

Financial Services



FINANCIAL REPORTS & ACCOUNTS

FOR THE YEAR 2017/18

INCLUDING

Narrative Statement 2017/18
Statement of Accounts 2017/18
Annual Governance Statement 2017/18

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

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Torbay Council

Statement of Accounts • 2017/2018

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 2018. It gives information as to the Council's assets and liabilities at a point in time (31st March 2018) and detail on the Council's financial performance during 2017/18. 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 2017/18 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)
- 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.

CIPFA (who provide guidance to councils on the format and content of accounts) are encouraging councils to reduce the length of their accounts by removing unnecessary wording, duplicate information and to remove notes that are "not material". Materiality has been taken to be £4m under this value would be considered "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 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 2017/18 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 the some of the local government finance and accounting terms.

The Council is required under statute to publish its unaudited accounts by the 31st 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 it's accounts by the end of July.

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, excellent schools, growing arts and cultural sector, low crime rate 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 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. There are currently 20 Conservative councillors, 8 Liberal Democrats, 7 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, from May 2019, the Council will no longer have an Elected Mayor and will instead have a Leader and Cabinet system of governance.

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 1,006 people (excluding schools based employees).

Our Corporate Plan

The Council’s Corporate Plan sets out its ambition to create a Prosperous and Healthy Torbay. In meeting this ambition we will target out actions in the five areas set out on the following page using the principles below:

- Use reducing resources to best effect
- Reduce demand through prevention and innovation
- Take an integrated and joined up approach

Many of the actions within the Corporate Plan form part of the Council’s Transformation Programme which will transform the way we deliver services and strengthen 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.



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

- Our Children’s Services Improvement Plan has continued to be implemented and developed further informed by the programme of Ofsted Monitoring Visits.
- A revised Early Help Strategy has been agreed and launched with a single front door model now in place. The Strategy 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.
- The Torbay Local Education Board is now in place with the aim of further improving educational outcomes in all schools and to provide a co-ordinated approach to improving education outcomes for all pupils in Torbay.
- The Council’s Investment Portfolio is in place with the surplus income over costs (budget £2.8m in 2018/19) being used to support the delivery of Council services. The Portfolio includes offices, shops and manufacturing units in Devon, Dorset, Oxford and Kent.
- Progress has been made on implementing the Transformation Strategy for Torbay’s Town Centres with funding approved to support a public realm scheme in Paignton and bid submitted for external funding for a public realm scheme in Torquay.
- The Council has been successful in securing funding from Land Release Fund for three development sites, including 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.
- A revised Economic Strategy has been agreed which will ensure that Torbay builds on its strengths to deliver economic growth, tackle inequality and create change in the area that benefit everyone who lives here.
- Construction of the Electronics and Photonics Innovation Centre (EPIC) has begun and will be complete in April 2019. This scheme is forecast to create 220 new jobs over the coming years.
- Negotiations have progressed with the anchor tenant for the Claylands employment scheme in Paignton. Construction is forecast to begin in autumn 2018. This project will bring forward new employment space leading to additional employment opportunities and business rates.
- The Port Masterplan continues to be delivered with external funding secured to improve the infrastructure and facilities at Brixham Breakwater. Work has commenced to improve Princess Pier in Torquay.
- 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.
- We continue to work promoting healthy weight with programmes such as Run for your Life and Holiday Hunger.
- Our services for 0-19 year olds are being re-designed. Moving forward the service will build on people’s individual and community strengths and give children and young people in Torbay the best

start in life. This will enable the services to be designed around the needs of children, young people and their families and will incorporate a number of services currently funded by Public Health and Children’s Services.

- We have made changes within our Lifestyle Services to ensure that they are focused on those people who need the most support.
- The second Torbay Airshow held in June 2017 attracted over 150,000 visitors across Torbay over the two days and hosted the RAF Red Arrows first display of the season, revealing the world’s premier aerobatic team’s 2017 routine. The Torbay Airshow 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. As such, the Council has agreed make a new five year funding commitment to develop the Torbay Airshow.
- The second Grinagog Festival was held in April 2018 which showcased a myriad of musical genres that celebrate creativity and diversity. There were 200 live bands, solo artists and DJs performing across multiple stages at Torre Abbey and the Riviera International Conference Centre.
- Torre Abbey saw a 33% increase in visitor numbers in the year to 31 March 2018 compared to footfall figures for the previous year. This was the highest footfall at Torre Abbey for ten years and was predominantly attributed to the museum’s new dynamic exhibition, events programme and the delivery of extensive learning and education activities.
- Devon-based charity Libraries Unlimited has taken over responsibility for running the libraries in Torquay, Brixham, Paignton and Churston through a five-year contract with the council. All four libraries will remain open with the same opening hours and will be professionally staffed. Over time, the charity aims to implement a more integrated library service that will offer extended services and resources whilst making financial savings and ensuring the sustainability of the service.
- As from the 1st May 2018 Torbay Council have commissioned Healthmatic Limited to carry out the modernisation of toilet blocks across the Bay. Healthmatic, will also be providing the daily operation and cleaning of the toilets, and will provide modern, clean and hygienic facilities for residents and visitors to Torbay.
- The new lease has been agreed between Torbay Council and Parkwood Leisure with the current operator maintaining and improving the facilities at Torbay Leisure Centre over the next 12 years. The new lease also incorporates the adjacent Velopark.
- The Council is currently in the final stages of negotiations to enter into a long lease for the future operation of the Palace Theatre. A local Community interest Company ‘Jazz Hands’ is due to take on the delivery of the theatre in June 2018.
- We have reduced the number of adults in permanent care home placements. This is in line with our strategy of supporting more people at home. Through developing a more diverse market for care and accommodation, people needing care have more choice.
- Torbay has good carers’ services and which are a vital part of supporting people at home with their family and natural support mechanisms. We achieved (within agreed tolerance) our 2017/18 target of ensuring a high proportion of carers have their needs assessed. Our All Age Carers Strategy is currently subject to consultation.
- The low number of repeat adult safeguarding referrals is an indication that the triage system and

processes are working in line with our strategy.

- Torbay’s performance in reduced the delays in the transfer of care from hospital remains significantly better than the England and South West average. Torbay as an integrated system has performed better than most areas despite a huge pressure this winter on health and social care resources.
- Torbay Council and Torbay and South Devon NHS Foundation Trust and partners won the Health and Social Care category in the 2018 Local Government Chronicle (LGC) Awards for the creation and operation of the Integrated Care Organisation. The awards seek to identify and recognise local government’s greatest innovators, whose achievements are often under reported. They aim to shine a spotlight on the achievements of those councils and their partners whose pioneering best practice can inspire others to improve services.
- Torbay Council has established a Housing Company to support the delivery of the Councils Housing Strategy, this may include the following: Increasing the number of affordable homes delivered, increasing standards in the private rented sector, unlocking stalled sites in and around the Town Centre and assisting with regenerating areas of deprivation.
- The Torbay Lottery has been up and running for 12 months and has raised around £38,000 for local good causes. 89 local good causes have received funding over the past year and 10 organisations shared the £9,200 Torbay Lottery Small Grants Fund.

Our Performance

Protecting all children and giving them the best start in life¹

- Social work staffing vacancies fell by 5.6% on the same period last year down to 22.4% at the end of March 2018.
- The number of looked after children rose from 281 at the end of 2016/17 to 323 in March 2018.
- 95.3% of children looked after cases were reviewed within timescales during the month of March 2018. This is a 0.3% increase on the March 2017 figure.
- The number of early help referrals received in-month for March 2018 was 48. This is 53 less than at the same time in 2017.

Working towards a more prosperous Torbay²

- Average earnings for Torbay are a way below the target figures (the Great Britain average). For 2017 earnings by residence for full time workers was £477.10 against a target of £552.70.
- Earnings by workplace was £467.10 against a target of £552.30 in 2017. Torbay has increased on the previous year’ average of £422.40 (£44.70). Great Britain’s average has increased by £12.10 this year.
- The percentage of those claiming out of work benefits at the end of 2017/18 was 2.4% against a target of 2.1% (England’s monthly average). The lowest figure this performance indicator fell to over the year, was 1.8%.

¹ 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.

² Source: NOMIS, Office for National Statistics Official Labour Market Statistics website.

Promoting healthy lifestyles across Torbay³

- Excess weight in 4-5 year olds (Per 100,000 population) increased slightly for 2016/17 up to 24.3% compared to the 2015/16 figure which was 24.2%. This indicator is in excess of its target of 22.6%.
- The successful treatment of opiate users increased to 8.4% in 2016, from 5.9% in 2015 and 7.4% in 2014. This is well above the target of 6.7%.
- The percentage of physically active adults rose from 55.5% in 2015/16 to 67.1% in 2016/17. This is above the target of 66.0%
- 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. 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 4 2017/18 was at 124kg per household, a decrease on the same period the previous year, 129kg in 2016/17. For each quarter of 2017/18, the figure has been above the target of 120kg.
- Household waste sent for reuse, recycling and composting was at 42.44 % for the last quarter of 2017/18. This is a very slight decrease when compared to the same period the previous year 42.61%, and below the target of 50.00%.
- The average number of people sleeping rough at the end of quarter 4 2017/18 rose to 37 from 22 for the same period the year before.
- In 2017/18 there were 3,541 recorded domestic violence incidents in Torbay. This is an increase of 521 recorded incidents on the number of incidents of the previous year, 3,020 were recorded in 2016/17.
- There has been an increase in the number of Multi Agency Assessment Conferences (MARAC) since 2016/17. In 2016/17 there were 344 referrals, in 2017/18 there were 352.
- The number of repeat MARAC referrals has increased from 153 in 2016/17 to 187 last year.

