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Date:	Friday, 22 July 2016	Torquay
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Dear Member

AUDIT COMMITTEE - WEDNESDAY, 27 JULY 2016

I am now able to enclose, for consideration at the Wednesday, 27 July 2016 meeting of the Audit Committee, the following reports that were unavailable when the agenda was printed.

Yours sincerely

Lisa Antrobus
Clerk

Agenda Item 6

The Audit Findings for Torbay Council

Year ended 31 March 2016

27 July 2016

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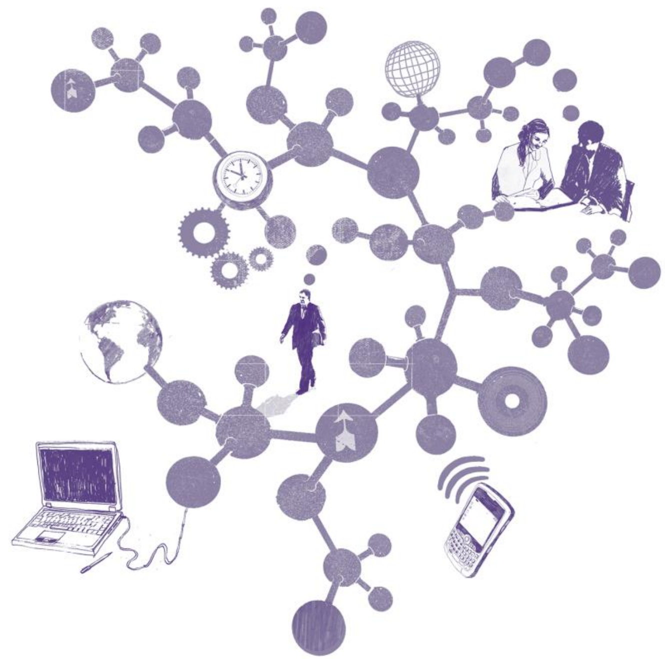

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27 July 2016

Dear Members of the Audit Committee

Audit Findings for Torbay Council for the year ending 31 March 2016

This Audit Findings report highlights the key findings arising from the audit for the benefit of those charged with governance (in the case of Torbay Council, the Audit Committee), as required by International Standard on Auditing (UK & Ireland) 260, the Local Audit and Accountability Act 2014 and the National Audit Office Code of Audit Practice. Its contents have been discussed with officers.

As auditors we are responsible for performing the audit, in accordance with International Standards on Auditing (UK & Ireland), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities for the preparation of the financial statements.

The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed primarily for the purpose of expressing our opinion on the financial statements and giving a value for money conclusion. Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify any control weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose defalcations or other irregularities, or to include all possible improvements in internal control that a more extensive special examination might identify. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

We would like to take this opportunity to record our appreciation for the kind assistance provided by the finance team and other staff during our audit.

Yours sincerely

Alex Walling

Engagement lead

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Contents

Page 104

Section 1: Executive summary

Purpose of this report

This report highlights the key issues affecting the results of Torbay Council ('the Council') and the preparation of the Council's financial statements for the year ended 31 March 2016. It is also used to report our audit findings to management and those charged with governance in accordance with the requirements of International Standard on Auditing (UK & Ireland) 260, and the Local Audit and Accountability Act 2014 ('the Act').

Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report whether, in our opinion, the Council's financial statements give a true and fair view of the financial position of the Council and its income and expenditure for the year and whether they have been properly prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting.

We are also required consider other information published together with the audited financial statements, whether it is consistent with the financial statements and in line with required guidance.

We are required to carry out sufficient work to satisfy ourselves on whether the Council has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources ('the value for money (VFM) conclusion').

Auditor Guidance Note 7 (AGN07) clarifies our reporting requirements in the Code and the Act. We are required to provide a conclusion whether in all significant respects, the Council has put in place proper arrangements to secure value for money through economic, efficient and effective use of its resources for the relevant period.

The Act also details the following additional powers and duties for local government auditors, which we are required to report to you if applied:

- a public interest report if we identify any matter that comes to our attention in the course of the audit that in our opinion should be considered by the Council or brought to the public's attention (section 24 of the Act);
- written recommendations which should be considered by the Council and responded to publicly (section 24 of the Act);
- application to the court for a declaration that an item of account is contrary to law (section 28 of the Act);
- issue of an advisory notice (section 29 of the Act); and
- application for judicial review (section 31 of the Act)

We are also required to give electors the opportunity to raise questions about the accounts and consider and decide upon objections received in relation to the accounts under sections 26 and 27 of the Act.

Introduction

In the conduct of our audit we have not had to alter or change our audit approach, which we communicated to you in our Audit Plan dated March 2016.

Our audit is substantially complete although we are finalising our procedures in the following areas:

- third party confirmation of the Council's investments – confirmation of the balances with Goldman Sachs at the 31/3/16 is outstanding
- review of the final version of the financial statements
- obtaining and reviewing the management letter of representation
- review of revised versions of the Annual Governance Statement
- updating our post balance sheet events review, to the date of signing the opinion, and
- Whole of Government Accounts

We received draft financial statements and accompanying working papers at the commencement of our work, in accordance with the agreed timetable. This is a credit to the Finance team as the timetable was a week earlier than in 2014/15 enabling an early audit start date of 6 June 2016 with reporting to the Audit Committee at the end of July. As with last year's audit we also had a number of helpful early discussions with the Finance team around key technical issues. This enabled the early resolution of issues that would have been difficult to resolve promptly once the audit was in progress.

Key audit and financial reporting issues

Financial statements opinion

We have not identified any adjustments affecting the Council's reported financial position. We have recommended a small number of adjustments to improve the presentation of the financial statements.

The key messages arising from our audit of the Council's financial statements are:

- the draft accounts were again produced to a good standard
- the audit has been facilitated by good supporting working papers and excellent assistance from the finance team.

Further details are set out in section two of this report.

We anticipate providing a unqualified audit opinion in respect of the financial statements (see Appendix B).

Other financial statement responsibilities

As well as an opinion on the financial statements, we are required to give an opinion on whether other information published together with the audited financial statements is consistent with the financial statements. This includes:

- if the Annual Governance Statement does not meet the disclosure requirements set out in the CIPFA/SOLACE guidance or is misleading or inconsistent with the information of which we are aware from our audit.

In our opinion, the other information published together with the audited financial statements in the Narrative Report and the Annual Governance Statement is consistent with the audited financial statements and meets the disclosure requirements.

Controls

Roles and responsibilities

The Council's management is responsible for the identification, assessment, management and monitoring of risk, and for developing, operating and monitoring the system of internal control.

Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify any control weaknesses, we report these to the Council.

Findings

We draw your attention to control issues identified from our review of the Council's IT environment which identified some deficiencies around password management controls, review of security logs and automatic screen locks on financially critical systems.

Further details are provided within section two of this report.

Value for Money

Our review of the Council's arrangements to secure economy, efficiency and effectiveness has highlighted the following issues which will give rise to a qualified VFM conclusion.

We concluded that the matters reported in the Ofsted report on the Council's Childrens Services issued in January 2016 were weaknesses in proper arrangements for understanding and using appropriate and reliable financial and performance information to support informed decision making and performance management, and for planning, organising and developing the workforce effectively to deliver strategic priorities.

Further detail of our work on Value for Money are set out in section three of this report.

Other statutory powers and duties

We have not identified any issues that have required us to apply our statutory powers and duties under the Act.

Grant certification

In addition to our responsibilities under the Code, we are required to certify the Council's Housing Benefit subsidy claim on behalf of the Department for Work and Pensions. At present our work on this claim is in progress and is not due to be finalised until 30 November 2016. We will report the outcome of this certification work through a separate report to the Audit Committee in January 2017.

The way forward

Matters arising from the financial statements audit and our review of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources have been discussed with the Chief Finance Officer.

We have made a small number of recommendations, which are set out in the action plan at Appendix A. Recommendations have been discussed and agreed with the Chief Finance Officer and the finance team.

Acknowledgement

We would like to take this opportunity to record our appreciation for the assistance provided by the finance team and other staff during our audit.

Grant Thornton UK LLP
July 2016

Section 2: Audit findings

Materiality

In performing our audit, we apply the concept of materiality, following the requirements of International Standard on Auditing (UK & Ireland) (ISA) 320: Materiality in planning and performing an audit. The standard states that 'misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements'.

As we reported in our audit plan, we determined overall materiality to be £5,575k (being 1.95% of gross revenue expenditure). We have considered whether this level remained appropriate during the course of the audit and the reduced level of gross revenue expenditure led us to revise our overall materiality to £5,524k (being 1.95% of gross revenue expenditure).

We also set an amount below which misstatements would be clearly trivial and would not need to be accumulated or reported to those charged with governance because we would not expect that the accumulated effect of such amounts would have a material impact on the financial statements. We have defined the amount below which misstatements would be clearly trivial to be £276k. Our assessment of the value of clearly trivial matters has been adjusted to reflect our revised materiality calculation.

As we reported in our audit plan, we identified the following items where we decided that separate materiality levels were appropriate. These remain the same as reported in our audit plan.

Balance/transaction/disclosure	Explanation	Materiality level
Disclosures of officers' remuneration, salary bandings and exit packages in notes to the statements	Due to public interest in these disclosures and the statutory requirement for them to be made.	£5k

Audit findings against significant risks

"Significant risks often relate to significant non-routine transactions and judgmental matters. Non-routine transactions are transactions that are unusual, either due to size or nature, and that therefore occur infrequently. Judgmental matters may include the development of accounting estimates for which there is significant measurement uncertainty" (ISA (UK&I) 315).

In this section we detail our response to the significant risks of material misstatement which we identified in the Audit Plan. As we noted in our plan, there are two presumed significant risks which are applicable to all audits under auditing standards.

	Risks identified in our audit plan	Work completed	Assurance gained and issues arising
1.	**The revenue cycle includes fraudulent transactions** Under ISA (UK&I) 240 there is a presumed risk that revenue may be misstated due to the improper recognition of revenue. This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.	Having considered the risk factors set out in ISA240 and the nature of the revenue streams at Torbay Council, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because: • there is little incentive to manipulate revenue recognition • opportunities to manipulate revenue recognition are very limited; and • the culture and ethical frameworks of local authorities, including Torbay Council, mean that all forms of fraud are seen as unacceptable.	Our audit work has not identified any issues in respect of revenue recognition.
2.	**Management over-ride of controls** Under ISA (UK&I) 240 it is presumed that the risk of management over-ride of controls is present in all entities.	We have undertaken the following work in relation to this risk: • testing of journal entries • review of accounting estimates, judgements and decisions made by management • review of unusual significant transactions	Our audit work has not identified any evidence of management over-ride of controls. In particular the findings of our review of journal controls and testing of journal entries has not identified any significant issues. We set out later in this section of the report our work and findings on key accounting estimates and judgements.

Page 111

Audit findings against significant risks (continued)

We have also identified the following significant risks of material misstatement from our understanding of the entity. We set out below the work we have completed to address these risks.

	Risks identified in our audit plan	Work completed	Assurance gained and issues arising
3.	**Valuation of property, plant and equipment** The Council revalues its assets on a rolling basis over a five year period. The Code requires that the Council ensures that the carrying value at the balance sheet date is not materially different from the current value. This represents a significant estimate by management in the financial statements.	We have undertaken the following work in relation to this risk: • Review of management's processes and assumptions for the calculation of the estimate. • Review of the competence, expertise and objectivity of any management experts used. • Review of the instructions issued to valuation experts and the scope of their work • Discussions with the Council's valuer about the basis on which the valuation was carried out, challenging the key assumptions. • Review and challenge of the information used by the valuer to ensure it was robust and consistent with our understanding. • Testing of revaluations made during the year to ensure they were input correctly into the Council's asset register • Evaluation of the assumptions made by management for those assets not revalued during the year and how management satisfied themselves that these were not materially different to current value.	Our audit work has not identified any significant issues in relation to the risk identified.
4.	**One-off/unusual transactions** New PFI scheme - The Council is in partnership with Devon County Council and Plymouth City Council in an Energy from Waste (EfW) PFI scheme.	We have undertaken the following work in relation to this risk: • We gained an understanding of the transaction including a review of supporting documentation • We carried out a detailed assessment of whether the proposed accounting treatment for the scheme was in accordance with the accounting standards and was based on reasonable judgements by management, supported by the contract documentation • We reviewed whether the PFI operator's financial model was producing reliable figures by entering the figures into the model used by Grant Thornton and comparing the results. • We carried out testing of the transactions in the financial statements to ensure they were consistent with our understanding • We reviewed the accounting entries to ensure they complied with the requirements of the CIPFA Code of Practice..	Our audit work concluded that: • the accounting treatment for the scheme was reasonable • the figures produced by the PFI operator's financial model were materially accurate • The transactions in the financial statements were consistent with the financial model and our understanding, and • The accounting entries were compliant with the Code.

Page 112

Audit findings against significant risks (continued)

	Risks identified in our audit plan	Work completed	Assurance gained and issues arising
6.	**Valuation of pension fund net liability** The Council's pension fund asset and liability as reflected in its balance sheet represent significant estimates in the financial statements.	We have undertaken the following work in relation to this risk: • Documentation of the key controls that were put in place by management to ensure that the pension fund liability was not materially misstated. • Walkthrough of the key controls to assess whether they were implemented as expected and mitigate the risk of material misstatement in the financial statements. • Review of the competence, expertise and objectivity of the actuary who carried out the Council's pension fund valuation. • Gaining an understanding of the basis on which the IAS 19 valuation was carried out, undertaking procedures to confirm the reasonableness of the actuarial assumptions made. • Review of the consistency of the pension fund asset and liability and disclosures in notes to the financial statements with the actuarial report from your actuary.	Our audit work has not identified any significant issues in relation to the risk identified.

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Audit findings against other risks

In this section we detail our response to the other risks of material misstatement which we identified in the Audit Plan. Recommendations, together with management responses are attached at appendix A.

Transaction cycle	Description of risk	Work completed	Assurance gained & issues arising
Operating expenses	Creditors understated or not recorded in the correct period (Operating expenses understated)	We have undertaken the following work in relation to this risk: • documented our understanding of processes and key controls over the transaction cycle • undertaken walkthrough of the key controls to assess the whether those controls were in line with our documented understanding • Substantive testing of a sample of operating expenses to ensure they have been accurately accounted for and in the correct period. • Cut off testing of expenditure, including a review of payments made after the year end to identify unrecorded liabilities. • Review of estimates, judgements and decisions made by management for unusual and large accruals.	Our audit work has not identified any significant issues in relation to the risk identified.
Employee remuneration	Employee remuneration accruals understated (Remuneration expenses not correct)	We have undertaken the following work in relation to this risk: • documented our understanding of processes and key controls over the transaction cycle • undertaken walkthrough of the key controls to assess the whether those controls were in line with our documented understanding • Review of monthly trend analysis of employee costs for the year to identify any unusual or irregular movements. • substantive testing of a sample of employees for accuracy of payment and the agreement of employee remuneration disclosures to supporting documentation. • Review of the year end payroll reconciliation to ensure that information from the payroll system can be agreed to the ledger and the financial statements.	Our audit work has not identified any significant issues in relation to the risk identified.

Page 114

Accounting policies, estimates and judgements

In this section we report on our consideration of accounting policies, in particular revenue recognition policies, and key estimates and judgements made and included with the Council's financial statements.

Accounting area	Summary of policy	Comments	Assessment
Revenue recognition	• Activity is accounted for in the year that it takes place, not simply when cash payments are made or received • Revenue from the sale of goods is recognised when the Council can measure reliably the percentage of completion and it is probable that the economic benefits or service potential will flow to the Council. • Revenue relating to council tax, general rates etc are measured at the full amount receivable (net of any impairment losses) as they are non-contractual, non-exchange transactions and there can be no difference between the delivery and payment dates.	We have reviewed the Council's recognition of revenue policies and are satisfied that : • Appropriate policies have been used • Accounting policies have been adequately disclosed • Revenue had been appropriately recognised	● Green
Judgements and estimates	• Key estimates and judgements include: – Useful life of PPE – Revaluations – Impairments – Accruals – Valuation of pension fund net liability – Provision for NNDR appeals – Other provisions	We have reviewed the accounting areas where the Council has exercised judgement and used estimates. We found that: • Appropriate policies have been used • Accounting policies have been adequately disclosed • Areas where judgement had been used were supported by the work of an expert or a third party	● Green

Page 115

Assessment
● Marginal accounting policy
● Accounting policy appropriate but scope for improved disclosure
● Accounting policy appropriate and disclosures sufficient

Accounting policies, estimates and judgements (continued)

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Accounting area	Summary of policy	Comments	Assessment
Going concern	The Chief Finance Officer has a reasonable expectation that the services provided by the Council will continue for the foreseeable future. Members concur with this view. For this reason, the Council continue to adopt the going concern basis in preparing the financial statements.	We have reviewed the Council's assessment and are satisfied with management's assessment that the going concern basis is appropriate for the 2015/16 financial statements.	● Green
Other accounting policies	We have reviewed the Council's policies against the requirements of the CIPFA Code and accounting standards.	We have reviewed the Council's policies against the requirements of the CIPFA Code of Practice. The Council's accounting policies are appropriate and consistent with previous years.	● Green

Assessment
● Marginal accounting policy
● Accounting policy appropriate but scope for improved disclosure
● Accounting policy appropriate and disclosures sufficient

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Other communication requirements

We set out below details of other matters which we, as auditors, are required by auditing standards and the Code to communicate to those charged with governance.

	Issue	Commentary
1.	**Matters in relation to fraud**	• We have previously discussed the risk of fraud with the Audit Committee. We have not been made aware of any incidents in the period and no other issues have been identified during the course of our audit procedures
2.	**Matters in relation to related parties**	• From the work we carried out, we have not identified any related party transactions which have not been disclosed
3.	**Matters in relation to laws and regulations**	• You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work.
4.	**Written representations**	• A standard letter of representation has been requested from the Council.
5.	**Confirmation requests from third parties**	• We requested from management permission to send confirmation requests to the Council's bankers and institutions where the Council has funds invested. This permission was granted and the requests were sent. All of these requests were returned with positive confirmation, however the response from Goldman Sachs is outstanding.
6.	**Disclosures**	• Our review found no material omissions in the financial statements

Other communication requirements (continued)

	Issue	Commentary
7.	**Matters on which we report by exception**	We are required to report on a number of matters by exception in a number of areas: • If the Annual Governance Statement does not meet the disclosure requirements set out in the CIPFA/SOLACE guidance or is misleading or inconsistent with the information of which we are aware from our audit • The information in the Narrative Report is materially inconsistent with the information in the audited financial statements or our knowledge of the Council acquired in the course of performing our audit, or otherwise misleading. We have not identified any issues.
8.	**Specified procedures for Whole of Government Accounts**	We are required to carry out specified procedures (on behalf of the NAO) on the Whole of Government Accounts (WGA) consolidation pack under WGA group audit instructions. Our work in this area is outstanding as the consolidation pack has only recently been issued by the NAO.

Internal controls

The purpose of an audit is to express an opinion on the financial statements.

Our audit included consideration of internal controls relevant to the preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control. We considered and walked through the internal controls for Employee Remuneration and Operating Expenses as set out on page 13 above.

The matters that we identified during the course of our audit are set out in the table below. These and other recommendations, together with management responses, are included in the action plan attached at Appendix A.

The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

	Assessment	Issue and risk	Recommendations
1.	Deficiency	Logs of information security activity, for example, unauthorised access attempts on the network or within the financial applications are not being formally, proactively, and routinely reviewed. This is particularly important in ABS FIMs and Northgate payroll system, where management have multiple roles and appropriate segregation of duties between financial management and system management cannot be enforced due staff numbers and administrative requirements. Without formal, proactive, and routine reviews of security event logs, inappropriate and anomalous security activity may not identified and/or addressed in a timely manner.	The Council should consider implementing a review of security logs relating to information security events on each system and the network should be formally reviewed for the purpose of detecting inappropriate or anomalous activity. These reviews should be performed by one or more knowledgeable individuals who are independent of the day-to-day use or administration of these systems.
2.	Deficiency	The Northgate Payroll systems has some weak management controls. Although the system has gone through a major upgrade in year and improvements in security have been noted i.e. longer, complex passwords have been introduced, the following should be addressed: • System administration is conducted by senior management • we have no evidence that passwords are required to be changed There is a risk that the password controls would allow unauthorised access to sensitive data and could allow data to be altered to benefit an individual or individuals.	The Council should consider removing administrative access from those responsible for payroll management Passwords should be set to renew between 30 - 60 days to ensure a robust protection against unauthorised access.

Assessment
- Significant deficiency – risk of significant misstatement
- Deficiency – risk of inconsequential misstatement

Internal controls (continued)

The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

	Assessment	Issue and risk	Recommendations
3.	● Deficiency	Login sessions on the network and therefore over the financially critical systems are not automatically disconnected after a period of inactivity. There is a risk that unattended login sessions may either be misused by other valid users of the system, leading to loss of accountability of actions performed or that unauthorised personnel have access to sensitive data, leading to unauthorised data disclosure or data tampering	The Council should re-consider the introduction of an active directory screensaver policy which should be enabled to automatically lock the user screens after a period of inactivity i.e. a maximum period of 15 minutes. Users should not be relied on to manually lock out screens.

Page 120

Assessment

- ● Significant deficiency – risk of significant misstatement
- ● Deficiency – risk of inconsequential misstatement

Unadjusted misstatements

The table below provides details of adjustments identified during the audit which have not been made within the final set of financial statements. The Audit Committee is required to approve management's proposed treatment of all items recorded within the table below:

	Detail	Comprehensive Income and Expenditure Statement £'000	Balance Sheet £'000	Reason for not adjusting
1	Torquay Marina is included within long term debtors and also in property, plant and equipment.	-	2,500	Not material
	Overall impact	**-**	**2,500**	

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Misclassifications and disclosure changes

The table below provides details of misclassification and disclosure changes identified during the audit which have been made in the final set of financial statements.

	Adjustment type	Value £'000	Account balance	Impact on the financial statements
1	Disclosure	600	Cash flow statement – increase/decrease in creditors/debtors	Adjustment from debtors to creditors made but not reflected in the cash flow statement. Movement in creditors to be -£0.2m. Movement in debtors to be -£5.2m **No overall impact on the financial statements**
2	Disclosure	N/A	General	A number of amendments have been made to the draft accounts to correct minor disclosure and presentational issues that do not warrant being individually reported to Those Charged with Governance. **No overall impact on the financial statements**

Section 3: Value for Money

Background

We are required by section 21 of the Local Audit and Accountability Act 2014 ('the Act') and the NAO Code of Audit Practice ('the Code') to satisfy ourselves that the Council has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. This is known as the Value for Money (VFM) conclusion.

We are required to carry out sufficient work to satisfy ourselves that proper arrangements are in place at the Council. The Act and NAO guidance state that for local government bodies, auditors are required to give a conclusion on whether the Council has put proper arrangements in place.

Page 124

In carrying out this work, we are required to follow the NAO's Auditor Guidance Note 3 (AGN 03) issued in November 2015. AGN 03 identifies one single criterion for auditors to evaluate:

> *In all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.*

AGN03 provides examples of proper arrangements against three sub-criteria but specifically states that these are not separate criteria for assessment purposes and that auditors are not required to reach a distinct judgement against each of these.

Risk assessment

We carried out an initial risk assessment in February 2016 and identified the following significant risks, which we communicated to you in our Audit Plan dated March 2016:

- Ofsted issued a report on the Council's children's services in 2015/16 which rated these as 'inadequate'. Until such time as Ofsted has confirmed that adequate arrangements are in place this remains a significant risk to the Council's arrangements.
- The Council's Medium Term Resource Plan (MTRP) shows that the Council needs to identify further savings in the region of £20m over the next four years. This is after finding £10m of savings in the 2016/17 budget.
- The Corporate Peer Challenge (CPC) by the Local Government Association (LGA) in late 2015 noted that there are a range of progressive and inspiring partnerships, but also that many partners were disillusioned by the lack of common purpose and felt constrained. The Council is working with partners from different organisations and service areas with potentially conflicting priorities.
- The CPC report raised issues around the Council's decision making and recommended that more effective working practices are implemented in respect of transparency and political decision making.

We identified risks in respect of specific areas of proper arrangements using the guidance contained in AGN03.

We have continued our review of relevant documents up to the date of giving our report, and have not identified any further significant risks where we need to perform further work.

We carried out further work only in respect of the significant risks we identified from our initial and on-going risk assessment. Where our consideration of the significant risks determined that arrangements were not operating effectively, we have used the examples of proper arrangements from AGN 03 to explain the gaps in proper arrangements that we have reported in our VFM conclusion.

Significant qualitative aspects

AGN 03 requires us to disclose our views on significant qualitative aspects of the Council's arrangements for delivering economy, efficiency and effectiveness.

We have focused our work on the significant risks that we identified in the Council's arrangements. In arriving at our conclusion, our main considerations were:

- The progress made by the Council in addressing the issues raised in the January 2016 Ofsted report which rated the Council's Childrens Services as inadequate
- How reasonable were the assumptions made by the Council in its Medium Term Resource Plan
- The progress made by the Council in addressing issues raised the CPC review in respect of partnership working and the decision making process

We have set out more detail on the risks we identified, the results of the work we performed and the conclusions we drew from this work on pages 25 to 26.

Overall conclusion

Based on the work we performed to address the significant risks, we concluded that except for the matters we identified in respect of the Ofsted report on Childrens Services, the Council had proper arrangements in all significant respects. We therefore propose to give a qualified 'except for' conclusion on your arrangements for securing economy, efficiency and effectiveness in your use of resources. The text of our proposed report can be found at Appendix B.

Recommendations for improvement

We discussed findings arising from our work with management and have agreed recommendations for improvement as follows.

1. The Council must formally agree a clear action plan to address the issues in the Ofsted report on Childrens Services. The action plan should be subject to appropriate oversight and scrutiny through the Council's corporate governance arrangements
2. The Council must develop realistic savings plans to bridge the budget gap in 2017/18 to 2019/20.
3. The Council must ensure that it allocates sufficient resources to enable the target dates in the CPC action plan for the Strategic Partnership Forum, and the development of the high level plan and communication and engagement strategy, to be achieved.
4. The Council must allocate a specific timeline for re-establishing clear governance practice and procedures.

Management's response to these can be found in the Action Plan at Appendix A.

Page 125

Key findings

We set out below our key findings against the significant risks we identified through our initial risk assessment and further risks identified through our ongoing review of documents.

Significant risk	Work to address	Findings and conclusions
Ofsted inspection of children's services Ofsted issued a report on the Council's children's services in 2015/16 which rated these as 'inadequate'. Until such time as Ofsted has confirmed that adequate arrangements are in place this remains a significant risk to the Council's arrangements.	We reviewed the action being taken by the Council in response to the issues in the Ofsted report.	The Council is undertaking a lot of work in this area but a formal action plan to address the issues from the Ofsted report has yet to be approved by Members. A detailed report on the Delivery of the Childrens Services Five Year plan is due to go to Council on 21 July 2016. The Council needs to formally agree a clear action plan to address the issues in the Ofsted report. We concluded that there were weaknesses in proper arrangements for understanding and using appropriate and reliable financial and performance information to support informed decision making and performance management, and for planning, organising and developing the workforce effectively to deliver strategic priorities.
Medium term financial planning The Council's Medium Term Resource Plan (MTRP) shows that the Council needs to identify further savings in the region of £20m over the next four years. This is after finding £10m of savings in the 2016/17 budget.	We reviewed the Council's latest MTRP and the 2016/17 budget, considering the assumptions that underpin the figures within them.	The Council has got robust financial planning processes in place. A four year Medium Term Resource Plan (MTRP) is in place covering 2016/17 to 2019/20. This is regularly reviewed and updated. The MTRP reflects the impact of the reductions in government grant and estimates that the Council will have a budget gap of £18.5m by 2019/20. A three year budget to address this gap is being developed. On that basis we concluded that while the level of savings needed represents a significant challenge for the Council, the risk was sufficiently mitigated and the Council has proper arrangements in place for planning finances effectively to support the sustainable delivery of strategic priorities and using appropriate cost and performance information to support informed decision making.

