

Financial Services



FINANCIAL REPORTS & ACCOUNTS

FOR THE YEAR 2013/14

INCLUDING

Operating and Financial Review 2013/14

Statement of Accounts 2013/14

Annual Governance Statement 2013/14

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OPERATING AND FINANCIAL REVIEW FOR THE 2013/14 FINANCIAL YEAR

Welcome

Welcome to Torbay Council's Statement of Accounts ("The Accounts") for the 2013/14 financial year ending 31st March 2014. The Accounts are compiled in accordance with relevant legislation and guidance – primarily International Financial Reporting Standards (IFRS) and the CIPFA Accounting Code of Practice ("the Code").

The Accounts show a "true and fair" financial picture of the Council's total income and expenditure in the 2013/14 financial year and its balance sheet as at 31st March 2014, detailing all the Council's assets and liabilities with supporting notes to add further explanation. The Accounts are prefaced by this Operating and Financial Review which aims to provide a narrative outline on the financial position of the Council for both 2013/14 and in future years.

The Council publishes an Annual Report that provides a more detailed commentary of the Council's performance. The latest reports can be found on the Council's website on the following link:

<http://www.torbay.gov.uk/index/yourcouncil/electedmayor/annualreport>

"Pen Picture" of Torbay

Torbay Council is a unitary Council in the South West of England serving the three coastal towns of Torquay, Paignton and Brixham with a population in excess of 131,000, of which 62,000 are between the ages of 18 and 64. Further data about the Torbay area can be found on the Council's website on the following link

<http://www.torbay.gov.uk/index/yourcouncil/factsfigures>

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

<http://www.torbay.gov.uk/index/yourcouncil/financialservices/budget/budgetdigest201415.htm>

Torbay Council has an elected Mayor as well as 36 elected ward councillors. The elected Mayor is Gordon Oliver. The majority of the 36 ward councillors are Conservative party candidates. The next full Council and Mayoral elections are due in May 2015.

Significant Events in 2013/14

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

The Council continued to plan for, and work with, reduced funding levels for both revenue and capital from Central Government for 2013/14 and future financial years as announced in the 2010 Comprehensive Spending Review. The 2013/14 budget approved by Council required £9m of budget reductions and a further £26m is required for 2014/15 and 2015/16. The Council did set a Council Tax at the same level as the previous year, which entitles the Council to a council tax "freeze" grant equal to a rise of 1%.

From April 2013 a number of Coalition Government policy changes impacted on the Council:

2013/14 was the first year of the new funding system for Councils – the NNDR Retention system. This change moves Councils away from central government funding based on a service "needs" basis to one linked more to economic growth. At the start of the scheme each Council was given a "funding" baseline and a NNDR "income" baseline. Where a Council's funding baseline exceeds its NNDR income baseline it gets, like Torbay, a top up grant.

The gain or loss of movements in actual NNDR income compared to the baseline is now shared, with 50% share to central government and 50% now “retained” by local government. Torbay’s retained share of its NNDR income is 49%, (with 1% to the Fire service). Therefore if NNDR income falls below the NNDR baseline 49% of that loss is borne by Torbay, however if NNDR income increases Torbay retains 49% of that gain. This system, similar to the New Home Bonus grant, gives an incentive for Councils to promote economic growth in their area. However these changes and incentives need to be set in the context of a continuing reduction in the amount of central government funding for services.

To maximise the amount of NNDR income retained within Devon, all the Council’s in Devon have set up an NNDR pool, whereby the NNDR positions of all the Councils in Devon are combined, which aims to reduce the overall central government share of any growth (“the levy”). This “saving” is then shared amongst pool members. A copy of the pooling agreement can be accessed on the Cocunil’s website:

<http://www.torbay.gov.uk/DemocraticServices/documents/s12123/Appendix%209%20Draft%20Poolin g%20agreement.pdf>

For Torbay in 2013/14 its funding baseline was £71m of which £43m was central government “revenue support” grant, £18m was its 49% share of NNDR income and £10m its “top up” grant. To demonstrate the level of funding reductions facing the Council the £43m central government grant in 2013/14 is to reduce, based on provisional settlement information from central government, by £18m to £25m by 2015/16.

2013/14 was also the first year of the Council Tax Support Scheme. Legislation changed the DWP nationally controlled and funded Council Tax Benefit scheme to a locally determined Council Tax Support scheme whereby, instead of a Council Tax benefit payment, claimants get a reduction in their Council Tax. This reduces the amount of Council Tax raised by the Council, however to compensate, in 2013/14 the Council received a specific grant. The level of this grant was reduced by over 10% which resulted in most Councils, including Torbay, agreeing to limit the maximum reduction in Council Tax claimants are entitled to. For 2014/15 onwards the specific grant has been merged with the “revenue support” grant which is subject to ongoing reductions.

As part of the NHS reforms, the Public Health function transferred to the Council in April 2013 along with the relevant staffing. This function was funded in 2013/14 by a ring fenced grant of £7.2m.

In addition the Social Fund function was transferred to the Council from DWP supported by central government grant funding of £0.7m. From 2015/16 central government are proposing to remove this funding.

Council schools continued to convert to Academy status. In Torbay, by 31st March 2014, a total of 20 schools had converted with 5 schools converting in 2013/14 and a further 4 schools due to convert in 2014/15, and are now fully independent of the Council.

The Council continued to reorganise services to meet both the impact of its reduced funding and to provide better services. In 2013/14 the Council’s community support function was transferred to a new company, the Community Development Trust.

During 2013/14 the Council was notified that it had improved its Childrens’ Services function which has resulted in the Council moving out of “intervention” for that service.

In August 2013 the Council recruited an Executive Director (4 days per week) to replace the Chief Executive post that was deleted in 2012. The Executive Director is also the Chief Executive of the Council’s subsidiary company, the Torbay Economic Development Company Limited.

The adverse weather in early 2014 impacted on the Council which resulted in some delays to capital projects and caused some damage to Council assets. The Council is making a claim for reimbursement of some of these costs from central government under the Bellwin scheme.

Purpose of Financial Review and Statement of Accounts

The purpose of the Statement of Accounts included in this document is to present to the reader a detailed overview of the Council's financial position as at the end of March 2014 giving information as to the Council's assets and liabilities at a point in time (31st March 2014) and detail on the Council's financial performance during 2013/14. This information is, where material, supported by notes to the accounts. The Accounts and Audit Regulations 2011 require a Statement of Accounts to be produced for each financial year by the end of June.

The format of this Financial Report is this Operating and Financial Review followed by the Statement of Accounts including the Core Financial Statements for 2013/14, and the supporting notes to those core financial statements and Collection Fund Summary Account (for the accounting for the collection of NNDR and Council Tax) and lastly the Annual Governance Statement.

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

External Audit and Public Inspection of the Accounts

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

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

Annual Governance Statement

The Council, under the Accounts and Audit Regulations must approve an Annual Governance Statement prepared in accordance with proper practices in relation to internal controls. The 2013/14 statement has been included within this Financial Report, but is not part of the Accounts and is outside the external auditor's opinion on the Accounts.

Rounding

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

Cutting the Clutter

CIPFA, who provide guidance to Councils on the format and content of accounts are encouraging Councils to reduce the length of their accounts by removing unnecessary wording, duplicate information and to remove notes that are "not material". The Council, with support from its external auditor, has now removed some notes that are not material. Materiality has been taken to be values under £4m. However, despite, this the Accounts are a technical document and due to statutory requirements it is still a lengthy and complicated document.

Overview of Financial Performance

This was again a very challenging financial year for the Council with the requirement to make reductions of £9m as well as facing increasing demand for childrens' social care services. Childrens safeguarding and wellbeing, due primarily to rising numbers and costs, was significantly over its budget allocation by £4.5m before the application of earmarked reserves. In addition the Council incurred £0.8m of costs associated with staff redundancies resulting from reductions in funding.

Despite these significant service pressures, the Council's financial performance in 2013/14 still resulted in a break even position after reserve movements for the year. This was, in part, due to the

use of earmarked reserves to support service pressures. This was also a result of careful financial management including a "freeze" on staff recruitment and a moratorium on purchasing. These measures, combined with the use of the Council's contingency, some earmarked reserves, some unallocated 2013/14 grants and underspends in other services, resulted in the Council staying within its 2013/14 budget and for this officers and members should be commended.

The Council's gross expenditure in the year was over £300m for revenue (day to day) spend and £17m for capital (spend on long term assets such as roads and schools).

The Council's Comprehensive Income and Expenditure account (I&E) is the Council's income and expenditure presented on an IFRS basis. This includes earlier recognition of grants, based on conditions attached to the grant rather than matching the grant to expenditure and a number of "non cash" items such as depreciation and pension assumptions, which should then allow the Council's accounts to be comparable to other sector accounts. The total for the Provision of Services for 2013/14 is a deficit of £26m. The key reason for this deficit is a loss on asset disposals of £15m arising from the transfer of schools from the Council to become Academy schools combined with depreciation and impairment charges of £16m.

The total from the Comprehensive Income and Expenditure statement is reflected in the Movement of Reserves statement which then adds the impact of any reserve movements to usable reserves and unusable reserves to get to the "bottom line" Council position for 2013/14. Within this is the reversal of a number of accounting entries made under IFRS that appear in the Council's Comprehensive Income and Expenditure statement such as depreciation and pension assumptions, which are allowed, under statute, to be reversed to ensure that these entries do not have a "cash" impact on the Council Tax payer. After these adjustments the Council's net outturn for the year was a break even position, which matches the Council's internal financial reporting position. This statement shows that the Council's usable reserves had a net increase of £4m. This was primarily a increase in revenue reserves of £4m to fund revenue expenditure in future years, including ring fenced funds such as Public Health.

The Council also spent £17m on capital projects including schemes such as Torre Abbey enhancement, Barton Primary school, Warberry school and Princess Promenade enhancement. This total is lower than previous years and reflects, in part, the reduced capital resources from central government to support Council's capital expenditure and slippage within the capital programme.

On the balance sheet there were some significant changes in year. The major change was a £15m reduction in the value of the Council's property assets related to the transfer of schools to academy status. Any borrowing or other liability associated with capital expenditure on these assets in previous years remains with the Council. As a result of revised capital investment plans the Council continued to reduce its long term borrowing: by £10m during the year. The Council's general fund reserve remained at £4.4m, which is equivalent to 3.7% of the Council's 2014/15 net revenue budget which is considered to be a prudent level.

Overall the Council's net assets were lower than the previous year by £13m.

Torbay "Group" Companies – Overview of Financial Performance

The Council has interests in a number of companies. An overview of these companies financial performance in the year, based on draft 2013/14 accounts, is shown in the table below.

Entity	Assessed Relationship	Council Shareholding /Control	Turnover £m	Surplus/(Deficit) for year £m	Net Equity £m
Torbay Economic Development Company Ltd	Subsidiary	100%	£4.3m	(£0.4m)	£2.6m
English Riviera Tourism Company Ltd	Subsidiary	100%	£0.8m	0	0
Oldway Mansion Management Co.Ltd	Subsidiary	100%	£0.1m	0	0
TOR2 Ltd	Associate	19.99%	£15.3m	£0.3m	(£0.6m)
Careers SW Ltd	Associate	25%	£13.5m	(£0.5m)	£1.8m
PLUSS Ltd	Associate	25%	£28.8m	£1.6m	£1.2m

Key Financial Ratios

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

	2012/13	2013/14
Uncommitted General Fund Balance / Annual Budgeted Net Expenditure	3.5%	3.5%
Movement to/(from) the Uncommitted General Fund Balance	£0.4m	Nil
Council Tax In-year collection rate	96.1%	94.9%
Council Tax Income / Overall Funding (CT, NNDR & RSG)	50%	43%
Actual outturn compared to budget (before Council approved outturn report)	(£1.3m)	(£0.8m)
Actual outturn compared to budget	(1.0%)	(0.6%)
Capital Financing Requirement	£136m	£135m
External Debt levels (principal)	£148m	£138m
Ratio of net financing costs to net revenue (excluding revenue contributions to capital).	7.4%	8%

Forward Financial look

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

Ongoing impact of the Coalition Government’s Comprehensive Spending Review announced

in October 2010 which set a target of reducing Council funding by up to 30% over four years 2011/12 to 2014/15. Further reductions have been announced for 2015/16 where the Council's indicative revenue support grant total will reduce by £10m. There has been no specific funding announcement for 2016/17 onwards however reductions in funding are expected to continue at a similar rate to recent years.

Continued ongoing impact of the economic conditions. There is evidence of some economic recovery within Torbay however there is still an ongoing negative impact on services such as Council Tax collection and NNDR income.

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

The combination of significantly reducing funding and rising demand is a significant challenge for the Council as, to achieve these levels of reductions, this will have a major impact on the quantity and quality of services the Council will be able to provide in the future.

Since 2010 the Coalition Government has introduced a range of new legislation which impact on public services in Torbay in the future. These include:

Further transfer of schools from Councils to become Academy schools funded direct from central government. These schools are independent of the Council so their assets, income and expenditure will not form part of the Council's accounts. By the end of 2014/15 it is likely that all secondary schools in Torbay will have become Academy schools. Council funding will be reduced to reflect the lower number of schools managed by the Council.

Reform of the Benefit System includes the phased introduction of the Universal Credit which is expected to be administered on a national basis. This will replace a number of benefits including the Council administered Housing Benefit. The Council currently pays over £65m of this benefit each year with the associated staff and IT support.

Under the National Health reforms the commissioning and delivery of NHS services will continue to change. In Torbay during 2014/15, Torbay and Southern Devon Health and Care NHS Trust, who the Council currently commission to provide adult social care is expected to be acquired by a NHS Foundation Trust.

Although health and social care are integrated, in part, within the provider trust within Torbay, there is further central government initiatives for health and social care to work closely together. In 2015/16 the government is introducing a Better Care fund, which is an amalgamation of a number of existing social care and health revenue and capital funding streams into one "fund" which will be administered jointly by the Council and the (NHS) Clinical Commissioning Group.

The government is also changing the national distribution of transport funding from 2015/16, with some existing transport resources being allocated to Local Enterprise Partnerships (LEP's) to co ordinate and prioritise.

Revenue Budget:

The Council has established procedures for reporting financial information. In addition to internal monitoring, where in some more volatile budgets the monitoring is weekly but mostly monthly, the Council reports its revenue and capital financial performance on a quarterly basis to its Overview and Scrutiny Board and to Council. These reports can be accessed by looking at Council reports on the Council's website.

Funding

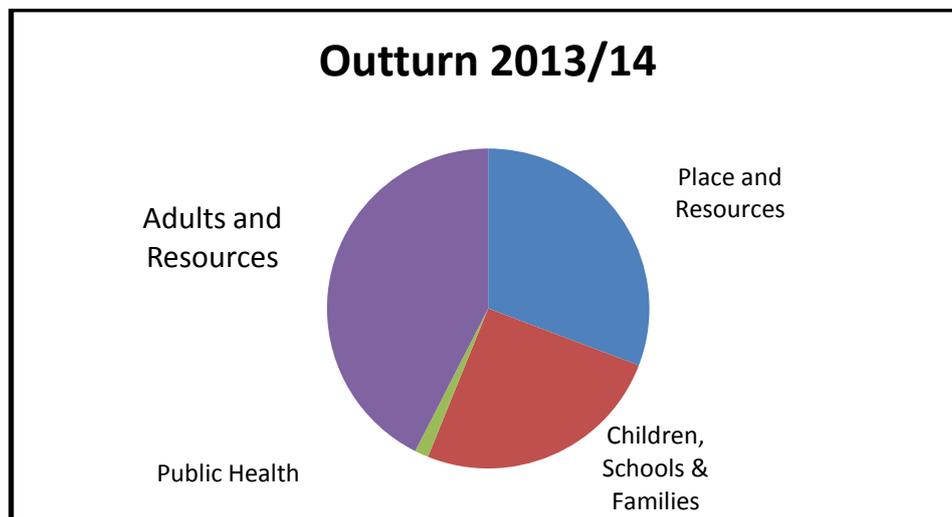
In February 2013 the Council set a budget for 2013/14 of £127m, which was to be funded as shown in the table below. This resulted in a zero percent “freeze” in the level of Council Tax for Torbay Council.

	2012/13	2013/14
Net Budget Requirement	£124m	£127m
Local Services Support Grant	(£1m)	(£1m)
NNDR (from national pool)	(£58m)	-
NNDR Rate Retention	-	(£29m)
Revenue Support Grant	(£1m)	(£43m)
Council Tax Payers	(£64m)	(£54m)
Band D Council Tax – Torbay Council Only	£1,261.17	£1,261.17 (0%)
Band D Council Tax – including Police, Fire and Brixham Town Council	£1,523.79	£1,527.22 (2%)

Expenditure

In July 2014 the Council received a revenue outturn report detailing income and expenditure in 2013/14 and reasons for any variances. The report can be obtained from the Council's website. The summary of budget and expenditure by service in 2013/14, as presented in that report, is shown in the table below:

Net Revenue Expenditure 2013/14 by Directorate



Net Revenue Expenditure 2013/14

Council Services (based on original 2013/14 management structure)	Revised Budget £000's	Outturn £000's	Net Over /(Under) spend £000's
Place and Resources			
Residents and Visitors	7,807	7,896	89
Waste and Cleaning	11,826	11,799	(27)
Spatial Planning	5,671	5,719	48
TDA - Client side	1,677	1,650	(27)
TDA - TEDC	2,393	2,384	(9)
Torbay Harbour Authority	0	0	0
Business Services	1,655	1,549	(106)
Finance	9,119	7,843	(1,276)
Sub Total	40,148	38,840	(1,308)
Children, Schools & Families	28,454	31,935	3,481
Sub Total	28,454	31,935	3,481
Public Health			
Public Health	0	0	0
Community Safety	1,982	1,739	(243)
Sub Total	1,982	1,739	(243)
Adults and Resources			
Adult Social Care	43,757	42,613	(1,144)
Information Services	3,516	3,445	(71)
Commercial Services	3,539	3,268	(271)
Supporting People	4,418	4,310	(108)
Sub Total	55,230	53,636	(1,594)
Total - Operational budget	125,814	126,150	336
Unallocated Grants	1,136	0	(1,136)
Exceptional Costs	0	800	800
Approved Budget	126,950	126,950	0

Capital Budget:

The Council in July 2014 received a capital outturn report detailing income and expenditure in year and reasons for any variances, which can be obtained from the Council's website.

Funding

The Council spent £17.3m on capital expenditure in 2013/14 and this funding is shown in the table below.

	Latest Budget £m	Outturn £m	Variation £m
Borrowing – <i>of which</i>	6.9	3.9	(3.0)
<i>Supported: (by Government funding)</i>	0.5	0.3	(0.2)
<i>Unsupported: (under Prudential Code)</i>	6.4	3.6	(2.8)
Grants	12.2	10.6	(1.6)
Other Contributions	0.8	0.9	0.1
Revenue & Reserves	1.4	1.6	0.2
Capital Receipts	0.6	0.3	(0.3)
Total Funding	21.9	17.3	(4.6)

The capital expenditure in the year of £17.3m by the four management divisions that the Council reports on for internal reporting are as follows:

	Latest Budget £m	Outturn £m	Spent %	Variation £m
Childrens, Schools & Families	7.0	5.4	77	(1.6)
Place & Resources	13.7	10.6	77	(3.1)
Adults & Resources	0.2	0.3	150	0.1
Public Health	1.0	1.0	0	0
Total	21.9	17.3	79	(4.6)

Material Assets or Liabilities acquired

Assets:

The Council spent £17.3m on capital assets of which £11.0m was added to the value of the Council's non current assets (before any in year revaluation). The balance of £6.3m was capital expenditure on assets the Council does not recognise as its own, such as voluntary aided, foundation and academy schools and capital grants. A summary of capital expenditure in 2013/14 is shown below:

Scheme	Spend 2013/14 £m
Riviera Renaissance	0.5
Torre Abbey - Phase 2	1.3
Swim Torquay	0.6
Cross Bay Ferry	0.7
Schools/Education	5.4
Infrastructure	1.0
Transport	2.2

Scheme	Spend 2013/14 £m
Princess Promenade	1.3
Riviera Centre	0.8
Disabled Facility & Renovation	0.7
Beach Huts	0.6
Paignton Cycle Track	0.5
Other Schemes	1.7
Total	17.3

Liabilities

No significant liabilities were acquired by the Council in 2013/14.

Significance of Pension liability

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

The Council's liability as at 31st March 2014 is assessed at £120m, a £5m decrease, primarily due to actuarial "remeasurements" of the pension scheme liabilities and assets.

Explanation of any "unusual" costs/income

There were a number of "unusual" costs within the income and expenditure account in 2013/14. These include:

As a result of the budget reductions a total of £0.8m of costs in relation to a reduction of 70 staff were incurred of which £0.7m were paid during 2013/14 and a provision of £0.1m for future costs arising from the budget reductions was made in 2013/14.

In 2013/14, four schools converted to Academy status. Two schools were Community schools where the transfer for nil consideration resulted in a loss on disposal on those assets of approx £15m. The other two schools were previously "voluntary aided" so there was no impact on the Council's balance sheet. Income and expenditure for these schools from date of transfer no longer forms part of the Council accounts.

Impact of Current Economic Climate

The economic climate continued to have an impact on the Council, although there were some indications of a recovery, there were no significant changes compared to recent years. Income levels on certain services such as planning and S106 income remained low. Collection rates of both NNDR and Council tax were lower than prior year levels and there was a reduction in NNDR income. As conditions have remained constant there have been no material changes on the value of the Council's property assets during the year.

Changes in Accounting Policies

There have been changes to the IAS19 employee benefits standard, however as not material, 2012/13 has not been restated for this change. The accounting policies have been updated to reflect the new NNDR retention system.

Torbay Council became a unitary Council in 1998 taking over some of the services previously provided by Devon County Council. The Council agreed to fund a tax base share (11.73%) of any future costs that Devon incurred in relation to discretionary pension enhancements that Devon County Council had agreed to pay to its staff prior to 1998. The revenue cost to Torbay in 2013/14 was £0.8m (£0.8m in 2012/13). Since 1998 the Council has accounted for this cost on an annual basis in line with the agreed LGR accounting protocol "that continuing revenue funded pension enhancements be charged annually". After consulting with its new external auditors, the Council has now recognised a liability for this LGR issue based on a taxbase share of Devon County's IAS19 information of £9.7m (£9.8m 2012/13 and £9.9m 2011/12) and has restated the comparators for 2012/13 (a credit of £0.1m in cost of services, and a debit of £0.1m in MIRS). The impact of this recognition is offset by a corresponding entry in the Pension Reserve so there is no additional cost to the taxpayer. Both Councils continue to budget to pay/budget to receive the income.

Planned Future Developments in service delivery

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

The Council is part of a Waste Partnership with Plymouth City Council & Devon County Council which was set up in 2008 to source a household waste disposal solution for South West Devon. The three Councils jointly signed a 25 year contract for waste disposal with German Company MVV Umwelt in March 2011 following a public procurement exercise. MVV are currently building an energy from waste facility on leased Ministry of Defence land at Camels Head North Yard in Devonport Dockyard, Plymouth. The Plant is due to be operational in November 2014 when the plant will receive waste from the three authorities in return for contract payments linked to tonnages of waste delivered.

The costs of procurement and initial start-up from 1st April 2007 to 31st March 2014 for the partnership totalled £3.6m and these have been shared equally between the three Councils. The expenditure for 2013/14 was £0.3m. The total estimated cost of the contract to the partnership is £436m, (at February 2010 prices, indexation will apply) over the 25 year period. The estimated first full year cost (using assumed price inflators) is £15.3m, which is estimated to be split between the three authorities as follows Plymouth £7.3m, Devon £5.4m, and Torbay £2.6m, based on tonnes of waste delivered to the plant. There are also annual fixed costs estimated to be £1.8m for rates and land leases etc which will be divided between the authorities in similar proportions.

The exact accounting treatment of the contract payments for waste disposal which will commence Autumn 2014 has not been finalised, and finance staff from the three local authorities will be working with external financial advisors to establish the appropriate accounting treatment. The final agreed treatment will not impact on the net revenue accounts of each council, and therefore will not affect the council tax requirement.

It is anticipated that more schools will opt for Academy status in 2014/15. 4 schools have already informed the Council of their decision to transfer in 2014/15. From transfer date the Council's accounts will no longer consolidate any revenue assets/liabilities or income/expenditure incurred by those schools.

The impact of the reductions required under the Coalition Government's four year Comprehensive Spending Review will inevitably impact on the range of services provided and how these services are provided in the future. The Council produces a rolling forward financial plan called The Medium Term Resource Plan which is available on the Council website. Within that document, (last update December 2013), there is a summary of projected revenue income and expenditure for the next three financial years.