Protecting and supporting vulnerable adults⁴

- The number of permanent care home placements in Torbay has fluctuated between 604 and 638 throughout the last year. At the end of March 2018 it was 604, just below the target of 617 for that month.
- The percentage of carers receiving a needs assessment or review, and a specific carer's service or advice and information was 42% at the end of March 2017/18 only slightly less than the target of 43%.
- The percentage of repeat safeguarding referrals in the last 12 months was below the target of 8% for March 2017/18 at 7.1%. The target was exceeded only once during the year when 10% was reached in June.

Running an Efficient Council

- The number of stage one complaints logged by the Information Compliance Team in 2017/18 was 395. This equates to complaints from 3 people per 1000 residents in Torbay. It is less than the

³ 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.

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

previous year when 472 stage one complaints were logged.

- Of the stage one complaints, the percentage that were dealt with on time each quarter fluctuated throughout the year, starting at 84% for quarter one and ending the year at 54% for quarter four. This is well below the target of 90%.
- The number of data breaches increased from 34 in 2016/17 to 44 in 2017/18. This is well above the target of 25.

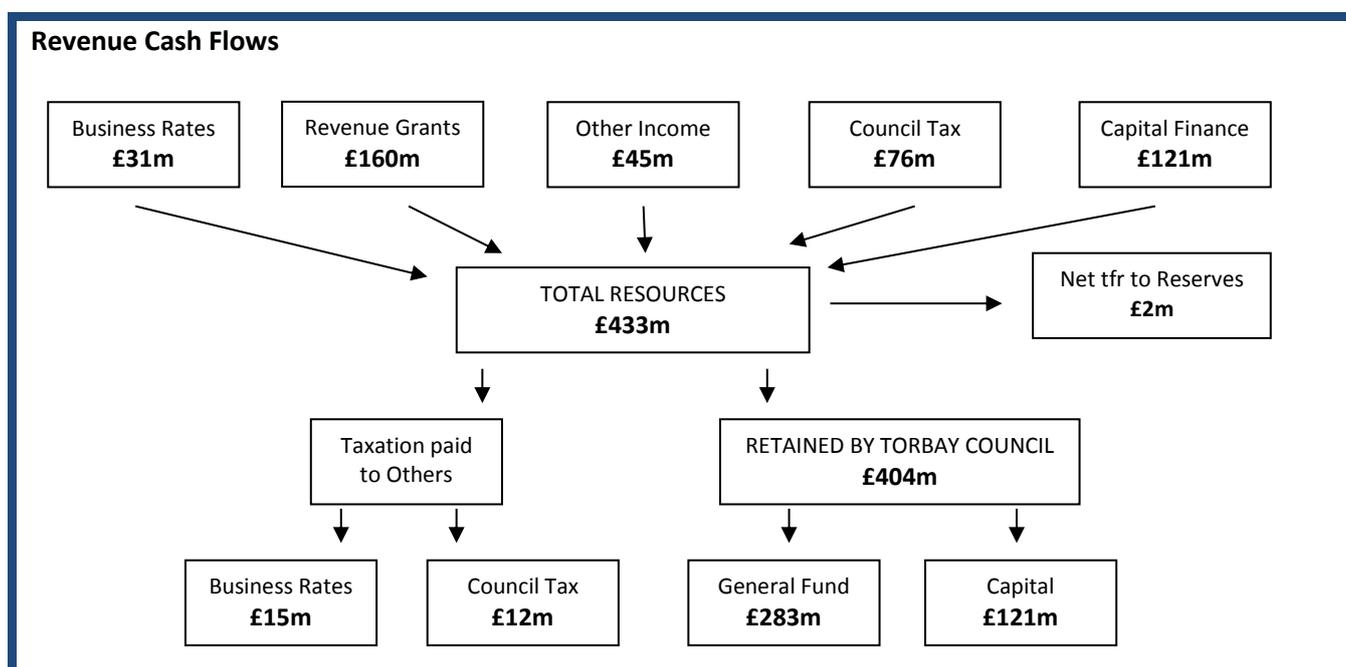
Our Financial Performance

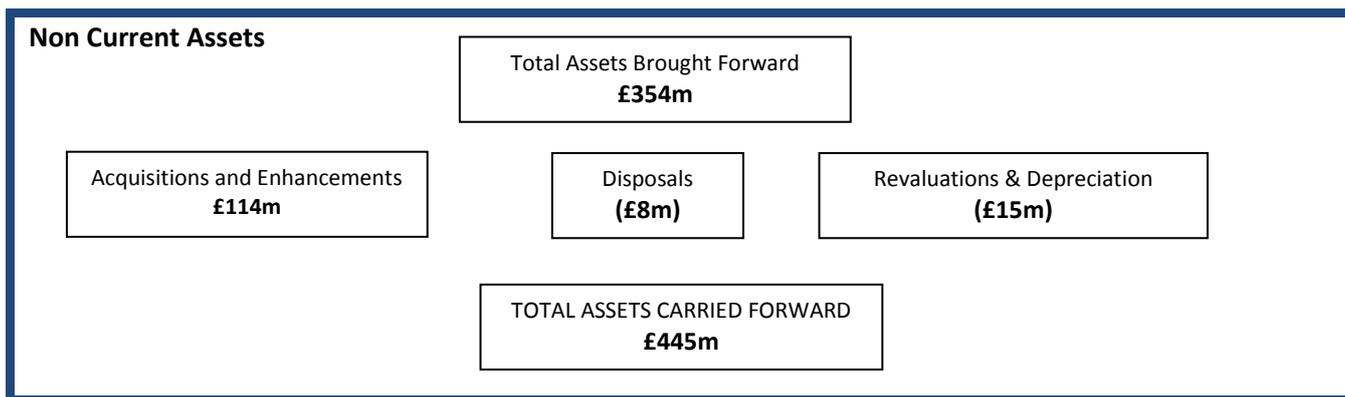
Financial Context

Torbay Council is responsible for managing cash flows and assets of around £900 million.

The Council:

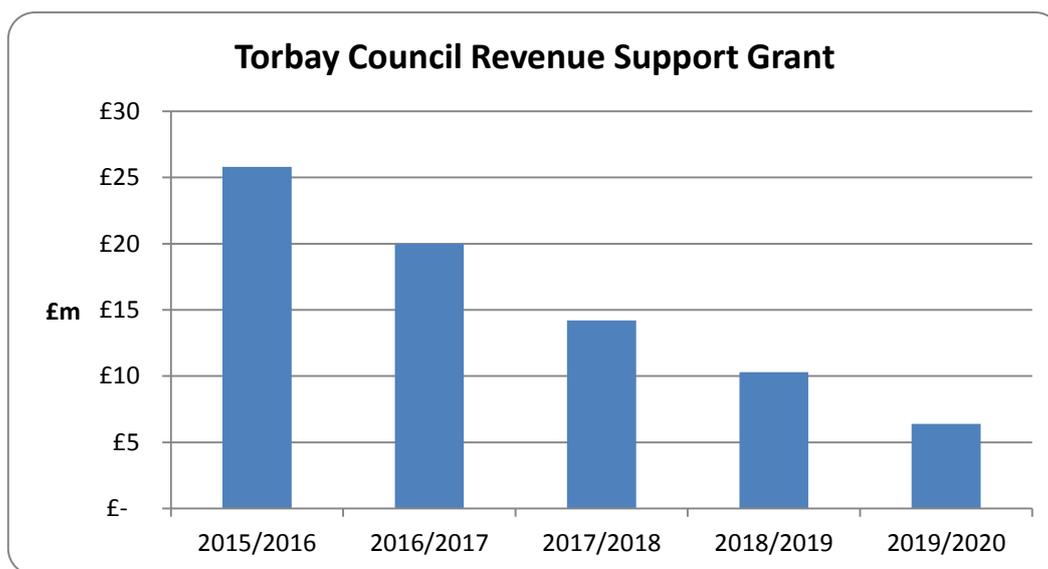
- Collects £76m of Council Tax which is an in-year collection rate of 95.6% (95.5% 16/17) and £31m of National Non-Domestic Rates (Business Rates) which is an in-year collection rate of 96.4% (96.6% 16/17)
- Holds £445m of fixed assets comprising of £298m operational assets for delivering services, £32m of heritage assets and £115m of investment property which generates rental income of £9m annually.
- Generates £60m 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 2017/18 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 from £27 million (restated) in 2015/16 to £6 million by 2019/20.



It is 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. 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.

In 2018/19 Torbay, along with all other Councils in Devon, are participating in a 100% NNDR retention pilot. 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 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 will not receive any RSG and will have a lower NNDR Top Up grant. The 18/19 reduction in the RSG table above was reflected in a lower NNDR Top Up Grant.

From 2017 the updated national NNDR revaluations were implemented. In Torbay there was an average £6m (6%) reduction in the gross rateable values of businesses.

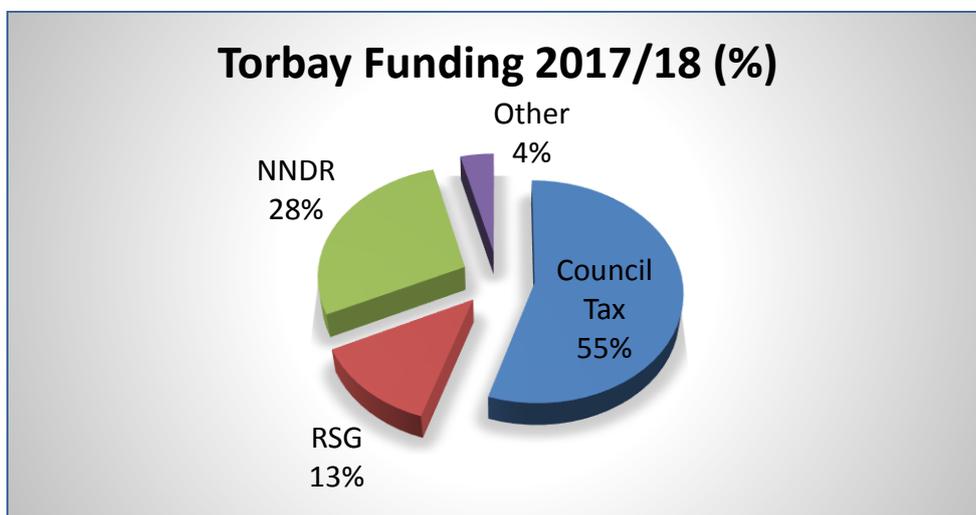
Revenue Budget 2017/2018

In February 2017, the Council set a budget for 2017/18 of £110 million (against a budget of £109 million in 2016/17). £7 million of reductions were required to set a balanced budget for 2017/18 and there is also an estimated funding gap up to £15 million for the following three years from 2019/20. The Council is meeting the 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 4.99%, comprising 1.99% 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 £1,376.93.