Key findings - continued

Significant risk	Work to address	Findings and conclusions
Partnerships The Corporate Peer Challenge (CPC) by the Local Government Association (LGA) in late 2015 noted that there are a range of progressive and inspiring partnerships, but also that many partners were disillusioned by the lack of common purpose and felt constrained. The Council is working with partners from different organisations and service areas with potentially conflicting priorities.	We reviewed the project management and risk assurance frameworks established by the Council to establish how it is identifying, managing and monitoring its partnerships. We will also review actions being taken by the Council in response to the CPC report.	The Council does not have a central register of its partnerships. The Council has actions in place to set up a Strategic Partnership Forum but this seems to be behind its original timescale of meeting before the end of June 2016. The timescale for developing its High Level Plan and a communication and engagement strategy by the end of August 2016, for a report to Council in September 2016, will be challenging if further progress is not made. The Council's work on this area is in progress and we do not consider that this is an issue that impacts on our VFM conclusion but the Council must ensure that it allocates sufficient resources to enable the target dates in the CPC action plan to be achieved.
Informed decision making The CPC report raised issues around the Council's decision making and recommended that more effective working practices are implemented in respect of transparency and political decision making.	We reviewed the Council's response to the CPC report and considered any actions being planned.	The Council have detailed a number of actions which have been linked to the development of the training programme. However, the detailed actions for recommendation 14 refers to re-establishing clear governance practice and procedures with roles and responsibilities mapped out. While linked to the development of the training programme this is a separate piece of work that needs to be urgently addressed and it should be given a specific timeline for completion. There have also been recent instances of motions being brought directly to Council without supporting reports, which could leave the Council open to challenge on the transparency of its decision making process, which emphasises the importance of this review. The Council's work on this area is in progress and we do not consider that this is an issue that impacts on our VFM conclusion but the Council must allocate a specific timeline for re-establishing clear governance practice and procedures.

Significant difficulties in undertaking our work

We did not identify any significant difficulties in undertaking our work on your arrangements which we wish to draw to your attention.

Significant matters discussed with management

There were no matters where no other evidence was available or matters of such significance to our conclusion or that we required written representation from management or those charged with governance.

Any other matters

There were no other matters from our work which were significant to our consideration of your arrangements to secure value for money in your use of resources.

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Section 5: Fees, non-audit services and independence

Page 129

We confirm below our final fees charged for the audit and confirm there were no fees for the provision of non audit services.

Fees

	Proposed fee £	Final fee £
Council audit	102,053	102,053*
Grant certification	7,954	7,954
Total audit fees (excluding VAT)	**110,007**	**117,507**

* There was additional work required in relation to the Energy from Waster PFI scheme. This additional fee is being discussed with officers before approval is requested from Public Sector Audit Appointments Ltd (PSAA) and the final fee will be confirmed in the Annual Audit Letter.

Grant certification

Our fees for grant certification cover only housing benefit subsidy certification, which falls under the remit of Public Sector Audit Appointments Limited. Fees in respect of other grant work, such as reasonable assurance reports, are shown under 'Fees for other services'.

Fees for other services

Service	Fees £
Audit related services:	
• Teachers Pension	**3,800**
Non-audit services	**Nil**

Independence and ethics

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Auditing Practices Board's Ethical Standards and therefore we confirm that we are independent and are able to express an objective opinion on the financial statements.

We confirm that we have implemented policies and procedures to meet the requirements of the Auditing Practices Board's Ethical Standards.

Section 6: Communication of audit matters

Communication to those charged with governance

International Standards on Auditing ISA (UK&I) 260, as well as other ISAs, prescribe matters which we are required to communicate with those charged with governance, and which we set out in the table opposite.

The Audit Plan outlined our audit strategy and plan to deliver the audit, while this Audit Findings report presents the key issues and other matters arising from the audit, together with an explanation as to how these have been resolved.

Respective responsibilities

The Audit Findings Report has been prepared in the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by Public Sector Audit Appointments Limited (http://www.psaa.co.uk/appointing-auditors/terms-of-appointment/)

We have been appointed as the Council's independent external auditors by the Audit Commission, the body responsible for appointing external auditors to local public bodies in England at the time of our appointment. As external auditors, we have a broad remit covering finance and governance matters.

Our annual work programme is set in accordance with the Code of Audit Practice ('the Code') issued by the NAO (https://www.nao.org.uk/code-audit-practice/about-code/). Our work considers the Council's key risks when reaching our conclusions under the Code.

It is the responsibility of the Council to ensure that proper arrangements are in place for the conduct of its business, and that public money is safeguarded and properly accounted for. We have considered how the Council is fulfilling these responsibilities.

Our communication plan	Audit Plan	Audit Findings
Respective responsibilities of auditor and management/those charged with governance	✓	
Overview of the planned scope and timing of the audit. Form, timing and expected general content of communications	✓	
Views about the qualitative aspects of the entity's accounting and financial reporting practices, significant matters and issues arising during the audit and written representations that have been sought		✓
Confirmation of independence and objectivity	✓	✓
A statement that we have complied with relevant ethical requirements regarding independence, relationships and other matters which might be thought to bear on independence. Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged Details of safeguards applied to threats to independence	✓	✓
Material weaknesses in internal control identified during the audit		✓
Identification or suspicion of fraud involving management and/or others which results in material misstatement of the financial statements		✓
Non compliance with laws and regulations		✓
Expected modifications to auditor's report		✓
Uncorrected misstatements		✓
Significant matters arising in connection with related parties		✓
Significant matters in relation to going concern		✓

Appendices

Appendix A: Action plan

Priority
High - Significant effect on control system
Medium - Effect on control system
Low - Best practice

Rec No.	Recommendation	Priority	Management response	Implementation date & responsibility
1	The Council must formally agree a clear action plan to address the issues in the Ofsted report on Childrens Services. The action plan should be subject to appropriate oversight and scrutiny through the Council's corporate governance arrangements.	High	A comprehensive improvement plan has been developed in consultation with DfE and our improvement partner, Hampshire County Council. Progress with the improvement plan is overseen by an Improvement Board chaired by the Chief Executive from Hants. The Improvement Board meets on a six weekly basis and there are periodic monitoring visits by Ofsted as a further check on progress. Progress with the improvement plan, including the views of Hampshire as the DfE appointed improvement partner, will be reported to elected members on a regular basis and at least six monthly	31 December 2016 Andy Dempsey – Director of Children's Services
2	The Council must develop realistic savings plans to bridge the budget gap in 2017/18 to 2019/20.	High	The Council has established a Transformation Programme to ensure the Council remain financially viable in the medium term. This Programme will help support the Efficiency Plan to be presented to Council in September 2016, which will identify how the Council will achieve savings and additional income over the next few years. The Mayor is expected to present his budget proposals for 2017/18 in November 2016 which will also include, as appropriate, future year savings.	On-going Senior Leadership Team

Appendix A: Action plan

Priority
High - Significant effect on control system
Medium - Effect on control system
Low - Best practice

Rec No.	Recommendation	Priority	Management response	Implementation date & responsibility
3	The Council must ensure that it allocates sufficient resources to enable the target dates in the CPC action plan for the Strategic Partnership Forum, and the development of the high level plan and communication and engagement strategy, to be achieved.	High	Senior Leadership Team are reviewing the action plan on a monthly basis, with officers progressing as far as they realistically can. External factors have impacted upon achieving some of the originally anticipated timescales.	On-going Senior Leadership team
4	The Council must allocate a specific timeline for re-establishing clear governance practice and procedures.	High	The CPC review was not concerned with the Council's Constitution, its recommendation was in respect of all members understanding of the same. Greater support has been provided to members since the CPC review in this respect and training for all members and SLT by Professor Colin Copus is being arranged for September 2016.	September 2016 Anne-Marie Bond - Assistant Director Corporate and Business Services
5	The Council should consider implementing a review of security logs relating to information security events on each system and the network should be formally reviewed for the purpose of detecting inappropriate or anomalous activity. These reviews should be performed by one or more knowledgeable individuals who are independent of the day-to-day use or administration of these systems.	Medium	Not agreed - staffing levels do not allow for the routine examination of logs.	Bob Clark – Executive Head Customer Services

Appendix A: Action plan

Priority
High - Significant effect on control system
Medium - Effect on control system
Low - Best practice

Rec No.	Recommendation	Priority	Management response	Implementation date & responsibility
6	The Council should consider removing administrative access from those responsible for payroll management	Medium	Not agreed - Due to the size of the team it is not feasible to remove system administration from the Payroll Manager responsibilities.	Bob Clark – Executive Head Customer Services
7	Passwords should be set to renew between 30 - 60 days to ensure a robust protection against unauthorised access.	Medium	Not agreed - the system is set up to force a password change after 90 days, disable a user after 21 days of inactivity and time out after 30 minutes (as recommended by supplier due to core running of tasks).	Bob Clark – Executive Head Customer Services
8	The Council should re-consider the introduction of an active directory screensaver policy which should be enabled to automatically lock the user screens after a period of inactivity i.e. a maximum period of 15 minutes. Users should not be relied on to manually lock out screens.	Medium	Agreed. A 15 minute screensaver policy will be implemented.	30 September 2016 Bob Clark – Executive Head Customer Services

Appendix B: Audit opinion

We anticipate we will provide the Council with a modified audit report

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF TORBAY COUNCIL

We have audited the financial statements of Torbay Council (the "Authority") for the year ended 31 March 2016 under the Local Audit and Accountability Act 2014 (the "Act"). The financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, the 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 2015/16.

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Act and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the members those matters we are required to state to them in an auditor's report and for no other purpose. 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 2015/16, which 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 Narrative Report and the Annual Governance Statement 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:

- present a true and fair view of the financial position of the Authority as at 31 March 2016 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 and applicable law.

Opinion on other matters

In our opinion, the other information published together with the audited financial statements in the Narrative Report and the Annual Governance Statement is consistent with the audited financial statements.

Matters on which we are required to report by exception

We are required to report to you if:

- in our opinion the Annual Governance Statement does not comply with the guidance included in 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007; or
- we issue a report in the public interest under section 24 of the Act; or
- we make a written recommendation to the Authority under section 24 of the Act; or
- we exercise any other special powers of the auditor under the Act.

We have nothing to report in these respects.

Conclusion on the Authority's arrangements to secure value for money through economic, efficient and effective use of its resources

Respective responsibilities of the Authority and 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 20(1)(c) of the Act to be satisfied that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources and to report to you if we are not satisfied that the Authority has made proper arrangements. 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 the Authority's arrangements to secure value for money through economic, efficient and effective use of its resources

We have undertaken our review in accordance with the Code of Audit Practice prepared by the Comptroller and Auditor General as required by the Act (the "Code"), having regard to the guidance on the specified criteria issued by the Comptroller and Auditor General in November 2015, as to whether the Authority had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined these criteria as those necessary for us to consider under the Code in satisfying ourselves whether the Authority put in place proper arrangements to secure value for money through the economic, efficient and effective use of its resources for the year ended 31 March 2016.

We planned our work in accordance with the Code. 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 has put in place proper arrangements to secure value for money through economic, efficient and effective use of its resources.

Basis for qualified conclusion

In considering the Authority's arrangements for securing efficiency, economy and effectiveness we identified the following matter:

In January 2016, Ofsted issued its report on the inspection of the Authority's services for children in need of help and protection, children looked after and care leavers. The overall judgement was that children's services were rated as inadequate.

The report concluded that:

- turnover within the senior leadership had adversely affected the speed and effectiveness of improvement in response to previous inspection reports;
- performance information was not reliable and quality assurance processes were not embedded to identify improvements across the service;
- there were weaknesses and inconsistencies in social work practice across the service.

At the date of our opinion, the Authority had yet to formally approve a clear action plan to address the issues highlighted in the report.

These matters are evidence of weaknesses in proper arrangements for understanding and using appropriate and reliable financial and performance information to support informed decision making and performance management, and for planning, organising and developing the workforce effectively to deliver strategic priorities.

Qualified conclusion

On the basis of our work, having regard to the guidance on the specified criteria issued by the Comptroller and Auditor General in November 2015, except for the effects of the matters described in the Basis for qualified conclusion paragraph, we are satisfied that, in all significant respects, the Authority put in place proper arrangements to secure value for money through economic, efficient and effective use of its resources for the year ended 31 March 2016.

Certificate

We certify that we have completed the audit of the accounts of the Authority in accordance with the requirements of the Act and the Code.

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

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Meeting: Audit Committee **Date:** 27 July 2016

Wards Affected: All Wards

Report Title: Statement of Accounts and Annual Governance Statement 2015/16

Executive Lead Contact Details: Mayor Oliver

Supporting Officer Contact Details: Martin Phillips – Chief Finance Officer, (01803) 207285, Martin.phillips@torbay.gov.uk

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1. Purpose and Introduction

1.1. The Accounts and Audit Regulations 2015 require approval of the Council's Statement of Accounts for the year ended 31 March 2016 by a committee of the Council before 30 September 2016. The Accounts show a true and fair view of the financial position of the Council's income and expenditure for the year 2015/16 and its assets and liabilities as at 31 March 2016.

1.2 The same regulations, require approval of an Annual Governance Statement to inform Members of the Council's Governance and Internal Control framework and any significant control issues.

2. Proposed Decision

2.1 That Audit Committee review the accounts including the significant accounting policies and consider the External Auditor's report and opinion on the accounts.

2.2 That following 2.1, Audit Committee approve the Council's Statement of Accounts for 2015/16, as set out in pages 15 to 105 of Appendix 2 to this report and;

2.3 That following approval in 2.2 above, the person presiding at this meeting shall sign and date the accounts on behalf of the Council, to represent the completion of the Council's approval process of the accounts, in the "Statement of Responsibilities for the Statement of Accounts" shown on page 17 of the Statement of Accounts.

2.4 That the Letter of Representation to Grant Thornton from the Council in relation to the 2015/16 Statement of Accounts, as set out in Appendix 1 to this report, be approved.

3. Reasons for the Decision

3.1 The Account and Audit Regulations 2015 require approval of the 2015/16 Statement of Accounts for the year ended 31 March 2016 by a committee of the Council before 30 September 2016. For Torbay the Audit Committee can "on behalf of the Council approve the annual statement of accounts" – report 156/2008 refers. In addition the Regulations require that the person presiding at the meeting shall sign and date the accounts. As a key part of this process the Audit Committee will consider these Accounts prior to approval, and will also receive and consider the External Auditor's report and opinion on the accounts.

3.2 As required by the Account and Audit Regulations 2015 the Accounts were "authorised for issue" by the Council's Chief Finance Officer on 3rd June 2016 and have been available on the Council's website since that date. The accounts, as required by the Regulations, were available for public scrutiny for 20 working days during June and July 2016.

3.3 The annual external audit of the accounts by the Council's appointed auditor, Grant Thornton, started in June 2016 and was substantially completed in line with the agreed timetable.

3.4 Grant Thornton will report on the Accounts to Audit Committee at this meeting which will enable members to consider the External Auditor's report in their review and approval of the Accounts.

3.5 The Accounts presented to the Audit Committee are the Accounts as authorised for issue in June 2016, updated for any issues raised by the External auditor or any adjustments by Council officers up to mid July 2016. If any subsequent alterations in respect of the accounts, as presented to this Committee, are recommended by the External Auditor these will be updated in the Accounts, along with any minor changes agreed with the External Auditor, prior to publication shortly after approval by Audit Committee and receipt of the external auditors "signed opinion".

3.6 Council, in July 2016, considered specific reports on both revenue and capital spending during the last financial year and those reports are consistent with the financial information in the Statement of Accounts.

Supporting information

A1 Introduction and history

A1.1 The principal legislation relating to the keeping of local authority accounts is contained in the Local Government and Housing Act 1989 and the Accounts and Audit Regulations 2015. Local authority accounts are required to present a "true and fair view" of the financial position of the authority. The audit requirements of accounts are contained in the Local Audit and Accountability Act 2014.

A1.2 The Account and Audit Regulations 2015 regulations require that the responsible financial officer of the Council shall sign by 30th June each year the Statement of Accounts and certify that it presents a "true and fair" view of both the financial position of the Council at the end of the year to which it relates and its income and expenditure. The Council's responsible financial officer, Martin Phillips, has certified the Accounts at page 18.

A1.3 The Regulations also require approval of the Statement of Accounts by a committee of the Council before September 30th each year. For Torbay this is the Audit Committee. In addition the Regulations require that the person presiding at this meeting shall sign and date the accounts.

A1.4 The Statement of Responsibilities for the Statement of Accounts to be signed by the person presiding at this meeting is on page 17 within the Statement of Accounts. The intention behind this requirement is that the signature of the person presiding at the meeting shall formally represent the completion of the Council's approval process of the accounts.

A1.5 The Council as part of the process of the external auditor's opinion on the Accounts is also required to complete a letter of representation to confirm that all relevant information has been disclosed and made available to the auditor. This letter for 2015/16 is shown in appendix 1.

A2 **Accounts and Audit Regulations 2015**

A2.1 The new accounts and Audit Regulations 2015 came into force on the 1 April 2015. These regulations will require Councils to bring forward the:-

- Publication of the unaudited accounts, signed by the Chief Finance Officer, to the 31st May. This is one month earlier than the previous regulations. The public inspection period has been extended by 10 days to 30 days.

- Final publication of the audited accounts by the 31st July, this is two months earlier than the 2011 regulations. The 31st July deadline will also apply to the Annual Governance Statement.

A2.2 There is, however, a transitory provision within the regulations, which means the new timetable will apply to the 2017 /18 Accounts and Annual Governance Statement.

A2.3 For 2015/16 the Council issued its Accounts one week after the (future) end of May deadline. This change will be challenging for the Council to meet this earlier deadline on a regular basis along with significant changes in accounting expected in future years e.g. changes to the accounting for Transport Infrastructure Assets and allows little time for delays or errors. This will inevitably place additional pressure on the finance team between March and July each year. It is also a major challenge for external auditors in providing an appropriate audit service in such a short period of time to all Councils along with other public sector bodies.

A3. Whole Government Accounts Agenda

A3.1 The requirement of the Accounts and Audit Regulations 2015 to "authorise for issue" a (pre audit) copy of the Council's Accounts by 31st May is part of the Whole Government Accounts (WGA) agenda. This is to ensure that all public sector bodies produce their own accounts on a similar timetable each year. From these accounts each body is required to complete an audited WGA return which excludes all transactions and balances with other bodies, so that HM Treasury can produce a set of accounts that represents the income, expenditure, assets and liabilities of the whole public sector.

A3.2 These requirements place pressures on finance and service staff to produce the information required in a short time period and in particular the pressure tends to fall on a few key individuals in May to produce the statutory accounts. It should be noted that although the Statement of Accounts is produced by Financial Services the support of service staff, who order, authorise and control income and expenditure is vital in this process. The Chief Finance Officer and his staff, again, recognise the support given by service staff and without their support this timetable would not have been met.

A4. Group Accounts and Partnership Working

A4.1 A key issue that affects the closure of the Council's accounts is the requirement to include the accounts of other bodies where the Council has control or significant control.

A4.2 The Council owns, or has influence on, a number of companies including TOR2, Careers South West, English Riviera Tourism Company, Torbay Economic Development Company and the Oldway Mansion Management Company. These are accounted for, if material, as subsidiary or associate companies depending on the level of Council's control/ownership.

A4.3 This places additional work on finance staff, both within the Council and within the companies to produce information on an International Financial Reporting Standards (IFRS) basis in a short period to meet the deadline of 30th June and in particular the future end of May deadline. This is a particular pressure for the companies as the timetable for Councils to issue accounts is seven months earlier than the timetable for Companies to issue accounts. The Chief Finance Officer and his staff, again, recognise the support given by staff within these companies and without their support this timetable would not have been met. From 2017/18 with the earlier production of Council accounts, by end of May each year, this will also impact on the related companies.

A4.4 The partnership for Adult Social care with the Torbay and South Devon NHS Foundation NHS Trust requires the Trust to provide final account information to the Council promptly for inclusion within its accounts. The information has always been provided within agreed timetables.

A4.5 In addition the Council has to disclose details of all arrangements with other bodies that could be classified as a related party or pooled budget arrangement such as the Devon Audit Partnership Joint Committee. It is vital that the Council has an understanding of all the “partnerships” and joint working arrangements it has entered into, particularly in terms of legal issues, financial control and any risks and/or rewards the Council has from the arrangement.

A5 2015/16 Statement of Accounts

A5.1 The Accounts are included within the “Financial Reports and Accounts for the Year 2015/16” as shown in appendix 2. The Accounts are produced in line with IFRS and “proper practice” issued by CIPFA. As a result it is a technical document with its content and format largely prescribed by guidance and legislation.

A5.2 A workshop for Audit Committee members to discuss the 2015/16 accounts was held in early July 2016.

A5.3 The other information included in the Financial Report, i.e the Narrative Statement and Annual Governance Statement are published with the Accounts.

A5.4 The Council’s accounting policies, which underpin the information within the Statement of Accounts, are reviewed on an annual basis by the Chief Finance Officer to ensure that the selection of the accounting policies is consistent with the latest guidance and standards (IAS8). The Council’s Accounting Policies that are significant are shown within the Statement of Accounts on pages 88 to 102 and are part of the approval of the Accounts.

A5.5 The Council has continued to follow CIPFA guidance to “Cut the Clutter” in published accounts and has again, with the assistance of Grant Thornton, reduced the size of the accounts in particular in relation to accounting policies.

A6 Annual Governance Statement

A6.1 As required by the Accounts and Audit Regulations as part of its annual review of its internal control system, the Council will prepare an Annual Governance Statement which is then approved by a committee of the Council; in this case Audit Committee on 25th May 2016 approved the Statement. Since that meeting there have been some minor changes to the Statement which have been agreed with the Chair of Audit Committee.

A6.2 The 2015/16 Annual Governance Statement is included at pages 106 to 120, and is required to be published as part of the Statement of Accounts.

A7. Other Final Accounts Requirements

A7.1 The Approval of the Council’s statutory Statement of Accounts is an important part of the final accounts process; however there are other requirements that relate to 2015/16 year end. These include:

- WGA Return, subject to external audit
- Revenue and Capital Central Government returns on 2015/16
- Schools related "section 252" return
- Grant claims which will be subject to external audit
- The publication of the Statement of Accounts
- Publishing (and advertising) the Accounts and completion of the audit

A8 Local Audit and Accountability Act 2014

A8.1 In August 2010, the Secretary of State for Communities and Local Government announced plans for new arrangements to audit local public bodies in England. In January 2014, the Local Audit and Accountability Act received Royal Assent.

http://www.legislation.gov.uk/ukpga/2014/2/contents/enacted/data.htm

A8.2 A key aspect of the act is to enable Councils to appoint an external auditor, who should be appointed at least every five years. The Audit Commission appointed Grant Thornton as the Council's external auditor for a minimum period of five years from 2012/13. The Council has to appoint its own External Auditor for the 2018/19 year by the end of December 2017.

http://www.local.gov.uk/web/guest/external-audit/-/journal_content/56/10180/7534520/ARTICLE

A9 Transport Infrastructure Assets

A9.1 From the 2016/17 accounts, CIPFA have introduced a new method of accounting for transport infrastructure assets (road, footpaths, traffic signals etc). This will have a significant impact on Torbay's accounts both from the increase in value of assets that will be recognised, potentially by over £1.0 billion, but also on the Council's highways and finance teams in recording and accounting for these assets on a gross replacement cost and a depreciated replacement cost basis, where the value of an asset is linked to its condition and the future maintenance and replacement cost.

A10 Possibilities and Options

A10.1 Approval of the Accounts by 30th September 2016 is a statutory requirement.

A.11 Preferred Solution /Option

A11.1 As set out in the recommendation.

A.12 Risks

A12.1 Impact on Council's reputation and negative external auditor comments if Accounts are not approved by 30th September.

A13 Consultation

A13.1 The unaudited Accounts have been on the Council website since June 2016, together with a public notice advertising the public inspection period. The public notice has also been displayed on the public notice board outside of the Town Hall.

Appendices

Appendix 1 – Letter of Representation
Appendix 2 – Financial Reports and Accounts for the year 2015/16

Alex Walling
Grant Thornton UK LLP
Hartwell House
55-61 Victoria Street
Bristol
BS1 6FT

27 July 2016

Dear Alex

Torbay Council Financial Statements for the year ended 31 March 2016

This representation letter is provided in connection with the audit of the financial statements of Torbay Council for the year ended 31 March 2016 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 and applicable law.

We confirm that to the best of our knowledge and belief having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

Financial Statements

i We have fulfilled our responsibilities for the preparation of 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 2015/16 ("the Code"); which give a true and fair view in accordance therewith.

ii We have complied with the requirements of all statutory directions affecting the Council and these matters have been appropriately reflected and disclosed in the financial statements.

iii The Council has complied with all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance. There has been no non-compliance with requirements of regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.

iv We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.

v Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.

vi We are satisfied that the material judgements used in the preparation of the financial statements are soundly based, in accordance with the Code and adequately disclosed in the financial statements. There are no other material judgements that need to be disclosed.

vii Except as disclosed in the financial statements:

a there are no unrecorded liabilities, actual or contingent
b none of the assets of the Council has been assigned, pledged or mortgaged
c there are no material prior year charges or credits, nor exceptional or non-recurring items requiring separate disclosure.

viii We confirm that we are satisfied that the actuarial assumptions underlying the valuation of pension scheme assets and liabilities for IAS19 Employee Benefits disclosures are consistent with our knowledge. We confirm that all settlements and curtailments have been identified and properly accounted for. We also confirm that all significant post-employment benefits have been identified and properly accounted for.

ix Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of the Code.

x All events subsequent to the date of the financial statements and for which the Code requires adjustment or disclosure have been adjusted or disclosed.

xi Actual or possible litigation and claims (if any) have been accounted for and disclosed in accordance with the requirements of the Code.

We have considered the unadjusted misstatement schedule included in your Audit Findings Report and attached below. We have not adjusted the financial statements for this misstatement notified to the auditor by Council staff as they are immaterial to the results of the Council and its financial position at the year-end. The financial statements are free of material misstatements, including omissions.

xii We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.

xiii We believe that the Council's financial statements should be prepared on a going concern basis on the grounds that current and future sources of funding or support will be more than adequate for the Council's needs. We believe that no further disclosures relating to the Council's ability to continue as a going concern need to be made in the financial statements.

Information Provided

xiv We have provided you with:

a access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
b additional information that you have requested from us for the purpose of your audit; and
c unrestricted access to persons within the Council from whom you determined it necessary to obtain audit evidence.

xv We have communicated to you all deficiencies in internal control of which management is aware.

xvi All transactions have been recorded in the accounting records and are reflected in the financial statements.

xvii We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

xviii We have disclosed to you all our knowledge of fraud or suspected fraud affecting the Council involving:

a management;
b employees who have significant roles in internal control; or
c others where the fraud could have a material effect on the financial statements.

xix We have disclosed to you all our knowledge of any allegations of fraud, or suspected fraud, affecting the Council's financial statements communicated by employees, former employees, regulators or others.

xx We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.

xxi We have disclosed to you the identity of all the Council's related parties and all the related party relationships and transactions of which we are aware.

xxii We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

Annual Governance Statement

xxiii We are satisfied that the Annual Governance Statement (AGS) fairly reflects the Council's risk assurance and governance framework and we confirm that we are not aware of any significant risks that are not disclosed within the AGS.

Narrative Statement

xxiv The disclosures within the Narrative Statement fairly reflect our understanding of the Council's financial and operating performance over the period covered by the financial statements.

Approval

The approval of this letter of representation was minuted by the Council's Audit Committee at its meeting on 27 July 2016.

