

Financial Services



STATEMENT OF ACCOUNTS

2005/06

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

TORBAY COUNCIL

STATEMENT OF ACCOUNTS 2005/2006

	Page
Explanatory Foreword	3 - 9
Statement of Accounting Concepts and Accounting Policies	10 - 20
Statutory Statements	
Consolidated Revenue Account	21 - 22
Collection Fund Summary Account	23
Consolidated Balance Sheet	24 - 25
Cash Flow Statement	26 - 27
Statement of Total Movements in Reserves	28
Notes to the Statutory Statements	
Notes to the Consolidated Revenue Account	29 - 40
Notes to the Collection Fund Summary	41 - 43
Notes to Consolidated Balance Sheet	44 - 68
Notes to the Cash Flow Statement	69 - 70
Notes to the Statement of Total Movements in Reserves	71 - 73
Financial Certificates	
Statement of Responsibilities for the Statement of Accounts	74 - 75
Independent Auditors' Report to Members of Torbay Council	76 - 79
Statement on Internal Control	80 - 86
Glossary of Financial Terms	87 - 92

Explanatory Foreword

1 Introduction

The Statement of Accounts for 2005/06 has been prepared in accordance with “The Code of Practice on Local Authority Accounting in the United Kingdom 2005” published by the Chartered Institute of Public Finance and Accountancy (CIPFA). This sets out the principles and practices of accounting required to prepare a Statement of Accounts which 'presents fairly' the financial position and transactions of a local council. Any departures from this standard are disclosed in the notes to the accounts.

2 Financial Overview

The Council's management is linked to its overall aims and priorities. These aims and objectives, with a summary of the Council's budgetary position are included in the Council's 2005/2006 Best Value Performance Plan (BVPP) and its Corporate Plan 2006-2009. These are available on the Council's website:- www.torbay.gov.uk, link to “Key Publications”.

The 2005/06 financial year was another year of change and challenges for the Council.

From 24th October 2005 the Council adopted a political structure (including a revised constitution) incorporating a directly elected Mayor and Cabinet. This was the result of a majority vote for a Mayor in a Council wide referendum and the subsequent mayoral election.

A new Chief Executive was appointed in September 2005 and in January 2006 the Council structure was reorganised to create three Strategic Directors with revised portfolios and a greater external focus towards customers and clients.

The Council was assessed as a “2 star” rated Council under the revised Comprehensive Performance Assessment (CPA) scoring. The Council under the “Direction of Travel” scoring was assessed as “Improving Adequately”.

There were also fundamental changes in the organisation and provision of Social Care services. Childrens' Social care was incorporated with Education Services to form a unified Childrens' Service to help meet the Every Child Matters national agenda. The supported employment service, formally Torbay Industrial Services, was transferred in August 2005 to a Local Authority Controlled company in which the Council has an equal share with Devon County Council and Plymouth City Council. In December 2005 the Council entered a partnership agreement with Torbay Care Trust, (formally Torbay Primary Care Trust) for the provision of Adult care services formally operated by the Council. Although the Council remains ultimately responsible for Adult Social Care, staff working in this service formally employed by the Council are now employed by Torbay Care Trust.

Other operational changes include the introduction of the control of Decriminalised (On Street) car parking function by the Council, which is operated by an external contractor.

The Council set a Revenue budget for 2005/06 of £149.093 million for 2005/2006 (an increase of 7.4% over 2004/2005). This equated to a Band D Council Tax of £1033.88 for the Torbay Council Tax requirement, an increase of 4.86%. The Total Council Tax Band D including the Devon and Cornwall Police Authority and Devon Fire Authority was £1,211.85, an overall increase of 4.93%.

The Council's budget requirement of £149.093 million is primarily funded from Central Government grant and redistributed National Non-Domestic Rates (£99.098 million or 66.5%), with the balance funded from local taxpayers (£49.995 million or 33.5%). In addition the Council also generated income from services and other specific government grants, which supports the provision of services. For 2006/07 schools will be funded by a direct grant, Dedicated Schools Grant, with an appropriate reduction in the Council's general Central Government Grant.

The Council faced a number of financial pressures in 2005/06. The main pressures being from demand led services particularly within both Childrens' and Adults' social care. The Council gained from pro active treasury management. However a transfer from an earmarked reserve of £1.0 million was required to enable a balanced budget position to be attained.

As part of the Council's pro active treasury management the Council took advantage of historically low government loan interest rates and based on the approved Capital programme borrowed a significant portion of its anticipated borrowing requirements for the next few financial years. This money was then invested in the money market resulting in increased values for both borrowing and investments as at 31st March 2006.

The Council's Overview and Scrutiny Board met on the 21st June 2006 and considered a Provisional Revenue Outturn Report for 2005/06, which was approved by Full Council on the 29th June 2006. The final net surplus for 2005/06 transferred to the Financial Strategy Reserve was £0.1 million (or 0.06% of approved budget).

The Consolidated Revenue Account on page 21 shows that the final outturn position for 2005/06 has left the Council's General Fund Balance at the year end unchanged at £2.7 million. (2004/5: £2.7million).

A Provisional Capital Outturn Report for 2005/06, was presented to the Council's Overview and Scrutiny Board on the 21st June 2006. The Report shows a net underspend in 2005/06 of £6.2m compared to the latest approved budget for the year of £31.0m. The underspend represents slippage in expenditure planning on some major projects primarily related to Childrens' Services and major regeneration schemes for which the budget will be carried forward in the Capital Plan to fund the completion of the projects in 2006/07.

A greater freedom for Councils to borrow to fund capital investment, which is not supported by Government Grant aid, was introduced on 1 April 2004 under the Local Government Act 2003. Use of this power is subject to compliance with the new CIPFA Prudential Code for Capital Finance in Local Authorities. The Council has set and is monitoring a suite of Prudential Indicators, including its Affordable Borrowing Limit, as required by the Code. A Council policy for using the new freedoms has been established and used for first time in 2005/06 to purchase office accommodation, IT software and plant & equipment, which would otherwise have been leased. This will result in long-term revenue savings to the Council.

3 Statement of Accounts

The Statement of Accounts is over 80 pages long with its form and content mostly prescribed by legislation. The Accounts consist of a number of financial statements and supporting notes to them. The financial statements are shown consecutively on pages 21 to 28 and the supporting notes from pages 29 to 73. A summary statement is also prepared for wider distribution and is available at the Council "Connections" offices and public libraries.

For 2005/06 and 2004/05 balances are shown to the nearest £100,000. (£0.1 million)

The purpose of each of these statements is outlined in the following paragraphs.

4 The Consolidated Revenue Account

This statement reports the actual revenue expenditure and income of the services for which the Council is responsible. It demonstrates how the net cost has been financed from Central Government Grants and from local taxpayers, and brings together expenditure and income relating to all of the Council's functions.

A summary of the Consolidated Revenue Account for 2005/06 is shown below in comparison with the revised budget (the detailed account is shown on page 21).

Summary Consolidated Revenue Account

	Budget £m 2005/2006	Net Expenditure £m 2005/2006	Variance £m 2005/2006
Net Cost of Services	157.6	155.0	(2.6)
Surplus on Trading Undertakings	0	(0.1)	(0.1)
Non Operational Assets – Investment Properties	(0.2)	(0.3)	(0.1)
Asset Management Revenue Account	(5.5)	(5.6)	(0.1)
Pensions Interest Cost and Return on Assets	1.8	1.8	0
Debt Restructuring	0	0	0
Interest and Investment Income	(1.1)	(2.2)	(1.1)
	152.6	148.6	(4.0)
Net Operating Expenditure			
Contribution to or from Capital Reserves.	(4.3)	(4.5)	(0.2)
Contribution to Devon County Council Debt	1.0	1.0	0
Transfer to Insurance Reserve	0.3	0.6	0.3
Transfers to/from School Balances	0	(0.5)	(0.5)
Transfers to/ from Earmarked Reserves	(2.0)	1.0	3.0
Contribution to/from the Pensions Reserve	1.0	1.1	0.1
Central Government Grant Amending Report	0.3	0.3	0
Capital Expenditure Financed from Revenue	0.2	1.5	1.3
	149.1	149.1	0
Amount to be met from Government Grants and Local Taxation			
General Government Grants	(55.4)	(55.4)	0
NNDR Redistribution	(43.7)	(43.7)	0
Demand on Collection Fund (Council Tax payers)	(49.6)	(49.6)	0
Transfer from collection fund in respect of surplus	(0.4)	(0.4)	0
Net General Fund (Surplus)	0	0	0

5 Trading Operations Summary

Trading Operations are where a service of the Council is trading with the public, third parties or trading within an internal market within the Council. The Council has disclosed a number of these activities as a note to the Consolidated Revenue Account.

6 The Collection Fund

This account reflects the statutory requirement for billing authorities to maintain a separate Collection Fund. The Account shows the transactions of the Council in relation to Non-Domestic Rates and Council Tax and illustrates the way in which these have been distributed to Devon and Cornwall Police Authority and Devon Fire Authority (by way of precept) and to this Council's General Fund.

7 The Consolidated Balance Sheet

The Consolidated Balance Sheet shows the overall financial position of the Council at 31st March 2006. It shows the balances and reserves of the Council together with the total assets and liabilities. The Consolidated Balance Sheet includes all assets and liabilities of all activities of the Council excluding Trust Funds.

8 The Statement of Total Movement in Reserves

The Statement of Total Movement in Reserves brings together all the recognised gains and losses of the Council during the period and identifies those which have not been recognised in the Consolidated Revenue Account. The statement separates the movements between revenue and capital reserves.

9 The Cash Flow Statement

This consolidated statement summarises all of the inflows and outflows of cash arising from transactions with third parties for both revenue and capital purposes.

10 The Statement of Internal Control

The Statement of Internal Control demonstrates the framework within which internal control is managed including a review of the adequacy of its governance arrangements.

11 The Statement of Responsibilities for the Statement of Accounts

Local Authorities are required to include in their Statement of Accounts a Statement of Responsibilities for the Statement of Accounts, which sets out the respective responsibilities of the Council and Director of Finance for the accounts.

12 Group Accounts

Group Financial Statements are required to reflect the risks and rewards of the Council's interest in other legal entities normally arising as a result of changes in service delivery from the Council to other organisations.

The Council has assessed its relationship with other bodies and the following companies fall within the requirement to produce Group Accounts. Detail of the Council's relationship with these bodies is contained in Note 44. A summary is listed below.

- Torbay Enterprise Agency Ltd, however the turnover and assets held by this company are considered not significant enough to produce Group Accounts.
- Torbay Development Agency Limited. This company to date has had no financial transactions.
- SWERCOTS Ltd. This is the South West of England Regional Co-ordination of Trading Standards and represents the 15 South West Regional Authorities. The company was established in 2004 as a company limited by guarantee to operate 'Consumer Direct' a Central Government funded initiative. The payment of a £10 membership fee gives Torbay Council membership of the board with Torbay represented by the Executive Member for Environment. There are no transactions/liabilities associated with Torbay Council's membership other than the £10 initial one-off fee. For financial reporting this relationship has been treated as an investment.
- On the 1 August 2005 the PLUSS Organisation was formed, this is company limited by guarantee. Devon County Council, Plymouth City Council and Torbay Council each have an equal share in the company. For financial reporting this relationship falls within the definition of an associate which requires the Council to produce group accounts. Under the equity method of accounting for associates (FRS9) only the net assets and share of profit need to be disclosed and were considered to be immaterial. A summary of PLUSS accounts for the part year 2005/2006 is disclosed in Note 44.

13 Current Borrowing, Asset Utilisation and Investments

As at 31st March 2006, the total external investments of the Council amounted to £48.8 million (31/3/05 £28.4m), which represents Funds held by the Council's external fund manager and temporary short term cash deposits with borrowers on the Council's approved lending list. (One deposit of £2.0 million has been invested for over one year). As at the 31st March 2006 the Council had not borrowed any short term monies.

As at 31st March 2006, the Council had long term debt outstanding of £86.8 million (31/3/05 £54.2m) primarily to Public Works Loan Board (PWLB), of which none is repayable within one year, principally to finance the costs of the Council's Capital Budget, (see Note 34).

As noted on page 4 of the Explanatory Forward as part of its treasury management function the Council took advantage of historically low government loan interest rates and based on the approved Capital programme borrowed a significant portion of its anticipated borrowing requirements for the next few financial years. This money was then invested in the money market resulting in increased values for both borrowing and investments as at 31st March 2006. As a result of this advance borrowing the Council exceeded its "Operational Boundary" for borrowing as set in its Prudential Indicators for 2005/06.

Long-term commitment (Private Finance Initiative) - A Project Agreement was signed on 31st March 2000 with Torbay School Services Ltd. for the provision of serviced facilities at Westlands Secondary and Homelands Primary Schools in Torquay. The contract became effective on 10th May 2000 at which time both parties agreed that the conditions precedent had been satisfied. The contract runs until October 2027. During the year there were some changes to the management of Torbay Schools Services Ltd but this will not affect the delivery of the contract.

Capital Expenditure in the year totalled £24.8 million. The major areas of spending during the year were:

	2005/2006
	£m
Children	
Pre-Primary and Primary Provision	1.4
Secondary Provision	2.6
Special School Provision	0.1
All School Initiatives	4.8
Culture	
Torre Abbey	0.4
Palace Theatre	0.1
Cliff Railway	0.4
Community Centres & other projects	0.4
Housing	
Grants for Private Sector Renewal & Disabled Facilities	0.7
Grants to Housing Providers	0.3
Adults	
Support for residential care in Council and private facilities	0.1
IT Developments	0.2
Highways & Transport	
Structural Maintenance of Highways & Bridges	2.7
Integrated Transport Schemes	1.9
Community (Environment)	
Flood Prevention Schemes	0.8
Fleet purchases (Vehicles, plant & equipment)	1.9
IT Developments	0.3
Other schemes including Waste, Parking & Toilets	0.3
Other Schemes	
Torquay Waterfront Projects	1.5
Office Accommodation & Major Buildings	1.1
IT Developments	0.6
Revenue expenditure funded from capital resources(including redundancy costs)	2.2
TOTAL CAPITAL EXPENDITURE	24.8

The Expenditure was financed from:-	£m
Borrowing	12.6
Grants and Contributions	8.8
Capital Receipts	2.3
Earmarked Reserves & Revenue Budgets	1.1
Total	24.8

This expenditure, combined with the results of the Council's 5-year cyclical revaluation programme, resulted in an overall increase of £40.6 million in the Balance Sheet value of the Council's Tangible Fixed Assets.

14 Local Government Pension Fund

The Actuary of the Devon County Council Pension Fund to which Torbay Council is a member has provided information concerning the assets and liabilities in relation to the Pension Scheme in accordance with FRS17 (Financial Reporting Standard 17) Disclosure Statement.

FRS 17 requires Local Authorities to recognise pension assets and liabilities within their accounts. The impact on the General Fund for 2005/06 of the FRS17 entries is neutral overall.

This liability is at a point in time reflecting short term stock market changes. The 'cash' implications for the Council of this liability will be reflected in the actuary's triennial valuation of the fund and the subsequent change in employer's contribution rates to meet the long term pension liabilities of the Council. Torbay like most Councils, has a deficit that is likely to lead to higher employer contributions in the future. The last actuarial review of the Devon County Pension Fund took place as at 31st March 2004 and as a result Torbay's employer's contributions to the fund increased by 5% per annum in 2005/06 and for the next two years.

The actuary has now estimated a net deficit on the funded liabilities within the Pension Fund as at the 31st March 2006 of £57.9 million (£67.0m 2004/05) (excluding unfunded liabilities). This is a 14% decrease in estimated liabilities within the year of £9.1 million, which is due primarily to a rise in the stock market during 2005/06 and a reduction in the number of members in the scheme from the creation of the PLUSS Organisation. The creation of the Torbay Care Trust will result in further changes in 2006/07 when the full implications have been assessed by the actuary.

The actuary has also estimated the liability on the Council's unfunded liabilities, i.e. enhanced pension payments) to be £9.4 million at 31st March 2006 (£7.8 million 2004/05).

Therefore the Council's overall pension liability as at 31st March 2006 is £67.3 million. (£74.8 million 2004/05). The overall impact on this liability on the Council is to reduce its net assets by 31% as at 31st March 2006 (41% in 2004/05).

15 Changes in Accounting Policies

The Council's Accounting policies were reviewed for 2005/06, The Council has fully incorporated any changes arising from the Code of Practice on Local Authority Accounting in the United Kingdom 2005 and Local Authority Accounting Practice Bulletins. These include the introduction of the Local Authority Trading Scheme for Landfill Allowances introduced in April 2005 and the revised accounting guidance for Developers Contributions under Section 106 planning agreements.

Statement of Accounting Concepts and Accounting Policies

General Policies and Concepts

The general policies and concepts adopted in compiling the accounts are those recommended by the Chartered Institute of Public Finance & Accountancy (CIPFA) in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2005: A Statement of Recommended Practice (SORP).

These concepts and policies are important in that compliance by the Council in all material aspects with these will help to achieve the requirement to “present fairly” the financial statements of the Council.

Fundamental Accounting Concepts

FRS18 Accounting Policies sets out the fundamental accounting principles to be followed in selecting accounting policies. These are outlined as follows:

Qualitative Characteristics of Financial Information:

- Relevance

The objective of these financial statements is to provide information about a council's financial performance and position that is useful for assessing the stewardship of public funds and for making economic decisions.