	2015/16 £m	2016/17 £m	2017/18 £m
Revenue Support Grant, NNDR, Council Tax & Collection Fund	107	100	95
Estimated Expenditure	121	117	121
Savings identified	(14)	0	0
Total Estimated Cumulative Funding Gap	0	13	22
In- year Funding Gap	0	13	9

The Council approved a four year Capital Investment Plan in February 2014 which is available on the Council website. A summary of anticipated capital spend over the next four years, based on funding that had been announced/confirmed by February 2014, is summarised below.

	2014/15	2015/16	2016/17	2017/18
	£m	£m	£m	£m
Total	26	10	5	0

Borrowing & Investments

The Council undertakes borrowing to support its capital expenditure. As at 31st March 2014 the Council had £138m of borrowing, primarily from the Public Works Loans Board. During 2013/14 the Council reduced its borrowing by £10m. In addition it had a long term liability of £9m to the PFI contractor for Westlands and Homelands schools. The Council had £67m of cash investments at year end with a net debt position of £80m. The control over the level of Council borrowing is supported by the Prudential Code where the Council has to set limits in relation to its treasury management including limits for long term borrowing and liabilities to ensure that this is prudent and affordable. One of these indicators is a calculation called the Capital Financing Requirement which shows the Council's underlying need to borrow based on previous decisions on capital expenditure and borrowing offset by any repayment of principal made or other capital funding used. The key figures, in relation to borrowing and capital financing, are as follows:

Balance Sheet Values: (principal)	31/3/13 £m	31/3/14 £m
External Borrowing *	148	138
Long Term Liabilities	9	9
External Investments *	(82)	(67)
Net Debt	75	80
Treasury Management Limits:		
Capital Financing Requirement	136	135
Authorised Limit	192	192
Operational Limit	173	173
Revenue Income & Expenditure:	2012/13	2013/14
Interest Receivable	(1.8)	(1.0)
Interest Payable	6.9	7.0
MRP repayment re long term liabilities	0.4	0.4
MRP & VRP (for repayment of principal)	4.6	4.2

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

The level of Council borrowing reflects the Council's capital financing requirement plus the borrowing required by the approved four year Capital Investment Plan. The Council's investments and other cash holdings are sufficient to meet the Council's short and medium term cash requirements for revenue and capital expenditure and any "cash backed" balance sheet items such as reserves and working capital. The cash reduction in investments of £15m is a result of a number of factors including changes in the level of Council borrowing, use of reserves to support expenditure, classification of cash holdings and changes in working capital.

Significant Provisions or contingencies

The Council has provisions at year end of £2.2m to meet known liabilities. These are primarily in relation to insurance claims, (submitted to the Council but are currently being investigated), and in relation to costs of NNDR appeals submitted to the Valuation Office by 31st March 2014. The Council has given a number of pension guarantees as Council staff transferred to other bodies such as PLUS. These are unlikely to result in a cash payment so are treated as a contingent liability. As owner or part owner of several limited companies the council has some exposure to risk but this is limited by share or guarantee.

The Council has provided financial guarantees to other bodies – the significant being a £975,000 bank overdraft and loan guarantee to Torbay Coast and Countryside Trust, which if called would require the Council to pay up to £975,000 for the Trust's debts to the bank.

Material events after reporting date

Four schools are due to convert in 2014/15 to academy status becoming independent of the Council.

Links to Other Financial information

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

Link: <http://www.torbay.gov.uk/financialservices>.

All financial reports such as monitoring reports and outturn reports are reported on a regular basis to Council Committees.

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

Glossary

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

Signed by

Paul Looby BA CPFA
Chief Finance Officer
Torbay Council
13th June 2014

STATEMENT OF ACCOUNTS 2013/14

STATEMENT OF ACCOUNTS 2013/14

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FINANCIAL CERTIFICATES

The Statement of Responsibilities for the Statement of Accounts

The Council's Responsibilities

The Council is required:-

- ◆ to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Council, that officer is the Council's Chief Finance Officer

- ◆ to manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets

- ◆ approve the Statement of Accounts

Audit Committee Approval of the Statement of Accounts 2013/14

I confirm that the Council completed its approval process of the Statement of Accounts 2013/2014 on the 24th September 2014 at a meeting of the Council's Audit Committee.

Councillor Alan Tyerman

Chairman of Audit Committee

24th September 2014

The Chief Finance Officer's Responsibilities

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

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

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

The Chief Finance Officer has also:-

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

The Chief Finance Officer's Statement

The Statement of Accounts as required by the Accounts and Audit Regulations (last amended March 2013) is set out on pages 22 to page 120 and has been prepared in accordance with the accounting policies set out on pages 90 to 115. In my opinion it is a true and fair view of the financial position of the Council at 31st March 2014 and its income and expenditure for the year ended 31st March 2014.

The accounts are audited by the Council's External Auditor, Grant Thornton.

The Statement of Accounts 2013/14 were authorised for issue on the 13th June 2014. This is also the date up to which events after the balance sheet date have been considered.

P LOOBY BA CPFA
Chief Finance Officer
13th June 2014

The Statement of Accounts 2013/14 were authorised for approval by Members on the 24th September and for publication on the 24th September 2014. This is also the date up to which events after the balance sheet date have been considered.

P LOOBY BA CPFA
Chief Finance Officer
24th September 2014

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF TORBAY COUNCIL

Opinion on the Authority financial statements

We have audited the financial statements of Torbay Council for the year ended 31 March 2014 under the Audit Commission Act 1998. The financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement and Collection Fund and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2013/14.

This report is made solely to the members of Torbay Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's Members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Chief Finance Officer and auditor

As explained more fully in the Statement of the Chief Finance Officer's Responsibilities, the Chief Finance Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Authority's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Chief Finance Officer; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Operating and Financial Review to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of Torbay Council as at 31 March 2014 and of its expenditure and income for the year then ended; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2013/14 and applicable law.

Opinion on other matters

In our opinion, the information given in the Operating and Financial review for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we report by exception

We report to you if,

- in our opinion the annual governance statement does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007;
- we issue a report in the public interest under section 8 of the Audit Commission Act 1998;
- we designate under section 11 of the Audit Commission Act 1998 any recommendation as one that requires the Authority to consider it at a public meeting and to decide what action to take in response; or
- we exercise any other special powers of the auditor under the Audit Commission Act 1998.

We have nothing to report in these respects.

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

Respective responsibilities of the Authority and the auditor

The Authority 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 review regularly the adequacy and effectiveness of these arrangements.

We are required under Section 5 of the Audit Commission Act 1998 to satisfy ourselves that the Authority has made proper arrangements 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 relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission.

We report if significant matters have come to our attention which prevent us from concluding that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

We have undertaken our audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in October 2013, as to whether the Authority has proper arrangements for:

- securing financial resilience; and
- challenging how it secures economy, efficiency and effectiveness.

The Audit Commission has determined these two criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2014.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, the Authority had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Conclusion

On the basis of our work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2013, we are satisfied that, in all significant respects, *Torbay Council* put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2014.

Certificate

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

Alex Walling

Associate Director

for and on behalf of Grant Thornton UK LLP, Appointed Auditor

Grant Thornton, Hartwell House, 55-61 Victoria Street Bristol BS1 6FT

29 September 2014

Core Financial Statements

Movement in Reserves Statement

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

2012/13 – Restated (see note 1)

	General Fund Balance £m	Earmarked General Fund Reserves £m Note 8	Capital Receipts Reserve £m	Capital Grants Unapplied £m Note 22	Total Usable Reserves £m Note 22	Unusable Reserves £m Note 23	Total Council Reserves £m
Balance at 31 March 2012 carried forward	4.0	33.4	0	13.8	51.2	72.9	124.1
<u>Movement in Reserves during 2012/13</u>							
Surplus or (deficit) on provision of services	(63.0)	0	0	0	(63.0)	0	(63.0)
Other Comprehensive Expenditure and Income (in I&E Statement)	0	0	0	0	0	0.8	0.8
Total Comprehensive Expenditure and Income	(63.0)	0	0	0	(63.0)	0.8	(62.2)
Adjustments between accounting basis & funding basis under regulations (Note 7)	59.9	0	0.7	(2.1)	58.5	(58.5)	0
Net Increase/Decrease before Transfers to Earmarked Reserves	(3.1)	0	0.7	(2.1)	(4.5)	(57.7)	(62.2)
Transfers to/from Earmarked Reserves (Note 8)	3.5	(3.5)	0	0	0	0	0
Increase/(Decrease) in Year	0.4	(3.5)	0.7	(2.1)	(4.5)	(57.7)	(62.2)
Balance at 31 March 2013 carried forward	4.4	29.9	0.7	11.7	46.7	15.2	61.9

2013/14

	General Fund Balance £m	Earmarked General Fund Reserves £m Note 8	Capital Receipts Reserve £m	Capital Grants Unapplied £m Note 22	Total Usable Reserves £m Note 22	Unusable Reserves £m Note 23	Total Council Reserves £m
Balance at 31 March 2013 carried forward	4.4	29.9	0.7	11.7	46.7	15.2	61.9
<u>Movement in Reserves during 2013/14</u>							
Surplus or (deficit) on provision of services	(25.8)	0	0	0	(25.8)	0	(25.8)
Other Comprehensive Expenditure and Income (in I&E Statement)	0	0	0	0	0	16.3	16.3
Total Comprehensive Expenditure and Income	(25.8)	0	0	0	(25.8)	16.3	(9.5)
Adjustments between accounting basis & funding basis under regulations (Note 7)	29.9	0	1.1	(1.3)	29.7	(29.7)	0
Net Increase/Decrease before Transfers to Earmarked Reserves	4.1	0	1.1	(1.3)	3.9	(13.4)	(9.5)
Transfers to/from Earmarked Reserves (Note 8)	(4.1)	4.1	0	0	0	0	0
Increase/(Decrease) in Year	0	4.1	1.1	(1.3)	3.9	(13.4)	(9.5)
Balance at 31 March 2014 carried forward	4.4	34.0	1.8	10.4	50.6	1.8	52.4

Comprehensive Income and Expenditure Statement

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with regulations; this may be different from the "accounting" cost. The taxation position is shown in the Movement in Reserves Statement.

2012/13 – restated (note 1)				2013/14		
Gross Exp £m	Gross Income £m	Net Exp £m		Gross Exp £m	Gross Income £m	Net Exp £m
			Services:			
18.9	(17.0)	1.9	Central Services to the public	3.3	(2.1)	1.2
11.0	(1.6)	9.4	Cultural and Related Services	13.9	(2.2)	11.7
19.5	(4.1)	15.4	Environmental and Regulatory	20.2	(4.1)	16.1
6.3	(1.7)	4.6	Planning Services	7.1	(3.0)	4.1
110.2	(77.8)	32.4	Childrens and Education	105.0	(61.7)	43.3
19.3	(7.7)	11.6	Highways and Transport	17.6	(9.2)	8.4
78.8	(72.8)	6.0	Housing	75.0	(69.9)	5.1
46.1	(3.5)	42.6	Adult Social Care	45.8	(3.6)	42.2
0.1	(0.1)	0	Public Health (see note 5)	7.3	(7.9)	(0.6)
4.2	(0.1)	4.1	Corporate and Democratic Core	2.2	(0.1)	2.1
2.7	(3.2)	(0.5)	Non distributed costs	4.4	(2.9)	1.5
317.1	(189.6)	127.5	Cost Of Services	301.8	(166.7)	135.1
4.1	(1.6)	2.5	Other Operating Expenditure	1.4	(1.5)	(0.1)
56.6	0	56.6	Transfer of schools to academies	15.2	0	15.2
11.3	(2.6)	8.7	Financing and Investment Income and Expenditure (Note 9)	13.0	(1.7)	11.3
0	(132.3)	(132.3)	Taxation and Non-Specific Grant Income (Note 10)	0	(135.7)	(135.7)
		63.0	(Surplus)/Deficit on Provision of Services			25.8
		(1.3)	(Surplus)/Deficit on revaluation on Non Current Assets (note 23.1)			(4.9)
		(0.3)	(Surplus)/Deficit on revaluation of available for sale financial assets (see note * below)			0.5
		0.8	Remeasurement of net defined pension liability (note 23.3)			(11.9)
		(0.8)	Other Comprehensive Income and Expenditure			(16.3)
		62.2	Total (Surplus)/Deficit in Comprehensive Income and Expenditure			9.5

Note *: There is a potential for this item within Other Comprehensive Income and Expenditure (OCIE) to also be within Surplus/Deficit on the Provision of Services in a subsequent year.

Balance Sheet

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Council. The Net Assets of the Council, (assets less liabilities), are matched by the reserves held by the Council.

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

1st April 2012		31 st March 2013 – Restated (see note 1)			31 st March 2014
£m	£m			Note	£m
312.3	252.0	Property, Plant & Equipment		11	234.5
22.2	25.4	Heritage Assets		12	26.3
4.1	3.9	Investment Property			4.0
0.5	0.4	Intangible Assets			0.2
2.8	8.1	Long Term Investments		15	2.6
2.9	3.0	Long Term Debtors		16	3.2
344.8	292.8	Non Current (Long Term) Assets			270.8
94.4	77.5	Short Term Investments		15	67.6
0.7	2.0	Assets Held for Sale			1.5
0.1	0.1	Inventories			0.1
13.7	17.0	Current Debtors		16	16.2
0	0.1	Other Current Assets			0
11.8	2.1	Cash and Cash Equivalents		17	6.9
120.7	98.8	Current Assets			92.3
(2.0)	(1.9)	Short Term Borrowing		20	(1.3)
(1.2)	(1.2)	Other Short Term Liabilities		21	(1.3)
(37.4)	(22.9)	Current Creditors (inc Receipts in Advance)		18	(23.3)
(1.4)	(1.7)	Provisions		19	(2.0)
(0.9)	(3.6)	Capital Grants/Contributions: Receipts in Advance			(1.4)
0	(4.3)	Cash and Cash Equivalents		17	(0.5)
(42.9)	(35.6)	Current Liabilities			(29.8)

1 st April 2012	31 st March 2013		Notes	31 st March 2014
£m				£m
(1.2)	(1.5)	Long Term Creditors		(3.3)
(0.2)	(0.2)	Provisions	19	(0.2)
(153.7)	(148.3)	Long Term Borrowing	20	(138.2)
(20.0)	(18.8)	Other Long Term Liabilities	21	(18.3)
(123.5)	(125.3)	Pension Liability	39	(120.2)
(0.5)	0	Capital Grants/Contributions: Receipts in Advance		(0.7)
(298.5)	(294.1)	Long Term Liabilities		(280.9)
124.1	61.9	Net Assets		52.4
72.9	46.7	Usable reserves	22	50.6
51.2	15.2	Unusable Reserves	23	1.8
124.1	61.9	Total Reserves		52.4

The unaudited accounts were issued on 13 June 2014 and the audited accounts are authorised for issue on 24th September 2014.

P LOOBY BA CPFA
Chief Finance Officer
24th September 2014

2012/13			2013/14	
£m	£m		£m	£m
	11.8	Cash and cash equivalents at the beginning of the reporting period (Note 17)		(2.2)
	<u>(2.2)</u>	Cash and cash equivalents at the end of the reporting period (Note 17)		<u>6.4</u>
	<u>(14.0)</u>	Net increase or (decrease) in cash and cash equivalents		<u>8.6</u>
	<u><u></u></u>			<u><u></u></u>

Notes to the Accounts

1. Changes in Accounting Policy

IAS 19 for Employee Benefits was amended in June 2011 and this impacts on the 2013/14 accounts. The changes include:

The “finance cost” being replaced by a “net interest cost”

Deferral of actuarial gains and losses will no longer be permitted.

A number of elements of IAS19 will be “relabelled”

Curtailments will be recognised as a past service cost.

The main impact is on the calculation of the net interest cost which will be based on returns available on AA-rated corporate bonds. The aim is that this will enable greater consistency between IAS 19 disclosures as the previous calculation of finance cost was based more on estimates of expected returns. The pension fund actuary has provided an estimate of the impact of the standard on the Comprehensive Income and Expenditure Statement if it had applied to the previous financial year.

Amounts recognised in the comprehensive income and expenditure statement	IAS19 Year to 31/3/13 £m	Revised IAS19 Year to 31/3/13 £m	Difference £m
Current Service Cost	8.0	8.0	(0)
Settlements	(2.8)	(3.7)	(0.9)
Past Service Cost	0	0.9	0.9
Total Service Cost:	5.2	5.2	0
Interest on Liability	14.2	-	(14.2)
Return on Assets	(10.5)	-	10.5
Net Interest on Liability	-	5.4	5.4
Administration expenses	-	0.1	0.1
Return on Plan Assets	0.8	(0.9)	(1.7)

As there is no impact on Council Tax and the immaterial value of the changes the Council's 2012/13 Core Financial Statements have not been restated.

Torbay Council became a unitary Council in 1998 taking over some of the services previously provided by Devon County Council. The Council agreed to fund a tax base share (11.73%) of any future costs that Devon incurred in relation to discretionary pension enhancements that Devon County Council had agreed to pay to its staff prior to 1998. The revenue cost to Torbay in 2013/14 was £0.8m (£0.8m in 2012/13). Since 1998 the Council has accounted for this cost on an annual basis in line with the agreed LGR accounting protocol “that continuing revenue funded pension enhancements be charged annually”. After consulting with its new external

auditors, the Council has now recognised a liability for this LGR issue based on a taxbase share of Devon County's IAS19 information of £9.7m (£9.8m 2012/13 and £9.9m 2011/12) and has restated the comparators for 2012/13 (a credit of £0.1m in cost of services, and a debit of £0.1m in MIRS). The impact of this recognition is offset by a corresponding entry in the Pension Reserve so there is no additional cost to the taxpayer. Both Councils continue to budget to pay/budget to receive the income.

Effect on Balance Sheet	As previously Stated 31st March 2013	Restatement	Restated balances at 31st March 2013
As at 31 March 2013	£m	£m	£m
Other Short Term Liabilities	(0.4)	(0.8)	(1.2)
Other Long Term Liabilities	(9.8)	(9.0)	(18.8)
Total Net Assets	71.7	(9.8)	61.9
Unusable Reserves	(25.0)	9.8	(15.2)
Net Worth/Total Reserves	(71.7)	9.8	(61.9)

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

There are changes to the following standards that could apply to the 2014/15 accounts which may result in a few additional minor disclosures, however none is likely to have a significant impact on the Council.

IFRS 10 Consolidated Financial Statements
IFRS 11 Joint Arrangements
IFRS 12 Disclosures of Interests in Other Entities
IAS 27 Separate Financial Statements
IAS 28 Investments in Associates and Joint
IAS 32 Financial Instruments:
IAS 1 Presentation of Financial Statements

3 Critical Judgements in Applying Accounting Policies

In applying the accounting policies set out in Note 40, the Council has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements, where others may have made a different judgement, made in the statement of accounts are:

- The assets (vehicle & plant) that are leased to TOR2 as part of the contract have been treated as Council assets, while any assets purchased by TOR2 are not recognised as Council assets as these are not classified as infrastructure assets or specified in the contract and are not for the exclusive use of the Council. The Council has considered that there are not any embedded leases within the contract.
- In assessing its existing leases under IFRS guidance the Council has only considered leases where either the value of rent or the value of the asset was material. In addition a ratio of 75% of lease term to asset life has been used as a guide to recognising leases as

finance leases.

- In assessing the recognition of grants the Council has determined that if grant conditions have not been met then the grant is not recognised as income, but held as a receipt in advance. If a grant could be used to support capital or revenue spend it has been treated as revenue.
- The recognition of the Council's investment in its subsidiaries is fair value. In particular the fair value of the Council's investment in the Torbay Economic Development Company Limited was taken to be the net equity of the company. As at 31st March each year the investment value is adjusted to reflect the movement in the net equity of the company as a revaluation gain or loss, unless the loss falls below the nominal value of the shares when impairment will be recognised.
- In assessing the fair value of its Heritage Assets the Council has used insurance valuations where available or historic cost. The asset lives of heritage assets, by their nature, have been deemed to be infinite.
- The accounting for the recognition of school assets based on the Council's assessment of its control including its residual interest in asset and its control over school admissions and staff employment over these assets is as follows:

Community Schools – assets recognised on balance sheet

Voluntary Controlled schools – assets recognised on balance sheet

Voluntary Aided Schools – assets not recognised on balance sheet

Foundation Schools - assets not recognised on balance sheet

Academy Schools - assets not recognised on balance sheet

Schools assets converting to Academy status are written out from the Council's balance sheet in year of transfer.

The Comprehensive Income and Expenditure statement does not include any income or for expenditure associated with Academy schools after date of transfer.

- The Council has recognised a long term liability for the annual local government reorganisation discretionary pension payment to Devon County Council which is invoiced for in the year that the County Council makes payments to its pensioners.

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

The Statement of Accounts contains estimated figures that are based on assumptions made by the Council about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because

balances can't be determined with certainty, actual results could be materially different from the assumptions and estimates. There were no changes in accounting estimates in 2013/14 or expected in future years.

The item in the Council's balance sheet at 31st March 2014 for which there is a significant risk of material adjustment in the forthcoming financial year is as follows:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Pension Liability Value 31/3/14 £120m	<p>The Council's liability as at 31st March is based on a number of complex judgements relating to the discount rate used, the rate at which salaries may change, changes in retirement dates, mortality rates and expected return on pension fund assets</p> <p>A firm of pension actuaries are used to provide this information and every three years there is a detailed actuarial review of the fund.</p> <p>The value of pension assets is estimated (by the actuary) based upon information available at the Balance Sheet date, but these valuations may be earlier than the Balance Sheet date. The actual valuations at the Balance Sheet date, which may not be available until some time later, may give a different value of pension assets, but this difference is not considered to be material.</p>	<p>The effects on the net pension liability of changes in individual assumptions can be measured. For instance, a 0.1% increase in the discount rate assumption would result in a change in the (gross) pension liability of £6m. Similarly a change in the mortality assumption of 1 year would result in a change of £12m. However, the assumptions interact in complex ways.</p> <p>During 2013/14, the Council's actuaries advised that the net pensions liability had increased by £12m as a result of estimates being corrected as a result of experience updating of actuarial assumptions.</p> <p>A table on sensitivity of assumptions is included in the Pensions Note 39.</p>

5. Acquired Operation – Public Health

As a result of national changes to the NHS, from April 2013 the Council is now responsible for the Public Health function in Torbay. This service was previously provided by Health bodies in Devon.

On the date of transfer there were no material assets or liabilities transferring to the Council.

Staff were transferred to the Council from April 2013 and were allowed to remain within a NHS pension scheme.

The Public Health function is funded by a ring fenced grant from the Department of Health.

6. Events after the Reporting Period

The Statement of Accounts was authorised for issue by the Chief Finance Officer on 13th June 2014. Events taking place after this date are not reflected in the financial statements or notes.

Since 31st March 2014 to the date the Chief Finance officer authorised the accounts for issue (13^h June 2014) the only significant event to note:

Four primary schools converted to academy status in April 2014, becoming independent of the Council. As all four are voluntary aided schools there is no impact on the Council's balance sheet.