Yours faithfully

Signed on behalf of the Council

Name: Councillor Alan Tyerman
Position: Chair Audit Committee
Date: 27/7/16

Name: Martin Phillips
Position: Chief Finance Officer
Date: 27/7/16

Unadjusted Misstatement

The table below provides details of an adjustment identified during the audit which has not been made within the final set of financial statements. By approving this letter the Audit Committee approves management's proposed treatment of all items recorded within the table below:

	Detail	Comprehensive Income and Expenditure Statement £'000	Balance Sheet £'000
1	Torquay Marina is included within long term debtors and also in property, plant and equipment.	n/a	(2,500)

Financial Services

FINANCIAL REPORTS & ACCOUNTS

FOR THE YEAR 2015/16

INCLUDING

Narrative Statement 2015/16
Statement of Accounts 2015/16
Annual Governance Statement 2015/16

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

Contents

NARRATIVE STATEMENT FOR THE 2015/16 FINANCIAL YEAR

Welcome

Welcome to Torbay Council's Statement of Accounts ("The Accounts") for the 2015/16 financial year ending 31st March 2016. 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 2015/16 financial year and its balance sheet as at 31st March 2016, detailing all the Council's assets and liabilities with supporting notes to add further explanation. The Accounts are prefaced by this Narrative Statement which aims to provide interested parties an easily understandable guide to the most significant matters reported in the accounts.

The Council's key strategy that supports the management of its activities is the Corporate Plan, which is supported (from May 2016) by Corporate Delivery Plans. These are available from the Council website:

http://www.torbay.gov.uk/index/council/performance/corporateplan

"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, Torbay 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/budgetservicedetails.htm

Torbay Council has an elected Mayor as well as 36 elected ward councillors. The elected Mayor in 2015/16 was Gordon Oliver. The last full Council and Mayoral elections were May 2015 when Gordon Oliver was re elected along with a majority of Conservative party councillors. In May 2016 there was a referendum on the future of the Mayoral system. The result of the ballot is that from May 2019 the Council will not have an elected mayor and will instead have a leader and cabinet system of governance.

Significant Events in 2015/16

On a national level changes in funding, services and legislation by the 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 2015/16 and future financial years as a result on the ongoing "austerity" reductions in public expenditure. A further £12m of reductions were required for 2016/17 and an estimated funding gap up to £19 million for the following three years. The Council set a Council Tax at the same level as the previous year, which entitled the Council to a council tax "freeze" grant equal to a rise of 1% in Council Tax.

For Torbay in 2015/16 its central government funding baseline was £57m (£63m 14/15) of which £26m (£35m 13/14) was central government "revenue support" grant, £18m (£17m 14/15) was its 49% share of NNDR income and £11m (£11m 14/15) its "top up" grant.

Subsequent to the election of the conservative government in May 2015 the chancellor has confirmed the continuation of the austerity reductions within parts of the public sector. Local Government is an "unprotected" department and has been identified for further reductions over the next four years of this parliament (2016/17 to 2019/20). In this period central government funding for local government will reduce by 56% or £6.1 billion. For Torbay this is a reduction in its Revenue Support Grant from £27m (restated) in 2015/16 to £6m by 2019/20.

In 2015/16 the South Devon Highway became operational. This was a major scheme costing £120 million of which Torbay's contribution is around £20m. As the southern end of the road is within the Torbay boundary the Council has recognised an asset of £8m.

In April 2015 the Energy From Waste facility went live and started to receive waste from Torbay, Plymouth and Devon Councils. The plant was financed under a 25 year PFI contract and the Council's share of the asset (£33m) and the resultant liabilities (£33m) have been recognised on the balance sheet.

On 1st October 2015 Torbay and Southern Devon Health and Care NHS Trust, who the Council commissioned to provide adult social care was acquired by Torbay and South Devon NHS Foundation Trust, to form an "Integrated Care organisation" (ICO). The Council is now in a three way risk share agreement based on the total financial performance of the ICO along with the ICO. The risk is shared ICO (50% share), Clinical Commissioning Group (41% share) and the Council share is 9%.

In 2015/16 the government has introduced a Better Care Fund, which is an amalgamation of a number of existing social care and health funding streams into one "pooled budget" which was administered jointly by the Council and the (NHS) Clinical Commissioning Group.

Council schools continued to convert to Academy status and are now fully independent of the Council. In Torbay, by 31st March 2016, a total of 27 schools had converted with 3 schools converting in 2015/16 and further schools possibly due to convert in 2016/17.

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 2016 giving information as to the Council's assets and liabilities at a point in time (31st March 2016) and detail on the Council's financial performance during 2015/16. This information is, where material, supported by notes to the accounts. The Accounts and Audit Regulations 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 Narrative Statement followed by the Statement of Accounts including the Core Financial Statements for 2015/16, 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 to management.

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 2015/16 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 removed some notes and accounting polices that are not material or significant. In addition a number of tables have been reformatted for both clarity and to combine information. 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 £11m 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 over £5m before the application of the planned use of £2.3m of earmarked reserves for childrens services. There was additional pressures from adult social care resulting in an overspend of £0.6m. In addition the Council incurred £0.4m of costs associated with staff exit packages resulting from reductions in funding.

As a result of these significant service pressures in social care, the Council's financial performance in 2015/16 was an overspend of £1.6m. This overspend was funded, as planned, within the 2016/17 budget from an earmarked reserve with that reserve repaid in full from an allocation within the 2016/17 budget.

The Council's gross expenditure in the year was over £300m for revenue (day to day) spend and over £22m for capital (spend on long term assets such as roads and schools).

The Council's Comprehensive Income and Expenditure Statement (CIES) is the Councils 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 2015/16 is a deficit of £26m. The key reasons for this deficit is a loss on asset disposals of £14m 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 2015/16. 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 decrease of £9m. This was primarily a decrease in earmarked revenue reserves of £6m and the use of £3m from capital grants and capital receipts to fund capital expenditure in the year.

The Council also spent over £22m on capital projects including schemes such as South Devon Link Road and a number of school projects. This total is similar to recent years.

On the balance sheet there were some significant changes in year. There was a net increase of £27m increase in the carrying value of the Council's property, plant and equipment. This was primarily the result of the recognition of £33m as the Councils share of the Energy From Waste Facility in Plymouth and capital expenditure in year including the £8m recognition of the Council's share of the South Devon Highway. These increases were offset in part by a reduction in the value of the Council's property assets related to the transfer of schools to academy status of £14m. Any borrowing or other liability associated with capital expenditure on these assets in previous years remains with the Council. There was a £17m decrease in the Council's pension liability primarily arising from changes in discount rates used to calculate the liability. The Council's general fund reserve remained at £4.4m, which is equivalent to 4% of the Council's 2016/17 net revenue budget which is considered to be close to a prudent level.

Overall the Council's net assets were higher than the previous year by £5m.

Torbay "Group" Companies – Overview of Financial Performance

The Council has interests in a number of companies. For 2015/16 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. In 2015/16 the Council disposed of its 25% interest in PLUSS at nil consideration.

An overview of these companies financial performance in the year, based on draft 2015/16 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%	£5.0m	£1.2m	£2.3m
English Riviera Tourism Company Ltd	Subsidiary	100%	£0.5m	£0.1m	(£0.2m)
Oldway Mansion Management Co Ltd	Subsidiary	100%	£0.1m	0	0
TOR2 Ltd (to 30/06/15)	Associate	19.99%	£15.1m	£0.5m	(£1.0m)
CSW Group Ltd (formally Careers SW Ltd)	Associate	25%	£7.7m	£0.1m	£1.5m

Key Financial Ratios

The following "basket" of ratios is to provide a snapshot of the financial performance of the Council.

	2014/15	**2015/16**
Uncommitted General Fund Balance / Annual Budgeted Net Expenditure	3.8%	4.0%
Movement to/(from) the Uncommitted General Fund Balance	£14k	£0
Council Tax In-year collection rate	95.5%	95.7%
Council Tax Income / Overall Funding (CT, NNDR & RSG)	45%	48%
Actual outturn compared to budget (before Council approved outturn report)	(£0.3m)	£1.7m
Actual outturn compared to budget - %	(0.2%)	1.6%
Capital Financing Requirement	£135m	£151m
External Debt levels (principal)	£138m	£138m
Ratio of net financing costs to net revenue (excluding revenue contributions).	9%	9%

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:

The budget challenges for future years where the Council’s Revenue Support Grant is expected to be cut at a similar level to recent years cannot be understated. These are significant budget reductions and with over 60% of Council net budget allocated to social care the challenge to get a robust budget that provides the statutory services the Council must provide is immense.

The Local Government Finance Settlement for 2016/17 was finalised in February 2016. This settlement combined with a number of related announcements, such as a review of national funding distribution between councils, will lead to a very challenging and uncertain period for local government.

In the settlement DCLG have allowed Councils with social care responsibilities to increase (each year) their council tax income by 2% per annum, subject to the increase being allocated to support adult social care.

DCLG have announced with the 2016/17 Revenue Support Grant and the grant for the following three years which councils are able to accept. This should allow Councils to be able to plan with some certainty as RSG reduces. If Councils wish to accept the four year settlement then they need to publish an efficiency plan and submit to DCLG by 14th October 2016. This plan will outline how the Council will achieve a balanced budget over the next four years. For Torbay its Revenue Support Grant (RSG) reduces from £27m (restated) in 2015/16 to £6m in 2019/20. Nationally this is a £6 billion or 56% reduction in DCLG funding for local government.

The government also confirmed its intention to allow councils to keep 100% (or 98% for Torbay, 2% Fire) of NNDR income “by the end of parliament”. When the change in funding happens it will be fiscally neutral with RSG removed completely, other grant funding being reduced (Public Health Grant?) and more responsibilities being passed to Councils (Attendance Allowances?).

Based on the proposed change by the end of this parliament it is likely that Torbay will be primarily reliant on council tax and NNDR income for its funding. This move does present risks to Torbay due the potential variations in income however this does provide a very strong incentive to councils to plan for and achieve tax base growth in both these areas.

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 NNDR income and collection. It is likely that the UK economy will continue to experience a reduction in economic growth, linked in part to the world economy. As a result of this demand for some council services will increase along with increased volatility of some income streams such as NNDR income which will become an increasing risk as Council reliance on these income streams increases.

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. The forecast level of savings required to achieve a balanced budget for 2017/18 to 2019/20 is up to £19m. This is in addition to the £12m of savings required to balance the 2016/17 revenue budget.

In June 2016 the United Kingdom held a referendum on future membership of the European Union. The result was a majority for "leave". The impact on the UK and the Council is unclear at present although there is likely to be period of economic and political uncertainly which could impact on future Council funding and income.

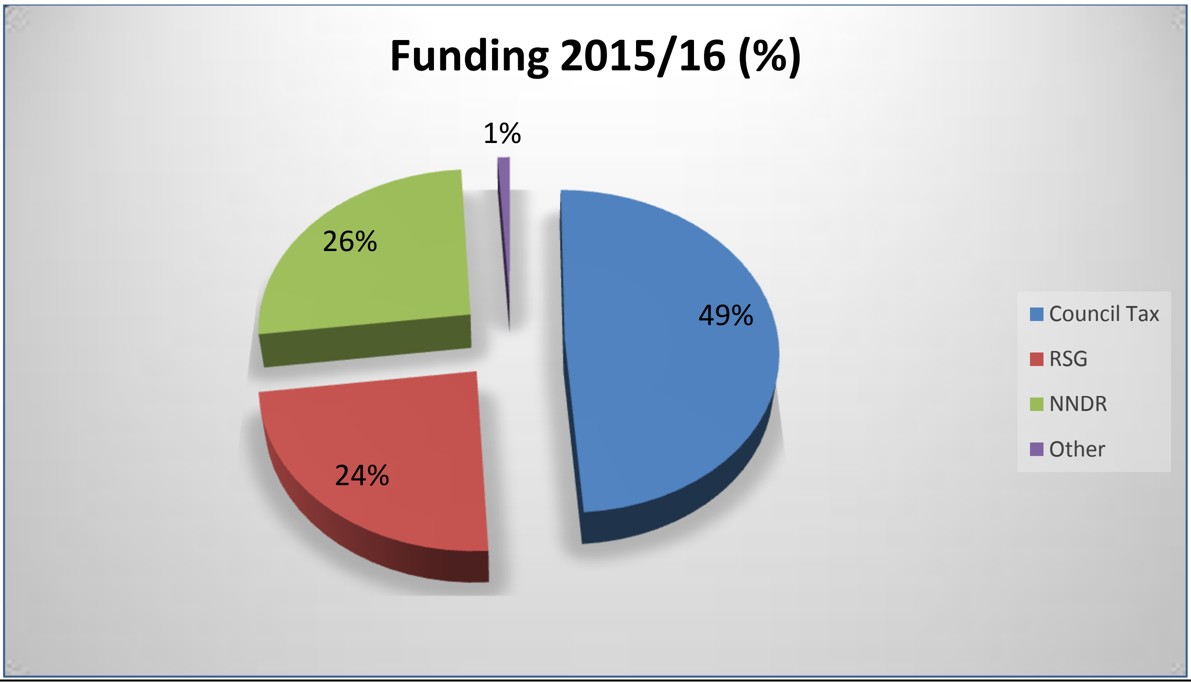
Revenue Budget:

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

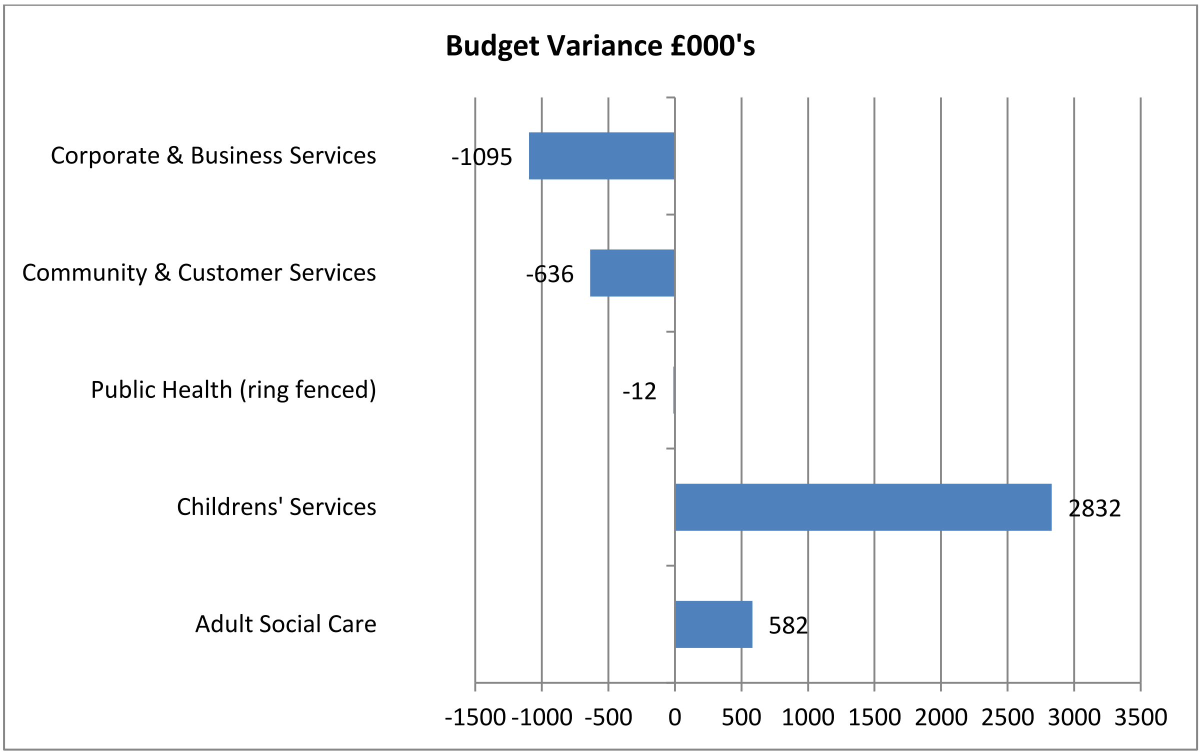
In February 2015 the Council set a budget for 2015/16 of £110m (£116m 14/15), which was to be funded as shown in the table below. This resulted in a zero percent "freeze" in the level of Council Tax for Torbay Council.

	2014/15	**2015/16**	
	£ m	£ m	% change
Net Budget Requirement	116	**110**	(5%)
Local Services Support & Education Services Grant	(1)	**(1)**	0
NNDR Rate Retention	(28)	**(29)**	4%
Revenue Support Grant	(35)	**(26)**	(26%)
Council Tax Payers	(53)	**(53)**	0
Collection Fund (Surplus)/deficit	1	**(1)**	200%
	£	**£**	
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	£1,538.71	£1,548.06	0.6%

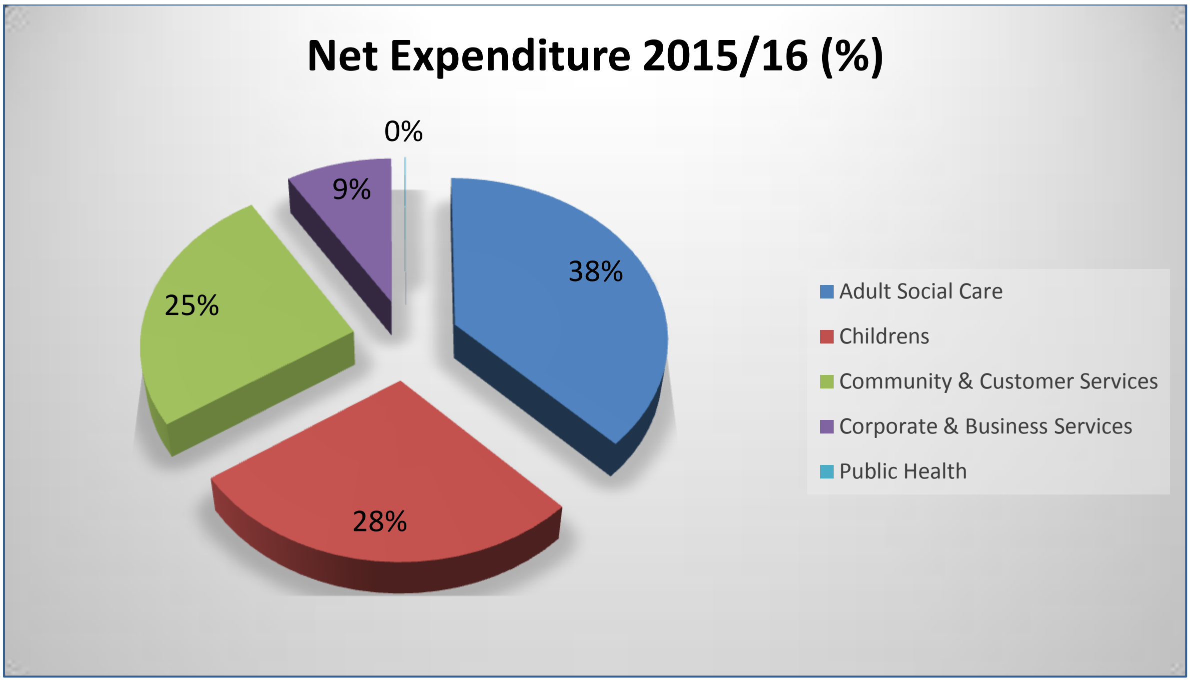


Expenditure

In July 2016 the Council received a revenue outturn report detailing income and expenditure in 2015/16 and reasons for any variances. The report can be obtained from the Council's website. The summary of budget and expenditure by service in 2015/16 after carry forwards, as presented in that report, is shown in the table below:



Service	2015/16 Budget- revised			Forecast Full Year Variance as at Qtr 4
	Expenditure £000s	Income £000's	Net £000's	£000's
Adult Social Care	42,598	-802	41,796	**582**
Children's Services	83,496	-54,751	28,745	**2,832**
Public Health	9,751	-9664	87	**-12**
Joint Commissioning	**135,845**	**-65,217**	**70,628**	**3,402**
Community Services	32,262	-7,193	25,069	**-260**
Customer Services	73,922	-69,567	4,355	**-376**
AD Community & Customer Services	**106,184**	**-76,760**	**29,424**	**-636**
Commercial Services	6,269	-2,011	4,258	**-366**
Finance	21,152	-15,352	5,800	**-408**
Business Services	5,972	-10,117	-4,145	**-256**
Regeneration & assets	7,016	-2,420	4,596	**-247**
Spatial Planning	1,184	-825	359	**182**
AD Corporate & Business Services	**41,593**	**-30,725**	**10,868**	**-1,095**
Total Expenditure	**283,622**	**-172,702**	**110,920**	**1,671**
Sources of Funding	-	-110,920	-110,920	**-99**
Net Expenditure	**283,622**	**-283,622**	**0**	**1,572**
Use of Earmarked Reserve	**-**	**-**	**-**	**(1,572)**
2015/16 Balance				**0**



Capital Budget:

The Council in July 2016 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 £22.6m on capital expenditure in 2015/16 (£20.4m 14/15) and this funding is shown in the table below.

	Latest Budget £m	Outturn £m	Variation £m
Borrowing – Unsupported (Prudential Code)	12.9	7.7	(5.2)
Grants	13.4	10.5	(2.9)
Other Contributions	0.4	0.2	(0.2)
Revenue & Reserves	0.9	1.5	0.6
Capital Receipts	1.0	2.7	1.7
Total Funding	**28.6**	**22.6**	**(6.0)**

The capital expenditure in the year of £22.6m based on the four management divisions that the Council reports on for internal reporting are as follows:

	Latest Budget £m	Outturn £m	Spent %	Variation £m
Joint Commissioning – Childrens and Adults	6.0	5.2	87	(0.8)
Joint Operations – Community & Customer Services	19.2	14.6	76	(4.6)
Joint Operations – Corporate & Business Services	3.4	2.8	82	(0.6)
Total	**28.6**	**22.6**	**79**	**(6.0)**

Material Assets or Liabilities acquired

Assets:

The Council spent £22.6m on capital assets of which £18.9m was added to the value of the Council's non current assets (before any in year revaluation). The balance of £3.7m was capital expenditure on assets the Council does not recognise as its own, such as academy schools, capital grants and loans for a capital purpose. The Council's capital outturn report was presented to Council at the July 2016 meeting which contained details of expenditure on individual schemes. A summary of capital expenditure in 2015/16 is shown below:-

2014/15 Scheme	Spend £m	**2015/16 Scheme**	**Spend £m**
Cockington Primary School	2.5	Disabled Facilities Grants	**1.0**
South Devon Highway	2.8	South Devon Highway	**8.6**
White Rock Primary School	1.1	White Rock Primary School	**2.4**
Beach Huts	1.8	Transport Schemes	**4.6**
Torquay Harbour Pontoons	0.8	TDA – Capital Grants & Loans	**1.3**
Other Schemes	11.4	Other Schemes	**4.7**
2014/15 Total	20.4	**2015/16 Total**	**22.6**

Liabilities

No significant liabilities were acquired by the Council in 2015/16 with the exception of the Energy From Waste Facility.

Energy From Waste

2015/16 was the first year of operation of the Energy From Waste PFI service concession arrangement to treat and render inert (primarily domestic) waste that otherwise would have been disposed of in landfill sites. Plymouth City Council, Torbay Council and Devon County Council jointly appointed MVV Umwelt under a fixed price contract to finance, construct and design the 245,000 tonne capacity facility and to maintain it to a minimum acceptable condition over a 24 year term, but with an option to extend operations for another 5 years.

Torbay Council is expected to provide 17% of the total of all three Councils' tonnage at an annual cost of £3m: (Plymouth tonnage is 48% and Devon's tonnage is 35%). The three Council's have assessed the Facility to be "on balance" sheet. As a result Torbay has initially recognised an asset of £33m, equivalent to its 17% share of the facility and also recognised liabilities to the value of £33m. As the three Council's only fund 37% of the facilities estimated income with the balance of 63% being paid for by other customers, the liability of £33m is split: £12m (37%) as Torbay's own liability and £21m (63%) as deferred income.

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 triennial review of the fund took place as at 31st March 2016 which will impact on employer contribution rates from April 2017.

The Council's liability as at 31st March 2016 is assessed at £151m (£168m 14/15), a £17m decrease, primarily due to actuarial "remeasurements" of the pension scheme liabilities and assets. In particular the actuary changed the discount rate in the liability calculation to 3.7% from 3.3%.

Explanation of any "unusual" costs/income

There were a number of "unusual" costs within the income and expenditure account in 2015/16. These include:

As a result of the budget reductions a total of £0.4m (£0.5m 14/15) of costs in relation to a reduction of 18 staff were incurred of which £0.4m (£0.4m 14/15) was paid during 2015/16 and a provision of £0.040m (£0.1m 14/15) for future costs arising from the budget reductions was made in 2015/16.

In 2015/16, three schools converted to Academy status where the transfer for nil consideration resulted in a loss on disposal on those assets of approx £14m. 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 no significant changes compared to recent years. Income levels on certain services such as planning and S106 income remained low. Collection rates on NNDR and Council tax remained at similar levels to prior year levels. 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

In 2015/16 there was a prospective change in the application of IFRS13 relating to the definition of the measurement of fair value of Council assets and liabilities. Apart from a number of minor changes in disclosure notes the only change on the Council's balance sheet from the application of IFRS13 was in the fair value of surplus assets where the value of these assets increased by £0.5m to reflect market value.

Highway Network Assets (2016/17)

From 2016/17 there is a major change in the accounting for Highway Network Assets. Councils will have to account for Highway network assets, such as carriageways, footways, structures, lighting, traffic management systems and street furniture at depreciated replacement cost (compared to the current historic cost).

The valuation of these assets is describe in the CIPFA Code of Practice on Transport Infrastructure Assets (2013) ('the Transport Code') and is heavily influenced by the use of set rates for the replacement cost for each asset type. Depreciated replacement cost is a method of valuation which provides the current cost of replacing an asset with its modern equivalent asset less deductions for all physical deterioration and all relevant forms of obsolescence.

This will have a major impact on the Council's accounts with an estimated value of the highway network in Torbay of approximately £800 million. In addition the land the network relates will also be valued using set rates provided by the Department of Transport.

Economy, efficiency and effectiveness in its use of resources

The Council reports on its financial performance and economy, efficiency and effectiveness in its use of resources over the financial year in a number of reports. In particular there are a number of reports presented to the Council's Audit Committee. These include:

- Internal Audit's Annual Report and mid year review
- Annual Governance Statement
- External Audit's Audit Findings Report including a value for money conclusion
- Review of risk management
- Review of Council performance based on a basket of indicators.

The link to the Audit Committee agenda and minutes is below.

http://www.torbay.gov.uk/DemocraticServices/ieListMeetings.aspx?CId=124&Year=0

In addition in 2015/16 the Council received a number of external inspection reports. These included in an Ofsted review of childrens services for Looked after children here the council was classified as "inadequate" and a Corporate Peer Review organised by the Local Government Association which reported on the Council's governance and financial resilience. Both these reports were presented to full Council.

http://www.torbay.gov.uk/index/yourcouncil/performance/cpc.htm

The Council publishes extensive information on its expenditure including details of payments in excess of £500 and details of the Council's pay policy can be found on the council's web site.

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

Schools

The Council, as at 31st March 2016, has 13 schools (14/15 16) that are reflected in the Council's accounts, both within its Income and Expenditure Statement and its Balance Sheet. These are 9 Primary schools, 2 Secondary schools and 2 Special schools. The 13 schools by "ownership" are 6 community schools, 2 voluntary controlled, 3 voluntary aided and 2 foundation. Schools are funded by the Dedicated Schools grant which for 2015/16 is £39m, (14/15 £42m). The level of earmarked school reserves as at 31st March 2016 is £2.4m (14/15 £2.9m). Further detail on school asset recognition and the use of Dedicated School Grant in 2015/16 are included in the notes (3 and 29 respectively) to the these accounts.

Planned Future Developments in service delivery

The impact of the reductions required under the "Austerity" agenda will inevitably impact on the range of services provided and how these services are provided in the future. The Council for 2016/17 has approved over £12m of reductions. 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 April 2016), there is a summary of projected revenue income and expenditure for the next three financial years.

