

## **Financial Services**



# **FINANCIAL REPORTS & ACCOUNTS**

**FOR THE YEAR 2018/19**

**AUDITED**

INCLUDING

Narrative Statement 2018/19  
Statement of Accounts 2018/19  
Annual Governance Statement 2018/19

**Torbay Council, Town Hall, Castle Circus, Torquay, Devon TQ1 3DR**

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## Torbay Council

### Statement of Accounts • 2018/2019

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#### Introduction

The purpose of the Statement of Accounts is to present a detailed overview of the Council’s financial position as at the end of March 2019. It gives information as to the Council’s assets and liabilities at a point in time (31st March 2019) and detail on the Council’s financial performance during 2018/19. This information is, where material, supported by notes to the accounts.

The Statement includes the:

- Chief Financial Officer’s Narrative Statement
- Statement of Accounts including:
  - The Core Financial Statements for 2018/19 including balance sheet, income and expenditure Account, cash flow and movement in reserves.
  - Notes to the Core Financial Statements, that provide further detail to the core statements
  - Accounting Policies. The ‘framework’ adopted in preparing the accounts.
  - The Collection Fund Summary Account (for the accounting for the collection of National Non-Domestic Rates (NNDR) and Council Tax)
  - Group Accounts
- Annual Governance Statement

The form and content of the Statement of 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.

The Accounts are presented on a “going concern” basis as that the functions of the Council, as a statutory body, will continue in operation for the foreseeable future.

CIPFA (who provide guidance to councils on the format and content of accounts) are encouraging councils to “streamline” their accounts by removing unnecessary wording, duplicate information and to remove notes that are “not material”. However, despite this the Accounts are a technical document and due to statutory requirements it is still a lengthy and complicated document. The figures in these accounts are presented to the nearest £100,000. The Code states that “information is material if omitting it or misstating it could influence decisions that users make on the basis of financial information about a specific reporting authority. In other words, materiality is an authority-specific aspect of relevance based on the nature or magnitude, or both, of the items to which the information relates in the context of an individual authority’s financial statements”.

In accordance with the Code, on grounds of materiality, there is no requirement for the Council to produce “group” accounts in addition to its “single” entity accounts, however “group” accounts have been produced

with notes if relevant for information as in the future the value of the Council's interests in related companies may increase. The financial position of its subsidiary and related companies are fully disclosed in both the Narrative Statement and the Related parties note.

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/council/finance/statement-of-accounts/>

The Narrative Statement aims to offer interested parties a concise and easily understandable effective guide to the most significant matters reported in the account.

The Council, under the Accounts and Audit Regulations must approve an Annual Governance Statement which provides an explanation of the Council's governance framework, provides a summary of how the effectiveness of the framework has been reviewed over the course of the year and actions which will be taken over the coming year to improve the Council's governance. The 2018/19 Statement has been included within this document, but is not part of the Accounts and is outside the external auditor's opinion on the Accounts.

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

<http://www.torbay.gov.uk/council/finance/statement-of-accounts/>

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

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

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

The Council is required under statute to publish its unaudited accounts by the 31<sup>st</sup> May of the following financial year. The Council's external auditors are expected to complete the audit of accounts to enable Council (via Audit Committee) to approve its accounts.

## Head of Finance’s Narrative Statement

### Our Place

Torbay offers an unrivalled quality of life for individuals and families – its natural environment, clean air, climate, location, good schools, growing arts and cultural sector and wide range of outdoor activities means that Torbay provides everyone with the opportunity to live a healthy and fulfilled life.

Torbay comprises the three coastal towns of Torquay, Paignton and Brixham with a population in excess of 133,000, of which 62,000 are between the ages of 18 and 64. In addition, Torbay attracts around 1.6 million visitor trips each year.

Torbay has established areas of economic success in many industries including fishing, a large social care sector and growing pharmaceutical and tech industries. Our residents have high levels of satisfaction with Torbay as a place to live. However, like many coastal areas, Torbay suffers from high levels of poverty and deprivation with an ageing population, increasing demand for childrens’ social care and not enough opportunities for young people.

### Our Council

As a unitary authority, Torbay Council is responsible for a wide range of services including social care, transport, culture, housing, parks, beaches and waste.

Torbay Council has an Elected Mayor as well as 36 Councillors representing 15 wards. Local elections are held every four years with the last election being held in May 2015 when Gordon Oliver was re-elected Mayor. As at 31 March there are currently 18 Conservative councillors, 7 Liberal Democrats, 4 Torbay Community Independents, 4 Independent Group, 2 Independents and 1 UKIP councillor.

A referendum on the governance arrangements for Torbay Council was held in May 2016. As a result of the ballot, after the next Council elections for all 36 councillors in May 2019, the Council will no longer have an Elected Mayor and will instead have a Leader and Cabinet system of governance. The results of the May 2019 elections was 15 Conservative councillors, 13 Liberal Democrat councillors and 8 independent councillors. At a Council meeting on 28 May 2019 a Liberal Democrat and independent “partnership” was agreed with a Liberal Democrat Leader of the Council supported by 6 cabinet members.

There were no significant changes, or issues around the Council’s governance in year. There were however a number of councillors who changed political parties. Further detail of the Council’s governance and its risk management arrangements are set out in the Annual Governance Statement, which is included in addition to the Statement of Accounts.

Supporting the work of the Elected Mayor and Councillors is the officer structure of the Council headed by the Senior Leadership Team (SLT). This is made up of the Council’s most senior officers and ensures that the key Statutory Officers are represented at the most senior level of the Council.

Torbay Council employs a total of 958 people (1,006 17/18), this does not include schools based employees.

### Our Corporate Plan

The Council’s Corporate Plan 2015-2019 set out its ambition to create a Prosperous and Healthy Torbay. In meeting this ambition we targeted our actions in the five areas:

- Protecting all children and giving them the best start in life
- Working towards a more prosperous Torbay
- Promoting healthy lifestyles across Torbay
- Ensuring Torbay remains an attractive and safe place to live and visit
- Protecting and supporting vulnerable adults

Many of the actions within the Corporate Plan form part of the Council’s Transformation Programme which is transforming the way we deliver services and strengthening the way we engage with customers and partners, improving outcomes for our communities. We are continuing to build a Council which is Fit for the Future.

A revised Corporate Plan will be prepared during 2019 to reflect the priorities of the new Council.



#### Protecting all children and giving them the best start in life

We are committed to improving outcomes for children and families and we will adopt a child-focused culture across all Council services.

We will develop our partnership working on cross-cutting priorities. We will continue to adopt a collective approach to the development of new services.

We will ensure our children and young people develop the ability and aspiration to maximise their future employment opportunities.



#### Working towards a more prosperous Torbay

We aim to increase the extent of full time employment in Torbay and increase the level of resident based earnings.

We will maximise opportunities from the Heart of the South West Local Enterprise Partnership and align more closely with the economic growth plans of Greater Exeter.

We will increase the business rate base for Torbay Council, in part through the rapid delivery of the town centre regeneration.



#### Promoting healthy lifestyles across Torbay

We will improve population health outcomes by preventing ill health and tackling lifestyle issues.

We will focus on areas of inequality across Torbay and on groups where less healthy behaviour is common.

We will encourage cycling and walking and healthy eating options. We will improve accessibility to leisure and sports facilities and green spaces.



#### Ensuring Torbay remains an attractive and safe place to live and visit

We will focus on protecting and retaining the quality of our built and natural environment.

We will continue to work with partners to identify efficiencies which can be made to improve service delivery and we will act at pace to rationalise and reduce the service we provide directly.

We will maintain a commitment to work together to reduce crime and disorder across all agencies within the Community Safety Partnership.



#### Protecting and supporting vulnerable adults

We will initiate and support integrated working and developing a seamless system of care and health.

We will ensure people are better informed so they can better access services to help them manage more independently.

We will ensure that people have the right environment in which to stay well with secure homes and fulfilling lives a priority.

### **Our Achievements**

- **Protecting all children and giving them the best start in life**
  - The Children and Young People’s Plan was updated with the support of partners, stakeholders and young people. The aim is to improve outcomes for children and families, in particular those most vulnerable young people in Torbay.
  - We have continued to implement our Children’s Services Improvement Plan which was approved by Ofsted and the Children’s Improvement Board.
  - The Council entered into a partnership agreement with Plymouth City Council for the delivery of Children’s Services in Torbay, including the appointment of a Joint Director of Children’s Services.
  - A revised Early Help Strategy has been agreed and launched with a single front door model now in place. This provides for community-based support for families when they need it in order to prevent the escalation of concerns, thereby preventing families from feeling that they are not able to cope.
  - Torbay’s schools are performing either at or above national comparators across all Key Stages.
  - Torbay Virtual School is now well-established within the local arrangements to maximise the educational opportunities and outcomes for children looked after. Performance for the 2016/2017 academic year showed improvements in most areas.
  - The Council approved funding for the development and improvement of the existing Brunel Academy site, incorporating the Brookfield site to enable it to continue to be used for pupils with social, emotional and mental health difficulties.

- Working with the local community, the Council approved the relocation of Medical Tuition Service to MyPlace, Parkfield, Paignton. A Parkfield User Group was also created to consider how the use of MyPlace could be maximised for the benefit of young people.
- **Working towards a more prosperous Torbay**
  - The Council continues to deliver its Investment and Regeneration Strategy which is generating revenue income and stimulating regeneration within Torbay. The Investment and Regeneration Fund has brought in around £9m of additional income to the Council since it was established in 2016.
  - A commercial loan was made to the Torwood Street scheme through the Investment and Regeneration Fund. This has enabled the development of a 130-bed hotel alongside new office accommodation and food and drink units. The Fund has also been utilised to fund the redevelopment of the Old Toll House to create a new café on Torquay seafront, bringing this old building back into use.
  - Construction of the Electronics and Photonics Innovation Centre (EPIC) will be completed in June 2019 and is forecast to create 220 new jobs over the coming years.
  - Funding of £600,000 has been approved to redevelop the Harbour Light building to create a new restaurant on Paignton Harbour.
  - Work has been completed on a major highways widening scheme on Kings Ash Road, Paignton between Churscombe Cross Roundabout and Luscombe Lane. This work has been supported with Growth Deal funding from the Heart of the South West Local Enterprise Partnership. A further scheme on the A3022 Brixham Road in Paignton is due to be completed by July 2019 and will ensure that there is a minimum of two lanes in each direction between Tweenaway Cross and the new developments at White Rock.
  - The Council has been successful in securing funding from the Land Release Fund for three development sites – land at Preston Down Road, land at Collaton St Mary and Victoria Square, Paignton. The Council is in the process of developing a programme of work for each site to enable the funding to be committed within the Government’s timeframes.
  - The Council approved a capital project to build a new jetty landing adjacent to Oxen Cove in Brixham to help support Torbay’s vibrant fishing industry and create new jobs in Torbay.
  - Subject to grant funding from the Marine Management Organisation, the Council has agreed funding to enable improvements to be made to Brixham Breakwater and repairs to be undertaken following winter storm damage in 2018.
- **Promoting healthy lifestyles across Torbay**
  - Local Partnerships have been established to oversee activity and measure progress in the key areas of adult and child healthy weight and physical inactivity.
  - The Council and our partners have agreed to work in partnership to promote prevention and early help, which is being embedded across the healthcare community, in order to improve people’s lives and reduce the need for support for adult social care and health.
  - NHS Health Checks have been offered to everyone 40 years+ which is an age profile at risk of cardiovascular or respiratory disease and diabetes, with improving levels of take- up of the offer. The ongoing redesign of Healthy Lifestyles services has increased screening rates and the number of people signposted into help. A local, regional and national approach to social marketing campaigns has also taken place.



- An initiative called “*Run For Your Life*” saw 28 of 32 Torbay primary schools sign up to a programme delivered through 2018 where every child runs or walks a mile every day.
- “*Beat the Street*” turned Torbay into a giant game with people of all ages using fobs to tap ‘beat boxes’ spread over Torbay to earn points, win prizes and discover the Bay by walking, running and cycling.
- Torbay Healthy Learning is a new Public Health programme to help nurseries, schools and further education settings deliver health and wellbeing for children and young people in the Bay aged 2-19.
- In spring 2018 Torbay hosted a partnership conference, run as an open event, where 80+ attendees from multiple sectors looked at innovative approaches to addressing the child obesity issue in Torbay.
- **Ensuring Torbay remains an attractive and safe place to live and visit**
  - The third Torbay Air Show attracted more than 165,000 visitors across the Bay over the two days. The Air Show brings a much needed boost to Torbay’s economy, placing the area on the national map as a destination of choice and a great place to bring all the family.
  - The Council has entered into a long lease for the future operation of the Palace Theatre. A local Community interest Company ‘Jazz Hands’ took on the delivery of the theatre in 2018.
  - The Council awarded the Trustees of Paignton Picture House a grant of £10,000 to facilitate their application for a grant from English Heritage and the ultimate purchase of the grade II listed Paignton Picture House. Works are currently ongoing to refurbish this important historic building.
  - The Princess Gardens Grade II listed fountain and the surrounding area have undergone a huge transformation. The work carried out included correcting a tilt, constructing a new reinforced concrete base, a full refurbishment of the fountain and a new planting scheme which shows the original ‘Fleur de Lis’ bedding design.
  - Torbay was awarded the prestigious Blue Flag Award for three of its beaches and the national Keep Britain Tidy Seaside Award for ten of its beaches in 2018.
  - The English Riviera Wheel was joined by a merry-go-round in Princess Gardens, Torquay in 2018. It was open to the public from Spring 2018 until late September 2018.
  - The Council approved the dedication of King George V Playing Fields off Teignmouth Road in Torquay as a Field in Trust to prevent it from being redeveloped and protect it as a sports field for use by the community.
  - The Council, TOR2 and the local communities worked together on a recovery programme to deal with the storm damage from Storm Emma and the two major snow falls in March 2018, which caused significant damage to roads, infrastructure and parks across Torbay. Our thanks went out to all those people who volunteered and went the extra mile during this very difficult period.
  - The annual Geopark Festival provided the ideal opportunity for locals and visitors to discover what makes the Bay’s geological and cultural history unique and special.
  - Investment into delivering a new modern CCTV system across the Bay started in 2018/19. This will be a modern system using wireless technology, providing better footage and improved safeguarding and therefore a safer environment for residents, business and visitors.

- **Protecting and supporting vulnerable adults**
  - Within health and social care, we have continued to work with partners to promote prevention, early intervention and self-care with partners. Prevention forms a clear priority within the implementation of the next phase of the Care Model in Torbay and South Devon.
  - The Outstanding Care Awards for Devon and Cornwall were held in Torquay in June 2018 and 27 out of 60 winners were from Torbay. In July 2018 there were 83 services registered with the Care Quality Commission (CQC) as ‘good’ and five ‘outstanding’ care providers.
  - The second phase of a project to extend the existing partnerships between childminders, nurseries and pre-schools with local residential and nursing care homes is underway with two care homes have been awarded capital funds to renovate a dedicated space for childminders to work in.
  - Encounters Torbay, a group of artists, started work with care home managers to co-design and deliver an innovative creative leadership programme to strengthen leadership skills, introduce creative thinking, practices, skills and tools to employ with staff and residents and provide peer and mentor support
  - The Council approved its new Domestic Abuse and Sexual Violence Strategy 2018-2022 in April 2018 which sets out how the Council intends to work with partners to address issues in connection with domestic abuse and sexual violence in Torbay. Additional investment has been made to help tackle this important issue.
  - Nationwide Foundation funded a report by Crisis into homelessness in Torbay. This has resulted in support to adopt a Housing First approach to addressing homelessness and rough sleeping locally which will transform the way homeless people are supported to access and maintain stable accommodation and to engage in employment and training over the next 5 years.
  - In addition, the Council secured over £600,000 from the Government to help address rough sleeping in Torbay. This money has paid for the outreach team for 2 years, who engage with rough sleepers on the streets and support them into accommodation. The funding also pays for the Safe Space, a 6 bedded unit of accommodation for rough sleepers, and a Volunteer Co-ordinator who works with a team of volunteers who support people when they move from the streets into a home.

## **Our Performance**

### Protecting all children and giving them the best start in life<sup>1</sup>

- Social work staffing vacancies rose from 22.4% at the same period last year up to 30.2% at the end of March 2019.
- The number of looked after children rose from 323 at the end of 2017/18 to 359 in March 2019.
- 93.2% of children looked after cases were reviewed within timescales during the month of March 2019. This is a 2.9% decrease from the March 2018 figure.
- The number of early help referrals received in-month for March 2019 was 106. This is 58 more than at the same time in 2018.

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<sup>1</sup> All data for the “Protecting all children and giving them the best start in life” section is generated using a live database that is continually updated and therefore these performance figures could be re-calculated differently at another time.

### Working towards a more prosperous Torbay<sup>2</sup>

- Average earnings for Torbay are a way below the target figures (the Great Britain average). For 2018 earnings by residence for full time workers was £472.40 against a target of £571.10 and has fallen by £4.70 on Torbay’s figure in 2017.
- Earnings by workplace was £444.10 against a target of £570.90 in 2018. Torbay has decreased on the previous year’ average of £467.20 by £23.00. Great Britain’s average has increased by £18.90 this year.
- The percentage of those claiming out of work benefits at the end of 2018/19 was 3.0% against a target of 2.7% (England’s monthly average). The lowest figure this performance indicator fell to over the year, was 1.8%.

### Promoting healthy lifestyles across Torbay<sup>3</sup>

- The successful treatment of opiate users decreased to 7.5% in 2017 from 8.4% in 2016, however this figure is well above the target of 6.5%.
- The percentage of physically active adults rose from 55.5% in 2015/16 to 67.1% in 2016/17 and rose again to 70.7% in 2017/18. This is above the target of 66.3%.
- The above indicator’s direction is reflected with a reduction in the percentage of physically inactive adults, which has fallen from 24.3% in 2015/16 to 20.8% in 2016/17 and again in 2017/18 to 20.0%. This is below the target of 22.2%.

### Ensuring Torbay remains an attractive and safe place to live and visit

- Residual household waste for quarter 3 2018/19 was at 125kg per household, a 1kg increase on the same period the previous year. So far, for each quarter of 2018/19, the figure has been above the target of 120kg.
- Household waste sent for reuse, recycling and composting was at 41.35 % for quarter 3 of 2018/19. This is a slight decrease when compared to the same period the previous year 43.26%, and below the target of 50.00%.
- The average number of people sleeping rough at the end of quarter 4 2018/19 fell to 21 from 37 for the same period the year before.
- The numbers of people in temporary accommodation at the end of 2018/19 fell to 485. This is well above the target of 420 but 52 fewer than at the same time the previous year.

### Protecting and supporting vulnerable adults<sup>4</sup>

- The number of permanent care home placements in Torbay has fluctuated between 602 and 633 throughout the last year. At the end of March 2019 it was 605, just above the target of 600 for that month.
- The percentage of carers receiving a needs assessment or review, and a specific carer's service or advice and information fell from 42% at the end of March 2017/18 to 29% at the end of 2018/19. This was less than the target of 36%.

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<sup>2</sup> Source: NOMIS, Office for National Statistics Official Labour Market Statistics website.

<sup>3</sup> Source: Public Health Outcomes Framework published by Public Health England, and is the most recent data available. All targets are the England average figure for the same period.

<sup>4</sup> All data for the “Protecting and supporting vulnerable adults” section is draft at the time of writing, pending completion of statutory returns.

- The percentage of repeat safeguarding referrals at the end of 2018/19 was 8.3%, 0.3% above target and 1.2% more than at the same time last year.

#### Running an Efficient Council

- The number of stage one complaints logged by the Information Compliance Team in 2018/19 was 779. This equates to complaints from 5.8 people per 1000 residents in Torbay. It is more than the previous year when 395 stage one complaints were logged.
- Of the stage one complaints, the percentage that were dealt with on time fell to 40% in 2018/19 from 54% the previous year.
- The number of data breaches increased from 25 in 2017/18, to 66 in 2018/19.

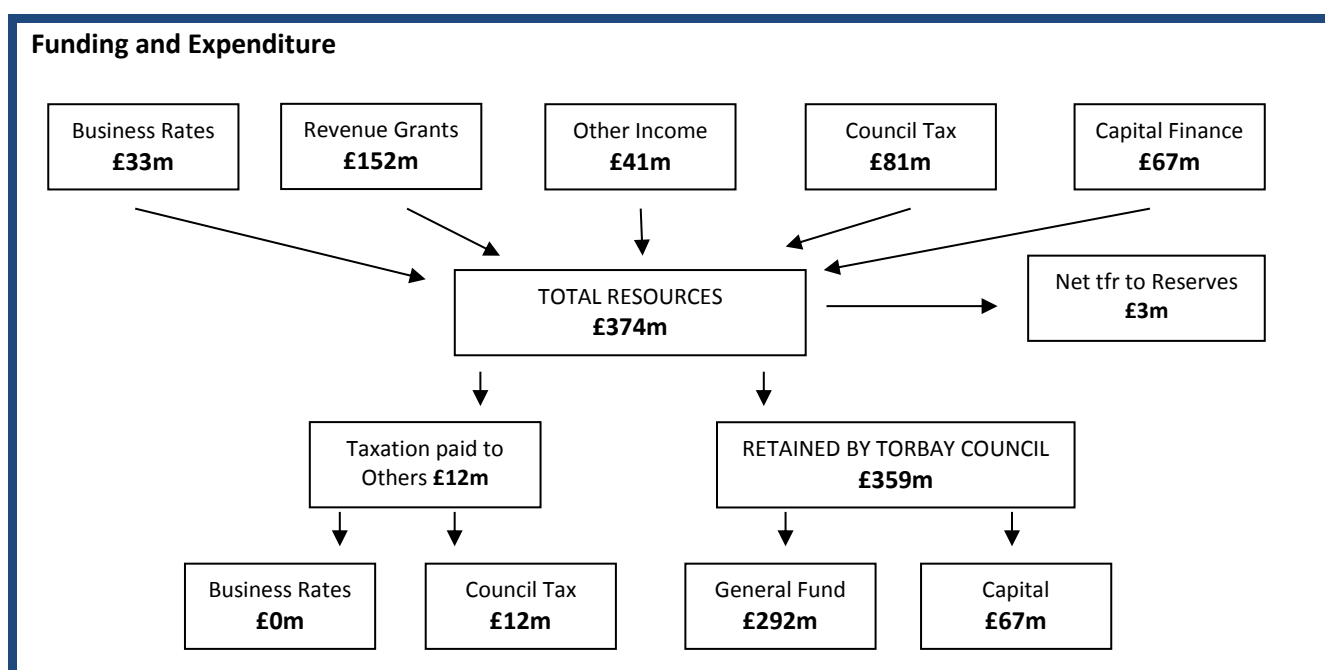
### **Our Financial Performance**

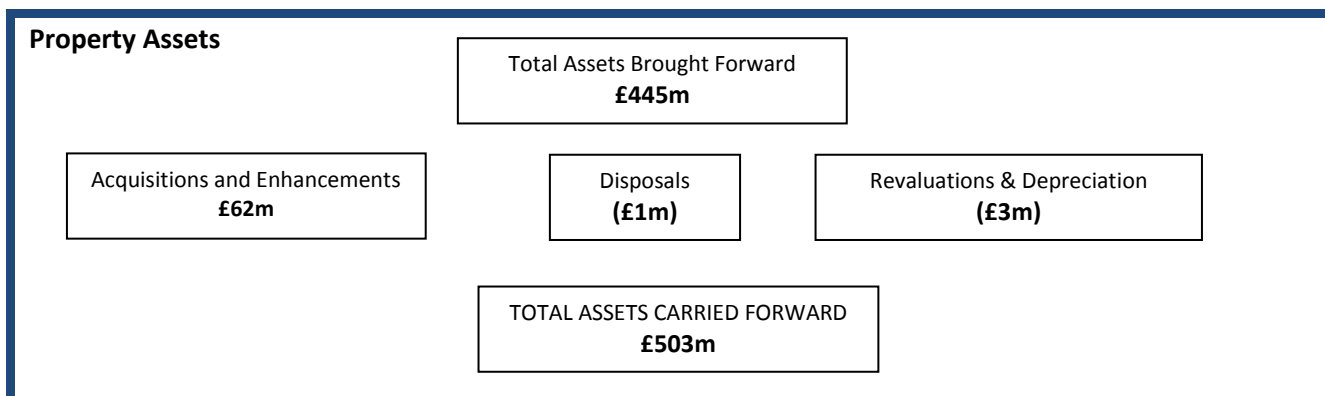
#### Financial Context

Torbay Council is responsible for managing cash flows and assets of over £950 million.

