourable and unfavourable, which occur between the balance sheet date and the date on which the Statement of Accounts is signed.

Prior Period Adjustments – Those material adjustments applicable to prior years arising from changes in accounting policies or from the correction of fundamental errors. A fundamental error is one that is of such significance as to destroy the validity of the financial statements.

Precept - A levy made by one statutory body on another to meet the net cost of its services.

Precepting Body – the statutory body that makes a "precept" on a Council that is responsible for collecting Council Tax in an area. Town and parish Councils are classified as a Minor Precepting body which means they precept their tax requirement on the Council who then include that amount in their precept.

Projected unit method (Pensions costs) – an accrued benefits valuation method in which the scheme liabilities make allowance for projected earnings. An accrued benefits valuation method is a valuation method in which the scheme liabilities at the valuation date relate to:

• the benefits for pensioners and deferred pensioners (i.e. individuals who have ceased to be active members but are entitled to benefits payable at a later date) and their dependants, allowing where appropriate for future increases, and
• the accrued benefits for members in service on the valuation date. The accrued benefits are the benefits for service up to a given point in time, whether vested rights or not.

Property, Plant & Equipment – a category of non current assets that show the carrying value of the Council's operational assets.

Provisions - amounts set aside for the purposes of providing for any liability or loss which is likely or certain to be incurred but is uncertain as to the amount or the date on which it will arise, e.g., bad debts.

Prudential Code – The CIPFA Prudential Code for Capital Finance in Local Authorities which is the guidance applicable from April 2004 for the greater freedom for Councils to borrow to fund capital investment (under the Local Government Act 2003). This Code requires the Council to set and monitor a suite of Prudential Indicators, including its Affordable Borrowing Limit, and establish its policy for using the new freedoms.

PWLB – see Borrowing

R

Related Party Transaction – Is the transfer of assets or liabilities, or the provision of services to or for a related party, irrespective of whether a charge is made.

Relative Needs Formula (RNF) - the notional amount of Torbay Council's "need" for funding that the DCLG has assessed Torbay Council as required to spend on its revenue activities within a financial year. Central Government funding from Revenue Support grant and National Non Domestic rates are based on this figure.

REFCUS – Revenue Expenditure Funded from Capital Under Statute. This represents expenditure that qualifies as capital for the purposes of government controls, but does not result in the acquisition, creation or enhancement of a tangible fixed asset. As a result the expenditure in this category and related grants or contributions are reported as revenue income and expenditure.

Retirement Benefits – All forms of consideration given by an employer in exchange for services rendered by employees that are payable after the completion of employment.

Reserves - available for meeting general, future expenditure, for example, capital expenditure on new projects or unforeseen occurrences. Reserves may also be used to smooth the cost of certain activities over a number of years, e.g., crematoria replacement.

Revaluation Reserve – this reserve reflects the accumulated differences in a fixed assets current value compared to its historical cost. The balance on this account when introduced as at 1st April 2007 was set at zero.

Revenue Contribution to Capital Outlay - the financing of capital expenditure directly from revenue or reserves, rather than from borrowing or other sources.

Revenue Expenditure - expenditure on day-to-day expenses consisting mainly of employees, running expenses of buildings and equipment and capital financing costs.

Revenue Support Grant – a General Government Grant funded from national taxation to support the Council's net expenditure.

S

Scheme Liabilities – Money due on a defined benefit scheme due after the valuation date.

Supported Borrowing – the amount of Council Borrowing towards which the Government provides financial support through the annual Revenue Support Grant

T

Total cost – the actual cost of services reflects all of the direct, indirect and overhead costs that have been incurred in providing the service, even where the expenditure is not under the control of the service's chief officer.

U

Unfunded Pension Liabilities – these are pension costs arising from additional service awarded by a Council on a discretionary basis.

Unsupported (or Prudential) Borrowing – any borrowing the Council undertakes that is above and beyond the level of Supported Borrowing which the Government helps to fund and which therefore the Council has to fund completely from its own resources.

Usable Reserves – a heading that reflects the Council's reserves that can be used for supporting service delivery including capital expenditure in the future.

Unusable Reserves – a heading that reflects the Council's reserves that can not be used for supporting services. These tend to be the result of notional accounting entries such as those that reflect previous capital financing, asset revaluations and the pension reserve.