	2016/17 £m	2017/18 £m	2018/19 £m	2019/20 £m
Revenue Support Grant, NNDR & Council Tax	(109)	(106)	(105)	(105)
Estimated Expenditure	109	113	119	124
Savings identified	(12)	-	-	-
Total Estimated Cumulative Funding Gap	**0**	**7**	**14**	**19**
In- year Funding Gap	0	7	7	5

To meet this challenge the Council has established a Transformation Board led by a Council Director to bring forward and implement a range of transformation projects aiming to both meet the required budget reductions but also, where possible, improve service performance. The Transformation Board is likely to consider a wide range of projects which could result in alternative service delivery, alternative levels of service provided and/or service providers. As these plans develop these will be reported to full Council.

The Council has an approved Capital Investment Plan that is updated every quarter for new funding and new schemes and reported to Council. An update (as at quarter three 2015/16) was in February 2016 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 2016, is summarised below.

	2016/17 £m	**2017/18** £m	**2018/19** £m	**2019/20** £m
Total Capital Expenditure	41	23	71	n/a

Borrowing & Investments

The Council undertakes borrowing to support its capital expenditure. As at 31st March 2016 the Council had £138m of borrowing, primarily from the Public Works Loans Board. In addition it had a long term liability of £8m to the PFI contractor for The Spires (formerly Westlands) and Homelands schools and a new liability of £33m in relation to the Council's share of the Energy From Waste Facility in Plymouth. The Council had £54m (14/15 £69m) of cash investments at year end with a net debt position of £125m (14/15 £77m). 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:

	31st March 2015 £m	**31st March 2016 £m**
Balance Sheet Values: (principal)		
External Borrowing *	138	138
Long Term Liabilities	8	41
External Investments *	(69)	(54)
Net Debt	77	125
Treasury Management Limits:		
Capital Financing Requirement	135	151
Authorised Limit	231	207
Operational Limit	161	188
	2014/15	**2015/16**
Revenue Income & Expenditure:		
Interest Receivable	(0.8)	(0.8)
Interest Payable	6.1	6.1
MRP Repayment	4.6	4.3

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

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

Significant Provisions or contingencies

The Council has provisions at year end of £2.7m (£1.9m 14/15) 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 NNDR appeals submitted to the Valuation Office by 31st March 2016.

The Council has given a number of pension guarantees as Council staff transferred to other bodies such as Torbay Development Agency and the English Riviera Tourism Company. 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's policy for setting fees to care home providers was taken to Judicial Review in 2014/15 and the initial judgment was in favour of the care homes. The Council conceded on two issues and has made a payment in relation to those issues in 2015/16 of £2.2m. As at 31st March 2016 the Council had appealed against one aspect of the judgment which is expected to be resolved in November 2016.

Material events after reporting date

In April 2016 the Council was notified by a group of care home owners that gave a "pre-proceedings" letter relating to the Council's calculation of its care home fees which could lead to a judicial review again relating for 2014/15 and 2015/16 in relation to another aspect of the fee calculation. In addition the letter referred to the 2016/17 calculation. Any impact on 2016/17 is now, under the Risk Share Agreement for Adult Social Care a shared risk with the Council liable for 9% of any over/under spend on the total Integrated Care organisation (ICO) financial position.

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/DemocraticServices/uuCoverPage.aspx?bcr=1

Glossary

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

Signed by

Martin Phillips	Steve Parrock
Chief Finance Officer	Chief Executive
Torbay Council	Torbay Council
3rd June 2016	3rd June 2016

STATEMENT OF ACCOUNTS 2015/16

STATEMENT OF ACCOUNTS 2015/16

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 2015/16

I confirm that the Council completed its approval process of the Statement of Accounts 2015/2016 on the 27th July 2016 at a meeting of the Council's Audit Committee.

Councillor Tyerman

Chair of Audit Committee

27th July 2016

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 is set out on pages 22 to page 105 and has been prepared in accordance with the accounting policies which are set out, if significant, on pages 88 to 102. In my opinion it is a true and fair view of the financial position of the Council at 31st March 2016 and its income and expenditure for the year ended 31st March 2016.

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

The Statement of Accounts 2015/16 were authorised for issue on the 3rd June 2016. This is also the date up to which events after the balance sheet date have been considered.

Martin Phillips
Chief Finance Officer
3rd June 2016

The Statement of Accounts 2015/16 were authorised for approval by Members on the 27th July and for publication once the audit opinion has been received, which will be before the statutory deadline of the 30th September 2016. This is also the date up to which events after the balance sheet date will be considered.

Martin Phillips
Chief Finance Officer
27th July 2016

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF TORBAY COUNCIL

To follow on completion of external audit

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.

2014/15	General Fund Balance	Earmarked General Fund Reserves	Capital Receipts Reserve	Capital Grants Unapplied Account	Total Usable Reserves	Unusable Reserves	Total Council Reserves
	£m	£m Note 8	£m Note 7	£m Note 7	£m Note 22	£m Note 7	£m
Balance at 31st March 2014 brought forward	**4.4**	**34.0**	**1.8**	**10.4**	**50.6**	**51.1**	**101.7**
Movement in Reserves during 2014/15							
Surplus or (deficit) on provision of services (accounting basis)	(17.1)	-	-	-	(17.1)	0	(17.1)
Other Comprehensive Expenditure and Income (see C I&E Statement)	-	-	-	-	-	(42.0)	(42.0)
Total Comprehensive Expenditure and Income	**(17.1)**	**-**	**-**	**-**	**(17.1)**	**(42.0)**	**(59.1)**
Adjustments between accounting basis & funding basis under regulations (Note 7)	14.0	-	1.6	(5.2)	10.4	(10.4)	0
Net Increase/Decrease before Transfers to Earmarked Reserves	**(3.1)**	**-**	**1.6**	**(5.2)**	**(6.7)**	**(52.4)**	**(59.1)**
Transfers to/from Earmarked Reserves (Note 8)	3.1	(3.1)	-	-	0	0	0
Increase/(Decrease) in Year	**0**	**(3.1)**	**1.6**	**(5.2)**	**(6.7)**	**(52.4)**	**(59.1)**
Balance at 31st March 2015 carried forward	**4.4**	**30.9**	**3.4**	**5.2**	**43.9**	**(1.3)**	**42.6**

Movement in Reserves Statement

2015/16	General Fund Balance £m	Earmarked General Fund Reserves £m Note 8	Capital Receipts Reserve £m Note 7	Capital Grants Unapplied Account £m Note 7	Total Usable Reserves £m Note 22	Unusable Reserves £m Note 7	Total Council Reserves £m
Balance at 31st March 2015 brought forward	**4.4**	**30.9**	**3.4**	**5.2**	**43.9**	**(1.3)**	**42.6**
Movement in Reserves during 2015/16							
Surplus or (deficit) on provision of services (accounting basis)	(26.4)	-	-	-	(26.4)	-	(26.4)
Other Comprehensive Expenditure and Income (see C I&E Statement)	-	-	-	-	-	31.1	31.1
Total Comprehensive Expenditure and Income	**(26.4)**	**-**	**-**	**-**	**(26.4)**	**31.1**	**4.7**
Adjustments between accounting basis & funding basis under regulations (Note 7)	20.8	-	(2.0)	(1.0)	17.8	(17.8)	0
Net Increase/Decrease before Transfers to Earmarked Reserves	**(5.6)**	**-**	**(2.0)**	**(1.0)**	**(8.6)**	**13.3**	**4.7**
Transfers to/from Earmarked Reserves (Note 8)	5.6	(5.6)	-	-	0	0	0
Increase/(Decrease) in Year	**0**	**(5.6)**	**(2.0)**	**(1.0)**	**(8.6)**	**13.3**	**4.7**
Balance at 31st March 2016 carried forward	**4.4**	**25.3**	**1.4**	**4.2**	**35.3**	**12.0**	**47.3**

Page 175

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.

2014/15					2015/16		
Gross Exp £m	Gross Income £m	Net Exp £m	Services	Note	Gross Exp £m	Gross Income £m	Net Exp £m
3.1	(2.3)	0.8	Central Services to the Public		4.3	(1.7)	**2.6**
11.0	(1.8)	9.2	Cultural and Related Services		9.3	(3.0)	**6.3**
19.8	(5.3)	14.5	Environmental and Regulatory Services		19.2	(6.6)	**12.6**
6.3	(1.6)	4.7	Planning Services		6.2	(1.9)	**4.3**
97.2	(54.7)	42.5	Childrens and Education Service		97.7	(54.0)	**43.7**
21.3	(9.4)	11.9	Highways and Transport Service		18.1	(8.8)	**9.3**
74.0	(69.6)	4.4	Housing Service		71.1	(68.8)	**2.3**
45.5	(4.9)	40.6	Adult Social Care		45.6	(5.4)	**40.2**
8.1	(8.6)	(0.5)	Public Health		9.1	(9.0)	**0.1**
2.3	0	2.3	Corporate and Democratic Core		2.4	0	**2.4**
2.4	(2.9)	(0.5)	Non distributed costs		0.3	(1.6)	**(1.3)**
291.0	(161.1)	129.9	**Cost Of Services**		**283.3**	**(160.8)**	**122.5**
1.1	(1.8)	(0.7)	Other Operating Income & Expenditure		1.0	(0.7)	**0.3**
10.5	0	10.5	Transfer of schools to academies		14.1	0	**14.1**
11.9	(1.8)	10.1	Financing and Investment Income and Expenditure	9	13.8	(2.5)	**11.3**
0	(132.7)	(132.7)	Taxation and Non-Specific Grant Income and expenditure	10	0	(121.8)	**(121.8)**
		17.1	**(Surplus)/Deficit on Provision of Services**				**26.4**
		(8.6)	(Surplus)/Deficit on revaluation on Non Current Assets (PPE)	23			**(10.7)**
		5.2	Impairment losses on non current assets charged to the revaluation reserve	23			**3.5**
		1.5	(Surplus)/Deficit on revaluation of available for sale financial assets	See * below			**(1.2)**
		43.9	Remeasurement of net defined pension liabilities	38			**(22.7)**
		42.0	**Other Comprehensive Income and Expenditure**				**(31.1)**
		59.1	**Total (Surplus)/Deficit in Comprehensive Income and Expenditure**				**(4.7)**

Note *: There is 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'.

31st March 2015			**31st March 2016**
£m		Note	**£m**
275.8	Property, Plant & Equipment	11	**302.7**
27.4	Heritage Assets	12	**28.4**
4.1	Investment Property		**4.4**
0.4	Intangible Assets		**0.3**
16.1	Long Term Investments	15	**9.4**
3.1	Long Term Debtors		**6.1**
326.9	**Long Term (Non Current) Assets**		**351.3**
54.3	Short Term Investments	15	**47.9**
1.1	Assets Held for Sale		**1.2**
0.1	Inventories		**0.1**
17.5	Short Term Debtors	16	**18.1**
2.5	Cash and Cash Equivalents	17	**2.3**
75.5	**Current Assets**		**69.6**
(1.3)	Short Term Borrowing	20	**(1.3)**
(1.3)	Other Short Term Liabilities	21	**(2.3)**
(25.4)	Short Term Creditors (inc Receipts in Advance)	18	**(24.4)**
(1.8)	Provisions	19	**(2.6)**
(0.1)	Capital Grants/Contributions: Receipts in Advance		**0**
(1.3)	Cash and Cash Equivalents	17	**(1.3)**
(31.2)	**Current Liabilities**		**(31.9)**

31st March 2015		Notes	31st March 2016
£m			**£m**
(3.6)	Long Term Creditors		**(3.7)**
(0.1)	Provisions	19	**(0.1)**
(138.3)	Long Term Borrowing	20	**(138.3)**
(18.1)	Other Long Term Liabilities	21	**(47.1)**
(167.8)	Pension Liability	38	**(151.0)**
(0.7)	Capital Grants/Contributions: Receipts in Advance		**(1.5)**
(328.6)	**Long Term Liabilities**		**(341.7)**
42.6	**Net Assets**		**47.3**
43.9	Usable reserves	22	**35.3**
(1.3)	Unusable Reserves	23	**12.0**
42.6	**Total Reserves**		**47.3**

M Phillips
Chief Finance Officer
3rd June 2016

M Phillips
Chief Finance Officer
27th July 2016

Cash Flow Statement

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

2014/15				**2015/16**	
£m	£m		note	£m	£m
	(17.1)	Net surplus or (deficit) on the provision of services, including £6.1m interest paid and (£0.7m) interest received.			(26.4)
	24.0	Adjustments to net surplus or deficit on the provision of services for non cash movements	See note below		33.3
	(2.2)	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities including proceeds of investments and disposal of assets			(0.8)
	4.7	**Net cash inflows/(Outflow) from Operating Activities**			6.1
		Investing Activities:			
(12.2)		Purchase of property, plant and equipment, investment property, heritage and intangible assets	35	(21.0)	
1.8		Proceeds from the sale of property, plant and equipment, investment property and intangible assets		0.4	
(1.4)	(11.8)	Proceeds from short-term and long-term investments	15	14.8	(5.8)
		Financing Activities			
(0.4)		Cash payments for the reduction of the outstanding liabilities relating to transferred debt and on-balance sheet PFI contracts	21	(0.7)	
2.3		Council Tax and NNDR adjustments		0.2	
0	1.9	Repayments of short- and long-term borrowing		0	(0.5)
	(5.2)	**Net increase or (decrease) in cash and cash equivalents**			**(0.2)**

2014/15 £m		Notes	**2015/16 £m**
6.4	Cash and cash equivalents * at the beginning of the reporting period	17	1.2
1.2	Cash and cash equivalents at the end of the reporting period	17	1.0
(5.2)	**Net increase or (decrease) in cash and cash equivalents**		(0.2)

- Cash equivalents are short term cash investments that are held for the purpose of meeting short term cash commitments rather than for investment purposes.

Note: Adjustments to net surplus or deficit on the provision of services for non cash movements

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

11.6	Depreciation, Impairment & downward valuations		**16.5**
0.2	Amortisation of Intangible Assets		**0.1**
1.0	Increase/(Decrease) in Creditors		**(0.2)**
(2.2)	(Increase)/Decrease in Debtors including impairment for bad debts		**(5.1)**
3.9	Movement in pension liability		**5.2**
11.4	Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised		**14.8**
(1.9)	Other non-cash items charged to the net surplus or deficit on the provision of services		**2.0**
24.0	**Total**		**33.3**

Notes to the Core Financial Statements

1. Changes in Accounting Policy

The only change in accounting policy for 2015/16 is the requirement to apply IFRS13 which provides a consistent definition of fair value to be applied whenever any other (accounting) standard has a requirement for measurement or disclosure at fair value. The definition of fair value to be applied is "the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date".

In terms of the balance sheet values the only assets affected by this change are non operational property, i.e. surplus assets. The change in valuation of these assets from a valuation based on last "use" to fair value has increased the value of these assets by £0.5m with a corresponding increase in the revaluation reserve.

As change has been applied prospectively from 2015/16 there was no restatement of prior years required.

The accounts include a number of disclosure notes for the fair value of some assets and liabilities. For 2015/16 these have been assessed in line with IFRS13 but the impact on the fair values reported in the disclosure notes is negligible.

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

The standards introduced in the 2016/17 CIPFA 'Code' are:-

- Amendments to IAS 19 Employee Benefits (Defined Benefit Plans: Employee Contributions)
- Amendment to IFRS 11 Joint Arrangements (Accounting for Acquisitions of Interests in Joint Operations)
- Amendment to IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets (Clarification of Acceptable Methods of Depreciation and Amortisation)
- Annual Improvements to IFRSs 2010 – 2012 Cycle
- Annual Improvements to IFRSs 2012 – 2014 Cycle
- Amendment to IAS 1 Presentation of Financial Statements (Disclosure Initiative)
- The changes to the format of the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement and the introduction of the new Expenditure and Funding Analysis

These changes could apply to the Council's 2016/17 statement of accounts, however none is likely to have a significant impact on the Council's reported net cost of services or the surplus or deficit on the provision of services. However, in the 2016/17 year the comparator 2015/16 Comprehensive Income and Expenditure Statement and the Movement in Reserves Statement must reflect the new formats and reporting requirements.

3. Critical Judgements in Applying Accounting Policies

In applying the accounting policies set out in Note 39, 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 (6 schools) – assets recognised on balance sheet
    - Voluntary Controlled schools (2 schools) – building, but not land, recognised on balance sheet
    - Voluntary Aided Schools (3 schools) – building, but not land, recognised on balance sheet
    - Foundation Schools (2 schools) - assets 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 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. This payment is invoiced for in the year that the County Council makes payments to its pensioners.
- The Council has recognised its (£33m/17%) share of the Energy From Waste facility in

Plymouth based on estimated tonnages per the business case for the facility and the financial allocation model agreed between Torbay, Plymouth and Devon County Councils. All three Councils have assessed the facility to be "on balance sheet" under IFRIC12 as a service concession arrangement. The Council has recognised a liability to the value of the asset recognised. This liability is apportioned between the Council's own liability to fund the asset based on forecast unitary payments over the life of the facility from the three councils (£12m/37%) and the expected third party income (£21m/63%) based on the business case. The third party income liability has been accounted for as deferred income with the balance allocated to the Council's CI&E statement over the life of the 25 year contract. As a "non cash" transaction this credit will be reversed in the MIRS to the Capital Adjustment Account. In 2015/16 The Council has chosen to make an exception to its depreciation policy and charged a year's depreciation in the year of acquisition. The asset life of the facility has been assessed at 30 years based on the contract life and the optional 5 year extension period. The Council has assumed all lifecycle costs to be revenue unless evidence that they are capital.

- There is a high degree of uncertainty about future levels of funding for local government. However the Council has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Council might be impaired as a result of a need to close facilities and reduce levels of service provision.

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. Apart from the (minor) changes in fair value measurement of surplus assets under IFRS13 there were no changes in accounting estimates in 2015/16 or expected in future years.

The only item in the Council’s balance sheet at 31st March 2016 for which there is a significant risk of material adjustment in the forthcoming financial year is as follows:

Uncertainties	Effect if Actual Results Differ from Assumptions
Pension Liability Value 31/3/16 £151m (£168m 14/15)	
The Council's liability as at 31st March is based on a number of complex judgements relating to the discount rate used, the rate at which salaries may change, changes in retirement dates, mortality rates and expected return on pension fund assets A firm of pension actuaries are used to provide this information and every three years there is a detailed actuarial review of the fund. The value of pension assets is estimated (by the actuary) based upon information available at the Balance Sheet date, but these valuations may be earlier than the Balance Sheet date. The actual valuations at the Balance Sheet date, which may not be available until sometime later, may give a different value of pension assets, but this difference is not considered to be material.	The effects on the net pension liability of changes in individual assumptions can be measured. For instance, a future 0.1% increase in the discount rate assumption would result in a change in the (gross) pension liability of £7m. Similarly a change in the mortality assumption of 1 year would result in a change of £12m. However, the assumptions interact in complex ways. The actuary advised that, during 2015/16, the net pensions' liability had decreased by £17m. In part this was a result of estimates being corrected as a result of "experience" updating of actuarial assumptions. In particular in 2015/16 there was an increase in the discount rate from 3.3% to 3.7%. A table on sensitivity of assumptions is included in the Pensions Note 38.

5. Material Items of Income And Expense

The Council's pension liability as at 31st March 2016 is assessed at £151m, a £17m decrease, primarily due to actuarial "remeasurements" of the pension scheme liabilities and assets. In particular the actuary changed the discount rate (linked to corporate bond rates such as Merrill Lynch AA rated corporate bond) in the liability calculation to 3.7% from 3.3% which caused the significant change in liability.

6. Events after the Reporting Period

Since 31st March 2016 to the date the Chief Financial officer authorised the accounts for issue (3rd June 2016) there is only one event to note. In April 2016 the Council was notified by a group of care home owners that gave a "pre-proceedings" letter relating to the Council's calculation of its care home fees which could lead to a judicial review again relating for 2014/15 and 2015/16 in relation to another aspect of the fee calculation. Any financial impact of the revised judicial review for 2014/15 and 2015/16, if successful, would be a Council liability.

Events taking place after the 3rd June 2016 are not reflected in the financial statements.

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. Other includes: Accumulated Absences Adjustment Account, Collection Fund Adjustment Account and Financial Instruments Adjustment Account.

2014/15 restated							2015/16					
Useable Reserves			Unusable Reserves				Useable Reserves			Unuseable Reserves		
General Fund	Capital Receipts	Capital Grants Unappl'd	CAA	Pension	Other		General Fund	Capital Receipts	Capital Grants Unappl'd	CAA	Pension	Other
£m	£m	£m	£m	£m	£m		£m	£m	£m	£m	£m	£m
						Adjustments involving the Capital Adjustment Account:						
						Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement (CI&E):						
						Items relating to capital expenditure						
(11.6)	-	-	11.6	-	-	Charges for depreciation and impairment of non current assets	**(16.5)**	-	-	**16.5**	-	-
(0.2)	-	-	0.2	-	-	Amortisation of intangible assets	**(0.1)**	-	-	**0.1**	-	-
(6.7)	-	-	6.7	-	-	Revenue expenditure funded from capital under statute	**(2.3)**	-	-	**2.3**	-	-
(11.4)	-	-	11.4	-	-	Amounts of non current assets written off on disposal/sale as part of the gain/loss on disposal to the CI&E statement	**(14.8)**	-	-	**14.8**	-	-
0.1	-	-	(0.1)	-	-	Notional Rent Credit	**0.1**	-	-	**(0.1)**		

Page 185

Page 186

Useable Reserves			Unusable Reserves				Useable Reserves			Unuseable Reserves		
General Fund	Capital Receipts	Capital Grants Unappl'd	CAA	Pension	Other		General Fund	Capital Receipts	Capital Grants Unappl'd	CAA	Pension	Other
£m	£m	£m	£m	£m	£m		£m	£m	£m	£m	£m	£m
(29.8)	-	-	29.8	-	-	b/f	**(33.6)**	**-**	**-**	**33.6**	-	-
-	-	-	-	-	-	**Deferred Credit re Energy From Waste**	**0.8**	**-**	**-**	**(0.8)**	-	-
						<u>Other</u>						
0.1	-	-	(0.1)	-	-	Movement in the fair value of Investment Properties	**0.3**	**-**	**-**	**(0.3)**	-	-
0	-	-	0	-	-	Movement in the market value of Assets Held for Sale	**0**	**-**	**-**	**0**	-	-
						<u>Items relating to capital financing applied in the year</u>						
6.3	-	-	(6.3)	-	-	Capital Grants and Contributions Applied	**6.1**	**-**	**-**	**(6.1)**	-	-
						Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement						
						<u>Items relating to capital financing applied in the year</u>						
4.6	-	-	(4.6)	-	-	Provision for the financing of capital investment	**4.3**	**-**	**-**	**(4.3)**	-	-
1.8	-	-	(1.8)	-	-	Capital expenditure charged against the General Fund	**1.1**	**-**	**-**	**(1.1)**	-	-
(17.0)	-	-	17.0	-	-	c/f	**(21.0)**	**-**	**-**	**21.0**	-	-

Useable Reserves			Unusable Reserves				Useable Reserves			Unuseable Reserves		
General Fund	Capital Receipts	Capital Grants Unappl'd	CAA	Pension	Other		General Fund	Capital Receipts	Capital Grants	CAA	Pension	Other
£m	£m	£m	£m	£m	£m		£m	£m	£m	£m	£m	£m
(17.0)	-	-	17.0	-	-	b/f	**(21.0)**	**-**	**-**	**21.0**	**-**	**-**
						Adjustments involving Capital Grant Unapplied Account						
2.3	-	(2.3)	-	-	-	Capital Grants & Contributions unapplied credited to the CI&E Statement	**3.7**	**-**	**(3.7)**	**-**	**-**	**-**
-	-	7.5	(7.5)	-	-	Application of (prior year) Grants to capital financing applied in the year transferred to the Capital Adjustment Account	**-**	**-**	**4.7**	**(4.7)**	**-**	**-**
						Adjustments involving the Capital Receipts Reserve:						
1.7	(1.7)	-	-	-	-	Transfer of sale proceeds credited as part of the gain/loss on disposal to the CI&E Statement	**0.6**	**(0.6)**	**-**	**-**	**-**	**-**
-	0.1	-	(0.1)	-	-	Use of the Capital Receipts Reserve to finance new capital expenditure applied in the year	**-**	**2.6**	**-**	**(2.6)**	**-**	**-**
						Adjustments involving the Pensions Reserve:						
(13.0)	(1.6)	5.2	9.4	-	-	c/f	**(16.7)**	**2.0**	**1.0**	**13.7**	**-**	**-**

Page 187

Page 188

Useable Reserves			Unusable Reserves				Useable Reserves			Unuseable Reserves		
General Fund	Capital Receipts	Capital Grants Unappl'd	CAA	Pension	Other		General Fund	Capital Receipts	Capital Grants Unappl'd	CAA	Pension	Other
£m	£m	£m	£m	£m	£m		£m	£m	£m	£m	£m	£m
(13.0)	(1.6)	5.2	9.4	-	-	b/f	**(16.7)**	**2.0**	**1.0**	**13.7**	-	-
(10.9)	-	-	-	10.9	-	Reversal of items relating to retirement benefits debited or credited to the CI&E Statement (see Note 38)	**(12.0)**	**-**	**-**	**-**	**12.0**	**-**
7.0	-	-	-	(7.0)	-	Employer's pensions contributions and direct payments to pensioners payable in the year	**6.9**	**-**	**-**	**-**	**(6.9)**	**-**
						Adjustments involving the Collection Fund Adjustment Account:						
2.6	-	-	-	-	(2.6)	Amount by which council tax income credited to the CI&E Statement is different from council tax income calculated for the year in accordance with statutory requirements	**(0.3)**	**-**	**-**	**-**	**-**	**0.3**
						Adjustment involving the Accumulated Absences Account						
(14.3)	(1.6)	5.2	9.4	3.9	(2.6)	c/f	**(22.1)**	**2.0**	**1.0**	**13.7**	**5.1**	**0.3**

Useable Reserves			Unusable Reserves				Useable Reserves			Unuseable Reserves		
General Fund	Capital Receipts	Capital Grants Unappl'd	CAA	Pension	Other		General Fund	Capital Receipts	Capital Grants Unappl'd	CAA	Pension	Other
£m	£m	£m	£m	£m	£m		£m	£m	£m	£m	£m	£m
(14.3)	(1.6)	5.2	9.4	3.9	(2.6)	b/f	**(22.1)**	**2.0**	**1.0**	**13.7**	**5.1**	**0.3**
0.3					(0.3)	Amount by which officer remuneration charged to the CI&E Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	**0.3**	**-**	**-**	**-**	**-**	**(0.3)**
						Adjustment involving the Financial Instruments Adjustments Account						
-	-	-	-	-	-	Amount by which financial instruments charged to the CI&E Statement are different from amounts chargeable in the year in accordance with statutory requirements	**1.0**	**-**	**-**	**-**	**-**	**(1.0)**
14.0	(1.6)	5.2	9.4	3.9	(2.9)	**Total Adjustments per MIRS**	**(20.8)**	**2.0**	**1.0**	**13.7**	**5.1**	**(1.0)**
						Memo items:-						
(17.1)	-	-	-	-	-	*Surplus/(Deficit) on Provision of Services*	***(26.4)***	**-**	**-**	**-**	**-**	**-**
3.1	-	-	-	-	-	*Movement in earmarked reserves*	***5.6***	**-**	**-**	**-**	**-**	**-**

-	-	-	-	*43.9*	-	*Other Comprehensive Income and Expenditure: Remeasurement of net defined pension liability*	**-**	**-**	**-**	**-**	***(22.7)***	**-**
-	-	-	*(1.5)*	-	-	*Other movement on the Capital Adjustment Account - Adjusting amounts written out of the revaluation reserve to the Capital Adjustment Account*	**-**	**-**	**-**	**(3.8)**	**-**	**-**
0	-	-	*7.9*	*47.8*	-	***Total Movement in year*** *(see note 23)*	**0**	**-**	**-**	**9.9**	**(17.6)**	**-**

Page 190

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 2015/16.