- Reliability

Financial information will be reliable if:

- it can be depended upon if it reflects the substance of the transactions and other events that have taken place
- it is free from deliberate or systematic bias
- it is free from material error
- it is complete within the bounds of materiality
- it has been prudently prepared (under conditions of uncertainty)

- Comparability

Information in financial statements increases its usefulness if it can be compared with similar information about the body for some other period of time or another body. This will depend on consistency and adequacy of disclosures.

- Understandability

All reasonable efforts should be taken in the preparation of financial statements to ensure they are as easy to understand as possible.

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 information. 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 authority accounting that, where specific legislative requirements and accounting principles conflict, legislative requirements shall apply.

Accounting Policies

Accounting Policies are defined in FRS18 as those 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:

Reserves and Provisions

Revenue reserves result from events that have allowed money to be set aside from surpluses, or decisions causing anticipated expenditure to have been postponed or cancelled.

Reserves of this nature can be spent or earmarked at the discretion of the Council. The purpose of each of the Council's reserves is explained within the notes to the balance sheet.

In accordance with FRS12 '*Provisions, Contingent Liabilities and Contingent Assets*', the Council sets aside provisions for specific future liabilities which are likely or certain to be incurred but uncertain as to the timing or amounts.

Tangible & Intangible Fixed Assets

Fixed Assets are categorised into classes:

- **Intangible Assets:**

Non-financial assets which do not have physical substance but are identified and controlled by the Council through legal rights e.g. IT software, and which bring benefits to the Council for more than one year

- **Tangible Fixed Assets:**

- **Operational Assets**

Assets held and occupied for the direct delivery of services or administrative purposes on a continuing basis, including infrastructure and community assets.

- **Non- operational Assets**

Assets held but not directly occupied or used in the delivery of services, including assets under construction, investment and surplus assets

(i) Recognition

Expenditure on the acquisition, creation or enhancement of fixed assets (i.e. which adds to, and not merely maintains, the performance of the asset) is capitalised on an accruals basis and classified as either a Tangible Fixed Asset or an Intangible Asset on the Balance Sheet, provided that it yields benefits to the Council and the services it provides are for a period of more than one year. Expenditure that secures but does not extend the performance of the asset (e.g. repairs & maintenance) is charged to the Revenue Account in the year it is incurred.

De-minimis -

- A general de-minimis limit of £25,000 is applied to recognition of expenditure on Tangible Fixed Assets. 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.
- A general de-minimis limit of £50,000 is applied to recognition of Intangible Assets with exceptions as above.

(ii) Measurement

Assets are initially measured at cost, comprising all the expenditure that is directly attributable to bringing the asset into its intended use. Assets are then valued in the Balance Sheet using the following bases:

- Intangible assets - purchase cost, net of amortisation to revenue over the economic life of the investment.
- Operational land & buildings, 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).
- Infrastructure – depreciated historical cost. 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.
- Community assets - historical cost.

- Investment property and surplus assets - lower of net current replacement cost or net realisable value. Net current replacement cost is calculated on the basis of Open Market Value (OMV).
- 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 professional valuer pending the issue of a revaluation certificate upon completion of the works.

(iii) Revaluation (assets held at current cost)

Land & buildings - All land and building assets are regularly revalued under a 5-year rolling programme. 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 Sam Partridge A.R.I.C.S. who is the Estates Manager within the Financial Services of Torbay Council.

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 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 Fixed Asset Restatement Account.

(iv) Depreciation

Depreciation is provided for on all Tangible fixed assets with a determinable finite life with the exception of Investment properties. Depreciation is not normally provided for freehold land, community assets or non-operational properties. The effect of the basis of measurement is disclosed in Note 23.

Provision for depreciation on buildings and other structures is made on a straight-line basis over the life of the asset as estimated by the Council's Valuer, making an allowance for any residual value.

Vehicles, plant & equipment are depreciated on a straight-line basis over periods between 3 to 10 years depending on the nature of the asset.

Infrastructure is depreciated on a straight-line basis generally over 40 years.

Where grants or external contributions are received to fund the acquisition of Fixed Assets, the amounts are first credited to the Capital Grants and Contributions Unapplied Accounts on an accrual basis and then transferred to Capital Grants and Contributions Deferred Accounts when applied to finance capital expenditure. Annual sums are written down from the Capital Grants and Contributions Deferred Accounts to the Asset Management Revenue Account to offset depreciation charges in line with the depreciation policy applicable to each asset.

(v) Amortisation of Intangible Assets.

Intangible assets are amortised to the revenue account over their useful life (usually 3-5 years), in accordance with FRS10, reflecting their consumption of benefit to the service.

(vi) Impairment

Assets have been reviewed for impairment in accordance with the requirement of the SORP and any material effects reflected in the Balance Sheet valuation of Fixed Assets.

Where an impairment loss is caused by a clear consumption of economic benefits (e.g. physical damage or deterioration in the quality of the service provided by the asset) the loss is charged to the service revenue account. For other instances of impairment the loss is written off against the Fixed Asset Restatement Account.

(vii) Charges to Revenue for Fixed Assets

Service revenue accounts, support services and trading accounts are charged annually with the following amounts to reflect the real cost of holding fixed assets –

- capital charges on Operational Assets used in the provision of services, comprising depreciation and a capital financing charge based upon a percentage of the value of the asset in the Balance Sheet (3.5% and 4.95% for assets held at current value and historical cost respectively)
- impairment losses attributable to the consumption of economic benefits on Tangible Fixed Assets
- amortisation of Intangible Fixed Assets attributable to the service

The charges are reversed out of the Consolidated Revenue Account after the Net Cost of Services by way of a credit to the Asset Management Revenue Account (AMRA).

The Council is not required to raise Council Tax to cover depreciation, impairment losses or amortisation. The actual cost the taxpayer must bear in relation to the provision of assets is the payment of real interest incurred on external debt, and a minimum revenue provision towards the repayment of debt which must be set-aside from the Revenue account under current legislation (Minimum Revenue Provision – see below).

Depreciation, impairment losses and amortisation are replaced by the revenue provision for the repayment of debt by way of an adjusting transaction with the Capital Financing Account.

The capital charges are in accordance with the SORP Code of Practice. Charges are 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. Capital Charges also apply to assets purchased under the Prudential Code.

Services using the Prudential Code to undertake Unsupported Borrowing will be charged interest and principal in their management accounts to recover the cost of the borrowing over an appropriate period on an equalised 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 Best Value presentation of the Consolidated Revenue 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.

(viii) Disposal

Upon disposal the net value of the asset disposed of is written off against the Fixed Asset Restatement Account.

Capital receipts arising from disposals in excess of £10,000 are credited to the Usable Capital Receipts Reserve and can only be used to finance capital expenditure or as voluntary provision for repayment of debt. Unspent receipts earn interest for the Revenue budget until required. Receipts below the de-minimis level of £10,000 specified by the Capital Finance Regulations 2003 are credited to the Revenue Account.

(ix) Deferred Charges

Deferred charges are items of a capital nature, which do not result in the creation of a fixed asset (e.g. payments to third parties such as Private Sector Renovation Grants). Charges incurred in the year are written off as expenditure to the relevant service revenue account in the year. Where the Council has determined to fund the cost of deferred charges from capital resources or borrowing, a transfer to the Capital Financing Account reverses the effect on the Revenue Account so there is no effect on Council Tax. Capital Grants that relate to Deferred Charges written off in the year are credited to the service revenue account and treated as revenue grants.

(x) Finance Leases

Assets acquired under a Finance Lease are recognised on the Council's Balance Sheet subject to a de minimis of £25,000. The liability for the lease payments is recognised as a deferred liability on the Balance Sheet. Rental payments are apportioned between interest (charged to the Asset Management Revenue Account) and the reduction of the outstanding liability.

(xi) Foundation Schools

The assets of Foundation schools remain with the Governing Bodies which are exempt charities. However these assets can only be used as schools and the value of Foundation schools is included in the Balance Sheet value of the Council's Fixed Assets. The net value of the 7 Foundation Schools included in the Balance Sheet is £46.0 million.

(xii) Voluntary Aided and Voluntary Controlled Schools

The assets of Voluntary Aided and Voluntary Controlled schools are owned and largely funded by charitable foundations (usually the Diocesan Board). Following a review of the risks and rewards associated with these schools the value of these assets is not included in the balance sheet value of the Council's fixed assets.

Interest

Interest payable on external borrowings and interest income is accrued and accounted for in the accounts of the period to which it relates. This accounting policy is also applied to the calculation of the interest due on the Council's long term debt with Barclays (LOBO loan). See also Note 34 part c.

Revenue Provision (Debt Redemption)

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) is calculated as 4% of the Council's underlying need to borrow represented by the Capital Financing Requirement.

Depreciation, impairment losses and amortisation charged in the Asset Management Revenue Account are replaced by the revenue provision for the repayment of debt by way of an adjusting transaction with the Capital Financing Account.

Voluntary provision above the Minimum Revenue Provision or contributions to the Unsupported Borrowing Equalisation Reserve are considered where Unsupported Borrowing is undertaken using the Prudential Code to ensure sufficient provision is set aside from the Revenue Account to enable the Borrowing to be repaid over the life of the asset acquired.

Repurchase of Borrowing

Gains or losses arising from repurchase or early settlement of borrowing should be recognised in the period during which the transaction was made. Where however the repurchase of borrowing was coupled with a refinancing or restructuring with substantially the same overall economic effect when viewed as a whole, gains or losses are recognised, if material, over the life of the replacement borrowing.

Operating Leases

The Council's Operating Leases relate mainly to computer equipment and vehicles and are charged direct to revenue or to holding accounts.

Harbour Covenant

The Council had a covenant agreement relating to the financing of Brixham Fish Quay. The final balance outstanding as at 31st March 2005 of £0.073m was repaid during 2005/06.

Long Term Contracts (PFI)

Westlands and Homelands Schools – Private Finance Initiative.

The Council has entered into a 26 year contract for the receipt of services with a private sector partner. The cost of these services is recognised in the revenue account for the years in which they are receivable. 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.

The Project Agreement was signed on 31st March 2000 with Torbay School Services Ltd, for the provision of serviced facilities at Westlands Secondary and Homelands Primary Schools in Torquay. 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 terms of the contract indicate that, following separation of some service elements, FRS 5 will apply. An analysis of the benefits and risks associated with the properties indicated that upon commencement of the headleases (following final completion of the construction phases in August 2002) the properties are not recognised on the Council's Balance Sheet as Fixed Assets. Deferred assets representing the expected fair value of the residual assets remaining at the end of the contract period (year 2027) are being built up in the Council's Balance Sheet over time.

Debtors and Creditors

The Council operates its revenue accounts on an income and expenditure basis. This means that all sums, which are due to be remitted to the Council, are recorded in the accounts whether or not the cash has actually been received or paid in the year. This will include customer and client receipts, employee costs and supplies and services. 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, to meet earlier closure requirements 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.

The Council makes a provision for the non payment of debt on 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.

Included within the internal debtors and creditors for 2005/06 are entries reflecting the agreement reached with Westlands School over its contributions to the costs of the PFI contract. The school has reflected the transactions within their accounts with the PFI Sinking Fund used to balance the entries. The Fund will be replaced as the School pays the outstanding internal invoices in 2006/07.

Developers' Contributions

Contributions from landowners/developers payable under planning agreements under Sec 106 of the Town & Country Planning Act 1990 are credited to the Unapplied Capital Contributions Account or to the appropriate service revenue account depending upon the expenditure that is to be met from the contribution (Capital or Revenue).

As Capital contributions are applied to finance capital expenditure, in accordance with the agreements, they are transferred to the Capital Contributions Deferred Account and released to the Asset Management Revenue Account in line with depreciation of the asset funded.

Revenue contributions unspent at year end are held as Receipts in Advance until required.

Where the agreement provides for contributions to be returned to the developer if works are not carried out within a specified period, receipts are treated as a creditor in the Balance Sheet until the Council is in a position to satisfy the conditions and recognise the contribution as its own.

Government Grants (Revenue)

Revenue Grants are matched with the expenditure to which they relate. Grants are accounted for on an accrual basis and recognised in the accounts when the conditions for their receipt have been complied with. To meet earlier closure requirements where the exact value of a grant is not yet known estimates of the amounts due/owed have been made.

Stock and Work in Progress

The Council has valued all stocks using an appropriate basis. Work in progress in respect of uncompleted jobs is valued at cost including an allocation of overheads. An exception to this is the Joint Equipment Store run as a pooled budget with the Torbay Care Trust where due to the nature of the purchases the costs are directly charged to revenue.

Local Authority Trading Scheme (LATS)

DEFRA allocates tradable landfill allowances to each Waste Disposal Authority in England. The Council has complied with LAAP Bulletin 64 – "Accounting for the Landfill Allowance Trading Scheme in 2005/06". The Council has initially recognised the number of allowances (in tonnes) for the 2005/06 vintage allocated by DEFRA as at 1/4/05 at a value of £20.20 per tonne. The Council has adopted a "lower of initial recognition value and net realisable value" policy of accounting for the value of Allowances as at 31/3/06. For 2005/06 this is the same as the initial recognition value.

The Council has included the initial value adjusted for any trading as a current asset offset in part by a current liability to DEFRA for the 2005/06 actual landfill usage. (The value of £20.20 per tonne has been supplied by DEFRA to all Waste Disposal Authorities).

Central Overheads

The Council allocates the costs of administration and management, central support services and capital charges to services. This meets the requirement for services to be reported at total cost. 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.

Best Value

The Council is required to present the service expenditure analysis in accordance with the CIPFA Best Value Accounting Code of Practice. This analysis is in some service areas different to the Council's internal budgeting and monitoring arrangements.

Pensions

The pension costs charged to the Council's accounts in respect of its employees are based on the Devon County Council Pension Fund's actuary's estimate of the Current Cost of pension liabilities and other FRS17 'Retirement Benefits' entries within the Council's accounts.

Torbay Council and its employees contribute to the Local Government Scheme administered by Devon County Council which is a defined benefit scheme and to the Teachers pension scheme which is classified for reporting purposes as a defined contribution scheme where FRS17 does not apply. The 2005 SORP exempts the Teachers' Pension scheme, a multi employer defined benefit scheme, from FRS17 requirements and requires it to be accounted for as a defined contribution scheme.

A defined benefit scheme is where 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.

A defined contribution scheme is where employers pay fixed amounts into a scheme and has no obligation to pay further amounts if the scheme does not have sufficient assets to pay employee benefits.

An allowance was made in 2005/06 to reflect the transfer of pension fund members to the PLUS Organisation on 1st August 2005, that body was accredited with assets equal to the liabilities for benefits earned prior to this date of £2 million.

In addition an allowance was made for a curtailment arising from over 500 Torbay Adult Care Trust staff, (formally Council employees), ceasing to be active members of the Fund as at 1st December 2005 and receiving deferred pensions, with a consequential "early leaver" profit to the fund estimated at £2.9 million. The actuary anticipates that some of these members are likely to elect to transfer their past service benefits to the NHS pension scheme on special terms during 2006/07, which will be reflected as a settlement in the Council's 2006/07 accounts.

The Pension Fund's Actuary has stated that the pension figures, calculated under FRS17, supplied for Torbay are consistent with the Code of Practice provided by CIPFA. Further detail is provided in notes to the accounts in accordance with FRS17.

The Discount Rate for scheme liabilities is based on a “current rate of return on a high quality corporate bond of equivalent currency and term to the Scheme Liabilities” which is often referred to as “AA Corporate Bond Rates”. (The actuary has used discount rates based on the annualised yield on the iBoxx over 15 year rated corporate bond index as at 31st March 2006).

The overall amount to be met from Government grants and local taxation has remained unchanged, but the costs disclosed for individual services are approximately 2% lower (1% higher 2004/2005) after the replacement of employers’ contributions by FRS17 related costs. Net operating expenditure is also lower by 1% (2% higher 2004/2005) than it would otherwise have been.

The requirement to recognise the net pensions liability has reduced the reported net worth of the Council by 31% (41% 2004/2005).

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 FRS17 does not apply to these costs.

Investments

Temporary investments are shown in the balance sheet at cost. They reflect the temporary investment of the Council’s cash balances as at 31st March 2006. Such investments are held with banks and other similar institutions. Any interest due is accrued as interest income. The balance held by the Council’s Fund Manager is valued at the original investment with all changes in that value of the investment accrued as interest to the Council. Other investments are also valued at cost. Investments due to be repaid within one year have been classified as Temporary Investments and deposits due to be repaid in excess on one year as (Long Term) Investments.

Financial Relationships with Companies

Councils are required to produce Group Accounts in accordance with FRS2 (Accounting for Subsidiary Undertakings) and FRS 9 (Associates and Joint Ventures).

The Council owns Torbay Enterprise Agency, Torbay Development Agency Limited and has representation on the board of SWERCOTS Ltd but these companies are not consolidated into the Council accounts, as they are not material in terms of the amounts and impact on the Council.

On the 1 August 2005 the PLUSS Organisation was formed, this is a company limited by guarantee. Devon County Council, Plymouth City Council and Torbay Council each have an equal share in the company. PLUSS has not been consolidated into the Council’s accounts as the amounts involved are not material.

Financial Relationship with Torbay Care Trust

The Council entered a “partnership agreement” with Torbay Care Trust (formally 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 the Adult Social Care.

Section 31 of the Health Act permits Primary Care Trusts to exercise various local authority 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 Consolidated Revenue Account. The partnership will also be part of the Related parties note on page 35.