The table below shows how the Council’s revenue budget was funded in 2017/2018.

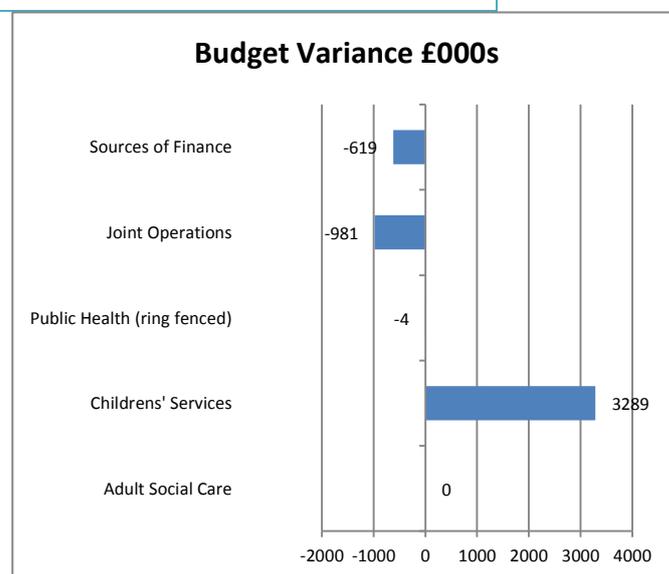
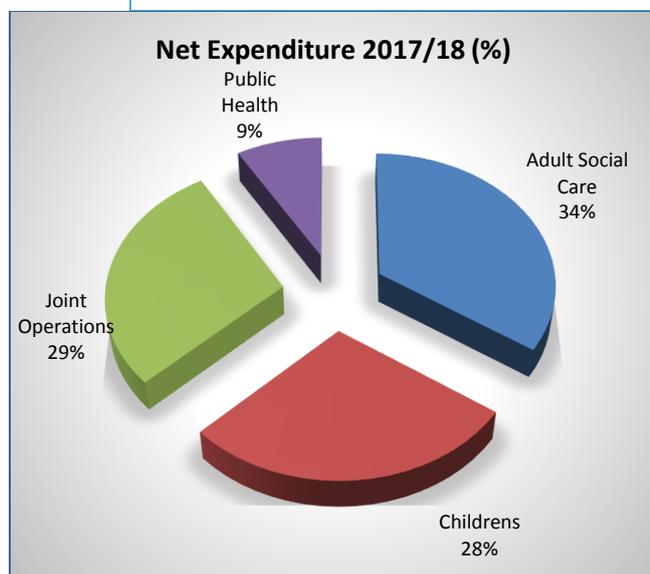
	2016/17	2017/18	
	£ m	£ m	% change
Net Budget Requirement	109	110	1
New Homes Bonus and other general grants	(2)	(2)	0
NNDR Rate Retention	(30)	(31)	3
Revenue Support Grant	(20)	(14)	(30)
Council Tax	(56)	(61)	9
Collection Fund (surplus)/deficit	(1)	(2)	100



Council Spending in 2017/2018

The table below provides a summary of the budget and expenditure by service in 2017/2018, together with the variances against each budget at the end of the year. The final two columns of the table restate the Council’s management reporting to align with the Expenditure Funding Analysis as required in the Council’s Statement of Accounts. The charts below show the net expenditure by service and the budget variance at 31 March 2018.

Service	2017/18 Budget (revised)			Full Year Variance
	Expenditure £000s	Income £000s	Net £000s	£000s
Adult Social Care	49,554	(10,757)	38,797	0
Children’s Services	77,506	(48,856)	28,650	3,289
Public Health	11,115	(1,479)	9,636	(4)
Joint Commissioning	138,175	(61,092)	77,083	3,285
Community Safety	3,905	(1,439)	2,466	17
Customer Services	73,716	(70,225)	3,491	1
Corporate Services	5,764	(1,549)	4,215	360
Commercial Services	30,736	(19,469)	11,267	(1,542)
Business Services	30,138	(17,696)	12,442	295
Investment Properties	3,985	(4,862)	(877)	(112)
Joint Operations	148,244	(115,240)	33,004	(981)
Total Expenditure	286,419	(176,332)	110,087	2,304
Sources of Funding	-	(110,087)	(110,087)	(619)
Net Expenditure	286,419	(286,419)	0	1,685
Use of Earmarked Reserves				(1,685)
Change in General Fund Reserve				0



During the year, there were significant variances within the budgets for children’s social care. The overspend on Children’s Services was £3.3m. These overspends in social care was partly offset by a net underspend and/or additional income across other Council services.

Overall, the Council’s financial performance in 2017/18 was an overspend of £1.7 million. This overspend was funded, as planned, from an earmarked reserve.

Capital Plan

The Council spent £121.6 million on capital expenditure in 2017/18 (£37.7m 16/17) of which £98.7m was Investment Properties, funded as shown in the table below.

	Revised Budget	Outturn	Variation
	£ m	£ m	£ m
Unsupported (Prudential) Borrowing	118.0	109.1	(8.9)
Grants	13.6	10.4	(3.2)
Other Contributions	0.6	0.3	(0.3)
Revenue and Reserves	2.0	1.2	(0.8)
Capital Receipts	1.0	0.3	(0.7)
Total Funding	135.2	121.3	(13.9)

Of the £121 million, £114 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 £8 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 2017/18 is shown below.

Corporate Plan Theme	Examples of 2017/18 Schemes	Spend £m
Protecting all children and given them the best start in life	Includes early year expansion at both Ellacombe and White Rock	1.8
Working towards a more prosperous Torbay	Includes transport scheme at Western Corridor	16.5
Investment Properties	Purchase of four Investment Properties in Exeter, Oxford, Dorset and Medway	98.7
Ensuring Torbay remains an attractive and safe place to live and visit	Includes spend on capital loan in relation to Clennon Valley leisure centre and improvements at Princess Gardens Fountain and Harbour pontoons	1.7
Protecting and supporting vulnerable adults	Includes spend on adult social care with the ICO and Disabled facilities Grants	1.5
Corporate Support	IT purchases and enhancement of office space	1.1
Total		121.3

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 2017/18 accounts.

Entity	Assessed Relationship	Council Shareholding /Control	Turnover £m	Surplus/ (Deficit) for year £m	Net Equity £m
Torbay Economic Development Company Ltd	Subsidiary (Consolidated for the TEDC Group)	100%	7.0	0.5	0.4
Oldway Mansion Management Co Ltd	Subsidiary	100%	0.1	0	0
TOR2 Ltd (to 30/06/17)	Associate	19.99%	14.8	0.1	(0.4)
CSW Group Ltd (formally Careers SW Ltd) excludes IAS19 pension entries	Associate	25%	7.4	0.2	1.7
Torbay Housing Companies (not trading in 2017/18)	Subsidiary	100%	-	-	-

Schools

The Council, as at 31 March 2018, has nine schools (three fewer than in 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 2017/18 is £36 million compared with £37 million in 2016/17. The level of earmarked school reserves as at 31 March 2018 is £0.8 million compared with £1.9 million in 2017/18. Further detail on school asset recognition and the use of Dedicated School Grant in 2017/18 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 2017/2018

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 £3.3 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 ICO were able to meet their NHS set financial “control total” in the year.

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

The Council incurred £0.3 million of costs primarily associated with staff exit packages resulting from reductions in funding. These costs were offset by reductions in other services including

The Council has continued to implement its Transformation Programme. In 2016/17 the Council established a £50 million Investment Fund and from that fund purchased, for over £20 million, the Wren Retail Park in Torquay. During 2017/18 the Fund was increased to £200 million and over £98m was spent on four investment properties and one loan. During the year the Council also exchanged on another property (that completed in April 2018 for £12m) and has made further offers on two locations with a total potential future spend of £16m. The net surplus on these properties will be used to support the Council’s services. The budgeted net surplus in 2018/19 is £2.8m.

The Council has also 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 2018 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 31st March 2018, a total of 31 schools had converted with three schools converting in 2017/18 and further schools possibly due to convert in 2018/19.

The Council’s gross expenditure in the year was over £300m for revenue (day to day) spend and over £121m for capital (spend on long term assets such as roads and schools) of which over £98m was the purchase of Investment Properties.

No significant liabilities were acquired by the Council in 2017/18. The Council’s appeal in relation to a judicial review in relation to Care Home Fees was determined in the Council’s favour.

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 25 years). The triennial review of the fund took place as at 31st March 2016 which resulted in an

increase in the Council’s employer contribution rate from April 2017.

The Council’s liability as at 31st March 2018 is assessed at £186 million which is a £16m decrease over the previous year (compared to a £51 million increase in 16/17). 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.

In addition to the change in the pension liability described above, there were a number of other “unusual” costs within the income and expenditure account in 2017/18. These include £0.3 million of costs in relation to a reduction of 33 staff (primarily as a result of the budget reductions); and, during the year, three schools converted to Academy status where the transfer for nil consideration resulted in a loss on disposal on those assets of approx. £7 m.

There were no significant changes in Torbay’s economy compared to recent years. Income levels on certain services such as planning remained low. Collection rates on NNDR and Council Tax remained at similar levels to prior year levels. As conditions have remained constant there have been no material changes on the value of the Council’s property assets during the year.