	Balance at 31 March 2014 £m	Transfer Out 2014/15 £m	Transfer In 2014/15 £m	Balance at 31 March 2015 £m	Transfer Out 2015/16 £m	Transfer In 2015/16 £m	Balance at 31 March 2016 £m
Reserves:-							
earmarked for General Expenditure	**4.3**	(1.1)	0	**3.2**	(0.7)	1.5	**4.0**
earmarked for specific issues	**9.8**	(3.4)	3.9	**10.3**	(5.3)	1.7	**6.7**
to reflect timing of expenditure	**7.2**	(3.6)	1.7	**5.3**	(3.0)	2.9	**5.2**
to support Capital expenditure	**2.5**	(1.5)	1.7	**2.7**	(1.2)	0.2	**1.7**
School Related Reserves	**0.5**	0	0	**0.5**	0	0	**0.5**
Schools' Balances (held under a delegation scheme)	**2.8**	(2.8)	2.9	**2.9**	(2.9)	2.4	**2.4**
Ring Fenced	**6.9**	(2.4)	1.5	**6.0**	(2.1)	0.9	**4.8**
Total	**34.0**	(14.8)	11.7	**30.9**	(15.2)	9.6	**25.3**

9. Financing and Investment Income and Expenditure

2014/15 £m		2015/16 £m
6.6	Interest payable and similar charges	**7.8**
5.2	Net interest on net defined pension liability	**5.4**
(1.0)	Interest receivable and similar income	**(1.0)**
(0.3)	Income and expenditure in relation to investment properties and changes in their fair value	**(0.7)**
(0.4)	Gain from Devon wide NNDR Pool	**(0.2)**
10.1	**Total**	**11.3**

10. Taxation and Non Specific Grant Income

2014/15 £m		2015/16 £m
(53.5)	Council tax Income & Collection Fund	**(54.7)**
(26.1)	Retained income from rate retention scheme	**(30.7)**
(2.6)	Collection Fund Adjustment Account	**0.3**
(41.9)	Non-ring fenced government grants	**(29.2)**
(8.6)	Capital grants and contributions	**(7.5)**
(132.7)	Total	**(121.8)**

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.

Movements on Balances

Reconciliation of movements in 2015/16, and the prior year 2014/15, in Property, Plant and Equipment by category of assets is shown in the tables below:

2014/15	Other Land & Buildings	Vehicles, Plant & Equipm't	Infra - structure Assets	Community Assets	Surplus Assets	Assets Under Construction	**Total Property, Plant & Equipm't**	PFI Assets in P, P & E
	£m	£m	£m	£m	£m	£m	£m	£m
Cost or Valuation								
As at 1st April 2014	**197.6**	**16.9**	**98.0**	**8.6**	**0**	**2.2**	**323.3**	**24.1**
Additions	3.7	0.7	5.9	0.1	0	1.8	**12.2**	0
Revaluation increases/ (decreases) recognised in the Revaluation Reserve	1.0	0	0	0	0.1	0	**1.1**	(0.3)
Revaluation Increases/ (decreases) recognised in the Surplus/Deficit on the Provision of Services	(4.4)	0	0	(0.1)	0	0	**(4.5)**	0
Derecognition – Disposals	(10.7)	(0.4)	0	0	0	0	**(11.1)**	0
Assets reclassified (to)/from Held for Sale	(0.4)	0	0	0	(0.1)	0	**(0.5)**	0
Other movements in Cost or Valuation	0	0	2.5	(1.2)	0.5	(1.7)	**0.1**	0
As at 31st March 2015	**186.8**	**17.2**	**106.4**	**7.4**	**0.5**	**2.3**	**320.6**	**23.8**
Accumulated Depreciation and Impairment								
As at 1st April 2014	**(5.4)**	**(12.5)**	**(21.5)**	**(0.1)**	**0**	**0**	**(39.5)**	**(0.4)**
Depreciation charge	(3.2)	(1.2)	(3.1)	(0.2)	0	0	**(7.7)**	(0.3)
Depreciation written out to the Revaluation Reserve	1.3	0	0	0	0	0	**1.3**	0.1
Revaluation Increases/ (decreases) recognised in the Surplus/Deficit on the Provision of Services	0.5	0	0	0	0	0	**0.5**	0.2
Depreciation written out to Surplus/Deficit Provision on Services	0.2	0.4	0	0	0	0	**0.6**	0
Derecognition – Disposals	0	0	0	0	0	0	**0**	0
As at 31st March 2015	**(6.6)**	**(13.3)**	**(24.6)**	**(0.3)**	**0**	**0**	**(44.8)**	**(0.4)**
Net Book Value								
As at 31st March 2015	**180.2**	**3.9**	**81.8**	**7.1**	**0.5**	**2.3**	**275.8**	**23.4**
As at 31st March 2014	192.2	4.4	76.5	8.5	0	2.2	283.8	23.7

2015/16	Other Land and Buildings	Vehicles, Plant & Equipm't	Infra-structure Assets	Community Assets	Surplus Assets	Assets Under Const-ruction	**Total Property, Plant & Equipm't**	PFI Assets in P,P & E
	£m	£m	£m	£m	£m	£m	£m	£m
Cost or Valuation	**186.8**	**17.2**	**106.4**	**7.4**	**0.5**	**2.3**	**320.6**	**23.8**
As at 1st April 2015								
Additions	37.9	0	13.7	0.1	0.1	0.4	**52.2**	33.3
Revaluation increases/ (decreases) recognised in the Revaluation Reserve	3.9	0	0	0	0.7	0	**4.6**	0.2
Revaluation Increases/ (decreases) recognised in the Surplus/Deficit on the Provision of Services	(9.6)	0	0	0	(0.2)	0	**(9.8)**	(1.9)
Derecognition - Disposals	(14.7)	(0.2)	0	0	(0.1)	0	**(15.0)**	0
Assets reclassified (to)/from Held for Sale	(0.4)	0	0	0	0	0	**(0.4)**	0
Other movements in Cost or Valuation	2.1	0	0	0	0	(2.2)	**(0.1)**	0
As at 31st March 2016	**206.0**	**17.0**	**120.1**	**7.5**	**1.0**	**0.5**	**352.1**	**55.4**
Accumulated Depreciation and Impairment								
As at 1st April 2015	**(6.6)**	**(13.3)**	**(24.6)**	**(0.3)**	**0**	**0**	**(44.8)**	**(0.4)**
Depreciation charge	(4.1)	(0.9)	(3.4)	(0.1)	0	0	**(8.5)**	(1.5)
Depreciation written out to the Revaluation Reserve	1.7	0	0	0	0	0	**1.7**	0
Revaluation Increases/ (decreases) recognised in the Surplus/Deficit on the Provision of Services	1.8	0	0	0	0	0	**1.8**	1.1
Derecognition - Disposals	0.2	0.2	0	0	0	0	**0.4**	0
Other movements in Depreciation and Impairment	0	0	0	0	0	0	**0**	0
As at 31st March 2016	**(7.0)**	**(14.0)**	**(28.0)**	**(0.4)**	**0**	**0**	**(49.4)**	**(0.8)**
Net Book Value:-								
As at 31st March 2016	**199.0**	**3.0**	**92.1**	**7.1**	**1.0**	**0.5**	**302.7**	**54.6**
As at 31st March 2015	**180.2**	**3.9**	**81.8**	**7.1**	**0.5**	**2.3**	**275.8**	**23.4**

Contractual Commitments for the acquisition of Property, Plant and Equipment as at 31st March 2016

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 £14.4m.

Contract	Purpose	Total Commit-ments £m	2016/17 £m	2017/18 £m
	Expenditure on Council Assets:			
Transport				
South Devon Highway	Major investment to provide new road to alleviate congestion and ease traffic flow to and from Torbay.	7.6	4.6	1.5
	Total Significant Commitments	**7.6**	**4.6**	**1.5**

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 2016	60.5
31 March 2015	56.6
31 March 2014	42.8
31 March 2013	26.3
31 March 2012	19.7
Total Cost or Valuation of Other Land & Buildings	**205.9**

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.

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.

	Fine Art Collection	Mayoral Regalia	Heritage Property	Total Assets
Valuation	£m	£m	£m	**£m**
31st March 2014	**5.8**	**0.2**	**20.3**	**26.3**
Additions	0	0	0.1	**0.1**
Reclassifications	0	0	1.0	**1.0**
31st March 2015	**5.8**	**0.2**	**21.4**	**27.4**
Additions	0	0	0.1	**0.1**
Revaluation increases/(decreases) recognised in the Revaluation Reserve	0	0	0.9	**0.9**
31st March 2016	**5.8**	**0.2**	**22.4**	**28.4**

Fine Arts Collection

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 and visiting information are available on the council's website at:-

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

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

http://www.torbay.gov.uk/index/yourcouncil/financialservices/heritageassets.doc

The Council is in the process of transferring the information it holds on the Torre Abbey exhibits to a new museum database.

Also included in this classification is fine art from Oldway Mansion and Torquay Town Hall, which has a combined insurance valuation of £0.4m. 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

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 is the most significant being valued at £18.4m. 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. The Council uses an external RICS qualified valuer to provide property reinstatement valuations for insurance purposes.

13. Financial Instruments

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

31st March 2015			**31st March 2016**	
Long Term	Short Term		**Long Term**	**Short Term**
£m	£m		£m	£m
		Investments		
15.0	24.2	Loans and receivables	**7.1**	**28.8**
1.1	0.1	Available-for-sale financial assets	**2.3**	**1.0**
0	30.0	Financial assets at fair value through profit and loss	**0**	**18.1**
16.1	54.3	**Total investments**	**9.4**	**47.9**
		Cash & Cash Equivalents		
0	0.6	Cash in hand and Bank (net)	**0**	**0.1**
0	0.6	Loans and receivables	**0**	**0.9**
0	1.2	**Total Cash & Cash Equivalents**	**0**	**1.0**
		Debtors		
3.1	14.4	Financial assets carried at contract amounts	**6.1**	**15.1**
3.1	14.4	**Total Debtors**	**6.1**	**15.1**
		Borrowings/Liabilities		
(138.3)	(1.3)	Financial liabilities at amortised cost	**(138.3)**	**(1.3)**
(138.3)	(1.3)	**Total borrowings**	**(138.3)**	**(1.3)**
		Other Long Term Liabilities		
(7.9)	(0.5)	PFI liability	**(19.6)**	**(0.6)**
(1.0)	0	Financial Guarantees	**0**	**0**
(8.9)	(0.5)	**Total other long term liabilities**	**(19.6)**	**(0.6)**
		Creditors (incl. receipts in advance)		
(3.6)	(25.4)	Financial liabilities carried at contract amount	**(3.5)**	**(24.6)**
(3.6)	(25.4)	**Total Creditors**	**(3.5)**	**(24.6)**
(131.6)	42.7	**Total All Financial Instruments**	**(145.9)**	**37.5**

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

	2014/15				**2015/16**			
	Financial Liabilities	Financial Assets			**Financial Liabilities**	**Financial Assets**		
	Liabilities measured at amortised cost	Loans and receivables	Assets and Liabilities at Fair Value through Profit and Loss	Total	Liabilities measured at amortised cost	Loans and receivables	Assets and Liabilities at Fair Value through Profit and Loss	**Total**
	£m	£m	£m	£m	£m	£m	£m	£m
Interest expense	4.8	-	-	4.8	**4.8**	**-**	**-**	**4.8**
Reductions in fair value re interest due	1.3	-	-	1.3	**1.3**	**-**	**-**	**1.3**
Total expense in Surplus or Deficit on the Provision of Services	6.1	-	-	6.1	**6.1**	**-**	**-**	**6.1**
Interest income	-	(0.3)	-	(0.3)	**-**	**(0.3)**	**0**	**(0.3)**
Increases in fair value	-	(0.2)	(0.3)	(0.5)	**-**	**(0.2)**	**(0.2)**	**(0.4)**
Total income in Surplus or Deficit on the Provision of Services	-	(0.5)	(0.3)	(0.8)	**-**	**(0.5)**	**(0.2)**	**(0.7)**
Net gain/(loss) for the year	6.1	(0.5)	(0.3)	5.3	**6.1**	**(0.5)**	**(0.2)**	**5.4**

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.

For PWLB debt the fair value has been assessed by using PWLB discount rates (certainty rate) for new loans as at 31st March 2016, 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 2016.

For Investments, such as fixed term deposits where the rate is fixed, the fair value has been assessed by using prevailing benchmark market rates for comparable investments for deposits of similar length with a comparable lender as at 31st March 2016. For investments held in higher earning "cash" accounts the fair value is assumed to be the same as the nominal value of the deposit.

For both fair values, under the requirements of IFRS13, these values are based on Level Two inputs, i.e. inputs other than quoted prices that are observable.

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 2015		**31 March 2016**	
	Carrying amount £m	Fair value £m	**Carrying amount** £m	**Fair value** £m
Financial Assets:				
Loans and Receivables:				
- Short Term Investments	24.3	24.5	**29.7**	**29.8**
- Long Term Investments	15.0	15.8	**7.0**	**7.1**
Financial Liabilities:				
Borrowing	(139.6)	(171.8)	**(139.6)**	**(172.9)**

The fair value of the loans and receivables (investments) is 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 2016) arising from a commitment to be paid interest by lenders above current market rates. As at 31st March there is a flat profile for interest rates in the short term therefore there is very little difference between the carrying amount and the fair value of short term loans.

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 2016 of £184.1m (£183.4m 14/15). This is higher than the fair value PWLB amount of £159.2m (£158.2m 14/15) 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 11.5 years on its 25 year School PFI contract for the construction element. The fair value of the liability as at 31/3/16 of £10.3m has been assessed using Level Two inputs using a PWLB annuity discount rate, i.e. an input other than quoted prices that are observable.

The Council has a liability for the remaining 23.5 years on its 25 year Energy From Waste PFI contract for the construction element. The fair value of the liability as at 31/3/16 of £26.1m has been assessed using Level Two inputs using a PWLB annuity discount rate, i.e. an input other than quoted prices that are observable.

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+". 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 Council's investment in the Funding Circle (£0.1m) is limited to individual loans to applicants with a credit score (as assessed by Funding Circle) of A+, A and B the three highest categories of credit combined with a maximum loan to any applicant of £1,000.

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.

2015/16	Value as at 31st March 2016 £m	Historical experience of default %	Historical experience adjusted for market conditions as at 31st March 2016 %	Estimated maximum exposure to default and uncollectability at 31st March 2016 £m
Deposits with banks and other financial institutions	36.6	0%	0%	0
Deposits held by Fund Manager	18.0	0%	0%	0
Trade and other Receivables (Sundry & Harbour Debt)	4.2	4%	1%	0.1

The Council does not generally allow credit to customers. Within the Council's sundry debt total of £4.2m (£3.9m 14/15), £0.9m (£1.0m 14/15) is over three months due for payment. The past due amount can be analysed by age as follows:

31st March 2015 £m		**31st March 2016** £m
2.9	Less than 3 months	**3.3**
0.5	Three months to one year	**0.4**
0.5	More than one year	**0.5**
3.9	Total	**4.2**

At year end the level of impairment for all Council debt is assessed and reflected in the value of the impairment 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:

31st March 2015 Re-stated £m		31st March 2016 £m
1.3	Less than one year	**1.3**
0	Between one and two years	**4.0**
6.0	Between two and five years	**5.0**
13.0	Between five and ten years	**15.0**
26.1	Between ten and twenty years	**21.4**
35.4	Between twenty and thirty years	**38.1**
57.8	Above thirty years	**54.8**
139.6	**Total**	**139.6**

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 2016 the Council didn't have any PWLB borrowing at variable interest rates however the Council does have £10m in 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 2016 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 2016 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 2016 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.

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 31). Of these, only the Council's minority 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, an investment in the Funding Circle and the fair value of its investments in its subsidiaries.

2014/15			**2015/16**		
Subsid-iary	Money Market		**Subsid-iary**	**Money Market**	**Other**
£m	£m		£m	£m	£m
2.6	0	**Balance at start of year:**	**1.1**	**15.0**	**0**
-	15.0	Change in Investment in year	**-**	**(8.0)**	**0.1**
(1.5)	-	Change in fair value of Company	**1.2**	**-**	**-**
1.1	15.0	**Fair Value as at 31st March**	**2.3**	**7.0**	**0.1**

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 2016 the Council held £46.6m (2014/15 £54.1m) of short-term (money market) investments (principal only), of which £18.0m (2014/15 £30.0m) is held by the Council's fund manager Aberdeen Asset Management).

Total Invested 31st March 2015 £ m		**Total Invested 31st March 2016 £ m**
	Short Term Investments (less than 1 year)	
16.0	Deposits: fixed term & structured	**26.0**
8.1	Notice\Call Accounts	**3.5**
30.0	Fund Manager *	**18.0**
54.1	**Total Short Term Investments**	**47.5**
54.3	*Fair Value as at 31st March - including interest due*	*47.9*

Note * - The Council has designated its holding with Aberdeen Asset Management 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 (due over one year)

31 March 2015 £m		**31 March 2016 £m**
0.2	Loans (see note 33)	**2.0**
0.1	Social Services – Client Debt	**1.4**
0	Impairment re Client Debt	**(0.1)**
2.7	Asset Related (capital accounting)	**2.8**
3.0	**Total**	**6.1**

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

31st March 2015 £m		**31st March 2016** £m
4.1	Central government bodies (WGA)	**3.9**
2.2	Other local authorities and public bodies	**4.1**
0.8	NHS bodies	**0.3**
5.3	Council Tax (inc. liability orders)	**5.8**
0.9	NNDR (inc liability orders)	**0.9**
3.5	Housing Benefit	**3.8**
8.1	Other entities and individuals	**8.3**
24.9	**Sub Total**	**27.1**

31st March 2015		**31st March 2016**
(7.4)	Impairment (uncollectibility of debt)	**(9.0)**
17.5	**Total**	**18.1**

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 2015 **£m**		**31 March 2016** £m
0.6	Bank current accounts	**0.1**
0.6	Short-term deposits with Money Market Funds and Liquidity Accounts	**0.9**
1.2	**Total Cash and Cash Equivalents**	**1.0**
2.5	*Current Assets*	***2.3***
(1.3)	*Current Liabilities*	***(1.3)***
1.2	***Total Cash and Cash Equivalents***	***1.0***

18. Creditors

Represents monies owed by the Council

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

31 March 2015 **£m**		**31 March 2016** **£m**
4.5	Central government bodies (WGA)	**4.9**
4.5	Other local authorities and public bodies	**3.3**
1.2	NHS bodies	**1.5**
15.2	Other entities and individuals	**14.7**
25.4	**Total**	**24.4**

19. Provisions

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

	Insurance	NNDR Appeals	Restructure	Other Provisions	Total
	£m	*£m*	*£m*	*£m*	*£m*
Balance at 31 March 2015	**0.3**	**1.2**	**0.1**	**0.3**	**1.9**
Provisions made in year	0.3	- *	0	0.1	-
Provisions reversed in year	0	- *	0	(0.1)	-
Amounts used in year	(0.2)	- *	(0.1)	(0.1)	(0.4)
Balance at 31 March 2016	**0.4**	**2.1**	**0**	**0.2**	**2.7**
Short term	*0.3*	*2.1*	*0*	*0.2*	*2.6*
Long term	*0.1*	*0*	*0*	*0*	*0.1*
Balance at 31 March 2016	*0.4*	*2.1*	*0*	*0.2*	*2.7*

**An analysis of NNDR movements in year not separately identifiable as appeals are reflected within a premises' overall NNDR liability in Collection Fund*

Name of Provision	Description of Provision
Insurance	Reflects a reliable estimate of Council liability on all known claims outstanding as at 31st March, which have yet to be settled. The timing of spend will be up to three years depending on claim type.
NNDR Appeals	Reflects the Councils 49% share of the estimated value of outstanding NNDR appeals submitted to the Valuation Office by 31st March.
Restructure & Reductions	Provision to meet liabilities of implementing the Council's budget reductions and management restructure based on decisions made by 31st March of each year.
Other Provisions	These include provision for the payment of interest and a repayment of grant

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 additional income.

31st March 2015 Principal £ m	Borrowing Repayable	**31st March 2016 Principal £ m**
	Amounts falling due in excess of one year	
10.0	Money Market (LOBO)	10.0
128.1	Public Works Loans Board	128.1
138.1	**Total**	**138.1**
139.6 *171.8*	*Carrying Amount as at 31st March - including interest due* *Fair value (as IFRS 13 see Note 13 Fair Value of Assets and Liabilities)*	*139.6* *172.9*

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

Total Principal Outstanding 31st March 2015 Re-stated £ m	Analysis of Loans by Maturity	Average Interest Rate	**Total Principal Outstanding 31st March 2016 £ m**
4.0	2 up to 3 years	3.92%	**6.0**
2.0	3 up to 4 years	0.00%	**0.0**
0.0	4 up to 5 years	3.85%	**3.0**
13.0	5 up to 10 years	4.32%	**15.0**
14.8	10 up to 15 years	4.29%	**9.9**
11.3	15 up to 20 years	4.79%	**11.6**
18.1	20 up to 25 years	4.63%	**19.7**
74.9	Over 25 years	4.35%	**72.9**
138.1	Total	4.39%	**138.1**
139.6	*Carrying amount as at 31st March - including interest due.*		*139.6*
171.8	*Fair value (as IFRS 13 see Note 13 Fair Value of Assets and Liabilities)*		*172.9*

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

The Council has entered into a contract or agreement that guarantees future payments to a third party.

31st March 2015 £m		31st March 2016 £m
	Liabilities due within 1 year	
0.5	PFI Liability - Schools	**0.5**
-	PFI Liability – EFW	**0.1**
-	PFI Liability – EFW – Deferred Income	**0.9**
0.8	DCC Pre LGR Liability	**0.8**
1.3	**Total due within 1 year**	**2.3**
	Liabilities due over 1 year	
7.9	PFI Liability – Schools	**7.4**
-	PFI Liability – EFW	**12.2**
-	PFI Liability – EFW – Deferred Income	**19.2**
9.2	DCC Pre LGR Liability	**8.3**
1.0	Financial Guarantees	**0**
18.1	**Total due over 1 year**	**47.1**
19.4	**Total Liabilities**	**49.4**

The Spires 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 The Spires (formerly 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 Spires 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.

Schools - 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 The Spires school became a Foundation School. The Council has retains the liability to the PFI contractor. The Spires School is expected to transfer to academy status in 2016/17 at which point the assets will be de recognised.

School - 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

2016 (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 2016/17	1.8	0.5	0.4	2.7
Payable within 2 to 5 years	7.2	2.4	1.3	10.9
Payable within 6 to 10 years	9.0	3.7	0.9	13.6
Payable within 11 to 15 years	2.7	1.3	0.1	4.1
Total	**20.7**	**7.9**	**2.7**	**31.3**

* 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:

2014/15 £m		**2015/16 £m**
8.8	Balance outstanding at start of year	**8.4**
(0.4)	Payments during the year	**(0.5)**
8.4	**Balance outstanding at year-end**	**7.9**

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 MVV Umwelt for the construction and operation of an Energy From Waste Plant for the disposal of domestic waste. The Plant was operational from April 2015, when the Councils will deliver waste to the facility paying a unitary charge linked to waste tonnages. The period of the contract operation is from when the commissioning period started in April 2015 to a fixed contract end date in November 2039

The three Councils appointed MVV Umwelt under a fixed price contract to finance, construct and design the 245,000 tonne capacity facility and to maintain it to a minimum acceptable condition over a 24 year term, but with an option to extend operations for another 5 years. The Councils have the right to terminate the contract but must compensates MVVU in full for costs incurred and for future profits that would have been generated over the remaining term of the contract. At the end of the contract term buildings, plant and equipment will be transferred back to the Councils for nil consideration should the partnership elect to exercise this option.

The EFW facility is located on Ministry of Defence land at Camel's Head, North Yard in Devonport Dockyard in Plymouth. The contract specifies the activities offered by the facility, the opening hours and the expected minimum standard of service to be provided by the operator. MVV Umwelt is required to receive all the residual waste from the defined area of the local authority partnership for which the councils are obliged to pay a fixed but index linked gate fee based on a guaranteed waste tonnage, with an additional charge for any extra waste delivered by the councils over and above the contractual waste.

EFW - PFI Property Plant and Equipment

Income and expenditure, assets and liabilities are recorded in each of Plymouth City Council, Torbay Council and Devon County Council's Statements of Accounts respectively in the ratio 48:17:35 based on estimated tonnages for 2015/16: The total construction costs were £195.324m ,Torbay Council's initial recognition of its share was £33.3m. The plant was revalued as at 31st March 2016 and is value is carried in its balance sheet (see note 11) together with a corresponding liabilities for both the Council's share of the liability and a deferred income sum to reflect the value of the third party income due to be received by the operator over the life of the contract.

EFW - PFI Payments

The three Councils each make a payment each year to the operator based on actual tonnages where the cost can vary depending on whether the tonnage is within set bands as specified by the contract. The costs are allocated between the three Councils based on agreed Financial Allocation Mechanism which is closely linked to actual tonnages delivered from the three councils compared the forecast tonnages in the business case. In relation to this contract the Council recognises as a liability on its balance sheet its share of the element of the annual payment that relates to the construction and purchase of the facility. 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. Torbay's share of payments remaining to be made under the PFI contract at 31 March 2016 (excluding any estimation of inflation) is as follows:

	Payment for Services * £m	Reimbursement of Capital Expenditure £m	Interest £m	Total £m
Payable in 2016/17	1.2	0.1	1.3	2.6
Payable within 2 to 5 years	5.2	0.5	4.9	10.6
Payable within 6 to 10 years	7.4	1.1	5.8	14.3
Payable within 11 to 15 years	8.6	2.0	5.0	15.6
Payable within 16 to 20 years	9.7	3.8	3.6	17.1
Payable within 21 to 25 years	7.5	4.8	1.0	13.3
Total	**39.6**	**12.3**	**21.6**	**73.5**

* Assumption that the total annual payment for all three elements to the contractor will remain constant (ignoring inflation) until 2039 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 split between Torbay and the third party income deferred income liability is as follows:

2014/15 £m		**2015/16 £m Torbay Share**	**2015/16 £m Deferred Income**
-	Balance outstanding at start of year	-	-
-	Initial Recognition of liability	12.5	20.9
-	Payments during the year	(0.2)	(0.8)
-	**Balance outstanding at year-end**	**12.3**	**20.1**

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 2015/16 was £0.8m (£0.8m 2014/15). The estimate of the remaining liability of £9.1m (£10.0m 14/15) is based on Devon County's IAS19 disclosures.

2014/15 £m		**2015/16 £m**
9.7	Balance outstanding at start of year	10.0
1.1	IAS19 Actuarial remeasurements	(0.1)
(0.8)	Payments during the year to Devon County	(0.8)
10.0	**Balance outstanding at year-end**	**9.1**

22. Useable 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:

31st March 2015 £m		For in year movements see Note:-	2015/16 movement	31st March 2016 £m
4.4	General Fund Reserve	7	**0**	**4.4**
30.9	Earmarked Reserves	8	**(5.6)**	**25.3**
3.4	Usable Capital Receipts Reserve	7	**(2.0)**	**1.4**
5.2	Capital Grants & Contributions Unapplied	7	**(1.0)**	**4.2**
43.9	**Total Usable Reserves**		**(8.6)**	**35.3**

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. A full description of each reserve is available in the glossary:

31st March 2015 restated £m		For in year movements see Note:-	2015/16 movement £m	31st March 2016 £m
57.1	Revaluation Reserve	23	**3.4**	**60.5**
119.1	Capital Adjustment Account	7	**(9.9)**	**109.2**
(1.1)	Financial Instruments: Adjustment Account		**1.0**	**(0.1)**
1.1	Financial Instruments: Available for Sale		**1.2**	**2.3**
(177.8)	Pensions Reserve	7	**17.6**	**(160.2)**
1.6	Collection Fund Adjustment Account	7	**(0.3)**	**1.3**
(1.3)	Accumulating Compensated Absences Adjustment Account	7	**0.3**	**(1.0)**
(1.3)	**Total Unusable Reserves**		**13.3**	**12.0**

23.1 Revaluation Reserve

2014/15 £m				2015/16 £m
55.2	**Balance at 1 April**	**Note**		**57.1**
3.4	Revaluation of assets		**7.2**	
3.4	Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services			**7.2**
(0.9)	Difference between fair value depreciation and historical cost depreciation		**(0.9)**	
(0.6)	Accumulated gains on assets sold or scrapped		**(2.9)**	
(1.5)	Amount written off to the Capital Adjustment Account	7		**(3.8)**
57.1	**Balance at 31 March**			**60.5**

24. 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

For 2015/16 the Council had a new management structure which is reflected in the note below. In summary the Council has grouped its "people" services of adult social care, childrens social care and public health under a Joint Commissioning Team with the remainder of its services grouped in a Joint Operations Team. As this structure was not applicable for 2014/15 and there has been no management reporting for 2014/15 on the new structure, the previous year has not been restated.