The Council:

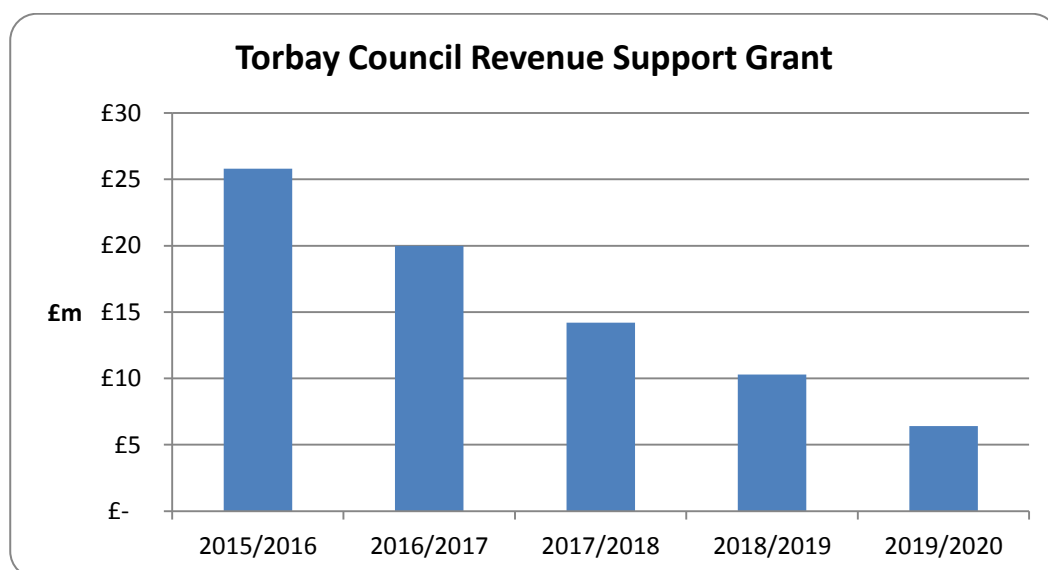
- Collects £81m of Council Tax (£76m 17/18) which is an in-year collection rate of 96.3% (95.6% 17/18) and £33m (£31m 17/18) of National Non-Domestic Rates (Business Rates) which is an in-year collection rate of 96.6% (96.4 17/18)
- Holds £520m of non current assets including of £323m operational assets for delivering services, £33m of heritage assets and £147m of investment property which generates a gross rent of £9m annually.
- Generates over £40m of fees, charges, rental and other income used to fund the delivery of services





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 2018/19 and future financial years as a result on the ongoing “austerity” reductions in public expenditure. The Council has certainty over the reductions as the Council accepted the MHCLG “offer” of a four year funding settlement to 2019/20. In this period central government funding for local government will reduce by 56% or £6.1 billion. For Torbay Council, this is a reduction in its Revenue Support Grant (RSG) from £27 million (restated) in 2015/16 to £6 million by 2019/20.



It is very uncertain what the Council’s future funding will be from 2020/21 onwards. 2019 is the date of the next national Spending Review which will allocate the total central government funding for local government. In 2020/21 MHCLG intend to introduce a new funding formula to allocate the total funding between councils and have issued a number of consultation documents on the design of the formula which the Council has responded to. In addition MHCLG intend to introduce a 75% NNDR retention system in which local Councils bear 75% of the risks/reward of changes in local NNDR income and have, again, issued a number of consultation documents on the design of the scheme.

In 2018/19 Torbay, along with all other Councils in Devon, participated in a 100% NNDR retention pilot (compared to the standard system where 50% of NNDR income is retained locally). The pilot has been confirmed for 2018/19 only. This allows all the Councils a gain from being able to retain a higher level of NNDR income and growth in the area with the gain shared between all Councils. To ensure that the pilot is

fiscally neutral MHCLG have adjusted other funding. For Torbay this means that in 2018/19 it did not receive any RSG and will have a lower NNDR Top Up grant.

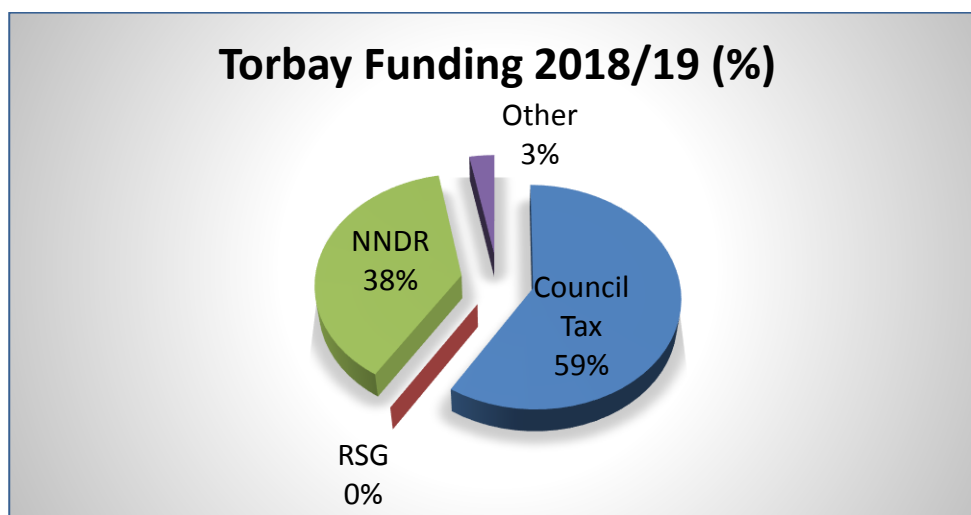
### Revenue Budget 2018/2019

In February 2018, the Council set a budget for 2018/19 of £112 million (against a budget of £110 million in 2017/18). £7 million of reductions were required to set a balanced budget for 2019/20 and there is also an estimated funding gap up to £18 million for the following three years from 2020/21. The Council has already started the process of meeting the significant financial challenges through identifying and implementing service changes and income generation opportunities, and, in some case, service reductions.

The Council raised its level of Council Tax by 5.99%, comprising 2.99% for the Council services and 3% specifically to support Adult Social Care. This resulted in the Council setting its share of the Council Tax for a Band D property at £1,459.40, (£1,376.93 17/18).

The table below shows how the Council’s revenue budget was funded in 2018/2019.

	2017/18	2018/19	
	£ m	£ m	% change
Net Budget Requirement	110	<b>112</b>	2
New Homes Bonus and other general grants	(2)	<b>(1)</b>	(50)
NNDR Rate Retention	(31)	<b>(43)</b>	40
Revenue Support Grant	(14)	<b>0</b>	(100)
Council Tax	(61)	<b>(66)</b>	8
Collection Fund (surplus)/deficit	(2)	<b>(2)</b>	0

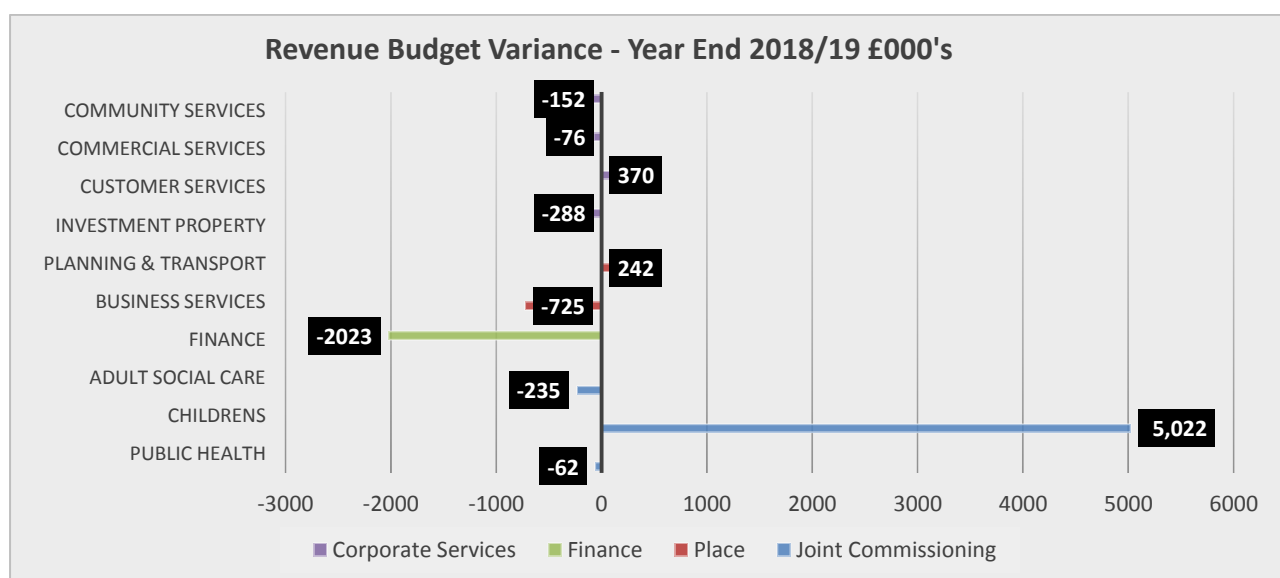
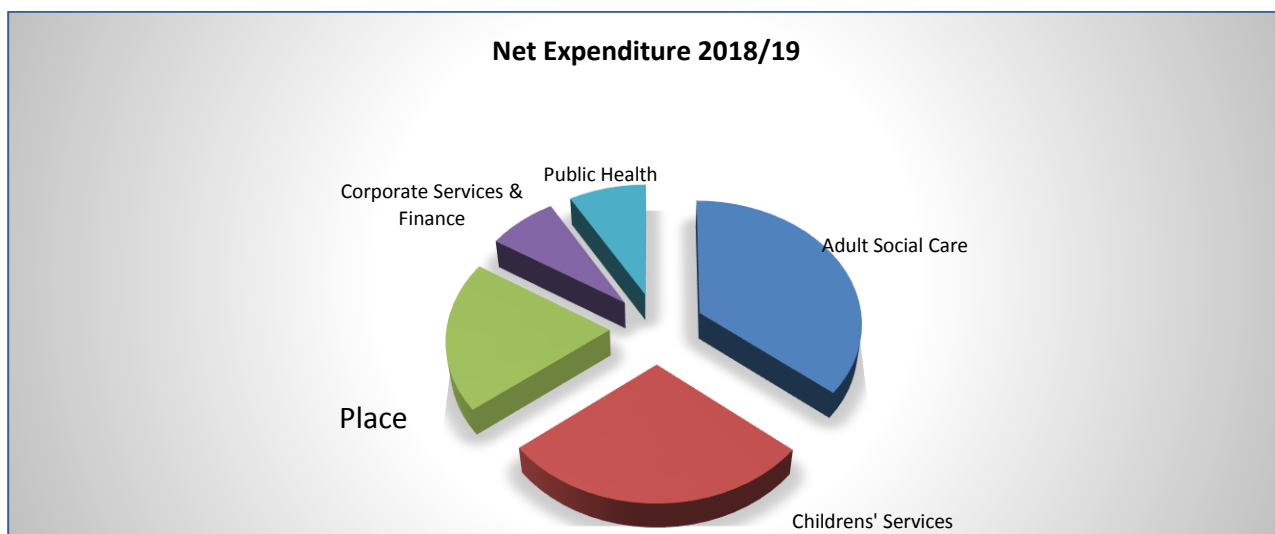


### Council Spending in 2018/2019

The table below provides a summary of the budget and expenditure by service in 2018/2019, together with the variances against each budget at the end of the year. The charts below show the net expenditure by service and the budget variance at 31 March 2019.

Torbay Council  
 2018/19 Statement of Accounts for the year ended 31<sup>st</sup> March 2019 – Head of Finance’s Narrative  
 Statement

Service	2018/19 Budget			Variance
	Expenditure £000s	Income £000's	Net £000's	£000's
Adult Social Care	52,740	(12,513)	40,227	(235)
Children's Services	82,709	(50,848)	31,861	5,022
Public Health	10,097	(721)	9,376	(62)
<b>Joint Commissioning</b>	<b>145,546</b>	<b>(64,082)</b>	<b>81,464</b>	<b>4,725</b>
Business Services	31,206	(16,853)	14,353	(725)
Planning and Transport	10,219	(2,599)	7,620	242
<b>Director of Place</b>	<b>41,425</b>	<b>(19,452)</b>	<b>21,973</b>	<b>(483)</b>
Community Services	4,559	(2,469)	2,090	(152)
Commercial Services	6,965	(2,090)	4,875	(76)
Customer Services	66,890	(63,468)	3,422	370
Investment properties	5,908	(8,961)	(3,053)	(288)
<b>Corporate Services</b>	<b>84,322</b>	<b>(76,988)</b>	<b>7,334</b>	<b>(146)</b>
<b>Finance</b>	<b>21,113</b>	<b>(19,878)</b>	<b>1,235</b>	<b>(2,023)</b>
<b>Gross Revenue Budget</b>	<b>292,406</b>	<b>(180,400)</b>	<b>112,006</b>	<b>2,073</b>
Sources of Funding	397	(112,403)	(112,006)	(496)
<b>Net Revenue Budget</b>	<b>292,803</b>	<b>(292,803)</b>	<b>0</b>	<b>1,577</b>
Application of one off funding				(2,121)
<b>Net Revenue Budget</b>				<b>(544)</b>
Transfer to Comprehensive Spending Review Reserve				544



During the year, there were significant variances within the budgets for children’s social care driven in part by a 20% increase in looked after children’s numbers over a six month period to June 2018 and higher costs in relation to the mix of caseload and its complexity. The overspend on Children’s Services was £5.0m. There was a trend amongst other councils in 2018/19, both locally and nationally, for increased costs of this service in 2018/19. This overspend in social care was partly offset by a net underspend, use of one off funding and/or additional income across other Council services. To help mitigate the variances in Children’s Social Care on the Council’s overall financial position, the Council introduced a spending “moratorium” from August 2018.

Overall, the Council’s financial performance in 2018/19 was an underspend of £0.5 million that was transferred to an earmarked reserve to enable a break even position. This underspend was transferred to the Comprehensive Spending Review Reserve.

### Capital Plan

The Council spent £66.5 million on capital expenditure in 2018/19 (£121.6m 17/18) of which £35.2m was



Investment Properties, funded as shown in the table below.

	Revised Budget	Outturn	Variation
	£ m	£ m	£ m
Unsupported (Prudential) Borrowing	68	47	(21)
Grants	20	14	(6)
Other Contributions	1	1	0
Revenue and Reserves	1	2	1
Capital Receipts	4	3	(1)
<b>Total Funding</b>	<b>94</b>	<b>67</b>	<b>(27)</b>

Of the £67 million, £62 million was added to the value of the Council’s non current assets (before any in-year revaluation) – these are primarily land, buildings and investment properties. The balance of £5 million 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. A summary of capital expenditure in 2018/19 is shown below.

Corporate Plan Theme	Examples of 2018/19 Schemes	Spend £m
Protecting all children and given them the best start in life	Includes early year expansion at Ellacombe and secondary school classrooms	<b>3.2</b>
Working towards a more prosperous Torbay	Completion of employment land at White Rock, EPIC, purchase of land at Edginswell, surrender of land from TCCT and Western Corridor transport scheme.	<b>19.3</b>
Investment Properties	Purchase of Investment Properties in Exeter, Gloucester, Bodmin and Babbacombe	<b>35.2</b>
Ensuring Torbay remains an attractive and safe place to live and visit	Includes spend on capital loan in relation to Clennon Valley leisure centre, structural repair at Brixham Breakwater and toilet refurbishment.	<b>5.6</b>
Protecting and supporting vulnerable adults	Includes spend on a site for extra care housing and Disabled facilities Grants	<b>2.2</b>
Corporate Support	IT purchases and enhancement of office space	<b>1.0</b>
<b>Total</b>		<b>66.5</b>

#### Torbay “Group” Companies – Overview of Financial Performance

The Council has interests in a number of companies as shown in the table below which also includes an overview of these companies’ financial performance in the year, based on draft 2018/19 accounts. On 1<sup>st</sup> April 2019 the TDA acquired the 100% shareholding of a company, CASE consultancy limited.

Entity	Assessed Relationship	Council Shareholding /Control	Turnover £m	Surplus/ (Deficit) for year £m	Property, Plant & Equipm’t £m	Net Equity £m
Torbay Economic Development Company Ltd, trading as TDA.	Subsidiary (Consolidated for the TEDC Group)	100%	7.8	0.1	7.6	0.5
Oldway Mansion Management Co Ltd	Subsidiary	100%	0.1	0	0	0
TOR2 Ltd (30/06/19) – estimated position.	Associate	19.99%	14.4	(0.7)	0.3	(1.4)
CSW Group Ltd (formally Careers SW Ltd) excludes IAS19 pension entries	Associate	25%	9.2	0.5	0	(14.4)
Torbay Housing Companies (not trading in 2018/19)	Subsidiary	100%	-	-	-	-

For the first time in several years the Council has produced group accounts. For the year 2018-19 the values of the Council’s subsidiaries assets and liabilities in relation to the Council’s own balance sheet are small (under 1.5% of Council’s non current assets). However in the future the value of the Council’s interests in related companies may increase.

#### Schools

The Council, as at 31 March 2019, has nine schools (same as 2017/18) that are reflected in the Council’s accounts, both within its Income and Expenditure Statement and its Balance Sheet. These are six primary schools, two secondary schools and one special school. The nine schools by “ownership” are five community schools, one voluntary controlled, one voluntary aided and two foundation. These schools are funded by the Dedicated Schools Grant which for 2018/19 is £37 million compared with £36 million in 2017/18. The level of earmarked school reserves as at 31 March 2019 is £0.9 million compared with £0.8 million in 2017/18. Further detail on school asset recognition and the use of Dedicated School Grant in 2018/19 are included in the notes to the accounts.

#### 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 reports presented to the Council’s Audit Committee. Including:

- 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.

Audit Committee agenda and minutes are available on the Council’s website

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.

### Overview of Financial Performance in 2018/2019

This was again a very challenging financial year for the Council with the requirement to make reductions of £7 million as well as facing increasing demand for children’s social care services. Children’s safeguarding and wellbeing, due primarily to rising numbers and costs, was significantly over its budget allocation by £5.0 million.

The Council is a partner in a three way Risk Share Agreement based on the total financial performance of the Torbay and South Devon NHS Foundation Trust (which operates as an Integrated Care Organisation providing adult social care services for Torbay Council as well as community and adult health services). The risk is shared by the ICO (50% share), South Devon and Torbay Clinical Commissioning Group (41% share) and the Council (9% share). During 2017/18 a revised Risk Share Agreement was agreed where Torbay was excluded from its share of financial risk, but contributed a higher fixed contribution to the ICO.

The additional council tax raised by the 3% increase for social care was earmarked in full for adult social care.

The Council incurred £0.2 million of costs primarily associated with staff exit packages.

The Council has continued to implement its Transformation Programme. The Council established an Investment Fund which has subsequently increased to £200 million with £184m allocated as at March 2019. During the year the Council also spent £35m on six other properties, Woodwater House in Exeter, Twyyver House in Gloucester, The Range in Babbacombe, factory premises in Bodmin, Amazon distribution depot in Exeter and Travel Lodge in Chippenham. The last two are forward purchases with completion on both expected during 2019/20. In addition a loan for a hotel development in Torwood street was signed with drawdowns due throughout 2019/20. The net surplus on these properties will be used to support the Council’s services. The budgeted net surplus in 2019/20 is £3.4m.

The Council, in 2017/18, advanced a proposal for the creation of two housing companies, one to build/sell houses and one to buy/rent houses with all Council-owned companies to be owned by a (Council owned) Holding Company. As at end of March 2019 these were established but not trading. The Council has agreed to borrow £25m to support these companies subject to a viable business case being approved.

Council schools continued to convert to Academy status and are now fully independent of the Council. In Torbay, by 31<sup>st</sup> March 2019, a total of 31 schools had converted with no further conversions in 2018/19.

The Council’s gross expenditure in the year was over £300m for revenue (day to day) spend and over £66m for capital (spend on long term assets such as roads and schools) of which over £35m was the purchase of Investment Properties.

In 2018/19 the Council decided to agree a “pass through” arrangement for the LGPS pension liability for the Council’s subsidiary, TDA. However as at year end a new admission agreement and future employer contribution rates had not been agreed. When introduced in 2019/20 the impact will be to increase the Council’s pension liability by £5m, with a corresponding statutory override to have a net nil impact on the Council’s balance sheet.

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 (i.e. over current and future pensioners lives) with the Council reducing the deficit by its employers’ contributions to the fund over the long term (over 17 years). The next triennial review of the

fund is due to take place as at 31<sup>st</sup> March 2019 with any changes to the Council’s employer contribution rate from April 2020.

The Council’s liability as at 31<sup>st</sup> March 2019 is assessed at £179 million which is a £7m decrease over the previous year (compared to a £16 million decrease in 17/18). This is primarily due to actuarial “remeasurements” of the pension scheme liabilities and assets, offset, in part, by a decreased return on those assets compared to previous actuarial assessments.

There were no significant changes in Torbay’s economy compared to recent years. The uncertainty over Brexit did not appear to have an impact on the Council’s financial position, although the Council is actively monitoring the situation and any impact. Collection rates on NNDR and Council Tax, although both slightly higher, 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.

For 2018/19 there are two changes in IFRS that impacted on the accounting policies relevant to Torbay’s accounts:

Firstly IFRS9 in relation to financial instruments. The only real impact is the accounting treatment of the Council’s £5m holding in the CCLA property fund. Changes in value of the fund are now reflected in the Council’s Comprehensive Income and Expenditure Statement (CIES), however a statutory override has been allowed for a five year period that enable the Council to negate any impact on the taxpayer.

Secondly IFRS15 in relation revenue recognition. This has a minimal impact on the Council. The only change is the delay of the recognition of some planning application fees paid.

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 2018/19 is a deficit of £6m (£26m 17/18). The key reason for this deficit are depreciation and impairment charges of £15m.

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 2018/19. 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 management financial reporting position. This statement shows that the Council’s usable reserves had a net increase of £0.8m. This was primarily a decrease of £2.4m from capital grants and capital receipts to fund capital expenditure in year and a net increase in earmarked revenue reserves of £3.2m linked in part to new reserves associated with specific issues such as Housing First and Brexit and an increase in unused ring fenced grants as at year end.

On the balance sheet there were some significant changes in year. There was a net increase of £59 million in the carrying value of the Council's property, plant and equipment, heritage assets and investment properties. In particular there was a £32 million net increase from investment property purchases. Any borrowing or other liability associated with capital expenditure on these assets in previous years remains with the Council. There was a £7 million decrease in the Council’s pension liability primarily arising from changes in actuarial assumptions used to calculate the liability. The Council’s General Fund reserve

remained at £4.6 million, which is equivalent to 4.1% of the Council’s 2019/20 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 £24m resulting in a net worth of £28 million compared to £3.5m in 2017/18. Of the increase £7m related to the net reduction in the Council’s pension liability and £16m related to the net increase in asset values from revaluations.

Torbay, like a number of other councils, has a low, (or as in a previous year a negative), net worth position primarily as a result of the pension liability. This doesn’t mean Torbay is not a going concern. Councils are required to operate within the framework set out in the Local Government Acts and Torbay will continue to budget for a positive General Fund balance, but is not required to maintain a positive net worth. (When a Council has a negative net worth, this indicates that future taxpayers (whether through Council Tax or indirectly through government grants) will be funding some of the cost of providing services in the past.)

Although it may appear that a low net worth is a concern, it is not as the Pension Liability of £179m does not represent an immediate call on the Authority’s reserves and is a snap-shot valuation in time based on assumptions. The true value of the deficit is assessed on a triennial basis with contribution rates set to recover the balance over the longer-term. This ‘snapshot’ approach to valuing the pension deficit is very volatile as the changes in the value of liability over the past few years in the Council’s accounts has illustrated.

In terms of the Council as a going concern, it is expected that future cash flows, aligned with authority’s budget processes, will provide sufficient resources to finance future liabilities as they fall due.

#### Forward Financial look

The Council has a rolling three year Medium Term Resource Plan which supports service planning for future years. The Government has provided details of its Revenue Support Grant to the Council until 2019/2020 which allows the Council to be able to plan until then with some certainty as its grant reduces. However it is uncertain what the Council’s funding will be from 2020/21 onwards. 2019 is the date of the next national Spending Review which will allocate the total central government funding allocation for local government. In 2020/21 MHCLG intend to introduce a new funding formula to allocate the total funding between councils. In addition MHCLG intend to introduce a 75% NNDR retention system in which local Councils bear 75% of the risks/reward of changes in local NNDR income.

The Medium Term Resource Plan provides details of the number of significant issues and risks that are impacting on the Council, its finances and its service delivery:

- Significant reductions in the Council’s Revenue Support Grant or core funding in 2020/21 and future years depending on the impact of the national Spending Review 2019.
- Ongoing impact of the Living Wage on Council staff and service providers
- 68% of Council net budget is allocated to social care leading to an immense challenge to set robust budgets which enable the Council to provide its statutory services
- Children’s Services had a OFSTED judgment of “inadequate” in July 2018.
- Government reviews, such as a review of national funding distribution between councils and review of school funding, will lead to a very challenging and uncertain period for local government.

- The government intention to allow councils to keep 75% of National Non Domestic Rates (NNDR) income (likely to be from April 2020) and consequent reductions in other grant funding such as the Public Health Grant.
- A number of current grants are not yet confirmed for 2020/21. These include the New Homes Bonus and Troubled Families Grants.
- By 2020, it is likely that Torbay Council will be primarily reliant on Council Tax and NNDR income for its funding meaning that there is a risk of potential variations in income but also a very strong incentive to plan for and achieve tax base growth in both these areas.
- The current Risk Share Agreement to support the integrated delivery of health and social care expires in April 2020.
- The current ten year contract for a range of services such as waste collection with TOR2 ends July 2020.
- Central Government have now recognised, in part, the pressures for adult social care and, in addition to the Council Tax flexibilities, have announced more funding for adult social care via the Improved Better care Fund. This funding has only been announced until 2019/20.
- Whilst there is evidence of some economic recovery within Torbay, 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, demand for some council services will increase along with increased volatility of some income streams such as NNDR income – this will become an increasing risk as Council reliance on these income streams increases.
- Impact on the Council and its residents from the ongoing “roll out” of Universal credit in Torbay that started September 2018.
- Ongoing impact of the demographic trends within Torbay, such as an increasing demand for adult social care and, in particular, for children’s social care plus changes in pupil numbers throughout the area increasing demand for school places.
- The impact on the UK and the Council of the decision to “leave” the European Union is still unclear at present although there is likely to be period of economic and political uncertainty which could impact on future Council funding and income.

The combination of significantly reducing funding and rising demand is a major challenge for the Council as, to achieve the savings required, there will be 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 2020/21 to 2022/23 is £18 million. This is in addition to the £7 million of savings and income required to balance the 2019/20 revenue budget.

The reductions required under the ongoing “Austerity” agenda will inevitably impact on the range of services provided and how these services are provided in the future. The Medium Term Resource Plan provides a summary of projected revenue income and expenditure for the next three financial years.