For 2005/06, as the partnership was from 1st December 2005, the Council's accounts will reflect a mixture of funding payments to the Care Trust (December to March) and direct Council income and expenditure on Adult Social Care (April to November). The Council remains accountable for any overspends on the Adults Social Care function provided by the Torbay Care Trust.

As the Council is accountable for social care, government grants are accounted for within the Council's Consolidated Revenue 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.

VAT

VAT is included in income and expenditure accounts, whether of a capital or revenue nature, only to the extent that it is irrecoverable. Input tax is reclaimed from the date an invoice is input on the Council's payment system rather than on the date the invoice is paid.

**CONSOLIDATED REVENUE ACCOUNT FOR THE YEAR ENDED
31st MARCH 2006**

Net Expenditure 2004/2005	Note	Gross Expenditure 2005/2006	Gross Income 2005/2006	Net Expenditure 2005/2006
£m		£m	£m	£m
0.9	Central Services to the Public	13.3	(12.1)	1.2
0.2	Court Services - Coroner	0.3	(0.1)	0.2
20.3	Cultural, Environmental and Planning Services	29.6	(8.3)	21.3
67.4	Education Services	103.9	(30.0)	73.9
6.7	Highways, Roads and Transport Services	17.6	(9.7)	7.9
3.1	Housing Services	48.1	(45.5)	2.6
41.5	Social Services	64.5	(17.8)	46.7
2.9	Corporate & Democratic Core	3.1	(0.2)	2.9
1.9	Non Distributed Costs	2.4	(1.2)	1.2
0	Non Distributed Costs - Curtailments	6	0	(2.9)
0.2	Devon and Cornwall Magistrates' Court	0	0	0
145.1	Net Cost of Service	282.8	127.8	155.0
0.0	(Surplus)/ deficits on Trading Undertakings			(0.1)
(0.4)	Income from Investment Properties			(0.3)
(5.0)	Asset Management Revenue Account	3		(5.6)
(1.8)	Interest and Investment Income			(2.2)
(0.3)	(Gains)/Losses on early settlement of borrowing			0
2.1	Pension interest cost & expected return on pension assets	6		1.8
139.7	Net Operating Expenditure			148.6
	Appropriations:-			
(4.3)	Contributions to or (from) Capital Reserves, including the provision for repayment of external loans and amounts set aside to finance capital expenditure	35		(4.5)
1.1	Contribution to Devon County Council Debt Repayment	34		1.0
0.5	Transfer (from)/to Insurance reserve	33		0.6
2.4	Transfer (from)/to Earmarked Reserves	33		1.0
0.7	Transfers to Schools Balances	33		(0.5)
0	Central Government Grant Amending Report			0.3
1.2	Capital Expenditure financed from Revenue	35		1.5
(2.9)	Contribution to/ (from) the Pensions Reserve	6		1.1
138.4	Amount to be met from Government Grants & Local Taxation			149.1
(55.7)	General Government Grants (Revenue Support Grant)			(55.4)
(36.6)	NNDR Redistribution			(43.7)
(46.1)	Demand on Collection Fund			(49.6)
(0.4)	Transfer from collection fund in respect of surplus			(0.4)
(0.4)	Net General Fund Surplus			0
(2.3)	Balance on General Fund brought forward			(2.7)
(2.7)	Balance on General Fund carried forward			(2.7)

CONSOLIDATED REVENUE ACCOUNT FOR THE YEAR ENDED
31st MARCH 2006

Note:

Net amount held by schools under local management schemes:

Schools Balances within Earmarked Reserves as at 31st March 2006 £2.4 million (31st March 2005 £2.9 million).

Within the schools earmarked balances an adjustment has been made to reflect £0.1, of income in advance relating to Westlands School.

COLLECTION FUND SUMMARY ACCOUNT 2005/2006

Actual 2004/2005 £ m £ m			Actual 2005/2006 £ m £ m	
Income				
(45.9)		Council Tax	(48.4)	
(9.5)		Transfers from General Fund - Council Tax Benefits	(10.3)	
	(55.4)			(58.7)
	(24.3)	Income in respect of Non-Domestic Rates		(26.6)
	<u>(79.7)</u>	Total Income		<u>(85.3)</u>
Expenditure				
<i>Precepts and Demands:-</i>				
5.3		Devon & Cornwall Police Authority	5.7	
2.6		Devon Fire Authority	2.8	
46.1		Torbay Council's own Demand	49.6	
	54.0			58.1
	0.5	<i>Distribution of previous years estimated collection fund surplus. Note 22.</i>		0.5
<i>National Non-domestic Rates (NNDR):-</i>				
24.0		Payments to NNDR Pool	26.2	
0.2		Cost of Collection Allowance	0.2	
	24.2			26.4
<i>Bad and Doubtful Debts/Appeals:-</i>				
<u>Council tax</u>				
0.2		Write Offs	0.3	
0.3		Provision for uncollectable amounts	0.1	
	0.5			0.4
<u>NNDR</u>				
0.1		Write Offs	0.3	
0		Provision for uncollectable amounts	(0.1)	
	0.1			0.2
	<u>79.3</u>	Total Expenditure		<u>85.6</u>
	<u>(0.4)</u>	Deficit/(Surplus) for year		<u>0.3</u>
Movement of Fund Balance				
	(0.6)	Balance brought forward as at 1 st April		(1.0)
	(0.4)	Deficit/(Surplus) for the year		0.3
	<u>(1.0)</u>	Balance carried forward as at 31st March		<u>(0.7)</u>

CONSOLIDATED BALANCE SHEET AS AT 31st MARCH 2006

2004/2005		Note	2005/2006	
£ m	£ m		£ m	£ m
	1.1	Intangible Assets		1.6
		Tangible Fixed Assets		
		<i>Operational Assets:-</i>	23a	
186.8		Other Land & Buildings		221.0
1.9		Vehicles, Plant and Equipment		3.9
33.6		Infrastructure Assets		39.5
0.9		Community Assets		0.4
	<u>223.2</u>			<u>264.8</u>
		<i>Non Operational Assets:-</i>	23a	
5.1		Investment Properties		4.7
2.3		Assets under Construction		2.1
0.8		Surplus Assets held for Disposal		0.4
	<u>8.2</u>			<u>7.2</u>
	<u>231.4</u>	Total Tangible Assets		<u>272.0</u>
		Other Assets		
1.5		Deferred Asset (PFI)	23d	1.9
2.1		Deferred Consideration (PFI)	23d	2.0
0		Long Term Investments	25	2.0
1.0		Long Term Debtors		1.3
	<u>4.6</u>			<u>7.2</u>
	<u>237.1</u>	Total Long Term Assets		<u>280.8</u>
		Current Assets		
0		Landfill Allowances (LATS)	29	0.9
0.6		Stock and Work in Progress	26	0.3
16.8		Debtors (net of provision for bad and doubtful debt)	27	16.7
28.4		Temporary Investments	28	46.8
0.8		Payments in Advance		1.8
3.5		Cash and Bank		2.3
	<u>50.1</u>			<u>68.8</u>
	<u>287.2</u>	Total Assets		<u>349.6</u>
		Current Liabilities		
(8.8)		Long Term borrowing due within 12 months	34	0
(19.6)		Creditors	30	(15.9)
(1.1)		Deferred Liabilities due within 12 months	34	(1.0)
(1.2)		Bank Overdraft		(1.3)
(2.7)		Receipts in Advance		(3.2)
	<u>(33.4)</u>			<u>(21.4)</u>
	<u>253.8</u>	Total Assets less Current Liabilities		<u>328.2</u>
(45.4)		Borrowing repayable within a period in excess of 12 months	34	(86.8)
(24.2)		Deferred Liabilities	34	(23.2)
(0.6)		Creditors due in excess of 12 months	30	(1.0)
(1.6)		Provisions	32	(2.2)
(74.8)		Liability related to defined benefit pension scheme	42	(67.3)
	<u>(146.6)</u>			<u>(180.5)</u>
	<u>107.2</u>	Total Assets less Liabilities		<u>147.7</u>

CONSOLIDATED BALANCE SHEET AS AT 31st MARCH 2006

2004/2005			Note	2005/2006	
£ m	£ m			£ m	£ m
Financed by:-					
116.7		Fixed Asset Restatement Account		141.3	
18.9		Capital Financing Account		19.3	
	135.6		35		160.6
	16.7	Government Grant & Contributions Deferred account	37		24.0
	4.7	Capital Grant & Contributions Unapplied	51		5.3
	4.2	Usable Capital Receipts Reserve	36		3.5
	(74.8)	Pension Reserve	42		(67.3)
	16.7	Earmarked Reserves	33		17.6
	2.7	General Fund	33		2.7
	1.0	Collection Fund	33		0.7
	0.4	Trading Operations	33		0.6
	<u>107.2</u>	Total Net Worth			<u>147.7</u>

**CASH FLOW STATEMENT FOR THE YEAR ENDED
31st MARCH 2006**

Revenue Activities

2004/2005			2005/2006	
£ m	£ m		£ m	£ m
		Cash Outflows		
113.6		Cash paid to and on behalf of employees	115.5	
7.9		Precepts paid	8.5	
25.2		NNDR payments to national pool	26.2	
33.4		Housing Benefit paid out	36.4	
110.8		Other operating cash payments	127.1	
	290.9			313.7
		Cash Inflows		
(2.8)		Rents	(2.8)	
(46.1)		Council Tax receipts	(49.0)	
(26.5)		Non-domestic rate income receipts	(27.5)	
(38.5)		Receipt from National NNDR Pool	(44.9)	
(55.7)		Revenue Support Grant	(55.4)	
(31.8)		DWP grants for housing benefits	(35.9)	
(51.1)		Other Government grants <i>Note 50</i>	(52.1)	
(34.0)		Cash received for goods and services	(26.1)	
(12.6)		Other Operating Cash Receipts	(28.9)	
	(299.1)			(322.6)
	<u>(8.2)</u>	Net Cash Flow from Revenue Activities <i>Note 47</i>		<u>(8.9)</u>

Returns on Investment and Servicing of Finance

2004/2005			2005/2006	
£ m	£ m		£ m	£ m
		Cash Outflows		
3.7		Interest Paid	4.3	
	3.7			4.3
		Cash Inflows		
	(0.8)	Interest Received		(1.1)
	<u>2.9</u>	Net Cash Inflows from Investments		<u>3.2</u>

**CASH FLOW STATEMENT FOR THE YEAR ENDED
31st MARCH 2006**

Capital Activities				
2004/2005			2005/2006	
£ m	£ m		£ m	£ m
		Cash Outflows		
15.6		Purchase of fixed assets	24.7	
1.6		Other capital cash payments (deferred charges)	3.6	
	17.2			28.3
		Cash Inflows		
(3.4)		Sale of fixed assets	(1.7)	
(8.2)		Capital grants received	(8.4)	
(0.7)		Other capital cash receipts	(0.1)	
	(12.3)			(10.2)
	4.9	Net Cash Flow from Capital Activities		18.1
	(0.4)	Net Cash inflow/outflow before Financing		12.4
		<u>Management of Liquid Resources</u>		
	9.0	Short term investments <i>Note 49</i>		20.4
		<u>Financing</u>		
		Cash Outflows		
4.6		Repayment of Amounts Borrowed	18.4	
1.1		Devon County Transferred Debt <i>Note 49</i>	1.0	
0		Capital element of finance leases and covenant	0.1	
5.7			19.5	
		Cash Inflows		
(16.0)		New Loans Raised	(51.0)	
	(10.3)			(31.5)
	(1.7)	Net (Increase)/Decrease in Cash <i>Note 49</i>		1.3

**STATEMENT of TOTAL MOVEMENTS in RESERVES
FOR THE YEAR ENDED 31st MARCH 2006**

2004/2005			2005/2006	
£ m	£ m		£ m	£ m
		Surplus / (deficit) for the year:		
0.4		- General Fund	0	
3.6		<i>add back</i> Movements on specific revenue reserves	1.1	
0.4		<i>add back</i> Movements on Collection Fund	(0.3)	
(2.8)		<i>Deduct</i> Appropriations from Pension Reserve	1.1	
(31.0)		Actuarial gains/(losses) relating to Pensions	6.4	
	(29.4)	Total increase / (decrease) in revenue resources		8.3
(0.1)		Increase / (decrease) in useable capital receipts	(0.7)	
1.7		Increase / (decrease) in unapplied capital grants & contributions	0.6	
	1.6	Total increase / (decrease) in realised capital resources (Note 51)		(0.1)
22.9		Gains / (losses) on revaluation of fixed assets	25.0	
	22.9	Total increase / (decrease) in unrealised value of fixed assets (Note 52)		25.0
	(0.2)	Value of assets sold, disposed of or decommissioned (Note 53)		(0.4)
4.3		Capital receipts set aside	2.3	
(1.9)		Revenue resources set aside	(1.9)	
6.5		Movement on Government Grants Deferred	7.3	
	8.9	Total increase / (decrease) in amounts set aside to finance capital investment (note 54)		7.7
	<u>3.8</u>	Total recognised gains and losses		<u>40.5</u>

Note: Trading Reserves have been included in Specific Revenue Reserves

NOTES TO THE ACCOUNTS

The Consolidated Revenue Account reports the net cost for the year of the functions for which the Council is responsible. It also demonstrates how that cost has been financed from general government grants and income from Torbay Council Taxpayers. It brings together expenditure and income relating to all of Torbay Council's functions.

The Council is required to present the service expenditure analysis on a Total Cost basis, i.e. including support services, capital charges and FRS17, in accordance with the CIPFA Best Value Accounting Code of Practice. This code promotes comparability and consistency for local authority financial reporting.

1 Acquired or Discontinued Operations

There are no disclosures in relation to any acquired or discontinued operations.

2 Exceptional Items

As part of the Council's budget reductions and other service specific issues including schools, expenditure of £1.4 m was incurred on both redundancy and pension fund payments. Of these £0.5m was included as a provision as at 31st March 2006 (see note 32 to the Balance Sheet). These costs have been funded from capitalisation directions or service budgets.

In order to achieve a balanced budget position, based on budget monitoring information, the Council planned to transfer £1 m from an earmarked reserve to support the additional spend on social care.

Based on a five year strategy the Council has "rolled" forward overspends on supporting people to be funded from planned savings in this service in future years.

3 Asset Management Revenue Account

Service revenue accounts are charged with capital charges for the use of Tangible Assets (comprising depreciation and a notional interest charge), impairment losses and amortisation of Intangible Assets to reflect the true cost of using fixed assets for service delivery in the Net Cost of Service. Although the aim of these charges is to give a fairer picture of the true cost of services it is not intended that they should affect the level of local taxation and they are reversed out through the Asset Management Revenue Account and replaced by actual interest incurred on external debt in the Net Operating Expenditure of the Council as a whole. i.e. AMRA reconciles the need to reflect the cost of fixed assets differently in service revenue accounts compared to the actual charge to the Council Taxpayer.

2004/2005	Components of the Asset Management Account	2005/2006
£ m		£ m
2.3	External Interest Payable	3.3
1.5	Interest on Debt Transferred from Devon County Council	1.5
5.0	Depreciation	4.1
0.3	Amortisation of Intangible Assets	0.5
0.3	Impairment Loss adj.	(0.1)
9.4	Expenditure	9.3
(13.2)	Reversal of Capital Charges to Services	(13.7)
(0.3)	Reversal of Amortisation of Intangible Assets	(0.5)
(0.3)	Reversal of Impairment Loss adj.	0.1
(0.6)	Capital Grants / Contributions released from the government grants deferred account	(0.8)
(14.4)	Income	(14.9)
(5.0)	Net position transferred to the Consolidated Revenue Account	(5.6)

Provision for Repayment of External Debt (Minimum Revenue Provision)

The net amount charged to revenue in compliance with the statutory requirement to set aside a Minimum Revenue Provision for the repayment of external debt is £2.4 million (£2.2m 2004/2005) calculated as follows:-

2004/2005		2005/2006
£ m		£ m
1.8	4% of Capital Financing Requirement (CFR) – Adjusted	1.9
1.2	Additional amount Credit Approval re Local Gov't Reorganisation	1.2
(0.8)	Commutation adjustment	(0.7)
2.2		2.4

The excess (£4.5million) of depreciation, impairment and the effect of deferred charges and intangible assets charged to Net Operating Expenditure over the Minimum Revenue Provision is reversed after Net Operating Expenditure by an adjustment with the Capital Financing Account.

4 Leases

(i) Operating Leases

From August 1994, the Council has entered into operating lease agreements to acquire vehicles, plant and equipment. Drawdowns up to 31st March 2006 totalled £8.0 million. (£8.0 million 2004/2005).

The combined lease rentals incurred in 2005/2006 amounted to £0.6 million (£0.9 million in 2004/2005). The outstanding obligation on all operating lease drawdowns is £1.4 million.

5 Undischarged Obligations – PFI Initiative

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 contract became effective on 10th May 2000. 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 actual level of payments depends upon TSS performance in providing accommodation and services. The actual payment to TSS in 2005/06 was £1.8 million (£1.7m 2004/05). The Council is committed to a maximum payment of £1.8 million in 2006/07 depending on performance.

6 Pension Assets and Liabilities

As part of the terms and conditions of employment of its officers and other employees the Council offers retirement benefits. Although these benefits will not actually be payable until the 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.

Local Government Scheme

Torbay Council participates in the Local Government Pension Scheme, which is administered by Devon County Council. The Local Government Pension Scheme is a defined benefit scheme based on final pensionable salary. This means that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets.