Directorate Income and Expenditure

2014/15							2015/16					
							Commissioning			**Operations**		**Total**
Adults & Resources	Childrens, Schools & Families	Public Health & Community Safety	Place & Resources	Operations	Total		Adults	Childrens	Public Health	Corporate & commercial services	Customer services & Community safety	
£m	£m	£m	£m		£m		£m	£m	£m	£m	£m	
(2.6)	(11.5)	(2.7)	(16.3)	(12.4)	(45.5)	Fees, charges & other service Income	(4.1)	(10.7)	(1.1)	(29.2)	(9.5)	**(54.6)**
0	(48.9)	(7.6)	(1.6)	(75.4)	(133.5)	Government grants	(0.4)	(47.1)	(8.3)	(6.2)	(68.9)	**(130.9)**
(2.6)	(60.4)	(10.3)	(17.9)	(87.8)	(179.0)	**Total Income**	**(4.5)**	**(57.8)**	**(9.4)**	**(35.4)**	**(78.4)**	**(185.5)**
0.3	41.0	3.5	7.1	11.8	63.7	Employee expenses	0.6	39.4	0.8	10.0	10.0	**60.8**
47.2	47.1	9.0	38.8	89.6	231.7	Other service expenses	46.2	50.0	8.7	33.6	97.2	**235.7**
47.5	88.1	12.5	45.9	101.4	295.4	**Total Expenditure**	**46.8**	**89.4**	**9.5**	**43.6**	**107.2**	**296.5**
44.9	27.7	2.2	28.0	13.6	116.4	**Net Expenditure**	**42.3**	**31.6**	**0.1**	**8.2**	**28.8**	**111.0**

Reconciliation of Directorate Income and Expenditure to Cost of Services in the Comprehensive Income and Expenditure Statement		
2014/15 £m	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	2015/16 £m
116.4	**Net expenditure in the Directorate Analysis**	**111.0**
17.0	Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the Analysis	**14.5**
(3.5)	Amounts included in the Analysis not included in the Comprehensive Income and Expenditure Statement	**(3.0)**
129.9	**Cost of Services in Comprehensive Income and Expenditure Statement**	**122.5**

Reconciliation of Directorate Income and Expenditure to subjective analysis of the surplus or deficit on the Provision 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 a subjective analysis of the Surplus or Deficit on the Provision of Services included in the Comprehensive Income and Expenditure Statement (C I&E).

2014/15							**2015/16**					
Directorate Analysis	Amounts not reported to management for decision making	Amounts not included in CI&E	Cost of Services	Corporate Amounts	Total	**2014/15**	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		£m	£m	£m	£m	£m	£m
(45.5)	0.1	13.0	(32.4)	(1.9)	(34.3)	Fees, charges & other service income	(54.6)	(10.6)	34.9	**(30.3)**	(0.6)	**(30.9)**
0	0	0	0	(1.7)	(1.7)	Interest and investment income	0	0	0	**0**	(2.6)	**(2.6)**
0	0	0	0	(52.8)	(52.8)	Income from council tax	0	0	0	**0**	(54.4)	**(54.4)**
(133.5)	0	4.8	(128.7)	(79.9)	(208.6)	Government grants and contributions	(130.9)	(2.3)	2.7	**(130.5)**	(67.4)	**(197.9)**
(179.0)	0.1	17.8	(161.1)	(136.3)	(297.4)	**Total Income**	**(185.5)**	**(12.9)**	**37.6**	**(160.8)**	**(125.0)**	**(285.8)**
63.7	(1.6)	0	62.1	0	62.1	Employee expenses	60.8	8.1	(6.9)	**62.0**	0	62.0
231.7	6.7	(21.3)	217.1	0.3	217.4	Other service expenses	235.7	2.7	(33.7)	**204.7**	1.4	206.1
0	11.8	0	11.8	0	11.8	Depreciation, amortisation and impairment	0	16.6	0	**16.6**	0	16.6
0	0	0	0	11.7	11.7	Interest Payments	0	0	0	**0**	13.1	13.1
0	0	0	0	0.2	0.2	Precepts & Levies	0	0	0	**0**	0.2	0.2
0	0	0	0	11.3	11.3	Gain or Loss on Disposal of Non Current Assets	0	0	0	**0**	14.2	14.2
295.4	16.9	(21.3)	291.0	23.5	314.5	**Total expenditure**	**296.5**	**27.4**	**(40.6)**	**283.3**	**28.9**	**312.2**
116.4	17.0	(3.5)	129.9	(112.8)	17.1	**(Surplus)/Deficit deficit on the provision of services**	**111.0**	**14.5**	**(3.0)**	**122.5**	**(96.1)**	**26.4**

25. Pooled Budgets

Joint Equipment Store

Under section 75 of the NHS Act 2006, the Council has a pooled budget arrangement with NHS South Devon and Torbay Clinical Commissioning Group (CCG) for the joint provision of an equipment store for the purchase and distribution of items to meet the social care and health needs of people living in the Torbay area. The Council and the CCG 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 body on behalf of the two partners to the agreement. The total expenditure on the pooled budget for 2015/16 was £1.3m (£1.9m 14/15), of which 50% £0.65m (£0.9m 14/15) was borne by the Council.

Better Care Fund

Under section 75 of the NHS Act 2006, the Council has a pooled budget arrangement with NHS South Devon and Torbay Clinical Commissioning Group (CCG) for the revenue elements of the Better Care Fund for the integrated supply of social care and health needs of people living in the Torbay area. The Council and the CCG have an agreement in place. The agreement is that 100% of the contributions are funded by the CCG with a 50/50 risk share of any under/overspends in the year. The pooled budget is hosted by the CCG as the lead body on behalf of the two partners to the agreement. The total expenditure on the pooled budget for 2015/16 was £10.5m (n/a 14/15), of which £3.0m (n/a 14/15) was paid to the Council to commission adult social care services and £7.5m (n/a 14/15) was used by the CCG to commission health related services.

26. Members' Allowances

Under the Council's Members Allowances scheme £432,000 (£429,000 2014/15) were paid to members of the Council during the year. In addition £4,000 of approved expenses was paid (£3,000 2014/15). The current Allowances' scheme can be found on the Council's website at

Browse - Constitution

27. Officers' Remuneration

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

		Salary £000's	Expenses £000's	Compen-sation for Loss of Office £000's	Pension Contribution at "common rate" £000's	Total £000's
Steve Parrock - Executive Director	**2015/16**	**137**	**0**	**0**	**13**	**150**
	2014/15	137	0	0	13	150
Director of Adult Social Care	**2015/16**	**92**	**1**	**0**	**12**	**105**
	2014/15	88	1	0	12	101
Director of Children's Services (from August 2015)	**2015/16**	**45**	**0**	**0**	**0**	**45**
Director of Children's Services (to July 2015)*	**2015/16**	-	-	-	-	**-**
	2014/15	111	0	0	14	125
Assistant Director – Community & Customer Services (from May 2015)	**2015/16**	**74**	**0**	**0**	**9**	**83**
	2014/15	**-**	**-**	**-**	**-**	**-**
Director of Place (to April 2015)	**2015/16**	**31**	**0**	**41**	**1**	**73**
	2014/15	88	1	0	12	101
Chief Finance Officer (s151) from May 2015	**2015/16**	**56**	**0**	**0**	**7**	**63**
Chief Finance Officer (s151) to April 2015	**2015/16**	**26**	**0**	**56**	**1**	**83**
	2014/15	79	0	0	10	89
Director of Public Health	**2015/16**	**95**	**0**	**0**	**13**	**108**
	2014/15	98	1	0	14	113
Assistant Director - Commercial & Business Services (from May 2015) & Monitoring Officer	**2015/16**	**80**	**0**	**0**	**10**	**90**
	2014/15	**74**	**1**	**0**	**10**	85

* For the period from April to August 2015 the Council's Director of Childrens Services was employed under an agency basis.

The number of employees, including the senor 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 pay award in 2015/16 which would impact on the lower band as the banding has not been inflated.

Number of Employees by Employer 2014/15			**Remuneration Band**	**Number of Employees by Employer 2015/16**		
Council	Schools - Council	Schools - Governing Body		**Council**	**Schools - Council**	**Schools - Governing Body**
9	2	9	£50,000 to £54,999	**4**	**1**	**9**
12	4	3	£55,000 to £59,999	**12**	**4**	**2**
5	2	3	£60,000 to £64,999	**4**	**2**	**4**
2	1	3	£65,000 to £69,999	**6**	**0**	**2**
4	2	1	£70,000 to £74,999	**3**	**0**	**0**
2	1	0	£75,000 to £79,999	**2**	**1**	**1**
0	0	0	£80,000 to £84,999	**2**	**1**	**0**
2	0	0	£85,000 to £89,999	**0**	**0**	**0**
0	0	0	£90,000 to £94,999	**2**	**0**	**0**
1	0	0	£95,000 to £99,999	**1**	**0**	**1**
0	0	0	£100,000 to £104,999	**0**	**0**	**0**
0	0	0	£105,000 to £109,999	**0**	**0**	**0**
1	0	0	£110,000 to £114,999	**0**	**0**	**0**
0	0	0	£120,000 to £124,999	**0**	**0**	**0**
1	0	0	£135,000 to £139,999	**1**	**0**	**0**
39	12	19	Total	**37**	**9**	**19**

28. 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.

2014/15 £000		**2015/16 £000**
136	Fees payable to Grant Thornton with regard to external audit services carried out by the appointed auditor for the year	**102**
(14)	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	**12**
139	**Total**	**114**

29. 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 ring fenced 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 2015/16 are as follows:

Schools Budget Funded by Dedicated Schools Grant 2015/16	Central Expenditure £m	Individual Schools Budget £m	Total £m
Final DSG for 2015/16 before Academy Recoupment	22.1	69.0	91.1
Less Academy figure recouped for 2015/16	(2.8)	(49.0)	(51.8)
Total DSG after Academy Recoupment for 2015/16 *	**19.3**	**20.0**	**39.3**
Bought Forward from 2014/15	0.2	0	0.2
Agreed initial budgeted distribution in 2015/16	19.5	20.0	39.5
Final budgeted distribution for 2015/16	19.5	20.0	39.5
Less: Actual Central Expenditure	(19.4)	0	(19.4)
Less: Actual ISB deployed to schools	0	(20.0)	(20.0)
Carry forward to 2015/16	**0.1**	**0**	**0.1**

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

30. Grant Income

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

2014/15 restated £m		**2015/16** £m
	Credited to Taxation and Non Specific Grant Income	
35.3	Revenue Support Grant	25.7
2.1	Other General Grants	0.3
2.1	New Homes Bonus Grant	2.6
0.6	Council Tax Freeze Grant	0.6
29.4	NNDR Retention Scheme	30.7
8.6	Capital Grants & Contributions	7.5
78.1	**Sub Total**	**67.4**
	Credited to Cost of Services	
41.7	Dedicated Schools Grant (Dept of Education)	39.3
68.6	Benefit Subsidy & Admin Grant (DWP)	67.7
2.6	Pupil Premium	2.2
2.0	Post 16 Funding (Learning & Skills Council)	1.8
7.4	Public Health Grant	8.3
6.6	Other Central Government Grants – Revenue	9.1
1.1	Other Central Government Grants – Refcus *	2.2
130.0	**Sub Total**	**130.6**
208.1	**Total**	**198.0**

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.

31. 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 and CSW Group Ltd (formally Careers South West). Further details are disclosed in note 33 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 30st June date to align with other Kier May Gurney companies. (Kier May Gurney own 80.01% of TOR2).

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 2015/16).

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 the year the Council relinquished its 25% share in PLUSS to enable the company to become a stand alone company at nil consideration. At that point the Council's loan was repaid and its bank guarantee cancelled.

The Council was instrumental in establishing the Torbay Public Services Trust in 2015/16. This is a company limited by guarantee owned equally by 6 public sector bodies in Torbay, of which one is the Council. The Members intend that the Trust shall provide a single co-ordinated local offer of help and support for children and families in Torbay using the shared skills and assets of the Members to improve their outcomes. The Trust will seek to attract finance and the Members shall use it to pool budgets and resources and to co-commission services. It is intended that this will achieve efficiencies, improve services and produce savings. The company was not trading in 2015/16.

As at the 31st March 2016 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 in addition to £0.8m paid in advance and £1.0m loan advanced in year.

Page 224

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 Trading as Torbay Development Agency (TDA)	Private Limited Company	14th April 2011	To bring about Regeneration in Torbay In 15/16 Council paid £1.8m (£1.8m 14/15) grant In addition in 2015/16 the Council gave a loan of £1.0m to the company	Subsidiary	Shareholding /Control: 100% Members of Torbay Council that are Directors of this Company are as follows:- Cllr Derek Mills Cllr Christine Carter Cllr Alan Tyerman Steve Parrock (Officer Torbay Council & Chief Executive TDA) A full list of directors is available at:- http://www.torbaydevelopmentagency.co.uk/about-us/edc-board-members
English Riviera Tourism Company Ltd 07223987	Local Authority Controlled Company Limited by Guarantee and not having a share capital	1st October 2010	Marketing the English Riviera and managing and delivering the English Riviera Visitor Information Service In 15/16 Council paid £0.350m (£0.5m 14/15) grant	Subsidiary	Shareholding /Control: 100% Members of Torbay Council that are Directors of this Company are as follows:- Cllr. Nicole Amil K **Mowatt** (Officer Torbay Council) http://englishrivieratourism.co.uk/ertc-board-members.php
Oldway Mansion Management Company Ltd 8219420	Company limited by share	20th September 2012	To manage the Oldway Estate on behalf of Torbay Council and tenants In 15/16 Council funded a £0.1m (£0.1m 14/15) payment	Subsidiary	Shareholding /Control: 100% Directors: K Mowatt (Officer Torbay Council) N Coish (Officer Torbay Council) M Irving (Officer Torbay Council)
TOR2 Ltd 07204696	Company limited by share	19th July 2010	Waste and recycling collections; maintenance of highways, grounds, parks, car parks, buildings and the Council's vehicle fleet; street and	Associate	Shareholding /Control: 19.99% Members of Torbay Council that are Directors

			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 2015/16 annual cyclical works were approx £10m (£11m 14/15) and ordered works approx £3m (£3m 14/15)		of this Company are as follows:- Cllr Neil Bent
CSW Group Ltd (formally Careers South West Ltd) 3029947	Local Authority Controlled Company Limited by Guarantee and not having a share capital	1st April 2008 formerly Connexions Cornwall & Devon Ltd	To develop, co-ordinate, operate and ensure provision of support services for young people and provide careers advice, information and guidance to people of all ages. In 15/16 Council funded a £0.4m (£0.4m 14/15) payment	Associate	Shareholding /Control: 25% A list of directors is available at: https://www.cswgroup.co.uk/
Torbay Public Services Trust 09943577	Company Limited by Guarantee and not having a share capital	Not trading in 2015/16	To provide a single co-ordinated local offer of help and support for children and families in Torbay using the shared skills and assets of the Members to improve their outcomes.	Member	One of six equal Members, 16.7% share. Devon & Cornwall Police Devon Partnership NHS Trust Office of the Police and Crime Commissioner S. Devon & Torbay Clinical Commissioning Group Torbay and South Devon NHS Foundation Trust Torbay Council

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%

	Torbay Economic Development Co Ltd		English Riviera Tourism Co Ltd		Oldway Mansion Management Co Ltd	
	2014/15	**2015/16**	2014/15	**2015/16**	2014/15	**2015/16**
	£m	£m	£m	£m	£m	£m
Income	(4.5)	**(5.0)**	(0.7)	**(0.5)**	(0.1)	**(0.1)**
Expenditure	4.7	**5.3**	0.7	**0.5**	0.1	**0.1**
Operating (Profit) or loss	0.2	**0.3**	0	**0**	0	**0**
Other Comprehensive Income	0.2	**(0.7)**	0	**0**	0	**0**
Actuarial (gains)/Losses recognised in the pension scheme	1.1	**(0.8)**	0.2	**(0.1)**	0	**0**
Taxation (including deferred)	0	**0**	0	**0**	0	**0**
Total (Profit) or loss	1.5	**1.2**	0.2	**(0.1)**	0	**0**
Assets	5.8	**7.6**	0	**0**	0	**0**
Liabilities	(4.7)	**(5.3)**	(0.3)	**(0.2)**	0	**0**
Total Net Assets	1.1	**2.3**	(0.3)	**(0.2)**	**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 *		CSW Group Ltd (formally 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**
2014/15						
Income	(23.9)	(4.8)	(11.0)	(2.8)	(28.4)	(7.1)
Expenditure	23.4	4.7	11.1	2.8	27.6	6.9
Operating (Profit) or loss	**(0.5)**	**(0.1)**	**0.1**	**0**	**(0.8)**	**(0.2)**
Other Comprehensive Income and Expenditure	0	0	0	0	0	0
Actuarial (gains)/Losses recognised in the pension scheme	-	-	-	-	-	**-**
Taxation (including deferred)	0.1	0	0	0	0	0
Total (Profit) or loss	**(0.4)**	**(0.1)**	**0.1**	**0**	**(0.8)**	**(0.2)**
Assets	0.7	0.1	4.0	1.0	2.9	0.7
Liabilities	(2.2)	(0.4)	(2.5)	(0.6)	(0.9)	(0.2)
Total Capital & Reserves	**(1.5)**	**(0.3)**	**1.5**	**0.4**	**2.0**	**0.5**

	TOR2 Ltd *		CSW Group Ltd (formally Careers South West Ltd)		The PLUSS Organisation Ltd	
2015/16	*		**		-	-
Income	(15.1)	(3.0)	(7.7)	(1.9)	-	-
Expenditure	14.5	2.9	7.6	1.9	-	-
Operating (Profit) or Loss	**(0.6)**	**(0.1)**	**(0.1)**	**0**	**-**	**-**
Other comprehensive income and expenditure	0	0	0	0	-	-
Actuarial (Gains)/Losses recognised in the pension scheme	0	0	-	-	-	**-**
Taxation	0.1	0	0	0	-	-
Total (Profit) or loss	**(0.5)**	**(0.1)**	**(0.1)**	**0**	**-**	**-**
Fixed Assets & Net Current Assets	(0.5)	(0.1)	3.5	0.9	-	-
Long Term Liabilities	(0.5)	(0.1)	(1.9)	(0.5)	-	-
Total Capital & Reserves	**(1.0)**	**(0.2)**	**1.6**	**0.4**	**-**	**-**

Note* - TOR2 accounts 15 months to end June 2014 and 12 months accounts to end June 2015.
Note ** - CSW Group Ltd – excludes FRS17 pension entries

Other interests in Companies

The following companies are also linked 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. http://swgfl.org.uk/

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 collected the BID levy on behalf of the company on an agency basis. The value of the levy collected by the Council and paid to the company in 2015/16 was £0.1m. (2014/15 £0.4m). The Company ceased trading in 2015/16.

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 – 2015/16 £0.5m (2014/15 £0.6m). In addition the Council provided a capital grant in 2015/16 of £0.03m (2014/15 £0.02m)

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 2016 was £27,000 (£28,000 2014/15). Of this balance £21,000 is held within the Council's bank account with the balance of £6,000 (£7,000 14/15) 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 30.

Members

Members of the council have direct control over the Council's financial and operating policies. The total of members' allowances paid in 2015/16 is shown in Note 26. 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 partnerships 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.

Torbay and South Devon NHS Foundation Trust (ICO). From October 2015 the ICO "acquired" the Torbay and Southern Devon Health and Care NHS Trust with all its assets and liabilities transferred to the ICO including the partnership agreement for the provision of adult social care services. The Council from that date now has a 9% share of any under/over spend from the ICO's planned financial position. The total ICO expenditure on services for the year was £315m leading to a variance from their planned position of £0.4m. For the period from October the Councils share of the ICO's year end position was £38,000

In 2015/16 the funding payment to both NHS bodies in the year for funding adult social care was £41.7m (£42.2m 2014/15). In addition in 2015/16 the Council "purchased" £3.2m of client debt from the ICO.

The Council has a pooled budget arrangement for the provision of a joint equipment store with the Clinical Commissioning Group (CCG) – see Note 25.

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 2015/16 was £0.3m (2014/15 £0.3m).

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 became operational in April 2015.

The expenditure associated with this project is being incurred by Plymouth City Council (as lead authority) and then allocated on an estimated tonnage share basis to Torbay and Devon County Councils. Expenditure in year was £1.2m (£0.3m 14/15) of which Torbay's share was £0.2m (£0.1m 14/15). The expenditure in year was £0.2m of contract management costs and £1.0m of "pass through costs" relating to the Facility that the three Councils are liable for in addition to the unitary charge, such as NNDR and lease costs. Torbay's share of the expenditure is reflected within the cost of services on the comprehensive income and expenditure statement.

32. 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 2015/16, primarily as a result of the Council's rolling programme the Council has recognised an impairment loss of £8.0m (£3.9m 14/15) in total on its property, plant and equipment charged to the Income and Expenditure account. Impairment losses in 2015/16 related primarily to the revaluation of the Energy From Waste facility in Plymouth and changes in values on a number of school sites.

33. 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
CSW Group Ltd (formally Careers South West)	Associate
Torbay Coast & Countryside Trust	Grant funded

TOR2	Associate

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 (and notes to) the balance sheet as at 31st March 2016.

Value of loan 31st March 2015 £000s	Organisation	Value of loan 31st March 2016 £000's
139	PLUSS	**0**
575 *	Torbay Economic Development Company	**0**
1,455 *	Torbay Economic Development Company	**978**
-	Torbay Coast & Countryside Trust	**900**
213	Academy Schools	**130**
13	Babbacombe Cliff Railway	**10**
2	Housing Loans	**1**
35	Sports Clubs	**33**

Note * loan facility not used/fully used as at 31st March 2016

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 was increased in 2015/16 by an additional 10%. This may increase again in the future but at present the administrator has not indicated that the levy will increase.

The Care Homes that the Council's provider has used to provide a service have submitted a judicial review on the calculation of care home fees paid by the Council in 2014/15. The initial judgement went against the Council and on two aspects the Council has accepted the judgement and made payments of £2.3m in the financial year to reflect that cost, however the Council has been allowed to appeal one aspect of the judgment. If the appeal goes against the Council, the Council will be required to submit a new model for calculation care home fees. This may result in additional payments to Care Homes relating to 2014/15 and 2015/16 which would be funded from reserves. This would also have an ongoing impact on costs in 2016/17 and future years.

The Council in 2010 entered into a development agreement with a developer in respect to Oldway Mansion. In 2015/16 proceedings have been served on the Council by the developer, Oldway Mansion Limited ("OML"), requesting (amongst other orders) an order for specific performance requiring the council to grant leases of the Oldway Mansion site to OML and an order for damages against the Council.

34. Termination Benefits and Exit Packages

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 2015/16, incurring a cost of £0.4m 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 2014/15				Value of Exit package £			Number of Exit packages by band 2015/16			
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
9	47	7	51	0	to	20,000	7	74	6	74
0	0	3	78	20,001	to	40,000	4	116	0	0
1	54	2	100	40,001	to	60,000	0	0	0	0
1	61	0	0	60,001	to	80,000	0	0	0	0
0	0	0	0	80,001	to	100,000	1	80	0	0
0	0	1	106	100,001	to	150,000	0	0	0	0
11	162	13	335				12	270	6	74

35. 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.

2014/15 £m	Capital Financing Requirement	2015/16 £m
135.0	**Opening Capital Financing Requirement**	**135.3**
	Capital investment	
12.2	Property, Plant and Equipment	**18.9**
-	Plymouth Energy From Waste Facility (EFW):	
-	- Initial recognition of asset (Torbay share)	**33.3**
-	- less deferred credit re third party income to EFW	**(20.9)**
0.3	Intangible Assets	**0**
0.1	Heritage Assets	**0.1**
7.8	Revenue Expenditure Funded from Capital under Statute	**2.6**
-	Loans for a Capital Purpose	**1.0**
	Sources of finance	
(0.1)	Capital receipts	**(2.7)**
(13.6)	Government grants and other contributions	**(10.7)**
	Sums set aside from revenue:	
(1.8)	• Direct revenue contributions	**(1.5)**
(4.6)	• MRP	**(4.3)**
135.3	**Closing Capital Financing Requirement**	**151.1**
	Explanation of movements in year	
0.4	Increase in underlying need to borrowing (supported by government financial assistance)	**0**
4.5	Increase in underlying need to borrowing (unsupported by government financial assistance)	**7.7**
-	Initial recognition of EFW PFI liability	**12.4**
(4.6)	Provision for repayment of borrowing (MRP)	**(4.3)**
0.3	**Increase/(decrease) in Capital Financing Requirement**	**15.8**

36. 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 a children's centre. Rent payments in 2015/16 totalled £0.1m (£0.1m 2014/15). The future minimum lease payments due under property leases in future years is £0.5m (£0.2m 2014/15).

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 2015/16, including turnover rents, totalled £3.2m (£3.0m 2014/15).

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

31 March 2015 restated £m	**Total payments due classified by year of expiry of lease term**	**31 March 2016 £m**
2.7	Not later than one year	**2.7**
6.1	Later than one year and not later than five years	**8.0**
61.2	Later than five years	**63.1**
70.0	**Total**	**73.8**

Finance Leases:

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

37. 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% to the 1st September 2015 before increasing to 16.48% (14.1% in 2014/15). Contributions of £2.0m were paid in 2015/16 (£2.0m 14/15). The contribution rate for participants in the Scheme has been set at 16.48% of pensionable pay for 2016/17. The payments for 2016/17 are estimated to be less, despite the increase in contribution rate, due to more schools converting to Academy schools.

The 2015/16 accounts for the Scheme record liabilities of £275 billion (£250 billion 13/14). [Source: Teachers' Pension Scheme Annual Accounts 2014/15 in link below). 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 (174 13/14) local authorities participating in the Scheme, amongst a total of 7,141 employers (6,101 13/14).

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/468974/TPS_Annual_Report_and_Accounts_web.pdf

NHS Pension Scheme

Public Health staff that 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 14.3% in 2015/16 (14.0% 2014/15). Contributions of £0.1m were paid in 2015/16 (£0.1m 14/15). The contribution rate for participants in the Scheme has been set at 14.3% of pensionable pay for 2016/17. The payments for 2016/17 are estimated to be at a similar level to 2015/16.

The 2014/15 accounts for the Scheme record liabilities of £391 billion (£337 billion 13/14). [Source: NHS Pension Scheme Annual Accounts 2014/15). 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 142 (137 14/15) local authorities participating in the Scheme, amongst a total of 9,168 employers (9,265 14/15).

http://www.nhsbsa.nhs.uk/Documents/Pensions/Resource_Accounts_2014-2015.pdf

38. Defined Benefit Pension Schemes

Local Government Pension Scheme

38.1 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, is contracted out of the State Second Pension and currently provides benefits based on career average revalued salary and length of service on retirement, with various protections in place for those members in the scheme before the changes took 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 provides the pension calculations 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, 2015/16 and 2016/17, budgeted to result in a payment of around £3.5m per annum to the Fund. Additional fixed cash payments of £1.8m per annum (equal to 5.5%) are also payable as a contribution towards the deficit on the fund.

The maturity profile of Torbay members is an average age of 46 (46 14/15) years for active members and deferred pensioners, 69 (69 14/15) years for pensioners and 76 (76 14/15) 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 2015/16 there were a number of settlements within the fund resulting from staff transfers with a net gain of £1.5m, (£1.2m 14/15). These include staff transfers to Academy schools.