For 2017/18 the only changes in accounting policies relevant to Torbay’s accounts is the fair value of the council’s companies are taken to be the historic cost of the shares.

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 2017/18 is a deficit of £26m (£11m 16/17). The key reasons for this deficit is a loss on asset disposals of £7m arising from the transfer of schools from the Council to become Academy schools combined with depreciation and impairment charges of £21m.

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 2017/18. 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 £4.7m. This was primarily an increase of £2.6m from capital grants and capital receipts to fund capital expenditure in future years and a net increase in earmarked revenue reserves of £2.1m linked in part to new reserves associated with the Council’s Investment properties.

On the balance sheet there were some significant changes in year. There was a net increase of £91 million in the carrying value of the Council’s property, plant and equipment, heritage assets and investment properties. In particular there was a £90 million net increase from investment property purchases. There was also a reduction in the value of the Council’s property assets related to the transfer of three schools to academy status of £7 million. Any borrowing or other liability associated with capital expenditure on these assets in previous years remains with the Council. There was a £16 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 4.2% of the Council’s 2018/19 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 £13.1m resulting in a net worth of £3.5 million compared to a negative £9.6m in 2016/17. Of the increase £16m related to the net reduction in the Council’s pension liability.

Torbay, like a number of other councils, has a low, (or as in the 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 £186m 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 that are impacting on the Council, its finances and its service delivery:

- Significant reductions in the Council’s Revenue Support Grant to 2019/20 and in future years depending on the impact of the national Spending Review 2019.
- Ongoing impact of the Living Wage on Council staff and service providers
- 65% 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 from April 2018 are in a contractual partnership with Plymouth City Council.

- 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.
- 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 October 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 “roll out” of Universal credit in Torbay during 2018/19.
- 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 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 2019/20 to 2021/22 is £15 million. This is in addition to the £7 million of savings and income required to balance the 2018/19 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.

	2018/19	2019/20	2020/21	2021/22
	£m	£m	£m	£m
Revenue Support Grant, NNDR & Council Tax	(112)	(109)	(109)	(108)
Estimated Expenditure	112	115	120	124
Total Estimated Cumulative Funding Gap	0	6	11	15
In- year Funding Gap	0	6	5	4

To meet this 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. Future service developments are being undertaken including the outsourcing of library services, transfer of Palace Theatre to a community interest company and a new provider for the operation of the Council’s toilets.

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

	2018/19	2019/20	2020/21
	£m	£m	£m
Total Capital Expenditure	141	35	21

Borrowing and Investments

The Council undertakes borrowing to support its capital expenditure. As at 31 March 2018 the Council had £273 million of borrowing, primarily from the Public Works Loans Board, an increase of £120m in year. In addition, it had a long term liability of £7 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 £65 million (£42m in 2016/17) of cash investments at year end with a net debt position of £227 million (compared with £130 million in 2016/17).

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 2017/18 the Council spent over £98m 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 2017	31 March 2018
	£m	£m
Balance Sheet Values: (principal)		
External Borrowing *	153	273
Long Term Liabilities (PFI)	19	19
External Investments *	(42)	(65)
Net Debt	130	227
Treasury Management Limits:		
Capital Financing Requirement	174	280
Authorised Limit	234	330
Operational Limit	207	310
Revenue Income & Expenditure:	2016/17	2017/18
Interest Receivable	(0.6)	(0.6)
Interest Payable	6.1	7.9
MRP Repayment (including PFI)	3.4	3.8
Ratio of net financing costs to net revenue (excluding revenue contributions to capital).	9%	10%

* 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 £2.1 million (£1.9m million in 16/17) 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 2018

Martin Phillips
 Head of Finance
 Torbay Council

STATEMENT OF ACCOUNTS 2017/18

STATEMENT OF ACCOUNTS 2017/18

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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 2017/18

I confirm that the Council completed its approval process of the Statement of Accounts 2017/2018 on the 25th July 2018 at a meeting of the Council's Audit Committee.

Councillor Tyerman

Chair of Audit Committee

25th July 2018

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 28 to page 110 and has been prepared in accordance with the accounting policies which are set out, if significant, on pages 95 to 108. In my opinion it is a true and fair view of the financial position of the Council at 31st March 2018 and its income and expenditure for the year ended 31st March 2018.

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

The Statement of Accounts 2017/18 were authorised for issue on the 28 May 2018. This is also the date up to which events after the balance sheet date have been considered.

Martin Phillips
Chief Finance Officer
31 May 2018

The Statement of Accounts 2017/18 were authorised for approval by Members on the 25th July and for publication once the audit opinion has been received, which will be before the statutory deadline of the 31 July 2018. This is also the date up to which events after the balance sheet date will be considered.

Martin Phillips
Chief Finance Officer
25th July 2018

TO FOLLOW

TO FOLLOW

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.

2016/17 ***restated				2017/18			
Gross Exp £m	Gross Income £m	Net Exp £m	Services	Note	Gross Exp £m	Gross Income £m	Net Exp £m
			Joint Commissioning:-				
46.1	(2.4)	43.7	Adult's Services		48.4	(10.5)	37.9
87.0	(52.6)	34.4	Children's Services		92.0	(50.1)	41.9
10.6	(0.6)	10.0	Public Health		9.9	(0.5)	9.4
137.2	(106.4)	30.8	Joint Operations		137.8	(102.4)	35.4
280.9	(162.0)	118.9	Cost Of Services		288.1	(163.5)	124.6
0.9	(0.9)	0	Other Operating Income & Expenditure	See ** below	0.9	(1.1)	(0.2)
0.7	0	0.7	Transfer of schools to academies		7.1	0	7.1
14.2	(2.6)	11.6	Financing and Investment Income and Expenditure	11	21.2	(8.1)	13.1
0	(120.2)	(120.2)	Taxation and Non-Specific Grant Income and expenditure	12	3.9	(122.3)	(118.4)
296.7	(285.7)	11.0	(Surplus)/Deficit on Provision of Services		321.2	(295.0)	26.2
		(6.4)	(Surplus)/Deficit on revaluation on Non Current Assets (PPE)	26			(17.1)
		3.8	Impairment losses on non current assets charged to the revaluation reserve	26			3.8
		2.3	(Surplus)/Deficit on revaluation of available for sale financial assets	See * below			0
		46.2	Remeasurement of net defined pension liabilities	40			(26.0)
		45.9	Other Comprehensive Income and Expenditure				(39.3)
		56.9	Total (Surplus)/Deficit in Comprehensive Income and Expenditure				(13.1)

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

Note ** - includes Brixham Town Council precept of £253,972.

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.

2016/17	General Fund Balance	Earmarked General Fund Reserves	Sub Total Revenue Reserves	Capital Receipts Reserve	Capital Grants Unapplied Account	Total Usable Reserves	Unusable Reserves	Total Council Reserves
	£m	£m Note 10	£m	£m Note 9	£m Note 9	£m Note 25	£m Note 26	£m
Balance at 31st March 2016 brought forward	4.4	25.3	29.7	1.4	4.2	35.3	12.0	47.3
Movement in Reserves during 2016/17								
Surplus or (deficit) on provision of services (accounting basis)	(11.0)	-	(11.0)	-	-	(11.0)	-	(11.0)
Other Comprehensive Expenditure and Income (see C I&E Statement)	-	-	-	-	-	-	(45.9)	(45.9)
Total Comprehensive Expenditure and Income	(11.0)	-	(11.0)	-	-	(11.0)	(45.9)	(56.9)
Adjustments between accounting basis & funding basis under regulations (Note 9)	8.9	-	8.9	0.7	3.0	12.6	(12.6)	0
Net Increase/Decrease before Transfers to Earmarked Reserves	(2.1)	-	(2.1)	0.7	3.0	1.6	(58.5)	(56.9)
Transfers to/from Earmarked Reserves (Note 10)	2.3	(2.3)	0	-	-	0	0	0
Increase/(Decrease) in Year	0.2	(2.3)	(2.1)	0.7	3.0	1.6	(58.5)	(56.9)
Balance at 31st March 2017 carried forward	4.6	23.0	27.6	2.1	7.2	36.9	(46.5)	(9.6)

Movement in Reserves Statement

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

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 2017		31 st March 2018	
£m		Note	£m
297.9	Property, Plant & Equipment	13	296.7
30.6	Heritage Assets	14	32.3
25.0	Investment Property	15	115.4
0.3	Intangible Assets		0.5
15.0	Long Term Investments	18	5.0
6.5	Long Term Debtors	19	12.0
375.3	Long Term (Non Current) Assets		461.9
26.6	Short Term Investments	18	53.8
0.4	Assets Held for Sale		0.4
0.1	Inventories		0.1
23.9	Short Term Debtors	19	24.8
1.0	Cash and Cash Equivalents	20	7.3
52.0	Current Assets		86.4
(5.8)	Short Term Borrowing	23	(5.6)
(2.4)	Other Short Term Liabilities	24	(2.3)
(22.9)	Short Term Creditors (inc Receipts in Advance)	21	(27.6)
(1.1)	Capital Grants/Contributions: Receipts in Advance		(1.2)
(1.8)	Provisions	22	(2.0)
(0.5)	Cash and Cash Equivalents	20	(0.9)
(34.5)	Current Liabilities		(39.6)

Torbay Council
2017/18 Statement of Accounts for the year ended 31st March 2018 – Core Financial Statements

31st March 2017		Notes	31st March 2018
£m			£m
(4.9)	Long Term Creditors		(4.6)
(0.1)	Provisions	22	(0.1)
(148.6)	Long Term Borrowing	23	(269.8)
(46.0)	Other Long Term Liabilities	24	(44.0)
(202.1)	Pension Liability	40	(185.9)
(0.7)	Capital Grants/Contributions: Receipts in Advance		(0.8)
(402.4)	Long Term Liabilities		(505.2)
(9.6)	Net Assets/Liabilities		3.5
36.9	Usable reserves	25	41.6
(46.5)	Unusable Reserves	26	(38.1)
(9.6)	Total Reserves		3.5
<p>M Phillips Chief Finance Officer 31 May 2018</p> <p>M Phillips Chief Finance Officer 25th July 2018</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.