	2019/20	2020/21	2021/22	2022/23
	£m	£m	£m	£m
Revenue Support Grant, NNDR & Council Tax	(111)	(111)	(111)	(111)
Estimated Expenditure	111	121	125	129
<b>Total Estimated Cumulative Funding Gap</b>	<b>0</b>	<b>10</b>	<b>14</b>	<b>18</b>
In- year Funding Gap	0	10	4	4

To meet this ongoing challenge the Council established a Transformation Board to bring forward and implement a range of transformation projects aimed at meeting the required budget reductions but also, where possible, improve service performance. The Transformation Board considers a wide range of projects which could result in alternative service delivery, alternative levels of service provided and/or service providers.

The Council has an approved Capital Plan that is updated throughout the year with any new funding or schemes. A summary of capital spend (as approved by Council in February 2019) over the next three years, is summarised below.

	2019/20	2020/21	2021/22
	£m	£m	£m
Total Capital Expenditure	91	27	0

### Borrowing and Investments

The Council undertakes borrowing to support its capital expenditure. As at 31 March 2019 the Council had £303 million of borrowing, primarily from the Public Works Loans Board, a net increase of £30m in year. In addition, it had a long term liability of £6 million to the PFI contractor for The Spires (formerly Westlands) and Homelands schools and a liability of £12 million in relation to the Council’s share of the Energy from Waste Facility in Plymouth. The Council had £58 million (£65m in 2017/18) of cash investments at year end with a net debt position of £263 million (compared with £227 million in 2017/18).

The key factor in the significant increase in net debt is a direct result of the Council purchasing Investment Properties, funded by borrowing at historically low levels, to generate an income stream to support the Council’s budget. In 2018/19 the Council spent over £35m on such properties.

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:

	31 March 2018	31 March 2019
	£m	£m
<b>Balance Sheet Values: (principal)</b>		
External Borrowing *	273	<b>303</b>
Long Term Liabilities (PFI)	19	<b>18</b>
External Investments *	(65)	<b>(58)</b>
<b>Net Debt</b>	<b>227</b>	<b>263</b>

<b>Treasury Management Limits:</b>		
Capital Financing Requirement	280	<b>321</b>
Authorised Limit	330	<b>520</b>
Operational Limit	310	<b>470</b>
<b>Revenue Income &amp; Expenditure:</b>	2017/18	<b>2018/19</b>
Interest Receivable	(0.6)	<b>(0.8)</b>
Interest Payable	7.9	<b>9.5</b>
MRP Repayment (including PFI)	3.8	<b>4.8</b>
Ratio of net financing costs to net revenue (excluding revenue contributions to capital).	10%	<b>12%</b>

\* 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 Plan. The Council’s investments and other cash holdings are sufficient to meet the Council’s short term cash requirements for revenue expenditure and any “cash backed” balance sheet items such as reserves and working capital. Additional borrowing to finance the council’s approved capital plan will be required as schemes, financed from borrowing, progress. These include further investment fund purchases, regeneration schemes and potential finance required for the Council’s housing strategy.

#### Significant Provisions, contingencies or insurance contracts

The Council has provisions at year end of £4.2 million (£2.1m million in 17/18) 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 the Council’s share of NNDR appeals.

The Council has given a number of pension guarantees as Council staff transferred to other bodies such as Torbay Development Agency. These are a type of insurance contract and are unlikely to result in a cash payment as long as the other body is solvent. As owner or part owner of several limited companies the Council has some exposure to risk but this is limited by share or guarantee.

Signed by:

Dated: 31 May 2019

Martin Phillips  
 Head of Finance  
 Torbay Council



## **STATEMENT OF ACCOUNTS 2018/19**

## STATEMENT OF ACCOUNTS 2018/19

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## **FINANCIAL CERTIFICATES**

The Statement of Responsibilities for the Statement of Accounts

### **The Council's Responsibilities**

The Council is required:-

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

### **Audit Committee Approval of the Statement of Accounts 2018/19**

I confirm that the Council completed its approval process of the Statement of Accounts 2018/2019 on the 25th September 2019 at a meeting of the Council's Audit Committee.

Councillor Robert Loxton  
Chair of Audit Committee  
25 September 2019

### **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 judgements 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 32 to page 125 and has been prepared in accordance with the accounting policies which are set out, if significant, on pages 99 to 113. In my opinion it is a true and fair view of the financial position of the Council at 31<sup>st</sup> March 2019 and its income and expenditure for the year ended 31<sup>st</sup> March 2019.

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

The Statement of Accounts 2018/19 were authorised for issue on the 31 May 2019. This is also the date up to which events after the balance sheet date have been considered.

Martin Phillips  
Chief Finance Officer  
31 May 2019

The Statement of Accounts 2018/19 were authorised for approval by Members on the 25<sup>th</sup> September 2019 and for publication once the audit opinion has been received. This is also the date up to which events after the balance sheet date will be considered.

Martin Phillips  
Chief Finance Officer  
25 September 2019











## Core Financial Statements

### 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.

2017/18				2018/19			
Gross Exp Restated £m	Gross Income Restated £m	Net Exp Restated £m	Services	Note	Gross Exp £m	Gross Income £m	Net Exp £m
48.4	(10.5)	37.9	Adult's Services		50.9	(12.8)	<b>38.1</b>
92.0	(50.1)	41.9	Children's Services		92.3	(48.9)	<b>43.4</b>
79.8	(70.3)	9.5	Corporate Services	***	76.2	(66.5)	<b>9.7</b>
11.0	(13.6)	(2.6)	Finance	***	4.8	(10.4)	<b>(5.6)</b>
47.0	(18.5)	28.5	Place	***	48.1	(23.7)	<b>24.4</b>
9.9	(0.5)	9.4	Public Health		9.4	(0.3)	<b>9.1</b>
288.1	(163.5)	124.6	<b>Cost Of Services</b>		<b>281.7</b>	<b>(162.6)</b>	<b>119.1</b>
0.9	(1.1)	(0.2)	Other Operating Income & Expenditure	See ** below	1.2	(1.2)	<b>0</b>
7.1	0	7.1	Transfer of schools to academies		0	0	<b>0</b>
21.2	(8.1)	13.1	Financing and Investment Income and Expenditure	11	20.2	(13.2)	<b>7.0</b>
3.9	(122.3)	(118.4)	Taxation and Non-Specific Grant Income and expenditure	12	2.8	(122.9)	<b>(120.1)</b>
321.2	(295.0)	26.2	<b>(Surplus)/Deficit on Provision of Services</b>		<b>305.9</b>	<b>(299.9)</b>	<b>6.0</b>
		(17.1)	(Surplus)/Deficit on revaluation on Non Current Assets (PPE)	26			<b>(20.2)</b>
		3.8	Impairment losses on non current assets charged to the revaluation reserve	26			<b>4.1</b>
		(26.0)	Remeasurement of net defined pension liabilities	40			<b>(14.2)</b>
		(39.3)	<b>Other Comprehensive Income and Expenditure</b>				<b>(30.3)</b>
		(13.1)	<b>Total (Surplus)/Deficit in Comprehensive Income and Expenditure</b>				<b>(24.3)</b>

Note \*\* - includes Brixham Town Council precept of £280,852.

Note \*\*\* Restated for change in management structure

## 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.

<b>2017/18</b>	<b>General Fund Balance</b>	<b>Earmarked General Fund Reserves</b>	<b>Sub Total Revenue Reserves</b>	<b>Capital Receipts Reserve</b>	<b>Capital Grants Unapplied Account</b>	<b>Total Usable Reserves</b>	<b>Unusable Reserves</b>	<b>Total Council Reserves</b>
	£m	£m Note 10	£m	£m Note 9	£m Note 9	£m Note 25	£m Note 26	£m
<b>Balance at 31st March 2017 brought forward</b>	<b>4.6</b>	<b>23.0</b>	<b>27.6</b>	<b>2.1</b>	<b>7.2</b>	<b>36.9</b>	<b>(46.5)</b>	<b>(9.6)</b>
<b>Movement in Reserves during 2017/18</b>								
Surplus or (deficit) on provision of services (accounting basis)	(26.2)	-	(26.2)	-	-	(26.2)	-	(26.2)
Other Comprehensive Expenditure and Income (see C I&E Statement)	-	-	-	-	-	-	39.3	39.3
<b>Total Comprehensive Expenditure and Income</b>	<b>(26.2)</b>	<b>-</b>	<b>(26.2)</b>	<b>-</b>	<b>-</b>	<b>(26.2)</b>	<b>39.3</b>	<b>13.1</b>
Adjustments between accounting basis & funding basis under regulations (Note 9)	28.3	-	28.3	0.7	1.9	30.9	(30.9)	0
<b>Net Increase/Decrease before Transfers to Earmarked Reserves</b>	<b>2.1</b>	<b>0</b>	<b>2.1</b>	<b>0.7</b>	<b>1.9</b>	<b>4.7</b>	<b>8.4</b>	<b>13.1</b>
Transfers (to)/from Earmarked Reserves (Note 10)	(2.1)	2.1	0	-	-	0	-	0
<b>Increase/(Decrease) in Year</b>	<b>0</b>	<b>2.1</b>	<b>2.1</b>	<b>0.7</b>	<b>1.9</b>	<b>4.7</b>	<b>8.4</b>	<b>13.1</b>
<b>Balance at 31st March 2018 carried forward</b>	<b>4.6</b>	<b>25.1</b>	<b>29.7</b>	<b>2.8</b>	<b>9.1</b>	<b>41.6</b>	<b>(38.1)</b>	<b>3.5</b>

## Movement in Reserves Statement

<b>2018/19</b>	<b>General Fund Balance</b>	<b>Earmarked General Fund Reserves</b>	<b>Sub Total Revenue Reserves</b>	<b>Capital Receipts Reserve</b>	<b>Capital Grants Unapplied Account</b>	<b>Total Usable Reserves</b>	<b>Unusable Reserves</b>	<b>Total Council Reserves</b>
	£m	£m Note 10	£m	£m Note 9	£m Note 9	£m Note 25	£m Note 26	£m
<b>Balance at 31st March 2018 brought forward</b>	<b>4.6</b>	<b>25.1</b>	<b>29.7</b>	<b>2.8</b>	<b>9.1</b>	<b>41.6</b>	<b>(38.1)</b>	<b>3.5</b>
<b>Movement in Reserves during 2018/19</b>								
Surplus or (deficit) on provision of services (accounting basis)	(6.0)	0	(6.0)	0	0	(6.0)	0	(6.0)
Other Comprehensive Expenditure and Income (see C I&E Statement)	0	0	0	0	0	0	30.3	30.3
<b>Total Comprehensive Expenditure and Income</b>	<b>(6.0)</b>	<b>0</b>	<b>(6.0)</b>	<b>0</b>	<b>0</b>	<b>(6.0)</b>	<b>30.3</b>	<b>24.3</b>
Adjustments between accounting basis & funding basis under regulations (Note 9)	9.0	0.2	9.2	(2.0)	(0.4)	6.8	(6.8)	0
<b>Net Increase/Decrease before Transfers to Earmarked Reserves</b>	<b>3.0</b>	<b>0.2</b>	<b>3.2</b>	<b>(2.0)</b>	<b>(0.4)</b>	<b>0.8</b>	<b>23.5</b>	<b>24.3</b>
Transfers (to)from Earmarked Reserves (Note 10)	(3.0)	3.0	0	0	0	0	0	0
<b>Increase/(Decrease) in Year</b>	<b>0</b>	<b>3.2</b>	<b>3.2</b>	<b>(2.0)</b>	<b>(0.4)</b>	<b>0.8</b>	<b>23.5</b>	<b>24.3</b>
<b>Balance at 31st March 2019 carried forward</b>	<b>4.6</b>	<b>28.3</b>	<b>32.9</b>	<b>0.8</b>	<b>8.7</b>	<b>42.4</b>	<b>(14.6)</b>	<b>27.8</b>

## 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 2018		31 <sup>st</sup> March 2019	
£m		Note	£m
296.7	Property, Plant & Equipment	13	321.8
32.3	Heritage Assets	14	32.6
115.4	Investment Property	15	148.7
0.5	Intangible Assets		0.4
5.0	Long Term Investments	18	4.9
12.0	Long Term Debtors	19	11.7
461.9	<b>Long Term (Non Current) Assets</b>		<b>520.1</b>
53.8	Short Term Investments	18	51.9
0.4	Assets Held for Sale		0.3
0.1	Inventories		0.1
24.8	Short Term Debtors	19	21.4
7.3	Cash and Cash Equivalents	20	2.6
86.4	<b>Current Assets</b>		<b>76.3</b>
(5.6)	Short Term Borrowing	23	(4.0)
(2.3)	Other Short Term Liabilities	24	(2.2)
(27.6)	Short Term Creditors (inc Receipts in Advance)	21	(26.0)
(1.2)	Capital Grants/Contributions: Receipts in Advance		(4.0)
(2.0)	Provisions	22	(4.1)
(0.9)	Cash and Cash Equivalents	20	(0.5)
(39.6)	<b>Current Liabilities</b>		<b>(40.8)</b>

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31st March 2018		Notes	31st March 2019
£m			£m
(4.6)	Long Term Creditors		(4.5)
(0.1)	Provisions	22	(0.1)
(269.8)	Long Term Borrowing	23	(302.2)
(44.0)	Other Long Term Liabilities	24	(41.8)
(185.9)	Pension Liability	40	(178.6)
(0.8)	Capital Grants/Contributions: Receipts in Advance		(0.6)
(505.2)	<b>Long Term Liabilities</b>		<b>(527.8)</b>
3.5	<b>Net Assets/Liabilities</b>		<b>27.8</b>
41.6	Usable reserves	25	<b>42.4</b>
(38.1)	Unusable Reserves	26	<b>(14.6)</b>
3.5	<b>Total Reserves</b>		<b>27.8</b>
<p>M Phillips Chief Finance Officer 31 May 2019</p> <p>M Phillips Chief Finance Officer 25 September 2019</p>			

## 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.

2017/18				2018/19	
£m	£m		note	£m	£m
	<b>(26.2)</b>	Net surplus or (deficit) on the provision of services, including £9.5m interest paid and (£0.8m) interest received.			<b>(6.0)</b>
<b>43.5</b>		Adjustments to net surplus or deficit on the provision of services for non cash movements	See note below	33.5	
<b>(8.8)</b>		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		(10.3)	
	8.5	<b>Net cash inflows/(Outflow) from Operating Activities</b>			17.2
		<b>Investing Activities:</b>			
<b>(112.7)</b>		Purchase of property, plant and equipment, investment property, heritage and intangible assets	37	(62.1)	
<b>1.2</b>		Proceeds from the sale of property, plant and equipment, investment property and intangible assets		1.1	
<b>(9.1)</b>	(120.6)	Proceeds from short-term and long-term investments	18	11.5	(49.5)
		<b>Financing Activities</b>			
<b>(0.7)</b>		Cash payments for the reduction of the outstanding liabilities relating to transferred debt and on-balance sheet PFI contracts	24	(0.7)	
<b>(0.7)</b>		Council Tax and NNDR adjustments		(1.8)	
<b>119.4</b>	118.0	New borrowing in year	23	30.5	28.0
	5.9	<b>Net increase or (decrease) in cash and cash equivalents</b>			<b>(4.3)</b>

2017/18		2018/19	
£m	Cash and Cash Equivalents	Notes	£m
0.5	Cash and cash equivalents * at the beginning of the reporting period	20	6.4
6.4	Cash and cash equivalents at the end of the reporting period	20	2.1
5.9	<b>Net increase or (decrease) in cash and cash equivalents</b>		<b>(4.3)</b>
*Cash equivalents are short term cash investments that are held for the purpose of meeting short term cash commitments rather than for investment purposes.			
<b>Note: Adjustments to net surplus or deficit on the provision of services for non cash movements</b>			
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			
<b>21.2</b>	Depreciation, Impairment & downward valuations		14.7
<b>6.0</b>	Change in value of Investment Properties		3.2
<b>0.1</b>	Amortisation of Intangible Assets		0.1
<b>5.2</b>	Increase/(Decrease) in Creditors		0.9
<b>(6.7)</b>	(Increase)/Decrease in Debtors including impairment for bad debts		3.4
<b>9.4</b>	Movement in pension liability		6.2
<b>7.8</b>	Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised		1.0
<b>0.5</b>	Other non-cash items charged to the net surplus or deficit on the provision of services		4.0
43.5	<b>Total</b>		<b>33.5</b>

## Notes to the Core Financial Statements

### 1. Changes in Accounting Policy

For 2018/19 there are two changes in IFRS that impacted on the accounting policies relevant to Torbay's accounts:

Firstly IFRS9 in relation to financial instruments. Apart from some changes in the presentation of financial information and the use of an "expected loss" model on assessing values of impairment, the only real impact is the accounting treatment of the Council's £5m holding in the CCLA property fund.

The fund from 1<sup>st</sup> April 2018 was re classified on the Council's balance sheet from an "Available for Sale" asset to be held as an "Fair Value through Profit and Loss" asset. Changes in value of the fund are now reflected in the Council's Comprehensive Income and Expenditure Statement (CIES), however a statutory override has been allowed for a five year period that enable the Council to negate any impact on the taxpayer.

Secondly IFRS15 in relation revenue recognition. This has a minimal impact on the Council. The only change is the delay of the recognition of some planning application fees paid in advance

### 2. Accounting Standards that have been issued but have not yet been adopted

There are no changes in accounting requirements for 2019/20 that are anticipated to have a material impact on the Council's financial performance or financial position.

### 3. Critical Judgements in Applying Accounting Policies

In applying the accounting policies set out in the accounting policy note, 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.
- 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 (5 schools) – assets recognised on balance sheet
  - Voluntary Controlled schools (1 schools) – building, but not land, recognised on balance sheet
  - Voluntary Aided Schools (1 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. There are no significant restrictions or material risks in relation to the schools assets or liabilities.

- 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 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. The Council can only be dissolved by a statutory prescription.

- The Council has a number of pension guarantees to related bodies where the Council could incur a liability if the body becomes insolvent. These are classified as insurance contracts. As at 31 March 2019 there are no issues in relation to the going concern of these bodies. In arriving at this conclusion the Council considered data from the actuary of the pension fund together with the Council's knowledge of the bodies, and made the judgement that the values and risk exposure were not material.

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

The Statement of Accounts contains estimated figures that are based on assumptions made by the Council about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances can't be determined with certainty, actual results could be materially different from the assumptions and estimates. There were no changes in accounting estimates in 2018/19 or expected in future years.

The only item in the Council's balance sheet at 31<sup>st</sup> March 2019 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
<p><b>Pension Liability Value 31/3/19 £179m (£186m 17/18)</b></p>	
<p>The Council's liability as at 31<sup>st</sup> March is based on a number of complex judgements relating to</p> <ul style="list-style-type: none"> <li>• the discount rate used</li> <li>• the rate at which salaries may change</li> <li>• changes in retirement dates</li> <li>• mortality rates</li> <li>• and expected return on pension fund assets.</li> </ul> <p>A firm of pension actuaries are used to provide this information and every three years there is a detailed actuarial review of the fund.</p> <p>The value of pension assets is estimated (by the actuary) based upon information available at the Balance Sheet date, but these valuations may be earlier than the Balance Sheet date. The actual valuations at the Balance Sheet date, which may not be available until sometime later, may give a different value of pension assets, but this difference is not considered to be material.</p>	<p>The effects on the net pension liability of changes in individual assumptions can be measured. For instance, a future 0.1% increase in the discount rate assumption would result in a change in the (gross) pension liability of £9m. Similarly a change in the mortality assumption of 1 year would result in a change of £17m. However, the assumptions interact in complex ways. The actuary advised that, during 2018/19, the net pensions' liability had decreased by £7m. In part this was a result of estimates being corrected as a result of "experience" updating of actuarial assumptions. A table on sensitivity of assumptions is included in the Pensions Note.</p>

## 5. Expenditure and Funding Analysis

This statement shows how annual expenditure is used and funded from resources (government grants, council tax and business rates) by local authorities in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the council's services. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

2017/18				2018/19		
Net Expend Chargeable To the General Fund (Restated)	Adjustments between the Funding and Accounting Basis (Restated)	Net Expenditure in the Comprehensive Income and Expenditure Statement (Restated)	Services	Net Expend Chargeable to the General Fund	Adjustments between the Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement
£m	£m	£m		£m	£m	£m
38.8	(0.9)	37.9	Adult's Services	40.0	(1.9)	38.1
31.9	10.0	41.9	Children's Services	36.9	6.5	43.4
10.4	(0.9)	9.5	Corporate Services	7.2	2.5	9.7
(1.6)	(1.0)	(2.6)	Finance	(2.9)	(2.7)	(5.6)
21.6	6.9	28.5	Place	21.5	2.9	24.4
9.6	(0.2)	9.4	Public Health	9.3	(0.2)	9.1
110.7	13.9	124.6	<b>Cost Of Services</b>	<b>112.0</b>	<b>7.1</b>	<b>119.1</b>
0	(0.2)	(0.2)	Other Operating Income & Expenditure	0	0	0
0	7.1	7.1	Transfer of schools to academies	0	0	0
0	13.1	13.1	Financing and Investment Income and Expenditure	0	7.0	7.0
(110.7)	(7.7)	(118.4)	Taxation and Non-Specific Grant Income and expenditure	(112.0)	(8.1)	(120.1)
0	26.2	26.2	<b>(Surplus)/Deficit on Provision of Services</b>	<b>0</b>	<b>6.0</b>	<b>6.0</b>

Note: General Fund Opening Balance as at 31 March 2018 £4.6m and Closing Balance as at 31 March 2019 £4.6m

## 6. Events after the Reporting Period

There are none to report. Events taking place after the 31 May 2019 are not reflected in the financial statements.

## 7. Expenditure and Income Analysis

### a) Adjustments between Funding and Accounting Basis

Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts.

2017/18					2018/19			
Adjustments for Capital Purposes (Restated)	Net change for the Pensions Adjustments (Restated)	Other Differences (Restated)	Total adjustments (Restated)		Adjustments for Capital Purposes	Net change for the Pensions Adjustments	Other Differences	Total adjustments
£m	£m	£m	£m		£m	£m	£m	£m
0.8	0	(1.7)	(0.9)	Adult's and Housing Services	(0.2)	0	(1.7)	<b>(1.9)</b>
7.8	0	2.2	10.0	Children's Services	4.9	0	1.6	<b>6.5</b>
(0.7)	0	(0.2)	(0.9)	Corporate Services	(0.5)	0	3.0	<b>2.5</b>
0.9	3.8	(5.7)	(1.0)	Finance	(3.9)	1.5	(0.3)	<b>(2.7)</b>
9.5	0	(2.6)	6.9	Place	7.8	0	(4.9)	<b>2.9</b>
0	0	(0.2)	(0.2)	Public Health	0	0	(0.2)	<b>(0.2)</b>
18.3	3.8	(8.2)	13.9	<b>Net Cost Of Services</b>	8.1	1.5	(2.5)	<b>7.1</b>
5.4	5.4	1.5	12.3	Other income and expenditure from Expenditure and Funding Analysis	(4.5)	4.6	(1.2)	<b>(1.1)</b>
23.7	9.2	(6.7)	26.2	<b>Difference between General Fund (surplus)/deficit and Comprehensive Income and Expenditure Statement (surplus)/deficit on the Provision of Services</b>	3.6	6.1	(3.7)	<b>6.0</b>

## 8. Expenditure and Income Analysed by Nature

The authority's expenditure and income is analysed as follows:-

2017/18		2018/19
£m		£m
	<b>Expenditure</b>	
58.2	Employee benefits expenses	59.0
222.6	Other services expenses	215.6
1.6	Support service recharges	0
21.2	Depreciation, amortisation, impairment	14.8
9.5	Interest payments	15.6
0.4	Precepts and levies	0.4
7.7	Written out of accounts on the disposal of assets	0.5
<b>321.2</b>	<b>Total Expenditure</b>	<b>305.9</b>
	<b>Income</b>	
(34.9)	Fees, charges and other service income	(36.2)
(1.6)	Support service recharges	0
(9.2)	Financing & Investment Income and Other Operating Income	(14.4)
(98.5)	Council tax and non domestic rates	(97.4)
(150.8)	Government grants and contributions	(151.9)
<b>(295.0)</b>	<b>Total Income</b>	<b>(299.9)</b>
<b>26.2</b>	<b>(Surplus) or Deficit on the Provision of Service</b>	<b>6.0</b>

## Segmental Income of Fees, charges and other service income

Income received on a segmental basis, primarily from external customers, is analysed below:

2017/18		2018/19
£m		£m
(4.4)	Adult's Services	(4.5)
(4.2)	Children's Services	(4.3)
(7.3)	Corporate Services	(7.5)
(0.3)	Finance	0
(18.2)	Place	(19.7)
(0.5)	Public Health	(0.2)
<b>(34.9)</b>	<b>Total income analysed on a segmental basis</b>	<b>(36.2)</b>

## 9. 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.

2017/18							2018/19					
Usable Reserves			Unusable Reserves				Usable Reserves			Unusable 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
<b>Adjustments involving the Capital Adjustment Account:</b>												
<b>Reversal of items debited or credited to the Comprehensive Income &amp; Expenditure Statement (CI&amp;E):</b>												
<u>Items relating to capital expenditure</u>												
(21.2)	-	-	<b>21.2</b>	-	-	Charges for depreciation and impairment of non current assets	(14.7)			14.7	-	-
0	-	-	<b>0</b>	-	-	Amortisation of intangible assets	(0.1)			0.1	-	-
(3.0)	-	-	<b>3.0</b>	-	-	Revenue expenditure funded from capital under statute	(3.8)	0.3		3.5	-	-
(7.7)	-	-	<b>7.7</b>	-	-	Amounts of non current assets written off on disposal/sale as part of the gain/loss on disposal to the CI&E statement	(0.5)			0.5	-	-
0.1	-	-	<b>(0.1)</b>	-	-	Notional Rent Credit	<b>0.1</b>			(0.1)	-	-
(31.8)	<b>0</b>	<b>0</b>	<b>31.8</b>	-	-	c/f	<b>(19.0)</b>	<b>0.3</b>	<b>0</b>	<b>18.7</b>	<b>0</b>	<b>0</b>