7. Adjustments between Accounting Basis and Funding Basis under Regulations

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

2013/14	Usable Reserves			Movement in Unusable Reserves £m
	General Fund Balance £m	Capital Receipts Reserve £m	Capital Grants Unapplied £m	
Adjustments involving the Capital Adjustment Account:				
<u>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</u>				
Charges for depreciation and impairment of non current assets	(16.7)	0	0	16.7
Movement in the fair value of Investment Properties	0.1	0	0	(0.1)
Movement in the market value of Assets Held for Sale	(0.2)	0	0	0.2
Amortisation of intangible assets	(0.2)	0	0	0.2
Capital Grants and Contributions Applied	5.5	0	0	(5.5)
Revenue expenditure funded from capital under statute	(6.1)	0	0	6.1
Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(16.1)	0	0	16.1
Notional Rent Credit	0.1	0	0	(0.1)
<u>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</u>				
Statutory provision for the financing of capital investment	4.1	0	0	(4.1)
Voluntary provision for the financing of capital investment	0.5	0	0	(0.5)
Capital expenditure charged against the General Fund	1.4	0	0	(1.4)
Adjustments involving Capital Grant Unapplied Account				
Capital Grants & Contributions unapplied credited to the Comprehensive Income and Expenditure Statement	5.5	0	(5.5)	0
Application of (prior year) Grants to capital financing transferred to the Capital Adjustment Account	0	0	6.8	(6.8)
Adjustments involving the Capital Receipts Reserve:				
Transfer of sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	1.4	(1.4)	0	0
Use of the Capital Receipts Reserve to finance new capital expenditure	0	0.3	0	(0.3)
Adjustments involving the Pensions Reserve:				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see Note 49)	(13.3)	0	0	13.3
Employer's pensions contributions and direct payments to pensioners payable in the year	6.4	0	0	(6.4)
Change in Devon County Council Pre LGR liability	0.1	0	0	(0.1)
Adjustments involving the Collection Fund Adjustment Account:				
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	(2.9)	0	0	2.9
Adjustment involving the Accumulated Absences Account				
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	0.5	0	0	(0.5)
Total Adjustments	(29.9)	(1.1)	1.3	29.7

2012/13 – restated (note 1)	Usable Reserves			Movement in Unusable Reserves £m
	General Fund Balance £m	Capital Receipts Reserve £m	Capital Grants Unapplied £m	
Adjustments involving the Capital Adjustment Account:				
<u>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</u>				
Charges for depreciation and impairment of non current assets	(9.5)	0	0	9.5
Movement in the fair value of Investment Properties	0.1	0	0	(0.1)
Movement in the market value of Assets Held for Sale	(0.1)	0	0	0.1
Amortisation of intangible assets	(0.2)	0	0	0.2
Capital Grants and Contributions Applied	4.7	0	0	(4.7)
Revenue expenditure funded from capital under statute	(5.6)	0	0	5.6
Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(60.2)	0	0	60.2
Notional Rent Credit	0.1	0	0	(0.1)
<u>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</u>				
Statutory provision for the financing of capital investment	4.0	0	0	(4.0)
Voluntary provision for the financing of capital investment	1.0	0	0	(1.0)
Capital expenditure charged against the General Fund	0.8	0	0	(0.8)
Adjustments involving Capital Grant Unapplied Account				
Capital Grants & Contributions unapplied credited to the Comprehensive Income and Expenditure Statement	4.8	0	(4.8)	0
Application of (prior year) Grants to capital financing transferred to the Capital Adjustment Account	0	0	6.9	(6.9)
Adjustments involving the Capital Receipts Reserve:				
Transfer of sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	1.4	(1.4)	0	0
Use of the Capital Receipts Reserve to finance new capital expenditure	0	0.7	0	(0.7)
Adjustments involving the Pensions Reserve:				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see Note 49)	(9.0)	0	0	9.0
Employer's pensions contributions and direct payments to pensioners payable in the year	8.0	0	0	(8.0)
Change in Devon County Council Pre LGR liability	0.1	0	0	(0.1)
Adjustments involving the Collection Fund Adjustment Account:				
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	(0.8)	0	0	0.8
Adjustment involving the Accumulated Absences Account				
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	0.5	0	0	(0.5)
Total Adjustments	(59.9)	(0.7)	2.1	58.5

8. Transfers to/from Earmarked Reserves

This note sets out the amounts set aside from the General Fund in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund expenditure in 2013/14.

	Balance at 1 April 2012 £m	Transfer Out 2012/13 £m	Transfer In 2012/13 £m	Balance at 31 March 2013 £m	Transfer Out 2013/14 £m	Transfer In 2013/14 £m	Balance at 31 March 2014 £m
Reserves earmarked for General Expenditure	3.6	(3.5)	3.3	3.4	(0.6)	1.5	4.3
Reserves earmarked for specific issues	9.4	(2.3)	1.6	8.7	(1.0)	2.1	9.8
Reserves to reflect timing of expenditure	11.3	(5.6)	1.3	7.0	(3.0)	3.2	7.2
Reserves to support Capital expenditure	2.0	(0.5)	0.7	2.2	(0.8)	1.1	2.5
School Related Reserves	0.4	0	0.1	0.5	0	0	0.5
Schools' Balances (held under a delegation scheme)	3.5	(3.5)	3.2	3.2	(3.2)	2.8	2.8
Ring Fenced Reserves	3.2	(0.6)	2.3	4.9	(2.3)	4.3	6.9
Total	33.4	(16.0)	12.5	29.9	(10.9)	15.0	34.0

9. Financing and Investment Income and Expenditure

2012/13 £m		2013/14 £m
7.5	Interest payable and similar charges	7.5
3.8	Net interest on net defined pension liability	5.5
(2.1)	Interest receivable and similar income	(1.3)
(0.5)	Income and expenditure in relation to investment properties and changes in their fair value	(0.4)
8.7	Total	11.3

10. Taxation and Non Specific Grant Income

2012/13 £m		2013/14 £m
Restated		
(62.3)	Council tax income	(54.4)
(58.4)	NNDR Pool Distribution	0
0	NNDR Income	(28.5)
(0.8)	Collection Fund Deficit/(Surplus)	2.9
(4.9)	Non-ringfenced government grants	(48.6)
(5.9)	Capital grants and contributions	(7.1)
(132.3)	Total	(135.7)
(132.3)	Total	(135.7)

11. Property, Plant and Equipment

Measurement Basis

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

Existing Use Value for most categories of Property Plant and Equipment (P,P&E)

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

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

Historical Cost for Assets under Construction

Depreciation method

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

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

Useful lives used

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

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

Movements on Balances

Reconciliation of movements in 2013/14, and the prior year 2012/13, in Property, Plant and Equipment by category of assets is shown in the tables below.

2013/14	Other Land & Buildings £m	Vehicles, Plant & Equipment £m	Infra - structure Assets £m	Community Assets £m	Surplus Assets £m	Assets Under Construction £m	Total Property, Plant & Equipment £m	PFI Assets in P, P & E £m
Cost or Valuation								
At 1 April 2013	171.1	16.8	94.6	7.0	0.1	0.8	290.4	3.4
Additions	2.8	0.3	3.4	1.6	0	1.6	9.7	0
Revaluation increases/ (decreases) recognised in the Revaluation Reserve	1.3	0	0	0	0.2	0	1.5	0
Revaluation Increases/ (decreases) recognised in the Surplus/Deficit on the Provision of Services	(11.0)	(0.1)	0	0	0	(0.2)	(11.3)	0
Derecognition – Disposals (of which two schools £16.3m).	(16.6)	(0.1)	0	0	0	0	(16.7)	0
Assets reclassified (to)/from Held for Sale	(0.1)	0	0	0	(0.3)	0	(0.4)	0
Other movements in Cost or Valuation	0	0	0	0	0	0	0	0
At 31 March 2014	147.5	16.9	98.0	8.6	0	2.2	273.2	3.4
Accumulated Depreciation and Impairment								
At 1 April 2013	(8.4)	(11.3)	(18.6)	(0.1)	0	0	(38.4)	0
Depreciation charge	(2.4)	(1.4)	(2.9)	0	0	0	(6.7)	(0.1)
Depreciation written out to the Revaluation Reserve	3.9	0	0	0	0	0	3.9	0
Depreciation written out to Surplus/Deficit Provision on Services	1.2	0	0	0	0	0	1.2	0
Derecognition – Disposals	1.1	0.2	0	0	0	0	1.3	0
Other movements in Depreciation and Impairment	0	0	0	0	0	0	0	0
At 31 March 2014	(4.6)	(12.5)	(21.5)	(0.1)	0	0	(38.7)	(0.1)
Net Book Value								
At 31 March 2014	142.9	4.4	76.5	8.5	0	2.2	234.5	3.3
At 31 March 2013	162.7	5.5	76.0	6.9	0.1	0.8	252.0	3.4

2012/13	Other Land and Buildings	Vehicles, Plant & Equipm't	Infra- structure Assets	Community Assets	Surplus Assets	Const- ruction Assets	Total Property, Plant & Equipm't	PFI Assets in P, P & E
	£m	£m	£m	£m	£m	£m	£m	£m
Cost or Valuation								
At 1 April 2012	232.9	16.9	91.9	5.5	0.8	0.7	348.7	3.7
Additions	4.3	0.4	2.7	1.5	0	0.7	9.6	0
Revaluation increases/ (decreases) recognised in the Revaluation Reserve	(1.1)	0	0	0	0	0	(1.1)	(0.3)
Revaluation Increases/ (decreases) recognised in the Surplus/Deficit on the Provision of Services	(2.1)	0	0	0	0	0	(2.1)	0
Derecognition - Disposals	(61.5)	(0.5)	0	0	0	(0.6)	(62.6)	0
Assets reclassified (to)/from Held for Sale	(1.5)	0	0	0	(0.7)	0	(2.2)	0
Other movements in Cost or Valuation	0.1	0	0	0	0	0	0.1	0
At 31 March 2013	171.1	16.8	94.6	7.0	0.1	0.8	290.4	3.4
Accumulated Depreciation and Impairment								
At 1 April 2012	(11.0)	(10.2)	(15.2)	0	0	0	(36.4)	(0.3)
Depreciation charge	(2.6)	(1.3)	(3.4)	(0.1)	0	0	(7.4)	0
Depreciation written out to the Revaluation Reserve	2.0	0	0	0	0	0	2.0	0.3
Impairment losses/(reversals) recognised in the Revaluation Reserve	0.1	0	0	0	0	0	0.1	0
Derecognition - Disposals	3.0	0.3	0	0	0	0	3.3	0
Other movements in Depreciation and Impairment	0.1	(0.1)	0	0	0	0	0	0
At 31 March 2013	(8.4)	(11.3)	(18.6)	(0.1)	0	0	(38.4)	0
Net Book Value								
At 31 March 2013	162.7	5.5	76.0	6.9	0.1	0.8	252.0	3.4
At 31 March 2012	221.9	6.7	76.7	5.5	0.8	0.7	312.3	3.4

Contractual Commitments for the acquisition of Property, Plant and Equipment as at 31 March 2014

The significant commitments on capital schemes with a value greater than £0.5m together with the likely year of spend are shown in the table below. Similar commitments for the previous financial year were £24.7m.

Contract	Purpose	Total Commitments	2014/15	2015/16
		£m	£m	£m
	Expenditure on Council Assets:			
<u>Marine Services</u>				
Torquay Inner Harbour Pontoons	Improve mooring facilities and increased capacity	0.7	0.7	0
	Expenditure on Assets owned by other bodies or individuals:			
<u>Schools</u>				
Cockington Primary School	Improve pupil accommodation and facilities	2.2	2.2	0
Torre CoE Primary expansion	Primary review project to provide additional pupil places	0.5	0.5	0
<u>Transport</u>				
South Devon Link Road	Major investment to provide new road to alleviate congestion and ease traffic flow to and from Torbay.	18.9	11.5	3.0
Total Significant Commitments		22.3	14.9	3.0

Revaluations

The Council's assets are regularly revalued, (at least once during a five year period), by the Council's appointed external qualified valuer - see accounting policies. The effective date of revaluation is usually the 1st April of the year of the revaluation. The only class of asset that has significant revaluations is "Other Land and Buildings" which is valued at existing use.

Valued at fair value as at	Other Land and Buildings
	£m
31 March 2014	45.2
31 March 2013	42.6
31 March 2012	29.8
31 March 2011	14.4
31 March 2010	15.5
Total Cost or Valuation	147.5

12. Heritage Assets

The value of the Council's heritage assets are reported in the balance sheet at an insurance valuation. Where it is not practical to obtain an insurance valuation the asset is measured at historical cost (usually nil). Heritage Assets, by their nature have a long life, so have not been depreciated. There has been major ongoing enhancement work to Torre Abbey which was completed in 2013.

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

The following table shows the reconciliation of the carrying value of Heritage Assets held by the Council where the assets are held at valuation. Assets are also held at historic cost. For 2013/14 the historic cost (carrying value) of these assets was nil.

	Fine Art Collection	Mayoral Regalia	Heritage Property	Assets Under Construction	Total Assets
Valuation	£m	£m	£m	£m	£m
31st March 2012	5.9	0.2	15.2	0.9	22.2
Additions	0	0	0	3.0	3.0
Disposals	(0.1)	0	0	0	(0.1)
Revaluations	0	0	0.3	0	0.3
31st March 2013	5.8	0.2	15.5	3.9	25.4
Additions	0	0	1.3	0	1.3
Reclassifications	0	0	3.9	(3.9)	0
Impairment losses/(reversals) recognised in Revaluation Reserve	0	0	(0.4)	0	(0.4)
31st March 2014	5.8	0.2	20.3	0	26.3

Fine Arts Collection

This classification has a total value of £5.8m, which includes exhibits held at Torre Abbey. The valuation was undertaken by external valuers, Bearnes, in 2010. The collection includes William Holman Hunt's "The Children's Holiday" which has an insurance valuation of £1.2m.

There are a large number of exhibits at Torre Abbey that are not included in the valuation due to their low item value. Further details of the exhibits included in this collection are available on the council's website at:-

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

The above website also provides information on visiting the Abbey.

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

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

Mayoral Regalia

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

Heritage Property

A number of the Council's property assets have been recognised on the balance sheet as Heritage Assets. Most of these assets are not insured so are held at historic cost, for example the D Day Embarkation Ramps. Of the property assets with an insurance valuation, Torre Abbey Mansion is the most significant being valued at £18.1m. The Abbey reopened in 2013 after an extensive refurbishment.

The Council also has properties that although culturally and historically important, are being used for operational purposes. As this purpose is more relevant to users of the financial statements these assets have been classified under the heading 'Property, Plant and Equipment' on the balance sheet. For example these assets include Torquay Town Hall and Electric House which are used as office accommodation and Cockington Court which is used for operational purposes. The Council uses an external RICS qualified valuer to provide property reinstatement valuations for insurance purposes. A summary of transactions relating to heritage assets for 2013/14 and three prior years, since the requirement to account for these assets was introduced, is shown in the table below.

	2010/11 £m	2011/12 £m	2012/13 £m	2013/14 £m
Cost of Acquisitions and Enhancements	0.4	0.6	3.0	1.3
Value of any Asset Disposed	0	0	(0.1)	0
Impairment	0	(0.1)	0	(0.4)

13. Financial Instruments

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

Long Term	Current		Long Term	Current
31 March 2013 £m			31 March 2014 £m	
		Investments		
5.0	47.6	Loans and receivables	0	37.3
3.1	0	Available-for-sale financial assets	2.6	0.1
0	29.9	Financial assets at fair value through profit and loss	0	30.2
8.1	77.5	Total investments	2.6	67.6
		Cash & Cash Equivalents		
0	(2.3)	Cash in hand and Bank (net)	0	1.3
0	0	Loans and receivables	0	5.1
0	0.1	Available-for-sale financial assets	0	0
0	(2.2)	Total Cash & Equivalents	0	6.4
		Debtors		
3.0	11.5	Financial assets carried at contract amounts	3.2	11.1
3.0	11.5	Total Debtors	3.2	11.1
		Borrowings/Liabilities		
(148.3)	(1.9)	Financial liabilities at amortised cost	(138.2)	(1.3)
(148.3)	(1.9)	Total borrowings	(138.2)	(1.3)
		Other Long Term Liabilities		
(8.8)	(0.4)	PFI liability	(8.4)	(0.4)
(1.0)	0	Financial Guarantees	(1.0)	0
(9.8)	(0.4)	Total other long term liabilities	(9.4)	(0.4)
		Creditors (incl. receipts in advance)		
(1.5)	(22.9)	Financial liabilities carried at contract amount	(3.3)	(23.3)
(1.5)	(22.9)	Total Creditors	(3.3)	(23.3)
(148.5)	61.6	Total All Financial Instruments	(145.1)	60.1

During the year the Council has not reclassified any financial instruments or pledged any financial assets as collateral for liabilities or contingent liabilities or has any loans payable including interest due in default. The main measurement bases used by the Council in preparing the treatment of Financial Instruments within its financial statement are as follows:

Financial Instrument	Basis of measurement	Note
Investments – fixed rate	Carrying value adjusted for interest owed at year end	Investment have both fixed term and fixed interest rates
Investments – Money Market Funds	Increase in carrying value reflected in Balance Sheet and not recognised in Income & Expenditure Account until realised	Minimal balances at year end as investment realised before year end. Interest rate determinable on 1 st April.
Investments – Fund Manager	Treated as a Financial Instrument at Fair Value through Profit and Loss as the fund is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit taking.	Fund Manager and Treasury Management advisor have confirmed that the carrying value of the fund at 31 st March is the fair value of the Fund.
Investments – Subsidiaries	Fair value of subsidiary is net equity of subsidiary unless negative where the fair value is nil.	Included Torbay Economic Development Company and English Riviera Tourism Company
Investments – Other	Held at carrying value on basis of materiality	
Contractual Debt/payables	Held at invoiced or billed amount less an estimate of impairment for the uncollectability of that debt.	Excludes non contractual debt such as Council tax and NNDR
PWLB Debt	Carrying value adjusted for interest due at year end	Borrowing is both fixed term and fixed interest rates
LOBO Debt	Balance measured using the effective interest rate (if a stepped rate) or fixed rate (if a vanilla/flat rate) within the contract for the maximum life of the deal	Rate calculated over full term assuming the options within the contract are not exercised.
Financial Guarantee	Balance measured by applying a range of probabilities to the risk of the guarantee being called or payment made.	Only guarantee in this category is to Torbay Coast and Countryside Trust.
Financial Instruments under adverse economic conditions	All financial instruments assessed for impairment from economic conditions	As appropriate the impairment for contractual debt will be reviewed. The Council does not hold any investments which it has assessed to be subject to any impairment.

The Council in compiling its accounts assessed all its financial instruments and there were a number that were not considered material to make adjustment to the carrying value of the asset or liability.

Income, Expense, Gains and Losses

	2012/13				2013/14			
	Financial Liabilities	Financial Assets			Financial Liabilities	Financial Assets		
	Liabilities measured at amortised cost £m	Loans and receivables £m	Assets and Liabilities at Fair Value through Profit and Loss £m	Total £m	Liabilities measured at amortised cost £m	Loans and receivables £m	Assets and Liabilities at Fair Value through Profit and Loss £m	Total £m
Interest expense	5.0	0	0	5.0	5.7	0	0	5.7
Reductions in fair value re interest due	1.9	0	0	1.9	1.3	0	0	1.3
Total expense in Surplus or Deficit on the Provision of Services	6.9	0	0	6.9	7.0	0	0	7.0
Interest income	0	(0.7)	0	(0.7)	0	(0.6)	0	(0.6)
Increases in fair value	0	(0.6)	(0.5)	(1.1)	0	(0.2)	(0.2)	(0.4)
Total income in Surplus or Deficit on the Provision of Services	0	(1.3)	(0.5)	(1.8)	0	(0.8)	(0.2)	(1.0)
Net gain/(loss) for the year	6.9	(1.3)	(0.5)	5.1	7.0	(0.8)	(0.2)	6.0

Fair Values of Assets and Liabilities

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

For PWLB debt the fair value has been assessed by using PWLB rates for new loans as at 31st March 2014, and then matched, as appropriate, to the duration on an existing maturity. No early repayment or impairment is recognised. For LOBO debt the fair value has been assessed by

using a discount rate for LOBOs of similar length and structure with a comparable lender as at 31st March 2014.

For Investments, such as fixed term deposits where the rate is fixed, the fair value has been assessed by using a discount rate for deposits of similar length with a comparable lender as at 31st March 2014. For investments held in higher earning “cash” accounts the fair value is assumed to be the same as the nominal value of the deposit.

The fair value of debtors and creditors is taken to be the invoiced or billed amount. The table below shows the fair values of assets and liabilities where the fair value is different to the value shown in the Council balance sheet – the “carrying value”:

	31 March 2013		31 March 2014	
	Carrying amount £m	Fair value £m	Carrying amount £m	Fair value £m
Financial Assets:				
Loans and Receivables:				
- Short Term Loans	47.6	47.9	37.4	37.5
- Long Term Loans	5.1	5.1	0	0
Financial Liabilities:				
Borrowing	(150.2)	(163.4)	(139.5)	(143.1)

The fair value of the loans and receivables (investments) is marginally higher than the carrying amount because the Council’s portfolio of investments includes a number of fixed rate investments where the interest rate receivable is higher than the prevailing market rates at the Balance Sheet date. This shows a notional future gain (based on economic conditions at 31 March 2014) arising from a commitment to be paid interest by lenders above current market rates. As the majority of Council investments are under one year and there was as at 31st March a flat profile for interest rates in the short term there is very little difference between the carrying amount and the fair value.

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

It should be noted that the PWLB also provided a fair value of the Council’s PWLB debt as at 31st March 2014 of £152.3m. This is higher than the fair value PWLB amount of £132.8m as the PWLB has used their “premature redemption rate of interest” to calculate fair value. This rate is a more punitive rate than current rates that only applies if a Council repays debt early.

The Council has a liability for the remaining 13.5 years on its 25 year School PFI contract for the construction element. A commercial bank loan for the remaining period as at 31st March 2014 of the contract would be similar to the assumed interest rate within the contract, therefore the fair value of the liability is materially similar to the carrying value of the liability.

14 Nature and Extent of Risks Arising from Financial Instruments

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

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

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

Credit Risk

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

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

	Amount at 31/3/14 £m	Historical experience of default %	Historical experience adjusted for market conditions at 31/3/14 %	Estimated maximum exposure to default and uncollectability at 31/3/14 £m
Deposits with banks and other financial institutions	37.3	0	0	0
Deposits held by Fund manager	30.2	0	0	0
Trade and other Receivables – Sundry Debt	2.7	1%	0	0
Total	70.2			

The Council does not generally allow credit to customers. Within the Council's sundry debt total of £2.7m, £0.6m balance is over three months due for payment. The past due amount can be analysed by age as follows:

31/03/13		31/03/14
£m		£m
2.1	Less than 3 months	2.1
0.4	Three months to one year	0.2
0.4	More than one year	0.4
2.9	Total	2.7

At year end the level of impairment for all Council debt is assessed and reflected in the value of the impairment disclosed on the balance sheet within the debtors total and disclosed in the debtors note (note 16).

Liquidity Risk

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

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

£m		£m
31/03/13		31/03/14
1.9	Less than one year	1.3
0.0	Between one and two years	0.0
4.0	Between two and five years	6.0
15.0	Between five and ten years	10.0
25.3	Between ten and twenty years	24.3
34.3	Between twenty and thirty years	37.3
69.7	Above thirty years	60.6
150.2	Total	139.5

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

Market Risk

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

Interest Rate Risk

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

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

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

The Council has a number of strategies for managing interest rate risk. Its policy is to limit its exposure to variable rate loans. As at 31st March 2014 the Council had no borrowing at variable interest rates with £10m on market loans (LOBO) where in future years the rates could vary.

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

If on the 31st March 2014 the interest rates are 1% higher than the actual interest rates the financial impact would be:

a) Borrowing:

The Council had no variable rate borrowing as at 31st March 2014 so there would be no impact.

b) Investments

It is reasonable to assume that the Council's investments in "cash" accounts, money market funds and the fund manger should increase by the change in interest rates. If the Council's investment in these instruments were maintained at the level as at 31st March 2014 for a full financial year, this would generate an additional £0.5m over a year. It should be noted that if the interest rate increase was forecast it is likely the profile of fixed rate deposits would have been invested on that basis.

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

Price Risk

The Council does not generally invest in equity shares. The Council does have an equity interest in a number of companies as part of service delivery (see note 32). Of these, only the share holding in TOR2 could lead to a realised share of profits.

Foreign Exchange Risk

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

15 Investments

Long Term Investments

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

2012/13 £m			2013/14 £m	
Subsidiary	Money Market		Subsidiary	Money Market
2.8	0	Balance at start of year:	3.1	5.0
0	5.0	Change in Investment in year	0	(5.0)
0.3	0	Change in fair value of Company	(0.5)	0
3.1	5.0	Fair Value as at 31st March	2.6	0

Short Term Investments

Temporary investments are short term investments with a maturity less than one year that are held for investment purposes not short term cash flow liquidity. As at 31st March 2014 the Council held £67.3m (2012/13 £76.9m) of short-term (money market) investments (principal only), of which £30.2m (2012/13 £29.9m) is held by the Council's fund manager – Scottish Widows Investment Partnership – (from 1st April 2014 part of Aberdeen Asset Management).