Further information on the scheme and its performance can be found in Devon County Council's Superannuation Fund's Annual Report which is available upon request from the Director of Resources, Devon County Council, County Hall, Exeter, EX2 4QJ. Some information is also available on the Devon County Council website at www.devon.gov.uk/pensions.

The Council recognises the cost of retirement benefits in the Net Cost of Services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However the charge the Council is required to make against council tax is based on the cash payable in the year, so the real cost of retirement benefits is reversed out of the CRA after Net Operating Expenditure. The following transactions have been made in the CRA during the year:

Local Government Scheme		2005/2006
2004/2005		£ m
£ m		£ m
	Net Cost of Services	
7.1	- Current Service Cost	7.2
1.0	- Past Service Cost	0.8
0	- Curtailment/Settlement – see note 1 below	(2.9)
	Net Operating Expenditure	
9.3	- Interest Cost	11.1
(7.2)	- Expected Return on Assets in the Scheme	(9.3)
	Amounts to be met from Government Grants and Local Taxation	
(2.9)	- Movement on Pensions Reserve	1.1
7.3	Actual Amounts charged against council tax for pensions in year	8.0

Note 1: An allowance was made for a curtailment arising from over 500 Torbay Adult Care Trust staff, (formally Council employees), ceasing to be active members of the Fund as at 1st December 2005 and receiving deferred pensions, with a consequential “early leaver” profit to the fund estimated at £2.9 million. The actuary anticipates that some of these members are likely to elect to transfer their past service benefits to the NHS pension scheme on special terms during 2006/07, which will be reflected as a settlement in the Council’s 2006/07 accounts.

Note 42 to the Balance Sheet contains details of assumptions made in estimating the figures included in this note. Note 55 to the Statement of Total Movements in Reserves details the movements that have arisen through the year on the Council’s Pension Reserve.

Teachers’ Pension Scheme

Teachers employed by the Council are members of the Teachers Pension Scheme, administered by the Teachers Pension Agency. It provides teachers with defined benefits on their retirement, and the Council contributes towards the costs by making contributions based on a percentage of members’ pensionable salaries.

In 2005/2006 the Council was due to pay £4.8 million (£4.6 million in 2004/2005) to the Pensions Agency in respect of teachers’ retirement benefits, which represents 13.5% (13.5% in 2004/2005) of teachers’ pensionable pay.

Contributions to Devon County Unfunded Discretionary Pensions

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 FRS17 retirement benefits apply. Therefore these amounts have been disclosed as amounts payable to Devon County Council as they fall due each year. In 2005/06 these amounted to £0.75 million (£0.74 million in 2004/2005).

7 Section 137 Expenditure

Section 137 of the Local Government Act 1972 empowers the Council, subject to various conditions and limits, to incur expenditure which in its opinion is in the interest of, and will bring direct benefit to, the area or any part of it, or all or some of its inhabitants.

The Local Government Act 2000 granted new powers to authorities in England and Wales to promote ‘well being’ in their area. As a consequence the majority of the provisions of Section 137 were replaced with effect from October 2000.

Local Authorities are still required to disclose any expenditure under Section 137. However for Torbay Council there was no expenditure on Section 137.

8 Staffing

The number of employees whose taxable remuneration exceeds £50,000 while employed by Torbay Council, is set out in the table below:-

Number of Employees 2004/2005	Remuneration Band	Number of Employees 2005/2006
20	£50,000 to £59,999	23
5	£60,000 to £69,999	7
5	£70,000 to £79,999	6
1	£80,000 to £89,999	2
1	£90,000 to £99,999	3
0	£100,000 to £109,999	0
0	£110,000 to £119,999	0
0	£120,000 to £129,999	0
0	£130,000 to £139,999	0
1	£140,000 to £149,999	0
<hr/> 33 <hr/>		<hr/> 41 <hr/>

Remuneration for these purposes includes all sums paid or receivable by an employee and sums due by way of expenses 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.

9 Members Allowances

Member's Allowances for 2005/06 were £0.379 million (£0.341m in 2004/2005).

From the 24th October 2005 the Council adopted a Mayoral political structure with an elected Mayor and Cabinet. To support this change a revised Members Allowances scheme was approved. This scheme can be found on the Council's website at www.torbay.gov.uk/index/council/councillors-democracy/constitution.htm.

10 Publicity Account

The following Memorandum Publicity Account is that required by Section 5 of the Local Government Act 1986, as amended.

It is a memorandum account only, and the income and expenditure figures are included in the Revenue Accounts of the Services involved.

2004/2005			2005/2006	
£ m	£ m		£ m	£ m
	0.3	Recruitment advertising		0.6
		Publicity Advertising		
		Torbay Tourist Board:-		
0.6		Marketing (including Riviera Guide)	0.8	
(0.4)		Less: advertisement income	(0.4)	
	0.2			0.4
	0.1	Other Publicity Advertising		0.2
	0.1	Other Advertising (includes statutory)		0.0
	<u>0.7</u>			<u>1.2</u>

11 Related Party Transactions

The Council is required to disclose material transactions with related parties, bodies or individuals, that have a potential to control or influence the Council or to be controlled or influenced by the Council. The Council potentially has transactions with Central Government, Members of the Council, Officers, Other Public Bodies including Regional Development Agency, other Councils, Riviera Centre, Riviera Housing Trust, NHS Trusts, Torbay Care Trust, Housing Associations and Pension Funds.

No material transactions with related parties during the year have been identified other than those disclosed below or elsewhere in these statements, i.e. government grants etc.

During the year transactions with related parties arose as follows:

Members: A Members Record of Interests is maintained and is available for public inspection. In addition for 2005/06

- Councillor Hytche declared that his vehicle had been serviced by Operational Services (Environment).
- Councillor Richards declared a Street Traders Licence

The Council maintains a Members Register of Gifts & Hospitality. During 2005/06 Members received hospitality (over the value of £25) from the following organisations/individuals:-

Aqua Venue Solutions

Officers: The Council maintains a Register of Gifts & Hospitality. During 2005/06 officers received hospitality (over the value of £25) in the course of their employment from the following organisations/individuals:-

Thirty Three Advertising Agents
Herald Express
PricewaterhouseCoopers LLP
Pearson Plc
Devon & Cornwall Police Authority
Improvement and Development Agency

Public Bodies: The Council has entered into a number of partnership and joint working arrangements with other Public Bodies both within the NHS and Local Government.

The largest joint working arrangements are with the Devon Partnership NHS Trust for the provision of Mental Health and Learning Disability functions. In both cases the "operational" expenditure remained with the Council while the management is spread over the various partners until the function was delegated to Torbay Care Trust on 1st December 2005.

Trusts: The Council paid a management fee of £151,800 to the Torbay Coast and Countryside Trust in 2005/06. Although the Council has representation on the Trustee Board it is not felt to have a significant influence over Trust policies.

The Council has agreed to act as a guarantor to the Torbay Coast and Countryside Trust for £450,000. This is relating to a bank loan of £200,000 and an overdraft facility of £250,000, that is in respect of capital work being undertaken at Occombe Farm.

The Council contributed £540,000 to Riviera Centre International Limited, a not for profit company. The Council does not hold assets or liabilities in the Company.

Assisted Organisations: The Council provided £127,000 to the Torbay Citizen's Advice Bureau. The Council does not have any influence over policies.

The Council although providing no direct financial support has 3 representatives out of 16 with full voting rights on Sure Start Paignton.

Precepts The total cost of these services disclosed within the Consolidated Revenue Account. Within that total the precepts and levies paid in 2005/06 are as follows:

	£,000
Environment Agency	35
Devon Sea Fisheries	44

Government Grants: The Council receives government grants to support the provision of services within its net budget. These are within the gross income within the Consolidated Revenue Account and within its Cash Flow Statement. A summary of revenue grants by Service is shown below.

2004/2005	Service Classification	2005/2006
£ m		£ m
9.9	Central Services	11.5
1.3	Culture, Environment and Planning	3.1
19.4	Education	20.3
0	Highways, Roads and Transport	0.5
42.7	Housing Services	45.0
9.1	Social Services	9.6
0.5	Other	0
82.9		90.0

Care Trust In December 2005 the Council entered a “partnership agreement” with Torbay Care Trust, (formally Torbay Primary Care Trust) for the provision of Adult care services formally operated by the Council. Although the Council remains ultimately responsible for Adult Social Care, staff working in this service formally employed by the Council are now employed by Torbay Care Trust. Since the start of the partnership the Council has provided £7.7 million of funding.

PLUSS: The supported employment service, formally Torbay Industrial Services, was transferred in August 2005 to a Local Authority Controlled company (PLUSS) in which the Council has an equal share with Devon County Council and Plymouth City Council. Since transfer the Council has provided £0.2 m of funding and has purchased £0.6 m of goods and services.

Further details are disclosed in Note 44.

Outstanding Balances: Any amounts due to or from related parties as at 31st March 2006 are within the Council’s balance sheet. The only balances with related parties over £100,000 is a net £0.6 million due to Torbay Care Trust and a £1.1 million due from PLUSS.

12 Building Control Trading Account

The Building (Local Authority Charges) Regulations 1998 require the disclosure of information regarding the setting of charges for the administration of the building control function. However, certain activities performed by the Building Control Unit cannot be charged for, such as providing general advice and liaising with other statutory authorities. The statement below shows the total cost of operating the building control unit divided between chargeable and non-chargeable activities.

Building Regulations Charging Account 2005/2006			
	Chargeable 2005/2006 £ 000	Non – Chargeable 2005/2006 £ 000	Total Building Control 2005/2006 £ 000
Expenditure			
Employee Expenses	258	144	402
Transport	13	7	20
Supplies and Services	24	14	38
Central Support	40	17	57
Total Expenditure	<u>335</u>	<u>182</u>	<u>517</u>
Income			
Building Control Fees	(404)	0	(404)
Other Income	(4)	(12)	(16)
Total Income	<u>(408)</u>	<u>(12)</u>	<u>(420)</u>
(Surplus) / Deficit for the Year	<u>(73)</u>	<u>170</u>	<u>97</u>
Comparatives for 2004/2005:			
Expenditure	£000 314	£000 162	£000 476
Income	(399)	(1)	(400)
(Surplus) / Deficit for the Year	<u>(85)</u>	<u>161</u>	<u>76</u>

13 Local Authorities (Goods and Services) Act 1970

The Council provides services to other local authorities and certain prescribed bodies under the Local Authorities (Goods and Services) Act 1970 as laid out below. The significant trading with such bodies with turnover greater than £200,000 is outlined in the table below:

2004/2005 £ m		2005/2006 £ m
2.8	Primary Care Trusts – Social Services	0.5
0.3	Various Public & External Bodies – Sale of printing services	0.2
0.2	Operational Services – Maintenance, Waste Collection, Tipping, Cleaning work, Supply of Goods & Materials and 24 hour Emergency Control for Devon County Council, Riviera Housing Trust, Teignbridge District Council and Housing Associations.	0.1
3.3		0.8

14 Trading Operations

The Council is disclosing seven trading units where the service manager is required to operate in a commercial environment and balance their budget by generating income from other parts of the Council or other organisations. These are disclosed under the following parameters: - details of units with turnover of greater than £0.2million in 2005/2006 are as follows:

Trading Operations 2005/2006				
2004/2005 £ m	Operation	Description		2005/2006 £ m
12.8 (12.8)	Operational Services	The Council operates a Trading Operation for a number of its services.	Turnover Expenditure	13.8 (13.7)
0			Surplus/(Deficit)	0.1
1.6 (1.4)	Harbours' Accounts	The Council operates a ring fenced account for its three harbours.	Turnover Expenditure	1.6 (1.5)
0.2			Surplus/(Deficit)	0.1
3.9 (2.0)	Car Parking	The Council operates off street and from 2005/06 on street car parking throughout Torbay	Turnover Expenditure	4.4 (3.2)
1.9			Surplus/(Deficit)	1.2
1.2 (1.2)	Printing Services	The Council operates an in house printing service which operates on a trading basis	Turnover Expenditure	1.3 (1.3)
0			Surplus/(Deficit)	0

Trading Operations 2005/2006				
2004/2005	Operation	Description		2005/2006
£m				£m
0.3	Industrial Units	The Council maintains a number of sites where land/office space is rented to business to generate employment within Torbay	Turnover	0.3
(0.1)			Expenditure	(0.1)
<u>0.2</u>			Surplus/(Deficit)	0.2
0.7	Land Charges	The Council has a duty to maintain the register of local land charges and respond to searches on behalf of prospective purchasers.	Turnover	0.7
(0.1)			Expenditure	(0.1)
<u>0.6</u>			Surplus/(Deficit)	0.6
2.1	Torbay Industrial Services	To enable the maximum number of people with disabilities to gain & sustain paid employment	Turnover	0.6
(2.7)			Expenditure	(1.0)
<u>(0.6)</u>			Surplus/(Deficit)	(0.4)
	Until 1 st August 2005, then transferred to PLUSS.			

15 Agency

Torbay Council undertakes work for South West Water Services Ltd on a fee basis. Developer Services work is also undertaken within Devon under our partnership agreement with Pell Frishman.

South West Water PLC		
2004/2005		2005/2006
£ m		£ m
0.1	Sewerage Contract – Capital and Other	0.1
0.1	Sewerage Contract – Administration	0.1
<u>0.2</u>		0.2

16 Schemes under Transport Act 2000

Under the Transport Act 2000 Torbay Council is required to produce a Local Transport Plan (LTP). The Capital expenditure associated with this plan is shown within the capital expenditure notes to these accounts. The council in relation to its LTP is also required to submit Annual Progress Report (APR) to Central Government.

In addition under this Act local authorities are obliged to have a bus concessionary fare scheme in place. Within the County of Devon there is a unified partnership approach between all councils allowing half price travel, principally for people over the age of 60 and the disabled, throughout Devon (not just the Council's own area). The scheme is known as the Devonwide Scheme and is operated by Devon County Council.

In 2005/2006 Torbay council contributed £325,100 (2004/2005 £315,300) to the estimated running costs for the Devonwide Scheme.

2004/2005 £m		2005/2006 £m	
	Total Cost of Devonwide Scheme		
	Expenditure:-		
0.1	Devon County Council Management Costs		0.2
1.4	Operator's Costs		1.5
<u>1.5</u>			<u>1.7</u>
	Income:-		
(1.7)	Partnership Authority Contributions		(1.7)
<u>(1.7)</u>			<u>(1.7)</u>
<u>(0.2)</u>	Net (Surplus)		<u>0</u>

Surpluses are refunded back to partnership authorities pro rata to their contributions to the scheme. Torbay's refund will be £6,205 (£27,622 2004/2005).

Note: In 2006/2007, the Government expanded the scheme to make concessionary travel free to all people over the age of 60 and the disabled. The estimated cost of the enhanced scheme to Torbay in 2006/2007 is £1.9 million and this has been provided for in estimates. Torbay, as with most other authorities in Devon, has maintained its partnership arrangement with the Devonwide Scheme.

17 Section 31 Health Act (Pooled Budgets)

Under Section 31 of the Health Act, Councils are able to work with NHS bodies to assist in the delivery of services. In 2005/2006 the only Pooled budget arrangements with a turnover greater than £200,000 was the Joint Equipment Store in partnership with Torbay Care Trust (formally Torbay Primary Care Trust). In this pooled budget arrangement, established in April 2004, the Council is the lead body in the operation of an equipment store for the purchase and distribution of items to support social care.

2004/2005 £m		2005/2006 £m
	Joint Equipment Store	
0.9	Gross Expenditure	0.9
(0.3)	Torbay Care Trust Funding	(0.4)
(0.3)	Torbay Council Funding	(0.3)
(0.3)	Grant Funding and Sundry Income	(0.2)
<u>0</u>	Net Expenditure	<u>0</u>

18 **Audit Costs**

In 2005/2006 Torbay Council incurred the following fees relating to external audit and inspection:

2004/2005 £000's		2005/2006 £000's
213	Fees payable with regard to external audit services carried out by the appointed auditor, PricewaterhouseCoopers LLP	246
95	Fees payable in respect of statutory inspection under s10 Local Government Act 1998	60
51	Fees payable to the Audit Commission for the certification of grant claims and returns by appointed auditor, PricewaterhouseCoopers LLP	45
0	Fees payable in respect of any other services provided by the Appointed Auditor.	16

19. Collection Fund

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.

20. Council Tax

20(a) Council Tax Base 2005/2006

For Council tax purposes the number of domestic properties in each band converted to a Band D equivalent for 2005/2006 was as follows:

Valuation Band	2005/2006			
	Ratio to Band D	No of Dwellings In valuation list	No of Dwellings Band D Equivalent	Average Council Tax Per Dwelling £
A	6/9	11,938	6,465	807.90
B	7/9	16,282	11,072	942.55
C	8/9	15,576	12,477	1077.20
D	1	9,340	8,575	1211.85
E	11/9	4,886	5,567	1481.15
F	13/9	2,247	3,068	1750.45
G	15/9	1,194	1,802	2019.75
H	2	114	168	2423.70
TOTAL		61,577	49,194	
Less Allowance for Non Collection @ 2.5%			1,230	
TAX BASE 2005/06			47,964	

The number of dwellings Band D equivalent for 2005/2006 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. The figures show above for the Average Council Tax per Dwelling are the revised tax set by the Council in December 2004.

20(b) Council Tax Income 2005/2006

Precepts and Demands:

The following Authorities made a demand on the Collection Fund in 2005/2006.