Usable Reserves						Unusable Reserves						Usable Reserves						Unusable Reserves					
General Fund	Capital Receipts	Capital Grants Unappl'd	CAA	Pension	Other	General Fund	Capital Receipts	Capital Grants Unappl'd	CAA	Pension	Other	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	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
(31.8)	0	0	31.8		-	b/f	(19.0)	0.3	0	18.7	0	0											
0.8	-	-	(0.8)		-	Deferred Credit re Energy From Waste	0.8	-	-	(0.8)	-	-											
						<u>Other</u>																	
(6.0)	-	-	6.0		-	Movement in the fair value of Investment Properties and AHFS	(3.8)	-	-	3.8	-	-											
						<u>Items relating to capital financing applied in the year</u>																	
6.5	-	-	(6.5)			Capital Grants and Contributions Applied	5.7	-	-	(5.7)	-	-											
						<b>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement</b>																	
						<u>Items relating to capital financing applied in the year</u>																	
3.8	-	-	(3.8)			Provision for the financing of capital investment	4.8	-	-	(4.8)	-	-											
1.2	-	-	(1.2)			Capital expenditure charged against the General Fund	2.7	-	-	(2.7)	-	-											
(25.5)	0	0	25.5		-	c/f	(8.8)	0.3	0	8.5	0	0											

Usable Reserves			Unusable Reserves					Usable Reserves			Unusable Reserves		
General Fund	Capital Receipts	Capital Grants Unappl'd	CAA	Pension	Other		General Fund	Capital Receipts	Capital Grants Unapplied	CAA	Pension	Other	
£m	£m	£m	£m	£m	£m		£m	£m	£m	£m	£m	£m	
(25.5)	0	0	25.5	0	0	b/f	(8.8)	0.3	0	8.5	0	0	
<b>Adjustments involving Capital Grant Unapplied Account</b>													
5.8	-	(5.8)	-	-	-	Capital Grants & Contributions unapplied credited to the CI&E Statement	5.0	-	(5.0)	0	-	-	
-	-	3.9	(3.9)	-	-	Application of (prior year) Grants to capital financing applied in the year transferred to the Capital Adjustment Account	-	-	5.4	(5.4)	-	-	
<b>Adjustments involving the Capital Receipts Reserve:</b>													
1.0	(1.0)	-	-	-	-	Transfer of sale proceeds credited as part of the gain/loss on disposal to the CI&E Statement	1.2	(1.2)	-	-	-	-	
-	0.3	-	(0.3)	-	-	Use of the Capital Receipts Reserve to finance new capital expenditure applied in the year	0	2.9	-	(2.7)	-	-	
<b>Adjustments involving the Pensions Reserve:</b>													
(18.7)	(0.7)	(1.9)	21.3	0	0	c/f	(2.6)	2.0	0.4	0.4	0	0	



Usable Reserves			Unusable Reserves					Usable Reserves			Unusable 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	
(18.7)	(0.7)	(1.9)	21.3	0	0	b/f	(2.6)	2.0	0.4	0.4	0	0	
(16.8)	-	-	-	16.8	-	Reversal of items relating to retirement benefits debited or credited to the CI&E Statement (see Note 38)	(13.7)	-	-	-	13.7	-	
7.6	-	-	-	(7.6)	-	Employer's pensions contributions and direct payments to pensioners payable in the year	7.5	-	-	-	(7.5)	-	
<b>Adjustments involving the Collection Fund</b>													
<b>Adjustment Account:</b>													
(0.4)	-	-	-	-	0.4	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	(0.5)	-	-	-	-	0.5	
<b>Adjustment involving the Accumulated Absences Account</b>													
(28.3)	(0.7)	(1.9)	21.3	9.2	0.4	c/f	(9.3)	2.0	0.4	0.4	6.2	0.5	

Usable Reserves			Unusable Reserves				Usable Reserves			Unusable 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
(28.3)	(0.7)	(1.9)	21.3	9.2	0.4	b/f	(9.3)	2.0	0.4	0.4	6.2	0.5
0	-	-	-	-	0	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	0.1	-	-	-	-	(0.1)
<b>Adjustment involving the Financial Instruments Adjustments Account</b>												
0	-	-	-	-	0	Amount by which financial instruments charged to the CI&E Statement are different from amounts chargeable in the year in accordance with statutory requirements	0.2	-	-	-	-	(0.2)
(28.3)	(0.7)	(1.9)	21.3	9.2	0.4	<b>Total Adjustments per MIRS</b>	(9.0)	2.0	0.4	0.4	6.2	0.2
<i>Memo items:-</i>												
(26.2)	-	-	-	-	-	<i>Surplus/(Deficit) on Provision of Services</i>	(6.0)	-	-	-	-	-
(2.1)	-	-	-	-	-	<i>Movement in earmarked reserves</i>	(3.0)	(0.2)	-	-	-	-

-	-	-	-	<b>(26.0)</b>	-	<i>Other Comprehensive Income and Expenditure: Remeasurement of net defined pension liability</i>	-	-	-	-	<b>(14.2)</b>	-
-	-	-	<b>(3.5)</b>	-	-	<i>Other movement on the Capital Adjustment Account - Adjusting amounts written out of the revaluation reserve to the Capital Adjustment Account</i>	-	-	-	<b>(1.2)</b>	-	-
<b>0</b>	-	-	<b>17.8</b>	<b>(16.8)</b>	-	<b>Total Movement in year</b>	<b>0</b>	-	-	<b>(0.8)</b>	<b>(8.0)</b>	-

## 10. 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 2018/19.

	Balance at 31 March 2017 £m	Transfer Out 2017/18 £m	Transfer In 2017/18 £m	Balance at 31 March 2018 £m	Transfer Out 2018/19 £m	Transfer In 2018/19 £m	Balance at 31 March 2019 £m
Reserves:-							
earmarked for General Expenditure	4.5	(1.7)	0.8	3.6	(1.1)	2.4	4.9
earmarked for specific issues	6.0	(1.3)	4.5	9.2	(1.0)	2.3	10.5
to reflect timing of expenditure	3.7	(3.5)	3.4	3.6	(1.7)	2.2	4.1
to support Capital expenditure	2.1	(0.2)	1.0	2.9	(1.3)	0.0	1.6
School Related Reserves	0.2	0	0	0.2	0.0	0.0	0.2
Schools' Balances (held under a delegation scheme)	1.9	(1.9)	0.8	0.8	(0.8)	0.9	0.9
Ring Fenced	4.6	(1.5)	1.7	4.8	(5.2)	6.5	6.1
<b>Total</b>	<b>23.0</b>	<b>(10.1)</b>	<b>12.2</b>	<b>25.1</b>	<b>(11.1)</b>	<b>14.3</b>	<b>28.3</b>

## 11. Financing and Investment Income and Expenditure

2017/18 £m		2018/19 £m
9.5	Interest payable and similar charges	11.0
5.4	Net interest on net defined pension liability	4.6
(1.4)	Interest receivable and similar income	(1.5)
0.2	Income and expenditure in relation to investment properties and changes in their fair value	(5.5)
(0.6)	Gain from Devon wide NNDR Pool (NNDR Pilot in 2018/19)	(1.6)
13.1	<b>Total</b>	<b>7.0</b>

## 12. Taxation and Non Specific Grant Income

2017/18		2018/19
£m		£m
(60.9)	Council tax Income	(65.8)
(31.9)	Retained income from rate retention scheme	(30.4)
(2.2)	Collection Fund – NNDR & Council Tax	(1.7)
0.4	Collection Fund Adjustment Account	0.5
(16.6)	Non-ring fenced government grants	(15.0)
(7.2)	Capital grants and contributions	(7.7)
(118.4)	Total	<b>(120.1)</b>

## 13. 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 2018/19, and the prior year 2017/18, in Property, Plant and Equipment by category of assets is shown in the tables below:

2017/18								
	Other Land & Buildings	Vehicles, Plant & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant & Equipment	PFI Assets in P, P & E
	£m	£m	£m	£m	£m	£m	£m	£m
<b>Cost or Valuation</b>								
<b>As at 1<sup>st</sup> April 2017</b>	<b>201.0</b>	<b>17.1</b>	<b>127.1</b>	<b>8.6</b>	<b>1.0</b>	<b>0.6</b>	<b>355.4</b>	<b>55.5</b>
Additions	6.3	0.1	6.5	0.6	0	2.4	<b>15.9</b>	0.1
Revaluation increases/ (decreases) recognised in the Revaluation Reserve	8.1	0	0	0	0	0	<b>8.1</b>	0.3
Revaluation Increases/ (decreases) recognised in the Surplus/Deficit on the Provision of Services	(13.3)	0	0	(0.1)	0	0	<b>(13.4)</b>	(9.0)
Derecognition – Disposals	(7.8)	0	0	0	0	0	<b>(7.8)</b>	0
Assets reclassified (to)/from Held for Sale	0	0	0	0	(0.4)	0	<b>(0.4)</b>	0
Other movements in Cost or Valuation	(0.4)	0	0	0	0.5	0	<b>0.1</b>	0
<b>As at 31<sup>st</sup> March 2018</b>	<b>193.9</b>	<b>17.2</b>	<b>133.6</b>	<b>9.1</b>	<b>1.1</b>	<b>3.0</b>	<b>357.9</b>	<b>46.9</b>
<b>Accumulated Depreciation and Impairment</b>								
<b>As at 1<sup>st</sup> April 2017</b>	<b>(9.9)</b>	<b>(14.8)</b>	<b>(32.2)</b>	<b>(0.6)</b>	<b>0</b>	<b>0</b>	<b>(57.5)</b>	<b>(2.3)</b>
Depreciation charge	(4.2)	(0.6)	(4.6)	(0.1)	0	0	<b>(9.5)</b>	(1.4)
Depreciation written out to the Revaluation Reserve	3.6	0	0	0	0	0	<b>3.6</b>	2.0
Revaluation Increases/ (decreases) recognised in the Surplus/Deficit on the Provision of Services	1.8	0	0	0	0	0	<b>1.8</b>	1.3
Derecognition – Disposals	0.4	0	0	0	0	0	<b>0.4</b>	0
Other movements in Depreciation and Impairment	0	0	0	0	0	0	<b>0</b>	0
<b>As at 31<sup>st</sup> March 2018</b>	<b>(8.3)</b>	<b>(15.4)</b>	<b>(36.8)</b>	<b>(0.7)</b>	<b>0</b>	<b>0</b>	<b>(61.2)</b>	<b>(0.4)</b>
<b>Net Book Value:-</b>								
<b>As at 31<sup>st</sup> March 2018</b>	<b>185.6</b>	<b>1.8</b>	<b>96.8</b>	<b>8.4</b>	<b>1.1</b>	<b>3.0</b>	<b>296.7</b>	<b>46.5</b>
As at 31 <sup>st</sup> March 2017	<b>191.1</b>	<b>2.3</b>	<b>94.9</b>	<b>8.0</b>	<b>1.0</b>	<b>0.6</b>	<b>297.9</b>	<b>53.2</b>

2018/19	Other Land and Buildings	Vehicles, Plant & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant & Equipment	PFI Assets in P, P & E
	£m	£m	£m	£m	£m	£m	£m	£m
<b>Cost or Valuation</b>								
<b>As at 1<sup>st</sup> April 2018</b>	<b>193.9</b>	<b>17.2</b>	<b>133.6</b>	<b>9.1</b>	<b>1.1</b>	<b>3.0</b>	<b>357.9</b>	<b>46.9</b>
Additions	8.1	0.5	8.2	0.1	0	9.3	<b>26.2</b>	0.2
Revaluation increases/ (decreases) recognised in the Revaluation Reserve	11.5	0	0	0	(0.2)	0	<b>11.3</b>	1.4
Revaluation Increases/ (decreases) recognised in the Surplus/Deficit on the Provision of Services	(6.0)	0	0	0	(0.1)	0	<b>(6.1)</b>	0
Derecognition – Disposals	(0.6)	(0.9)	0	0	0	0	<b>(1.5)</b>	0
Assets reclassified (to)/from Held for Sale	0	0	0	0	0	(0.1)	<b>(0.1)</b>	0
Other movements in Cost or Valuation	0.1	0	0	0	0.1	(1.4)	<b>(1.2)</b>	0
<b>As at 31<sup>st</sup> March 2019</b>	<b>207.0</b>	<b>16.8</b>	<b>141.8</b>	<b>9.2</b>	<b>0.9</b>	<b>10.8</b>	<b>386.5</b>	<b>48.5</b>
<b>Accumulated Depreciation and Impairment</b>								
<b>As at 1<sup>st</sup> April 2018</b>	<b>(8.3)</b>	<b>(15.4)</b>	<b>(36.8)</b>	<b>(0.7)</b>	<b>0</b>	<b>0</b>	<b>(61.2)</b>	<b>(0.4)</b>
Depreciation charge	(4.5)	(0.5)	(5.0)	(0.1)	0	0	<b>(10.1)</b>	(1.5)
Depreciation written out to the Revaluation Reserve	3.7	0	0	0	0	0	<b>3.7</b>	1.2
Revaluation Increases/ (decreases) recognised in the Surplus/Deficit on the Provision of Services	2.0	0	0	0	0	0	<b>2.0</b>	0
Derecognition – Disposals	0	0.9	0	0	0	0	<b>0.9</b>	0
Other movements in Depreciation and Impairment	0	0	0	0	0	0	<b>0</b>	0
<b>As at 31<sup>st</sup> March 2019</b>	<b>(7.1)</b>	<b>(15.0)</b>	<b>(41.8)</b>	<b>(0.8)</b>	<b>0</b>	<b>0</b>	<b>(64.7)</b>	<b>(0.7)</b>
<b>Net Book Value:-</b>								
<b>As at 31<sup>st</sup> March 2019</b>	<b>199.9</b>	<b>1.8</b>	<b>100.0</b>	<b>8.4</b>	<b>0.9</b>	<b>10.8</b>	<b>321.8</b>	<b>47.8</b>
As at 31 <sup>st</sup> March 2018	185.6	1.8	96.8	8.4	1.1	3.0	296.7	46.5

**Contractual Commitments for the acquisition of Property, Plant and Equipment as at 31<sup>st</sup> March 2019**

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 £27.3m.

Contract	Purpose	Total Commitments £m	2019/20 £m	2020/21 £m
	<b>Expenditure on Council Assets:</b>			
<b>Education</b>				
New Paignton Primary School	Contribution to site acquisition for new Free School	0.6	0.6	0
<b>Transport</b>				
South Devon Highway	Major investment to provide new road to alleviate congestion and ease traffic flow to and from Torbay.	1.9	1.0	0.9
Western Corridor	Road widening and improvement scheme	1.2	1.0	0.2
<b>Regeneration</b>				
Brixham Breakwater	Major structural repairs following storm damage	1.9	1.9	0
Oxen Cove Landing Jetty	Investment to improve fish landing facilities	1.7	1.5	0.2
<b>Investment Properties</b>	Commitment to purchase properties in Exeter and Chippenham	19.1	19.1	0
	<b>Total Significant Commitments</b>	<b>26.4</b>	<b>25.1</b>	<b>1.3</b>

**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 1<sup>st</sup> 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 2019	87.4
31 March 2018	54.9
31 March 2017	23.0
31 March 2016	25.6
31 March 2015	16.0
Total Cost or Valuation of Other Land & Buildings	<b>206.9</b>



## 14. 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
31 <sup>st</sup> March 2017	7.9	0.2	22.5	30.6
Additions	0	0	0.1	0.1
Revaluation increases/(decreases) recognised in the Revaluation Reserve	0.2	0	1.4	1.6
<b>31st March 2018</b>	<b>8.1</b>	<b>0.2</b>	<b>24.0</b>	<b>32.3</b>
Additions	0	0	0.1	0.1
Revaluation increases/(decreases) recognised in the Revaluation Reserve	(0.3)	0	0.5	0.2
<b>31st March 2019</b>	<b>7.8</b>	<b>0.2</b>	<b>24.6</b>	<b>32.6</b>

### Fine Arts Collection

Includes exhibits held at Torre Abbey. The valuation was undertaken by external valuers, Bearnese, in 2010 but the exhibits held at Torre Abbey were valued by Bearnese in 2016. The collection includes William Holman Hunt's "The Children's Holiday". 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.

### 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 £20m. 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.

### 15. Investment Properties

Properties that are held by the Council primarily for investment returns and capital appreciation. Heading includes investment properties "under construction" of £2.4m.

Gross rent income relating to these properties in 2018/19 was £9m, (£5m 17/18) with operating costs of £0.3m (£0.3m 17/18).

31 <sup>st</sup> March 2018		31 <sup>st</sup> March 2019
£m		£m
25.0	Opening Balance	<b>115.4</b>
96.4	Purchases in year	<b>36.5</b>
(6.0)	Movements in value in year	<b>(3.2)</b>
115.4	<b>Total</b>	<b>148.7</b>

## 16. Financial Instruments

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

31 <sup>st</sup> March 2018			31 <sup>st</sup> March 2019	
Non Current	Current		Non Current	Current
£m	£m		£m	£m
		<b>Investments</b>		
0.1	42.5	Loans and receivables (at amortised cost)	<b>0</b>	<b>40.5</b>
4.9	0	Available-for-sale financial assets (not applicable from April 2018)	-	-
0	11.3	Financial assets at fair value through profit and loss	<b>4.9</b>	<b>11.4</b>
5.0	53.8	<b>Total investments</b>	<b>4.9</b>	<b>51.9</b>
		<b>Cash &amp; Cash Equivalents</b>		
0	0.1	Cash in hand and Bank (net)	<b>0</b>	<b>0.5</b>
0	6.3	Loans and receivables (at amortised cost)	<b>0</b>	<b>1.7</b>
0	6.4	<b>Total Cash &amp; Cash Equivalents</b>	<b>0</b>	<b>2.1</b>
		<b>Debtors</b>		
12.0	22.3	Financial assets carried (at amortised cost)	<b>11.8</b>	<b>19.1</b>
12.0	22.3	<b>Total Debtors</b>	<b>11.8</b>	<b>19.1</b>
		<b>Borrowings/Liabilities</b>		
(269.8)	(5.6)	Financial liabilities (at amortised cost)	<b>(302.2)</b>	<b>(4.0)</b>
(269.8)	(5.6)	<b>Total borrowings</b>	<b>(302.2)</b>	<b>(4.0)</b>
		<b>Other Long Term Liabilities</b>		
(18.2)	(0.7)	PFI liability (at amortised cost)	<b>(17.5)</b>	<b>(0.7)</b>
(18.2)	(0.7)	<b>Total other long term liabilities</b>	<b>(17.5)</b>	<b>(0.7)</b>
		<b>Creditors</b>		
(2.2)	(20.4)	Financial liabilities (at amortised cost)	<b>(1.8)</b>	<b>(18.2)</b>
(2.2)	(20.4)	<b>Total Creditors</b>	<b>(1.8)</b>	<b>(18.2)</b>
(273.2)	55.8	<b>Total All Financial Instruments</b>	<b>(304.8)</b>	<b>50.2</b>

During the year the Council has reclassified its holding in the CCLA property fund in accordance with IFRS9 as Fair Value through Profit and Loss. The Council has not 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 recognised in Income & Expenditure Account	Interest rate determinable on 1 <sup>st</sup> April.

Financial Instrument	Basis of measurement	Note
Investments – Enhanced Money Market Fund	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.	Carrying value of the fund at 31 <sup>st</sup> March is the fair value of the Fund.
Investments – CCLA Property Fund	Treated as a Financial Instrument at Fair Value through Profit and Loss.	Carrying value of the fund at 31 <sup>st</sup> March is the fair value of the Fund. Dividends due in year are recognised in CIES. In addition changes to the fair value of the fund are accounted for in the Income and Expenditure Account with a statutory override reversing the impact of these movements in the MIRS.
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 and fixed rate Market 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 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.
Council Subsidiary Companies	Held at initial investment (i.e. value of shares)	

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.

The Council under IFRS9 has designated its holding in one of its subsidiaries, Torbay Development Agency as an “investment in an equity instrument designated at fair value through other comprehensive income”. Where the purpose of the subsidiary is primarily to provide services on behalf of the council including strategic economic development purposes, the initial

and subsequent recognition of the Council's investment in its subsidiaries is at the nominal value of the shares held. Where a subsidiary company has its own subsidiary companies the investment will continue to be at the nominal value of the shares held.

## Income, Expense, Gains and Losses

	2017/18					2018/19			
	Financial Liabilities	Financial Assets		Available For Sale Assets	Total	Financial Liabilities	Financial Assets		Total
	Liabilities measured at amortised cost	Loans and receivables	Assets at Fair Value through Profit and Loss			Liabilities measured at amortised cost	Loans and receivables	Assets at Fair Value through Profit and Loss	
£m	£m	£m	£m	£m	£m	£m	£m	£m	
Interest expense	4.9	-	-	-	4.9	<b>6.2</b>	-	-	<b>6.2</b>
Reductions in fair value re interest due	3.0	-	-	-	3.0	<b>3.3</b>	-	-	<b>3.3</b>
<b>Total expense in Surplus or Deficit on the Provision of Services</b>	7.9	-	-	-	7.9	<b>9.5</b>	-	-	<b>9.5</b>
Interest income	-	(0.1)	0	0	(0.1)	-	<b>(0.3)</b>	<b>(0.2)</b>	<b>(0.5)</b>
Increases in fair value	-	(0.1)	(0.1)	(0.2)	(0.4)	-	<b>(0.1)</b>	<b>(0.2)</b>	<b>(0.3)</b>
<b>Total income in Surplus or Deficit on the Provision of Services</b>	-	(0.2)	(0.1)	(0.2)	(0.5)	-	<b>(0.4)</b>	<b>(0.4)</b>	<b>(0.8)</b>
<b>Net gain/(loss) for the year</b>	7.9	(0.2)	(0.1)	(0.2)	7.4	<b>9.5</b>	<b>(0.4)</b>	<b>(0.4)</b>	<b>8.7</b>

### **Fair Values of Assets and Liabilities**

Financial liabilities and 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 financial assets that are short term, “cash accounts” or are held at their carrying value as at 31<sup>st</sup> March the carrying amount is a reasonable approximation of fair value. The fair value of debtors and creditors is taken to be the invoiced or billed amount

For PWLB debt, with a carrying value of £296.1m (£265.3m 17/18), the fair value of £346.4m (£309.2m 17/18) has been assessed by using PWLB discount rates (certainty rate) for new loans as at 31<sup>st</sup> March 2019, and then matched, as appropriate, to the duration on an existing maturity. No early repayment or impairment is recognised. For non PWLB loans, with a carrying value of £10.1m (£10.1m 17/18), the fair value of £17.5m (£17.2m 17/18) has been assessed by using discount rates of similar length and structure with a comparable lender as at 31<sup>st</sup> March 2019. 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 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 31<sup>st</sup> March 2019 of £413.0m (£369.5m 17/18). This is higher than the fair value PWLB amount of £346.4m (£309.2m 17/18) 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 8.5 years on its 25 year School PFI contract for the construction element. The fair value of the liability as at 31/3/19 of £7.6m (£8.1m 17/18) 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 20.5 years on its 25 year Energy from Waste PFI contract for the construction element. The fair value of the liability as at 31/3/19 of £25.1m (£25.3m 17/18) has been assessed using Level Two inputs using a PWLB annuity discount rate, i.e. an input other than quoted prices that are observable.

## **17. Nature and Extent of Risks Arising from Financial Instruments**

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

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

The Council’s overall risk management programme (as outlined in its Treasury Management Strategy) focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services. Risk management is carried out by the Council’s treasury team, under policies and practices approved by full Council in March

2010 and updated in February 2019. 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 and Counterparty 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.

Asset Type	Credit Risk Management	Estimation of Impairment Loss
Loans to other authorities	Guaranteed by statute	No allowance required
Banks and financial institutions	Deposits are restricted in line with Council's approved Treasury Strategy.	No historic or forecast losses.
Loans (see note 19)	All loans subject to internal risk appraisal, where appropriate guarantees and/or security is obtained in event of default.	No historic or forecast losses One loan to subsidiary One loan to public sector body
Other Debtors	Debtors are not subject to internal credit ratings and have been grouped for the purposes of calculating expected losses	Expected credit losses (impairment) estimated based on age and type of debt.

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.



2018/19	Value as at 31st March 2019 £m	Fitch rating A	Fitch rating AA	Fitch rating AAA	Historical experience of default %	Historical experience adjusted for market conditions as at 31 <sup>st</sup> March 2019 %	Estimated maximum exposure to default and uncollectability at 31 <sup>st</sup> March 2019 £m
Deposits with banks and other financial institutions	28.1	15.4	0.3	12.4	0	0	0
Deposits held in Enhanced Money Market Fund	11.4	0	0	11.4	0	0	0
Deposits held with other public sector bodies	14.0	n/a as public sector			0	0	0
Units purchased in CCLA Property Fund	4.9	0	0	4.9	0	0	0
Trade and other Receivables, excluding loans (Sundry, Beach Huts & Harbour Debt)	4.0	Not applicable			1	0	0.2

The Council does not generally allow credit to customers. Within the Council's sundry debt total of £4.0m (£3.3m 17/18), £0.5m (£0.4m 17/18) is over three months due for payment. The past due amount can be analysed by age as follows:

31 <sup>st</sup> March 2018		31 <sup>st</sup> March 2019
£m		£m
2.9	Less than 3 months	3.5
0.1	Three months to one year	0.3
0.3	More than one year	0.2
3.3	Total	<b>4.0</b>

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.