Total Invested 31st March 2013 £ m		Total Invested 31st March 2014 £ m
	Short Term Investments - less than 1 year	
39.0	- Cash Deposits	26.0
8.0	- Notice/Call Accounts	11.1
29.9	- Fund Manager *	30.2
76.9	Total Temporary Investments	67.3
77.5	<i>Fair Value as at 31st March - including interest due</i>	67.6

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

16 Debtors

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

Long Term Debtors

Debtors due after one year:

31 March 2013		31 March 2014
£m		£m
0.4	Long term debtors	0.5
2.3	Torquay Marina	2.3
0.3	Cremator Replacement	0.4
2.6	Sub total: recognised under IFRS accounting	2.7
3.0	Total Long Term Debtors	3.2

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

31 March 2013		31 March 2014
£m		£m
7.9	Central government bodies (WGA)	4.5
1.3	Other local authorities and public bodies	1.3
0.5	NHS bodies	1.5
3.5	Council Tax (inc. liability orders)	4.7
-	NNDR (inc liability orders)	0.8
2.5	Housing Benefit	2.7
6.6	Other entities and individuals	7.1
22.3	Sub Total	22.6
(5.3)	Impairment (uncollectibility of debt)	(6.4)
17.0	Total	16.2

17. Cash and Cash Equivalents

The balance of Cash and Cash Equivalents, including use of bank overdrafts, is made up of the

following elements:

31 March 2013		31 March 2014
£m		£m
(2.3)	Bank current accounts	1.3
0.1	Short-term deposits with Money Market Funds and Liquidity Accounts	5.1
(2.2)	Total Cash and Cash Equivalents	6.4
2.1	<i>Current Assets</i>	6.9
(4.3)	<i>Current Liabilities</i>	(0.5)
(2.2)	<i>Total Cash and Cash Equivalents</i>	6.4

18 Creditors

Represents monies owed by the Council

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

31 March 2013		31 March 2014
£m		£m
Restated		
2.4	Central government bodies (WGA)	6.9
3.1	Other local authorities and public bodies	2.3
1.2	NHS bodies	1.2
16.2	Other entities and individuals	12.9
22.9	Total	23.3

19. Provisions

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

	Insurance £m	NNDR Appeals £m	Restructure & Reductions £m	Other Provisions £m	Total £m
Balance at 31st March 2013	0.7	0	0.4	0.8	1.9
Provisions made in year	0.3	1.2	0.1	0.3	1.9
Provisions reversed in year	0	0	0	(0.5)	(0.5)
Amounts used in year	(0.5)	0	(0.4)	(0.2)	(1.1)
Balance at 31 March 2014	0.5	1.2	0.1	0.4	2.2
- Due Under one year	0.3	1.2	0.1	0.4	2.0
- Due over one year	0.2	0	0	0	0.2
<i>Balance at 31 March 2014</i>	0.5	1.2	0.1	0.4	2.2

Description of Provisions held by the Council

<u>Name of Provision</u>	<u>Description of Provision</u>
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.
NNDR Appeals	Reflects the Council's 49% share of the estimated value of outstanding NNDR appeals submitted to the Valuation Office by 31 st March.
Restructure & Reductions	Provision to meet liabilities of implementing the Council's budget reductions for 2014/15 and management restructure based on decisions made by 31 st March 2014.
Other Provisions	These include provision for the Carbon Allowances scheme.

20 Borrowing

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

31st March 2013		31 March 2014
Principal	Borrowing Repayable	Principal
£ m		£ m
0		
	Amounts falling due in excess of one year	
10.0	Money Market (LOBO)	10.0
138.1	Public Works Loans Board	128.1
<u>148.1</u>		<u>138.1</u>
148.1	Total	138.1
<u>150.2</u>	<i>Fair Value as at 31st March - including interest due</i>	<u>139.5</u>

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

Total Principal Outstanding			Total Principal Outstanding
31st March 2013	Analysis of Loans by Maturity	Average Interest Rate	31st March 2014
£ m			£ m
0	3 up to 4 years	3.97%	4.0
4.0	4 up to 5 years	3.82%	2.0
15.0	5 up to 10 years	4.19%	10.0
14.8	10 up to 15 years	4.11%	12.8
10.4	15 up to 20 years	4.20%	11.5
18.9	20 up to 25 years	4.85%	20.9
85.0	Over 25 years	4.35%	76.9
<u>148.1</u>	Total	<u>4.39%</u>	138.1
<u>150.2</u>	<i>Fair Value as at 31st March - including interest due</i>		<u>139.5</u>

Lenders Option Borrowers Option (LOBO)

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

21 Liabilities

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

31 March 2013 £m		31 March 2014 £m
Restated (note 1)	Liabilities due within 1 year	
0.4	PFI Liability	0.5
0.8	DCC Pre LGR Liability	0.8
1.2	Total due within 1 year	1.3
	Liabilities due over 1 year	
8.8	PFI Liability	8.4
9.0	DCC Pre LGR Liability	8.9
1.0	Financial Guarantees	1.0
18.8	Total due over 1 year	18.3
20.0	Total Liabilities	19.6

Westland and Homelands Schools PFI Scheme

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

PFI Property Plant and Equipment

The assets used to provide services at both schools are recognised on the Council's Balance Sheet. Since the PFI contract started Westlands school became a Foundation School therefore the asset was derecognised. The Council has retained the liability to the PFI contractor. Westlands school is expected to transfer to academy status in 2014/15 however the accounting treatment will not change.

PFI Payments

The Council makes an agreed payment each year which is increased each year by inflation and can be reduced if the contractor fails to meet availability and performance standards in any year but which is otherwise fixed. In relation to this contract the Council recognises as a liability on its balance sheet the element of this annual payment that relates to the construction and purchase of the two schools. The other elements of the contract, finance costs and service charges are recognised on an annual basis in the Council's Comprehensive Income and Expenditure account. Payments remaining to be made under the PFI contract at 31 March 2014 (excluding any estimation of inflation and availability/performance deductions) are as follows:

	Payment for Services * £m	Reimbursement of Capital Expenditure £m	Interest £m	Total £m
Payable in 2014/15	1.7	0.5	0.4	2.6
Payable within 2 to 5 years	6.8	2.1	1.5	10.4
Payable within 6 to 10 years	8.5	3.4	1.4	13.3
Payable within 11 to 15 years	5.9	2.9	0.3	9.1
Total	22.9	8.9	3.6	35.4

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

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

2012/13		2013/14
£m		£m
9.7	Balance outstanding at start of year	9.2
(0.5)	Payments during the year	0.4
9.2	Balance outstanding at year-end	8.8

Energy From Waste Plant – Private Finance Initiative

Torbay, in partnership with Plymouth and Devon County Councils has entered into a 25 year PFI contract with M V V Umwelt for the construction and operation of an Energy From Waste Plant for the disposal of domestic waste. The Plant is due to be operational from November 2014 when the Councils are expected to deliver waste to the facility paying a unitary charge linked to waste tonnages.

Local Government Reorganisation 1998

Torbay Council became a unitary Council in 1998 taking over some of the services previously provided by Devon County Council. The Council agreed to fund a tax base share (11.73%) of any future costs that Devon incurred in relation to discretionary pension enhancements that Devon County Council had agreed to pay to its staff prior to 1998. The payment to Devon County Council in 2013/14 was £0.8m (£0.8m 2012/13). The estimate of the remaining liability of £9.7m is based on Devon County's IAS19 disclosures.

2012/13		2013/14
£m		£m
0.7	IAS19 Actuarial remeasurements	0.7
(0.8)	Payments during the year to Devon County	(0.8)
(0.1)	Net movement in Cost of Services	(0.1)

Financial Guarantees

Torbay Coast and Countryside Trust

The Council has agreed to act as a guarantor to the Torbay Coast and Countryside Trust for £975,000 (£975,000 2012/13). This is relating to a bank loan and an overdraft facility, in respect of capital work and trading at Occombe Farm.

As at 31st March 2014 the fair value of this guarantee was £975,000 (£975,000 2012/13). On the basis of the TCCT financial plans there are no plans for the TCCT to be able to clear their debts in the short term without the Council agreeing to sell land leased to the TCCT. The fair value of the guarantee has been assessed at its full value.

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

22 Usable Reserves

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

31 March 2013		31 March 2014
£m		£m
4.4	General Fund Reserve	4.4
29.9	Earmarked Reserves – see note 8	34.0
0.7	Usable Capital Receipts Reserve	1.8
11.7	Capital Grants & Contributions Unapplied	10.4
46.7	Total Usable Reserves	50.6

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

Capital Grants and Contributions Unapplied Reserve

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

2012/13		2013/14
£m		£m
13.8	Balance at 1 April	11.7
4.8	Transfer of capital grants & contributions recognised in the Comprehensive Income and Expenditure Statement but not yet applied finance capital expenditure.	5.5
(6.9)	Transfer to Capital Adjustment Account when applied to finance capital expenditure	(6.8)
11.7	Balance at 31 March	10.4

23. Unusable Reserves

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

31 March 2013		31 March 2014
£m		£m
restated		
53.7	Revaluation Reserve	55.2
94.8	Capital Adjustment Account	77.7
(1.1)	Financial Instruments: Adjustment Account	(1.0)
3.1	Financial Instruments: Available for Sale	2.6
(135.1)	Pensions Reserve	(130.0)
1.8	Collection Fund Adjustment Account	(1.1)
(2.0)	Accumulating Compensated Absences Adjustment Account	(1.6)
15.2	Total Unusable Reserves	1.8

23.1 Revaluation Reserve

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

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

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

2012/13		2013/14
£m		£m
57.8	Balance at 1 April	53.7
(3.3)	Adjustment to Opening Balance	0
4.6	Revaluation of assets	4.9
1.3	Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services	4.9
0.2	Adjustment to Opening Balance	0
(0.9)	Difference between fair value depreciation and historical cost depreciation	(0.8)
(4.7)	Accumulated gains on assets sold or scrapped	(2.6)
(5.4)	Amount written off to the Capital Adjustment Account	(3.4)
53.7	Balance at 31 March	55.2

23.2 Capital Adjustment Account

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

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

2012/13 £m Restated		2013/14 £m
146.8	Balance at 1 April	94.8
0	Adjustment to Opening Balance Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:	0
(9.5)	• Charges for depreciation and impairment of non current assets	(16.7)
(0.2)	• Amortisation of intangible assets	(0.2)
(5.6)	• Revenue expenditure funded from capital under statute	(6.1)
0.1	• Notional Rent Credit	0.1
(60.2)	• Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(16.1)
(75.4)		(39.0)
5.4	Adjusting amounts written out of the Revaluation Reserve	3.4
(70.0)	Net written out amount of the cost of non current assets consumed in the year	(35.6)
	Capital financing applied in the year:	
0.7	• Use of the Capital Receipts Reserve to finance new capital expenditure	0.3
4.7	• Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	5.5
6.9	• Application of grants to capital financing from the Capital Grants Unapplied Account	6.8
5.0	• MRP & VRP for the financing of capital investment charged against the General Fund	4.6
0.8	• Capital expenditure charged against the General Fund	1.4
18.1		18.6
0.1	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	0.1
(0.2)	Movements in the market value of Assets Held for Sale debited or credited to the Comprehensive Income and Expenditure Statement	(0.2)
94.8	Balance at 31 March	77.7

23.3 Pensions Reserve - (Funded and Unfunded Liabilities)

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

2012/13 £m Restated (note 1)		2013/14 £m
(133.4)	Balance at 1 April	(135.1)
(0.8)	Remeasurements of net defined pension liability	11.9
(9.0)	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	(13.3)
8.0	Employer's pensions contributions and direct payments to pensioners payable in the year	6.4
0.1	Devon County Council pre LGR pensions	0.1
(135.1)	Balance at 31 March	(130.0)

24 Cash Flow- Adjustment to net surplus or deficit on Provision of Services for Non Cash items

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

2012/13	Non Cash Movements in Provision Of Services	2013/14
£m		£m
9.5	Depreciation, Impairment & downward valuations	16.7
0.2	Amortisation	0.2
(10.8)	Increase/(Decrease) in Creditors	(0.5)
(2.6)	(Increase)/Decrease in Debtors including impairment for bad debts	(0.6)
1.0	Movement in pension liability	6.9
60.2	Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	16.0
0.2	Other non-cash items charged to the net surplus or deficit on the provision of services	1.2
57.7		39.9

25. Amounts Reported for Resource Allocation Decisions

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

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

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

Directorate Income and Expenditure	Adults and Resources	Childrens, Schools & Families	Public Health & Community Safety	Place & Resources	Total
2013/14	£m	£m	£m	£m	£m
Fees, charges & other service Income:	(3.5)	(10.1)	(2.8)	(27.0)	(43.4)
Government grants	(0.1)	(53.4)	(7.2)	(76.4)	(137.1)
Total Income	(3.6)	(63.5)	(10.0)	(103.4)	(180.5)
Employee expenses	5.6	47.9	3.1	16.3	72.9
Other service expenses	51.6	47.5	8.7	126.8	234.6
Total Expenditure	57.2	95.4	11.8	143.1	307.5
Net Expenditure	53.6	31.9	1.8	39.7	127.0

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

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

	2012/13	2013/14
	£m	£m
Net expenditure in the Directorate Analysis	123.4	127.0
Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the Analysis	8.4	20.2
Amounts included in the Analysis not included in the Comprehensive Income and Expenditure Statement	(4.3)	(12.1)
Cost of Services in Comprehensive Income and Expenditure Statement	127.5	135.1

Directorate Income and Expenditure	Adults and Resources	Childrens, Schools & Families	Public Health & Community Safety	Place & Resources	Total
2012/13 Comparative Figures	£m	£m	£m	£m	£m
Fees, charges & other service income	(3.3)	(11.1)	(1.6)	(24.7)	(40.7)
Government grants	0	(68.9)	(0.1)	(91.5)	(160.5)
Total Income	(3.3)	(80.0)	(1.7)	(116.2)	(201.2)
Employee expenses	6.0	59.3	3.1	18.6	87.0
Other service expenses	53.8	43.6	1.1	139.1	237.6
Total Expenditure	59.8	102.9	4.2	157.7	324.6
Net Expenditure	56.5	22.9	2.5	41.5	123.4

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

2013/14	Directorate Analysis	Amounts not reported to management for decision making	Amounts not included in I&E	Cost of Services	Corporate Amounts	Total
	£m	£m	£m	£m	£m	£m
Fees, charges & other service income	(43.4)	0.1	13.4	(29.9)	(1.5)	(31.4)
Interest and investment income	0	0	0	0	(1.7)	(1.7)
Income from council tax	0	0	0	0	(54.2)	(54.2)
Government grants and contributions	(137.1)	(4.0)	4.3	(136.8)	(81.5)	(218.3)
Total Income	(180.5)	(3.9)	17.7	(166.7)	(138.9)	(305.6)
Employee expenses	72.9	0.9	0	73.8	0	73.8
Other service expenses	234.6	6.3	(29.8)	211.1	0.1	211.2
Depreciation, amortisation and impairment	0	16.9	0	16.9	0.3	17.2
Interest Payments	0	0	0	0	12.9	12.9
Precepts & Levies	0	0	0	0	0.2	0.2
Gain or Loss on Disposal of Non Current Assets	0	0	0	0	16.1	16.1
Total expenditure	307.5	24.1	(29.8)	301.8	29.6	331.4
(Surplus)/Deficit	127.0	20.2	(12.1)	135.1	(109.3)	25.8

2012/13	Directorate Analysis	Amounts not reported to management for decision making	Amounts not included in I&E	Cost of Services	Corporate Amounts	Total
	£m	£m	£m	£m	£m	£m
Fees, charges & other service income	(40.7)	(2.9)	15.0	(28.6)	(1.6)	(30.2)
Interest and investment	0	0	0	0	(2.6)	(2.6)
Income from council tax	0	0	0	0	(63.1)	(63.1)
Government grants and contributions	(160.5)	(3.6)	3.1	(161.0)	(69.2)	(230.2)
Total Income	(201.2)	(6.5)	18.1	(189.6)	(136.5)	(326.1)
Employee expenses	87.0	(0.5)	0	86.5	0	86.5
Other service expenses	237.6	5.8	(22.4)	221.0	0.3	221.3
Depreciation, amortisation and impairment	0	9.7	0	9.7	0.1	9.8
Interest Payments	0	0	0	0	11.2	11.2
Precepts & Levies	0	0	0	0	0.2	0.2
Gain or Loss on Disposal of Non Current Assets	0	0	0	0	60.2	60.2
Total	324.6	15.0	(22.4)	317.2	72.0	389.2
(Surplus)/Deficit	123.4	8.5	(4.3)	127.6	(64.5)	63.1

26 Pooled Budgets

Under section 75 of the NHS Act 2006, the Council entered into a pooled budget arrangement with Torbay Care Trust for the joint provision of an equipment store for the purchase and distribution of items to meet the social care and health needs of people living in the Torbay area. With the NHS changes the agreement is, from April 2013 with NHS Torbay. The Council and NHS Torbay have an agreement in place for funding these with each contributing funds to the agreed budget equal to a 50% split. The pooled budget is hosted by the Council as the lead Council on behalf of the two partners to the agreement. The total expenditure on the pooled budget for 2013/14 was £1.1m, of which £0.6m was borne by the Council.

27. Members' Allowances

Under the Council's Members Allowances scheme £440,000 (£436,000 2012/13) were paid to members of the Council during the year. In addition £4,000 of approved expenses were paid

(£4,000 2012/13). The current Allowances' scheme can be found on the Council's website at
www.torbay.gov.uk/index/council/councillors-democracy/constitution.htm.

28. Officers' Remuneration

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

		Salary £000's	Expenses £000's	Compensation for Loss of Office £000's	Pension Contribution at "common rate" £000's	Total £000's
Steve Parrock - Executive Director (from August 2013)	2013/14	120	0	0	10	130
	2012/13	-	-	-	-	-
Caroline Taylor - Interim Chief Operating Officer to August 2013/Director of Adults	2013/14	98	1	0	14	113
	2012/13	103	0	0	15	118
Elizabeth Raikes - Chief Executive (to October 2012)	2013/14	-	-	-	-	-
	2012/13	77	0	68	11	156
Director of Children's Services	2013/14	110	0	0	16	126
	2012/13	108	0	0	16	124
Director of Place	2013/14	88	1	0	13	102
	2012/13	87	0	0	13	100
Chief Finance Officer (s151)	2013/14	78	0	0	11	89
	2012/13	78	0	0	11	89
Director of Public Health from November 2013	2013/14	38	0	0	5	43
	2012/13	-	-	-	-	-
Director of Public Health to November 2013	2013/14	53	2	0	7	62
	2012/13	-	-	-	-	-

Monitoring Officer from January 2014	2013/14	17	0	0	2	19
	2012/13	-	-	-	-	-
Monitoring Officer to January 2014	2013/14	36	0	0	5	41
	2012/13	46	0	0	7	53

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

The number of employees, including the senior officers disclosed above, receiving more than £50,000 remuneration, excluding employer's pension contributions, while employed by Torbay Council is set out in the table below in bands of £5,000. Remuneration for these purposes includes all sums paid or receivable by an employee and sums due by way of and the money value of any other benefits received other than in cash. School employees are reducing linked to conversion to Academy status. Employees had a 1% pay award in 2013/14 which has increased numbers in the lower band as the banding has not been inflated.

Number of Employees by employer			Remuneration Band	Number of Employees by employer		
2012/13				2013/14		
Council	Schools - Council	Schools - Governing Body		Council	Schools - Council *	Schools - Governing Body *
12	9	4	£50,000 to £54,999	18	3	7
5	16	9	£55,000 to £59,999	8	4	6
5	5	5	£60,000 to £64,999	6	2	2
2	4	1	£65,000 to £69,999	2	0	3
1	1	0	£70,000 to £74,999	4	3	0
2	1	1	£75,000 to £79,999	2	0	0
1	0	0	£80,000 to £84,999	0	0	0
1	2	1	£85,000 to £89,999	2	0	1
1	0	0	£90,000 to £94,999	0	1	0
0	1	0	£95,000 to £99,999	2	0	0
1	0	0	£100,000 to £104,999	0	0	0
1	0	0	£105,000 to £109,999	1	0	0
0	0	0	£110,000 to £114,999	0	0	1
0	0	0	£120,000 to £124,999	1	0	0
1	0	0	£140,000 to £144,999	0	0	0
1	0	0	£145,000 to £149,999	0	0	0
34	39	21		46	13	20

29. External Audit Costs

The Council will incur the following costs in relation to the audit of the Statement of Accounts, certification of grant claims and statutory inspections and to non-audit services provided by the Council's appointed external auditors who are Grant Thornton.

2012/13 £000 Restated		2013/14 £000
135	Fees payable to Grant Thornton with regard to external audit services carried out by the appointed auditor for the year	135
(15)	External Audit Fee Rebate from Audit Commission	0
17	Fees payable to Grant Thornton for the certification of grant claims and returns for the year	13
137	Total	148

30. Dedicated Schools Grant (DSG)

The Council's expenditure on schools is primarily funded by grant monies provided by the Department for Education, the Dedicated Schools Grant (DSG). An element of the DSG is recouped by the Department to fund academy schools in the Council's area.

DSG is ringfenced and can only be applied to meet expenditure properly included in the Schools' budget, as defined in the School Finance (England) Regulations 2011. The Schools' Budget includes elements for a range of educational services provided on a Council wide basis and for the individual Schools' Budget, which is divided into a budget share for each maintained school.

Details of the deployment of DSG receivable for 2013/14 are as follows:

Schools Budget Funded by Dedicated Schools Grant 2013/14			
	Central Expenditure	Individual Schools Budget	Total
	£m	£m	£m
Final DSG for 2013/14 before Academy Recoupment	0	0	86.8
Academy figure recouped for 2013/14	0	0	(40.0)
Total DSG after Academy Recoupment for 2013/14	0	0	46.8
Bought Forward from 2012/13	0	0	0.1
Agreed initial budgeted distribution in 2013/14	8.2	38.7	46.9

Final budgeted distribution for 2013/14	5.2	41.7	46.9
Less: Actual Central Expenditure	(5.1)	0	(5.1)
Less: Actual ISB deployed to schools	0	(41.7)	(41.7)
Carry forward to 2014/15	0.1	0	0.1

* Value of DSG reflected in Council's Comprehensive Income and Expenditure Statement

31. Grant Income

The Council credited the following grants and contributions to the Comprehensive Income and Expenditure Statement.

2012/13 £m	Credited to Taxation and Non Specific Grant Income	2013/14 £m
1.1	Revenue Support Grant	42.7
0.6	Other General Grants	3.1
1.1	New Homes Bonus Grant	1.6
1.6	Council Tax Freeze Grant	0.6
58.4	NNDR Redistribution	28.3
0.5	Grant re PFI Finance costs	0.5
5.9	Capital Grants & Contributions	7.1
69.2	Total	83.9
2012/13 £m	Credited to Cost of Services	2013/14 £m
55.7	Dedicated Schools Grant (Department of Education)	46.8
87.6	Benefit Subsidy & Admin Grant (Dept of Work & Pensions)	69.0
2.0	Pupil Premium	2.2
3.0	Post 16 Funding (Learning & Skills Council)	2.2
6.3	Early Intervention Grant	0
0	Public Health Grant	7.1
2.8	Other Central Government Grants – Revenue	6.4
3.7	Other Central Government Grants – Refcus *	3.9
161.1	Total	137.6

In addition the Council has received a number of grants and contributions that have yet to be recognised as income as they have conditions attached to them that will require the monies or property to be returned if conditions not met.

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

32. Related Parties

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

Interest in Companies

The Council maintains involvement with a number of subsidiary and associated companies. The impact of consolidation of these interests into group accounts is not material.

The Council has provided pension guarantees to the Torbay Economic Development Company, the English Riviera Tourism Company, PLUSS and Careers South West. Also the Council has provided a bank guarantee and loan to PLUSS. Further details are disclosed in note 34 on Contingent Liabilities.

All the companies within the group have a reporting period end date of the 31st March, with exception of TOR2 which now has a 31st July date to align with other Kier May Gurney companies.

For those companies within the group that are 'Limited by Guarantee and not having a share capital' any surplus is reinvested into their activities. The Torbay Economic Development Company Ltd (TEDC Ltd) is a private limited company; however the intention is that any surplus is reinvested into the service. TOR2 is also a private limited company where the Council is due a share of any profits (not applicable in 2012/13 or 2013/14).

The Council's interest in TOR2 Ltd is less than the accounting presumption that a 20% holding in a company is necessary for significant influence. The Council has considered its relationship with this company and concluded that it does have significant influence over it due to the dependence it has on the Council. Therefore the company has been treated as associate. During 2013/14 May Gurney, the other shareholder in the company, merged with Kier to create Keir May Gurney. TOR2's accounting date has changed to be consistent with the parent company, therefore TOR2's figures are an estimated position as at 31st March.

As at the 31st March 2014 the net balances outstanding between members of the group were:-

- Torbay Council and TOR2 Ltd, a net £0.6m owed by the Council
- Torbay Council and the Torbay Economic Development Company, a net £0.3m owed by Torbay Council.