	£ m
Torbay Council	49.6
Devon and Cornwall Police Authority	5.7
Devon Fire Authority	2.8
Total Demands on Collection Fund 2005/2006	58.1
Divided by Council Tax Base	47,964
Band D Council Tax	£1,211.85

The Income credited to the Collection Fund in 2005/2006 can be analysed as follows.

	£ m
Gross Council Tax Payable for Year	67.2
Reduced Assessments (discounts)	(8.5)
Actual Income from Council tax	58.7
Less Council Tax Benefit	(10.3)
Total Council tax Income 2005/2006	48.4

The difference of £0.7 million between the actual Council Tax income (£58.8m) and the estimated income (£58.1m) is due to changes during the year in the Council Tax Base. These changes include the number of eligible properties, discounts and the actual tax collection rate.

21. 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 2006 was £77.6 m (£62.7m 2004/2005).

In line with the Local Government Act 2003, for 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 2005/2006 was 41.5 pence per pound of rateable value and the non domestic rating multiplier was 42.2 pence per pound.

22. Distribution of previous years estimated collection fund surplus

2004/2005 £000's		2005/2006 £000's
406	Torbay Council	406
44	Devon and Cornwall Police Authority	47
0	Devon Fire Authority	23
0	Distribution of Community Charge Residue	54
450	Total	530

23(a) MOVEMENT OF FIXED ASSETS

During the year revaluations increased the gross value of tangible fixed assets by over £39million. These revaluations were part of the cyclical revaluation programme but also reflect significant capital expenditure in the year, particularly within schools including Torquay, Paignton and Brixham Community Colleges and provision of new nurseries and children's centres at Primary schools including Oldway, Shiphay, St Margarets, Watcombe, Cockington & Ellacombe.

The Council transferred its housing stock to Riviera Housing Trust in February 2001 and therefore there are no council dwellings in the Fixed Asset Portfolio.

Assets under Construction - £2.15 million is included in the Balance Sheet value of Non-Operational Fixed Assets to reflect current capital investment on incomplete assets. The net value has reduced from the value at 31st March 2005 reflecting the assets that reached practical completion and became operational in the year replaced by work-in-progress on new schemes.

The following tables analyse the movement in three types of fixed assets: Operational, Non Operational and Intangible assets:

Movement of Operational Assets 2005/2006					
	Land & Buildings	Infrastructure Assets	Community Assets	Vehicle, Plant & Equipment	Total
	£ m	£ m	£ m	£ m	£ m
Gross Book Value as at 31 st March 2005	195.9	37.6	0.9	6.0	240.4
Accumulated Depreciation	(8.8)	(4.0)	0	(4.1)	(16.9)
Accumulated Impairment	(0.3)	0	0	0	(0.3)
Net Book Value as at 31 st March 2005	186.8	33.6	0.9	1.9	223.2
Revaluations in Year applicable from 1 st April (Rolling Programme)					
- Gross Value	11.2	0	0	0	11.2
- Depreciation written off	1.2	0	0	0	1.2
Re-classification (net value)	1.3	0	(0.9)	0	0.4
Restated Net Book Value 1st April 2005	200.5	33.6	0.0	1.9	236.0
Movement in year 2005/2006					
Capital Expenditure in year	10.1	6.8	0.4	2.7	20.0
Disposals –Sales	0	0	0	(0.1)	(0.1)
Revaluations (other than Rolling Programme)	8.9	0	0	0	8.9
	19.0	6.8	0.4	2.6	28.8
Depreciation in year					
Depreciation for year	(2.5)	(0.9)	0	(0.7)	(4.1)
Depreciation on assets sold/disposals	0	0	0	0.1	0.1
Revaluations	3.9	0	0	0	3.9
	1.4	(0.9)	0	(0.6)	(0.1)
Impairment for year					
Impairment for year	0	0	0	0	0
Revaluations	0.1	0	0	0	0.1
Net Book Value as at 31st March 2006	221.0	39.5	0.4	3.9	264.8

Movement of Non Operational Assets 2005/2006				
	Investment Properties	Surplus Properties	Assets Under Construction	Total
	£ m	£ m	£ m	£ m
Gross Book Value as at 31 st March 2005	5.1	0.8	2.3	8.2
Accumulated Depreciation	0	0	0	0
Accumulated Impairment	0	0	0	0
Net Book Value as at 31 st March 2005	5.1	0.8	2.3	8.2
Revaluations in Year applicable from 1 st April (Rolling Programme)				
- Gross Value	0	0	0	0
- Depreciation written off	0	0	0	0
Re-classification	(0.4)	0	0	(0.4)
Restated Net Book Value 1st April 2005	4.7	0.8	2.3	7.8
Movement in year 2005/2006				
Capital Expenditure in year	0	0	0	0
Disposals –Sales	0	(0.4)	0	(0.4)
Revaluations (other than Rolling Programme)	0	0	(0.2)	(0.2)
	0	(0.4)	(0.2)	(0.6)
Depreciation in year	0	0	0	0
Impairment for year	0	0	0	0
Net Book Value as at 31st March 2006	4.7	0.4	2.1	7.2

Movement in Intangible Assets 2005/2006		Total £ m
Purchased Software Licences		
Original Cost		1.5
Amortisation to 1 st April 2005		(0.4)
Balance as at 1 st April 2005		1.1
Expenditure in year		1.0
Written off (Amortised) to Revenue in year		(0.5)
Balance as at 31st March 2006		1.6

Software Licences have been purchased for a number of functions including the Council's main Financial & Management Information system (FIMS), the Social Services Client Management system (PARIS) and the administration system to operate the new Decriminalised Parking service. The costs are being written down over periods between 5 and 10 years depending upon the expected life of the software.

23 (b) Capital Expenditure and Financing in Year

The Capital Financing Requirement (CFR) was introduced 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.

The net movement in the Capital Financing Requirement illustrates the change in the underlying need for the Council to borrow during the year, to fund capital investment which has not been funded immediately from resources such as grants, capital receipts and direct funding from revenue.

2004/05 £ m		2005/2006 £ m
81.1	Opening Capital Financing Requirement	83.8
	Capital Investment in Year:-	
15.9	Operational Assets (Tangible Fixed Assets)	20.0
0.9	Intangible Assets	1.0
2.0	Deferred Charges	3.8
<u>18.8</u>	Total Expenditure in Year	<u>24.8</u>
	Direct funding of Capital Investment in the Year -	
(7.6)	Government Grants and Other Contributions	(8.8)
(4.3)	Capital Receipts	(2.3)
(0.8)	Direct Revenue Funding	(1.1)
<u>(12.7)</u>		<u>(12.2)</u>
6.1	Resultant Increase in Borrowing requirement from Spend in Year	12.6
	Revenue Provisions for the repayment of Debt:-	
(2.2)	Minimum Revenue Provision	(2.4)
(1.1)	Debt Transferred from Devon County Council	(1.0)
(0.1)	Brixham Harbour Covenant	(0.1)
<u>(3.4)</u>	Reduction in Borrowing from provisions set aside in the Year	<u>(3.5)</u>
<u>2.7</u>	Net Increase in Capital Financing Requirement	<u>9.1</u>
83.8	Closing Capital Financing Requirement	92.9
	The increase in the underlying need to Borrow is represented by -	
5.9	Borrowing Supported by the Government	8.4
0.2	Borrowing Not Supported by the Government (Prudential Borrowing)	4.2
(3.4)	Provision set aside for the repayment of debt	(3.5)
<u>2.7</u>		<u>9.1</u>

23(c) Significant Commitments under Capital Contracts as at 31st March 2006

	£ m	£ m
Children Services		
Pre Primary and Primary Schools	1.6	
Secondary Schools	1.9	
Other Projects	0.3	
	<hr/>	3.8
Transport		
Traffic Signs	0.1	
	<hr/>	0.1
Environment		
Paignton Flood Alleviation	0.5	
	<hr/>	0.5
Culture		
Cliff Railway	0.2	
Palace Theatre	0.8	
	<hr/>	1.0
Torbay Development Agency		
Waterfront Torquay	2.0	
	<hr/>	2.0
Total		<hr/> 7.4 <hr/>

23(d) Assets

The assets of the Council comprise of:-

Primary Schools	32	Includes 9 Voluntary Aided Schools where the Council owns the site only; 2 Foundation Schools where the asset rests with the governing body and 1 PFI school where the asset rests with Torbay Schools Services Ltd*
Secondary Schools	8	Includes 1 Voluntary Aided School where the Council owns the site only; 4 Foundation Schools where the asset rests with the governing body and 1 PFI school (which is also a Foundation School) where the asset rests with Torbay Schools Services Ltd *
Special Schools	3	
Libraries	4	
Corporate Buildings		Including Torquay Town Hall, Oldway Mansion and Brixham Town Hall
Torre Abbey and Spanish Barn		A Community asset
Depots		Yalberton and Borough Road
Off Street Car Parks		
Leisure Centres and Pools		Torbay Leisure Centre (Leased out)
Theatres		Princess (Leased out); Babbacombe; Brixham and Palace Avenue
Community Centres		
Information Centres		
Parks and Recreational Facilities		
Cliff Railway		
Piers and Beaches		22 Miles of Coastline
Public Conveniences		
Public Shelters		
Cemeteries; Crematorium and Closed Churchyards		
Riviera Centre		Council owns freehold. Leased to Riviera Centre International Limited.
Harbours		Fish Quays and Infrastructure
Industrial Units and development land		
Social Care Properties		Various care provider units for both adults and children.
Other Community Asset Holdings		Berry Head Country Park (leased to Torbay Coast & Countryside Trust); Cockington Land Holdings (leased to Torbay Coast & Countryside Trust); Victoria Park.
Leased Commercial Property		Waterside Caravan Park; The Pavillion; Goodrington Beach Resort; Torquay Golf Club; Victoria Shopping Centre; Gala Bingo Club; Model Village; Vaughan Parade Properties: Parkfield Nursery

* Westlands and Homelands Schools are PFI schools provided by Torbay Schools Services Ltd. The fixed assets are not on the Council's balance sheet. **Deferred assets** has been identified which will be built up over the period of the PFI contract (26 years) representing the residual value of the assets which will transfer back to the Council at the end of the contract term.

Deferred consideration has also been identified to acknowledge the economic benefit to the council, which accrues from providing a site to the school at a peppercorn rent.

23(e) Assets held under Finance Leases

During 2005/06 the Council's only finance lease (on printing equipment) expired and the Council now owns the asset outright. The final payment was made in 2005/06 for £30,978.

Harbour Covenant

The Council had a covenant agreement relating to the financing of Brixham Fish Quay. The final balance outstanding as at 31st March 2005 of £72,740 was repaid during 2005/06.

23(f) Valuation Information

Valuation of Fixed Assets carried at current value - the following statement shows the progress of the Council's rolling programme for the revaluation of fixed assets. Valuations of Land & Buildings are carried out by the Council's internal Valuer Sam Partridge A.R.I.C.S. The basis for valuation is set out in the Statement of Accounting Policies.

	Land & Buildings	Vehicles & Plant	Non-Operational Properties	Total
	£ m	£ m	£ m	£ m
Valued at Historical Cost	0	5.9	0	5.9
Valued at Current Value in year				
2005/06	83.2	2.6	3.4	89.2
2004/05	66.0	0	0	66.0
2003/04	42.2	0	3.9	46.1
2002/03	19.3	0	0	19.3
2001/02	16.6	0	0	16.6
Total Gross Value	227.3	8.5	7.3	243.1

24 Deferred Charges

	Balance 1st April 2005	Expenditure In Year	Discharged	Balance 31st March 2006
	£ m	£ m	£ m	£ m
Private Sector Grants for Renewal & Disabled Facilities	0	0.7	(0.7)	0
Grants to Housing providers	0	0.3	(0.3)	0
Other Grants	0	0.1	(0.1)	0
Capitalised Revenue Costs	0	2.2	(2.2)	0
Expenditure on Voluntary Aided /Controlled Schools	0	0.5	(0.5)	0
Total	0	3.8	(3.8)	0

Expenditure on Deferred Charges relates to capital expenditure on assets not owned by the Council, for which grants have been given to third parties, or Council revenue expenditure which has been funded from capital resources (only with Government permission). Because no asset is created, the expenditure is written out to revenue in the year in which it is incurred, leaving no balances at the end of the year.

25 Investments

Association of District Councils

The Council is the registered holder of £30,000 of Zero Coupon First Mortgage Debenture Stock 1996/2011 which is constituted and secured by a Trust Deed dated 28th July 1989 and made between (1) the Association of District Councils (Properties) Limited and (2) Eagle Star Trust Company Limited as Trustees for the Stockholders.

SWERCOTS Ltd.

This is the South West of England Regional Co-ordination of Trading Standards and represents the 15 South West Regional Authorities. The company was established in 2004 as a company limited by guarantee to operate 'Consumer Direct' a Central Government funded initiative. The payment of a £10 membership fee gives Torbay Council membership of the board with Torbay represented by the Executive Member for Environment. There are no transactions/liabilities associated with Torbay Council's membership other than the £10 initial one-off fee. For financial reporting this relationship has been treated as an investment.

Money Market Investments

As at 31/3/06 the Council had invested, as part of its Treasury management function, £2.0 million (2004/05 nil) with HSBC on a "callable" deposit with a repayment date of 31/3/08.

26 Stock and Work in Progress

31 st March 2005 £ m		31 st March 2006 £ m
0.3	General Fund: (note 1)	0.1
0.3	Operational Services	0.2
0.6		0.3

Note 1 : The decrease in general fund stock is primarily related to the transfer of stock to PLUS on 1/8/05.

27 Debtors

31 st March 2005 £ m		31 st March 2006 £ m
5.2	Sundry Debtors	4.0
8.5	Accrued income	10.9
	Significant debtors are:-	
1.1	- NNDR Payments to Pool	0
1.1	- Revenue & Customs re VAT	1.3
0.1	Assisted Car Purchase	0.1
0.2	Liability Orders for Community Charge, Council Tax and NNDR	0.2
0.3	Other Debtor systems	0.1
1.2	Housing Benefit Recovery Control	1.3
2.0	Council Tax Arrears	2.2
0.6	NNDR Arrears	0.5
20.3	Sub-total	20.6
(0.7)	Bad Debt Provision – Debtors	(1.0)
(1.1)	Housing Benefit recovery	(1.2)
(0.3)	NNDR arrears	(0.2)
(1.4)	Council Tax arrears	(1.5)
16.8	Total	16.7

28 Temporary Investments

Temporary investments include £36.8m (2004/2005 £18.4m) of short-term (money market) investments and £10 million to Alliance Capital Fund Managers who will continue to manage the fund on the basis of their agreed mandate.

29 Local Authority Trading Scheme (LATS) Assets and Liabilities

Current Assets

This reflects the recognition of the Landfill Allowances from DEFRA as an asset as at 1st April 2005 at a fair (market) value.

2004/2005 £000's	Vintage	Allowance Tonnes	Fair Value £	2005/2006 £000's
n/a	2005/06	43,481	20.20	878

Liability to DEFRA (included in provision)

This reflects the Council's usage of the allowances for the landfill of biodegradable municipal waste within the year recognised at a fair (market) value.

2004/2005 £000's	Vintage	BMW Landfill Tonnes	Fair Value £	2005/2006 £000's
n/a	2005/06	39,420	20.20	(796)

30 Creditors

31 st March 2005 £ m		31 st March 2006 £ m
16.9	Creditors	11.9
2.0	Revenue & Customs	1.9
0	Torbay Care Trust	1.4
0.7	Devon County Council Pension Fund	0.7
19.6		15.9

30(a) Creditors due in excess of 12 month

31 st March 2005 £ m		31 st March 2006 £ m
0.1	Legal Agreements and Bonds	0.3
0.5	PFI Renewal Fund	0.7
0.6		1.0

31 Operating Leases (Future rental liabilities)

The profile and timing of the operating lease payments required is as follows:

Year Due	Vehicle, Plant and Equipment 2004/05 £ m	Vehicle, Plant and Equipment 2005/06 £ m
Within 1 year	0.6	0.5
1 to 2 years	0.4	0.4
2 to 5 years	0.8	0.5
Over 5 years	0.1	0.0
Total Due	1.9	1.4

32 Provisions

	Balance as at 1st April 2005 £ m	Additions £ m	Withdrawals £ m	Balance as at 31st March 2006 £ m
<u>Provisions</u>				
Commuted Sums (note 1)	0.2	0	(0.2)	0
Leased Vehicle and Leased Bin Returned Condition	0.2	0	(0.1)	0.1
Other Provisions	0	0.1	0	0.1
Insurance	0.5	0.1	0	0.6
Redundancy Provision	0.7	0.6	(0.7)	0.6
Landfill Allowance Trading Scheme	0	0.8	0	0.8
TOTAL PROVISIONS	1.6	1.6	(1.0)	2.2

Note 1: Section 106 agreements within commuted sums were reviewed during year and are now classified as current liabilities

Description of Provisions held by the Council

Name of Provision

Description of Provision

Leased Vehicle Return Condition

Provision for vehicles under an operating lease to cover the potential cost of return. The liability to the Council will depend on the actual mileage and general condition of a number of vehicles when returned.