### Liquidity Risk

As the Council has ready access to borrowings from the Public Works Loans Board and short term funding facilities with its Bankers, 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:

31 <sup>st</sup> March 2018		31 <sup>st</sup> March 2018
£m		£m
5.6	Less than one year	4.0
0.6	Between one and two years	3.6
9.9	Between two and five years	13.9
17.8	Between five and ten years	24.4
54.9	Between ten and twenty years	58.9
29.5	Between twenty and thirty years	50.4
157.1	Above thirty years	151.0
<b>275.4</b>	<b>Total</b>	<b>306.2</b>

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 31<sup>st</sup> March 2019 the Council didn't have any PWLB borrowing at variable interest rates however the Council does have £5m in a 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 31<sup>st</sup> March 2019 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 31<sup>st</sup> March 2019 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 manager should increase by the change in interest rates. If the Council's investment in these instruments were maintained at the level as at 31<sup>st</sup> March 2018 for a full financial year, this would generate an additional £0.6m over a year if rates increase by 1%. 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. Of these, only the Council's minority shareholding in TOR2 could lead to a realised share of profits. The Council's holding in the CCLA property fund will vary in price depending on the Fund's performance.

**Foreign Exchange Risk**

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

**18. Investments**

**Long Term Investments**

Long term investments comprise any cash investments the Council has made with a maturity in excess of one year primarily an investment in a Property Fund managed by the CCLA.

2017/18		2018/19		
Cash Investments	Other Investment		Cash Investment	Other Investment
£m	£m		£m	£m
12.0	3.0	<b>Balance at start of year:</b>	<b>0</b>	<b>5.0</b>
(12.0)	2.0	Change in Investment in year	0	(0.1)
0	5.0	<b>Fair Value as at 31<sup>st</sup> March</b>	<b>0</b>	<b>4.9</b>

**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.

Total Invested 31st March 2018 £ m		Total Invested 31st March 2019 £ m
	Short Term Investments (less than 1 year)	
22.0	Deposits: fixed term & structured	<b>28.0</b>
20.3	Notice\Call Accounts	<b>12.4</b>
11.0	Enhanced Money Market Fund *	<b>11.0</b>
53.3	<b>Total Short Term Investments</b>	<b>51.4</b>
53.8	<i>Fair Value as at 31<sup>st</sup> March - including interest due</i>	51.9

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

## 19. Debtors

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

### Long Term Debtors (due over one year)

31 March 2018 £m		31 March 2019 £m
7.6	Loans	<b>7.6</b>
1.6	Social Services – Client Debt	<b>1.2</b>
(0.1)	Impairment re Client Debt	<b>(0.1)</b>
2.9	Asset Related (capital accounting)	<b>3.0</b>
12.0	<b>Total</b>	<b>11.7</b>

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

31 <sup>st</sup> March 2018 £m		31 <sup>st</sup> March 2019 £m
4.3	Central government bodies (WGA)	<b>5.0</b>
3.4	Other local authorities and public bodies	<b>5.0</b>
0.2	NHS bodies	<b>0.4</b>
6.1	Council Tax (inc. liability orders)	<b>6.0</b>
0.9	NNDR (inc liability orders)	<b>1.3</b>
4.2	Housing Benefit Overpayments	<b>4.2</b>
7.5	TOR2 – payment in advance	<b>0</b>

31 <sup>st</sup> March 2018		31 <sup>st</sup> March 2019
7.8	Other entities and individuals	<b>9.8</b>
34.4	<b>Sub Total</b>	<b>31.7</b>
(9.6)	Impairment (uncollectibility of debt)	<b>(10.3)</b>
24.8	<b>Total</b>	<b>21.4</b>

## Loans

The Council has provided the following loan or loan facility to the following organisations. These loans are included in the Council's long and short term debtor balances on (and notes to) the balance sheet as at 31<sup>st</sup> March 2019.

Value of loan -31 <sup>st</sup> March 2018 £m	Organisation	Value of loan -31 <sup>st</sup> March 2019 £m	Due within one year £m	Due in excess of one year £m
1.5	Torbay Economic Development Company	1.4	0.1	1.3
0.9	Torbay Coast & Countryside Trust	0	0	0
1.2	Care Home Provider	1.1	0.1	1.0
3.9	South Devon College	3.7	0.2	3.5
0.5	Parkwood Leisure	1.7	0	1.7
<b>8.0</b>		<b>7.9</b>	<b>0.4</b>	<b>7.5</b>

## 20. 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 2018		31 March 2019
£m		£m
0.2	Bank current accounts	<b>0.4</b>
6.2	Short-term deposits with Money Market Funds and Liquidity Accounts	<b>1.7</b>
6.4	<b>Total Cash and Cash Equivalents</b>	<b>2.1</b>
7.3	<i>Current Assets</i>	<b>2.6</b>
(0.9)	<i>Current Liabilities</i>	<b>(0.5)</b>

31 March 2018		31 March 2019
6.4	<b>Total Cash and Cash Equivalents</b>	<b>2.1</b>

## 21. Creditors

Represents monies owed by the Council

### Long Term Creditors (due over one year)

31 March 2018		31 March 2019
£m		£m
2.4	Section 106 agreements	<b>2.7</b>
0.7	Salix Finance	<b>0.4</b>
1.4	PFI Sinking Fund - Contractor	<b>1.3</b>
0.1	Other	<b>0.1</b>
4.6	<b>Total</b>	<b>4.5</b>

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

31 March 2018		31 March 2019
£m		£m
4.3	Central government bodies (WGA)	<b>3.2</b>
3.5	Other local authorities and public bodies	<b>2.8</b>
0.8	NHS bodies	<b>1.2</b>
19.0	Other entities and individuals	<b>18.8</b>
27.6	<b>Total</b>	<b>26.0</b>

## 22. Provisions

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

	Insurance	NNDR Appeals *	Total
	£m	£m	£m
<b>Balance at 31 March 2018</b>	0.3	1.8	2.1
Provisions made in year	0.1	2.2	2.3
Provisions reversed in year	0	0	0
Amounts used in year	(0.2)	0	(0.2)
<b>Balance at 31 March 2019</b>	<b>0.2</b>	<b>4.0</b>	<b>4.2</b>
<i>Short term</i>	0.1	4.0	4.1

<i>Long term</i>	<i>0.1</i>	<i>0</i>	<i>0.1</i>
<i>Balance at 31 March 2019</i>	<i>0.2</i>	<i>4.0</i>	<i>4.2</i>

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

<b>Name of Provision</b>	<b>Description of Provision</b>
Insurance	Reflects a reliable estimate of Council liability on all known claims outstanding as at 31 <sup>st</sup> March, which have yet to be settled. The timing of spend will be up to three years depending on claim type.
NNDR Appeals	Reflects the Council's 49% share of the estimated value of outstanding NNDR appeals submitted to the Valuation Office by 31 <sup>st</sup> March.

### 23. 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. Any "unsupported" borrowing undertaken using the Prudential Code will have to be funded from within Council resources, savings or additional income.

31 <sup>st</sup> March 2018		31 <sup>st</sup> March 2019
Principal £ m	Borrowing Repayable	Principal £ m
-	Amounts falling due within one year	
2.6	Public Works Loans Board loans	0.7
-	Amounts falling due in excess of one year	
10.0	Money Market loans	10.0
259.8	Public Works Loans Board loans	292.2
272.4	<b>Total</b>	<b>302.9</b>
275.4	<i>Carrying Amount as at 31<sup>st</sup> March - including interest due</i>	306.2

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

Total Principal Outstanding 31 <sup>st</sup> March 2018 Re-stated £ m	Analysis of Loans by Maturity	Average Interest Rate	Total Principal Outstanding 31 <sup>st</sup> March 2019 £ m
2.6	Within 1 year - (short term)	1.64%	0.7
0.6	1 up to 2 years	3.46%	3.6
3.6	2 up to 3 years	3.42%	2.6
2.6	3 up to 4 years	3.69%	3.6
3.6	4 up to 5 years	2.46%	7.6
21.8	5 up to 10 years	3.51%	29.3
26.2	10 up to 15 years	3.16%	27.2

Total Principal Outstanding 31st March 2018 Re-stated £ m	Analysis of Loans by Maturity	Average Interest Rate	Total Principal Outstanding 31st March 2019 £ m
24.7	15 up to 20 years	4.31%	26.6
16.2	20 up to 25 years	3.89%	21.0
170.5	Over 25 years	3.06%	180.7
<b>272.4</b>	<b>Total</b>	<b>3.28%</b>	<b>302.9</b>
275.4	<i>Carrying amount as at 31<sup>st</sup> March - including interest due.</i>	3.28%	306.2
326.4	<i>Fair value (as IFRS 13 see Note 16 Fair Value of Assets and Liabilities)</i>		363.9

### Lenders Option Borrowers Option (LOBO)

The Council has one LOBO loan (Lenders Option Borrowers Option) with Dexia that has, at inception, a constant rate of interest for the length of the loan. On the loan the lender (Dexia) has the option to increase the rate beyond the agreed rates after an 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. The Council's loan with Barclays PLC is no longer classified as a LOBO as Barclays PLC have confirmed that they will not enact their option for the life of the loan.

## 24. Liabilities

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

31 <sup>st</sup> March 2018 £m		31 <sup>st</sup> March 2019 £m
	<b>Liabilities due within 1 year</b>	
0.6	PFI Liability - Schools	<b>0.6</b>
0.1	PFI Liability – EFW	<b>0.1</b>
0.9	PFI Liability – EFW – Deferred Income	<b>0.8</b>
0.7	DCC Pre LGR Liability	<b>0.7</b>
2.3	<b>Total due within 1 year</b>	<b>2.2</b>
	<b>Liabilities due over 1 year</b>	
6.3	PFI Liability – Schools	<b>5.7</b>
11.9	PFI Liability – EFW	<b>11.8</b>
17.5	PFI Liability – EFW – Deferred Income	<b>16.7</b>
8.3	DCC Pre LGR Liability	<b>7.6</b>
44.0	<b>Total due over 1 year</b>	<b>41.8</b>
46.3	<b>Total Liabilities</b>	<b>44.0</b>



### The Spires and Homelands Schools PFI Scheme

A Project Agreement was signed on 31<sup>st</sup> 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 24<sup>th</sup> October 2001 (i.e. expires in 2027). Payments under the contract commenced on 1<sup>st</sup> April 2001 when Phase 1 of The Spires 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 retained the liability to the PFI contractor. The Spires School is expected to transfer to academy status 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 Statement. Payments remaining to be made under the PFI contract at 31 March 2019 (excluding any estimation of inflation and availability/performance deductions) are as follows:

	Payment for Services *	Reimbursement of Capital Expenditure	Interest	Total
	£m	£m	£m	£m
Payable in 2019/20	2.0	0.6	0.3	2.9
Payable within 2 to 5 years	8.1	2.7	0.9	11.7
Payable within 6 to 10 years	7.1	3.0	0.3	10.4
<b>Total</b>	<b>17.2</b>	<b>6.3</b>	<b>1.5</b>	<b>25.0</b>

\* 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:

2017/18		2018/19
£m		£m
7.4	Balance outstanding at start of year	6.9
(0.5)	Payments during the year	(0.6)
6.9	<b>Balance outstanding at year-end</b>	<b>6.3</b>

### 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 became operational in April 2015, the Councils deliver waste to the facility paying a unitary charge linked to waste tonnages. The period of the contract operation is 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, maintain it to a minimum acceptable condition over a 24 year term, with an option to extend operations for another 5 years. The Councils have the right to terminate the contract but must compensate 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 2019 and its value is carried in its balance sheet 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 Statement. Torbay's share of payments remaining to be made under the PFI contract at 31 March 2019 (excluding any estimation of inflation) is as follows:

	Payment for Services *	Reimbursement of Capital Expenditure	Interest	Total
	£m	£m	£m	£m
Payable in 2019/20	1.9	0.1	1.1	3.1
Payable within 2 to 5 years	7.9	0.7	4.3	12.9
Payable within 6 to 10 years	11.1	1.5	4.2	16.8
Payable within 11 to 15 years	11.6	3.2	2.7	17.5
Payable within 16 to 20 years	12.8	5.6	0	18.4
Payable within 21 to 25 years	2.0	0.8	(0.4)	2.4
<b>Total</b>	<b>47.3</b>	<b>11.9</b>	<b>11.9</b>	<b>71.1</b>

\* 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:

2017/18 £m	2017/18 £m		2018/19 £m	2018/19 £m
Torbay Share	Deferred Income		Torbay Share	Deferred Income
12.1	19.2	Liability outstanding at start of year	12.0	18.3
(0.1)	(0.9)	Payments during the year	(0.1)	(0.8)
<b>12.0</b>	<b>18.3</b>	<b>Liability outstanding at year-end</b>	<b>11.9</b>	<b>17.5</b>

### 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 2017/18 was £0.7m (£0.7m 2017/18). The estimate of the remaining liability of £8.3m (£9.0m 17/18) is based on Devon County's IAS19 disclosures.

2017/18		2018/19
£m		£m
9.6	Liability outstanding at start of year	<b>9.0</b>
0.1	IAS19 Actuarial remeasurements	<b>0</b>
(0.7)	Payments during the year to Devon County	<b>(0.7)</b>
9.0	<b>Liability outstanding at year-end</b>	<b>8.3</b>

## 25. Usable Reserves

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

31 <sup>st</sup> March 2018		For in year movements see Note:-	2018/19 movement	31 <sup>st</sup> March 2019
£m				£m
4.6	General Fund Reserve	9	<b>0</b>	<b>4.6</b>
25.1	Earmarked Reserves	10	<b>3.2</b>	<b>28.3</b>
2.8	Usable Capital Receipts Reserve	9	<b>(2.0)</b>	<b>0.8</b>
9.1	Capital Grants & Contributions Unapplied	9	<b>(0.4)</b>	<b>8.7</b>
41.6	<b>Total Usable Reserves</b>		<b>0.8</b>	<b>42.4</b>

## 26. 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:

31 <sup>st</sup> March 2018		For in year movements see Note:-	2017/18 movement	31 <sup>st</sup> March 2019
£m			£m	£m
71.7	Revaluation Reserve	26.1	14.9	<b>86.6</b>
85.1	Capital Adjustment Account	9	0.8	<b>85.9</b>
(0.2)	Financial Instruments Reserve		0.1	<b>(0.1)</b>
(194.9)	Pensions Reserve (Funded and Unfunded)	9	8.0	<b>(186.9)</b>
1.5	Collection Fund Adjustment Account	9	(0.5)	<b>1.0</b>
(1.3)	Accumulating Compensated Absences Adjustment Account	9	0.2	<b>(1.1)</b>
(38.1)	<b>Total Unusable Reserves</b>		23.5	<b>(14.6)</b>

## 26.1 Revaluation Reserve

2017/18			2018/19	
£m			£m	
61.9	<b>Balance at 1 April</b>	<b>Note</b>		<b>71.7</b>
13.3	Revaluation of assets		20.2	
13.3	Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services		(4.1)	
(1.0)	Difference between fair value depreciation and historical cost depreciation		(1.2)	
(2.5)	Accumulated gains on assets sold or scrapped		0	
(3.5)	Amount written off to the Capital Adjustment Account	9	(1.2)	<b>14.9</b>
71.7	<b>Balance at 31 March</b>			<b>86.6</b>

## **27. 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 pooled budget is hosted by the Council as the lead body on behalf of the two partners to the agreement. 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. However, any overspend on the agreed budget is split equally between the two partners and Torbay and South Devon Foundation Trust (ICO). The total expenditure on the pooled budget for 2018/19 was £1.4m (£1.2m 17/18), of which £0.6m (£0.6m 17/18) 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 2018/19 was £10.7m (£10.5m 17/18), of which £3.0m (£3.0m 17/18) was paid to the Council to commission adult social care services and £7.7m (£7.5m 17/18) was used by the CCG to commission health related services.

### Improved Better Care Fund

The Council received £6.1m of Improved Better Care Fund in 2018/19 (£4.4m 17/18) which is reported as part of the Better Care Fund, but is managed by the Council separate from the pooled budget.

## **28. Members' Allowances**

Under the Council's Members Allowances scheme £487,000 (£443,000 2017/18) were paid to members of the Council during the year. In addition £4,000 of approved expenses was paid (£3,000 2017/18). The current Allowances' scheme can be found on the Council's website.

## **29. Officers' Remuneration**

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

		Salary	Expenses	Compensation for Loss of Office	Pension Contribution at "common rate"	Total
		£000's	£000's	£000's	£000's	£000's
Steve Parrock – Chief Executive (4 days per week)	<b>2018/19</b>	<b>110</b>	<b>0</b>	<b>0</b>	<b>16</b>	<b>126</b>
	2017/18	107	0	0	16	123
Director of Adult Services & Housing	<b>2018/19</b>	<b>119</b>	<b>0</b>	<b>0</b>	<b>18</b>	<b>137</b>
	2017/18	117	1	0	18	136
Director of Children's Services to July 2018	<b>2018/19</b>	<b>42</b>	<b>0</b>	<b>0</b>	<b>5</b>	<b>47</b>
Director of Children's Services (from July 2018 - see note)	2018/19	-	-	-	-	-
Director of Children's Services	2017/18	115	0	0	17	132
Interim Director of Place (from January 2019)	<b>2018/19</b>	<b>25</b>	<b>0</b>	<b>0</b>	<b>4</b>	<b>29</b>
	2017/18	-	-	-	-	-
Assistant Director – Community and Customer Services – (to December 2017)	<b>2018/19</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
	2017/18	51	0	0	8	59
Head of Finance (s151 officer)	<b>2018/19</b>	<b>116</b>	<b>0</b>	<b>0</b>	<b>17</b>	<b>133</b>
	2017/18	67	0	0	10	77
Director of Public Health	<b>2018/19</b>	<b>111</b>	<b>0</b>	<b>0</b>	<b>16</b>	<b>127</b>
	2017/18	101	0	0	15	116
Director of Corporate Services & Monitoring Officer	<b>2018/19</b>	<b>111</b>	<b>0</b>	<b>0</b>	<b>16</b>	<b>127</b>
	2017/18	96	0	0	14	110

Note: The Director of Children's Services is an employee of Plymouth City Council and Torbay Council contributed 50% to the cost of this post (£106,000), which includes salary and other costs incurred by Plymouth City Council.

The number of employees, including the senior officers disclosed above, receiving more than £50,000 remuneration, excluding employer's pension contributions, while employed by Torbay Council is set out in the table below in bands of £5,000. Remuneration for these purposes includes all sums paid or receivable by an employee and sums due by way of and the money value of any other benefits received other than in cash. School employees are reducing linked to conversion to Academy status. Employees had a pay award in 2018/19 which would impact

on the lower band as the banding has not been inflated.

Number of Employees by Employer 2017/18			Remuneration Band	Number of Employees by Employer 2018/19		
Council	Schools - Council	Schools - Governing Body		Council	Schools - Council	Schools - Governing Body
10	1	4	£50,000 to £54,999	18	3	5
7	2	3	£55,000 to £59,999	10	1	1
3	4	4	£60,000 to £64,999	1	3	4
4	2	2	£65,000 to £69,999	1	1	2
2	0	1	£70,000 to £74,999	2	1	0
1	0	0	£75,000 to £79,999	0	0	1
1	0	0	£80,000 to £84,999	4	0	0
0	1	1	£85,000 to £89,999	0	1	1
0	0	0	£90,000 to £94,999	0	0	0
1	0	0	£95,000 to £99,999	1	0	0
1	0	0	£100,000 to £104,999	0	0	0
1	0	1	£105,000 to £109,999	1	0	0
0	0	0	£110,000 to £114,999	2	0	1
2	0	0	£115,000 to £119,999	2	0	0
0	0	0	£135,000 to £139,999	0	0	0
33	10	16	Total	42	10	15

### 30. 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.

2017/18 £000		2018/19 £000
102	Fees payable to Grant Thornton with regard to external audit services carried out by the appointed auditor for the year	79
14	Fees payable to Grant Thornton for the certification of grant claims and returns for the year	21
116	<b>Total</b>	<b>100</b>



### 31. Dedicated Schools Grant (DSG)

The council's expenditure on schools is funded primarily by grant monies provided by the Education and Skills Funding Agency, the Dedicated Schools Grant (DSG). DSG is ring fenced and can only be applied to meet expenditure properly included in the Schools' budget, as defined in the School Finance and Early Years (England) Regulations 2017. 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 2018/19 are as follows:

<b>Schools Budget Funded by Dedicated Schools Grant 2018/19</b>			
	Central Expenditure	Individual Schools Budget	Total
	£m	£m	£m
Final DSG for year before Academy Recoupment			100.2
Less Academy figure and direct funding of Higher Needs recouped			(62.9)
<b>Total DSG after Academy Recoupment *</b>			<b>37.3</b>
Brought Forward from 2017/18 – surplus/(deficit)			(1.0)
<b>Agreed initial budgeted distribution in year</b>	<b>20.0</b>	<b>16.3</b>	<b>36.3</b>
In year Adjustments	0.1	0	0.1
<b>Final budgeted distribution for year</b>	<b>20.1</b>	<b>16.3</b>	<b>36.4</b>
Less: Actual Central Expenditure	(22.8)	0	(22.8)
Less: Actual ISB deployed to schools	0	(16.3)	(16.3)
<b>Carry forward – surplus/(deficit)</b>	<b>(2.7)</b>	<b>0</b>	<b>(2.7)</b>

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

The Dedicated Schools Grant (DSG) has been under financial pressure as a result of an increasing level of referrals from schools for higher needs support for children. This resulted in a 2018/19 in year over spend of £2.2m on the higher needs block, offset by additional funding.

The Council does not receive any funding for schools therefore the over spend will remain in the DSG to be funded in future years and is not a cost that the Council will fund. The cumulative deficit balance on the Dedicated Schools Grant reserve is now £2.7m.

### 32. Grant Income

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

2017/18 £m		2018/19 £m
	<b>Credited to Taxation and Non Specific Grant Income, Finance &amp; Investment</b>	
14.2	Revenue Support Grant	0
0.2	Other General Grants	0.7
2.3	New Homes Bonus Grant	1.5
20.6	NNDR Top Up, S31 and transitional relief	13.3
7.2	Capital Grants & Contributions	7.7
<b>44.5</b>	<b>Sub Total</b>	<b>23.2</b>
	<b>Credited to Cost of Services</b>	
36.4	Dedicated Schools Grant (Dept of Education)	37.3
61.8	Benefit Subsidy & Admin Grant (DWP)	58.3
1.8	Pupil Premium	1.9
1.5	Post 16 Funding (Learning & Skills Council)	1.5
9.6	Public Health Grant	9.3
4.4	Improved Better Care Fund	6.1
-	Land Release Fund	3.2
6.8	Other Central Government Grants – Revenue	8.1
5.1	Other Central Government Grants – Refcus *	3.0
<b>127.4</b>	<b>Sub Total</b>	<b>128.7</b>
<b>171.9</b>	<b>Total</b>	<b>151.9</b>

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 these conditions are 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.

### 33. 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 Council has provided pension guarantees to the Torbay Economic Development Company, and CSW Group Ltd (formally Careers South West).

All the companies within the group have a reporting period end date of the 31<sup>st</sup> March, with exception of TOR2 which has a 30 June date to align with other Kier May Gurney companies. (Kier May Gurney own 80.01% of TOR2).

The Torbay Economic Development Company Ltd (TEDC Ltd) is a private limited company by shares; 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.

TEDC limited has three 100% owned subsidiaries, Complete Facilities Management Services Limited, KAH Holdings Limited and Business Centres South West Limited. Only Complete Facilities Management Services traded in 2018/19.

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.

As at the 31<sup>st</sup> March 2019 the net balances outstanding between members of the group were:-

- Torbay Council and TOR2 Ltd, a net £0.2m owed by the Council.
- Torbay Council and the Torbay Economic Development Company, a net £0.2m owed by Torbay Council and £0.1m has been paid in advance and £1.4m loan provided to the Torbay Economic Development Company.
- Torbay Council and the Complete Facilities Management Solutions Company, a net nil in 2018/19 (£0.1m 17/18) owed by Torbay Council.