To assess the value of the Employer's liabilities at 31 March 2016, 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 cash flows to be paid from the Fund and placing a value on them. These cash flows 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 2016 without completing a full valuation. However, the actuary is satisfied that the approach of rolling forward the previous valuation data to 31 March 2016 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 Council 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.

The Council currently participates in the Torbay Council pool with other employers (academy schools) in order to share experience of risks they are exposed to in the Fund. At the 2013 valuation, the deficit for the whole pool was calculated and allocated to each employer in proportion to their active payroll. The next reallocation will be carried out at the 2016 valuation. Each employer within the pool pays a contribution rate based on the cost of benefits of the combined membership of the pool.

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

38.2 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 2015/16. 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

	31/3/14 £m	31/3/15 £m	**31/3/16 £m**
Present value of Funded Obligation	(336.7)	(402.0)	**(381.7)**
Fair Value of Fund Assets (Bid Value)	225.7	244.1	**239.8**
Net Liability	(111.0)	(157.9)	**(141.9)**
Present value of Unfunded Obligation	(9.2)	(9.9)	**(9.1)**
Net Liability in Balance Sheet	(120.2)	(167.8)	**(151.0)**

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:

2014/15 £m	**Local Government Pension Scheme Post Employment Benefits Comprehensive Income & Expenditure Statement**	**2015/16** £m
	Cost of Services:	
6.5	Current service cost	**8.0**
0.3	Past service costs	**0**
(1.2)	Settlements and curtailments	**(1.5)**
0.1	Administration Expenses	**0.1**
	Financing and Investment Income and Expenditure	
5.2	Net Interest on the defined benefit liability	**5.4**
10.9	**Total Charged to the Surplus or Deficit on the Provision of Services**	**12.0**
	Other Comprehensive Income and Expenditure	
0	Other Actuarial (gains)/losses on assets	**0**
55.3	Change in Financial Assumptions	**(29.6)**
0	Change in Demographic Assumptions	**0**
0.1	Experience (gain)/loss on defined benefit obligation	**0**
(12.6)	Return on plan assets in excess of interest	**6.9**
42.8	**Sub Total Other Comprehensive Income and Expenditure**	**(22.7)**
53.7	**Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement**	**(10.7)**
	Movement in Reserves Statement	
(10.9)	Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code	**(12.0)**
	Actual amount charged against the General Fund Balance for pensions in the year:	
5.6	Employers' contributions payable to scheme	**5.5**

0.6	Retirement benefits payable to pensioners	**0.6**

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

2014/15 £m	**Local Government Pension Scheme**	**2015/16** £m
225.7	**Opening balance at 1 April**	**244.1**
10.1	Interest on Assets	**7.9**
12.6	Return on Assets less Interest	**(6.9)**
0	Other Actuarial gains/(losses)	**0**
(0.1)	Administration Expenses	**(0.1)**
1.8	Contributions by scheme participants	**1.7**
6.2	Employer contributions	**6.1**
(11.4)	Benefits paid	**(12.4)**
(0.8)	Settlement process received/(paid)	**(0.6)**
244.1	**Closing balance at 31 March**	**239.8**

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

2014/15 £m	**Liabilities: Local Government Pension Scheme**	**2015/16** £m
(345.9)	**Opening balance at 1 April**	**(411.9)**
(6.5)	Current service cost	**(8.0)**
(1.8)	Contributions by scheme participants	**(1.7)**
(15.3)	Interest cost	**(13.3)**
(55.3)	Change in Financial Assumptions	**29.6**
0	Change in Demographic Assumptions	**0**
(0.1)	Experience (loss)/gain on defined benefit obligation	**0**
10.8	Benefits paid	**11.8**
(0.3)	Past service costs, including Curtailments	**0**
1.9	Liabilities (assumed)/extinguished on Settlements	**2.1**
0.6	Unfunded Pension payments	**0.6**
(411.9)	**Closing balance at 31 March**	**(390.8)**
(9.9)	Present Value of Unfunded Obligation included in above	**(9.1)**

38.3 Fund Assets

The return on the fund (on a bid value to bid value basis) for the year to 31st March 2016 is estimated to be 10%. The actual return on Fund assets over the year may be different.

The estimated asset allocation for Torbay Council as at 31st March 2016 is as follows:

31st March 2015 £m	%		31st March 2016 £m	%
15.0	6	Gilts	6.6	3
61.6	25	UK Equities	57.9	24
83.1	34	Overseas Equities	77.1	32
25.0	10	Property	26.9	11
6.6	3	Infrastructure	9.1	4
36.0	15	Target Return portfolio	34.9	14
4.2	2	Cash	5.3	2
8.3	3	Other Bonds	8.5	4
4.3	2	Alternative Assets	13.5	6
244.1	**100**		**239.8**	**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/

38.4 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:	2012/13	2013/14	2014/15	**2015/16**
Longevity from age 65: retiring today				
• Men	20.6 yrs	22.7 yrs	22.8 yrs	**22.9 yrs**
• Women	24.6 yrs	26.0 yrs	26.1 yrs	**26.2 yrs**
Longevity from age 65: retiring in 20 years				
• Men	22.6 yrs	24.9 yrs	25.1 yrs	**25.2 yrs**
• Women	26.5 yrs	28.3 yrs	28.4 yrs	**28.6 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	31st March 2013		31st March 2014		31st March 2015		**31st March 2016**	
	% p.a	% real	% p.a	% real	% p.a	% real	**% p.a**	**% real**
RPI Increases	3.4	-	3.6	-	3.2	-	**3.3**	**-**
CPI Increases	2.6	(0.8)	2.8	(0.8)	2.4	(0.8)	**2.4**	**(0.9)**
Salary Increases	4.8	1.4	4.6	1.0	4.2	1.0	**4.2**	**0.9**
Pension Increases	2.6	(0.8)	2.8	(0.8)	2.4	(0.8)	**2.4**	**(0.9)**
Discount Rate	4.5	1.1	4.5	0.9	3.3	0.1	**3.7**	**0.4**

These assumptions are set with reference to market conditions at 31 March 2016.

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 yield 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. The RPI assumption is therefore 3.3% per annum. This is consistent with the approach used at the last accounting date.

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 0.9% below RPI i.e. 2.4%. This is a slightly higher differential than last year. The actuary believes that this is a reasonable estimate for the future differences in the indices, based on the different calculation methods and recent independent forecasts.

Salary increases are then assumed to increase at 1.8% per annum above CPI in addition to a promotional scale.

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	383.8	390.9	398.0
Projected Service Cost	6.9	7.1	7.3
Adjustment to Long Term Salary increase	+0.1%	0%	(0.1%)
Present Value of obligation	391.6	390.9	390.1
Projected Service Cost	7.1	7.1	7.1
Adjustment to Pension increases and deferred revaluation	+0.1%	0%	(0.1%)
Present Value of obligation	397.4	390.9	384.5
Projected Service Cost	7.3	7.1	6.9
Adjustment to Mortality Age Rating Assumption	+1 year	None	(1 year)
Present Value of obligation	403.0	390.9	379.1
Projected Service Cost	7.3	7.1	6.9

39. Summary of Significant Accounting Policies

The Accounts and Audit (England) Regulations 2015 require the Council to prepare a Statement of Accounts for each financial year in accordance with proper accounting practices. For 2015/16, these proper accounting practices principally comprise:

- the Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 (the Code)
- Update to the 2015/16 Code of Practice on Local Authority Accounting in the United Kingdom (Code Update)
- the Service Reporting Code of Practice 2015/16 (SeRCOP)
- the Local Authorities (Capital Finance and Accounting)(England) Regulations 2003 (SI 2003 No 3146, as amended) (the 2003 Regs)

39.1 Accounting Policies

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

The accounting policies that have a significant effect on the amounts recognised in the Council's accounts are listed below. Within these polices the abbreviation "CIES" has been used for "Comprehensive Income and Expenditure Statement".

The Statement of Accounts has been prepared using the going concern and accruals bases.

39.2 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, non exchange 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.

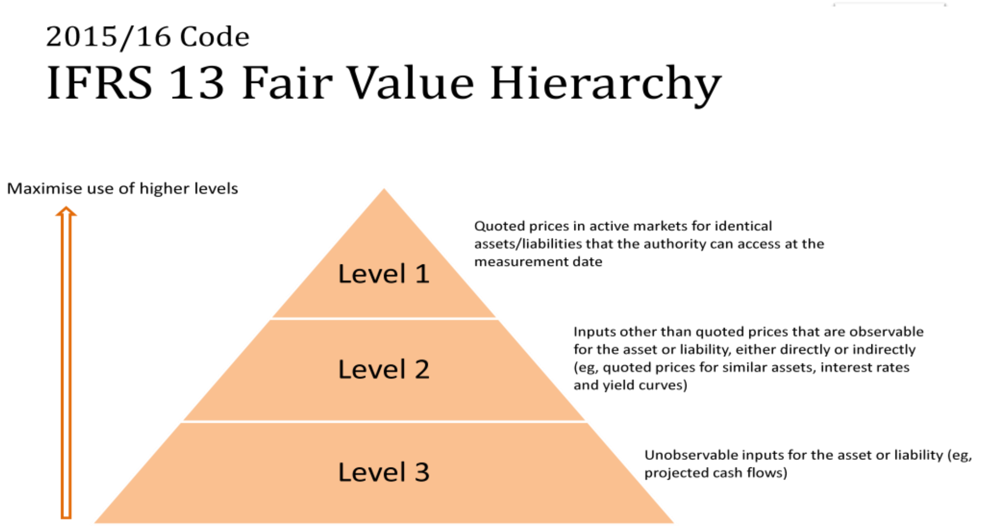
Interest receivable on investments and payable on borrowings, where material is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract

39.3 Valuations of Assets & Liabilities

Where assets and liabilities are held at fair value or a disclosure note requires a fair value the following definition has been applied. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The historical cost convention has been applied, modified by the current valuation of the following material categories of non-current assets and financial instruments:

Class of Assets	Valuation Basis
Property, Plant and Equipment: Other Land and Buildings	Existing use value Where prices for comparable properties are available in an active market, properties are valued at market value taking into account the existing use. Where no market exists or the property is specialised, current value is measured at depreciated replacement cost.
Property, Plant and Equipment: Other Land and Buildings – Surplus Assets	Fair value. The price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. IFRS13 Level 2 and 3 inputs used as approporiate.
Heritage Assets	Heritage assets (other than operational heritage assets) are measured at valuation in accordance with the Code i.e. valuations may be made by any method that is appropriate and relevant such as insurance valuations
Investment Properties	Fair value. The price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.
Financial Instruments – Available for Sale Assets	Fair values based on the following: • assets quoted on a market – the market price • assets without an active market – valuation techniques such as net equity of subsidiary
Pensions Assets	Fair values based on the following: • quoted securities – current bid price • unquoted securities – professional estimate • unitised securities – current bid price • property – market value.

For valuations at Fair Value the Council uses the IFRS13 “three levels” to assess the fair value as depicted in the table below.



The Statement of Accounts has been adjusted to reflect events after 31 March 2016 and before the date the Statement was authorised for issue [3rd June 2016] only where the events provide evidence of conditions that existed at 31 March.

39.4 Adjustments Between Accounting Basis and Funding Basis

The resources available to the Council in any financial year and the expenses that are charged against those resources are specified by statute (the Local Government Act 2003 and the 2003 Regulations). Where the statutory provisions differ from the accruals basis used in the CIES, adjustments to the accounting treatment are made in the Movement in Reserves Statement so that usable reserves reflect the funding available at the year-end. Unusable reserves are created to manage the timing differences between the accounting and funding bases. The material adjustments are:

Expense	**Accounting Basis in CIES**	**Funding Basis in MiRS**	**Adjustment Account**
Property, Plant and Equipment	Depreciation and revaluation/impairment losses	Revenue provision to cover historical cost determined in accordance with the 2003 Regs	Capital Adjustment Account
Intangible Assets	Amortisation and impairment	Revenue provision to cover historical cost determined in accordance with the 2003 Regs	Capital Adjustment Account
Heritage Assets	Impairment	Revenue provision to cover historical cost determined in accordance with the 2003 Regs	Capital Adjustment Account
Investment Properties	Movements in fair value	Revenue provision to cover historical cost determined in accordance with the 2003 Regs	Capital Adjustment Account
Revenue Expenditure Funded from Capital under Statute	Expenditure incurred in 2015/16	Revenue provision to cover historical cost determined in accordance with the 2003 Regs	Capital Adjustment Account
Deferred Income on PFI contract	Third party Income in Energy From Waste Plant	Non cash transaction	Capital Adjustment Account

Capital Grants and Contributions	Grants that became unconditional in 2015/16 or were received in 2015/16 without conditions	No credit	Capital Grants Unapplied Reserve (amounts unapplied at 31 March 2016) Capital Adjustment Account (other amounts)
Non-Current Asset Disposals	Gain or loss based on sale proceeds less carrying amount of asset (net of costs of disposal)	No charge or credit	Capital Adjustment Account (carrying amount) Capital Receipts Reserve (sale proceeds and costs of disposal) Deferred Capital Receipts Reserve (where sale proceeds have yet to be received)
Pensions Costs	Movements in pensions assets and liabilities (see policy 1.8)	Employer's pensions contributions payable and direct payments made by the Council to pension funds for 2015/16	Pensions Reserve
Council Tax	Accrued income from 2015/16 bills	Demand on the Collection Fund for 2015/16 plus recovery of estimated deficit/share for 2014/15	Collection Fund Adjustment Account

Business Rates	Accrued income from 2015/16 bills	Budgeted income receivable from the Collection Fund for 2015/16 plus recovery of estimated deficit/share for 2014/15	Collection Fund Adjustment Account
Untaken Leave entitlements	Projected cost of untaken leave entitlements at 31 March 2016	No charge	Accumulated Absences Adjustment Account

39.5 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.

39.6 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.

The Teacher’s and NHS Scheme provides defined benefits to members, 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 is accounted for as a defined benefits scheme:

- the liabilities of the Devon County Council 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 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

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

- **Service cost** comprising:

  Current service cost – allocated in the CIES 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 CIES 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 CIES.

  Administration Costs – debited to the Provision of Services in the CIES as part of Corporate Costs.

- **Remeasurements** comprising:

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 CIES.

Termination benefits are charged on an accruals basis or as a provision to the appropriate service (or to the Non Distributed Costs line in the CIES where they relate to pensions enhancements) at the earlier of when the Council can no longer withdraw the offer of those benefits or when the Council recognises costs for a restructuring.

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 corresponding 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.

39.7 Financial Instruments

Financial instruments are recognised on the Balance Sheet when the Council becomes a party to their contractual provisions and are initially measured at fair value.

Borrowings and investments are (generally) carried at their amortised cost. Annual debits and credits to the Financing and Investment Income and Expenditure line in the CIES for interest payable and receivable are based on the carrying amount of the instrument, multiplied by its effective rate of interest. 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 instruments that the Council holds, this means that the amount presented in the Balance Sheet is the outstanding principal repayable or receivable (plus accrued interest); and interest debited/credited to the CIES is the amount payable for the year according to the instrument agreement. The interest owed/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.

Changes in the fair value of financial assets, if material, that have a quoted market price and/or do not have fixed or determinable payments (available for sale assets) are recognised in the Balance Sheet and balanced by a debit or credit to the Available for Sale Reserve.

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 CIES.

39.8 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 as due to the Council when there is reasonable assurance that:

- the Council will comply with any 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 CIES until the Council has satisfied any conditions attached to the grant or contribution that would require repayment if not met.

The grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non-specific Grant Income and Expenditure (non-ring fenced revenue grants and all capital grants) in the CIES. 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.

39.9 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.

Intangible assets are measured initially at cost. Amounts are only revalued where the current 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, between 3 -10 years depending on the asset, to the relevant service line(s) in the CIES. An asset is tested for impairment whenever there is an indication that it might be impaired – any losses recognised are posted to the relevant service line(s) in the CIES. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the CIES.

39.10 Heritage Assets

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

39.11 Interests in Companies and other Entities

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 2015/16 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 accounts for it investments in its subsidiary companies at fair value. This is taken to be the net equity of the company at each financial year end. The fair value is recognised as a long term investment with the balance held in the Financial Instruments available for sale reserve.

Any 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.

Torbay and South Devon Healthcare 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. Subsequently from October 2015 The Torbay and South Devon Foundation Trust “acquired” the NHS Trust with the Council’s agreement now with the Foundation Trust. As part of this new arrangement the Council has entered into a risk share agreement with the Foundation Trust and Torbay and South Devon Clinical Commissioning Group where the Council’s risk is 9% of the total financial position of the Foundation Trust. 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.

Better Care Fund

From April 2015 Torbay Council with the Torbay and South Devon Clinical Commissioning Group (CCG) jointly received funding as part of the Better Care Fund initiative. The majority of the Better Care Fund is a managed by a s75 pooled budget with the CCG as host. The control of the expenditure in the pooled budget is jointly controlled between the two bodies with any under/overspends shared equally between the two partners. Expenditure and income associated with the pooled budget are accounted for in line with contributions from the two partners in year which are assumed to be the relevant “share”.

The Council receives the former S256 funds from the Better Care Fund to be used to support social care. This has been treated as income and expenditure in the Cost of Services.

39.12 Investment Property

Investment properties are those that are used solely to earn rentals and/or for capital appreciation. Investment properties are measured initially at cost and subsequently on an annual at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Where current use is not the highest and best use, fair value will reflect the costs of moving from the current use to prepare for the alternative use (e.g., demolishing industrial units to enable housing development) unless the length of the lease is significant. Investment properties are not depreciated.

39.13 Joint Operations including Joint Committees

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 became operational in April 2015.

The expenditure and income associated with this project is being incurred by Plymouth City Council (as lead authority) and then allocated, based on tonnages as identified in the Financial Allocation Mechanism, between the three Councils. This expenditure and income is reflected within the cost of services on the CIES.

39.14 Leases

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

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

Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification. The land element is now assessed by reference to the prevailing land value in the locality of the asset. Over the five year rolling programme of valuations all land will be valued on this basis. Previously the land value was assumed to be 30% of the total value of the asset unless there was evidence to the contrary.

As Lessee: Rentals paid by the Council under operating leases are charged to the CIES 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.

Where the Council grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal, with the gain/loss attributable to the difference between the carrying amount of the asset and the Council's net investment in the lease being credited/debited to the Other Operating Expenditure line in the CIES. The net investment in the lease is recognised as a lease asset in the Balance Sheet, net of any premium paid. Lease rentals receivable are apportioned between:

- a credit for the disposal of the interest in the property – applied to write down the lease asset
- finance income (credited to the Financing and Investment Income and Expenditure line in the CIES).

As Lessor: 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 Other Operating Expenditure line in the CIES. Credits 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.

39.15 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 SeRCOP. The total absorption costing principle is used – the full cost of overheads and support services is 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 multifunctional, democratic organisation.
- Non Distributed Costs – the cost of discretionary benefits awarded to employees retiring early and impairment losses chargeable on Assets Held for Sale.

39.16 Property, Plant and Equipment

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.

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

Capital expenditure is not recognised until 31st March therefore no depreciation is charged in year of acquisition or enhancement. In April 2015 the EFW plant in Plymouth became operational. The Council has opted to charge depreciation on this asset in the year of recognition with an assumed asset life of 30 years which is equal to the contract length of 25 years and the optional 5 year contract extension period. 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.

Certain categories of Property, Plant and Equipment are measured subsequently at current value – see policy 1 for details.

Where prices for comparable properties are available in an active market, properties are valued at market value taking into account the existing use. Where no market exists or the property is specialised, current value is measured at depreciated replacement cost.

Assets included in the Balance Sheet at current value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their current value at the year-end, but as a minimum every five years. In general within the rolling programme where an asset's gross value is a value under £25,000 this asset value will be recorded at nil. 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 Paul Palmer M.R.I.C.S. who is an employee of Torbay Development Agency. 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 CIES where they arise from the reversal of a loss previously charged to a service.

Where decreases in value 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 CIES.

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

Assets are assessed at each year-end as to whether there is any indication that items may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall. Where impairment losses are identified, they are accounted for in the same way as revaluation losses.

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).

The valuation of land is determined by one of the following:-

- where the asset being valued includes a building, the land value is assumed to be 30% of the value of the asset, or a percentage as adjusted by the Valuer if they feel a different percentage is appropriate.

- where there is no building, the prevailing land value in the locality of the asset taking into account its use, is used

Over the five year rolling programme of valuations all land will be valued on the above basis.

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.

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the CIES against any receipts arising from the disposal as a gain or loss on disposal.

Schools Recognition

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

Schools Type	**Land**	**Buildings**	**Test**
Community	On balance sheet	On balance sheet	Council Control
Academy	Off balance sheet	Off balance sheet	Academy freehold of long lease
Foundation	On balance sheet	On balance sheet	IFRS10 – subsidiary
Voluntary Aided	Off balance sheet	On balance sheet	Substance of arrangement
Voluntary Controlled	Off balance sheet	On balance sheet	Substance of arrangement
Playing Fields	On balance sheet	n/a	Council Control

Voluntary Aided Schools and Voluntary Controlled Schools:

The land and buildings are owned by dioceses. Under IFRS10 maintained schools, including Voluntary Controlled and Voluntary Aided, meet the definition of entities controlled by the Council. Therefore all assets and liabilities of the school are recognised on the Council's balance sheet. In the absence of any lease arrangements between the diocese and governing body and based on the substance of the arrangement the assets have been recognised on the Council's balance sheet. The substance of the arrangement is that the asset has been used for school purposes for a number of years and at year end there is no expectation that the diocese will exercise its rights to take back the assets. In addition the Council is funding the school and the governing body are controlling the use of the asset as a school and are maintaining and insuring the assets.

Land owned by a diocese and used for school purposes, in the absence of lease arrangement or statutory transfer, has not been recognised as a Council asset due to the infinite life of land.

39.17 Service Concessions - Private Finance Initiative (PFI)

If the Council is deemed to control the services that are provided under its PFI contracts, and as ownership of the property, plant and equipment will pass to the Council at the end of the contracts for no additional charge; the assets used are recognised on the Balance Sheet as part of Property, Plant and Equipment.

The original recognition of these assets at current value was balanced by the recognition of a liability for amounts due to the scheme operator to pay for the capital investment.

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

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

For the Energy From waste scheme there are two additional elements.

- deferred credit from the write down of the long term liability for the expected third party income received during the year - credited to the relevant service in the CIES, with a reversal in the MIRS to the Capital Adjustment Account.
- contingent rent - a reduction to the finance costs in year due to the impact of third party income on the total costs to the council.

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.

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 was operational from April 2015.

The three Councils entered into a 25 year contract with a private sector partner, for the provision of energy from waste plant to receive and incinerate waste to a capacity of 245,000 tonnes per annum. The Project Agreement was signed on 31st March 2000 with MVV Umwelt Limited. The contract is a "design, build, finance and operate" PFI contract.

The Councils are obliged to pay a fixed, by indexed linked, gate fee based on a guaranteed waste tonnage with an additional charge for any waste delivered by the Councils over and above the contracted tonnages.

The three councils have a separate agreement, the Financial Allocation Model, to apportion the contract and any contract management overheads costs between the three councils. The apportionment of the majority of costs are linked to the split of forecast tonnages between the three Councils subject to the three councils not incurring additional costs by delivering a higher than forecast level of tonnages to the facility.

All three Councils have assessed the facility to be "on balance sheet" under IFRIC12 as a service concession arrangement. The Facility has been classified as "other land and buildings" with one value for the entire facility. The year end value of the asset has been assessed for all three Councils by John Penaligon, a qualified valuer employed by the NPS group.

The original recognition of these assets at current 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. The Council has recognised (on acquisition) its (£33m/17%) share of the Energy From Waste facility in Plymouth based on estimated tonnages per the business case for the facility and the financial allocation model agreed between Torbay, Plymouth and Devon Councils..

The Council has recognised a liability to the value of the asset recognised. This liability is apportioned between the Council's own liability to fund the asset based on forecast unitary payments over the life of the facility from the three councils (£12m/37%) and the expected third party income (£21m/63%) based on the business case. The third party income liability has been accounted for as deferred income with the balance allocated to the Council's CI&E statement over the life of the 25 year contract. As a "non cash" transaction this credit will be reversed in the MIRS to the Capital Adjustment Account

The three Councils are in receipt of Government support via PFI Credits for part of the cost of the scheme.

39.18 Provisions

Provisions are charged as an expense to the appropriate service line in the CIES 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. Provisions are charged as the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

The Council 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 2015/16 or earlier years 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.

39.19 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.

COLLECTION FUND SUMMARY ACCOUNT 2015/16

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
	2014/15				**2015/16**	
(88.3)	-	-	Gross Council Tax Payable for Year	(89.3)	**-**	**-**
22.5	-	-	Reduced Assessments	22.0	**-**	**-**
(65.8)	(35.6)	(101.4)	**Council Tax & NNDR Receivable**	**(67.3)**	**(36.6)**	**(103.9)**
			Expenditure:			
			Precepts and Demands			
6.9	0	6.9	Police and Crime Commissioner for Devon and Cornwall	7.2	0	7.2
3.2	0.4	3.6	Devon & Somerset Fire & Rescue Authority	3.3	0.4	3.7
0	17.5	17.5	DCLG, (Central Government)	0	18.2	18.2
52.8	17.2	70.0	Torbay Council's Own Demand (Including Brixham Town Council)	53.7	17.8	71.5
62.9	35.1	98.0	**Total Precepts and Demands**	**64.2**	**36.4**	**100.6**
0	0.2	0.2	**Cost of Collection Allowance**	0	0.2	0.2
			Distribution of Previous Years Estimated Surplus/(Defict);			
0.1	0	0.1	Police and Crime Commissioner for Devon and Cornwall	0.1	0	0.1
0	0	0	Devon & Somerset Fire & Rescue Authority	0.1	0	0.1
0	(1.7)	(1.7)	DCLG, (Central Government)	0	0	0
0.7	(1.7)	(1.0)	Torbay Council	1.0	0	1.0
0.8	(3.4)	(2.6)	**Total Distribution of previous year's Surplus/(Deficit)**	**1.2**	**0**	**1.2**
			Bad and Doubtful Debts/Appeals			
0.5	0.5	1.0	Write Offs	0.5	0.5	1.0
0.5	(0.2)	0.3	Impairment for Uncollectable debt	0.3	0.1	0.4
0	(0.1)	(0.1)	Provision for Appeals	0	1.7	1.7
1.0	0.2	1.2	**Total Bad & Doubtful Debt and Appeals**	**0.8**	**2.3**	**3.1**
64.7	32.1	96.8	**Total Expenditure**	**66.2**	**38.9**	**105.1**
(1.1)	(3.5)	(4.6)	**(Surplus)/Deficit for Year**	**(1.1)**	**2.3**	**1.2**
			Movement of Collection Fund Balance			
(0.9)	3.8	2.9	Balance brought forward as at 1st April	**(2.0)**	**0.3**	**(1.7)**
(1.1)	(3.5)	(4.6)	(Surplus)/Deficit for Year	**(1.1)**	**2.3**	**1.2**
(2.0)	0.3	(1.7)	**Balance carried forward as at 31st March**	**(3.1)**	**2.6**	**(0.5)**
			Balance Attributable to major precepting bodies			
(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	**(0.2)**	**0**	**(0.2)**
0	0.2	0.2	Central Government	**0**	**1.3**	**1.3**
(1.7)	**0.1**	**(1.6)**	Torbay Council	**(2.6)**	**1.3**	**(1.3)**
(2.0)	**0.3**	**(1.7)**	**Balance carried forward at 31st March**	**(3.1)**	**2.6**	**(0.5)**

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. In its Balance Sheet the Council includes 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.

Brixham Town Council, a local precepting authority, 'precepts' on Torbay Council as a billing authority to fund its activities, the precept for 2015/16 was £0.223m (£0.194m in 2014/15) 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.

A) Council Tax Base 2015/16

The number of dwellings Band D equivalent for 2015/16 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 2015/16" report from the Council meeting in December 2014.