Company Name and Reg'n No	Type of Company	Commenced Trading	Principal Activities during the year	Assessed Relationship	Shareholding /Control and Company Directors
Torbay Economic Development Company Ltd 07604855	Private Limited Company	14 th April 2011	To bring about Regeneration in Torbay In 13/14 Council paid £1.8m grant	Subsidiary	Shareholding /Control: 100% Members of Torbay Council that are Directors of this Company are as follows:- Cllr Mark Pountney Cllr David Thomas Cllr Alan Tyerman A full list of directors is available at:- http://www.torbaydevelopmentagency.co.uk/
English Riviera Tourism Company Ltd 07223987	Local Authority Controlled Company Limited by Guarantee and not having a share capital	1 st October 2010	Marketing the English Riviera and managing and delivering the English Riviera Visitor Information Service In 13/14 Council paid £0.5m grant	Subsidiary	Shareholding /Control: 100% Members of Torbay Council that are Directors of this Company are as follows:- Cllr. Roger Stringer Cllr. Jeanette Richards S Cheriton (Officer Torbay Council) A full list of directors is available at:- http://englishrivieratourism.co.uk/ertc-board-members.php
Oldway Mansion Management Company Ltd 8219420	Company limited by share	20 th September 2012	To manage the Oldway Estate on behalf of Torbay Council and tenants In 13/14 Council funded a £0.1 m payment	Subsidiary	Shareholding /Control: 100% Directors: M Bennett (Officer Torbay Council) C Uzzell (Officer Torbay Council)
TOR2 Ltd 07204696	Company limited by share	19 th July 2010	Waste and recycling collections; maintenance of highways, grounds, parks, car parks, buildings and the Council's vehicle fleet; street and beach cleansing; and out of hours call centre support in the Torbay area Council has 10 year contract with TOR2 for a number of services. For 2013/14 annual cyclical works were approx £10m and ordered works approx £3m	Associate	Shareholding /Control: 19.99% Members of Torbay Council that are Directors of this Company are as follows:- Cllr Peter Addis

Company Name and Reg'n No	Type of Company	Commenced Trading	Principal Activities during the year	Assessed Relationship	Shareholding /Control and Company Directors
Careers South West Ltd 3029947	Local Authority Controlled Company Limited by Guarantee and not having a share capital	1 st April 2008 formerly Connexions Cornwall & Devon Ltd	To develop, co-ordinate, operate and ensure provision of support services for young people and provide careers advice, information and guidance to people of all ages. In 13/14 Council funded a £0.4m payment	Associate	Shareholding /Control: 25% A list of directors is available at: https://www.careerssw.org/about-us
The PLUSS Organisation Ltd 05171613	Local Authority Controlled Company Limited by Guarantee and not having a share capital	1 st August 2005	Primary purpose is to inspire people of all abilities to achieve a career. The key areas are employment services and supported enterprises In 13/14 Council funded a £1.6 m payment including purchases of equipment.	Associate	Shareholding /Control: 25% Members of Torbay Council that are Directors of this Company are:- Councillor Stocks A full list of directors is available at: http://www.pluss.org.uk/pluss-board-directors

Summary financial information of Subsidiary Companies

This table lists summary information about the Council's interest in subsidiary companies and its relationship with them in terms of ownership and trading. Torbay share 100%

	TEDC		ERTC		OMMC	
	2012/13	2013/14	2012/13	2013/14	2012/13	2013/14
	£m	£m	£m	£m	£m	£m
Income	(4.3)	(4.3)	(0.9)	(0.8)	(0.1)	(0.1)
Expenditure	4.4	4.5	0.9	0.8	0.1	0.1
Operating (Profit) or loss	0.1	0.2	0	0	0	0
Other Comprehensive Income						
Actuarial (gains)/Losses recognised in the pension scheme	(0.4)	0.2	0	(0.1)	0	0
Taxation (including deferred)	0	0	0	0	0	0
Total	(0.3)	0.4	0	(0.1)	0	0
Assets	4.1	4.1	0	0	0	0
Liabilities	(1.0)	(1.5)	(0.2)	(0.1)	0	0
Total	3.1	2.6	(0.2)	(0.1)	0	0

Summary financial information of Associate Companies

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

	TOR2 Ltd		Careers South West Ltd		The PLUSS Organisation Ltd	
	Total	Torbay Council's Share (19.99%)	Total	Torbay Council's Share (25%)	Total	Torbay Council's Share (25%)
	£m	£m	£m	£m	£m	£m
2012/13						
Income	(15.4)	(3.1)	(13.8)	(3.5)	(27.4)	(6.9)
Expenditure	14.6	2.9	13.5	3.4	27.5	6.9
Operating (Profit) or loss	(0.8)	(0.2)	(0.3)	(0.1)	0.1	0
Other Comprehensive Income and Expenditure	0.2	0.1	0	0	0.2	0.1
Actuarial (gains)/Losses recognised in the pension scheme	0	0	3.2	0.8	(0.6)	(0.2)
Taxation (including deferred)	0.1	0	0	0	0.1	0
Total	(0.5)	(0.1)	2.9	0.7	(0.2)	(0.1)
Assets	5.3	1.0	4.8	1.2	7.6	1.9
Liabilities	(7.2)	(1.4)	(11.5)	(2.9)	(7.0)	(1.8)
Total Capital & Reserves	(1.9)	(0.4)	(6.7)	(1.7)	0.6	0.1

	Total	Torbay Council's Share (19.99%)	Total	Torbay Council's Share (25%)	Total	Torbay Council's Share (25%)
	£m	£m	£m	£m	£m	£m
2013/14						
Income	(15.3)	(3.1)	(13.5)	(3.4)	(27.8)	(7.0)
Expenditure	14.9	3.0	13.9	3.5	27.5	6.9
Operating (Profit) or Loss	(0.4)	(0.1)	0.4	0.1	(0.3)	(0.1)
Other comprehensive income and expenditure	0	0	0.2	0	(2.0)	(0.5)
Actuarial (Gains)/Losses recognised in the pension scheme	-	-	2.7	0.7	1.0	0.3
Taxation	0.1	0	0	0	0.6	0.1
Total	(0.3)	(0.1)	3.3	0.8	0.7	0.2
Assets	3.9	0.8	4.8	1.2	8.2	2.0
Liabilities	(4.5)	(0.9)	(14.8)	(3.7)	(6.9)	(1.7)
Total Capital & Reserves	(0.6)	(0.1)	(10.0)	(2.5)	1.3	0.3

Other interests in Companies

The following companies are also related to the Council. However they are not considered material in financial terms.

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

Torbay Town Centres Limited. In 2008/09 the Council with representatives from local businesses formed this company to support the process for establishing Business Improvement Districts (BID) in the Torbay area. The Council collects the BID levy on behalf of the Torquay BID, the Paignton BID and, from 2012/13, the St Marychurch and Babbacombe BID on an agency basis. The value of the levy collected by the Council and paid to the company in 2013/14 was £0.4m. (2012/13 £0.4m)

Riviera International Conference Centre. The Council has a maximum voting right of 19.99% on the board of the Riviera International Conference Centre Ltd, in addition the Council provides a peppercorn lease for the centre and an annual revenue grant – 2013/14 £0.6m (2012/13 £0.6m).

Trust Funds

The Council acts as a Trustee for a number of funds. These balances do not form part of the Council's accounts. The value of these funds as at 31st March 2014 was £29,000 (£30,000 2012/13). Of this balance £22,000 is held within the Council's bank account with the balance of £7,000 relating to the (civic) Mayor of Torbay's charity fund held in a separate bank account.

Central Government

Central government (Her Majesty's Government for the United Kingdom of Britain and Northern Ireland) has effective control over the general operations of the Council – it is responsible for providing the statutory framework within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. council tax bills, housing benefits). Significant grants received from government departments are set out in Note 31.

Members

Members of the council have direct control over the Council's financial and operating policies. The total of members' allowances paid in 2013/14 is shown in Note 27. Members have not disclosed any material transactions with the Council. The Members' Record of Interests and Register of Gifts & Hospitality for each Member are available on the Council's website.

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

Officers

Officers complete a register of interests and the Council maintains a Register of Gifts & Hospitality for officers

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

SWERCOTS is a partnership of 15 local authority trading standard services, who work together to maximise the benefits of regional collaboration to protect the interest of consumers and reputable businesses in the South West of England. The partnership funds are held by Cornwall County Council.

Torbay and Southern Devon Health and Care NHS Trust In December 2005 the Council entered a "partnership agreement" with Torbay Care Trust, (formerly Torbay Primary Care Trust) for the provision of adult care services formally operated by the Council. The Council remains ultimately responsible for adult social care. In 2013/14 the funding payment was £42.0m (£43.2m 2012/13)

Torbay Care Trust, under health reforms, from April 2012 split into two bodies: NHS Torbay and Torbay and Southern Devon Health and Care NHS Trust. The Council's partnership agreement for adult social care transferred to the Trust.

The Council has a pooled budget arrangement for the provision of a joint equipment store – see Note 26

Joint Committees

The Council is part of a number of joint committees where local authorities have joined together to provide a service. These are listed below:

Devon Audit Partnership

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

Devon County is the "host" Council for the Joint Committee with all staff now employed by Devon County Council. Assets and Liabilities of the Joint Committee are split on an agreed basis (number of FTE's on inception of the Committee); Torbay's share is equal to 27%. Torbay's contribution to the partnership for 2013/14 was £0.3m (2012/13 £0.4m).

PATROL – Parking and Traffic Regulations Outside London.

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

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

South West Devon Waste Disposal Partnership

Torbay Council, with Plymouth City Council and Devon County Council have begun working together and have jointly contracted a PFI project for an Energy from Waste Plant (based in Plymouth) to dispose of residual waste collected by the three Councils. As part of the Joint Working Agreement between the three Councils the South West Devon Waste Partnership Joint Committee has been established to facilitate the procurement and subsequent operation and management of the facilities (by the selected contractor). The Plant is expected to be operational in 2014.

The expenditure associated with this project is being incurred by Plymouth City Council (as lead authority) and then allocated on an equal share basis to Torbay and Devon County Councils. Expenditure in year was £0.3m of which Torbay's share was £0.1m. Torbay's share of the expenditure is reflected within the cost of services on the comprehensive income and expenditure statement.

33. Impairment Losses

Impairment losses and impairment reversals are charged to the Surplus or Deficit on the Provision of Services and to Other Comprehensive Income and Expenditure. The impairment by asset class is shown within Note 11 reconciling the movement over the year in Property, Plant and Equipment and Heritage Assets. During 2013/14, primarily as a result of the Council's rolling programme the Council has recognised an impairment loss of £10.1m in total (£2.1m 12/13) charged to the Income and Expenditure account. Within the £10.1m asset impaired included schools, office accommodation and the crematorium. No individual asset had an impairment in excess of £3m.

34. Contingent Liabilities

Pension Guarantees

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

These are listed in the table below:

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

Bank Guarantees

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

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

Loans

The Council has provided the following loan or loan facility to the following organisations. These loans are included in the Council's debtor balances on the balance sheet as at 31st March 2014.

Value of loan 31/3/13	Organisation	Value of loan 31/3/14
£162,000	PLUSS	£139,000
£575,000	Torbay Economic Development Company	£575,000 *
-	Torbay Economic Development Company	£1,200,000 *
£133,000	Academy Schools	£318,000
£10,000	Car Loans – staff	£4,000
£19,000	Babbacombe Cliff Railway	£16,000
£7,000	Housing Loans	£5,000
-	Sports Clubs	£30,000

Note * loan facility not used as at 31st March 2014

Remote Liabilities

The Council is aware of a number of areas where claims have been made against the Council which could result in a financial payment. However the Council considers that any payment is unlikely and therefore has not recognised these claims as a liability.

The board of Municipal Mutual Insurance limited in 2012/13 concluded that it couldn't forecast a solvent "run off" of claims which has led to the scheme of arrangement being activated which exposes the Council to a share of the costs of any outstanding insurance claims. The company's administrator set an initial levy for all Councils to be 15% of each Council's claims, which was collected in 2013/14. This levy may increase in the future but at present the administrator has not indicated that the levy will increase.

A group of property search companies are seeking to claim refunds of fees paid to the Council to access land charges data, however legal proceedings have not yet been issued. The claimants have also intimated that they may bring a claim against all English and Welsh local authorities for alleged anti-competitive behaviour. It is not clear what the value of any such claim would be against the Council. It is possible that additional claimants may come forward to submit claims for refunds, but none have been intimated at present.

The Council from 2013/14 is required to provide for the cost of any backdated NNDR refunds arising from appeals submitted to the Valuation Office that are successful. The Council has estimated the impact of appeals submitted by 31st March using historic information; however for appeals that could be submitted after 31st March that may relate to 2013/14 or earlier year NNDR income, there is not enough certainty to enable a reliable estimate to be made.

35. Termination Benefits and Exit Packages

In 2013/14 the Council continued, as part of the Council's budget reductions, the process to terminate the contracts of a number of employees and announced plans that would result in further terminations in 2014/15, incurring a cost of £0.8m in relation to staff redundancy and strain costs. The number of exit packages banded by the total cost of each exit package, split by compulsory redundancy and other departures, (such as voluntary redundancy or settlements), are detailed in the table below. The costs disclosed are redundancy and strain payments and relate to staff employed by the Council including Council schools.

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

Number of Exit packages by band 2012/13				Value of Exit package	Number of Exit packages by band 2013/14			
Compulsory Redundancy		Other Departures			Compulsory Redundancy		Other Departures	
No. In Band	Total Cost £000's	No. In Band	Total Cost £000's		No. In Band	Total Cost £000's	No. In Band	Total Cost £000's
27	192	19	156	0-20,000	42	313	19	100
8	229	4	106	20,001- 40,000	4	104	2	54
1	41	2	96	40,001- 60,000	1	43	1	46
1	70	1	64	60,001- 80,000	0	0	0	0
1	100	1	81	80,001- 100,000	0	0	0	0
0	0	1	132	100,001- 150,000	1	122	0	0
0	0	0	0	150,001- 200,000	0	0	0	0
1	209	0	0	200,001- 250,000	0	0	0	0
39	841	28	635		48	582	22	200

36 Capital Expenditure and Capital Financing

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

2012/13 £ m		2013/14 £m
137.1	Opening Capital Financing Requirement	135.7
	Capital investment	
12.6	Property, Plant and Equipment	11.0
0.1	Intangible Assets	0
5.8	Revenue Expenditure Funded from Capital under Statute	6.3
	Sources of finance	
(0.7)	Capital receipts	(0.3)
(13.2)	Government grants and other contributions	(11.5)
	Sums set aside from revenue:	
(1.0)	• Direct revenue contributions	(1.6)
(5.0)	• MRP	(4.6)
<u>135.7</u>	Closing Capital Financing Requirement	<u>135.0</u>
	Explanation of movements in year	
0.5	Increase in underlying need to borrowing (supported by government financial assistance)	0.3
3.1	Increase in underlying need to borrowing (unsupported by government financial assistance)	3.6
(5.0)	Provision for repayment of borrowing (MRP & VRP)	(4.6)
(1.4)	Increase/(decrease) in Capital Financing Requirement	(0.7)

37. Leases

Council as Lessee

Operating Leases - Equipment

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

Operating Leases - Property

The Council has leases for a number of properties, primarily for office accommodation. A number of leases have “break clauses” to enable early exit of the lease if required which will reduce future payments if enacted. The Council has enacted the break clauses on Commerce House and Pearl Assurance House. Rent payments in 2013/14 totalled £0.2m (£0.4m 2012/13). The future minimum lease payments due under property leases in future years is £0.2m (£0.8m, 2012/13).

Finance Leases:

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

Council as Lessor

Operating Leases – Property:

The Council leases out property under operating leases for the provision of services, such as cafes and golf clubs and for economic development purposes to provide suitable affordable accommodation for local businesses. Payments received in 2013/14, including turnover rents, totalled £2.9m (£2.9m 2012/13).

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

31 March 2013	Total payments due classified by year of expiry of lease term	31 March 2014
£m		£m
2.4	Not later than one year	2.5
9.4	Later than one year and not later than five years	9.8
57.3	Later than five years	61.2
69.1		73.5

Finance Leases:

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

38. Pensions Schemes Accounted for as Defined Contribution Schemes

Teachers' Pension Scheme

The Council takes part in the Teachers' Pension Scheme. Teaching staff employed by the Council are rewarded for years of service with rights to retirement lump sums and pensions based on final salaries. The Council makes an annual contribution to the Scheme calculated as a percentage of pensionable pay. The contribution rate is specified by the Department for Education each year so that budgeted income is sufficient to cover the outgoings of the Scheme. This Scheme operates through a notional fund administered on a national basis. The Scheme does not record liabilities for each participating employer and raises contributions from all employers based on a common percentage of the pensionable pay of current employees, irrespective of any obligations created in previous years. Apart from this shared responsibility

for shortfalls on the notional fund, the Council has no direct responsibility for the obligations of any other party to the Scheme.

The Scheme is a defined benefit plan but is accounted for as it were a defined contribution plan. This is because the administrators of the Scheme do not keep separate records of the defined benefit obligations for individual authorities and no assets are attributable to the Scheme.

The employers' contribution rate was 14.1% in 2013/14 (14.1% in 2012/13). Contributions of £2.4m were paid in 2013/14 (£3.1m 12/13). The contribution rate for participants in the Scheme has been set at 14.1% of pensionable pay for 2014/15. The payments for 2014/15 are estimated to be less due to more schools converting to Academy schools.

The 2012/13 accounts for the Scheme record liabilities of £225 billion. [Source: Teachers' Pension Scheme Annual Accounts 2012/13]. However, the employers' contribution rate is not set with reference to outstanding liabilities but the payments projected to be made out of the notional fund each year. The Council is one of 174 local authorities participating in the Scheme, amongst a total of 4,991 employers in 2012/13.

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/247425/0028.pdf

NHS Pension Scheme

Public Health staff who transferred to the Council's employment in April 2013 were entitled to remain in a NHS pension scheme along with new staff recruited to public health if they meet certain criteria.

The Council takes part in the NHS Pension Scheme. Public Health staff employed by the Council are rewarded for years of service with rights to retirement lump sums and pensions based on final salaries. The Council makes an annual contribution to the Scheme calculated as a percentage of pensionable pay. The contribution rate is specified the Department for Health each year so that budgeted income is sufficient to cover the outgoings of the Scheme. This Scheme operates through a notional fund administered on a national basis. The Scheme does not record liabilities for each participating employer and raises contributions from all employers based on a common percentage of the pensionable pay of current employees, irrespective of any obligations created in previous years. Apart from this shared responsibility for shortfalls on the notional fund, the Council has no direct responsibility for the obligations of any other party to the Scheme.

The Scheme is a defined benefit plan but is accounted for as it were a defined contribution plan. This is because the administrators of the Scheme do not keep separate records of the defined benefit obligations for individual authorities and no assets are attributable to the Scheme.

The employers' contribution rate was 14% in 2013/14 (n/a 2012/13). Contributions of £0.1m were paid in 2013/14 (n/a 12/13). The contribution rate for participants in the Scheme has been set at 14% of pensionable pay for 2014/15. The payments for 2014/15 are estimated to be at a similar level to 2013/14.

The 2012/13 accounts for the Scheme record liabilities of £284 billion. [Source: NHS Pension Scheme Annual Accounts 2012/13]. However, the employers' contribution rate is not set with reference to outstanding liabilities but the payments projected to be made out of the notional fund each year. The Council is one of the local authorities participating in the Scheme, amongst a total of 9,016 employers in 2012/13.

http://www.nhsbsa.nhs.uk/Pensions/Documents/Pensions/NHS_Pension_Scheme_Accounts_2013-13.pdf

39. Defined Benefit Pension Schemes

Local Government Pension Scheme

39.1 Characteristics of Defined Benefit Plans and Associated Risks

Employees of the Council are eligible to join the Local Government Pension Scheme (LGPS), which rewards years of service with rights to retirement lump sums and pensions based on final salaries.

The LGPS is a defined benefit statutory scheme administered in accordance with the Local Government Pension Scheme Regulations 2013/14, is contracted out of the State Second Pension and benefits accrued up to 31 March 2014 are based on final salary and length of service on retirement. Changes to the LGPS came into effect from 1 April 2014 and any benefits accrued from this date will be based on career average revalued salary, with various protections in place for those members in the scheme before the changes take effect.

The Administering Authority for the Fund is Devon County Council. The Pension Fund Committee oversees the management of the Fund whilst the day to day fund administration is undertaken by a team within the Administering Authority. Where appropriate some functions are delegated to the Fund's professional advisers. Details on the scheme are on the website for Peninsula Pensions.

<http://www.peninsulapensions.org.uk/lgps/pension-fund-investments/devon-county-council-investments/annual-reports-and-accounts-archive/>

As Administering Authority to the Fund, Devon County Council, after consultation with the Fund Actuary and other relevant parties, is responsible for the preparation and maintenance of the Funding Strategy Statement and the Statement of Investment Principles.

The appointed actuary to the pension fund is Barnett Waddingham "the actuary", who provide the pension valuations used in these accounts.

The Local Government Pension Scheme is required to have an actuarial valuation every three years. This valuation will set a rate for employer's contributions for the next three years so as to secure the pension fund's solvency, together with any other amounts necessary to recover the deficit built up on the fund.

Contributions are set every 3 years as a result of the actuarial valuation of the Fund required by the Regulations. The next actuarial valuation of the Fund will be carried out as at 31 March 2016 and will set contributions for the period from 1 April 2017 to 31 March 2020. There are no minimum funding requirements in the LGPS but the contributions are generally set to target a funding level of 100% using the actuarial valuation assumptions.

The latest actuarial valuation was prepared as at 31 March 2013. The objectives of the scheme are to keep employer's contributions at as a constant a rate as possible. The agreed contribution rates should result in a 100% funding level over the medium term. This set a contribution rate for the Council of 13.1% of pensionable pay for 2014/15, budgeted to result in a payment of around £4.2m to the Fund. An additional payment of £1.8m (equal to 5.5%) is also payable as a contribution towards the deficit on the fund.

The maturity profile of Torbay members is an average age of 46 years for active members and deferred pensioners, 69 years for pensioners and 75 years for unfunded pensioners.

On the Employer's withdrawal from the plan, a cessation valuation will be carried out in accordance with Regulation 64 of the LGPS Regulations 2013 which will determine the

termination contribution due by the Employer, on a set of assumptions deemed appropriate by the Fund Actuary.

In general, participating in a defined benefit pension scheme means that the Employer is exposed to a number of risks:

- Investment risk. The Fund holds investment in asset classes, such as equities, which have volatile market values and while these assets are expected to provide real returns over the long-term, the short-term volatility can cause additional funding to be required if a deficit emerges.
- Interest rate risk. The Fund's liabilities are assessed using market yields on high quality corporate bonds to discount the liabilities. As the Fund holds assets such as equities the value of the assets and liabilities may not move in the same way.
- Inflation risk. All of the benefits under the Fund are linked to inflation and so deficits may emerge to the extent that the assets are not linked to inflation.
- Longevity risk. In the event that the members live longer than assumed a deficit will emerge in the Fund. There are also other demographic risks.

In addition, as many unrelated employers participate in the Devon County Council Pension Fund, there is an orphan liability risk where employers leave the Fund but with insufficient assets to cover their pension obligations so that the difference may fall on the remaining employers.

All of the risks above may also benefit the Employer e.g. higher than expected investment returns or employers leaving the Fund with excess assets which eventually get inherited by the remaining employers.

In 2013/14 there were a number of settlements within the fund resulting from staff transfers with a net gain of £0.7m, (£3.8m 13/14). These include staff transfers to Cockington Primary, Combe Pafford Academy, Torre Church of England Primary, Community Development Trust, Healthwatch and includes the effect of the cessation on 31 March 2014 of the PLUSS pension scheme, a scheme that was supported by PLUSS's owners that include Torbay Council.

To assess the value of the Employer's liabilities at 31 March 2014, the actuary has rolled forward the value of the Employer's liabilities calculated for the funding valuation as at 31 March 2013, using financial assumptions that comply with IAS19.

The full actuarial valuation involved projecting future cashflows to be paid from the Fund and placing a value on them. These cashflows include pensions currently being paid to members of the Scheme as well as pensions (and lump sums) that may be payable in future to members of the Fund or their dependants. These pensions are linked to inflation and will normally be payable on retirement for the life of the member or a dependant following a member's death. It is not possible to assess the accuracy of the estimated liability as at 31 March 2014 without completing a full valuation. However, the actuary is satisfied that the approach of rolling forward the previous valuation data to 31 March 2014 should not introduce any material distortions in the results provided that the actual experience of the Employer and the Fund has been broadly in line with the underlying assumptions, and that the structure of the liabilities is substantially the same as at the latest formal valuation. From the information the actuary has received there appears to be no evidence that this approach is inappropriate.

To calculate the asset share the actuary has rolled forward the assets allocated to the Employer at 31 March 2013 allowing for investment returns (estimated where necessary), contributions paid into, and estimated benefits paid from, the Fund by and in respect of the Employer and its employees.

As required under IAS19 the actuary has used the projected unit method of valuation to calculate the service cost.