Torbay Public Services Trust (09943577), was dissolved during 2018/19

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Company Name and Reg'n No	Type of Company	Commenced Trading	Principal Activities during the year	Assessed Relationship	Shareholding /Control and Company Directors as at 31/3/19
Torbay Economic Development Company Ltd  07604855  Trading as Torbay Development Agency (TDA)	Private Limited Company	14 <sup>th</sup> April 2011	To bring about Regeneration in Torbay  In 18/19 Council paid £1.2m (£1.3m 17/18) grant  In addition in 2016/17 the Council has provided a loan to the company. Balance outstanding at year end of £1.4m  TEDC purchased C & A Consultancy (Torbay) Limited (02773632) in April 2019	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 on the TEDC website.
Complete Facilities Management Services Limited  10608599	Private Limited Company – 100% owned by Torbay Economic Development Company Ltd	1 April 2017	To provide cleaning services to the Council, TDA and other clients  In 18/19 Council funded a £0.2m (£0.2m 17/18) payment	Subsidiary	Shareholding /Control: 100% (via Torbay Economic Development Company Ltd)  Members of Torbay Council that are Directors of this Company are as follows:-  Steve Parrock (Officer Torbay Council & Chief Executive TDA)
KAH Holdings Limited  11088019	Private Limited Company – 100% owned by Torbay Economic Development Company Ltd	Not trading in 2018/19	To manage property owned by Torbay Economic Development Company Ltd	Subsidiary	Shareholding /Control: 100% (via Torbay Economic Development Company Ltd)  Members of Torbay Council that are Directors of this Company are as follows:-  Steve Parrock (Officer Torbay Council & Chief Executive TDA)
Business Centres South West Limited	Private Limited Company – 100% owned by Torbay Economic	Not trading in 2018/19	To manage innovation centres across the South West of England	Subsidiary	Shareholding /Control: 100% (via Torbay Economic Development Company Ltd)  Members of Torbay Council that are Directors of

10829733	Development Company Ltd				this Company are as follows:-  Steve Parrock (Officer Torbay Council & Chief Executive TDA)
Oldway Mansion Management Company Ltd  08219420	Company limited by share	20 <sup>th</sup> September 2012	To manage the Oldway Estate on behalf of Torbay Council and tenants  In 18/19 Council funded a £0.04m (£0.1m 17/18) payment	Subsidiary	Shareholding /Control: 100%  Directors: K Mowat (Officer Torbay Council) N Coish (Officer Torbay Council) M Irving (Officer Torbay Council)
TOR2 Ltd  07204696	Company limited by share	19 <sup>th</sup> July 2010	Waste and recycling collections; maintenance of highways, grounds, parks, car parks, buildings and the Council's vehicle fleet; street and beach cleansing; and out of hours call centre support in the Torbay area  Council has 10 year contract with TOR2 for a number of services. For 2018/19 annual cyclical works were approx £10.7 (£10.7m 17/18) and ordered works approx £1.8m (£2.0m 17/18)	Associate	Shareholding /Control: 19.99%  Members of Torbay Council that are Directors 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	1 <sup>st</sup> 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 18/19 Council funded a £0.4m (£0.3m 17/18) payment	Associate	Shareholding /Control: 25%  A list of directors is available on the CSW group website.
Torbay Housing	Company limited by	Not trading in	To support the implementation of the Council's Housing Strategy		Shareholding /Control: 100%

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Company Limited 10960992	share	2018/19			Directors: A-M Bond (Officer Torbay Council) M Phillips (Officer Torbay Council) Caroline Taylor (resigned 31/3/19)
Torbay Housing Development Company 11214978	Company limited by share 100% owned by Torbay Housing Company Limited	Not trading in 2018/19	To support the implementation of the Council's Housing Strategy		Shareholding /Control: 100% (via Torbay Housing Company Limited)  Directors: A-M Bond (Officer Torbay Council) M Phillips (Officer Torbay Council) Caroline Taylor (resigned 31/3/19)
Torbay Housing Rental Company 11214868	Company limited by share 100% owned by Torbay Housing Company Limited	Not trading in 2018/19	To support the implementation of the Council's Housing Strategy		Shareholding /Control: 100% (via Torbay Housing Company Limited)  Directors: A-M Bond (Officer Torbay Council) M Phillips (Officer Torbay Council) Caroline Taylor (resigned 31/3/19)
London Medway Commercial Park Management Company Ltd 09487105	Due to purchase of a Unit at Medway, Torbay Council now has one Ordinary B Share	March 2015	Management of London Medway Commercial Park		By virtue of the rights attached to A Ordinary shares, the company is controlled by Goodman Real Estate (UK) Limited

### 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 *		Oldway Mansion Management Co Ltd	
	2017/18	2018/19	2017/18	2018/19
	£m	£m	£m	£m
Income	(7.0)	<b>(7.8)</b>	(0.1)	<b>(0.1)</b>
Expenditure	6.8	<b>7.6</b>	0.1	<b>0.1</b>
<b>Operating (Profit) or loss</b>	(0.2)	<b>(0.2)</b>	0	<b>0</b>
Other Comprehensive Income and Expenditure	0.4	<b>0.2</b>	0	<b>0</b>
Actuarial (gains)/Losses recognised in the pension scheme	(0.7)	<b>(0.2)</b>	0	<b>0</b>
Taxation (including deferred)	0.1	<b>0.1</b>	0	<b>0</b>
<b>Total (Profit) or loss</b>	(0.4)	<b>(0.1)</b>	0	<b>0</b>
<b>Assets</b>	9.7	<b>9.2</b>	0	<b>0</b>
<b>Liabilities</b>	(9.3)	<b>(8.7)</b>	0	<b>0</b>
<b>Total Net Assets</b>	0.4	<b>(0.5)</b>	0	<b>0</b>

Note \*: Torbay Economic Development Company limited for 2018/19 is the consolidated position including the company's 100% owned subsidiary Complete Facilities Management Solutions Limited

### 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)	
	Total	Torbay Council's Share (19.99%)	Total	Torbay Council's Share (25%)
	£m	£m	£m	£m
<b>2017/18</b>	*		**	
Income	(14.8)	(3.0)	(9.7)	(2.5)
Expenditure	14.5	2.9	9.4	2.4
<b>Operating (Profit) or Loss</b>	<b>(0.3)</b>	<b>(0.1)</b>	<b>(0.3)</b>	<b>(0.1)</b>
Other comprehensive income and expenditure	0.2	0	0.5	0.1
Actuarial (Gains)/Losses recognised in the pension scheme	0	0	(2.0)	(0.5)

	TOR2 Ltd *		CSW Group Ltd (formally Careers South West Ltd)	
Taxation	0	0	0	0
<b>Total (Profit) or loss</b>	<b>(0.1)</b>	<b>0</b>	<b>(1.8)</b>	<b>(0.5)</b>
Fixed Assets & Net Current Assets	(0.4)	(0.1)	1.9	0.5
Long Term Liabilities	0	0	(16.8)	(4.2)
<b>Total Capital &amp; Reserves</b>	<b>(0.4)</b>	<b>(0.1)</b>	<b>14.9</b>	<b>3.7</b>
<b>2018/19</b>				
Income	(14.8)	(3.0)	(9.2)	(2.3)
Expenditure	14.7	3.0	8.7	2.2
<b>Operating (Profit) or Loss</b>	<b>(0.1)</b>	<b>0.0</b>	<b>(0.5)</b>	<b>(0.1)</b>
Other comprehensive income and expenditure	0.1	0.0	-	-
Actuarial (Gains)/Losses recognised in the pension scheme	0	0	-	-
Taxation	0	0	-	-
<b>Total (Profit) or loss</b>	<b>0.1</b>	<b>0.0</b>	<b>(0.5)</b>	<b>(0.1)</b>
Fixed Assets & Net Current Assets	(0.5)	(0.1)	2.4	0.6
Long Term Liabilities	0	0	(16.8)	(4.2)
<b>Total Capital &amp; Reserves</b>	<b>(0.5)</b>	<b>(0.1)</b>	<b>(14.4)</b>	<b>(3.6)</b>

Note\* - TOR2 accounts to end June 2018.

### 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.

English Riviera BID Company Limited was formed to manage the Tourism Business Improvement District (BID) and the Council collects the BID levy on an agency basis. Value of levy collected in 2018/19 was £0.6m, (£0.5m 17/18).

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 – 2018/19 £0.350m (2017/18 £0.350m). No capital funds were provided in 2018/19 (nil 2017/18).

Heart of the South West Local Enterprise partnership (LEP). This is a Community Interest Company limited by guarantee with four councils (Torbay, Devon, Somerset and Plymouth), in the LEP area acting as members of the company.

London Medway Commercial Park Management Company Ltd. Is a management company which apportions the costs associated with the Medway Commercial Park.



### **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 31<sup>st</sup> March 2019 was £24,000 (£24,000 2017/18). Of this balance £19,000 is held within the Council's bank account with the balance of £5,000 (£6,000 17/18) 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 the Grants note.

### **Members**

Members of the council have direct control over the Council's financial and operating policies. The total of members' allowances paid in 2018/19 is shown in the Members Allowances' Note. 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.

### **Officers**

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

### **Other Public Bodies**

Trading Standards South West – TSSW, formerly known as SWERCOTS, is a community interest company, who works with 15 councils to maximise the benefits of regional collaboration to protect the interest of consumers and reputable businesses in the South West of England.

Torbay and South Devon NHS Foundation Trust (ICO). In 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. In 2018/19 the funding payment to the Trust in the year for funding adult social care was £43.2m (£43.7m 2017/18).

The Council has pooled budget arrangements for the provision of a joint equipment store with the Clinical Commissioning Group (CCG) and the Better Care Fund – see Pooled Budget Note.

### **Joint Committees**

The Council is part of a number of joint committees or partnerships 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. Torridge Council and Mid Devon Council have also become members and during 2018/19 Plymouth City Council's Counter Fraud Team transferred to the Partnership. 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; Torbay's share is equal to 20.16%. Torbay's contribution to the partnership for 2018/19 was £0.2m (2017/18 £0.2m).

#### 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 are 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 £1.4m (£1.5m 17/18) of which Torbay's share was £0.2m (£0.3m 17/18). The expenditure in year was £0.1m of contract management costs and £1.3m 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.

#### The Heart of the South West Joint Committee

Torbay Council along with Devon County Council, Somerset County Council, Plymouth City Council, the district councils within Devon and Somerset, Dartmoor National Park Authority and Exmoor National Park Authority. Its purpose is to be the vehicle through which the Heart of the South West partners will ensure that the desired increase in productivity across the area is achieved. Each constituent authority appoints one member on an annual basis and each member has one vote. An arrangements document and an inter-authority agreement have been adopted by each constituent authority which set out how the Joint Committee will operate and be managed.

#### Adopt South West (a Regional Adoption Agency)

The "Agency" commenced 1st October 2018. It is a Local Authority partnership between Devon County Council (the Host Authority), Somerset County Council, Plymouth City Council and Torbay Council, tasked with performing adoption service functions for the region. By joining together the skills, resources and best working practice of each organisation Adopt South West aims to improve outcomes for children and families, deliver a value for money service and deliver it consistently.

### **34. 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 the note reconciling the movement over the year in Property, Plant and Equipment and Heritage Assets. During 2018/19, primarily as a result of the Council's rolling programme the Council has recognised net impairment losses of £4.5m (£12m 17/18) in total on its property, plant and equipment charged to the Income and Expenditure account. Impairment losses in 2018/19 related primarily to the revaluation of a number of school sites. In addition the Council's investment properties are revalued each year. In 2018/19 this resulted in a net reduction in fair value of £3m (£6m 18/19).

### 35. Contingent Liabilities

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 has set levies for all Councils to be 25% of each Council's claims, which was collected in prior years. This may increase again in the future but at present the administrator has not indicated that the levy will increase.

### 36. Termination Benefits and Exit Packages

The authority terminated the contracts of a number of employees in 2018/19, incurring liabilities of £0.2m. The table below shows the number of exit packages and the total cost per band. This amount is payable to 6 officers from the Council and 11 from Schools. 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 2017/18				Value of Exit package £		Number of Exit packages by band 2018/19			
Compulsory Redundancy		Other Departures				Compulsory Redundancy		Other Departures	
No. In Band	Total Cost	No. In Band	Total Cost			No. In Band	Total Cost	No. In Band	Total Cost
£000's		£000's				£000's		£000's	
26	183	2	31	0	to 20,000	12	56	3	30
2	53	1	32	20,001	to 40,000	2	56	1	30
28	236	3	63			<b>14</b>	<b>112</b>	<b>4</b>	<b>60</b>

### 37. 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.

2017/18 £m restated	<b>Capital Financing Requirement</b>	2018/19 £m
174.3	<b>Opening Capital Financing Requirement</b>	<b>279.3</b>
	Capital investment	
14.7	Property, Plant and Equipment	<b>26.2</b>
0.3	Intangible Assets	<b>0</b>
97.8	Investment Property	<b>35.2</b>
0.1	Heritage Assets	<b>0</b>
2.6	Revenue Expenditure Funded from Capital under Statute	<b>3.5</b>
5.4	Loans for a Capital Purpose	<b>1.2</b>
	<b>Sources of finance</b>	
(0.2)	Capital receipts including capital loan repayments	<b>(3.0)</b>
(10.7)	Government grants and other contributions	<b>(14.2)</b>
	Sums set aside from revenue:	
(1.2)	• Direct revenue contributions	<b>(2.7)</b>
(3.8)	• MRP	<b>(4.8)</b>
279.3	<b>Closing Capital Financing Requirement</b>	<b>320.7</b>
	<b>Explanation of movements in year</b>	
109.0	Increase in underlying need to borrowing (unsupported by government financial assistance)	<b>46.5</b>
(3.8)	Provision for repayment of borrowing (MRP)	<b>(4.8)</b>
(0.2)	Loans for a Capital Purpose - repayments	<b>(0.3)</b>
105.0	<b>Increase/(decrease) in Capital Financing Requirement</b>	<b>41.4</b>

### 38. 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. Rent payments in 2018/19 totalled £0.1m (£0.1m 2017/18). The future minimum lease payments due under property leases in future years is £0.4m (£0.5m 2017/18).

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 and as Investment properties. Payments received in 2018/19, including turnover rents, totalled £12.4m (£8.8m 2017/18).

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

31 March 2018 £m	<b>Total payments due classified by year of expiry of lease term</b>	31 March 2019 £m
10.4	Not later than one year	<b>12.4</b>
31.0	Later than one year and not later than five years	<b>35.0</b>
124.4	Later than five years	<b>141.1</b>
165.8	<b>Total</b>	<b>188.5</b>

Finance Leases:

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

### **39. Pension 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 16.48% (16.48% 17/18). Contributions of £1.7m were paid in 2018/19 (£1.7m 17/18). The contribution rate for participants in the Scheme has been set at 16.48% of pensionable pay and due to increase in September 2019 to 23.6%. The payments for 2019/20 are estimated to be higher due to the rate increase.

The 2017/18 accounts for the Scheme record liabilities of £362 billion (£347b 16/17). [Source: Teachers' Pension Scheme Annual Accounts 2017/18). 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 16/17) local authorities participating in the Scheme, amongst a total of 10,177 employers (8,762 16/17).

#### **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 14.38% in 2018/19 (14.3% 2017/18). Contributions of £0.040m were paid in 2018/19 (£0.05m 17/18). The contribution rate for participants in the Scheme has been set at 14.68% of pensionable pay for 2019/20. The payments for 2019/20 are estimated to be at a similar level to 2018/19.

The 2017/18 accounts for the Scheme record liabilities of £526 billion (£509 billion 16/17). [Source: NHS Pension Scheme Annual Accounts 2017/18). 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 155 (141 16/17) local authorities participating in the Scheme, amongst a total of 8,674 employers (8,848 16/17).

## **40. Defined Benefit Pension Schemes**

### **Local Government Pension Scheme**

#### **40.1 Characteristics of Defined Benefit Plans and Associated Risks**

Employees of the Council are eligible to join the Local Government Pension Scheme (LGPS).

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.

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 Investment Strategy Statement.

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 employers 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 2019 and will set contributions for the period from 1 April 2020 to 31 March 2023. 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 2016. The objectives of the scheme are to keep employer’s contributions at as a constant 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 14.8% of pensionable pay for 2017/18, 2018/19 and 2019/20 and an additional cash payments (equal to 8.0%), budgeted to result in a payment of around £6m per annum to the Fund.

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.

The maturity profile of Torbay members is an average age of 46 (46 17/18) years for active members and deferred pensioners, 70 (70 17/18) years for pensioners and 76 (76 17/18) years for unfunded pensioners.

In 2018/19 there were a number of settlements within the fund resulting from staff transfers with a net gain of £1.3m, (£0.4m loss 17/18). In 2018/19 the gain included the transfer of the net pension liability in relation to staff transfers to Libraries Unlimited and the Academy for Character and Excellence from Torbay Council.

To assess the value of the Employer's net liabilities at 31 March 2019, the actuary has used a number of information sources including:

- The results of the valuation as at 31 March 2016 which was carried out for funding purposes.
- Estimated whole fund income and expenditure items for the period to 31<sup>st</sup> March 2019
- Estimated fund returns based on asset statements (or estimates of) as at 31<sup>st</sup> March for 2016, 2018 and 2019.
- Estimated fund income and expenditure in respect of the employer for the period to 31<sup>st</sup> March 2019

The service cost for the year ending 31<sup>st</sup> March 2019 is calculated using an estimate of the total pensionable payroll in year of £26m.

## 40.2 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 2018/19. The following tables are shown:

- Net Pension Liability – this table shows the net pension liability in the balance sheet
- Comprehensive Income and Expenditure Statement – this table shows the IAS19 entries as they appear in the Council's 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

	31/3/17	31/3/18	31/3/19
	£m	£m	£m
Present value of Funded Obligation	(465.9)	(456.8)	<b>(459.4)</b>
Fair Value of Fund Assets (Bid Value)	273.8	280.3	<b>289.6</b>
<b>Net Liability</b>	<b>(192.1)</b>	<b>(176.5)</b>	<b>(169.8)</b>
Present value of Unfunded Obligation	(10.0)	(9.4)	<b>(8.8)</b>
<b>Net Liability in Balance Sheet</b>	<b>(202.1)</b>	<b>(185.9)</b>	<b>(178.6)</b>

### 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:



<b>Local Government Pension Scheme</b>		
<b>Post Employment Benefits</b>		
<b>2017/18</b>	<b>Comprehensive Income &amp; Expenditure Statement</b>	<b>2018/19</b>
<b>£m</b>		<b>£m</b>
	<b>Cost of Services:</b>	
10.7	Current service cost	<b>10.1</b>
0.2	Past service costs	<b>0.1</b>
0.4	Settlements and curtailments	<b>(1.3)</b>
0.1	Administration Expenses	<b>0.2</b>
	<b>Financing and Investment Income and Expenditure</b>	
5.4	Net Interest on the defined benefit liability	<b>4.6</b>
16.8	<b>Total Charged to the Surplus or Deficit on the Provision of Services</b>	<b>13.7</b>
	<b>Other Comprehensive Income and Expenditure</b>	
0	Other Actuarial (gains)/losses on assets	<b>0</b>
(22.3)	Change in Financial Assumptions	<b>21.4</b>
0	Change in Demographic Assumptions	<b>(26.3)</b>
0	Experience (gain)/loss on defined benefit obligation	<b>0</b>
(3.9)	Return on plan assets in excess of interest	<b>(9.3)</b>
(26.2)	<b>Sub Total Other Comprehensive Income and Expenditure</b>	<b>(14.2)</b>
(9.4)	<b>Total Post Employment Benefit Charged/(Credited) to the Comprehensive Income and Expenditure Statement</b>	<b>(0.5)</b>
	<b>Movement in Reserves Statement</b>	
(16.8)	Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code	<b>(13.7)</b>
	<b>Actual amount charged against the General Fund Balance for pensions in the year:</b>	
6.1	Employers' contributions payable to scheme	<b>6.2</b>
0.6	Retirement benefits payable to pensioners	<b>0.6</b>

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

<b>Local Government Pension Scheme</b>		
<b>2017/18</b>		<b>2018/19</b>
<b>£m</b>		<b>£m</b>
273.8	<b>Opening balance at 1 April</b>	<b>280.3</b>
7.3	Interest on Assets	<b>7.0</b>
3.9	Return on Assets less Interest	<b>9.3</b>
0	Other Actuarial gains/(losses)	<b>0</b>
(0.1)	Administration Expenses	<b>(0.2)</b>
1.7	Contributions by scheme participants	<b>1.7</b>
6.8	Employer contributions	<b>6.8</b>
(13.7)	Benefits paid	<b>(13.5)</b>
0.6	Settlement process received/(paid)	<b>(1.8)</b>
280.3	<b>Closing balance at 31 March</b>	<b>289.6</b>

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

<b>Liabilities: Local Government Pension Scheme</b>		
2017/18 £m		2018/19 £m
(475.9)	<b>Opening balance at 1 April</b>	<b>(466.2)</b>
(10.7)	Current service cost	<b>(10.1)</b>
(1.7)	Contributions by scheme participants	<b>(1.7)</b>
(12.7)	Interest cost	<b>(11.7)</b>
22.3	Change in Financial Assumptions	<b>(21.4)</b>
0	Change in Demographic Assumptions	<b>26.3</b>
0	Experience (loss)/gain on defined benefit obligation	<b>0</b>
13.1	Benefits paid	<b>13.0</b>
(0.2)	Past service costs, including Curtailments	<b>(0.1)</b>
(1.0)	Liabilities (assumed)/extinguished on Settlements	<b>3.1</b>
0.6	Unfunded Pension payments	<b>0.6</b>
(466.2)	<b>Closing balance at 31 March</b>	<b>(468.2)</b>
(9.4)	Present Value of Unfunded Obligation included in above	<b>(8.8)</b>

**40.3 Fund Assets**

The return on the fund (on a bid value to bid value basis) for the year to 31<sup>st</sup> March 2019 is estimated to be 6% (4% 17/18). The actual return on Fund assets over the year may be different.

The estimated asset allocation for Torbay Council as at 31<sup>st</sup> March 2019 (7% of total fund) is as follows:

31 <sup>st</sup> March 2018			31 <sup>st</sup> March 2019	
£m	%		£m	%
8.8	3	Gilts	8.8	3
60.1	21	UK Equities	60.1	22
103.7	37	Overseas Equities	103.8	37
26.1	9	Property	26.1	9
10.1	4	Infrastructure	10.0	4
41.9	15	Target Return portfolio	41.9	15
6.8	2	Cash	6.8	2
5.7	2	Other Bonds	5.7	2
15.2	6	Alternative Assets	15.2	5
1.9	1	Private Equity	1.9	1
<b>280.3</b>	<b>100</b>		<b>280.3</b>	<b>100</b>

Of the total asset values as at 31<sup>st</sup> March 2019, 78.5% are assets that have a quoted market price. Further information on the investment activity is available on the Peninsula Pensions website.

**40.4 Actuarial Assumptions**

**Valuation Approach**

To assess the value of the employer's liabilities as at 31<sup>st</sup> March 2019, the actuary rolled

forward the value of the employer’s liabilities calculated for the funding valuation as at 31<sup>st</sup> March 2016, 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.

The actuary is satisfied that the approach to rolling forward the previous valuation data to 31<sup>st</sup> March 2019 should not introduce any material distortion in the results provided that the actual experience of the employer and the fund has been broadly in line with the underlying assumptions and the structure of the liabilities is substantially the same as the latest formal valuation.

To calculate the asset the actuary has rolled forward the assets allocated to the employer as at 31<sup>st</sup> March 2016 allowing for investment returns, contributions paid into, and estimated benefits paid from, the fund by and in respect of the employer and its employees.

As a result of the High Court’s ruling on the equalisation of “Guaranteed Minimum Pension” between genders, a number of pension schemes have made adjustments to accounting disclosures to reflect the effect this ruling has on the impact of pension liabilities. However it is the actuary’s understanding that the judgement does not impact on the current method used or require any adjustments to the value of liabilities.

A judgement in the Court of Appeal about cases involving judges’ and firefighters’ pensions (the McCloud judgement) has the potential to impact on the Council. The cases concerned possible age discrimination in the arrangements for protecting certain scheme members from the impact of introducing new pensions arrangements. As the Local Government Pension Scheme was restructured in 2014, with protections for those members who were active in the Scheme at 2012 and over the age of 55, the judgement is likely to extend to the Scheme.

However, the potential impact is uncertain. Even though the Supreme Court has refused the Government’s application to appeal the judgement, no decisions have been made about the remedies that would be required and the extent to which additional costs would fall on the Council. The Council is therefore unable at this stage to make a reliable estimate of the financial implications of the McCloud judgement and has not reflected any consequences in its pensions liabilities in the Balance Sheet.

On the presumption that the remedy is for the Council to incur costs in extending protections to all members who were active at 31 March 2012 until their retirement, the Council’s actuaries have advised an indicative impact of:

- a potential increase in pensions liabilities of £2.859m (0.6% of liabilities currently in the Balance Sheet at 31 March 2019)
- an increase in the projected service cost for 2019/20 of £284k (2.5% of the service cost before consideration of the McCloud judgement).

### Demographic and Statistical Assumptions

The post retirement mortality tables adopted are the S2PA tables with a multiplier 90%. These base tables are then projected using the Continuous Mortality Investigation (CMI) 2018 Model, allowing for a long term rate of improvement of 1.5% per annum.

The assumed life expectations from age 65 are;

<b>Mortality assumptions:</b>	2015/16	2016/17	2017/18	2018/19
Longevity from age 65: retiring today				
• Men	22.9 yrs	23.4 yrs	23.5 yrs	<b>22.4 yrs</b>
• Women	26.2 yrs	25.5 yrs	25.6 yrs	<b>24.4 yrs</b>
Longevity from age 65: retiring in 20 years				

• Men	25.2 yrs	25.6 yrs	25.7 yrs	<b>24.1 yrs</b>
• Women	28.6 yrs	27.8 yrs	27.9 yrs	<b>26.2 yrs</b>

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;
- It is assumed members opted into the 50:50 section at the previous valuation will continue.

### Financial Assumptions

	31st March 2016	31st March 2017	31st March 2018	31st March 2019
	% p.a	% p.a	% p.a	% p.a
RPI Increases	3.3	3.6	3.3	<b>3.4</b>
CPI Increases	2.4	2.7	2.3	<b>2.4</b>
Salary Increases	4.2	4.2	3.8	<b>3.9</b>
Pension Increases	2.4	2.7	2.3	<b>2.4</b>
Discount Rate	3.7	2.7	2.55	<b>2.4</b>

These assumptions are set with reference to market conditions at 31 March 2019.

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 annualised Merrill Lynch AA rated corporate bond yield curve and the Bank of England implied inflation curve. 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 1.0% below RPI i.e. 2.4%. 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 1.5% per annum above CPI in addition to a promotional scale. The actuary has, in addition, allowed for a short term overlay for salaries to rise in line with CPI.

### Sensitivity Analysis on Actuarial assumptions:

The actuary has provided 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
<b>Adjustment to Discount Rate</b>	+0.1%	0%	(0.1%)
Present Value of obligation	459.7	468.2	477.0
Projected Service Cost	11.2	11.5	11.8

<b>Adjustment to Long Term Salary increase</b>	+0.1%	0%	(0.1%)
Present Value of obligation	468.9	468.2	467.6
Projected Service Cost	11.5	11.5	11.5
<b>Adjustment to Pension increases and deferred revaluation</b>	+0.1%	0%	(0.1%)
Present Value of obligation	476.3	468.2	460.3
Projected Service Cost	11.8	11.5	11.2
<b>Adjustment to Life Expectancy Rating Assumption</b>	+1 year	None	(1 year)
Present Value of obligation	486.3	468.2	450.9
Projected Service Cost	11.9	11.5	11.2

#### 41. 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 2018/19, these proper accounting practices principally comprise:

- the Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 (the Code)
- the Local Authorities (Capital Finance and Accounting)(England) Regulations 2003 (SI 2003 No 3146, as amended) (the 2003 Regs)

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

##### 41.1 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. A full list of accounting policies is available on the Council's financial services webpage. Within these policies the abbreviation "CIES" has been used for "Comprehensive Income and Expenditure Statement".