2016/17				2017/18	
£m	£m		note	£m	£m
	(11.0)	Net surplus or (deficit) on the provision of services, including £7.9m interest paid and (£0.5m) interest received.			(26.2)
15.1		Adjustments to net surplus or deficit on the provision of services for non cash movements	See note below	43.5	
(1.3)		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		(8.8)	
	2.8	Net cash inflows/(Outflow) from Operating Activities			8.5
		Investing Activities:			
(30.8)		Purchase of property, plant and equipment, investment property, heritage and intangible assets	37	(112.7)	
0.8		Proceeds from the sale of property, plant and equipment, investment property and intangible assets		1.2	
13.6	(16.4)	Proceeds from short-term and long-term investments	18	(9.1)	(120.6)
		Financing Activities			
(0.7)		Cash payments for the reduction of the outstanding liabilities relating to transferred debt and on-balance sheet PFI contracts	24	(0.7)	
(1.2)		Council Tax and NNDR adjustments		(0.7)	
15.0	13.1	New borrowing in year	23	119.4	118.0
	(0.5)	Net increase or (decrease) in cash and cash equivalents			5.9

2016/17		2017/18	
£m	Cash and Cash Equivalents	Notes	£m
1.0	Cash and cash equivalents * at the beginning of the reporting period	20	0.5
0.5	Cash and cash equivalents at the end of the reporting period	20	6.4
(0.5)	Net increase or (decrease) in cash and cash equivalents		5.9
*Cash equivalents are short term cash investments that are held for the purpose of meeting short term cash commitments rather than for investment purposes.			
Note: Adjustments to net surplus or deficit on the provision of services for non cash movements			
The table below lists the adjustments required in the cash flow statement to reverse non cash items accounted for in the Provision of Services in the Comprehensive Income and Expenditure Account			
14.2	Depreciation, Impairment & downward valuations		21.2
0.5	Change in value of Investment Properties		6.0
0.1	Amortisation of Intangible Assets		0.1
0.1	Increase/(Decrease) in Creditors		5.2
(6.4)	(Increase)/Decrease in Debtors including impairment for bad debts		(6.7)
5.3	Movement in pension liability		9.4
1.3	Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised		7.8
0	Other non-cash items charged to the net surplus or deficit on the provision of services		0.5
15.1	Total		43.5

Notes to the Core Financial Statements

1. Changes in Accounting Policy

The only change to accounting policies for 2017/18 relates to the valuation of the Council's shareholding in TDA, a subsidiary company of the Council. For the company the valuation is taken to be the historic cost of the shares rather than the net equity of the company. As the value of the company recognised on the Council's balance sheet as at 31 March 2017 was nil there is no impact on the Council's 2016/17 balance sheet.

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

The standards introduced in the 2018/19 CIPFA 'Code' that are relevant to the Council are as follows:

IFRS 9 Financial Instruments has been adopted by the 2018/19 Accounting Code, with an application date of 1 April 2018. IFRS 9 was devised to correct weaknesses in accounting practices that contributed to the global financial crisis. In particular it:

- changes the default accounting treatment for investments from one where gains and losses in value are not recognised as income or expenditure until an investment matures or is disposed of to one where income or expenditure is recognised as fair value gains and losses arise
- changes the model for impairment loss allowances for financial assets from one based on incurred losses to one based on expected losses

The first of these changes will mean that the Council's Available for Sale investments (i.e its holding in the CCLA property fund, will be reclassified at 1 April 2018 as Fair Value through Profit or Loss. The accumulated revaluation loss of £0.2m on the Available for Sale Reserve will be released to the General Fund Balance on 1 April 2018 and any fair value gains/losses arising after that date will be credited/debited to the Surplus/Deficit on the Provision of Services in the CIES as they arise. It is possible that regulations may be amended to bring these investments within the scope of statutory reversals for 2018/19. If not, the Council may apply an election available under the Accounting Code to designate these investments (value £5m) into a Fair Value through Other Comprehensive Income treatment (which will mirror the Available for Sale approach).

The second change relating to impairment losses will require the Council to review the allowances it currently makes for credit risk on debtors, loans and investments to include losses expected to arise in the future rather than just those incurred at the balance sheet date. It is currently estimated that impairment loss allowances are not expected to significantly change however this will be subject to an annual review. Any increased allowances will be debited to the General Fund Balance at 1 April 2018.

IFRS 15 Revenue from Contracts with Customers has been adopted by the 2018/19 Accounting Code, with an application date of 1 April 2018. IFRS 15 introduces a new model for the recognition of contractual income, based on allocating the overall transaction price for the goods and/or services to be provided against the satisfaction of the various performance obligations in the contract. The new model has the potential to change the date at which revenue is recognised compared to the current accounting requirements, however the Council does not engage in significant contracts that may be impacted by this new standard.

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 now classified as insurance contracts. As at 31 March 2018 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 2017/18 or expected in future years.

The only item in the Council's balance sheet at 31st March 2018 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>Pension Liability Value 31/3/18 £186m (£202m 16/17)</p>	
<p>The Council's liability as at 31st March is based on a number of complex judgements relating to the discount rate used, the rate at which salaries may change, changes in retirement dates, mortality rates and expected return on pension fund assets</p> <p>A firm of pension actuaries are used to provide this information and every three years there is a detailed actuarial review of the fund.</p> <p>The value of pension assets is estimated (by the actuary) based upon information available at the Balance Sheet date, but these valuations may be earlier than the Balance Sheet date. The actual valuations at the Balance Sheet date, which may not be available until 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 2017/18, the net pensions' liability had decreased by £16m. 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.

2016/17				2017/18		
Net Expend Chargeable To the General Fund	Adjustments between the Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement	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
			Joint Commissioning:-			
42.8	0.9	43.7	Adult's Services	38.8	(0.9)	37.9
30.5	3.9	34.4	Children's Services	31.9	10.0	41.9
9.9	0.1	10.0	Public Health	9.6	(0.2)	9.4
28.2	2.6	30.8	Joint Operations:	30.4	5.0	35.4
111.4	7.5	118.9	Cost Of Services	110.7	13.9	124.6
0	0	0	Other Operating Income & Expenditure	0	(0.2)	(0.2)
0	0.7	0.7	Transfer of schools to academies	0	7.1	7.1
0	11.6	11.6	Financing and Investment Income and Expenditure	0	13.1	13.1
(111.7)	(8.5)	(120.2)	Taxation and Non-Specific Grant Income and expenditure	(110.7)	(7.7)	(118.4)
(0.3)	11.3	11.0	(Surplus)/Deficit on Provision of Services	0	26.2	26.2

Note: General Fund Opening Balance as at 31 March 2017 £4.6m and Closing Balance as at 31 March 2018 £4.6m

6. Events after the Reporting Period

There are none to report. Events taking place after the 28 May 2018 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.

2016/17				2017/18			
Adjustments for Capital Purposes	Net change for the Pensions Adjustments	Other Differences	Total adjustments	Adjustments for Capital Purposes	Net change for the Pensions Adjustments	Other Differences	Total adjustments
£m	£m	£m		£m	£m	£m	£m
							Joint Commissioning:-
1.3	0	(0.4)	0.9	0.8	0	(1.7)	(0.9)
1.5	0	2.4	3.9	7.8	0	2.2	10.0
0	0	0.1	0.1	0	0	(0.2)	(0.2)
10.9	(0.2)	(8.1)	2.6	9.7	3.8	(8.5)	5.0
13.7	(0.2)	(6.0)	7.5	18.3	3.8	(8.2)	13.9
(6.9)	5.5	5.2	3.8	5.4	5.4	1.5	12.3
6.8	5.3	(0.8)	11.3	23.7	9.2	(6.7)	26.2
							Difference between General Fund (surplus)/deficit and Comprehensive Income and Expenditure Statement (surplus)/deficit on the Provision of Services

8. Expenditure and Income Analysed by Nature

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

2016/17		2017/18
£m		£m
	Expenditure	
59.9	Employee benefits expenses	58.2
207.3	Other services expenses	222.6
0.8	Support service recharges	1.6
14.3	Depreciation, amortisation, impairment	21.2
13.0	Interest payments	9.5
0.3	Precepts and levies	0.4
1.1	Written out of accounts on the disposal of assets	7.7
296.7	Total Expenditure	321.2
	Income	
(35.3)	Fees, charges and other service income	(34.9)
(0.8)	Support service recharges	(1.6)
(1.0)	Financing & Investment Income and Other Operating Income	(9.2)
(89.3)	Council tax and non domestic rates	(98.5)
(159.3)	Government grants and contributions	(150.8)
(285.7)	Total Income	(295.0)
11.0	(Surplus) or Deficit on the Provision of Service	26.2

Segmental Income of Fees, charges and other service income

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

2016/17		2017/18
£m		£m
	Joint Commissioning:-	
(1.2)	Adult's Services	(4.4)
(4.3)	Children's Services	(4.2)
(0.6)	Public Health	(0.5)
(28.3)	Joint Operations:-	(27.4)
(1.6)	Financing and Investment	(8.1)
(0.1)	Other operating income and expenditure	(1.1)
(36.1)	Total income analysed on a segmental basis	(45.7)

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.