39.2 Financial statements

The following tables show the impact of the Assets and liabilities in relation to post employment benefits on the Council's accounts in 2013/14. The following tables are shown:

- Net Pension Liability – this table shows the net pension liability in the balance sheet
- Comprehensive Income & Expenditure Statement – this table shows the IAS19 entries as they appear in the Councils Comprehensive Income & Expenditure Statement and the actual cash payments to the pension fund in year.
- Reconciliation of fair value of the scheme (plan) assets - this table shows an analysis of the movements in the pension asset during the year
- Reconciliation of fair value of the scheme (plan) liabilities - this table shows an analysis of the movements in the pension liability during the year

Net Pension Liability

	2011/12 £m	2012/13 £m	2013/14 £m
Present value of Funded Obligation	(310.7)	(331.7)	(336.7)
Fair Value of Fund Assets (Bid Value)	195.9	215.3	225.7
Net Liability	(114.8)	(116.4)	(111.0)
Present value of Unfunded Obligation	(8.6)	(8.9)	(9.2)
Net Liability in Balance Sheet	(123.4)	(125.3)	(120.2)

Comprehensive Income and Expenditure Statement

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

Post Employment Benefits	Local Government Pension Scheme £m		
	2012/13 Disclosed	2012/13 New standard	2013/14
Comprehensive Income and Expenditure Statement			
<u>Cost of Services:</u>			
Current service cost	8.0	8.0	7.9
Past service costs	0	0.9	0.5
Settlements and curtailments	(2.8)	(3.7)	(0.7)
Total Service Cost:	5.2	5.2	7.7
Administration Expenses	0	0.1	0.1
<u>Financing and Investment Income and Expenditure</u>			
Net Interest on the defined benefit liability	0	5.4	5.5
Interest cost	14.3	0	0
Expected return on scheme assets	(10.5)	0	0
Total Charged to the Surplus or Deficit on the Provision of Services	9.0	10.7	13.3
<u>Other Comprehensive Income and Expenditure</u>			
Other Actuarial (gains)/losses on assets	0	0	(1.2)
Change in Financial Assumptions	0	14.3	7.5
Change in Demographic Assumptions	0	0	1.9
Experience (gain)/loss on defined benefit obligation	0	0.3	(19.9)
Actuarial (gains) and losses	0.8	0	0
Total Remeasurement of net defined benefit liability:	0.8	14.6	(11.7)
Return on plan assets in excess of interest	0	(15.5)	(0.3)
Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	9.8	9.8	1.3
Movement in Reserves Statement			
Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code	(9.0)	(10.7)	(13.3)
Actual amount charged against the General Fund Balance for pensions in the year:			
Employers' contributions payable to scheme	7.4	7.4	5.8

Post Employment Benefits Comprehensive Income and Expenditure Statement	Local Government Pension Scheme £m		
	2012/13 Disclosed	2012/13 New standard	2013/14
Retirement benefits payable to pensioners	0.6	0.6	0.6

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

	Local Government Pension Scheme £m		
	2012/13 Disclosed	2012/13 New standard	2013/14
Opening balance at 1 April	195.9	195.9	215.3
Interest on Assets	0	8.8	9.6
Return on Assets less Interest	0	15.5	0.3
Expected return on Plan assets	10.4	0	0
Other Actuarial gains/(losses)	0	0	1.2
Actuarial gains and (losses)	13.8	0	0
Administration Expenses	0	(0.1)	(0.1)
Contributions by scheme participants	2.0	2.0	1.8
Employer contributions	8.0	8.0	6.4
Benefits paid	(11.3)	(11.3)	(11.1)
Settlement process received/(paid)	(3.5)	(3.5)	2.3
Closing balance at 31 March	215.3	215.3	225.7

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

	Liabilities: Local Government Pension Scheme £m		
	2012/13 Disclosed	2012/13 New standard	2013/14
Opening balance at 1 April	(319.4)	(319.4)	(340.6)
Current service cost	(8.0)	(8.0)	(8.0)
Contributions by scheme participants	(2.0)	(2.0)	(1.8)
Interest cost	(14.2)	(14.2)	(15.1)
Change in Financial Assumptions	0	(14.3)	(7.5)
Change in Demographic Assumptions	0	0	(1.9)
Experience (loss)/gain on defined benefit obligation	0	(0.3)	19.9
Actuarial gains and (losses)	(14.6)	0	0
Benefits paid	10.6	10.6	10.5

Past service costs, including Curtailments	(0.9)	(0.9)	(0.5)
Liabilities (assumed)/extinguished on Settlements	7.3	7.3	(1.5)
Unfunded Pension payments	0.6	0.6	0.6
Closing balance at 31 March	(340.6)	(340.6)	(345.9)
Present Value of Unfunded Obligation included in above	(8.9)	(8.9)	(9.2)

39.3 Fund Assets

The return on the fund (on a bid value to bid value basis) for the year to 31st March 2014 is estimated to be 5%. The actual return on Fund assets over the year may be different.

The estimated asset allocation for Torbay Council as at 31st March 2014 is as follows:

	31 March 2013		31 March 2014	
	£m	%	£m	%
Gilts	28.0	13	15.8	7
UK Equities	131.3	61	58.7	26
Overseas Equities	0	0	76.8	34
Property	17.2	8	20.3	9
Infrastructure	0	0	4.5	2
Target Return portfolio	32.3	15	33.9	15
Cash	6.5	3	4.5	2
Other Bonds	0	0	11.3	5
	215.3	100	225.7	100

Further information on the investment activity is available at:-
<http://www.peninsulapensions.org.uk/lgps/pension-fund-investments/devon-county-council-investments/devon-fund-key-documents/>

39.4 Actuarial Assumptions.

Demographic and Statistical Assumptions

The actuary has adopted a set of demographic assumptions that are consistent with those used for the funding valuation as at 31 March 2013. The post retirement mortality tables adopted are the S1PA tables with a multiplier of 100% for males and 90% for females. These base tables are then projected using the CMI 2012 Model, allowing for a long term rate of improvement of 1.5% per annum.

The assumed life expectations from age 65 are;

Mortality assumptions:	2011/12	2012/13	2013/14
Longevity from age 65: retiring today			
Men	-	20.6 yrs	22.7 yrs
Women	-	24.6 yrs	26.0 yrs
Longevity from age 65: retiring in 20 years			
Men	-	22.6 yrs	24.9 yrs
Women	-	26.5 yrs	28.3 yrs

The actuary has made the following assumptions:

- Members will exchange half of their commutable pension for cash at retirement;
- Members will retire at one retirement age for all tranches of benefit, which will be the pension weighted average tranche retirement age;
- 10% of active members will take up the option under the new LGPS to pay 50% of contributions for 50% of benefits.

Financial Assumptions

Assumptions	31 st March 2012		31 st March 2013		31 st March 2014	
	% p.a	Real	% p.a	Real	% p.a	Real
RPI Increases	3.3	0	3.4	0	3.6	0
CPI Increases	2.5	(0.8)	2.6	(0.8)	2.8	(0.8)
Salary Increases	4.7	1.4	4.8	1.4	4.6	1.0
Pension Increases	2.5	(0.8)	2.6	(0.8)	2.8	(0.8)
Discount Rate	4.6	1.3	4.5	1.1	4.5	0.9

These assumptions are set with reference to market conditions at 31 March 2014.

The actuary's estimate of the duration of the Employer's liabilities is 19 years.

The discount rate is the annualised yield at the 19 year point on the Merrill Lynch AA rated corporate bond curve which has been chosen to meet the requirements of IAS19 and with consideration of the duration of the Employer's liabilities. This is consistent with the approach used at the last accounting date.

The RPI increase assumption is set based on the difference between conventional gilt yields and index-linked gilt yields at the accounting date using data published by the Bank of England, specifically the 19 year point on the BoE spot inflation curve. This is consistent with the approach used at the last accounting date.

This measure has historically overestimated future increases in the RPI and so, in the past, the actuary has made a deduction of 0.25% to get the RPI assumption. However, the evidence for this in more recent periods is weaker and so the actuary has made no such deduction at 31 March 2014. The RPI assumption is therefore 3.6%. As future pension increases are expected to be based on CPI rather than RPI, the actuary has made a further assumption about CPI which is that it will be 0.8% below RPI i.e. 2.8%. The actuary believes that this is a reasonable estimate for the future differences in the indices, based on the different calculation methods.

Salary increases are then assumed to increase at 1.8% per annum above CPI in addition to a promotional scale. However, the actuary has allowed for a short-term overlay from 31 March 2013 to 31 March 2015 for salaries to rise in line with CPI.

Sensitivity Analysis on Actuarial assumptions:

The actuary has proved a sensitivity analysis of a 0.1% change in the key actuarial assumptions showing the impact on the net liability and the Service Cost.

	£m	£m	£m
Adjustment to Discount Rate	+0.1%	0	(0.1%)
Present Value of obligation	339.8	346.0	352.3
Projected Service Cost	6.6	6.7	6.9
Adjustment to Long Term Salary increase	+0.1%	0	(0.1%)
Present Value of obligation	346.8	346.0	345.2
Projected Service Cost	6.7	6.7	6.7
Adjustment to Pension increases and deferred revaluation	+0.1%	0	(0.1%)
Present Value of obligation	351.6	346.0	340.5
Projected Service Cost	6.9	6.7	6.6
Adjustment to Mortality Age Rating Assumption	+1 year	0	(1 year)
Present Value of obligation	333.8	346.0	358.2
Projected Service Cost	6.5	6.7	7.0

40 Summary of Significant Accounting Policies

1.1 Concepts and Principles

The Statement of Accounts summarises the Council's transactions for the 2013/14 financial year and its position at the year-end of 31 March 2014. The Council is required to prepare an annual Statement of Accounts (by the Accounts and Audit Regulations 2011). These are prepared in accordance with proper accounting practices and represent a "true and fair view" of the Council's financial position.

These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2013/14 (The Code) and the Service Reporting Code of Practice 2013/14, supported by International Financial Reporting Standards (IFRS) and the IASB Conceptual Framework for the Preparation and Presentation of Financial Statements as interpreted by the Code, and adapted where necessary for local government circumstances.

1.2 Objectives of Financial Statements

For local authorities the objective of financial statements is to provide information about the authority's performance, financial position and cash flows that is useful to a wide range of users

for assessing the stewardship of the authority's management and for making economic decisions.

Financial Performance Reflected by Accrual Accounting

The financial statements are prepared on an accruals basis (except for cash flow), the focus for which is the Council defining when assets and liabilities should be recognised.

Underlying Assumption

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.

Qualitative Characteristics of Useful Financial Information

Accounts should possess the following fundamental qualitative characteristics:

Relevance – information only included that is capable of making a difference to decisions made by users

Materiality – when applied at an individual Council level, information is material where its omission could influence decisions made by users. Reporting immaterial items can interfere with decision making and excessive detail may obscure the relevant information.

Faithful Representation – the financial statements should faithfully represent the financial circumstances it purports to represent. To achieve this three characteristics of information apply:

Completeness – the accounts contain all information necessary for a user to understand.

Neutrality – the accounts are free from bias

Free from Error – the accounts have no errors or omissions in the description of the financial position – which does not require that the accounts are perfectly accurate.

To enhance the usefulness of information in the accounts the information should have the following characteristics: **Comparability, verifiability, timeliness and understandability.**

1.3 Accounting Policies

Accounting policies are the principles, bases, conventions, rules and practices applied by an entity that specify how the effects of transactions and other events are reflected in the financial statements. These include estimation techniques that have been used in applying the policies.

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

The accounting policies that are significant to the understanding of the Council's accounts are listed below:

1.4 Accruals of Income and Expenditure

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. Where the exact amount of the sum is unknown an estimate will be made

based on historical knowledge of the type of transaction and the value of similar payments. An exception is where there are regular bills, such as utilities and staff travel payments where, if not material, no accruals have been made as over a period of time the number of payments per year will even out. In addition where the exact value of a transaction or a number of transactions is not yet known estimates of the amounts due/owed have been made.

In particular:

- Revenue from the sale of goods is recognised when the Council transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.
- Revenue from the provision of services is recognised when the Council can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.
- Revenue relating to such things as council tax, general rates, etc shall be measured at the full amount receivable (net of any impairment losses) as they are non-contractual, nonexchange transactions and there can be no difference between the delivery and payment dates.
- Supplies are recorded as expenditure when they are consumed. Where appropriate there is a gap between the date supplies are received and their consumption they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments and payable on borrowings, where material is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.

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

1.5 Cash and Cash Equivalents

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

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

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

1.6 Collection Fund

The Council is the billing authority for the Torbay area. This means that the Council, acting on an agency basis, is responsible for the collection of NNDR and Council tax and for the payment of those taxes to:

For Council Tax: the precepting bodies.

For NNDR: other relevant bodies, including central government, of their "share"

The Council maintains a separate Collection Fund account for Council tax and NNDR transactions.

National Non Domestic rates (NNDR)

The Council only reflects in its balance sheet its own share of the net value of NNDR Income as at 31st March – such as arrears, impairment, and receipts in advance. The share is calculated on set percentage of the total NNDR income in a year; Torbay Council 49%, Central Government 50% and Devon and Somerset Fire and Rescue Service 1%. The share relating to the other bodies is an accrual due to/from to central government and the Devon and Somerset Fire and the Police and Crime Commissioner.

Council Tax

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

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

1.7 Prior period Adjustments and Changes in Accounting Policies and Estimates

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

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

In 2013/14 there was a change in the IAS19 (employee benefit) standard. The restatement of comparatives for 2012/13 for the new IAS19 entries were not considered material.

1.8 Charges to Revenue for Non-Current Assets

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

- depreciation attributable to the assets used by the relevant service
- impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written-off
- amortisation of intangible non current assets attributable to the service.

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

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

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

Annual contribution from revenue (Minimum Revenue Provision)

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

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

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

The Local Council (Capital Finance and Accounting) (Amendment) Regulations. (SI 2008/414) supported by statutory guidance on the Minimum Revenue Provision further revised the method of calculation from 2008/09. The Council set a Policy for Revenue Provision that will charge 4% on all capital expenditure funded from borrowing supported by central government and will

charge a prudent amount linked to asset life on an annuity basis to assets, once operational, funded from unsupported borrowing.

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

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

1.9 Employee Benefits

Benefits Payable During Employment

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

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

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

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

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

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

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

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept

voluntary redundancy. These are charged on an accruals basis if employee leaves before the end of the current financial year, or as a provision if employee is due to leave in the following financial year, to services or shown as an exceptional cost if material in the Comprehensive Income and Expenditure Statement in the financial year in which the Council's offer to an employee can no longer be withdrawn or when a restructuring provision is made. If there is uncertainty over the number of employees who will accept an offer of termination benefits the Council will disclose a contingent liability.

Post Employment Benefits

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

- The Teachers' Pension Scheme, administered by Capita Teachers' Pensions on behalf of the Department for Education (DfE).
 - The NHS Pension Scheme, administered by NHS Pensions.
 - The Local Government Pensions Scheme, administered by Devon County Council.
- All schemes provide defined benefits to members (retirement lump sums and pensions), earned as employees worked for the Council.

However, the arrangements for the teachers' scheme and NHS pensions mean that liabilities for these benefits cannot ordinarily be identified specifically to the Council. The scheme is therefore accounted for as if it was a defined contribution scheme and no liability for future payments of benefits is recognised in the Balance Sheet. The relevant lines in the Comprehensive Income and Expenditure account are charged with the employer's contributions in year.

The Local Government Pension Scheme

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

- The liabilities of the Devon County pension fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method - i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to-date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projections of projected earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate based on the indicative rate of return on an appropriate high quality corporate bond.

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

Employee contributions in year, as a negative benefit, are disclosed as part of the defined benefit obligation (liability).

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

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

Service Costs:

- Current service cost - the increase in liabilities as a result service earned this year - allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked

- Past service cost - the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years. Includes gains or losses on settlements and curtailments - the result of actions to relieve the Council of liabilities or events that reduce the expected future service or accrual of benefits of employees such as the transfer of staff to an alternative supplier: Debited/Credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs.
- Net Interest on the net pension liability - the expected net increase in the present value of liabilities during the year as they move one year closer to being paid offset by the expected return on assets - the annual investment return on the fund assets attributable to the Council, based on an average of the expected long-term return - debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
- Administration Costs – debited to the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs

Remeasurements:

- Return on Plan Assets – this excluding amounts included in net interest on the net defined benefit liability. Any movement in year is an adjustment to the Pensions Reserve as Other Comprehensive Income and Expenditure.
- Actuarial gains and losses - changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – any movement in year is an adjustment to the Pensions Reserve as Other Comprehensive Income and Expenditure.

Payments to Fund:

- Contributions paid to the Devon County Council Local Government pension scheme - cash paid as employer's contributions to the pension fund in settlement of liabilities are not accounted for as an expense in the Comprehensive Income and Expenditure Statement.

Statutory Override:

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

The overall amount to be met from Government grants and local taxation has remained unchanged after the impact of all these entries, but the Cost of Services on the Comprehensive Income and Expenditure Account in 2013/14 are higher after the replacement of employers' cash contributions by IAS 19 related costs. The net deficit on the Provision of Services is higher than it would otherwise have been.

The requirement to recognise the net pensions liability under IAS19 has reduced the reported net worth of the Council by 71%. (64% 2012/13).

Discretionary Benefits

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

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

Local Government Reorganisation

Torbay Council in 1998 agreed to fund a tax base share of Devon County's enhanced pension payments (unfunded benefits). A liability, based on IAS19 actuarial information provided to Devon County Council has been recognised with the balance held in the Pension Reserve. The movement in the IAS19 liability each year is recognised in Cost of Services and reversed in the Movement in Reserves statement. The payments in year to Devon County Council are recognised in the Cost of Services.

1.10 Events After The Reporting Period

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

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

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

1.11 Financial Instruments

Financial Liabilities

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

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

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

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

Financial Assets

Financial assets are classified into two types:

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

Loans and Receivables (investments and loans)

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

Available for Sale Assets - Investments

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

Assets are maintained in the Balance Sheet at fair value. Values for instruments with quoted market prices are based on the market price. If material, changes in fair value are balanced by an entry in the Available for Sale Reserve and the gain/loss is recognised in the Surplus or Deficit on Revaluation of Available for Sale Financial Assets.

Available for Sale Assets – Investment in Subsidiaries

The initial recognition of the Council's investment in its subsidiaries is at the nominal value of the shares held in the company subsequently adjusted for a fair value revaluation. In particular the fair value of the Council's investment in the Torbay Economic Development Company was taken to be the net equity of the company. Changes in value has been recognised in the '(Surplus)/Deficit on revaluation of available for sale financial assets' in the Comprehensive Income and Expenditure account. As at 31st March each year the investment value is adjusted to reflect the movement in the net equity of the company as a revaluation gain or loss, unless the loss falls below the nominal value of the shares when impairment will be recognised.

Assets carried at Fair Value through Profit and Loss

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

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

Financial Instruments Entered Into Before 1 April 2006

The Council entered into a financial guarantee with a bank in relation to the Torbay Coast and Countryside Trust that is required to be accounted for as financial instruments but has a statutory override (see below) to negate the impact on council taxpayers.

Pension guarantees are deemed to be outside the scope of financial instruments and have not been recognised.

Financial Instruments – Statutory Overrides

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

- SI 2008 414 – provision to mitigate the impact of Financial Guarantees up to 9th November 2007

Financial Instruments – interest due at year end

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

1.12 Government Grants and Contributions

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

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

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

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

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

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

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

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

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

1.13 Business Improvement Districts

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

1.14 Intangible Assets

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

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

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

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

1.15 Heritage Assets

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

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

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

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

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

By their nature heritage assets are being preserved for the benefit of future generations therefore the estimated life of these assets are likely to have indefinite lives or in excess of 99 years. As a result depreciation is not required on heritage assets which have indefinite lives or where the asset life is in excess of 99 years as the depreciation value per annum will not be material. However, if applicable, individual depreciation rates will be set in relation to individual assets.

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

An asset is tested for impairment whenever there is indication that the asset might be impaired for example, where it has suffered physical deterioration or breakage or new doubts arise as to its authenticity and any losses recognised are posted to the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

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

1.16 Interests in Companies and other Entities

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

Any movement in fair value will be treated as a revaluation gain or loss unless the value falls below the initial recognition value (nominal value of the shares) when an impairment will be recognised. If the net equity of a subsidiary is negative the fair value is then recognised as nil.

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

Companies

The Council has material interests in companies and other entities that have the nature of subsidiaries and associates. In the Council's own single-entity accounts, the interests in companies and other entities are recorded as financial assets at cost or fair value. For 2013/14 the value of the Council's interests in these companies, after consolidation of inter group balances, is not considered to be sufficiently material to require the production of group accounts for the Council.

The Council wholly owns Torbay Economic Development Agency, Oldway Mansion Management Company and English Riviera Tourism Company and has representation and/or interests in SWGFL, Careers South West, the PLUSS Organisation and TOR2.

Details of the companies that the Council has an interest in are listed in the Related Parties note to these accounts. Further details on some of these interests are summarised below:

TOR2

This private company, a joint venture between Torbay Council and Kier May Gurney Construction (Kier having merged with May Gurney in 2013/14), started trading on 19th July 2010 taking over a number of services and staff previously undertaken by the Council. The Council owns 19.99% of the shares with Kier May Gurney owning 80.01%. This investment is recognised at historic cost (£19.99) as a long term investment on the Council's balance sheet. Kier May Gurney, as parent company, has provided a guarantee to cover any liabilities for TOR2 Ltd. Depending on TOR2's trading there is profit share payable to the two owners but not applicable in 2013/14. The assets owned by the Council and licensed to TOR2 remain as Council assets on the balance sheet, while any assets purchased by TOR2 are recognised on TOR2's balance sheet as the Council's contract with TOR2 does not specify the use of specific assets and TOR2 is expected to use their assets on other contracts. The Council in 2010/11 funded the purchase of a bond to cover any future pension liabilities in relation to the council staff that transferred to the new company and the Council will fund TOR2 for any employer contributions in excess of the rate applicable on date of transfer. These costs will be recognised in the year that they arise.

Torbay Economic Development Company

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

Other Entities

Torbay and South Devon Health and Care NHS Trust

The Council entered a "partnership agreement" with Torbay Care Trust (formerly Torbay Primary Care Trust) on the 1st December 2005. From April 2013 the Care Trust was split into a Clinical Commissioning Group (CCG) and the Torbay and South Devon Health and Care NHS Trust with the Council's agreement continuing with the latter.

This partnership was to enable the Trust to provide Adult Care Services delegated by the Council. Council staff working in Adult Social Care transferred employment to the Trust. The Council however remains accountable for adult social care. In 2013/14 any under/overspends on the adult social care function provided by the Trust is the Council's responsibility subject to an agreed calculation of the split of any underspend between the Council and the Trust.

Section 76 of the NHS Act 2006 permits NHS Bodies to exercise various local Council functions, and for local authorities to exercise various NHS functions. The Council and the Trust

are accounting for the partnership on the basis that the Council is funding the Trust to undertake delegated activities. The 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 Trust for providing the delegated functions within its Income and Expenditure Account. The partnership will also be part of the related parties note.

The Council receives S256 funds from the Clinical Commissioning Group (CCG) to be used to support social care. This has been treated as income in the Cost of Services.

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

1.17 Inventories and Long Term Contracts

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

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

1.18 Investment Property

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

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

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

1.19 Joint Committees

Joint Committees undertake activities for the Council in conjunction with other partners that involve the use of the assets and resources of the partners rather than the establishment of a separate entity. The Council recognises its revenue transactions with these Joint Committees within its Comprehensive Income and Expenditure Statement. In 2013/14 there was no material balances in the Joint Committee's accounts to be included on the Council's balance sheet.

Devon Audit Partnership

This is a Joint Committee established by Torbay, Plymouth and Devon County Council for the provision of internal audit services to the three Councils.

PATROL – Parking and Traffic Regulations Outside London

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

South West Devon Waste Partnership

Torbay Council, with Plymouth City Council and Devon County Council have jointly contracted for a PFI project for an Energy from Waste Plant (based in Plymouth) to dispose of residual waste collected by the three Councils. As part of the Joint Working Agreement between the three Councils the South West Devon Waste Partnership Joint Committee has been established to facilitate the procurement and subsequent operation and management of the facilities (by the selected contractor). The Plant is expected to be operational in 2014.

The expenditure associated with this project is being incurred by Plymouth City Council (as lead authority) and then allocated on an equal share basis to Torbay and Devon County Councils. This expenditure is reflected within the cost of services on the comprehensive income and expenditure statement.

1.20 Leases

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

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

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

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

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

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

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

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

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

The Council as Lessee

Operating Leases

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

The Council as Lessor

Operating Leases

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

Crematorium

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

1.21 Overheads and Support Services

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA Service Reporting Code of Practice 2013/14. The total absorption costing principle is used - the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

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

These two cost categories are defined in Service Reporting Code of Practice 2013/14, and accounted for as separate headings in the Comprehensive Income and Expenditure Statement, as part of Net Expenditure on Continuing Services.

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

The Council is required to present the service expenditure analysis in accordance with the CIPFA Service Reporting Code of Practice 2013/14. This analysis is in some service areas different to the Council's internal budgeting and monitoring arrangements. Any costs of redundancy payments arising from the budget setting process that have been accounted for, and funded, centrally, have been included in Non Distributed Costs or if material disclosed as an exceptional item.

1.22 Property, Plant and Equipment

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

Recognition

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

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

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

Community Schools:

The land and buildings are owned by the Council who provide a service from these properties. These assets are recognised as Council assets. If a community school becomes an Academy school the asset is treated as a disposal at nil value on the relevant date.