The Statement of Accounts has been adjusted to reflect events after 31 March 2019 and before the date the Statement was authorised for issue by the of May 2019 only where the events provide evidence of conditions that existed at 31 March.

##### 41.2 Accruals of Income and Expenditure

The Statement of Accounts has been prepared using the accruals basis. 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:

- The Council recognises revenue from contracts with service recipients when it satisfies a performance obligation by transferring promised goods or services to a recipient, measured as the amount of the overall transaction price allocated to that obligation.
- 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 relating to council tax, NNDR 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.

For 2018/19 The Council was part of a, one year only, 100% NNDR pilot scheme with all the other Councils in Devon. Therefore although all the NNDR income is shown as a 49% scheme there is a gain for the Council from the overall pilot where all council's NNDR positions are consolidated.

#### 41.3 Valuations of Assets & Liabilities

The historical cost convention has been applied, modified by the current valuation of the following material categories of non-current assets and financial instruments:

<b>Class of Assets</b>	<b>Valuation Basis</b>
Property, Plant and Equipment: Other Land and Buildings	Current Value, comprising 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 *
Heritage Assets	Heritage assets (other than operational heritage assets) are measured at valuation in accordance with FRS 30 i.e valuations may be made by any method that is appropriate and relevant such as insurance valuations.
Investment Properties	Fair value *

Financial Instruments – Fair Value through Profit or Loss	Fair value *
Pensions Assets	Fair values based on the following: <ul style="list-style-type: none"> <li>• quoted securities – current bid price</li> <li>• unquoted securities – professional estimate</li> <li>• unitised securities – current bid price</li> <li>• property – market value.</li> </ul>

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.

For valuations at Fair Value the Council uses the IFRS13 “three levels” to assess the fair value.

<b>Level 1</b>	Quoted prices in active markets for identical assets/liabilities that the authority can access at the measurement date
<b>Level 2</b>	Inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly (eg, quoted prices for similar assets, interest rates and yield curves)
<b>Level 3</b>	Unobservable inputs for the asset or liability (eg, projected cash flows)

#### 41.4 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:

<b>Expense</b>	<b>Accounting Basis in CIES</b>	<b>Funding Basis in MiRS</b>	<b>Adjustment Account</b>
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 year	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 year or were received in year without conditions	No credit	Capital Grants Unapplied Reserve (amounts unapplied at 31 March) 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)
Financial Instruments	Movements in the fair value of CCLA investment.	Gains/losses for CCLA Investment.	Financial Instruments Adjustment Account
Pensions Costs	Movements in pensions assets and liabilities.	Employer's pensions contributions payable and direct payments made by the Council to pension funds for year	Pensions Reserve
Council Tax	Accrued income from in year bills	Demand on the Collection Fund for the year plus recovery of estimated deficit/share for prior year	Collection Fund Adjustment Account
Business Rates	Accrued income from in year bills	Budgeted income receivable from the Collection Fund for the year plus recovery of estimated deficit/share for prior year	Collection Fund Adjustment Account
Untaken Leave entitlements	Projected cost of untaken leave entitlements at 31 March.	No charge	Accumulated Absences Adjustment Account

#### 41.5 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.

#### 41.6 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**

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.

**41.7 Financial Instruments**

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

Financial liabilities are subsequently measured at amortised cost. For the Council's borrowing this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest). Annual charges to the Financing and Investment Income and Expenditure

line in the Comprehensive Income and Expenditure Statement are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument.

Financial assets are subsequently measured in one of two ways:

- amortised cost – assets whose contractual terms are basic lending arrangements (i.e., they give rise on specified dates to cash flows that are solely payments of principal or interest on the principal amount outstanding, which the Council holds under a business model whose objective is to collect those cash flows)
- fair value – all other financial assets

Amortised cost assets are measured in the Balance Sheet at the outstanding principal repayable (plus accrued interest). Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement (CIES) are based on the carrying amount of the asset, multiplied by the effective rate of interest for the instrument. Any gains or losses in fair value that might arise are not accounted for until the instrument matures or is sold.

Allowances for impairment losses have been calculated for amortised cost assets, applying the expected credit losses model. Changes in loss allowances (including balances outstanding at the date of derecognition of an asset) are debited/credited to the Financing and Investment Income and Expenditure line in the CIES. Changes in the value of assets carried at fair value (described as Fair Value through Profit or Loss) are debited/credited to the Financing and Investment Income and Expenditure line in the CIES as they arise.

#### **Assets carried at Fair Value through Profit and Loss**

The Council's holding with its sterling liquidity fund 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's manager 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.

The Council has invested in a property fund (CCLA) where under regulation the investment does not need to be accounted as capital expenditure. The Council has classified this investment at Fair Value through profit or loss with any changes in value recognised in the Comprehensive Income and Expenditure Statement with the application of a statutory override (SI 2018/1207) to reverse any impact on the general fund through the MIRS to the Financial Instruments Adjustment Account. Any dividends in year is recognised as part of its investment income.

#### **41.8 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 or Community Infrastructure Levy (CIL), 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-ringfenced revenue grants and all capital grants) in the CIES. The recognition of grants and contributions is on an accruals basis. Developer contributions under S106 or CIL 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.

#### **41.9 Heritage Assets**

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

#### **41.10 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. In the year 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 under IFRS9 has designated its holding in one of its subsidiaries, Torbay Development Agency as an "investment in an equity instrument designated at fair value through other comprehensive income". Where the purpose of the subsidiary is primarily to provide services on behalf of the council including strategic economic development purposes, the initial and subsequent recognition of the Council's investment in its subsidiaries is at the nominal value of the shares held. Where a subsidiary company has its own subsidiary companies the investment will continue to be at the nominal value of the shares held.

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

#### **Other Entities**

##### **Torbay and South Devon Health and Care NHS Foundation Trust**

The Council entered a "partnership agreement" with Torbay Care Trust (formerly Torbay Primary Care Trust) on the 1<sup>st</sup> 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 arrangement the Council entered into a risk share agreement with the Foundation Trust and Torbay and South Devon Clinical Commissioning Group where the Council's contribution is linked to 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 managed by a s75 pooled budget with the CCG as host – capital funding is excluded. 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” fund allocation 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.

The Council receives funding for adult social care from the Improved Better Care Fund. Although the funding is reported and monitored as part of the Better Care Fund with the CCG, the IBCF funding is excluded from the s75 pooled budget.

#### **41.11 Investment Properties**

Investment properties are those that are held solely to earn rentals and/or for capital appreciation. Investment properties are measured initially at cost and subsequently on an annual at fair value.

Investment properties are not depreciated. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the CIES. The same treatment is applied to gains and losses on disposal. Any net increase in value prior to the asset being classified as an investment property is held and ‘frozen’ in the Revaluation Reserve until the asset is disposed or reclassified.

Although since April 2018 the Council has had regard to MHCLG statutory guidance on capital investments and has only purchased properties within its Local Enterprise partnership region with regeneration as a benefit, these properties have been classified as Investment properties.

#### **41.12 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.

#### **41.13 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 31<sup>st</sup> March therefore no depreciation is charged in year of acquisition or enhancement. Where capital expenditure has occurred the expenditure in year is deemed to have increased the current value of the asset by a "pound for pound" amount.

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

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.

Certain categories of PPE are measured subsequently at current value (such as surplus assets). 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. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains.

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 1<sup>st</sup> 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 1<sup>st</sup> 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.

#### 41.14 Private Finance Initiative (PFI)

As 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:

- fair 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.

#### **41.15 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's balance sheet only reflects the Council's 49% share of the provision.

The Council has estimated the impact of appeals submitted by 31<sup>st</sup> March 2017 using historic information; however for appeals that could be submitted after 31<sup>st</sup> March 2017 (after the national 2017 Revaluation) there is currently not enough information from the Valuation Office to enable a reliable estimate to be made therefore an estimate has been made based on an appeals percentage provided by MHCLG on the NNDR returns.

#### **41.16 Overheads and Support Services**

The Council's CIES is presented on a segmental basis in line with the Council's internal reporting. On this basis the costs of cross Council overheads and support services are accounted for within the relevant management segment and are not allocated to services. The exceptions to this are where the service is accounted for on a "ring fenced" basis such as public health, schools and harbours where the costs of support services are allocated in line with the CIPFA Service Reporting Code of Practice. The costs of a service's own management and administration are accounted for within the service segment.

### COLLECTION FUND SUMMARY ACCOUNT 2018/19

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 the way in which these have been distributed to preceptors.

Council tax £m	NNDR £m	Total £m		Council tax £m	NNDR £m	Total £m	
			2017/18				2018/19
<b>(98.0)</b>	-	-					Gross Council Tax Payable for Year
<b>22.2</b>	-	-		(104.5)	-	-	
				23.1	-	-	Reduced Assessments
<b>(75.8)</b>	<b>(31.3)</b>	<b>(107.1)</b>		<b>(81.4)</b>	<b>(33.1)</b>	<b>(114.5)</b>	<b>Council Tax &amp; NNDR Receivable</b>
							<b>Expenditure:</b>
							<b>Precepts and Demands</b>
<b>7.8</b>	0	7.8		8.4	-	8.4	Police and Crime Commissioner for Devon and Cornwall
<b>3.5</b>	0.3	3.8		3.8	0.3	4.1	Devon & Somerset Fire & Rescue Authority
<b>0</b>	15.2	15.2		-	-	-	DCLG, (Central Government)
<b>60.9</b>	14.9	75.8		65.8	30.4	96.2	Torbay Council's Own Demand (Including Brixham Town Council)
<b>72.2</b>	<b>30.4</b>	<b>102.6</b>		<b>78.0</b>	<b>30.7</b>	<b>108.7</b>	<b>Total Precepts and Demands</b>
<b>0</b>	<b>0.2</b>	<b>0.2</b>		-	<b>0.2</b>	<b>0.2</b>	<b>Cost of Collection Allowance</b>
							<b>Distribution of Previous Years Estimated Surplus/(Deficit);</b>
<b>0.3</b>	0	0.3		0.3	-	0.3	Police and Crime Commissioner for Devon and Cornwall
<b>0.1</b>	0	0.1		0.1	-	0.1	Devon & Somerset Fire & Rescue Authority
<b>0</b>	(0.1)	(0.1)		-	(0.4)	(0.4)	DCLG, (Central Government)
<b>2.2</b>	0	2.2		2.1	(0.4)	1.7	Torbay Council
<b>2.6</b>	<b>(0.1)</b>	<b>2.5</b>		<b>2.5</b>	<b>(0.8)</b>	<b>1.7</b>	<b>Total Distribution of previous year's Surplus/(Deficit)</b>
							<b>Bad and Doubtful Debts/Appeals</b>
<b>0.8</b>	0.3	1.1		0.7	0.4	1.1	Write Offs
<b>0.5</b>	0.2	0.7		0.5	0.2	0.7	Impairment for Uncollectable debt
<b>0</b>	0.6	0.6		-	2.3	2.3	Provision for Appeals
<b>1.3</b>	<b>1.1</b>	<b>2.4</b>		<b>1.2</b>	<b>2.9</b>	<b>4.1</b>	<b>Total Bad &amp; Doubtful Debt and Appeals</b>
<b>76.1</b>	<b>31.6</b>	<b>107.7</b>					<b>Total Expenditure</b>
<b>0.3</b>	<b>0.3</b>	<b>0.6</b>		<b>0.3</b>	<b>(0.1)</b>	<b>0.2</b>	<b>(Surplus)/Deficit for Year</b>
							<b>Movement of Collection Fund Balance</b>
<b>(2.6)</b>	0.5	(2.1)		(2.3)	0.8	(1.5)	Balance brought forward as at 1st April
<b>0.3</b>	0.3	0.6		0.3	(0.1)	0.2	(Surplus)/Deficit for Year
<b>(2.3)</b>	<b>0.8</b>	<b>(1.5)</b>		<b>(2.0)</b>	<b>0.7</b>	<b>(1.3)</b>	<b>Balance carried forward as at 31st March</b>
							<b>Balance Attributable to major precepting bodies</b>
<b>(0.3)</b>	0	(0.3)		(0.2)	-	(0.2)	Police and Crime Commissioner for Devon and Cornwall
<b>(0.2)</b>	0	(0.2)		(0.1)	-	(0.1)	Devon & Somerset Fire & Rescue Authority
<b>0</b>	0.4	0.4		-	-	-	Central Government
<b>(1.8)</b>	0.4	(1.4)		(1.7)	0.7	(1.0)	Torbay Council
<b>(2.3)</b>	<b>0.8</b>	<b>(1.5)</b>		<b>(2.0)</b>	<b>0.7</b>	<b>(1.3)</b>	<b>Balance carried forward at 31st March</b>

## **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 2018/19 was £0.281m (£0.254m in 2017/18) 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 2018/19**

The number of dwellings Band D equivalent for 2018/19 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 2018/19" report from the Council meeting in December 2017.

For Council tax purposes the number of domestic properties in each band converted to a Band D equivalent for **2018/19** was as follows:

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Statement (Collection Fund)

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	13,349	<b>5,195</b>	1,154.45	1,418	<b>551</b>	31.18
B	7/9	17,374	<b>9,857</b>	1,346.87	2,246	<b>1,270</b>	36.38
C	8/9	16,397	<b>11,827</b>	1,539.28	2,477	<b>1,765</b>	41.57
D	1	10,149	<b>8,972</b>	1,731.69	1,574	<b>1,343</b>	46.77
E	11/9	5,044	<b>5,656</b>	2,116.51	671	<b>741</b>	57.16
F	13/9	2,338	<b>3,128</b>	2,501.33	330	<b>431</b>	67.56
G	15/9	1,219	<b>1,897</b>	2,886.15	95	<b>148</b>	77.95
H	2	107	<b>203</b>	3,463.58	6	<b>5</b>	93.54
<b>TOTAL</b>		65,977	<b>46,735</b>		8,817	<b>6,254</b>	
Less Allowance for Non Collection @ 4.0% (4.0% 2017/18)			<b>(1,869)</b>			<b>(250)</b>	
<b>TAX BASE 2018/19</b>			<b>44,865.89</b>	(44,049.22 17/18)		<b>6,004.42</b>	(5,900.83 17/18)
Band D Council Tax (excluding Brixham Town Council precept)				1,731.69 (1,634.78 17/18)	Band D Council Tax (including Brixham Town Council precept)		1,778.46 (1,677.82 17/18)

## 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 31<sup>st</sup> March 2019 was £93.5m (2017/18: £93.0m).

In line with the Local Government Act 2003, from 1<sup>st</sup> 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 2018/19 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 31<sup>st</sup> March 2019 that have not yet been determined by the valuation office. In 2018/19, due to the 100% BRR Pilot, Torbay Council as a unitary authority is responsible for 99% of the NNDR income and Devon and Somerset Fire authority 1% .

## Group Accounts

These group accounts which consist of four primary statements are provided in addition to the notes to the Accounting statements in the “single entity” Statement of Accounts

Notes have been omitted as there are no material differences to the disclosures already made apart from a note for group property, plant and equipment.

Generally, the accounting policies for the Group accounts are the same as those applied to the single entity financial statements, except for the following policies which are specific to the Group accounts:

A subsidiary is an entity which the Council controls through the power to govern their financial and operating policies so as to obtain benefits from the entities’ activities. Control is usually presumed where the Council owns more than half the voting power of an entity (either directly or through other subsidiaries). However, this is not a defining criterion; the Council can have more than half the voting power but exceptionally not be in control and powers other than voting rights may grant control where the Council has less than half the voting power.

An associate is an entity for which the Council is an investor that has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee (stopping short of control or joint control). It is presumed that holding 20% of the voting power of an investee (either directly or indirectly) brings significant influence but this presumption can be rebutted. It is possible for significant influence to be exerted where an investor has less than 20% of the voting power or where another party has majority ownership.

In accordance with the above policy, group relationships have been determined as follows:

Entity	Torbay Ownership	Company Type
TOR2	19.99%	Associate
Careers SW (excludes IAS19)	25%	Joint Venture
Oldway Mansion Management Company	100%	Subsidiary (not material)
<b>Torbay Housing Company Group of Companies:</b> (not trading in 2018/19)		
Torbay Housing Company	100%	Subsidiary, Parent of Group
Torbay Housing Development Company		100% Subsidiary of Torbay Housing Co.
Torbay Housing Rental Company		100% Subsidiary of Torbay Housing Co.
<b>TDA Group of Companies:</b>		
TEDC Ltd	100%	Subsidiary, Parent of Group
TDA Subsidiary Companies:-		
Complete Facilities Management Services Ltd	100%	Subsidiary of TEDC Ltd
KAH Holding Company	100%	Subsidiary of TEDC Ltd (not trading)
Business Centres South West Ltd	100%	Subsidiary of TEDC Ltd (not trading)

The grounds for exclusion from consolidation of certain entities (individually and in aggregate) are not material to the true and fair view of the financial statements or to the understanding of users.

The Group accounts have been prepared using the Group accounts requirements of the 2018/19 Code. Companies or other reporting entities that are under the ultimate control of the Council have been included in the Council's Group accounts, to the extent that they are material to the users of the financial statements in relation to their ability to see the complete economic activities of the Council and its exposure to risk through interests in other entities and participation in their activities.

Subsidiaries have been consolidated by adding like items of assets, liabilities, reserves, income and expenses together on a line by line basis eliminating intra-group balances and transactions in full

Associates and Joint Ventures have been consolidated using the equity method. Where an Associate or Joint Ventures has negative net equity these are recorded as nil value in the Group Accounts.

## Group Movement in Reserves Statement

This statement shows the movement in the year on the different reserves held by the Group, analysed into “usable reserves” and other reserves.

<b>2017/18</b>	<b>General Fund Balance</b>	<b>Earmarkd General Fund Reserves</b>	<b>Sub Total Revenue Reserves</b>	<b>Capital Receipts Reserve</b>	<b>Capital Grants Unapplied Account</b>	<b>Total Usable Reserves</b>	<b>Unusable Reserves</b>	<b>Total Council Reserves</b>	<b>Council share of Group</b>	<b>Total Group Reserves</b>
	£m	£m Note 10	£m	£m Note 9	£m Note 9	£m Note 25	£m Note 26	£m	£m	£m
<b>Balance at 31st March 2017 brought forward</b>	<b>4.6</b>	<b>23.0</b>	<b>27.6</b>	<b>2.1</b>	<b>7.2</b>	<b>36.9</b>	<b>(46.5)</b>	<b>(9.6)</b>	<b>0</b>	<b>(9.6)</b>
<b>Movement in Reserves during 2017/18</b>										
Surplus or (deficit) on provision of services (accounting basis)	(26.2)	-	(26.2)	-	-	(26.2)	-	(26.2)	(0.2)	(26.4)
Other Comprehensive Expenditure and Income (see C I&E Statement)	-	-	-	-	-	-	39.3	39.3	1.2	40.5
<b>Total Comprehensive Expenditure and Income</b>	<b>(26.2)</b>	<b>-</b>	<b>(26.2)</b>	<b>-</b>	<b>-</b>	<b>(26.2)</b>	<b>39.3</b>	<b>13.1</b>	<b>1.0</b>	<b>14.1</b>
Adjustments between accounting basis & funding basis under regulations (Note 9)	28.3	-	28.3	0.7	1.9	30.9	(30.9)	0	0	0
Adjustments between Group Accounts and Torbay accounts	0	0	0	0	0	0	0	0	(0.6)	(0.6)
<b>Net Increase/Decrease before Transfers to Earmarked Reserves</b>	<b>2.1</b>	<b>0</b>	<b>2.1</b>	<b>0.7</b>	<b>1.9</b>	<b>4.7</b>	<b>8.4</b>	<b>13.1</b>	<b>0.4</b>	<b>13.5</b>
Transfers (to)/from Earmarked Reserves (Note 10)	(2.1)	2.1	0	-	-	0	-	0	0	0
<b>Increase/(Decrease) in Year</b>	<b>0</b>	<b>2.1</b>	<b>2.1</b>	<b>0.7</b>	<b>1.9</b>	<b>4.7</b>	<b>8.4</b>	<b>13.1</b>	<b>0.4</b>	<b>13.5</b>
<b>Balance at 31st March 2018 carried forward</b>	<b>4.6</b>	<b>25.1</b>	<b>29.7</b>	<b>2.8</b>	<b>9.1</b>	<b>41.6</b>	<b>(38.1)</b>	<b>3.5</b>	<b>0.4</b>	<b>3.9</b>



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2018/19 Statement of Accounts for the year ended 31<sup>st</sup> March 2019 – Group Accounts

<b>2018/19</b>	<b>General Fund Balance</b>	<b>Earmarkd General Fund Reserves</b>	<b>Sub Total Revenue Reserves</b>	<b>Capital Receipts Reserve</b>	<b>Capital Grants Unapplied Account</b>	<b>Total Usable Reserves</b>	<b>Unusable Reserves</b>	<b>Total Council Reserves</b>	<b>Council share of Group</b>	<b>Total Group Reserves</b>
	£m	£m Note 10	£m	£m Note 9	£m Note 9	£m Note 25	£m Note 26	£m	£m	£m
<b>Balance at 31st March 2018 brought forward</b>	<b>4.6</b>	<b>25.1</b>	<b>29.7</b>	<b>2.8</b>	<b>9.1</b>	<b>41.6</b>	<b>(38.1)</b>	<b>3.5</b>	<b>0.4</b>	<b>3.9</b>
<b>Movement in Reserves during 2018/19</b>										
Surplus or (deficit) on provision of services (accounting basis)	(6.0)	0	(6.0)	0	0	(6.0)	0	(6.0)	(0.1)	(6.1)
Other Comprehensive Expenditure and Income (see C I&E Statement)	0	0	0	0	0	0	30.3	30.3	0.2	30.5
<b>Total Comprehensive Expenditure and Income</b>	<b>(6.0)</b>	<b>0</b>	<b>(6.0)</b>	<b>0</b>	<b>0</b>	<b>(6.0)</b>	<b>0</b>	<b>24.3</b>	<b>0.1</b>	<b>24.4</b>
Adjustments between accounting basis & funding basis under regulations (Note 9)	9.0	0.2	9.2	(2.0)	(0.4)	6.8	(6.8)	0	0	0
Adjustments between Group Accounts and Torbay accounts	0	0	0	0	0	0	0	0	0	0
<b>Net Increase/Decrease before Transfers to Earmarked Reserves</b>	<b>3.0</b>	<b>0.2</b>	<b>3.2</b>	<b>(2.0)</b>	<b>(0.4)</b>	<b>0.8</b>	<b>23.5</b>	<b>24.3</b>	<b>0.1</b>	<b>24.4</b>
Transfers (to)from Earmarked Reserves (Note 10)	(3.0)	3.0	0	0	0	0	0	0	0	0
<b>Increase/(Decrease) in Year</b>	<b>0</b>	<b>3.2</b>	<b>3.2</b>	<b>(2.0)</b>	<b>(0.4)</b>	<b>0.8</b>	<b>23.5</b>	<b>24.3</b>	<b>0.1</b>	<b>24.4</b>
<b>Balance at 31st March 2019 carried forward</b>	<b>4.6</b>	<b>28.3</b>	<b>32.9</b>	<b>0.8</b>	<b>8.7</b>	<b>42.4</b>	<b>(14.6)</b>	<b>27.8</b>	<b>0.5</b>	<b>28.3</b>

## Group Comprehensive Income and Expenditure Statement

This statement shows the accounting cost in the year of providing the Group's services in accordance with generally accepted accounting practices.

2017/18								2018/19		
Gross Exp Restated £m	Gross Income Restated £m	Net Exp Restated £m	Services	Note	Gross Exp £m	Gross Income £m	Net Exp £m			
48.4	(10.5)	37.9	Adult's Services		50.9	(12.8)	<b>38.1</b>			
92.0	(50.1)	41.9	Children's Services		92.3	(48.9)	<b>43.4</b>			
79.8	(70.3)	9.5	Corporate Services		76.2	(66.5)	<b>9.7</b>			
11.0	(13.6)	(2.6)	Finance		4.8	(10.4)	<b>(5.6)</b>			
43.8	(18.5)	25.3	Place		44.8	(23.7)	<b>21.1</b>			
9.9	(0.5)	9.4	Public Health		9.4	(0.3)	<b>9.1</b>			
7.0	(3.9)	3.1	TEDC Ltd Group		7.6	(4.5)	<b>3.1</b>			
291.9	(167.4)	124.5	<b>Cost Of Services</b>		<b>286.0</b>	<b>(167.1)</b>	<b>118.9</b>			
0.9	(1.1)	(0.2)	Other Operating Income & Expenditure		1.2	(1.2)	<b>0</b>			
7.1	0	7.1	Transfer of schools to academies		0	0	<b>0</b>			
21.4	(8.1)	13.3	Financing and Investment Income and Expenditure		20.4	(13.2)	<b>7.2</b>			
3.9	(122.3)	(118.4)	Taxation and Non-Specific Grant Income and expenditure		2.8	(122.9)	<b>(120.1)</b>			
325.2	(298.9)	26.3	<b>(Surplus)/Deficit on Provision of Services</b>		<b>310.4</b>	<b>(304.4)</b>	<b>6.0</b>			
0	0	0	Share of surplus or deficit on the provision of serves by joint ventures and associates		<b>0</b>	<b>0</b>	<b>0</b>			
0.1	0	0.1	Tax Expenses of Group Companies		<b>0.1</b>	<b>0</b>	<b>0.1</b>			
325.3	(298.9)	26.4	Group (Surplus)/Deficit		<b>310.5</b>	<b>(304.4)</b>	<b>6.1</b>			
		(17.0)	(Surplus)/Deficit on revaluation on Non Current Assets (PPE)				<b>(20.2)</b>			
		3.8	Impairment losses on non current assets charged to the revaluation reserve				<b>4.1</b>			
		(26.8)	Remeasurement of net defined pension liabilities				<b>(14.4)</b>			
		(0.5)	Council share of OCIE of Joint Venture and Associates				<b>0</b>			
		(40.5)	<b>Other Comprehensive Income and Expenditure</b>				<b>(30.5)</b>			
		(14.1)	<b>Total (Surplus)/Deficit in Comprehensive Income and Expenditure</b>				<b>(24.4)</b>			

## Group Balance Sheet

The Balance Sheet shows the value of the assets and liabilities recognised by the Group at 31 March 2018. The net assets of the Group are matched by Group reserves.