For Council tax purposes the number of domestic properties in each band converted to a Band D equivalent for **2015/16** was as follows:

Valuation Band	Ratio to Band D	Amount payable by all council tax payers			Additional amount payable by council tax payers resident in the Brixham Town Council area		
		No Dwellings in valuation list	No of Dwellings Band D Equivalent	Average Council Tax Per Dwelling £	No Dwellings in valuation list	No of Dwellings Band D Equivalent	Average Council Tax Per Dwelling £
A	6/9	13,384	**4,881**	1,006.04	1,404	**514**	26.00
B	7/9	17,376	**9,246**	1,173.71	2,249	**1,205**	30.33
C	8/9	16,405	**11,189**	1,341.39	2,462	**1,677**	34.67
D	1	9,973	**8,458**	1,509.06	1,546	**1,315**	39.00
E	11/9	4,991	**5,342**	1,844.41	650	**697**	47.67
F	13/9	2,312	**2,998**	2,179.75	322	**400**	56.33
G	15/9	1,214	**1,827**	2,515.10	91	**144**	65.00
H	2	134	**197**	3,018.12	7	**7**	78.00
TOTAL		65,789	**44,138**		8,731	**5,959**	
Less Allowance for Non Collection @ 4.0% (3.5% 2014/15)			**(1,765)**			**(239)**	
TAX BASE 2015/16			**42,370.75**	(41,713.28 14/15)		**5,719.39**	(5,633.38 14/15)
Band D Council Tax (excluding Brixham Town Council precept)				1,509.06 (1,504.22 14/15)	Band D Council Tax (including Brixham Town Council precept)		1,548.06 (1,538.71 14/15)

B) 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 2016 was £98.3m (2014/15: £98.1m).

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 2015/16 was 48.0 pence per pound of rateable value and the non domestic rating multiplier was 49.3 pence per pound.

In April 2013 the 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 2016 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%.

ANNUAL GOVERNANCE STATEMENT 2015/16

ANNUAL GOVERNANCE STATEMENT FOR THE FINANCIAL YEAR 2015/2016

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 http://www.torbay.gov.uk/DemocraticServices/documents/s22185/32%20Code%20of%20Corporate%20Governance.pdf or can be obtained from Governance Support. This statement explains how Torbay Council has complied with the code and also meets the requirements of the Accounts and Audit (England) Regulations 2015 in relation to the publication of a statement on internal control.

The purpose of the governance framework

The governance framework comprises the systems, processes, 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 31 March 2016 and up to the date of approval of the statement of accounts.

The Governance Framework

The Constitution

The Constitution sets out the main elements of the governance framework of Torbay Council, in particular how decisions are made and the procedures which are followed to ensure that these are efficient and transparent and that decision makers are accountable to local people. It explains that the Council is made up of the Elected Mayor and 36 Councillors who, together, are responsible for approving the Council's Budget and Policy Framework. The Mayor is responsible for decisions within this Budget and Policy Framework and is supported by Executive Lead Members who oversee and advise on specific areas. Matters outside the Budget and Policy Framework are referred to the Council for decision.

The Constitution includes Standing Orders, Financial Regulations and the Scheme of Delegated Powers and is available on the Council's website. It is underpinned by Codes of Conduct for Members and Employees and a range of local protocols. The Constitution includes the Council's Code of Corporate Governance.

The Overview and Scrutiny Board is responsible for the overview and scrutiny function of the Council. It assists in the development of policy and holds decision makers to account. In addition, any five members of the Council can "call-in" executive decisions to the Overview and Scrutiny Board for further debate.

The Audit Committee is responsible for all internal and external audit matters as well as monitoring the effective development and operation of performance and risk management and corporate governance in the Council. It meets on a quarterly basis.

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.

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

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 Chief Executive, Monitoring Officer, Chief Finance Officer and the Senior Leadership Team.

The Corporate Plan and Decision-making

Included within the Policy Framework is the Council's Corporate Plan which was reviewed and revised during the course of the year. The Council also has a Medium Term Resource Plan which is reviewed on an on-going basis to take into account new information and changed circumstances. Both of these documents provide a framework for planning and monitoring resource requirements.

The Council makes recommendations to the Mayor on executive decisions with the Mayor, on many occasions, then taking those decisions at meetings of the Council. All reports to members include sections on the financial and legal implications and the risks of the proposed decision. Prior to publication, these reports are cleared by the Chief Finance Officer and the Monitoring Officer or one of their senior staff.

All meetings are open to the public but a small number of 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 matters to a minimum with only those elements of reports that are considered exempt from publication being included within appendices. This ensures open and transparent decision making is undertaken at all times.

Community and Service User Engagement

In developing proposals for service change, consultation with service users and the public is undertaken. In particular, the impact on vulnerable groups and those with characteristics protected under the Equality Act 2012 is assessed and documented in Equality Impact Assessments which are considered by decision-makers prior to decisions being made.

The Council's ViewPoint Panel is a residents' research panel which provides an opportunity for the people of Torbay to give their opinions on the development of services, policy and the local community. The panel is made up of a cross section of Torbay's population and is currently made up of approximately 600 residents.

There are also a number of Community Partnerships across Torbay which provide an opportunity for people who live or work in the different parts of Torbay to discuss issues of common concern, influence the way in which services are provided and improve their local area.

Partnership Working

The Health and Wellbeing Board and the Community Safety Partnership provide forums where multi-agency issues with impact on the Torbay population can be debated. Safeguarding Boards are also in place for both children and adults.

Appropriate arrangements in respect of service specific partnerships such as the Torbay and South Devon NHS Foundation Trust, the Torbay Coast and Countryside Trust, TOR2, the English Riviera Tourism Company, PLUSS, Careers South West, Oldway Mansion Management Company Ltd and the Economic Development Company are in place.

The Council is also pursuing other partnership opportunities such as the Plymouth and South West Peninsula City Deal and devolution across Devon and Somerset.

Performance and Risk Management

The Council records performance information using performance-reporting software called SPAR.net. 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 also uses a range of benchmarking information to measure performance against comparators and to identify authorities from whom the Council could learn.

The Senior Leadership Team is responsible for the implementation and monitoring of the Performance and Risk Framework. A Strategic Risk Register is maintained which identifies strategic risks facing the Authority together with clearly identified measures for mitigation. Directors and Executive Heads are responsible for managing risk within their Business Units.

Senior Management

The **Head of the Paid Service** is the Chief Executive who is responsible and accountable to the Council for all aspects of operational management.

The Chief Accountant is the **Chief Financial Officer.** He has direct access to all members, the Chief Executive and senior officers of the Council. He works with Directors and Executive Heads to identify any financial issues which may require management action. Regular discussions are held with the Mayor who is the Executive Member with responsibility for finance. The Chief Finance Officer has responsibility for ensuring the Council operates secure and reliable financial and accounting systems.

Members are briefed on key financial issues with revenue and capital budget monitoring reports being considered by the Overview and Scrutiny Board and the Council on a quarterly basis. The Council agrees the Treasury Management Strategy on an annual basis on the recommendation of the Audit Committee.

The Assistant Director – Corporate and Business Services is the **Monitoring Officer.** She is responsible to the Council for ensuring that agreed procedures and protocols are followed and that all applicable Statutes and Regulations are complied with.

The Head of the Paid Service, Chief Financial Officer and Monitoring Officer meet on a monthly basis to ensure that appropriate governance arrangements are in place.

Officers in politically restricted posts and those responsible for negotiating contracts are required to register their personal interests.

Training and Information

Internal communication approaches have been reviewed to ensure all staff are aware of all issues and new policies and practices. Newsletters and daily updates are sent to all staff to advise them of relevant information, HR policy and legislation changes. Learning and Development courses that are available and support for staff are also included within these.

There is a positive working relationship with Trades Unions through quarterly formal meetings and informal meetings with the Assistant Director – Corporate and Business Services and consultation where appropriate.

The Council's intranet contains a range of policies, procedures and guidance for all staff including Human Resources (HR) Policies, i-Learn training modules, Information Governance Policies, Code of Conduct, Freedom of Information Policy, Data Protection Policy and the Corporate Plan and Constitution.

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.

Corporate training needs are identified through the Senior Leadership Team. The Council has strongly supported staff development, particularly through programmes such as the Institute of Leadership and Management to develop Team Leaders and Managers.

Change management training has been communicated to all staff, including senior management, to support their understanding and implementation of change. Coaching and counselling are also offered as an additional means of support to individuals.

The Corporate Induction module on i-Learn signposts and informs new employees about the range of policies and procedures they need to be aware of, including the Code of Conduct, Information Governance, Acceptable Behaviour, Driver's Policy and Handbook and Whistleblowing Policies. Managers are responsible for local induction arrangements with corporate induction courses being run on a regular basis.

Thirteen members have personal development plans. The Member Development Programme provides a structured approach to member development to ensure all members are supported in their roles. Phase 1 of the Induction programme was mostly delivered by Council officers. Phase 2 will mainly be delivered through the Devon Member Development Shared Service.

Customer Feedback and Whistleblowing

The Council has a customer feedback recording, tracking and reporting system to which all staff have access via the Intranet. The system captures compliments, complaints, queries, enquiries and Local Government Ombudsman complaints. Letters from Members of Parliament are also recorded through this system as enquiries.

The system enables all complaints to be recorded and tracked with root causes identified providing the Council with a useful analysis of why complaints are being received. It also enables the tracking of the implementation of recommendations and actions.

The Information Compliance Team report to the Senior Leadership Team on a quarterly basis, these reports include the type of complaint, service area, outcomes and any learning points. This results in further actions being identified and implemented.

The Council's Whistleblowing Policy was agreed in July 2013 and is available on the Council's website and intranet site. The Council has an established phone line that any whistleblowing 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 onto the appropriate part of the organisation to investigate and the outcomes are monitored.

Information Management

The Council holds and processes a significant amount of information. It is critical that the information held is of good-quality, accurate and kept up-to-date to inform decision making.

Equally important is the requirement to process personal and sensitive information in accordance with the Data Protection Act 1998. To support this, the Council has a number of information security policies which form an Information Governance Framework. These policies are subject to regular review and updates communicated to all staff.

The Council also holds an Information Asset Register which specifies the information assets held across all Council departments.

Internal Audit

The internal audit service is provided by Devon Audit Partnership (DAP). This is a shared service arrangement between Torbay, Plymouth City and Devon County Councils and is constituted under section 20 of the Local Government Act 2000. Devon Audit Partnership undertakes the role of auditing the Council's systems to give assurance to the organisation.

The Council's Internal Audit Plan, which is risk based, is agreed annually with the Senior Leadership Team 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.
- Reviews of internal controls in operation within each service area against known and evolving risks based on a detailed risk assessment. These reviews consider the strategic and operational risks identified in the Corporate Risk Register, as well as 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 receives assurance from the NHS Internal Audit Confederation (Audit South West) over the controls in operation at Torbay and Southern Devon NHS Foundation Trust which covers the provision of adult social care services.

Achievement against 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 are held between the Chief Finance Officer and a representative of the Devon Audit Partnership to discuss specific issues that have arisen.

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. This review is demonstrated through the Annual Governance Statement.

As in previous years, Devon Audit Partnership undertook certain assurance work on behalf of the Council and to give assurance to the external auditors as part their audit opinion.

The effectiveness of the governance framework has been evaluated over the course of the year against the seven core principles within Torbay Council's Code of Corporate Governance. Details of the evaluation of included in the sections which follow. Whilst some significant governance issues have been identified (are are detailed below), the Council believes that its arrangements continue to be regarded as fit for purpose in accordance with the governance framework

<u>Focusing on the purpose of the authority and on outcomes for the local community and creating and implementing a vision for the local area</u>

A new Corporate Plan has been adopted which sets out the ambition for the Council, the targeted actions to support that ambition and the principles which will be adopted. Delivery Plans for each targeted action have been developed and are due to be considered by the Council at its meeting in May 2015. The Performance and Risk Dashboards set out how the Council will measure its performance towards meeting those ambitions.

The Council is re-engaging with its partners to develop a longer term, sustainable plan for Torbay which will articulate the Council and its partners ambitions for the area.

The Integrated Care Organisation (Torbay and South Devon NHS Foundation Trust) was established from 1 October 2015 and delivers joined up community and acute health and social care. Torbay Council is also working with Devon County Council to improve mental health social care delivered by Devon Partnership NHS Trust.

An Integration Board has been set up to prepare for the integration of the children's services workforce into the Integrated Care Organisation (ICO) and the Torbay Public Service Trust has been established with sign up from all key partners in Torbay.

Over the course of the year, the Council relinquished its ownership of PLUSS to enable PLUSS to convert to a Community Interest Company.

At the end of the financial year, discussions are continuing on the future of the English Riviera Tourism Company with a ballot on the formation of a Tourism Business Improvement District expected to take place in 2016.

<u>Members and officers working together to achieve a common purpose with clearly defined functions and roles</u>

The Council's Constitution is continually reviewed throughout the year by the Monitoring Officer, Chief Financial Officer and Governance Support Manager in consultation with the Mayor and Group Leaders whereby improvements and changes to the constitution are made and agreed.

A new Senior Leadership Team was put in place from April 2015 which sought to reduce the size of the team to make budgetary savings and re-align services within the organisation to meet future demands. The Team have agreed a common purpose and its aims and objectives and these have been communicated to staff via Daily News and the Intranet.

An Induction Programme for all Councillors following the Local Elections in May 2015 was prepared and delivered. It set out to focus members on the strategic issues which needed to be addressed and explained the roles and responsibilities of Councillors as distinct from officers. The work undertaken by members during the early stages of the induction programme was used to inform the development of the new Corporate Plan.

The Independent Remuneration Panel met in 2015 to review the Members Allowances Scheme and to make recommendations. The Panel took account of the cross party working within the Authority which it noted was valued by all members. It also wished to ensure that, as far as possible, the Scheme did not create barriers to candidates standing for elected office.

In November 2015, Torbay Council welcomed a Local Government Association review team to undertake a Corporate Peer Challenge to specifically challenge the financial viability of the Council and the effectiveness of its leadership and governance arrangements. The recommendations from the Corporate Peer Challenge included the need to develop a clear, long term vision for Torbay together with a Medium Term Financial Plan which demonstrates how the budget challenge will met. Further recommendations were made around the need for more effective working practices in relation to governance and to review the capacity of the political and managerial leadership. An action plan has been developed and was agreed by the Council at its meeting in April 2016. However, a number of actions have already been put in place and are referred to throughout this Annual Governance Statement.

<u>Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour</u>

The Standards Committee has been re-appointed. Whilst it did not meet during 2015/2016, the Monitoring Officer met regularly with the Independent Person (appointed to assist the Standards Committee in the Member Complaint Process) to hear their views and opinions on various matters relating to Members' conduct. The Independent Person assisted with the training on the Code of Conduct during the Induction of new councillors and has attended meetings of Council committees to observe members' behaviour and to provide feedback. Whilst the observed meetings were efficiently chaired it was again highlighted that the use of social media by councillors during meetings could give the impression that members are disinterested in the ongoing discussions.

The Council's Code of Conduct, Information Governance, Whistleblowing and Acceptable Behaviour policies are all available for all staff on the HR intranet page. They are also referred to within employees' terms and conditions of employment and are binding upon employees during the course of their employment with the Council. Reminders are sent out to staff via newsletters and internal communications. The Council's induction programme also signposts to the above policies for new starters.

In line with the Council's Whistleblowing Policy, the Probity and Ethics Group; comprising of the Monitoring Officer, the Chief Finance Officer, Internal Audit and the Head of Human Resources, meet to consider and progress as appropriate all matters of concern.

The Senior Leadership Team has agreed a set of common behaviours to address issues of unacceptable behaviour and the Manager's Toolkit training and the Torbay Starters event incorporates the requirements in relation to acceptable behaviour and the associated policy.

The Corporate Peer Challenge recognised that the core values - *Torbay Council is committed to being* ***forward thinking****,* ***people orientated*** *and* ***adaptable*** *– always with* ***integrity*** – had been purposefully embedded across the staff group. These values need to be reinforced through the actions of senior managers and members with everyone from the Mayor downwards encouraged to demonstrate the same values and behaviours.

The Corporate Peer Challenge did highlight, however, that member and officer roles were blurred in practice and that this needed to be addressed. There is a need to ensure that members and officers are clear as to how the Constitution operates in practice and who has delegated powers. Issues around perceived conflicts of interest and feedback from representatives on outside boards also need to be addressed. The establishment of monthly meetings between the Head of the Paid Service, the Chief Financial Officer and the Monitoring Officer aims to ensure that there is a regular forum in which these issues are addressed.

An audit of the Council's 'Culture and Ethics' is currently being undertaken. Business ethics, values and culture are an important part of improving an organisation's governance process and we will be auditing how we do things currently to determine if there are any gaps. We will then look to embed, establish and maintain our business ethics across the organisation, supporting the Council's Core Values.

Taking informed and transparent decisions which are subject to effective scrutiny and managing risk

The process for taking informed decisions has been reviewed over the course of the year. The amount of notice required for a proposed decision to be included in the Forward Plan has been extended from one month to three months. The report format has been amended to ensure that all relevant information is considered in formulating recommendations. Those draft reports are considered by the Senior Leadership and discussed with Executive

Members and, in some cases, at the Policy Development Groups. The Corporate Peer Challenge confirmed that officers should present issues without fear, favour or agenda.

The Overview and Scrutiny Board has met throughout the year to hold the Mayor and Executive to account, and the Audit Committee has also met regularly. This aims to provide assurance within the decision making process.

The Audit Committee has received the Internal Audit Plan together with updates on the progress against the Plan. The Committee have received the Council's Statement of Accounts and Treasury Management Strategy.

The Committee has undertaken a review of Children's and Adults' Services financial management to understand the reasoning behind the level of spend in each service and to ensure that the financial plans for the services were robust.

Following the agreement of the Performance and Risk Framework in March 2015, the views of the Audit Committee have been sought in developing the Performance and Risk Dashboards for the Council. The Dashboards will be reviewed by the Committee with suggested areas for further investigation being referred to the Overview and Scrutiny Board.

Moving forward, the Audit Committee will be meeting bi-monthly with a particular emphasis on performance and risk management.

The Overview and Scrutiny Board has undertaken a range of work from reviewing draft Policy Framework documents to matters arising from budget monitoring reports. The Mayor has also referred matters to the Board for its comments. Four decisions of the Mayor have been called-in over the course of 2015/2016.

A significant amount of the Board's work has been scrutinising the Mayor's proposals for income generation, service change and budget saving proposals including challenging the draft Equality Impact Assessments. This work has been undertaken through its Priorities and Resources Review Panel.

The Board have also continued to provide close scrutiny to the Children's Services revenue budget and the associated Cost Reduction Plan monitoring both the levels of spend within the Directorate and the performance against a range of targets and indicators. In addition the Board considered the Action Plan prepared following the inspection by Ofsted of services for children in need of help and protection, children looked after and care leavers.

Since the Local Election, the Overview and Scrutiny Board has reviewed how it operates taking account of the work undertaken with the Centre for Public Scrutiny last year. The Board has established a monthly briefing meeting for all non-executive members with the Overview and Scrutiny Lead Members providing feedback from their liaison meetings with Directors and Executive Leads and from task-and-finish groups set up to review specific issues.

The Council's Information Asset Register has been reviewed and will be updated by August 2016 in line with policy developments and guidance but also to ensure links are made to relevant business continuity plans. Information Asset Owners have been identified across the Council and will be trained throughout September and October 2016 so they can review their information assets and keep the register updated accordingly.

Developing the capacity and capability of members and officers to be effective

A full Member Induction Programme was put in place immediately post the Local Elections in May 2015. The Programme aimed to ensure that newly elected Councillors understood their roles and responsibilities as well as the structure of the Council and how it functioned. All members of the Council were encouraged to attend and take part in all aspects of the Programme with early events focussing on the challenges faced by the Council and discussions about how solutions could be articulated and developed.

The Member Development Programme has continued over the course of the year, again taking advantage of the Devon Shared Service. A Programme for 2016/2017 will also be developed which will move the emphasis onto practice as well as learning.

The Senior Leadership Team have kept their operation under review over the course of the year and changed how they manage their agendas in order to increase their capacity to focus on those issues of strategic importance.

The Transformation Board has been established to deliver savings and change with the main objectives of the Board being to:

- Transform the way we deliver services to meet our financial challenges
- Deliver an engaged and empowered workforce and strengthen the way we engage with customers and partners
- Provide best value for money and focus our spend to deliver a financially sustainable Local Authority

The Torbay Managers Forum has been re-established, meeting on a quarterly basis. This enables all Managers to be briefed on current issues, reflect on achievements and engage in the development of action plans ensuring that best practice across the Authority is shared and that plans for the future are collectively owned.

Connect events have also been held which are open for all members of staff to attend to share their view with the Chief Executive and members of the Senior Leadership Team.

Workforce planning has been introduced for managers to assist them in identifying the learning and development requirements within their service areas. Training for all staff on key policies, procedures and legislation is available through i-Learn, the Council's online learning portal. Face-to-face training is also available to all staff and during 2015/2016 this included access to Working with Change and Mental Health Awareness training for all employees. Management training is available via the Institute for Leadership and Management. The Council has achieved national accreditation for Wellbeing at Work through its provision of health and wellbeing activities, information and support for staff.

<u>Engaging with local people and other stakeholders to ensure robust public accountability</u>

Consultation and service user engagement has continued to take place in relation to service change. The majority of this work has been related to the proposals for budget savings.

A revised Communication, Consultation and Engagement Strategy has been prepared which sets out the Council's duties in relation to consultation and defines the principles by which the Authority will operate in communicating, consulting and engagement with the residents of Torbay.

Reinforced governance arrangements are in place in all circumstances so as to ensure that the development of the Council's Policy Framework enables all councillors, residents, community groups and other stakeholders to give their views on the draft documents.

The Corporate Peer Challenge encourages that an effective strategic partnership forum be established to build upon the partnership strengths which currently exist. Discussions have started with partners and will be pursued in the coming months.

<u>Securing continuous improvement in service delivery and ensuring that its agreed policies, priorities and decisions are implemented on time, in a manner consistent with the needs of its user and in the most effective way</u>

Performance and Risk Dashboards have been created which are aligned to the Council's Corporate Plan. A further Dashboard called "Running an Efficient Council" includes corporate performance indicators and risks.

A Performance and Risk Group has been established, comprising two or three service managers from each Council department, which is responsible for reviewing and challenging the Performance and Risk Dashboards and for encouraging greater ownership of performance and risk generally.

The Dashboards are considered by the Senior Leadership Team on a monthly basis allowing for targets and performance to be challenged. Issues requiring further debate are identified for "deep-dive" reviews.

The Audit Committee review the Dashboards Performance every two months with the Committee referring matters by exception to the Overview and Scrutiny Board where it was felt that further investigation was required.

Operational performance and risk continues to be monitored in business units with issues of concern being escalated through the Performance and Risk Group to the Senior Leadership Team.

The Council's complaints system was evaluated through a staff questionnaire in 2014 which led to a number of improvements being made together with the provision of bespoke training to a number of staff. The quarterly reports are due to be renamed "Customer feedback reports". A deep dive is due to be undertaken in order to provide specific service failures to enable SLT to identify strategies to reduce/eliminate these problems. The monitoring of complaints handled by the Council seeks to secure the continuous of improvement of service delivery and to ensure compliance with legislation, policies and procedures.

The Ofsted Inspection of services for children in need of help and protection, children looked after and care leaves (January 2016) found that services for children who need help and protection were inadequate leading to an automatic judgement that leadership, management and governance were inadequate. An action plan to address the findings in the Ofsted report has been agreed and is being implemented and monitored by both members and senior officers.

The Council's financial management arrangements conform with the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010) as set out in the Application Note to Delivering Good Governance in Local Government Framework.

Significant governance Issues

The internal audit report on Section 106 Agreements (dated March 2015) identified fundamental weaknesses and found that there were issues arising from the examination of systems and controls which warranted inclusion in the Annual Governance Statement, namely

> "The need to establish effective Section 106 Agreement monitoring to ensure that income is collected and used in line with the Agreement to minimise the risk of legal challenge and financial loss."

An improvement plan was developed in response to this report and this is continuing to be implemented.

There were a number of reviews undertaken by internal audit during the course of the year which found that improvements were required. In a number of cases management actions plans have been put in place and these will be monitored on a regular basis through discussions between the Chief Executive and appropriate Director or Assistant Director. In those cases were management action plans have yet to be agreed, the Chief Executive will ensure that plans are developed as a matter of urgency.

A tracking system to ensure that actions to address areas identified by Internal Audit as requiring improvement will be developed over the coming months and will be monitored by the Senior Leadership Team.

As highlighted above, the Ofsted Inspection of services for children in need of help and protection, children looked after and care leaves (January 2016) found that services for children who need help and protection were inadequate leading to an automatic judgement that leadership, management and governance were inadequate. The inspection found that:

- The local authority had been ineffective in prioritising and challenging the quality of practice
- Performance information was unreliable

- Management oversight had not been rigorous enough to ensure that risks were identified

An action plan to address the findings in the Ofsted report has been agreed and is being implemented and monitored by both members and senior officers, including through the Overview and Scrutiny Board.

The Corporate Peer Challenge undertaken by the LGA (November/December 2015) made five key recommendations in relation to leadership and governance, namely:

- Implement more effective working practices in relation to governance and especially in respect of transparency and political decision making
- Engage with an external provider for training on the Constitution and the respective roles of officers and members
- Full Council to reconsider the recommendations and report of the Centre for Public Scrutiny
- Provide peer support and mentoring for chief officers and elected members to support their capacity and provide guidance as the key changes that are required are made
- Develop and deliver an organisational succession plan so that your leadership capability and capacity issues are addressed

These are addressed through the agreed Action Plan which also addresses the other recommendations and observations within the report. The implementation of the Action Plan is being monitored by the Mayor’s Executive Group and the Senior Leadership Team.

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.

Steve Parrock
Chief Executive

Gordon Oliver
Elected Mayor of Torbay

GLOSSARY

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.

Asset categories & their definitions:

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 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.

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.

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. 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.

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 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.

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.

CCG - The NHS Torbay and South Devon Clinical Commissioning Group. The NHS body responsible for the commissioning of health services in Torbay.

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.

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 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

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.

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

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

D

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

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

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

Defined contribution / defined benefit schemes (Pension costs) – There is an important distinction between defined contribution and defined benefit schemes in terms of pension accounting.

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 (i.e. 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 represents the wearing out, consumption of loss of value of a fixed asset spread over the useful life of the asset.

Discount Rate – A high quality corporate bond rate (usually AA) that the pension actuary uses to estimate the value of the pension liability

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

E

EFW – Energy From Waste facility, opened in April 2015 in Plymouth that disposes of Torbay's domestic waste

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 that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date

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

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

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

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 Councils investments held as financial assets at fair value – the Council's investments in its subsidiary companies the Torbay Economic Development Company and the English Riviera Tourism Company.

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

ICO - Integrated Care organisation - The "descriptive" name for the Torbay and South Devon NHS Foundation Trust as the provider of health and adult social care service to both Torbay Council and the Clinical Commissioning Group.

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 Committee – a formal committee of local authorities established under the provisions of Local Government Act 1972 usually for the management of a shared service.

Joint Operation - An arrangement under which participants engage in joint activities with joint control but do not create a legal entity

Joint Venture - An arrangement under which the participants engage in joint activities with joint control by means of a separate vehicle/entity.

L

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

Loans and receivables (i.e. investments and loans) - assets that have fixed or determinable payments but are not quoted in an active market

Local Services Support Grant (LSSG) – a unringfenced grant from central government

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 form unsupported borrowing this must be a "prudent" amount.

N

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

Net Debt – The Council's borrowings less cash investments.

New Homes Bonus Grant – A general grant 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 - This method of funding Council's 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 un discharged 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.

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.

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.

Prudential Borrowing – see Unsupported Borrowing

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 – 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.

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 historic Council borrowing towards which the Government provided financial support through the annual Revenue Support Grant although this now significantly reduced by the ongoing austerity funding reductions

T

TDA – Torbay Economic Development Company Ltd. A subsidiary of Torbay Council that trades as Torbay Development Agency (TDA)

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.