<u>Name of Provision</u>	<u>Description of Provision</u>
Leased Bins Return Condition	Provision for bins under an operating lease to cover the potential cost of return. The liability to the Council will depend on the general condition of a large number of wheeled bins when returned.
Insurance	Reflects a reliable estimate of Council liability on all known claims outstanding as at 31 st March, which have yet to be settled. The timing of spend will be up to three years depending on claim type.
Redundancy Provision	Provision to reflect the redundancy, pension payments and other employee related costs arising from decisions where a constructive obligation for these costs has been created. This provision will be used in the next 12 months.
Landfill Allowance Trading Scheme	Provision to reflect the liability to DEFRA incurred for usage of landfill allowances. This provision will be used in the next 12 months.

33 Reserves

Revenue reserves result from events that have allowed money to be set aside from surpluses, or decisions causing anticipated expenditure to have been postponed or cancelled. Reserves of this nature are available and can be spent or earmarked at the discretion of an Council.

The reserves held by the Council are:-

<u>Name of Reserve</u>	<u>Description of Reserve</u>
Equipment Fund	To facilitate renewal of equipment within services where the replacement is at irregular periods.
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.
Early Retirement Reserve	To enable the Council to meet new redundancy-related liabilities as they fall due. Built up from annual budgets for new redundancies.
Financial Strategy	To fund the implementation of high level reviews.
Planning	To provide for costs of Local Plan Inquiry held every 4/5 years.
LGR Repayment	To mitigate the impact of increased Minimum Revenue Provision on the Council's Revenue Account arising from the Council's Local Government Reorganisation Supplementary Credit Approval.
IT Equipment	To provide funds for priority driven replacements of IT equipment.
Car Parks Machine	To replace Pay and Display machines at the end of their useful life.
Vehicles and Plant	To finance the purchase of vehicles and plant when updating the authorities fleet.

<u>Name of Reserve</u>	<u>Description of Reserve</u>
Harbours	Torquay, Paignton and Brixham Harbours – To finance Harbour expenditure schemes for the purpose of Harbour Users.
Capital Funding	To reserve funding for items in the approved Capital Plan Budget.
TDA Capital Reserve	To support funding of TDA Capital projects
Cemeteries and Crematoria	To provide a reserve into which annual revenue contributions are made to fund future cremator replacement
Other Specific Reserves	Includes: Council Elections, Art Objects Purchase Fund, Replacement Software Reserve, Claylands Reserve, Hele Signal Maintenance Reserve, Torbay Enterprise Agency, Disposal Costs, Pearl Assurance House Repair
Carry Forwards	Agreed Carry Forwards (agreed at Council 29 th June 2006)
School Carry Forwards	Reflects the net amount held (as a carry forward) by schools under local management schemes.
South West Water Agency	This reserve established to hold annual surpluses or deficits arising from Maintenance operations.
Local Authority Business Growth Incentive Reserve	Reserve for the business incentive grant pending the development of plans for the effective use of this grant.
Landfill Allowances Trading Scheme Reserve	Reserve balance arising from the surplus/deficit on the valuation of the 2005/06 allowances compared to actual usage of landfill. This will be used to help fund any future deficits on Allowances.
Waste Disposal Strategy Reserve	Reflects the reclassification of part of the equipment fund as a specific reserve for Waste Disposal Initiatives.
Decriminalised Parking Trading Reserve	Reflects the surplus/deficit on the Council's Decriminalised Parking operations. (also known as on street car parking).
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.
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

Analysis of Reserve Movements

Earmarked Reserves	Balance as at 1 st April 2005 £ m	Additions to the Reserve £ m	Withdrawals from the Reserve £ m	Balance as at 31st March 2006 £ m
Other Specific Reserves	0.2	0.2	0	0.4
Equipment Reserves (Note 1)	0.5	0.1	(0.3)	0.3
PFI Sinking Fund	3.4	1.6	(1.4)	3.6
Early Retirement Reserve	0.2	0.3	(0.2)	0.3
Financial Strategy Reserve (Note 1)	0.8	0.1	(0.6)	0.3
Planning Reserve	0.1	0.1	0	0.2
LGR Repayment Reserve (Note 1)	0.4	0	(0.3)	0.1
IT Equipment Reserve (Note 1)	0.1	0.3	(0.1)	0.3
Car Park Machine Reserve	0.1	0	0	0.1
Vehicles and Plant Reserve	0.2	0.2	(0.1)	0.3
Harbour's Reserve	1.3	0.3	(0.3)	1.3
Capital Funding Reserve	0.7	0.5	(0.3)	0.9
Cemeteries and Crematoria Reserve	0.5	0.1	0	0.6
Carry Forwards (service)	1.7	1.7	(1.6)	1.8
Waste Strategy Reserve (Note 1)	0	0.2	0	0.2
Local Authority Trading Scheme	0	0.1	0	0.1
Decriminalised Parking Trading Reserve (Note 1)	0	0.3	(0.3)	0
Unsupported Borrowing Equalisation Reserve	0	0.2	0	0.2
Torbay Development Agency Capital Scheme Reserve	0.3	0.1	0	0.4
South West Water Agency	0.1	0	0	0.1
Section 106 Agreements (Note 2)	0.1	0	(0.1)	0
Sub Total	10.7	6.4	(5.6)	11.5
School Carry Forward (Note 3)	2.9	2.4	(2.9)	2.4
Insurance Reserves	3.1	0.6	0	3.7
Total Earmarked Reserves	16.7	9.4	(8.5)	17.6

Notes:

(1) Monies moved between reserves to better reflect anticipated timing and usage.

(2) Section 106 Reserves reviewed and now classified in Current Liabilities

(3) Within the schools earmarked balances and adjustment has been made to reflect £0.1 million of income in advance relating to Westlands School.

Summary of Reserve Movements

Balances	Balance as at 1 st April 2005 £ m	Additions to the Reserve £ m	Withdrawals from the Reserve £ m	Balance as at 31st March 2006 £ m
Earmarked Reserves	16.7	9.4	(8.5)	17.6
General Fund	2.7	0	0	2.7
Operational Services Reserves	0.4	0.3	(0.1)	0.6
Collection Fund Reserves	1.0	0.2	(0.5)	0.7
TOTAL BALANCES	20.8	9.9	(9.1)	21.6

34 Long Term Borrowing & Deferred Liabilities

Total Outstanding 31st March 2005 £ m	Borrowing Repayable	Total Outstanding 31 March 2006 £ m
8.8	Amounts falling due within one year	
	Public Works Loans Board <i>(Note a)</i>	0
	Amounts falling due in excess of one year	
5.0	Barclays Bank plc <i>(Note c)</i>	5.0
40.4	Public Works Loans Board <i>(Note a)</i>	81.8
45.4	Total	86.8
54.2		86.8

Total Outstanding 31st March 2005 £ m	Deferred Liabilities	Total Outstanding 31st March 2006 £ m
	Amounts falling due within one year	
0.1	Brixham Harbour Covenant balance	0
1.0	Devon County Council Debt Repayment <i>(Note b)</i>	1.0
1.1		1.0
	Amounts falling due in excess of one year	
24.2	Devon County Council Debt Repayment <i>(Note b)</i>	23.2
24.2		23.2
25.3	Total	24.2

Note a

The table below shows an analysis of the Long Term Borrowing repayable:

Total Outstanding 31st March 2005 £ m	*Note a Analysis of Loans by Maturity	Average Interest Rate	Total Outstanding 31st March 2006 £ m
8.8	Within 1 year	4.72%	0
1.0	1 up to 2 years	4.15%	2.0
1.0	2 up to 3 years	0	0
1.0	3 up to 4 years	0	0
0	4 up to 5 years	4.35%	1.0
2.0	5 up to 10 years	4.35%	2.0
0	10 up to 15 years	4.48%	7.5
11.4	15 up to 20 years	4.91%	5.3
11.0	20 up to 25 years	4.66%	23.0
18.0	Over 25 years	4.27%	46.0
54.2	Total	4.43%	86.8

Note b

Deferred Liabilities

Deferred Liabilities recognises the “transferred debt” arrangements between Devon County Council and Torbay Council, which arose out of the reorganisation of Local Authorities in England on 1st April 1998. Payments to Devon include principal and interest based upon an apportionment of Devon’s Credit Ceiling prior to transfer as directed by the Local Government changes for England (Payments to Designated Authorities) (Minimum Revenue Provision) Regulations 1995. Payments to Devon County Council are funded by the Council Taxpayers through charges to the Consolidated Revenue Account.

Transferred Debt principal outstanding at 31st March 2006 is £24.2 million, (2004/2005 £25.2m).

Note c

The loan with Barclays Bank Plc is a LOBO loan (Lenders Option Borrowers Option), where after a short initial period of low interest, it then moves to a higher rate. 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.

35 Capital Financing Account

2004/2005		2005/2006
£m		£m
16.0	Opening Balance as at 1st April	18.9
0.1	Repayment of Brixham Harbour Covenant	0.1
	Direct financing of Capital Investment in Year -	
4.3	Capital receipts	2.3
0.8	Revenue	1.1
0.6	Transfer from Grants & Contributions Deferred A/c's	0.0
1.0	Repayment of Debt Transferred from Devon County Council	1.0
0.4	Funding of Capitalised Element of PFI Payment (Deferred Asset)	0.4
23.2		23.8
	Less :	
(4.3)	Excess of depreciation & other charges over Minimum Revenue Provision	(4.5)
18.9	Balance as at 31st March	19.3

The Capital Financing Account shows 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.

36 Usable Capital Receipts Reserve

2004/2005		2005/2006
£ m		£ m
4.3	Opening balance as at 1st April	4.2
4.2	Receipts from the Sale of Assets in the Year	1.6
(4.3)	Transferred to the Capital Financing Account to fund investment in the year	(2.3)
4.2	Balance as at 31st March	3.5

The Usable Capital Receipts Reserve holds capital receipts from the sale of assets which have been received and have not yet been used to finance capital expenditure. The balance on the Reserve is held to fund future year's expenditure in the approved Capital Plan Budget.

Analysis of Capital Receipts in year

2004/2005 £ m		2005/2006 £ m
1.8	Council share of Right-to-Buy receipts from sale of Housing transferred to the Riviera Housing Trust	0.7
2.4	Sale of Assets	0.9
4.2		1.6

37 Government Grants & Contributions Deferred Accounts

2004/2005 £ m		2005/2006 £ m
10.8	Opening Balance as at 1st April	16.7
7.1	Grants and contributions deferred in year	8.1
(0.6)	Released to Revenue	(0.8)
(0.6)	Released to Capital Financing account	(0.0)
16.7	Balance as at 31st March	24.0

The Government Grants & Contributions Deferred Accounts show the external funding used to finance capital investment immediately from monies received from Government Bodies and private contributions. Amounts are transferred out of these Accounts over time into the General Fund Revenue Account as the capital assets, which have been acquired using this funding, depreciate.

38 Developer Contributions (Section 106 receipts)

Receipts under Section 106 (of the Town & Country Planning Act 1990) are contributions payable by landowners/developers under planning agreements towards funding any increased demand for Council services which results from granting planning permissions, e.g. towards provision of school places, highway improvements, new transport links, affordable housing (if not provided on site) and on-going maintenance of public amenities. The sums are payable when trigger points are reached during the developments. The sums received can only be spent in accordance with the agreements with the developers. Any unspent amounts are held in the Balance Sheet in the Capital Contributions Unapplied Account (capital contributions) or Receipts in Advance (revenue contributions) until required.

The major balances held at 31 March 2006 are as follows –

Purpose held	£000s	£000s
Capital Contributions -		
Education	22	
Housing	170	
Highways & Transport	59	
Other	45	
	<hr/>	
Revenue Contributions		296
		388

39 Trust Funds

The Council acts as trustee for the funds listed below. In accordance with LAAP58 these funds have not been consolidated in the accounts of the Council and a summary of income and expenditure in year is as shown in the table below.

TITLE OF TRUST FUND	Balance 31st March 2005 £000s	Income in Year £000s	Spend in Year £000s	Balance 31st March 2006 £000s
Sports Events To provide grants to local sports men and women.	17	1	(1)	17
Stoney Park Allotment To maintain and repair the Stoney Park Allotment	8	0	0	8
Leanora Carlow: To provide contributions to Handicapped Children in Torbay	14	1	(1)	14
Thomas W Gleiman: Established to support the poor in Torbay	1	0	0	1
Mayoral Charity Account: To receive contributions to the Mayor of Torbay for distribution to local charities.	7	4	(6)	5
Education Bequests to specific schools within Torbay	15	1	0	16

All monies, with the exception of the mayoral charity account are held within the Council's bank account.

40 Statement of Net Assets Employed in the Current Year

Balance as at 31st March 2005 £ m		Balance as at 31st March 2006 £ m
96.2	General Fund	133.2
(3.8)	Operational Services	(1.4)
14.8	Harbours	15.9
<u>107.2</u>		<u>147.7</u>

41 Foundation Schools

The schools Standards and Framework Act 1998 changed the status of Grant Maintained Schools. The Council is required to transfer ownership of Fixed Assets and long term liabilities to the Governing Bodies of individual schools that have elected to adopt Foundation Status. 7 schools have elected to adopt Foundation status. Even though the title to the asset passes to the schools, the value of the fixed assets (totalling £46.0m) is included in the Council's balance sheet value of fixed assets reflecting the fact that these properties can only be used as schools ("substance over form").

42 Pensions

42(a) Local Government Scheme

In accordance with Financial Reporting Standard No 17 – Retirement Benefits (FRS 17) Torbay Council is required to disclose certain information concerning assets, liabilities, income and expenditure related to pension schemes for its employees

Torbay Council participates in the Local Government Pension Scheme, which is administered by Devon County Council. The Local Government Pension Scheme is a defined benefit scheme based on final pensionable salary.

As noted within the Explanatory Forward and Note 6 full compliance with FRS 17 has now been incorporated within these accounts.

The most recent valuation was carried out during 2004/05, and has been updated by independent actuaries to the Devon County Council Pension Fund to take account of the requirements of FRS 17 in order to assess the liabilities of the fund at 31st March 2006. Liabilities are valued on an actuarial basis using the projected unit method, which assesses the future liabilities discounted to their present value.

Torbay Council's contribution rate over the accounting period was 268% of member contributions. The Contribution rates certified for Torbay council at the 31 March 2004 valuation are as follows:

April 2005 to March 2006	268% of members contributions
April 2006 to March 2007	282% of members contributions
April 2007 to March 2008	296% of members contributions

These figures include the past service element of the contribution rate.

Main Financial Assumptions:

The main assumptions used for the purpose of FRS 17 are as follows:

31 st March 2005		31 st March 2006
% pa		% pa
2.9	Rate of inflation	3.0
4.4	Rate (long term) of increase in salaries	4.5
2.9	Rate of increase to pensions in payment	3.0
2.9	Rate of increase to deferred pensions (note 1)	3.0
5.3	Discount Rate (note 2)	4.9

The pension Fund's actuary has changed the financial assumptions underlying the calculation of liabilities during the year. The comparatives for 2005/06 have been restarted to reflect this.

Note 1: This financial assumption has now been included in the table for additional information.

Note 2: Two discount rates previous reported in the table have now been merged into one. The 2004/05 comparative was the same for both rates.

Position in the Fund:

Assets are valued at fair value, principally market value for investments. The market value of the Devon County Council Pension Fund at 31st March 2006 was £1.92 billion. The proportion of total assets held in each asset type by the Fund as a whole at 31st March 2006 and 31st March 2005 were estimated using index returns between 28th February and 31st March 2006 and are as follows:

Long Term rate of return %pa expected at 31/3/05	Estimated value at 31/3/05 £m	% of value held by type		Long Term rate of return %pa expected at 31/3/06	Estimated value at 31/3/06 £m	% of value held by type
7.7	1,029.88	66	Equities	7.3	1,359.27	69
6.7	148.10	10	Property	6.3	191.80	10
4.7	238.74	15	Government Bonds	4.3	296.00	15
5.3	13.46	1	Corporate Bonds	4.9	12.71	1
4.8	121.88	8	Other	4.6	111.70	5
	1,552.06	100	Total		1,971.48	100

The following amounts, needed for reconciliation to the balance sheet, were measured in accordance with the requirements of FRS17 at 31st March 2006 and 31st March 2005 are as follows:

2004/2005 £m		2005/2006 £m
132.0	Share of assets in Devon County Council Pension Fund	167.1
(199.0)	Estimated funded liabilities	(225.0)
(7.8)	Estimated unfunded liabilities	(9.4)
(74.8)	Torbay Council's deficiency in the scheme	(67.3)

Analysis of Results:

During the year ended 31st March 2006, markets rose increasing fund value and returned more than assumed. The financial assumptions underlying the calculation of liabilities changed during the year, however the demographic assumptions remained the same and are those used for the last triennial valuation of the fund. This lead to a greater value being placed on the liabilities at the year end than the beginning of the year resulting in a loss. Experience gains/losses on the liabilities are small as the roll forward method assumes that most experience is in line with assumptions.

The deficiency revealed above should be borne in mind when considering the amount of overall reserves held. The Council's total reserves as at 31st March 2006 are £21.6 million as shown within the Balance Sheet and notes to it. The projected deficit of £67.3 million above is an assessment of the value of the fund at a point in time (i.e. at 31st March 2006). Future costs to the Council are reflected by periodic actuarial valuations of the fund and the resulting reassessed employer's contribution that will be set at a rate to meet 100% of the long term liabilities of the fund. After the actuarial revaluation in 2004, Torbay has increased the number of years over which it will meet these liabilities to 25 years from 12 years. Torbay's employer's contribution for 2005/2006 was set at 16.1% a 5% increase from 2004/05.