Academy Schools:

The land and buildings for the academy schools within Torbay are owned by, (or leased to), the charitable trusts that operate these schools. These schools are funded directly from central government and are not recognised as Council assets. For any school converting to Academy status during 2013/14 the date of disposal for accounting purposes is the 31st March 2014. The full carrying value for academy schools converting are de recognised in the year the transfer happens and not when the decision to transfer is made by the school.

Foundation Schools:

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

Voluntary Aided Schools:

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

Voluntary Controlled Schools:

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

Measurement

Assets are initially measured at cost, comprising:

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

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

List of asset categories & their definitions

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

Vehicles, Plant & Equipment – Assets used for operational purposes

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

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

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

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

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

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

- Vehicles, plant & equipment - lower of net current replacement cost or net realisable value in existing use. For non-specialised operational assets, net current replacement cost is calculated on the basis of Existing Use Value (EUUV); for specialised operational assets, net current replacement cost is calculated on the basis of Depreciated Replacement Cost (DRC). Since these assets often have relatively short useful lives and/or low individual values, depreciated historical cost is used as a proxy for fair value.
- Community Assets – depreciated historical cost and, as with Infrastructure Assets, generally their value is increased as capital expenditure is incurred.
- Surplus Assets (if any) - Lower of net current replacement cost or net realisable value. Net current replacement cost is calculated on the basis of Market Value. Fair value as measured by Existing Use Value (EUUV) but since, as Surplus assets, they will not have an existing use the valuation will be based on its use before it was decommissioned.

- Transport Infrastructure and Other Infrastructure – depreciated historical cost. Their value is usually increased as expenditure is incurred unless the asset is not available for use, when it will be treated as an Asset under Construction. Infrastructure assets transferred from Devon County Council upon Local Government re-organisation in 1998 are held at the value disaggregated by the County Council using tax base, subject to depreciation.
- Assets under construction (Work in Progress) – where capital projects are incomplete and the assets under construction are not yet operational at the year end, the added value of any significant works in progress is assessed by the Council's valuer pending the issue of a revaluation certificate upon completion of the works or expenditure to date is used in proxy. For assets valued at historical cost (infrastructure and community assets) costs are disclosed under operational fixed assets as they are incurred. The value of assets under construction from a prior year where a new valuation is issued, to the extent that valuation is in excess of the capital expenditure, is cleared to the Revaluation Reserve.
- all other assets (primarily land and buildings) - fair value, determined as the amount that would be paid for the asset in its existing use (existing use value - EUV)

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

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

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

Revaluations

Assets included in the Balance Sheet at fair value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their fair value at the year-end, i.e to ensure the Council's balance sheet is materially correct, but as a minimum every five years as part of a 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 Chris Bouchard A.R.I.C.S. who is an employee of Torbay Economic Development Company. All planned revaluations in a financial year will be as at 1st April of that year which results in depreciation for a year being calculated on the revalued amount. The only exception would be if the total depreciation charge for the year would be materially incorrect.

Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of a loss previously charged to a service.

Where decreases in valuations are identified, they are accounted for by:

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

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line(s) in the Comprehensive Income and Expenditure Statement, up to the amount of

the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

Capital expenditure is not recognised until 31st March therefore no depreciation is charged in year of acquisition or enhancement. Where capital expenditure has occurred the expenditure in year is deemed to have increased the current value of the asset by a "pound for pound" amount.

Where, if capital expenditure is assessed as not adding value to the asset, the corresponding value will be written off as impairment.

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

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

Year End

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

Depreciation

Depreciation is provided for on all Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their useful lives as estimated by the Council's Valuer, making an allowance for any residual value. Annual depreciation is calculated based upon the Balance Sheet value for each asset as at 1st April for that year which will include any revaluations in year.

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

Depreciation is calculated on the following bases:

- buildings - straight-line allocation over the useful life of the property as estimated by the valuer
- vehicles, plant, furniture and equipment - a percentage of the value of each class of assets in the Balance Sheet usually over periods between 3 to 10 years depending on the nature of the asset. Straight – line allocation over the expected useful life of the asset.
- infrastructure - straight-line allocation as appropriate, typically over 40 years to 60 years and 20 years for Transport infrastructure.

Where an item of Property, Plant and Equipment asset has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately. The Council only assess an asset for componentisation (beyond the standard land and buildings split) if the asset has a gross value of more than £1m and the value of a type of component within an asset has a value in excess of £0.4m. Where appropriate for assets of a similar operational purpose, (such as schools), standard percentage splits over significant components will be used. Where, if material, expenditure in year is incurred on a replacement component and no revaluation of the asset has occurred the value of the old component (adjusted for depreciation to date) will be removed.

The Council has determined the following components:

Land

Building/Structure

Plant & Machinery

Furniture & Equipment

Infrastructure

External Works

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

1.23 Disposals and Assets Held for Sale

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

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

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

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

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

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

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. Receipts below the de-minimis level of £10,000 (with reference to the Capital Finance Regulations 2003) are not recognised as capital receipts and are retained in the

Comprehensive Income & Expenditure Account. The balance of receipts is required to be credited to the Capital Receipts Reserve, and can then only be used for new capital investment or set aside to reduce the Council's underlying need to borrow.

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

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

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

Costs of disposal are not charged to gains/losses on disposal unless material. The Council has taken the option allowed by legislation to charge costs of disposal up to 4% of the value of a capital receipt and this is reflected in the Council's Capital Investment Plan. This option was not used in 2013/14.

1.24 Service Concession - Private Finance Initiative (PFI) and Similar Contracts

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

Westlands and Homelands Schools – Private Finance Initiative.

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

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

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

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

- payment towards liability - applied to write down the Balance Sheet liability towards the PFI operator. In addition the Council makes an annual revenue provision to the Capital Adjustment Account that is equal to the annual reduction in the liability to the contractor and correspondingly reduces the Council's Capital Financing Requirement.

Any lifecycle costs incurred by the contractor are assumed to be revenue in nature in maintaining the existing value of the asset. Any variations of a capital nature requested and funded by the school are treated as capital expenditure and capital resources outside the PFI contract.

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.

Energy From Waste Plant – Private Finance Initiative

Torbay, in partnership with Plymouth and Devon County Councils has entered into a PFI contract with MVV Environment for the construction and operation of an Energy From Waste Plant for the disposal of domestic waste. The Plant is due to be operational from November 2014.

Under the terms of the contract the Councils are not liable for the Plant during its construction stage so an "asset under construction" has not been recognised as at 31st March 2014. At this stage it is unclear whether the Council's control over the asset will require its share of the plant to be recognised on its balance sheet as at 31st March 2015.

1.25 Provisions, Contingent Liabilities and Contingent Assets

Provisions

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

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

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

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

NNDR Appeals

The Council from 2013/14 is required to provide for the cost of any backdated NNDR refunds arising from appeals submitted to the Valuation Office that are successful. The Council has estimated the impact of appeals submitted by 31st March using historic information; however for appeals that could be submitted after 31st March that may relate to 2013/14 or earlier year

NNDR income, there is not enough certainty to enable a reliable estimate to be made. The Council's balance sheet only reflects the Council's 49% share of the provision.

Carbon Allowances

The cost of the Council's consumption of utilities which leads to a cost under the use of Carbon Allowances scheme is accounted for as a provision in Cost of Services in the Comprehensive Income and Expenditure Account in the year that the consumption relates. Any allowances held but not applied are held as current intangible assets.

Contingent Liabilities

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

Contingent Assets

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

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

1.26 Reserves

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

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

1.27 Revenue Expenditure Funded from Capital under Statute

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

to either the Capital Adjustment Account if expenditure has been incurred or to the capital grants unapplied reserve if expenditure has not yet been incurred.

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

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

1.28 Value Added Tax (VAT)

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

1.29 Maintained Schools

In addition to the recognition of certain school Property, plant and equipment, outlined in (1.22 above), the Council consolidates the income, expenditure, reserves, payables, receivables and cash of all maintained schools into its Core Financial Statements. Maintained schools are all schools funded by the Council from its Dedicated Schools Grant (after Academy school recoupment) such as Community, Foundation, Voluntary Aided and Voluntary Controlled schools. Academy schools as separate legal entities are not consolidated.

1.30 Trading Operations

The Council does not have any internal trading operations that are operated on a fully commercial basis. Where a Council service does include a supply to external customers the income and the relevant expenditure is disclosed within the appropriate service heading in the Comprehensive Income and Expenditure Statement. This includes services such as harbours, car parking, services to schools including academies and external print work. The Council's interests in companies that "trade" are disclosed in the Council's 2013/14 Group Accounts

COLLECTION FUND SUMMARY ACCOUNT 2013/14

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

Council tax £m	NNDR £m	Total £m		Council tax £m	NNDR £m	Total £m
2012/13				2013/14		
(75.2)	(35.5)	(110.7)	Council Tax & NNDR Receivable	(64.2)	(35.9)	(100.1)
			Expenditure:			
			Precepts and Demands			
7.9	0	7.9	Police and Crime Commissioner for Devon and Cornwall	6.8	0	6.8
3.6	0	3.6	Devon & Somerset Fire & Rescue Authority	3.1	0	3.1
0	0	0	Devon & Somerset Fire & Rescue Authority -NNDR Share	0	0.4	0.4
0	34.8	34.8	Central Government - NNDR Pool	0	0	0
0	0	0	Central Government - NNDR Share	0	18.2	18.2
62.0	0	62.0	Torbay Council's Own Demand (Including Brixham Town Council)	52.6	17.9	70.5
73.5	34.8	108.3	Total Precepts and Demands	62.5	36.5	99.0
0	0.2	0.2	Cost of Collection Allowance	0	0.2	0.2
			Distribution of Previous Years Estimated Collection Fund Surplus;			
0.2	0	0.2	Police and Crime Commissioner for Devon and Cornwall	0.3	0	0.3
0.1	0	0.1	Devon & Somerset Fire & Rescue Authority	0.1	0	0.1
0	0	0	Central Government	0	0	0
1.9	0	1.9	Torbay Council	1.8	0	1.8
2.2	0	2.2	Total Distribution of previous year's Surplus	2.2	0	2.2
			Bad and Doubtful Debts/Appeals			
0.4	0.5	0.9	Write Offs	0.3	0.3	0.6
0	0	0	Impairment for Uncollectable debt	0.5	0.2	0.7
0	0	0	Provision for Appeals	-	2.5	2.5
0.4	0.5	0.9	Total Bad & Doubtful Debt and Appeals	0.8	3.0	3.8
76.1	35.5	111.6	Total Expenditure	65.5	39.7	105.2
0.9	0	0.9	(Surplus)/Deficit for Year	1.3	3.8	5.1
			Movement of Collection Fund Balance			
(3.1)	0	(3.1)	Balance brought forward as at 1st April	(2.2)	0	(2.2)
0.9	0	0.9	(Surplus)/Deficit for Year	1.3	3.8	5.1
(2.2)	0	(2.2)	Balance carried forward as at 31st March	(0.9)	3.8	2.9

			Balance Attributable to major precepting bodies			
(0.2)	0	(0.2)	Police and Crime Commissioner for Devon and Cornwall	(0.1)	0	(0.1)
(0.1)	0	(0.1)	Devon & Somerset Fire & Rescue Authority	0	0	0
0	0	0	Central Government	0	1.9	1.9
(1.9)	0	(1.9)	Torbay Council	(0.8)	1.9	1.1
(2.2)	0	(2.2)	Balance carried forward as at 31st March	(0.9)	3.8	2.9

Note: Brixham Town Council, a local precepting authority, 'precepts' on Torbay Council as a billing authority to fund its activities, the precept for 2013/14 was £0.155m (£0.193m in 2012/13) and is received from council taxpayers in the town council's area. This precept is included in Torbay Council's demand on the collection fund.

NOTES TO THE COLLECTION FUND SUMMARY ACCOUNT

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

A) Council Tax Base 2013/14

For Council tax purposes the number of domestic properties in each band converted to a Band D equivalent for **2013/14** was as follows:

Valuation Band	Ratio to Band D	Amount payable by all council tax payers			Additional amount payable by council tax payers resident in the Brixham Town Council area		
		No Dwellings in valuation list	No of Dwellings Band D Equivalent	Average Council Tax Per Dwelling £	No Dwellings in valuation list	No of Dwellings Band D Equivalent	Average Council Tax Per Dwelling £
A	6/9	7,139	4,759	999.65	747	498	18.49
B	7/9	11,466	8,918	1,166.27	1,496	1,164	21.57
C	8/9	12,366	10,992	1,332.87	1,864	1,656	24.66
D	1	8,178	8,178	1,499.48	1,246	1,246	27.74
E	11/9	4,342	5,306	1,832.69	572	700	33.91
F	13/9	2,038	2,945	2,165.92	265	383	40.07
G	15/9	1,085	1,808	2,499.13	89	148	46.23
H	2	94	189	2,998.96	3	5	55.48
TOTAL		46,708	43,095		6,282	5,800	
Less Allowance for Non Collection @ 3.5% (3.5% 2012/13)			(1,508)			(203)	
TAX BASE 2013/14			41,587			5,597	

The number of dwellings Band D equivalent for 2013/14 is required for the setting of the Council Tax. It is calculated prior to the start of the financial year by using the number of dwellings on the valuation list adjusted to set the number of chargeable dwellings per band. This is then adjusted for an appropriate level of reduced assessments (discounts) prior to the number of dwellings in each band being put in a ratio compared to Band D. For further details on this please see "Council Tax Base 2013/14" report from the Council meeting in December 2012.

B) Council Tax Income 2013/14

Precepts and Demands:

The following Authorities made a demand on the Collection Fund in 2013/14.

2012/13		2013/14
£ m		£ m
62.0	Torbay Council (see note below)	52.4
7.9	Devon and Cornwall Police Authority	6.8
3.6	Devon & Somerset Fire & Rescue Authority	3.1
<u>73.5</u>	Total Demands on Collection Fund 2012/13	<u>62.3</u>
	Divided by Council Tax Base:-	
49,021.42	Torbay Council Tax Base	41,586.58
6,664.97	Brixham Town Council Tax Base	5,597.39
1,494.82	Band D Council Tax (excluding Brixham Town Council precept)	1,499.48
1,523.79	Band D Council Tax (including Brixham Town Council precept)	1,527.22

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

The income credited to the Collection Fund in 2013/14 can be analysed as follows.

2012/13		2013/14
£ m		£ m
(86.7)	Gross Council Tax Payable for Year	(87.6)
11.5	Reduced Assessments (discounts)	23.4
<u>(75.2)</u>	Actual Income from Council tax	<u>(64.2)</u>
15.6	Less Council Tax Benefit	0
<u>(59.6)</u>	Total Council tax Income 2013/14	<u>(64.2)</u>

The difference of £1.9m between the actual Council Tax income (£64.2m) and the estimated income (£62.3m) is due to changes during the year in the Council Tax Base and collection rates. These changes include the number of eligible properties, discounts, the actual and estimated tax collection rate and changes in the cost of the Council Tax Support Scheme.

C) Income from Business Rates

Under the arrangements for uniform business rates, the Council collects non-domestic rates for its area, which are based on local rateable values multiplied by a uniform rate. The total rateable value as at 31st March 2014 was £98.6m (2012/13: £99.4m).

In line with the Local Government Act 2003, from 1st April 2005, there are two multipliers, the small business non-domestic rating multiplier, which is applicable to those that qualify for the small business relief; and the non-domestic rating multiplier, which includes the supplement to pay for small business relief. The small business non-domestic rating multiplier for 2013/14 was 46.2 pence per pound of rateable value and the non domestic rating multiplier was 47.1 pence per pound.

In April 2013 the new NNDR retention scheme was introduced with Councils now responsible for a percentage share of all transactions in relation to NNDR income in their area. This to include movement up and down in NNDR income, (up to a safety net), which includes the payment of any outstanding NNDR appeals as at 31st March 2014 that have not yet been determined by the valuation office. Torbay Council as a unitary authority is responsible for 49% of the NNDR income, Devon and Somerset Fire authority 1% and the Department of Communities and Local Government 50%.

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

2012/13		2013/14
£000's		£000's
1,873	Torbay Council	1,825
232	Devon and Cornwall Police Authority	230
106	Devon & Somerset Fire & Rescue Authority	107
2,211	Total	2,162

E) Accounting for the Collection Fund balance

The opening balance for the Collection Fund for 2013/14 was a £2.2m surplus. The balance as 31 March 2014, due to the impact of NNDR and backdated NNDR appeals, was a £2.9m deficit. Surpluses and deficits are shared with the other major precepting bodies that make a demand on the fund. The Council accounted for the Collection Fund (surplus)/deficit balance in its 2013/14 Statement of Accounts as follows

Council Tax	NNDR	Major Precepting Bodies:-	Council Tax	NNDR
2012/13 £m	2012/13 £m		2013/14 £m	2013/14 £m
(1.9)	-	Torbay Council	(0.8)	1.9
-	-	Department of Communities And Local Government	0	1.9
(0.2)	-	Devon and Cornwall Police Authority	(0.1)	0
(0.1)	-	Devon and Somerset Fire and Rescue Authority	0	0
(2.2)	-		(0.9)	3.8

In the Balance Sheet as at 31 March 2014 the Council included the disaggregated amounts for the Major Precepting Bodies within its current assets and liabilities. The surplus attributable to Torbay Council has been treated as a credit on the Collection Fund Adjustment Account.

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

ANNUAL GOVERNANCE STATEMENT 2013/14

ANNUAL GOVERNANCE STATEMENT FOR THE FINANCIAL YEAR 2013/14

Scope of responsibility

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

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

Torbay Council has approved and adopted a code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE Framework *Delivering Good Governance in Local Government*. A copy of the code is on the Council's website at [The Council's Constitution](#) or can be obtained from Governance Support. This statement explains how the Council has complied with the Accounts and Audit (England) Regulations 2011 Regulation 4.

The purpose of the governance framework

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

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

The governance framework has been in place at Torbay Council throughout the year ended 31st March 2014 and up to the date of approval of the annual report and statement of accounts.

The Governance framework

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

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

- A Community Plan refreshed in Autumn 2011 sets out the Council's vision developed jointly with the Torbay Strategic Partnership which brings together representatives of the public, voluntary and business sectors
- A Corporate Plan revised in March 2013 to reflect the current priorities of the Council
- A medium term resource plan which is regularly updated to support the achievement of the Council's corporate priorities
- A performance management framework which includes performance reports reported to the public
- A programme of consultation with the public through public meeting and other mediums on a regular basis
- As part of its budget setting process the Council co-ordinates a series of public events to gain an understanding of the communities views.
- The Council and the Care Trust, together with the Police and other partners have worked together to identify the needs of the area, including Health matters, and published a Joint Strategic Needs Assessment
- The Council's Communication Strategy, is communicated to staff, and all stakeholders via regular internal and external updates using promotional material, the web, the intranet
- Torbay Council 2013/14 Statement of Accounts for the year ended 31st March 2014
- Community Partnerships where local ward members and stakeholders can discuss concerns and issues with their constituents

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

- The authority has also kept under review other key initiatives such as the actions arising from the Joint Strategic Needs Assessment for Health and Well Being,
- Regular consultation events were also used to inform the development and review of the authority's vision. These have continued to be used to obtain feedback on both service delivery and proposed plans and developments
- The budget setting process includes detailed scrutiny of proposals and their links to the Council's vision, priorities and stakeholder views, together with equalities impact assessments
- The Council is also very mindful that staff are also key stakeholders and as such, senior officers and Members have taken part in road shows. Internal communication approaches have been reviewed to ensure all staff are aware of all issues and new policies and practices. Positive working relationship with trades unions through monthly formal meetings and informal meetings with the Executive Director of Operations & Finance and consultation where appropriate

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

- Surveys of users in service specific groups are used together Viewpoint surveys to assess quality of service and policy changes to be made in light of user feedback. All these surveys and results are publicly accessible on the Council website. In addition the Council also encourages user involvement in appropriate services areas, examples being Speaking out in Torbay (SPOT) within the learning disabilities
- The Council records performance information using performance-reporting software 'Service Performance and Risk' (SPAR) and action on areas of poor performance is closely scrutinised, by the senior leadership team and Overview and Scrutiny members. The performance reporting system is based on exceptions and where performance is identified as a concern, appropriate corrective action will be considered, scrutinised and monitored
- The Council uses a range of benchmarking information, including the Audit Commission comparative data set and National Health Service (NHS) data. It uses the data to measure performance against comparators and to identify authorities from whom the Council could learn, and to identify potential areas of focus for budget reductions
- There is also a range of consultation and feedback mechanisms for obtaining feedback from customers

(D) Arrangements for defining and documenting the roles and responsibilities of the executive, non executive, scrutiny and officer functions, with clear delegation arrangements and protocols for effective communication

- The Constitution sets out how decisions are made and the procedures that are followed to ensure that these are efficient, transparent and accountable to local people
- This includes the publication of a monthly Forward Plan containing all key decisions
- The Constitution includes Standing Orders, Financial Regulations, Delegated powers, Contract Procurement rules and the budget and policy framework. These are underpinned by Codes of Conduct for officers and Members, Gifts and Hospitality rules, local protocols and by the Authority's Code of Corporate Governance
- The full Council of 37 elected Members, including the Mayor, is responsible for approving the Mayor's budget and the policy framework. The Mayor is responsible for decisions within this framework and has been supported by other Members who oversee and advise on specific areas
- Matters outside of the budget and policy framework are referred to full Council for decision, plus the full Council make recommendations to the mayor on executive decisions who normally makes his decisions at the full council
- A Scrutiny function with the Overview & Scrutiny Board which undertakes a range of reviews into policies and performance. The Board also has the facility to 'call-in' Mayoral decisions or Officer key decisions and makes recommendations as appropriate
- An Audit Committee is responsible for all internal and external audit matters along with some other Governance associated matters
- Some regulatory functions remain the responsibility of the Council rather than the Mayor and most of these are delegated to a small number of regulatory committees appointed annually by the Council

- All meetings are open to the public but a small number of confidential matters are considered in private when the press and public are formally excluded from meetings. It is the Council's objective to keep these private papers to a minimum with only the confidential elements being kept exempt from the press and public. This ensures open and transparent decision making is undertaken at all times. Council officers provide appropriate advice at the points of consideration and decision, and report to Members on progress and outcomes of decisions taken
- The Authority has developed a number of Local Protocols (including in relation to Member and Officer Relations; Planning Matters and the role of the Monitoring Officer), all in line with good Corporate Governance
- A 'local' code of conduct dealing with what is expected of members and co-opted members of the authority when they are acting in that capacity

(E) Arrangements for developing, communicating and embedding codes of conduct, defining the standards of behaviour for members and staff

- The Council's intranet contains a range of policies, procedures and guidance for all staff including Human Resources (HR) policies, I- learn training modules, Computer Security Policy, Freedom of Information Policy and Data Protection Policy and the Corporate Plan and Constitution
- Legislative changes are monitored and reported to Strategic Leadership Team (SLT) and communicated to staff as required.
- Corporate induction courses are run on a regular basis. Managers are responsible for local induction arrangements. Officers in politically restricted posts and those responsible for negotiating contracts are required to register their personal interests
- The Council has a Fraud and Corruption Policy which is reviewed regularly and has been communicated to all staff and is available on the Council's Intranet. That has been discussed and approved by the Council's Standards Committee
- The Standards Committee's remit includes the conduct of Members and investigating complaints in respect of individual Members. The Standards Committee promotes and embeds ethical standards

(F) Arrangements for reviewing and updating Standing Orders and Financial Regulations, a scheme of delegation and supporting procedure notes/manuals, which clearly define how decisions are taken and the processes and controls required to manage risks

- The Council's Constitution is reviewed throughout the year by the Monitoring Officer, Section 151 Officer and Governance Support Manager in consultation with the Mayor and Group Leaders to ensure the Council's governance arrangements reflect best practice
- Directors and Executive Heads are responsible for managing risk within their departments
- The Executive Head Business Services is responsible for the implementation and monitoring of the risk management strategy
- A Strategic Risk Register which identifies strategic risks with clearly identified measures for mitigation
- The Council, when considering any matter, will have a risk assessment within the report
- The Council fully recognises the need to continue to manage risks in all projects and, where appropriate Prince II and MSP are applied

(G) Ensuring the Authority's financial management arrangements conform with the governance arrangements of the CIPFA statement on the role of the Chief Finance Officer (CFO) in local government.