2016/17						2017/18						
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	
Adjustments involving the Capital Adjustment Account:												
Reversal of items debited or credited to the Comprehensive Income & Expenditure Statement (CI&E):												
<u>Items relating to capital expenditure</u>												
(14.2)	-	-	14.2	-	-	Charges for depreciation and impairment of non current assets	(21.2)	-	-	21.2	-	-
(0.1)	-	-	0.1	-	-	Amortisation of intangible assets	0	-	-	0	-	-
(6.8)	-	-	6.8	-	-	Revenue expenditure funded from capital under statute	(3.0)	-	-	3.0	-	-
(1.3)	-	-	1.3	-	-	Amounts of non current assets written off on disposal/sale as part of the gain/loss on disposal to the CI&E statement	(7.7)	-	-	7.7	-	-
0.1	-	-	(0.1)	-	-	Notional Rent Credit	0.1	-	-	(0.1)	-	-

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	
(22.3)	-	-	22.3	-	-	b/f	(31.8)	0	0	31.8	0	0	
0.8	-	-	(0.8)	-	-	Deferred Credit re Energy From Waste	0.8	-	-	(0.8)	-	-	
						<u>Other</u>							
(0.5)	-	-	0.5	-	-	Movement in the fair value of Investment Properties	(6.0)	-	-	6.0	-	-	
						<u>Items relating to capital financing applied in the year</u>							
7.1	-	-	(7.1)			Capital Grants and Contributions Applied	6.5	-	-	(6.5)	-	-	
						Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement							
						<u>Items relating to capital financing applied in the year</u>							
3.4	-	-	(3.4)			Provision for the financing of capital investment	3.8	-	-	(3.8)	-	-	
0.2	-	-	(0.2)			Capital expenditure charged against the General Fund	1.2	-	-	(1.2)	-	-	
(11.3)	-	-	11.3	-	-	c/f	(25.5)	0	0	25.5	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	CAA	Pension	Other
£m	£m	£m	£m	£m	£m		£m	£m	£m	£m	£m	£m
(11.3)	-	-	11.3	-	-	b/f	(25.5)	0	0	25.5	0	0
Adjustments involving Capital Grant Unapplied Account												
6.6	-	(6.6)	-	-	-	Capital Grants & Contributions unapplied credited to the CI&E Statement	5.8	-	(5.8)	-	-	-
-	-	3.6	(3.6)	-	-	Application of (prior year) Grants to capital financing applied in the year transferred to the Capital Adjustment Account	-	-	3.9	(3.9)	-	-
Adjustments involving the Capital Receipts Reserve:												
0.8	(0.8)	-	-	-	-	Transfer of sale proceeds credited as part of the gain/loss on disposal to the CI&E Statement	1.0	(1.0)	-	-	-	-
-	0.1	-	(0.1)	-	-	Use of the Capital Receipts Reserve to finance new capital expenditure applied in the year	-	0.3	-	(0.3)	-	-
Adjustments involving the Pensions Reserve:												
(3.9)	(0.7)	(3.0)	7.6	-	-	c/f	(18.7)	(0.7)	(1.9)	21.3	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	
(3.9)	(0.7)	(3.0)	7.6	-	-	b/f	(18.7)	(0.7)	(1.9)	21.3	0	0	
(12.4)	-	-	-	12.4	-	Reversal of items relating to retirement benefits debited or credited to the CI&E Statement (see Note 38)	(16.8)	-	-	-	16.8	-	
7.1	-	-	-	(7.1)	-	Employer's pensions contributions and direct payments to pensioners payable in the year	7.6	-	-	-	(7.6)	-	
Adjustments involving the Collection Fund													
Adjustment Account:													
0.6	-	-	-	-	(0.6)	Amount by which council tax income credited to the CI&E Statement is different from council tax income calculated for the year in accordance with statutory requirements	(0.4)	-	-	-	-	0.4	
Adjustment involving the Accumulated Absences Account													
(8.6)	(0.7)	(3.0)	7.6	5.3	(0.6)	c/f	(28.3)	(0.7)	(1.9)	21.3	9.2	0.4	

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
(8.6)	(0.7)	(3.0)	7.6	5.3	(0.6)	b/f	(28.3)	(0.7)	(1.9)	21.3	9.2	0.4
(0.2)	-	-	-	-	0.2	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	-	-	-	-	0
Adjustment involving the Financial Instruments Adjustments Account												
(0.1)	-	-	-	-	0.1	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	-	-	-	-	0
(8.9)	(0.7)	(3.0)	7.6	5.3	(0.3)	Total Adjustments per MIRS	(28.3)	(0.7)	(1.9)	21.3	9.2	0.4
<i>Memo items:-</i>												
(11.0)	-	-	-	-	-	<i>Surplus/(Deficit) on Provision of Services</i>	(26.2)	-	-	-	-	-
2.3	-	-	-	-	-	<i>Movement in earmarked reserves</i>	(2.1)	-	-	-	-	-

-	-	-	-	46.2	-	<i>Other Comprehensive Income and Expenditure: Remeasurement of net defined pension liability</i>	-	-	-	-	(26.0)	-
-	-	-	(1.2)	-	-	<i>Other movement on the Capital Adjustment Account - Adjusting amounts written out of the revaluation reserve to the Capital Adjustment Account</i>	-	-	-	(3.5)	-	-
0.2	-	-	6.4	51.5	-	Total Movement in year	0	-	-	17.8	(16.8)	-

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 2017/18.

	Balance at 31 March 2016 £m	Transfer Out 2016/17 £m	Transfer In 2016/17 £m	Balance at 31 March 2017 £m	Transfer Out 2017/18 £m	Transfer In 2017/18 £m	Balance at 31 March 2018 £m
Reserves:-							
earmarked for General Expenditure	4.0	(2.5)	3.0	4.5	(1.7)	0.8	3.6
earmarked for specific issues	6.7	(4.2)	3.5	6.0	(1.3)	4.5	9.2
to reflect timing of expenditure	5.2	(1.8)	0.3	3.7	(3.5)	3.4	3.6
to support Capital expenditure	1.7	(0.1)	0.5	2.1	(0.2)	1.0	2.9
School Related Reserves	0.5	(0.3)	0	0.2	0	0	0.2
Schools' Balances (held under a delegation scheme)	2.4	(2.4)	1.9	1.9	(1.9)	0.8	0.8
Ring Fenced	4.8	(0.2)	0	4.6	(1.5)	1.7	4.8
Total	25.3	(11.5)	9.2	23.0	(10.1)	12.2	25.1

11. Financing and Investment Income and Expenditure

2016/17 £m		2017/18 £m
7.5	Interest payable and similar charges	9.5
5.5	Net interest on net defined pension liability	5.4
(1.0)	Interest receivable and similar income	(1.4)
0	Income and expenditure in relation to investment properties and changes in their fair value	0.2
(0.4)	Gain from Devon wide NNDR Pool	(0.6)
11.6	Total	13.1

12. Taxation and Non Specific Grant Income

2016/17 Restated £m		2017/18 £m
(56.9)	Council tax Income	(60.9)
(30.7)	Retained income from rate retention scheme	(31.9)
(1.1)	Collection Fund – NNDR & Council Tax	(2.2)
(0.6)	Collection Fund Adjustment Account	0.4
(23.4)	Non-ring fenced government grants	(16.6)
(7.5)	Capital grants and contributions	(7.2)
(120.2)	Total	(118.4)

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 2017/18, and the prior year 2016/17, in Property, Plant and Equipment by category of assets is shown in the tables below:

2016/17

	Other Land & Buildings	Vehicles, Plant & Equipment	Infra - structure 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
Cost or Valuation	206.0	17.0	120.1	7.5	1.0	0.5	352.1	55.4
As at 1st April 2016								
Additions	1.2	0.1	7.0	1.1	0	0.1	9.5	0.1
Revaluation increases/ (decreases) recognised in the Revaluation Reserve	0.1	0	0	0	(0.3)	0	(0.2)	0
Revaluation Increases/ (decreases) recognised in the Surplus/Deficit on the Provision of Services	(4.9)	0	0	0	(0.5)	0	(5.4)	0
Derecognition – Disposals	(0.7)	0	0	0	0	0	(0.7)	0
Assets reclassified (to)/from Held for Sale	(0.4)	0	0	0	0.8	0	0.4	0
Other movements in Cost or Valuation	(0.3)	0	0	0	0	0	(0.3)	0
As at 31st March 2017	201.0	17.1	127.1	8.6	1.0	0.6	355.4	55.5
Accumulated Depreciation and Impairment								
As at 1st April 2016	(7.0)	(14.0)	(28.0)	(0.4)	0	0	(49.4)	(0.8)
Depreciation charge	(4.1)	(0.8)	(4.2)	(0.2)	0	0	(9.3)	(1.5)
Depreciation written out to the Revaluation Reserve	0.7	0	0	0	0	0	0.7	0
Revaluation Increases/ (decreases) recognised in the Surplus/Deficit on the Provision of Services	0.4	0	0	0	0	0	0.4	0
Derecognition – Disposals	0.1	0	0	0	0	0	0.1	0
Other movements in Depreciation and Impairment	0	0	0	0	0	0	0	0
As at 31st March 2017	(9.9)	(14.8)	(32.2)	(0.6)	0	0	(57.5)	(2.3)
Net Book Value:-								
As at 31st March 2017	191.1	2.3	94.9	8.0	1.0	0.6	297.9	53.2
As at 31 st March 2016	199.0	3.0	92.1	7.1	1.0	0.5	302.7	54.6

2017/18	Other Land and Buildings	Vehicles, Plant & Equipm't	Infra-structure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant & Equipm't	PFI Assets in P, P & E
	£m	£m	£m	£m	£m	£m	£m	£m
Cost or Valuation								
As at 1st April 2017	201.0	17.1	127.1	8.6	1.0	0.6	355.4	55.5
Additions	6.3	0.1	6.5	0.6	0	2.4	15.9	0.1
Revaluation increases/ (decreases) recognised in the Revaluation Reserve	8.1	0	0	0	0	0	8.1	0.3
Revaluation Increases/ (decreases) recognised in the Surplus/Deficit on the Provision of Services	(13.3)	0	0	(0.1)	0	0	(13.4)	(9.0)
Derecognition – Disposals	(7.8)	0	0	0	0	0	(7.8)	0
Assets reclassified (to)/from Held for Sale	0	0	0	0	(0.4)	0	(0.4)	0
Other movements in Cost or Valuation	(0.4)	0	0	0	0.5	0	0.1	0
As at 31st March 2018	193.9	17.2	133.6	9.1	1.1	3.0	357.9	46.9
Accumulated Depreciation and Impairment								
As at 1st April 2017	(9.9)	(14.8)	(32.2)	(0.6)	0	0	(57.5)	(2.3)
Depreciation charge	(4.2)	(0.6)	(4.6)	(0.1)	0	0	(9.5)	(1.4)
Depreciation written out to the Revaluation Reserve	3.6	0	0	0	0	0	3.6	2.0
Revaluation Increases/ (decreases) recognised in the Surplus/Deficit on the Provision of Services	1.8	0	0	0	0	0	1.8	1.3
Derecognition – Disposals	0.4	0	0	0	0	0	0.4	0
Other movements in Depreciation and Impairment	0	0	0	0	0	0	0	0
As at 31st March 2018	(8.3)	(15.4)	(36.8)	(0.7)	0	0	(61.2)	(0.4)
Net Book Value:-								
As at 31st March 2018	185.6	1.8	96.8	8.4	1.1	3.0	296.7	46.5
As at 31 st March 2017	191.1	2.3	94.9	8.0	1.0	0.6	297.9	53.2

Contractual Commitments for the acquisition of Property, Plant and Equipment as at 31st March 2018

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 £6m.