The movement in net deficit for the year to 31st March 2006 is as follows:

2004/2005			2005/2006	
£m	£m		£m	£m
	(40.9)	Net Deficit at beginning of year:		(74.8)
7.3		Contributions paid	8.0	
(7.1)		Current Service Costs	(7.2)	
(1.0)		Past Service Costs	(0.8)	
0		Gain/Loss on Curtailments	2.9	
7.2		Expected return on pension fund assets	9.3	
(9.3)		Interest on pension scheme liabilities	(11.1)	
(31.0)		Actuarial Gain/loss	6.4	
	(33.9)			7.5
	<u>(74.8)</u>	Net Deficit at end of year		<u>(67.3)</u>

The Actuarial gains and loss within the year of £6.4 million can be furthered analysed as follows:

Year Ending 31 st March 2005			Year Ending 31 st March 2006	
£m	%		£m	%
7.1	5.4%	Difference between expected And actual return on scheme assets:	23.2	13.9
3.2	1.5%	Experience gains on scheme liabilities	(0.4)	(0.2)
(41.3)	(20%)	Change in Assumptions	(16.4)	(7.0)
(31.0)		Total	<u>6.4</u>	

Other FRS17 Information

An allowance was made in 2005/06 to reflect the transfer of pension fund members to the PLUS Organisation on 1st August 2005, that body was accredited with assets equal to the liabilities for benefits earned prior to this date of £2 million.

In addition an allowance was made for a curtailment arising from over 500 Torbay Adult Care Trust staff, (formally Council employees), ceasing to be active members of the Fund as at 1st December 2005 and receiving deferred pensions, with a consequential "early leaver" profit to the fund estimated at £2.9 million. The actuary anticipates that some of these members are likely to elect to transfer their past service benefits to the NHS pension scheme during 2006/07, which will be reflected as a settlement in the Council's 2006/07 accounts.

42 (b) Teachers Pensions Scheme

With Regard to the Teachers Pensions scheme there were no contributions remaining payable at the year end.

The scheme is a defined benefit scheme, administered by the Teachers Pension Agency (TPA). Although the scheme is unfunded, the TPA uses a notional fund as the basis for calculating the employers' contribution rate paid by local education authorities like Torbay Council. However it is not possible for the Council to identify a share of the underlying liabilities in the scheme attributable to its own employees. For the purposes of this statement of accounts it is therefore accounted for on the same basis as a defined contribution scheme.

There were no additional benefits awarded upon early retirement outside the Teacher's scheme.

42 (c) Contributions to Devon County Unfunded Discretionary Pensions

Note 6 to the Consolidated Revenue Account refers to Torbay' s liability to Devon County Council in relation to their unfunded pensions prior to 1998. It is estimated that, if FRS17 applied to these contributions, the total liabilities in relation to these pre 1998 enhancements at the liability at 31st March 2006 to be £95.07 million (2004/2005: £90.793 million), of which Torbay's share would be £11.152 million (2004/2005: £10.650 million).

43 The Euro

During the last financial year, the Council has continued to review the impact of the Euro on its ongoing operations. Until a decision is made as to whether the UK should adopt the Euro, the expenditure on Euro activities will be absorbed within existing budgetary provision.

44 Related Companies

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.

For the company's latest accounts for the financial year ended 31st March 2006 its profit for the financial year was £7,000 increasing its total net assets to £29,000. Due to the size of the company under the Companies Act 1985 it is exempt from audit. Copies of the accounts can be obtained from the Director of Finance at Torbay Council.

On the 1 August 2005 The PLUSS Organisation Ltd was formed, this is company limited by guarantee with no share capital. Devon County Council, Plymouth City Council and Torbay Council each have an equal 'share' in the company and equal voting rights. The Company's membership structure does not allow a dividend payment, and all profits are retained by PLUSS Organisation Ltd for the future development of services.

For financial reporting this relationship falls within the definition of an associate which requires the Council to produce group accounts. Under the equity method for accounting for associates prescribed in FRS9 only the net assets need to be disclosed, these were considered to be immaterial. A summary of PLUSS accounts for the part year 2005/6 is shown below:-

The PLUSS Organisation Ltd	Torbay Council's One third share	
Profit and Loss Account for the period ended 31 March 2006		
	£ m	£m
Gross Turnover	11.50	3.83
Less Operating Costs	(11.40)	(3.80)
Operating Profit	<u>0.10</u>	<u>0.03</u>
Interest Receivable		
- External Interest	0	0
- Interest related to FRS17 Retirement Benefits	0.70	0.23
Less Interest Paid		
- External Interest	0	
- Interest related to FRS 17 Retirement Benefits	(0.50)	(0.16)
Profit before Taxation	<u>0.30</u>	<u>0.10</u>
Less Taxation	(0.10)	(0.03)
Profit after Taxation	<u>0.20</u>	<u>0.07</u>
Balance Sheet as at 31st March 2006		
Fixed Assets	0.20	0.07
Current Assets	4.90	1.63
Less Current Liabilities	(3.70)	(1.23)
Total Assets less Current Liabilities	<u>1.40</u>	<u>0.47</u>
Less Long Term Creditors	(1.20)	(0.40)
Pension Assets	0.40	0.13
Net Assets including pension assets	<u>0.60</u>	<u>0.20</u>
Capital and Reserves		
Profit and Loss Reserve	0.20	0.07
Pension Reserve	0.40	0.13
Members' Funds - non-equity	<u>0.60</u>	<u>0.20</u>

Arising from the creation of PLUS on 1st August 2005 as a Local Authority controlled company for the provision of supported employment with the Council having an equal share along with Devon County Council and Plymouth City Council the Council has entered a number of agreements to support the new company. These include;

The guarantee of an overdraft to Barclays bank to a value of £0.150 million.

The issue of a loan to the new company to cover working capital of £0.231 million. This loan is shown in the Council's long term debtors and repayments are due to start in 2011.

The Council's stock as at 31/7/05 transferred to the new company but the value will be repaid over 2 years. The value outstanding as at 31/3/06 was £0.143 million.

PLUS has been admitted to the Devon County Pension Fund. The former Council staff are now employed by PLUS and as a result the Council has guaranteed to meet any pension related financial liabilities arising on staff prior to transfer. The latest estimate of the value of this guarantee is £0.424 million.

45 Contingent Liabilities

Torbay Coast and Countryside Trust

The Council has agreed to act as a guarantor to the Torbay Coast and Countryside Trust for £450,000. This is relating to a bank loan of £200,000 and an overdraft facility of £250,000, in respect of capital work being undertaken at Occombe Farm. The loan was taken out in 2005 and is repayable over 10 years. The overdraft as at the 31st March 2006 was £213,000.

PLUS Limited

The Council has agreed to guarantee an overdraft to Barclays bank to a value of £0.150 million.

PLUS has been admitted to the Devon County Pension Fund. The former Council staff are now employed by PLUS and as a result the Council has guaranteed to meet any pension related financial liabilities arising on staff prior to transfer. The latest estimate of the value of this guarantee is £0.424 million.

The Council is not aware of any uncertainties regarding these liabilities.

46 Events after the Balance Sheet Date

Statement of Accounts Authorised for Issue

The 2005/2006 Statement of Accounts was authorised for issue by the Chief Finance Officer, R Thorpe BA CPFA, Director of Finance on the 6th June 2006 (see page 75).

Events after the 'authorised for issue' date have not been recognised in 2005/2006 Statement of Accounts.

Events After Balance sheet date

The PLUSS organisation for the provision of supported employment is being expanded to include Somerset employment services from July 2006.

The Council has started a tender and selection process for the management of cemeteries and crematorium service.

The Local Government Pension Scheme Regulations 2006 (SI 966) brings in a number of changes from April 2006 to pension entitlements including the allowing of commutation of pension for additional lump sum and removes the Rule of 85 age from October 2006. This is likely to impact on future years FRS17 data.

47 Cash Flow Statement – Reconciliation of Revenue Cash Flow:

Reconciliation of Revenue Cash Flow				
2004/2005			2005/2006	
£ m	£ m		£ m	£ m
	(0.4)	Consolidated Revenue Account (Surplus)/Deficit for the year		0
		Items classified elsewhere on cash flow:		
(3.7)		Interest Paid	(4.3)	
0.8		Interest Received	1.1	
	(2.9)			(3.2)
	0.0	Increase/(decrease) in stock and work-in-progress		(0.3)
	0.3	(Increase)/decrease in creditors/receipts in advance		2.8
	2.7	Increase/(decrease) in debtors/payments in advance		1.2
	(3.6)	Contributions (to)/from Reserves		(0.8)
	(4.3)	Contributions to/(from) other balances		(8.6)
	<u>(8.2)</u>	Revenue Activities Net Cash Flow		<u>(8.9)</u>

48 Reconciliation of Movements in Cash & Net Debt

Reconciliation of Movements in Cash & Net Debt				
2004/2005			2005/2006	
£ m	£ m		£ m	£ m
(8.2)		Cash Flow from Revenue Activities	(8.9)	
4.9		Cash Flow from Capital Activities	18.1	
2.9		Cash Flow from Investments and Servicing of Finance	3.2	
	(0.4)	Net increase in Debt		12.4
(9.0)		Cash Flow from Liquid Resources	(20.4)	
10.3		Cash Flow from Financing	31.5	
(1.7)		Change in Cash Balances	1.3	
	(0.4)	Net Increase in Debt		12.4

49 Movement of Financing and Liquid Resources

Movement of Financing and Liquid Resources			
	As at 31 st March 2005 £m	As at 31 st March 2006 £m	Movem't in year £m
Financing Items			
External Long Term Borrowing (net movement)	54.2	86.8	32.6
Devon County Transferred Debt	25.2	24.2	(1.0)
Finance Leases/Covenant	0.1	0	(0.1)
	<hr/>	<hr/>	
	79.5	111.0	31.5
Liquid Resources			
Temporary Investments	(28.4)	(48.8)	(20.4)
Cash Related			
Net Cash Overdrawn	1.2	1.3	0.1
Cash In Hand	(3.5)	(2.3)	1.2
	<hr/>	<hr/>	
	(2.3)	(1.0)	1.3
Total Movement of Financing & Liquid Resources	48.8	61.2	12.4

Liquid resources are current asset investments that are readily disposable by the Council without disrupting its business and are either readily convertible to known amounts of cash at or close to the carrying amount, or traded in an active market. The temporary investments held by the Council's External Fund Managers are repayable on demand. A £2.0m investment that is due to be repaid on the 31st March 2008 has also been included as a temporary investment.

50 Analysis of Other Government Grants

2004/2005 £m	Related Service Area	2005/2006 £m
20.7	Education	20.1
8.7	Social Services	8.9
6.3	Supporting People	5.9
9.9	Council Tax Benefit	10.4
5.5	Other Grants	6.8
<hr/>		<hr/>
51.1		52.1
<hr/>		<hr/>

Notes to Statement of Total Movements in Reserves

	Usable Capital Receipts £m	<i>Unapplied Capital Grants and Contributions £m</i>
51. Movements in realised capital resources		
Amounts receivable in year	1.6	8.7
Applied to finance new capital investment in year	(2.3)	(8.1)
Total increase / (decrease) in realised capital resources in year	(0.7)	0.6
Balance brought forward 1 st April 2005	4.2	4.7
Balance carried forward at 31 st March 2006	3.5	5.3

	Fixed Asset Restatement Reserve £ m
52. Movements in unrealised value of fixed assets	
Gains / losses on revaluation of fixed assets in year	25.0
Impairment losses on fixed assets due to general changes in prices in year	0.0
Total increase / (decrease) in unrealised capital resources in year	25.0
53. Value of assets sold, disposed of or decommissioned	
Amounts written off fixed asset balances for disposals in year	(0.4)
Total movement on reserve in year	24.6
Balance brought forward at 1 st April 2005	116.7
Balance carried forward at 31 st March 2006	141.3

	<i>Capital financing account</i>		<i>Government Grants Deferred</i>	Total
	£m	£m	£m	£m
54. Movements in amounts set aside to finance capital investment				
Capital resources set aside in year:				
Capital receipts applied to finance expenditure in year		2.3		2.3
Revenue resources set aside in year:				
- capital expenditure financed from revenue		1.5		
- repayment of deferred liabilities/debtors				
of which: transferred debt	1.0			
covenant	0.1	1.1		
- reconciling amount for provisions for loan repayment		(4.5)		
Total revenue resources set aside in year		(1.9)		(1.9)
Grants applied to capital investment in year			8.1	
Amounts credited to Capital Financing Reserve			0	
Amounts credited to AMRA			(0.8)	
Movement on Government Grants Deferred			7.3	7.3
Total increase / (decrease) in amounts set-aside to finance capital investment				7.7
Total movement on reserve in year		0.4	7.3	
Balance brought forward at 1 st April 2005		18.9	16.7	
Balance carried forward at 31 st March 2006		19.3	24.0	

55. Pension Reserve Movements

The actuarial gains identified on the Pension reserve in 2005/2006 can be analysed into the following categories, measured as absolute amounts and as a percentage of assets or liabilities at 31st March 2006.

2002/03	2003/04	2004/05		2005/06	2005/06
£m	£m	£m		£m	%
(23.0)	14.2	7.1	Actual return less expected return on assets	23.2	13.9
0.5	0	3.2	Experience gains and losses on scheme liabilities	(0.4)	(0.2)
0	0	(41.3)	Changes in assumptions underlying present value of scheme liabilities	(16.4)	(7.0)
<u>(22.5)</u>	<u>14.2</u>	<u>(31.0)</u>		<u>6.4</u>	

56. Movement in Revenue Reserves	General Fund Balance £m	Pensions Reserve £m	Specific Revenue Reserves £m
Surplus for 2005/2006	0	0	0
Appropriations from Revenue	0	1.1	1.1
Actuarial gains and losses relating to pensions	0	6.4	0
Balance brought forward at 1 st April 2005	2.7	(74.8)	17.1
Balance Carried forward at 31st March 2006	2.7	(67.3)	18.2

The specific reserves are described in more detail as a not to the Balance Sheet. The Pensions Reserve is a requirement of FRS17 Retirement Benefit entries which requires Councils to show the position of their share of the Local Government Pension Fund at the end of each year. The Pension Reserve is offset on the Council's Balance Sheet by a Pension Liability for the same balance. The annual actuarial assessment of the position of the fund is represented by the actuarial assessment of the gains or losses on the performance of the fund.

FINANCIAL CERTIFICATES

The Statement of Responsibilities for the Statement of Accounts

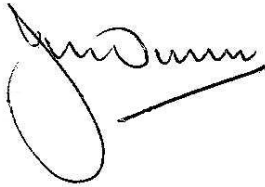
The Council's Responsibilities

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 Director of Finance as 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

Full Council Approval of the Statement of Accounts 2005/2006

I confirm that the Council completed its approval process of the Statement of Accounts 2005/2006 on the 29th June 2006 at a meeting of the Council.



Chairman of the Council

Date 29th June 2006

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 2003 is set out on page 21 to page 75 and has been prepared in accordance with the accounting policies set out on pages 10 to 20. It presents fairly the financial position of the Council at 31st March 2006 and its income and expenditure for the year ended 31st March 2006.

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

The Statement of Accounts 2005/2006 were authorised for issue on 6th June 2006. This is also the date up to which events after the balance sheet date have been considered.



R. THORPE BACPFA
Director of Finance

6th June 2006

Independent Auditors' Report to the members of Torbay Council Opinion on the Financial Statements

We have audited the financial statements for the year ended 31 March 2006 under the Audit Commission Act 1998. The financial statements comprise Consolidated Revenue Account, the Collection Fund, the Consolidated Balance Sheet, the Statement of Total Movements in Reserves, the Cash Flow Statement and the related notes. The financial statements have been prepared under the accounting policies set out within them.

Respective Responsibilities of the Chief Financial Officer and Auditors

The Chief Finance Officer's responsibilities for preparing the financial statements in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2005 are set out in the Statement of Responsibilities for the Financial Statements.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Auditing Standards (United Kingdom and Ireland).

This report, including the opinion, has been prepared for and only for Torbay Council's members as a body in accordance with the Audit Commission Act 1998 and for no other purpose as set out in paragraph 36 of the Statement of Responsibilities of Auditors and of Audited Bodies, prepared by the Audit Commission. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements present fairly, in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2005, the financial position of the Council and its income and expenditure for the year.

We review whether the Statement on Internal Control reflects the Council's compliance with CIPFA's guidance "The Statement on Internal Control in Local Government: Meeting the Requirements of the Accounts and Audit Regulations 2003" published on 2 April 2004. We report if it does not comply with proper practices specified by CIPFA or if the statement is misleading or inconsistent with other information we are aware of from our audit of the financial statements. We are not required to consider whether the Statement on Internal Control covers all risks and controls. Neither are we required to form an opinion on the effectiveness of the Council's corporate governance procedures or its risk and control procedures.

We read the other information published with the financial statements and consider whether it is consistent with the audited financial statements. This other information comprises only the explanatory foreword. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission, which requires compliance with International Auditing Standards (United Kingdom and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the Council in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Council's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion, we evaluated the overall adequacy of the presentation of the information in the financial statements.

Opinion

In our opinion the financial statements present fairly, in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2005, the financial position of Torbay Council as at 31 March 2006 and its income and expenditure and cash flows for the year then ended.

A handwritten signature in cursive script that reads "PricewaterhouseCoopers LLP".