- The Chief finance Officer (CFO) has direct access to the Executive Director of Operations & Finance on all matters and has direct access to all Members and senior officers of the Council
- The Council follows practices to ensure it makes best use of its resources. The CFO works with Directors and Executive Heads to identify any financial issues which may require management action. These are reported to the Overview and Scrutiny Board and Council on a quarterly basis, regular discussions take place with the Executive Member with responsibility for finance
- All reports to Members include a section on the resource implications, prior to publication these implications are cleared by the CFO or one of his senior staff. These reports also cover value for money and benchmarking implications where appropriate
- The full Council approves the Treasury Management Strategy on an annual basis and all Members are briefed on key financial issues
- The CFO has responsibility for ensuring that the Council operates secure and reliable financial and accounting systems. Devon Audit Partnership undertake the role of auditing these systems to give the assurance needed
- The Council has developed a Medium Term Resource Plan, which is reviewed on an on-going basis to take into account new information and changing circumstances, this is used to inform reports to members, detailed in year plans are produced as part of the annual budget process, these in year plans represent the business units individual business plans through which financial and operational performance are monitored

(H) Undertaking the core functions of an Audit Committee, as defined in CIPFA's Audit Committees – Practical Guidance for Local Authorities

- A stand alone Audit Committee was established during 2008-09 and meets on a quarterly basis where reports from both Internal and External Audit are considered as well as risk and associated matters

(I) Ensuring compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful

- The system of internal financial control is based on a coherent accounting and budgeting framework including Financial Regulations, Contract Standing Orders, Scheme of Delegation and accountability
- Medium-term resource plans covering both revenue and capital spend which provides a framework for the planning and monitoring of resource requirements. These also link in with the business development proposals which are fed by the Strategic Plan
- Operation of the Capital Strategy aims to ensure that investment is linked to Strategic Objectives. Bids for capital and other asset management funding require an effective 'business case' linked to Strategic Objectives, and progress in delivering projects is formally monitored by the Capital Asset Management Team, Councillors and Commissioners' Management Teams. Linked in with this is the Asset Management Plan which ensures that assets are only retained for effective business purposes
- Financial stewardship in respect of both capital and revenue is reported to Overview and Scrutiny and Council quarterly, and is considered regularly by the Strategic Leadership Team. Management Teams also consider their respective budgets on a regular basis. This is

supported by an established budget monitoring process by managers and Finance staff and the electronic distribution of budget monitoring reports to all managers

- Directors and Executive Heads are required to produce an annual statement of Internal Control for their areas which includes statements about risk and the internal control framework. This is supported by Internal Audit who help embed risk management by cyclical audits and other management initiatives

(J) Arrangements for Whistle-blowing and for receiving and investigating complaints from the public

- The **Fraud & Corruption Policy, Fraud Response Plan and Whistle Blowing Policy** were reviewed and updated in 2008. A further review was undertaken during 2012/13 with an updated Whistle Blowing policy being agreed on 20 March 2013. The Policy is available on the website, intranet and direct from the Information Governance team. The Authority also subscribes to Public Concern at Work which provides a staff helpline
- The Council has an established phone line that any whistle blowing call can be made to and which goes directly to the area which has responsibility for dealing with these issues in the first instance. These are recorded and passed on to the appropriate part of the organisation to investigate and the outcomes are monitored
- The Council has procedures for dealing with customer complaints and provides the means for customers to feedback concerns or issues. Complaints are analysed and reported back to Members and Managers along with the actions taken. An Annual Report is produced outlining the complaints and compliments handled by the Council and Ombudsman during the previous financial year. This is reported to the Overview & Scrutiny Board. Customer Care standards have been agreed and published. The complaints procedures are regularly reviewed.

(K) Identifying the development needs of Members and senior officers in relation to their strategic roles, supported by appropriate training

- All members have personal development plans, corporate training needs are identified through the Strategic Leadership Team
- The Member Development Policy provides a structured approach to member development to ensure all members are supported in their role. The majority of training delivered through the Devon member development shared service
- The Council has strongly supported staff development, particularly through programmes such as Institute of Leadership and Management

(L) Arrangements for establishing clear channels of communication with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation

- Regular consultation events are held with public and voluntary services plus regular business forum meetings. Other consultation and feedback surveys are also undertaken throughout the year
- Torbay Council operates a Call Centre which is based in Torquay and deals with a wide variety of calls from residents and visitors over an expanding range of issues as more services are included in those dealt with in the first instance by the centre
- All customer contact received via our Call Centre or our Connections offices is documented to ensure the information is actioned by, or forwarded to, the relevant department, as necessary.

The Council also uses its libraries as initial contact points from which enquiries can also be dealt with

- The Consultation and Engagement framework is available on the website indicating mechanisms and groups and how the Consultation and Engagement Group effectively manages engagement with the public and voluntary sector. There are also a number of Community Partnerships across Torbay. Councillors have also been encouraged to produce their own means of communication and, for example a number have created their own websites

(M) Incorporating good governance arrangements in respect of partnerships and other group working as identified by the Audit Commission's report on the governance of partnerships, and reflecting these in the authority's overall governance arrangements

- The Council's Code of Corporate Governance is available on its website. There is a robust Constitution established for the local Community Partnerships
- Appropriate arrangements in respect of service specific partnerships such as the Torbay & Sothern Devon Care Trust and the Torbay Coast & Countryside Trust, TOR2 and English Riviera Tourist Company and Economic Development Company are in place

Review of effectiveness

- Torbay Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the executive managers within the Authority who have responsibility for the development and maintenance of the governance environment, the Head of the Devon Audit Partnership's annual report, and also by comments made by the External Auditors and other review agencies and inspectorates
- Overall responsibility for the governance framework including the system of internal control rests with the Mayor and Executive Director of Operations & Finance and they receive regular reports from the Section 151 Officer on financial issues and the Monitoring Officer on legal issues as and when appropriate. This includes regular budget monitoring information and the Medium Term Resource Plan
- This is supported by an annual review of Internal Audit by the Section 151 Officer which reviews compliance with the CIPFA Code of Practice and the effectiveness of the audit service. 2013-14 saw the fifth year of operation of the Devon Audit Partnership which was the amalgamation of the three Internal Audit functions of Devon County Council, Plymouth City Council and Torbay Council and has continued during this year. As in previous years the service undertook certain assurance work on behalf of the Council and to give assurance to the external auditors as part their audit opinion. The external auditors raised no concerns about the standard of work performed by the Devon Audit Partnership. No major issues were identified and the service has maintained the level of assurance it is able to provide to management
- Torbay operates a mayoral system of governance and the Council's Constitution is continually reviewed throughout the year by the Monitoring Officer, Section 151 Officer and Governance Support Manager in consultation with the Mayor and Group Leaders whereby improvements and changes to the constitution are made and agreed. The Constitution defines the relative responsibilities of the Council, the Mayor, Overview and Scrutiny and Senior Officers. This also includes the Schemes of Delegation, and also the Officer Scheme of Delegation

- All members are inducted into the importance and processes of good governance and have informal and if required, formal ways of raising governance issues with the monitoring officer, executive director, section 151 Officer and the senior leadership team
- Since the May 2011 elections the Mayor has chosen to make the majority of his decisions at council meetings to ensure they are taken in public both full council decisions (part of the policy framework) and Mayoral decisions are taken in public with full questions by council in order to further introduce further transparency and public accountability
- The Audit Committee and Overview and Scrutiny Board operate to provide assurance and call the executive to account, through decisions in the forward plan, performance management and risk and the use of 'call in' where appropriate
- Risk is embedded in performance management and can therefore be challenged and has oversight through the Executive, Audit Committee and Overview and Scrutiny Board
- The standards committee continue to be part of the successful operation of the council's governance,
- There is also the whistle blowing mechanism which can be used to raise concerns which can include governance matters. Standards also provide independent feedback to members in their public duties through observing conduct at Council, and Overview and Scrutiny. This has allowed members to improve their performance individually and collectively, in addition to the 1-1s of member performance management
- The Council continues to challenge itself in governance and includes governance 'days' for all members to refocus when required
- The council's section 151 officer holds regular meetings with the Head of the Devon Audit Partnership (DAP) with responsibility for Torbay to discuss all on-going and planned work and any issues which arise. The Head of Internal Audit reports 6 monthly to the Audit Committee setting out work undertaken and the planned work for the year. This will include reporting on audits and work undertaken where there are concerns over practice or systems of internal control and sets out how these will be addressed

Internal Audit

- The internal audit services is provided by Devon Audit Partnership (DAP). This is a shared service arrangement between Torbay, Plymouth and Devon councils and is constituted under section 20 of the Local Government Act 2000
- Public Sector Internal Audit Standards – Collaboration between the Institute of Internal Auditors, CIPFA and International Audit Standards Setters has resulted in the first set of public sector internal audit standards (PSIAS) for the UK. The PSIAS, which came into force on 1 April 2013, have been developed to create consistent standards for the practice of internal audit across the public sector. An independent review of DAP was completed in November 2012 and confirmed that DAP were "ready" for the planned changes in approach
- The Council's Internal Audit Plan, which is risk based, is agreed annually with Commissioners and the Council's Audit Committee. This provides the basis for the review of internal control and governance within the Council and includes the following: -
 - Annual reviews of the Council's key financial systems by Internal Audit against known and evolving risks
 - Cyclical reviews by Internal Audit of internal controls in operation within each service area against known and evolving risks based on a detailed risk assessment which considers the strategic and operational risks identified in the Corporate Risk Register

and Business Plans and also includes consideration of materiality, sensitivity and previous audit and inspection findings;

- Work in relation to the prevention of fraud and corruption and an allowance for the investigation of any potential irregularities identified either from audit work or through the Council's whistle-blowing policy.
- Advice and support to ensure future safeguards when implementing new systems
- Value for Money work in relation to assessing the efficiency, economy and effectiveness of the Council's operations and recommending improvements as necessary
- The Council also receive reliance from the NHS Internal Audit Confederation over the controls in operation at Torbay and Southern Devon Health and Care NHS Trust. The controls cover the provision of the adult social services
- Achievement of the Audit Plan is reported to the Audit Committee on a twice yearly basis. This report also includes an opinion and assurance about the system of internal control throughout the Council
- Regular meetings were also held between the Section 151 Officer and a representative of the Devon Audit Partnership to discuss specific issues that have arisen

Significant governance Issues

- Devon Audit Partnership identified the following issues in the procurement of Children's Services contracts in a report published in May 2014;
 - Contract co-ordination across the service
 - Having accurate records contracts in place
 - Recording of tender processes and selection procedures
 - Authorisations
 - Performance management
 - Adherence to financial regulations in respect of Residential and Independent Sector placements
- An improvement plan has been developed to in response. Key elements of the Plan include*:
 - Staff training
 - Improved contact procedures, including set up procedures, management, monitoring and recording
- We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

*Additional details are included in Appendix 1

Signed Date

Steve Parrock

Executive Director of Operations & Finance

Signed Date

Gordon Oliver

Mayor

Appendix 1

- An improvement plan has been developed in response to a Devon Audit Partnership report on Children's Services External Contracts. Key elements of the Plan are:
 - Training for all persons involved in procurement
 - Staff to be reminded of the need to adhere to any appropriate procedures for authorising and approving additional expenditure
 - Any additional costs for a contract/child should be formally authorised and agreed by senior management and presented to ATR or similar
 - Ensure that any order over £10k that could be subject to a procurement process is identified and if applicable subject to quotes/tenders or a waiver sought
 - An up to date central register of all contracts for Children's Services with all contracts included on the Council central register
 - Consideration to block purchase of residential contracts through The Partnership
 - Use of a tracker form for all placements to enable costs and quality to be compared and for the eventual selection of provider to be clear
 - An Options appraisal formally carried out and evidenced with input from a senior manager
 - For all placements agreed there should be an authorisation in place from a senior manager or other appropriate person at the time of placement being made. The authorisation should be in accordance with Financial Regulations and the Scheme of Delegation
 - All providers used should be subject to relevant pre-qualification checks
 - Contracts should be subject to review by the Legal department
 - Contracts for independent residential and fostering placements should be signed as soon as a placement is agreed or within a week
 - All costs should be agreed with the provider at the time of placement
 - Review current residential placements for health issues that may be suitable for joint funding
 - Performance visits to all residential, ISP placements, and Children's Centres
 - Consideration should be given to establish if there are any relevant performance indicators that need to be reported to senior management and members regarding contracts only
 - Consider the use of other performance measures such as outcomes framework and CIPFA Benchmarking

GLOSSARY OF TERMS

A

Academy Schools – These are independent schools publically funded from the Department of Education. Community (i.e. Council controlled) schools can transfer to academy status where they will often become charitable trusts.

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

Actuarial Remeasurements – For a defined pension scheme, the changes in actuarial deficits or surpluses that arise because events have not matched previous assumptions and/or actuarial assumptions have changed.

Agency – Under an agency arrangement the Council acts on behalf of other bodies, so in effect any monies that flow through the Council's accounts under that arrangement are not the Council's asset or liability.

Amortisation - a term used to refer to the charging of the value of a transaction or asset (usually related to intangible assets or deferred charges) to the Income and Expenditure Account over a period of time, reflecting the value to the Council (similar to the depreciation charge for tangible fixed assets).

Amortised Cost – the fair value of a financial instrument valued using the effective interest rate inherent in the contract.

Assets Held For Sale – a category of property where the property is expected to be sold and is to be actively marketed so is classified as a current asset rather than a non current asset.

Assets Under Construction – expenditure incurred to date on an asset that is being constructed and at balance sheet date is not operational.

Authorised for Issue Date – The date up to which the Council will have included latest information of financial transactions that would have a significant impact on both the Accounts for the year or on the readers understanding of the Council's financial position.

B

Borrowing - Councils borrow to fund Capital expenditure or for temporary cash flow requirements. The majority of Council borrowing will be from Central Government by means of the Public Works Loans Board. Council's are free to use other borrowing options provided they are within the Council's treasury management arrangements.

C

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

Capital Adjustment Account - The Capital Adjustment Account represents the capital funding used to finance capital investment immediately from capital receipts and directly from revenue. It also contains amounts which in the past were required by statute to be set aside from capital receipts for the repayment of external loans. The Account is also used to compensate the General Fund Revenue Account for any excess of charges paid in respect of depreciation of assets over the statutory

Minimum Revenue Provision which Council Taxpayers are required to bear.

Capital Financing Requirement - The Capital Financing Requirement shows the underlying need to borrow as a result of capital investment and resources set aside in the year. The CFR was introduced from 1 April 2004 by the Prudential Code for Capital Finance and reflects the movement in the Balance Sheet Accounts for Fixed Assets, Capital Financing Account, Government Grants Deferred and the Fixed Asset Restatement Account.

Capital Receipts - money received from the sale of assets or the repayment of grants and loans which is available for financing future capital expenditure.

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

Cash & Cash Equivalents – cash, bank balances and short term investments that are held for the primary purpose of short term cash flow purposes and not for investment purposes.

CIPFA – The Chartered Institute of Public Finance and Accountancy – the accounting institute that helps regulate and support accountants in the public sector.

Code – The CIPFA Accounting Code of Practice – the guidance for Council's in producing their IFRS compliant accounts.

Collection Fund Adjustment Account - The Collection Fund Adjustment Account manages the differences arising from the recognition of council tax and (from 2013/14) NNDR income in the Comprehensive Income and Expenditure Statement as it falls due from council tax payers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

Corporate and Democratic Core – All activities which the Council engage in specifically because they are elected, multi-purpose authorities.

Current – a term applied to different categories of assets and liabilities to reflect that the asset or liability will be used or incurred within twelve months.

Current Service Costs (pension) – The increase in the present value of a defined benefit pension scheme's costs due to the employee service in the current period.

Current Value – The value that the majority of fixed assets are held at in the Council's balance sheet. This value reflects the most recent valuation of that asset or pending a valuation the current value is increased by capital expenditure on that asset.

Curtailement – For a defined benefit pension scheme, an event that reduces the expected years of future service of employees.

Creditors - amounts owed by the Council for work done, goods received or services rendered but for which payment had not been made by the end of the year.

D

DCLG – the Department for Communities and Local Government, the central government department responsible for local government.

DfE – the Department of Education, the central government department responsible for a number of service including schools. (Formerly the DCSF – Department for Children, Schools and Families).

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

Defined contribution / defined benefit schemes (Pension costs) – There is an important distinction between defined contribution and defined benefit schemes in terms of pension accounting. The key features of each scheme are as follows:

Defined contribution:

- employer pays fixed amounts into the scheme and has no obligation to pay further amounts if the scheme does not have sufficient assets to pay employee benefits
- accounted for by charging employer contributions to revenue as they become payable

Defined benefit:

- retirement benefits are determined independently of the investments of the scheme and employers have obligations to make contributions where assets are insufficient to meet employee benefits
- accounted for by recognising liabilities as benefits are earned (ie employees work qualifying years of service), matching them with the organisations attributable share of the scheme's investments

Depreciation - Amounts set aside from the revenue account which represent the wearing out, consumption or loss of value of a fixed asset spread over the useful life of the asset.

DWP – the Department of Work and Pensions – a central government department that deals primarily with welfare benefits.

E

ERTC – English Riviera Tourism Company Ltd. A subsidiary of Torbay Council

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, are those which fall outside the ordinary activities of the Council and which are not expected to recur.

F

Fair Value – the price an asset could be exchanged for in an arm's length transaction less any grant.

Fair Value through Profit and Loss – A classification of a type of financial asset. The Council's fund manager holding has been designated into this category as this holding meets the definition of this type of financial instrument – i.e. the holding is part of a portfolio of investments managed as a whole.

Finance Lease – A finance lease is a lease that transfers substantially all the risks and rewards of ownership of an asset to the lessee. Accounting guidance requires that it should be presumed that such a transfer of risks and rewards occurs if at the inception of a lease the present value of the minimum lease payments including any initial payment, amounts to substantially all (normally ninety per cent or more) of the fair value of the leased asset. The present value is calculated by using the interest rate implicit in the lease.

Financial Instrument – a general term relating to a number of contractual arrangements, such as investments, borrowing, debtors and creditors, that a Council may incur. Based on this classification there are a number of additional accounting requirements relating to the fair value of an arrangement which may be different to the contractual amount due to an assessment of risk or value.

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

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

Funded Pension Liabilities – These are liabilities relating to pensions due in the future to members of a pension fund based on the “standard” entitlements within the scheme.

G

Grants – Receipts in Advance – a grant from central government or other body that has conditions that will require repayment of the grant if not complied with. These grants are not recognised as income until the conditions are met.

H

Heritage Assets - Heritage assets are those assets that are intended to be preserved in trust for future generations because of their cultural, environmental or historical associations. Heritage assets include historical buildings, archaeological sites, civic regalia, museum and gallery collections and works of art.

Historical Cost – the historical or original cost of a fixed asset can be increased by further capital expenditure on that asset.

I

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

Intangible Assets – (notably software) are recognised on the Balance Sheet at their cost of acquisition or development but only revalued in restricted circumstances.

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

Investment Properties – land and buildings held only for the income stream or for capital appreciation.

IFRS – International Financial Reporting Standards. These are the financial “rules” that Council accounts will have to comply with for reporting periods from 2011/12. These rules should be consistently applied throughout all bodies throughout the world.

J

Joint Arrangement – An arrangement under which the participants engage in joint activities but do not create a legal entity because it would not carry on a trade or business of its own.

Joint Committee – a formal committee of local authorities established under the provisions of Local Government Act 1972 usually for the management of a shared service.

L

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

Local Pay Review – Council are required to evaluate the pay of all staff (except teachers) to ensure equality of pay for all staff. This was implemented with an effective date of April 2007.

Local Services Support Grant (LSSG) – a new unringfenced grant from central government replacing the Area Based Grant.

LOBO – A “Lender Option, Borrowing Option” loan. Such a loan has a set rate for a defined period, after which point, the lender has the option of changing the rate. If that option is actioned the borrower then has the option to either accept the new rate or repay the loan.

M

MRP - Minimum Revenue Provision - The minimum amount which must be charged to a Council's revenue account each year and set aside as provision for repayment of debt, as required by the Local Government Act 2003. For assets funded from unsupported borrowing this must be a “prudent” amount.

N

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

Net Debt – The Council's borrowings less cash investments.

New Homes Bonus Grant – A general grant from 2012/13 that is linked to the growth in the number of properties available for occupation either from a new home or an empty home brought back into use.

NNDR – National Non Domestic Rates, a national tax collected on a local level formally known as business rates.

NNDR Retention Scheme - 2013/14 was the first year of the new funding system for Councils – the NNDR Retention system. This change moves Councils away from central government funding based on a service “needs” basis to one linked more to economic growth

Non Current Assets – assets, primarily land and buildings, that have an asset life of over one year and are not used for trading purposes.

Non Distributed Cost – a category within the Council's cost of services that represents past service costs (see below) and other costs that have not been attributed to specific services.

O

Operating Lease – An operating lease is a lease other than a finance lease (please see above). The future obligations relating to operating leases are disclosed to provide the reader with an estimate of the outstanding undischarged obligations in relation to such leases.

P

Past Service Cost – The increase in the present value of a defined benefit pension scheme, as a result of improvements to, retirement benefits.

PFI - Private Finance Initiative – A method of using private investment to fund public sector schemes often supported by central government. The private sector typically builds an asset such as a school and then charges the Council over a period of typically 25 years to use and pay for the asset.

Post Balance Sheet Events – Those events, both favourable and unfavourable, which occur between the balance sheet date and the date on which the Statement of Accounts is signed.

Prior Period Adjustments – Those material adjustments applicable to prior years arising from changes in accounting policies or from the correction of fundamental errors. A fundamental error is one that is of such significance as to destroy the validity of the financial statements.

Precept - A levy made by one statutory body on another to meet the net cost of its services.

Precepting Body – the statutory body that makes a “precept” on a Council that is responsible for collecting Council Tax in an area. Town and parish Councils are classified as a Minor Precepting body which means they precept their tax requirement on the Council who then include that amount in their precept.

Projected unit method (Pensions costs) – an accrued benefits valuation method in which the scheme liabilities make allowance for projected earnings. An accrued benefits valuation method is a valuation method in which the scheme liabilities at the valuation date relate to:

- the benefits for pensioners and deferred pensioners (i.e. individuals who have ceased to be active members but are entitled to benefits payable at a later date) and their dependants, allowing where appropriate for future increases, and
- the accrued benefits for members in service on the valuation date. The accrued benefits are the benefits for service up to a given point in time, whether vested rights or not.

Property, Plant & Equipment – a category of non current assets that show the carrying value of the Council’s operational assets.

Provisions - amounts set aside for the purposes of providing for any liability or loss which is likely or certain to be incurred but is uncertain as to the amount or the date on which it will arise, e.g., bad debts.

Prudential Code – The CIPFA Prudential Code for Capital Finance in Local Authorities which is the guidance applicable from April 2004 for the greater freedom for Councils to borrow to fund capital investment (under the Local Government Act 2003). This Code requires the Council to set and monitor a suite of Prudential Indicators, including its Affordable Borrowing Limit, and establish its policy for using the new freedoms.

PWLB – see Borrowing

R

Related Party Transaction – Is the transfer of assets or liabilities, or the provision of services to or for a related party, irrespective of whether a charge is made.

REFCUS – Revenue Expenditure Funded from Capital Under Statute. This represents expenditure that qualifies as capital for the purposes of government controls, but does not result in the acquisition, creation or enhancement of a tangible fixed asset. As a result the expenditure in this category and related grants or contributions are reported as revenue income and expenditure.

Retirement Benefits – All forms of consideration given by an employer in exchange for services rendered by employees that are payable after the completion of employment.

Reserves – are available for meeting general and future expenditure, for example, capital expenditure on new projects or unforeseen occurrences. Reserves may also be used to smooth the cost of certain activities over a number of years, e.g., crematoria replacement.

Revaluation Reserve – this reserve reflects the accumulated differences in a fixed assets current value compared to its historical cost. The balance on this account when introduced as at 1st April 2007 was set at zero.

Revenue Contribution to Capital Outlay - the financing of capital expenditure, directly funded from revenue or reserves, rather than from borrowing or other sources.

Revenue Expenditure - expenditure on day-to-day expenses consisting mainly of employee costs, the running expenses of buildings and equipment and capital financing costs.

Revenue Support Grant – a General Government Grant funded from national taxation to support the Council's net expenditure.

S

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

Supported Borrowing – the amount of Council borrowing towards which the Government provides financial support through the annual Revenue Support Grant

T

TEDC – Torbay Economic Development Company Ltd. A subsidiary of Torbay Council

Total Cost – the actual cost of services reflects all of the direct, indirect and overhead costs that have been incurred in providing the service, even where the expenditure is not under the control of the service's chief officer.

U

Unfunded Pension Liabilities – these are pension costs arising from additional service awarded by a Council on a discretionary basis.

Unsupported (or Prudential) Borrowing – any borrowing the Council undertakes that is above and beyond the level of Supported Borrowing which the Government helps to fund and which therefore the Council has to fund completely from its own resources.

Usable Reserves – a heading that reflects the Council's reserves that can be used for supporting service delivery including capital expenditure in the future.

Unusable Reserves – a heading that reflects the Council's reserves that can not be used for supporting services. These tend to be the result of notional accounting entries such as those that reflect previous capital financing, asset revaluations and the pension reserve.

V

VRP – Voluntary Revenue Provision – A additional sum that a Council can make to be set aside as provision for the future repayment of debt.