Contract	Purpose	Total Commitments £m	2018/19 £m	2019/20 £m
	Expenditure on Council Assets:			
Education				
New Paignton Primary School	Contribution to site acquisition for new Free School	0.6	0.6	0
Secondary School Places	Additional classrooms/teaching space for secondary school pupils	1.1	1.1	0
Transport				
Fleet Walk, Torquay	Major reinstatement of pedestrianisation area with vehicular (bus) access.	0.6	0.6	0
South Devon Highway	Major investment to provide new road to alleviate congestion and ease traffic flow to and from Torbay.	2.5	1.5	1.0
Western Corridor	Road widening and improvement scheme	2.9	2.9	0
Regeneration				
Employment Site	Development of business unit to relocate local company	2.1	2.1	0
Investment Properties	Commitment to purchase properties in Gloucester and Chippenham	17.5	11.2	6.3
	Total Significant Commitments	27.3	20.0	7.3

Revaluations

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

Valued at fair value as at	Other Land and Buildings £m
31 March 2018	69.4
31 March 2017	22.7
31 March 2016	25.9
31 March 2015	38.3
31 March 2014	37.6
Total Cost or Valuation of Other Land & Buildings	193.9

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 st March 2016	5.8	0.2	22.4	28.4
Additions	0	0	0	0
Revaluation increases/(decreases) recognised in the Revaluation Reserve	2.1	0	0.1	2.2
31st 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
31st March 2018	8.1	0.2	24.0	32.3

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.

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

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 £19.6m. 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. Income relating to these properties in 2017/18 was £4.9m with operating costs of £0.3m.

31 st March 2017		31 st March 2018
£m		£m
4.4	Opening Balance	25.0
21.1	Purchases in year	96.4
(0.5)	Movements in value in year	(6.0)
25.0	Total	115.4

16. Financial Instruments

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

31 st March 2017			31 st March 2018	
Long Term	Short Term		Long Term	Short Term
£m	£m		£m	£m
		Investments		
12.2	12.8	Loans and receivables	0.1	42.5
2.8	2.5	Available-for-sale financial assets	4.9	0
0	11.3	Financial assets at fair value through profit and loss	0	11.3
15.0	26.6	Total investments	5.0	53.8
		Cash & Cash Equivalents		
0	0.2	Cash in hand and Bank (net)	0	0.1
0	0.3	Loans and receivables	0	6.3
0	0.5	Total Cash & Cash Equivalents	0	6.4
		Debtors		
6.5	21.2	Financial assets carried at contract amounts	12.0	22.3
6.5	21.2	Total Debtors	12.0	22.3
		Borrowings/Liabilities		
(148.6)	(5.8)	Financial liabilities at amortised cost	(269.8)	(5.6)
(148.6)	(5.8)	Total borrowings	(269.8)	(5.6)
		Other Long Term Liabilities		
(18.8)	(0.8)	PFI liability	(18.2)	(0.7)
(18.8)	(0.8)	Total other long term liabilities	(18.2)	(0.7)
		Creditors		
(2.6)	(18.0)	Financial liabilities carried at contract amount	(2.2)	(20.4)
(2.6)	(18.0)	Total Creditors	(2.2)	(20.4)
(148.5)	23.7	Total All Financial Instruments	(273.2)	55.8

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

Financial Instrument	Basis of measurement	Note
Investments – fixed rate	Carrying value adjusted for interest owed at year end	Investments have both fixed term and fixed interest rates
Investments – Money Market Funds	Increase in carrying value recognised in Income & Expenditure Account	Interest rate determinable on 1 st 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 st March is the fair value of the Fund.
Investments – CCLA Property Fund	Treated as an Available for Sale asset and changes in carrying value reflected in Balance Sheet and not recognised in Income & Expenditure Account until realised	Carrying value of the fund at 31 st March is the fair value of the Fund. Dividends due in year are recognised in CIES.
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.

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

Income, Expense, Gains and Losses

	2016/17					2017/18				
	Financial Liabilities	Financial Assets		Available For Sale Assets	Total	Financial Liabilities	Financial Assets		Available For Sale 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	£m
Interest expense	4.6	-	-	-	4.6	4.9	-	-	-	4.9
Reductions in fair value re interest due	1.3	-	-	-	1.3	3.0	-	-	-	3.0
Total expense in Surplus or Deficit on the Provision of Services	5.9	-	-	-	5.9	7.9	-	-	-	7.9
Interest income	-	(0.3)	0	0	(0.3)	-	(0.1)	0	0	(0.1)
Increases in fair value	-	(0.1)	(0.2)	0	(0.3)	-	(0.1)	(0.1)	(0.2)	(0.4)
Total income in Surplus or Deficit on the Provision of Services	-	(0.4)	(0.2)	0	(0.6)	-	(0.2)	(0.1)	(0.2)	(0.5)
Net gain/(loss) for the year	5.9	(0.4)	(0.2)	0	5.3	7.9	(0.2)	(0.1)	(0.2)	7.4

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 31st 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 £265.3m (£144.3m 16/17), the fair value of £309.2m (£186.4m 16/17) has been assessed by using PWLB discount rates (certainty rate) for new loans as at 31st March 2018, 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 16/17), the fair value of £17.2m (£16.4m 16/17) has been assessed by using discount rates of similar length and structure with a comparable lender as at 31st March 2018. 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 31st March 2018 of £369.5m (£217.0m 16/17). This is higher than the fair value PWLB amount of £309.2m (£186.4m 16/17) 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 9.5 years on its 25 year School PFI contract for the construction element. The fair value of the liability as at 31/3/18 of £8.1m (£9.7m 16/17) 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 21.5 years on its 25 year Energy from Waste PFI contract for the construction element. The fair value of the liability as at 31/3/18 of £25.3m (£26.2m 16/17) 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 as required in the annual Treasury Management Strategy. The Council provides written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk and the investment of surplus cash. The Council's treasury team also, as required, make in year adjustments in the event of changing circumstances such as economic pressures impacting on rates or changes to investment counterparty lists.

Credit Risk

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

The Council's investment in the Funding Circle (£0.1m) is limited to individual loans to applicants with a credit score (as assessed by Funding Circle) of A+, A and B the three highest categories of credit combined with a maximum loan to any applicant of £1,500.

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.

2017/18	Value as at 31st March 2018	Historical experience of default	Historical experience adjusted for market conditions as at 31 st March 2018	Estimated maximum exposure to default and uncollectability at 31 st March 2018
	£m	%	%	£m
Deposits with banks and other financial institutions	25.4	0	0	0
Deposits held in Enhanced Money Market Fund	11.4	0	0	0
Deposits held with other public sector bodies	17.0	0	0	0
Units purchased in CCLA Property Fund	4.8	0	0	0
Trade and other Receivables, excluding loans (Sundry, Beach Huts & Harbour Debt)	3.3	1	0	0.1

The Council does not generally allow credit to customers. Within the Council's sundry debt total of £3.3m (£3.7m 16/17), £0.4m (£0.5m 16/17) is over three months due for payment. The past due amount can be analysed by age as follows:

31 st March 2017		31 st March 2018
£m		£m
3.0	Less than 3 months	2.9
0.2	Three months to one year	0.1
0.5	More than one year	0.3
3.7	Total	3.3

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 st March 2017		31 st March 2018
£m		£m
5.8	Less than one year	5.6
2.5	Between one and two years	0.6
9.5	Between two and five years	9.9
14.1	Between five and ten years	17.8
26.9	Between ten and twenty years	54.9
31.1	Between twenty and thirty years	29.5
64.5	Above thirty years	157.1
154.4	Total	275.4

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

Market Risk

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

Interest Rate Risk

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

- borrowings at variable rates – the interest expenses charged to the Comprehensive Income and Expenditure will rise

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

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

The Council has a number of strategies for managing interest rate risk. Its policy is to limit its exposure to variable rate loans. As at 31st March 2018 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 31st March 2018 the interest rates are 1% higher than the actual interest rates the financial impact would be:

a) Borrowing:

The Council had no variable rate borrowing as at 31st March 2018 so there would be no impact.

b) Investments:

It is reasonable to assume that the Council's investments in "cash" accounts, money market funds and the fund manger should increase by the change in interest rates. If the Council's investment in these instruments were maintained at the level as at 31st March 2017 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 share holding 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, an investment in the Funding Circle, an investment in a Property Fund managed by the CCLA.