**PricewaterhouseCoopers LLP
Bristol**

Date: 27 September 2006

Conclusion on arrangements for securing economy, efficiency and effectiveness in the use of resources

Council's Responsibilities

The Council is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to regularly review the adequacy and effectiveness of these arrangements.

Under the Local Government Act 1999, the Council is required to prepare and publish a best value performance plan summarising the Council's assessment of its performance and position in relation to its statutory duty to make arrangements to ensure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

Auditor's Responsibilities

We are required by the Audit Commission Act 1998 to be satisfied that proper arrangements have been made by the Council for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires us to report to you our conclusion in relation to proper arrangements, having regard to relevant criteria specified by the Audit Commission for principal local authorities. We report if significant matters have come to our attention which prevent us from concluding that the Council has made such proper arrangements. We are not required to consider, nor have we considered, whether all aspects of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

We are required by section 7 of the Local Government Act 1999 to carry out an audit of the Council's best value performance plan and issue a report:

- certifying that we have done so;
- stating whether we believe that the plan has been prepared and published in accordance with statutory requirements set out in section 6 of the Local Government Act 1999 and statutory guidance; and
- where relevant, making any recommendations under section 7 of the Local Government Act 1999.

Conclusion

We have undertaken our audit in accordance with the Code of Audit Practice and we are satisfied that, having regard to the criteria for principal local authorities specified by the Audit Commission and published in July 2005, in all significant respects, Torbay Council made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2006.

Best Value Performance Plan

We issued our statutory report on the audit of the Council's best value performance plan for the financial year 2005/06 in October 2005. We did not identify any matters to be reported to the Council and did not make any recommendations on procedures in relation to the plan.

Certificate

We certify that we have completed the audit of the financial statements in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

A handwritten signature in black ink that reads "PricewaterhouseCoopers LLP". The signature is written in a cursive, flowing style.

PricewaterhouseCoopers LLP
Bristol

Date: 27 September 2006

STATEMENT ON INTERNAL CONTROL 2005/2006

1. 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 and 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 ensuring that there is a sound system of internal control which facilitates the effective exercise of the Council's functions and which includes arrangements for the management of risk.

2. THE PURPOSE OF THE SYSTEM OF INTERNAL CONTROL

The system of internal control 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 system of internal control has been in place at Torbay Council throughout the year ended 31st March 2006 and up to the date of approval of the annual report and accounts.

3. THE INTERNAL CONTROL ENVIRONMENT

The key elements of Torbay Council's internal control environment are summarised below:

Establishing and monitoring of the achievement of the Council's objectives

The Council's Corporate Plan 2006-09 shows what the Council is doing to contribute to the 8 themes from the existing Community Plan. The existing Community Plan for Torbay was published in September 2004, following extensive consultation. Work is now taking place to update the Community Plan and tackle the latest issues for the community.

Business Plans and directorate performance are monitored by Performance Improvement Meetings on a quarterly basis and summary reports provided to the Overview and Scrutiny Board. The Corporate Plan and Business Plans are reviewed annually as part of the Council's Annual Planning Cycle.

Policy and Decision-making

The Council's Constitution sets out how the Council operates, how decisions are made and the procedures that are followed to ensure that these are efficient, transparent and accountable to local people. Following a referendum, Torbay moved to an Elected Mayor form of governance. The first Elected Mayor took up office in October 2005 following a Mayoral election. The full Council of 36 elected Members is still responsible for approving the Mayor's budget and the policy framework. The Mayor is responsible for most Member Level decisions and, for the period from the introduction of the new governance arrangements to the end of the 2005/06 financial year, was supported by a cabinet of 2 other Members who oversee specific areas of Council business. Prior notice of matters for Mayoral or Officer level decisions that are classed as key decisions is published within the Forward Plan. Cabinet meetings are public and notice of all areas for discussion is published in advance. Matters outside of the budget and policy framework are referred to full Council for decision.

Schemes of delegation to Officers and Members are contained within the Constitution and are subject to regular review. The Council has a well developed and successful Scrutiny function in the Overview & Scrutiny Board which undertakes a range of reviews into policies and performance and also has the facility to call in Mayoral or Officer decisions and makes recommendations to the Cabinet / Council as appropriate.

Some regulatory functions remain the responsibility of the Council rather than the Mayor and most of these are delegated to a small number of regulatory committees.

All meetings are open to the public but a small number of confidential matters are considered in private. Council officers provide appropriate advice at the points of consideration and decision, and report to Members on progress and outcomes of decisions taken.

Compliance with established policies, procedures, laws and regulations

The Council's Constitution is designed to ensure the Council acts lawfully at all times and to ensure compliance with its policies and procedures. The Constitution includes Standing Orders, Financial Regulations, Contract Procurement rules and the budget and policy framework. These are underpinned by Codes of Conduct for officers and Members, Gifts and Hospitality rules and by the Council's Code of Corporate Governance.

Since its publication, Torbay Council has complied with the principles enshrined within the original CIPFA/SOLACE code on Corporate Governance and adopted a revised code of Corporate Governance in the 2004/05 financial year. This also reflects the requirements of the CIPFA/SOLACE Framework "Corporate Governance in Local Government: a Keystone for Community Governance".

The Council 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. These documents are available on the Council's website. In addition, the Council's Standards Committee comprises 50 per cent Independent Members and is chaired by an Independent Member. This far exceeds the legal requirement for involvement of Independent Members. The Standards Committee has been given responsibility for promoting high ethical standards amongst Members; monitoring Member training; and dealing with complaints against Members under the Local Protocols.

The Council's intranet contains a range of policies, procedures and guidance for all staff including HR policies, Freedom of Information Policy and Data Protection and the Corporate Plan and Constitution.

Directors and Assistant Directors are responsible for risk management within their departments, with advice and support from the Council's Risk Management group. Business Plans identify the key risks affecting Business Units and identify control measures where applicable. The Director of Law and Support has been given responsibility for overseeing the implementation and monitoring of the risk management strategy and policy supported by a Corporate Risk Management Group and Directorate Risk Management Co-ordinators. Directorate Risk Registers are being developed and will feed into a review of the Council's Corporate Risk Register

The Council commenced a detailed review of its Risk Management policy and Strategy in the current year. A revised strategy has been produced and key risks considered at a Risk Workshop attended by the Council's Directors, key Members and Assistant Directors which will form the basis for future development of the Council's approach to Risk Management.

Directors and Business Unit Managers 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 risk management initiatives including some risk control self assessment workshops.

Economical, effective and efficient use of resources and securing continuous improvement

The Council has in place a clear annual planning cycle including detailed business plans for all business units / service areas. The cycle includes the creation of the Medium Term Financial Plan and is built up from the corporate plans and business plans in place within the organisation. The plan covers the forward projection for a number of years and identifies the significant financial pressures and issues facing the Council and an overview action plan which achieves a balanced position. Business Plans' targets are reviewed by Performance Improvement Meetings and actions recorded on the Council's SPAR system.

The Council is continually looking for efficiencies and service improvements including regular meetings of the Efficiency Group whose remit includes the identification and monitoring of 'Gershon' savings across the Council, the continued extension of the procurement function and the outcomes of any business re-engineering exercises.

The Council has a well developed scrutiny function which undertakes detailed reviews into key service areas as part of its agreed work programme.

A range of financial management measures are in place to ensure the effective use and management of resources.

Financial Management

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. In particular the system includes: -

- Medium-term financial 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 Directorate Management Teams.
- Financial stewardship in respect of both capital and revenue is reported to Overview and Scrutiny quarterly, and is considered regularly by the Strategic Management Team and Performance Improvement Meetings. In addition Directorate Management Teams also consider their respective budgets on a regular basis. This is supported by an established budget monitoring process by managers and Accountancy staff.

Performance Management

The Council has strengthened its arrangements for performance management including improvements to business planning and to best value reviews. It is taking a more systematic approach to appraising the performance of its staff and to meeting their training and development needs.

The Council has continued to improve its collection and use of performance information and has made significant improvements in its data collection and verification of Performance Indicators. The Council is now rated as two stars with the new Corporate performance Assessment taking place in early 2007.

Performance Improvement Meetings have been established for all the Council's Business Units including the Torbay Care Trust which took over the Adult Social Care Function with effect from December 2005 and is a partnership between Torbay Council and the Primary Care Trust. These meetings monitor performance against performance indicators and also consider progress against the Strategic Plan, Business Plans, delivery of Service Level Agreements, budget monitoring reports and other performance issues. The Boards comprise Scrutiny Members, Directors and Officers from the Policy and Performance Team and report to the Overview and Scrutiny Board.

The Council record performance information using performance-reporting software, action on areas of poor performance is closely scrutinised. The performance reporting system is based on exceptions and where performance is identified as a concern, appropriate corrective action will be considered and scrutinised.

Key issues and targets for statutory indicators and corporate priorities and policies are cascaded down the organisation through business plans and reflected in individual performance targets as part of the Councils personal appraisal process (RADAR). The Council has also restructured and appointed three Strategic Directors who each have responsibility for the Council's key themes from the Community and Strategic Plan.

4. REVIEW OF EFFECTIVENESS

Torbay Council has responsibility for conducting, at least annually, a review of the effectiveness of the system of internal control. The review is informed by the work of the Internal Auditors and the executive managers within the Council who have responsibility for the development and maintenance of the internal control environment, and also by comments made by the External Auditors and other review agencies and inspectorates.

Overall responsibility for the system of internal control rests with the Mayor and Chief Executive and they receive regular reports from the Director of Finance (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 Financial Plan.

The Council's Constitution is continually reviewed throughout the year by a Constitution Working party and includes various codes of conduct, as well as defining the relative responsibilities of the Council, the Mayor, Scrutiny Board and Chief Officers. This also includes the Council's Standing Orders and Financial Regulations.

Internal Audit

The Council's Internal Audit Plan, which is risk based, is agreed annually with Chief Officers and the Council's Overview and Scrutiny Board. This provides the basis for the review of internal control 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 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 whistleblowing policy.
- Value for Money work in relation to assessing the efficiency, economy and effectiveness of the Council's operations and recommending improvements as necessary.

Achievement of the Audit Plan is reported to the Overview and Scrutiny Board and Directors' Management Team on a twice yearly basis. This report also includes an opinion and assurance about the system of internal control throughout the Council.

Regular meetings are also held between the Director of Finance, Assistant Director Internal Audit and the Monitoring Officer (Director of Law and Support) to discuss financial, ethical and probity issues.

External Review

The Comprehensive Performance Assessment review in December 2005 scored the Council two out of four for Use of Resources which demonstrates a commitment by the Council to manage its affairs wisely and satisfactorily. The assessment covered: -

- Financial Standing
- Internal Financial Control
- Standards of financial conduct and prevention of fraud
- Financial Statements
- Legality of financial transactions.

The external assessment indicated that in certain key areas higher scores may be expected as new systems and approaches are bedded in and seen to be operating over a prolonged period of time.

The Council has embarked on an ambitious programme to improve corporate arrangements in a number of areas. There has been substantial progress in many of these areas as recognised by External Audit and by the Audit Commission Comprehensive Performance Assessment.

The Annual Audit Letter for 2005 was very positive and did not identify any significant weaknesses in internal control arrangements. The letter was reviewed by the Overview and Scrutiny Board, which recommended a management action plan to the Cabinet to implement the recommendations. The action plan is monitored by the Overview and Scrutiny Board biannually.

5. SIGNIFICANT INTERNAL CONTROL ISSUES

As a consequence of the above reporting mechanisms, Members and Directors have been continually updated and advised on the implications of reviews of the effectiveness of the system of internal controls. Plans have been devised and put in place to ensure continuous improvement. The Council's annual review of the system of internal controls identified some areas where action is appropriate to enhance the internal control environment and ensure continuous improvement as follows: -

- Further embed risk management within departments and ensure risk registers are up to date and reviewed
- Continue the implementation of proper management review procedures of key information such as budget monitoring and review, review of performance information including PIs, local PIs, local targets
- Progress e-government and other ICT initiatives and implement further enhancements to business continuity planning
- Ensure that processes are amended to ensure all changes such as service requirements, customer base and legislation are properly dealt with and in accordance with agreed documented procedures
- Review guidance and support for officers undertaking tender and contract award and negotiation to ensure all staff understand the legal and contracting requirements
- Review corporate governance arrangements and performance management of the Council and its partnerships.
- Ensure all assets are properly recorded and safeguarded.

These areas are already included within existing corporate or departmental plans and work is currently underway to address the issues identified.

6. CERTIFICATION

To the best of our knowledge, the internal control environment as defined above has been effectively operated during the year.

Signed

A handwritten signature in black ink that reads "Elizabeth Raikes". The script is cursive and fluid.

Elizabeth Raikes – Chief Executive

Date: 6th June 2006

Signed

A handwritten signature in black ink that reads "Nick Bye". The signature is written in a simple, blocky style.

Nick Bye - Mayor of Torbay

Date: 6th June 2006

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.

Amortisation -

Asset Management Revenue Account - The revenue account, which contains the credit for capital charges offset by charges for depreciation and external interest payments.

Assets – Property that yield benefits for a period of more than one year, split into categories:

Operational Assets – held, occupied, used or consumed in the direct delivery of those services for which the Council has either a statutory or discretionary responsibility, e.g. schools, offices, leisure centres, depots.

Non-Operational Assets – held by the Council but not directly occupied, used or consumed in the direct delivery of services, e.g. assets in the course of construction and surplus land.

Infrastructure Assets – fixed assets which by their very nature cannot be sold and therefore expenditure can only be recoverable by continued use of the asset created, e.g. coastal defences, highways, land drainage.

Community Assets – assets which the Council intends to hold in perpetuity, that have no determinable finite useful life, and may have restrictions on their disposal, e.g. parks, historic buildings.

Intangible Assets - non-financial assets which do not have physical substance but are identified and controlled by the Council through legal rights e.g. IT software

B

Borrowing - Normally Council's need to borrow is to fund Capital expenditure or for temporary cash flow requirements. The majority of Council borrowing will be from the 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 Charges - are charges made to service accounts for the use of assets. The charges consist of depreciation (where appropriate) and an interest charge, generally 3.5%, based on the valuation of the asset.

Capital Expenditure - payments made for the acquisition or provision of assets, which will be of a long-term value to the Council, e.g., land and buildings.

Capital Financing Account - this reserve contains the proportion of capital receipts and certain capital grants which have to be set aside under the Local Government and Housing Act 1989, for the redemption of debt. In addition, all capital financing transactions relating to the use of capital receipts, revenue contributions and reserves are credited to this reserve.

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 is a new requirement for 2004/05 introduced 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 land, buildings and other assets; a proportion of which has to be set aside for loan debt redemption whilst the remainder is available for financing future capital expenditure.

Capital Receipts Deferred - money that is due under deferred purchase arrangements. This item consists mainly of Council House sales where the purchasers are buying their houses from the Council over a number of years. As the principal is repaid it becomes a true capital receipt.

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 scheme's costs due to the employee service in the current period.

Curtailement – For a defined benefit 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

Debtors - sums of money due to the Council but unpaid at the end of the year.

Deferred Charge – 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. Types of deferred charges include items such as improvement grants, grants to community organisations and computer software

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 in revenue which represent the wearing out, consumption of loss of value of a fixed asset spread over the useful life of the asset.

E

Emoluments – Employees expenses allowances.

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.

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.

Fixed Assets – see Assets.

Fixed Asset Restatement Account - when an asset is revalued the difference between the valuation at the beginning of the year and the new valuation is credited (increase in valuation) or debited (decrease in valuation) to this Reserve.

Formula Spending Share – The FSS is the notional amount of money the ODPM has assessed Torbay Council as needing 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.

G

Government Grants Deferred Account - this account collates certain government grants and other contributions received in relation to capital schemes. As assets to which these grants relate are depreciated, the corresponding amount is released from this account to the General Fund Summary.

I

Impairment – A reduction in the value of a fixed asset, below its balance sheet value.

Intangible Assets – see Assets

Interest Costs for Pensions – The expected increase in value for a defined benefit scheme, as it draws closer to settlement.

Investment Properties – Interest in land and buildings that have had development work completed and are held for its investment potential, where any rental income being negotiated at arm's length.

J

Joint Arrangement – An arrangement that is not (creating) an entity is contractual under which the participants engage in joint activities that do not create an entity because it would not carry on a trade or business of its own.

L

Liquid Resources – Current asset investments that are readily disposable by the Council without disrupting its business.

M

Minimum Revenue Provision - The minimum amount which must be charged to an Council's revenue account each year and set aside as provision for credit liabilities, as required by the Local Government and Housing Act 1989.

N

Net Book Value – The amount at which fixed assets are included in the balance sheet.

Net Debt – The Council's borrowings less cash and liquid resources.

Non Distributed Cost – It's a category that 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 scheme, as a result of improvements to, retirement benefits.

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.

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.

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 outlines the guidance applicable from April 2004 for the greater freedom for Councils to borrow to fund capital investment (under the Local Government Act 2003) subject to compliance with the new. This required 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.

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.

Revenue Contribution to Capital Outlay - the financing of capital expenditure directly from revenue, rather than from loan 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.

S

Scheme Liabilities – Money due on a defined benefit scheme due after the valuation date.

Supported Borrowing - an annual amount within the Council's funding by the Office of the Deputy Prime Minister which allows a local Council to raise credit, e.g., loan, lease, etc, to finance capital expenditure

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

Unsupported Borrowing – any borrowing a Council undertakes that is over and beyond annual amount within the Council's funding by the ODPM which the Council has to fund itself.