31st March 2018		31 <sup>st</sup> March 2019	
£m		Note	£m
304.2	Property, Plant & Equipment	G1	329.3
32.3	Heritage Assets		32.6
115.4	Investment Property		148.7
0.6	Intangible Assets		0.5
5.0	Long Term Investments		4.9
10.5	Long Term Debtors		10.3
<b>468.0</b>	<b>Long Term (Non Current) Assets</b>		<b>526.3</b>
53.8	Short Term Investments		51.9
0.4	Assets Held for Sale		0.3
0.1	Inventories		0.1
25.2	Short Term Debtors		22.1
7.8	Cash and Cash Equivalents		3.2
<b>87.3</b>	<b>Current Assets</b>		<b>77.6</b>
(5.6)	Short Term Borrowing		(4.0)
(2.3)	Other Short Term Liabilities		(2.2)
(27.5)	Short Term Creditors (inc Receipts in Advance)		(26.6)
(1.2)	Capital Grants/Contributions: Receipts in Advance		(4.0)
(2.0)	Provisions		(4.1)
(0.9)	Cash and Cash Equivalents		(0.5)
<b>(39.5)</b>	<b>Current Liabilities</b>		<b>(41.4)</b>
31st March 2018			<b>31st March 2019</b>
£m			<b>£m</b>
(4.6)	Long Term Creditors		(4.5)
(0.1)	Provisions		(0.1)
(269.7)	Long Term Borrowing		(302.2)
(45.9)	Other Long Term Liabilities		(41.8)

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(190.8)	Pension Liability		(183.6)
(0.8)	Receipts in Advance		(2.0)
<b>(511.9)</b>	<b>Long Term Liabilities</b>		<b>(534.2)</b>
3.9	<b>Net Assets/Liabilities</b>		<b>28.3</b>
42.0	Usable reserves		<b>42.9</b>
(38.1)	Unusable Reserves		<b>(14.6)</b>
3.9	<b>Total Reserves</b>		<b>28.3</b>
<p>M Phillips Chief Finance Officer 31 May 2019</p> <p>M Phillips Chief Finance Officer 25th September 2019</p>			

## Group Cash Flow Statement

The cash flow statement shows the changes to cash and cash equivalents of the Group during the reporting period. The statement shows how the Group generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities.

2017/18				2018/19	
£m	£m		note	£m	£m
	(26.0)	Net surplus or (deficit) on the provision of services,			<b>(6.1)</b>
43.3		Adjustments to net surplus or deficit on the provision of services for non cash movements		34.1	
(8.7)		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		(10.4)	
0.1		Taxation		(0.1)	
	8.7	<b>Net cash inflows/(Outflow) from Operating Activities</b>			17.5
	(120.6)	<b>Investing Activities:</b>			(49.6)
	117.9	<b>Financing Activities</b>			27.9
	6.0	<b>Net increase or (decrease) in cash and cash equivalents</b>			<b>(4.2)</b>
2017/18				2018/19	
£m		<b>Cash and Cash Equivalents</b>	Notes		<b>£m</b>
0.9		Cash and cash equivalents * at the beginning of the reporting period			6.9
6.9		Cash and cash equivalents at the end of the reporting period			2.7
6.0		<b>Net increase or (decrease) in cash and cash equivalents</b>			<b>(4.2)</b>

## Note to the Group Accounts Core Statements

### Note G1 – Property, Plant and Equipment

TDA Group property consists mainly of property held for regeneration purposes including Cockington Court and Craft Studios. Lymington Road Innovation Centre, Bishop's Place, Vaughan Parade, Kings Ash House, Rea Barn and a number of industrial units.

2017/18			2018/19			
Torbay Council	TDA Group	Total Group		Torbay Council	TDA Group	Total Group
£m	£m	£m		£m	£m	£m
			<b>Cost or Valuation</b>			
355.4	8.1	363.5	As at 1 <sup>st</sup> April	357.9	7.8	365.7
15.9	0	15.9	Additions	26.2	0.1	26.3
8.1	0	8.0	Revaluation increases/ (decreases) recognised in the Revaluation Reserve	11.3	0	11.3
(13.4)	(0.1)	(13.4)	Revaluation Increases/ (decreases) recognised in the Surplus/Deficit on the Provision of Services	(6.1)	(0.1)	(6.2)
(7.8)	(0.2)	(8.0)	Derecognition – Disposals	(1.5)	0	(1.5)
(0.4)	0	(0.4)	Assets reclassified (to)/from Held for Sale	(0.1)	0	(0.1)
0.1	0	0.1	Other movements in Cost or Valuation	(1.2)	0	(1.2)
357.9	7.8	365.7	As at 31 <sup>st</sup> March	<b>386.5</b>	<b>7.8</b>	<b>394.3</b>
			<b>Accumulated Depreciation and Impairment</b>			
(57.5)	(0.3)	(57.8)	As at 1 <sup>st</sup> April	<b>(61.2)</b>	<b>(0.3)</b>	<b>(61.5)</b>
(9.5)	0	(9.5)	Depreciation charge	(10.1)	0	(10.1)
3.6	0	3.6	Depreciation written out to the Revaluation Reserve	3.7	0	3.7
1.8	0	1.8	Revaluation Increases/ (decreases) recognised in the Surplus/Deficit on the Provision of Services	2.0	0	2.0
0.4	0	0.4	Derecognition – Disposals	0.9	0	0.9
0	0	0	Other movements in Depreciation and Impairment	0	0	0
(61.2)	(0.3)	(61.5)	As at 31 <sup>st</sup> March	<b>(64.7)</b>	<b>(0.3)</b>	<b>(65.0)</b>
			<b>Net Book Value:-</b>			
297.9	7.7	305.6	As as 31 <sup>st</sup> March (prior year)	296.7	7.5	304.2
296.7	7.5	304.2	As at 31 <sup>st</sup> March (end of year)	<b>321.8</b>	<b>7.5</b>	<b>329.3</b>

## **ANNUAL GOVERNANCE STATEMENT 2018/19**

## **ANNUAL GOVERNANCE STATEMENT FOR THE FINANCIAL YEAR 2018/2019**

### **Explanatory Note**

Torbay Council's governance arrangements changed on 2 May 2019 with the election of the new Council and the move to a Leader and Cabinet model of governance. This Annual Governance Statement covers the Financial Year 2018/2019 during which the Council operated an Elected Mayor model of governance. Therefore, whilst this Annual Governance Statement covers significant governance issues up to the date of approval of the Statement of Accounts, the governance system described throughout is that which was in place during the 2018/2019 financial year.

### **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*. The code is included in the Council's Constitution which is available on the Council's website at

<http://www.torbay.gov.uk/DemocraticServices/ieListMeetings.aspx?CId=458&info=1>

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 ending 31 March 2019. As set out in the Explanatory Note, the governance framework from 2 May 2019 up to the date of approval of the statement of accounts was based on a Leader and Cabinet model.

## **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 (for the 2018/2019 financial and municipal years) 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 Elected Mayor was responsible for decisions which are consistent with the Budget and Policy Framework and was supported by Executive Lead Members who oversaw and advised on specific areas. Matters outside the Budget and Policy Framework have to be 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, treasury management as well as monitoring the effective development and operation of performance and risk management and corporate governance in the Council. It meets on a bi-monthly 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 for members.

Some regulatory functions remain the responsibility of the Council rather than the Elected 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 is the main strategic document under which all other Policy Framework documents sit. The Delivery Plans associated with the Corporate Plan continue to be delivered. 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's Transformation Programme continued to be delivered during 2018/2019. This aims to ensure that the ambitions within the Council's Corporate Plan are met whilst seeking to maximise efficiencies, income and savings (in accordance with the requirements of the Medium Term Resource Plan) and create service resilience. The Elected Mayor's Policy Development and Decision Groups received reports and made recommendations to him on Executive decisions. The Elected Mayor then, in the majority of cases, took those decisions at meetings of the Policy Development and Decision Group. 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 Executive, Chief Finance Officer and the Monitoring Officer or one of their senior staff.

All meetings of the council and its committees 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 aims to ensure open and transparent decision making is undertaken at all times.

The Member Development Programme provides a structured approach to member development to support members in their roles. In addition to the Personal Development Plans, Members have the opportunity to have a one to one Councillor Development discussion with their Group Leader. The purpose of these reviews is to discuss each member's progress and how they can contribute in meeting the Council's priorities.

### Community and Service User Engagement

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

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.

### Partnership Working

The Torbay Strategic Partnership (known as Torbay Together) has continued to meet regularly throughout the year and the partnership, which consists of public, private and voluntary sector organisations, has continued to seek ways to deliver "Your Torbay, Your Future" which sets out the Partnership's vision for Torbay in the future.

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

The Council owns (either in its own right or with partners) a number of companies, namely the Torbay Economic Development Company (TDA), TOR2, Careers South West and Torbay Housing Company Ltd. The Council has representatives on the Boards of these companies together with a number of reserved matters which are set out in the Articles of Association and Memorandum of Understanding.

Performance and monitoring arrangements are in place in respect of service specific partnerships such as the Torbay and South Devon NHS Foundation Trust and the Torbay Coast and Countryside Trust.

The Council is a member of the Heart of the South West Joint Committee (a partnership across all of the local authorities in Devon and Somerset plus the national park authorities, the Local Enterprise Partnership and the Clinical Commissioning Groups) which will be delivering the Productivity Strategy for the region and maximising the opportunities for Government funding in Devon and Somerset. In addition, the Council is working with partners on the Wider Devon Sustainability and Transformation Plan and the Improved Better Care Fund. From 1 June 2019 the Council entered into a contractual relationship with Plymouth City Council for a Joint Director of Children's Services.

### Performance and Risk Management

The Council records performance information using performance-reporting software called SPAR.net. The Senior Leadership Team continuously monitors the Council's performance and risks and receives formal updates on a quarterly basis. These updates were shared with the Elected Mayor and Executive, Group Leaders and the Audit Committee. Any areas of concern are highlighted and appropriate corrective action will be considered, scrutinised and monitored. The Council 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 Head of Finance 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 Assistant Directors to identify any financial issues which may require management action. Regular discussions were held with the Elected Mayor who was the Executive Member with responsibility for finance. The Chief Financial 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 regular basis. The Council agrees the Treasury Management Strategy on an annual basis on the recommendation of the Audit Committee.

The Director of Corporate 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 regularly 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

The Torbay Managers Forum meets on a quarterly basis enabling 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. Events known as “Connect” are routinely held which are open for all members of staff to attend to share their views with the Chief Executive and members of the Senior Leadership Team. The Elected Mayor also held Mayoral Connect Forums to enable members of staff to hear directly from him and to share their views with him.

A focussed forum for Managers called the Extended Leadership Team (ELT) has been established, so as to provide for even greater communication and opportunities for empowerment throughout the organisation. A member of ELT attends all Senior Leadership Team meetings.

Internal communication approaches are in place to ensure all staff are aware of 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 Director of Corporate Services, and consultation where appropriate.

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

The Council has a Counter 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.

#### Customer Feedback, Whistleblowing and Prevention of Fraud

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 as well as enquiries made through local councillors are also recorded through this system.

The system enables all complaints to be recorded and tracked with root causes identified providing the Council with a useful analysis of why issues 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. This Team continues to undertake the actions necessary in respect of the implementation of General Data Protection Regulations.

The Council's Whistleblowing Policy 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 Internal Audit which has responsibility for dealing with these issues in the first instance. The Probity and Ethics Group; comprising of the Monitoring Officer, the Chief Finance Officer, Internal Audit and the Head of Human Resources, continue to meet to consider and progress as appropriate all matters of concern.

The Council has a Fraud and Counter Corruption Officer who is accountable to the Head of Finance. The Council's website enables members of the public to report any suspicions of anyone committing fraud or corruption.

### 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 legislation. To support this, there is an Information Governance Steering Group, which consists of the Head of Information Governance (who is also the Council's Data Protection Officer), the Senior Information Risk Owner (SIRO) and the Council's Caldicott Guardian. This Group reviews the Council's approach to information management and sharing. There is also an Information Security Group which is made up of operational staff to review and update policies and processes to ensure that the day to day handling of information is carried out in accordance with legislative requirements. Under this framework there are a number of operational policies and procedures including a suite of information security policies. These policies are subject to regular review and updates communicated to all staff.

The Council has in place a General Data Protection Regulation (GDPR) project plan and team, whose focus is ensuring that information management across all departments complies with data protection legislation. Part of this work is regular review of the Information Asset Register which specifies the information assets held across all Council departments and allows the Council to understand the risks associated with different information assets.

### Internal Audit

The internal audit service is provided by Devon Audit Partnership (DAP). This is a shared service arrangement between Torbay, Torridge District, 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 by the Head of Finance, 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 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 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 is included in the sections which follow. Whilst some governance issues have been identified (and are detailed below), the Council believes that its arrangements continue to be regarded as fit for purpose in accordance with the governance framework.

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

The Council's Corporate Plan was adopted in September 2015 with the associated Delivery Plans adopted in May 2016. The Delivery Plans set out the challenges faced by the Council, where it aimed to be in 2019 and the areas on which the Council would focus. The Performance and Risk Dashboards set out how the Council will measure its performance towards meeting the ambitions of the Corporate Plan and the actions in the Delivery Plans. This included progress against each action within the Delivery Plans and an identification of the priorities for the coming months.

The Council established a Strategic Partnership for Torbay (Torbay Together) which developed "Your Torbay, Your Future" which sets out the long term aspirations for Torbay. This was adopted by the Council in June 2017 as an Annex to the Council's Corporate Plan.

Members and officers working together to achieve a common purpose with clearly defined functions and roles

The Council's Constitution has been continually reviewed throughout the year by the Monitoring Officer, Chief Financial Officer and Governance Support Manager in consultation with the Elected Mayor and Group Leaders whereby improvements and changes to the constitution were made and agreed. In addition, work was also undertaken during the year to revise the Constitution to take account of the change in the system of governance to Leader and Cabinet from May 2019.

The Members' Development Programme continues to be delivered including training on RIPA, Data Protection and the Port Marine Safety Code and communication with councillors was supplemented by Councillor Conversations which take place to provide an informal opportunity to discuss forthcoming issues. The Elected Mayor and Group Leaders met monthly to discuss a range of issues aimed at working better together.

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

The Standards Committee was re-appointed and met as required during 2018/2019. The Monitoring Officer continues to meet 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 a number of complaints and provided views



throughout an investigation that was subsequently considered by a Standards Hearing Sub-Committee.

The Council's Code of Conduct, Information Governance, Whistleblowing and Acceptable Behaviour policies are available for all staff on MyView. 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, including the Chief Executive's Letter. The Council's induction programme also signposts to the above policies for new starters.

The Head of the Paid Service, the Chief Financial Officer and the Monitoring Officer continue to meet regularly to ensure that there is a forum to ensure that the values of the authority are promoted and that good governance is demonstrated.

Business ethics, values and culture are an important part of improving an organisation's governance process and we continue to place great importance on this.

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

The Policy Development and Decision Groups are well-established, enabling reports to be presented and recommendations made the Elected Mayor in the public domain. The Elected Mayor then, in the majority of cases, took those decisions at meetings of the Policy Development and Decision Group.

The Overview and Scrutiny Board has met throughout the year to hold the Elected 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 has received the Council's Statement of Accounts and Treasury Management Strategy.

The Performance and Risk Dashboards have been reviewed by the Committee on a regular basis with the Committee continuing to have the ability to refer suggested areas for further investigation to the Overview and Scrutiny Board.

The Overview and Scrutiny Board has undertaken a range of work from reviewing draft Policy Framework documents to matters arising from budget monitoring reports. Four decisions of the Elected Mayor have been called-in over the course of 2018/2019.

Two Monitoring Working Parties – one for Children's Services and one for Adult Services and Public Health have met over the course of the year which provide an informal opportunity to discuss forthcoming decisions, issues arising, and performance and financial monitoring information. A Liaison Group was also in place to discuss issues relating to the Joint Operations Team.

The Council's Information Asset Register has been compiled and is subject to regular review as part of the Council's GDPR project plan, this allows the Council to understand the information being processed across all departments, the lawful basis for processing and the security measures associated with the information asset.

A decision was taken by the Council in June 2018 which authorised the Chief Executive to undertake a due diligence exercise to facilitate the possible acquisition of Keir Group's shareholding in TOR2. Following the due diligence exercise, in November 2018, a further decision was taken to not purchase Keir Group's shares in TOR2 at that time.

Decisions taken by the Investment and Regeneration Committee in relation to the Council's Investment Portfolio are taken in accordance with the Investment and Regeneration Fund Strategy. This Strategy sets out how the Council aims to improve its financial resilience through the purchase of a balance portfolio of investments which appropriately spreads the Council's risk. The Strategy also sets the framework to ensure that appropriate due diligence is undertaken during the decision making process in relation to the Council's investments.

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

The Constitution Working Party reviewed the preparation by the Monitoring Officer of a new Constitution for a Leader and Cabinet model of governance for implementation in May 2019 and identified member development needs to ensure an effective transition to the new governance arrangements. This work has informed the development of the Member Induction Programme for 2019.

The Senior Leadership Team has kept the operation of its meetings under review over the course of the year in order to increase their capacity to focus on those issues of strategic importance.

Following on from the corporate leadership programme which provided development opportunities for senior managers to get involved in leading and implementing projects, an Extended Leadership Team (ELT) has been introduced to improve communication and offer opportunities for wider involvement in key challenges facing the Council.

The Staff Wellbeing Group has overseen the introduction of Mental Health First Aiders across the Council.

#### Engaging with local people and other stakeholders to ensure robust public accountability

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.

There continues to be good engagement from partners within Torbay Together and an independent Chairman has led the partnership over the last year. A strong

commitment and intent to work together to deliver the Partnership’s ambitions as set out in “Your Torbay, Your Future” remains and has matured over the year. This commitment was most prominent when a delegation from the partnership met with Jake Berry MP, the Minister for Local Growth, in June 2018. Discussions took place on how the Government could support Torbay in delivering its high level objectives and has led to further commitments from the Government to visit Torbay to discuss how Government could aid the partnership.

The Annual Report of the Overview and Scrutiny Board has been published and considered by the Council.

The Statement of Accounts provides a Narrative Report which explains the Council’s achievements against the Corporate Plan over the past year alongside the Council’s financial performance.

The Council has commenced a Community Governance Review to determine whether changes should be made to the existing local governance arrangements, including whether or not to establish new town or parish councils for parts of Torbay where they do not currently exist. The first stage of community engagement ended on 15 March 2019.

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

The Performance Dashboards (including progress against each action within the Corporate Plan Delivery Plans) have been reviewed regularly by the Senior Leadership Team, Elected Mayor and Executive, Group Leaders and the Audit Committee. This has enabled any areas of concern to be highlighted and recovery plans to be prepared, scrutinised and monitored. The Audit Committee refer matters by exception to the Overview and Scrutiny Board where it was felt that further investigation is required.

A tracking system has been put in place to ensure that actions to address areas identified by Internal Audit as requiring improvement are monitored by the Joint Operations Management Team.

Ofsted re-inspected our children’s social care services in June and July 2018 and concluded that overall they remained inadequate. A revised Improvement Plan is in place and is being implemented. The Post Ofsted Improvement Board is in place to monitor its implementation and impact. Ofsted have held two Monitoring Visits since the Inspection and it is recognised that some progress is being made, albeit the progress is fragile.

Following the recommendation of the Government-appointed Children’s Commissioner, Torbay Council entered into a contractual partnership with Plymouth City Council and a Joint Director of Children’s Services is now in post who reports to both Councils’ Chief Executives and politicians under a set of managerial and political arrangements which remain unchanged.

The Annual Audit Report for 2018/2019 set out that the Head of Internal Audit's opinion was one of "Limited Assurance" on the adequacy and effectiveness of much of the Council's internal control framework. The exception to this was the Corporate Directorate where 'Substantial Assurance' was provided. In the case of certain Directorates the assurance was limited by the level of audit coverage. The internal audit planning process is based on a risk approach and as such the Annual Audit Report inevitably focuses upon higher risk areas.

The Council's financial management arrangements conform to the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010).

### **Significant governance issues**

As outlined above, Ofsted re-inspected our children's social care services in June and July 2018 and concluded that overall they remained inadequate. A revised Improvement Plan is in place and being implemented. The Post Ofsted Improvement Board is in place to monitor its implementation and impact. Ofsted have held two Monitoring Visits since the Inspection and it is recognised that some progress is being made, albeit the progress is fragile.

The internal audit report on Better Care Fund (2017-2018) (March 2018) found that the national conditions pertaining to the development and production of the 2017-19 Better Care Fund (BCF) Plan for Torbay had been appropriately met, including agreement to the Plan by the Health and Wellbeing Board and formal approval by NHS England; and that the associated section 75 agreement, relating to use of pooled funds under the NHS Act 2006, was in place.

However, assurance was unable to be provided as to whether BCF monies had been spent appropriately in line with approved Plans due to a lack of financial information relating either to overall expenditure or a breakdown of expenditure for each individual project approved within the Plan. In response to the report, BCF governance continues to be enhanced with a focus on stage payments against milestones.

The internal audit report on the Brixham Express Ferry (March 2018) identified fundamental weaknesses as there was a lack of documentary evidence available to provide assurance that the all-year round ferry project, and the related contract with Brixham Express Ltd, were managed and monitored effectively. The recommendations within the report in relation to the filing and retention of documentation relating to projects have been accepted and implemented for future projects.

The internal audit report on the compliance of Tor Bay Harbour Authority with the Port Marine Safety Code found that improvements were required and that there was a lack of compliance against the requirements of the Code. The management response and action plan has been agreed and is currently being implemented.

Devon Audit Partnership conducted a follow-up of its 2015-2016 audit of Sports Pitch Leases and the report was published in March 2018. The audit opinion remained as improvements required. Whilst a new policy is in place, assurance was unable to be provided regarding the effectiveness of its operation or in relation to the realisation of the intended benefits.

A follow-up of the 2014-2015 audit of Section 106 Agreements was also undertaken and report published in July 2018. The initial audit opinion had been one of “Fundamental Weaknesses” but this has now been revised to “Improvements Required”. Whilst the recommendations relating to the calculation of Section 106 contributions have been implemented, there remains a need to establish effective Section 106 Agreement monitoring to ensure that income is collected and used in line with the Agreement.

In addition to the above, there were a number of reviews undertaken by internal audit during the course of the year which found that improvements were required. In most cases management actions plans have been put in place and these will be monitored on a regular basis via the Joint Operations Management Team. In those cases where management action plans have yet to be agreed, the Chief Executive will ensure that plans are developed as a matter of urgency.

### **Conclusion**

Overall, during the course of the year we have ensured that we are delivering against our agreed action plans in order to maintain our robust corporate governance arrangements. Our decision making processes are understood by members and officers and the mechanisms which support those processes operate effectively.

We have recognised where there are areas for further improvement as outlined within this Statement. We propose, over the coming year, to take the steps detailed in the attached action plan to address these areas to further enhance our governance arrangements. We are satisfied that these steps will address the issues identified and we will monitor their implementation and operation as part of our next annual review.

Steve Parrock  
Chief Executive

Councillor Steve Darling  
Leader of the Council

Councillor Robert Loxton  
Chairman of Audit Committee

<b>Action</b>	<b>Responsible Officer</b>	<b>Deadline</b>
Implement Leader and Cabinet model of governance	Chief Executive	31 March 2020
Agree the future arrangements for adult social care once the current Risk Share Agreement ends	Director of Adult Services and Housing	31 March 2020
Continue to deliver the Children’s Services Ofsted Improvement Plan	Director of Children’s Services	31 March 2020
Develop operational risk registers	Senior Leadership Team	31 March 2020
Deliver the Action Plan in response to the Internal Audit report on the Better Care Fund	Director of Adult Services	31 March 2020
Deliver the Action Plan in response to the Internal Audit report on the Port Marine Safety Code	Director of Place	31 March 2020

## 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. Councils 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.

**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.

**CCLA** – Churches, Charities and Local Authorities. A property fund used for some of the Council's cash investments

**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 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.

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

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

## D

**DfE** – the Department of Education, the central government department responsible for a number of service including schools.

**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 or 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**

**EFA** - Education Funding Authority – a central government body that is responsible for the majority of schools funding.

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

**EMMF** – Enhanced Money Market Fund, a pooled fund used for Council cash investments where the net asset value can vary.

**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 Losses** – a model for assessing the value of the impairment of assets using a forward look rather than relying on evidence that impairment has taken place

**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.

## **E**

**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 has been designated into this category as this holding meets the definition of this type of financial instrument – I.e. the holding is part of a portfolio of investments managed as a whole.

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

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

**Financial Instruments Adjustment Account** - The Financial Instruments Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments such as the CCLA Property Fund per statutory provisions.

**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.

**Insurance Contracts** – a contract under which one party (the insurer) accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder. The Council's pension guarantees are within this classification.

**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. 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

**LEP** – Heart of the South West Local Enterprise Partnership. A regional body covering the geographical area of Devon and Cornwall focussing on business and transport activity.

**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

**MHCLG** – the Ministry of Housing, Communities and Local Government, the central government department responsible for local government.

**MRP - Minimum Revenue Provision** - The minimum amount which must be charged to a Council's revenue account each year and set aside as provision for repayment of debt, as required by the Local Government Act 2003. For assets funded from unsupported borrowing this must be a “prudent” amount.

## N

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

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

**New Homes Bonus Grant** – A general grant 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**

**S31 Grant** – a grant awarded by central government to councils where the legal basis for the grant is s31 of the Local Government Act 2003.

**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** – An additional sum that a Council can make to be set aside as provision for the future repayment of debt.