2016/17		2017/18		
Cash Investments	Other Investment		Cash Investment	Other Investment
£m	£m		£m	£m
7.0	0.1	Balance at start of year:	12.0	3.0
5.0	2.9	Change in Investment in year	(12.0)	2.0
12.0	3.0	Fair Value as at 31st March	0	5.0

Short Term Investments

Temporary investments are short term investments with a maturity less than one year that are held for investment purposes not short term cash flow liquidity. As at 31st March 2018 the Council held £45.6m (2016/17 £26.4m) of short-term (money market) investments (principal only), of which £11.0m (2016/17 £11.1m) is held in an Enhanced Money Market Fund managed by Aberdeen Asset Management.

Total Invested 31st March 2017 £ m		Total Invested 31st March 2018 £ m	
	Short Term Investments (less than 1 year)		
10.1	Deposits: fixed term & structured		22.0
5.2	Notice\Call Accounts		20.3
11.1	Enhanced Money Market Fund *		11.0
26.4	Total Short Term Investments		53.3
26.6	<i>Fair Value as at 31st March - including interest due</i>		53.8

Note * - The Council has designated its holding with a 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 2017		31 March 2018
£m		£m
2.4	Loans	7.6
1.4	Social Services – Client Debt	1.6
(0.2)	Impairment re Client Debt	(0.1)
2.9	Asset Related (capital accounting)	2.9
6.5	Total	12.0

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

31 st March 2017		31 st March 2018
£m		£m
3.9	Central government bodies (WGA)	4.3
3.8	Other local authorities and public bodies	3.4
0.3	NHS bodies	0.2
5.6	Council Tax (inc. liability orders)	6.1
0.9	NNDR (inc liability orders)	0.9
3.8	Housing Benefit Overpayments	4.2
7.5	TOR2 – payment in advance	7.5
7.3	Other entities and individuals	7.8
33.1	Sub Total	34.4
(9.2)	Impairment (uncollectibility of debt)	(9.6)
23.9	Total	24.8

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 31st March 2018.

Value of loan -31 st March 2017 £000s	Organisation	Value of loan -31 st March 2018 £000's	Due within one year £000's	Due in excess of one year £000's
1,464	Torbay Economic Development Company	1,445	51	1,394
945	Torbay Coast & Countryside Trust	916	17	899
67	Academy Schools	0	0	0
7	Babbacombe Cliff Railway	0	0	0
32	Sports Clubs	30	2	28
-	Care Home Provider	1,217	101	1,116
-	South Devon College	3,880	160	3,720
-	Parkwood Leisure	515	0	515
2,515		8,003	331	7,672

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 2017		31 March 2018
£m		£m
0.2	Bank current accounts	0.2
0.3	Short-term deposits with Money Market Funds and Liquidity Accounts	6.2
0.5	Total Cash and Cash Equivalents	6.4
1.0	<i>Current Assets</i>	7.3
(0.5)	<i>Current Liabilities</i>	(0.9)
0.5	Total Cash and Cash Equivalents	6.4

21. Creditors

Represents monies owed by the Council

Long Term Creditors (due over one year)

31 March 2017		31 March 2018
£m		£m
2.3	Section 106 agreements	2.4
0.9	Salix Finance	0.7
1.5	PFI Sinking Fund - Contractor	1.4
0.2	Other	0.1
4.9	Total	4.6

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

31 March 2017		31 March 2018
£m		£m
4.3	Central government bodies (WGA)	4.3
2.3	Other local authorities and public bodies	3.5
2.1	NHS bodies	0.8
14.2	Other entities and individuals	19.0
22.9	Total	27.6

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
Balance at 31 March 2017	0.4	1.5	1.9
Provisions made in year	0.1	0.3	0.4
Provisions reversed in year	0	0	0
Amounts used in year	(0.2)	0	(0.2)
Balance at 31 March 2018	0.3	1.8	2.1
<i>Short term</i>	0.2	1.8	2.0
<i>Long term</i>	0.1	0	0.1
<i>Balance at 31 March 2018</i>	0.3	1.8	2.1

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

Name of Provision

Description of Provision

Insurance

Reflects a reliable estimate of Council liability on all known claims outstanding as at 31st March, which

have yet to be settled. The timing of spend will be up to three years depending on claim type.

NNDR Appeals

Reflects the Council's 49% share of the estimated value of outstanding NNDR appeals submitted to the Valuation Office by 31st 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 st March 2017		31 st March 2018
Principal £ m	Borrowing Repayable	Principal £ m
	Amounts falling due within one year	
4.5	Public Works Loans Board loans	2.6
	Amounts falling due in excess of one year	
10.0	Money Market loans	10.0
138.6	Public Works Loans Board loans	259.8
153.1	Total	272.4
154.4	<i>Carrying Amount as at 31st March - including interest due</i>	275.4

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

Total Principal Outstanding 31 st March 2017 Re-stated £ m	Analysis of Loans by Maturity	Average Interest Rate	Total Principal Outstanding 31 st March 2018 £ m
4.5	Within 1 year - (short term)	2.15%	2.6
2.5	1 up to 2 years	1.89%	0.6
0.5	2 up to 3 years	2.23%	3.6
3.5	3 up to 4 years	2.27%	2.6
5.5	4 up to 5 years	2.34%	3.6
14.1	5 up to 10 years	2.69%	21.8
8.3	10 up to 15 years	2.75%	26.2
18.6	15 up to 20 years	3.79%	24.7
17.1	20 up to 25 years	3.91%	16.2
78.5	Over 25 years	3.14%	170.5
153.1	Total	3.16%	272.4
154.4	<i>Carrying amount as at 31st March - including interest due.</i>	3.40%	275.4
202.9	<i>Fair value (as IFRS 13 see Note 16 Fair Value of Assets and Liabilities)</i>		326.4

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 st March 2017		31 st March 2018
£m		£m
	Liabilities due within 1 year	
0.6	PFI Liability - Schools	0.6
0.2	PFI Liability – EFW	0.1
0.8	PFI Liability – EFW – Deferred Income	0.9
0.8	DCC Pre LGR Liability	0.7
2.4	Total due within 1 year	2.3
	Liabilities due over 1 year	
6.8	PFI Liability – Schools	6.3
11.9	PFI Liability – EFW	11.9
18.4	PFI Liability – EFW – Deferred Income	17.5
8.9	DCC Pre LGR Liability	8.3
46.0	Total due over 1 year	44.0
48.4	Total Liabilities	46.3

The Spires and Homelands Schools PFI Scheme

A Project Agreement was signed on 31st March 2000 with Torbay School Services Ltd (TSS) for the provision of serviced facilities at The Spires (formerly Westlands) Secondary and Homelands Primary Schools in Torquay. The period of the contract is 26 years from the actual completion of the redevelopment of The Spires School buildings, which occurred on 24th October 2001 (i.e. expires in 2027). Payments under the contract commenced on 1st April 2001 when Phase 1 of 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 2018 (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 2018/19	1.9	0.6	0.3	2.8
Payable within 2 to 5 years	7.4	2.6	1.1	11.1
Payable within 6 to 10 years	8.4	3.7	0.5	12.6
Total	17.7	6.9	1.9	26.5

* 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:

2016/17		2017/18
£m		£m
7.9	Balance outstanding at start of year	7.4
(0.5)	Payments during the year	(0.5)
7.4	Balance outstanding at year-end	6.9

Energy from Waste Plant – Private Finance Initiative

Torbay, in partnership with Plymouth and Devon County Councils has entered into a 25 year PFI contract with M V V 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 and to maintain it to a minimum acceptable condition over a 24 year term, but with an option to extend operations for another 5 years. The Councils have the right to terminate the contract but must 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 2018 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 2018 (excluding any estimation of inflation) is as follows:

	Payment for Services *	Reimbursement of Capital Expenditure	Interest	Total
	£m	£m	£m	£m
Payable in 2018/19	1.8	0.1	1.2	3.1
Payable within 2 to 5 years	7.9	0.5	4.4	12.8
Payable within 6 to 10 years	10.9	1.3	4.4	16.6
Payable within 11 to 15 years	11.4	2.9	3.1	17.4
Payable within 16 to 20 years	12.8	4.9	0.6	18.3
Payable within 21 to 25 years	4.4	2.3	(0.6)	6.1
Total	49.2	12.0	13.1	74.3

* 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:

2016/17 £m Torbay Share	2016/17 £m Deferred Income		2017/18 £m Torbay Share	2017/18 £m Deferred Income
12.3	20.1	Liability outstanding at start of year	12.1	19.2
(0.2)	(0.9)	Payments during the year	(0.1)	(0.9)
12.1	19.2	Liability outstanding at year-end	12.0	18.3

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 2016/17). The estimate of the remaining liability of £9.0m (£9.6m 16/17) is based on Devon County's IAS19 disclosures.

2016/17		2017/18
£m		£m
9.1	Liability outstanding at start of year	9.6
1.2	IAS19 Actuarial remeasurements	0.1
(0.7)	Payments during the year to Devon County	(0.7)
9.6	Liability outstanding at year-end	9.0

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 st March 2017		For in year movements see Note:-	2017/18 movement	31 st March 2018
£m				£m
4.6	General Fund Reserve	9	0	4.6
23.0	Earmarked Reserves	10	2.1	25.1
2.1	Usable Capital Receipts Reserve	9	0.7	2.8
7.2	Capital Grants & Contributions Unapplied	9	1.9	9.1
36.9	Total Usable Reserves		4.7	41.6

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 st March 2017		For in year movements see Note:-	2017/18 movement	31 st March 2018
£m			£m	£m
61.9	Revaluation Reserve	26.1	9.8	71.7
102.9	Capital Adjustment Account	9	(17.8)	85.1
(0.2)	Financial Instruments: Available for Sale		0	(0.2)
(211.7)	Pensions Reserve (Funded and Unfunded)	9	16.8	(194.9)
1.9	Collection Fund Adjustment Account	9	(0.4)	1.5
(1.3)	Accumulating Compensated Absences Adjustment Account	9	0	(1.3)
(46.5)	Total Unusable Reserves		8.4	(38.1)

26.1 Revaluation Reserve

2016/17			2017/18	
£m			£m	
60.5	Balance at 1 April	Note		61.9
2.6	Revaluation of assets		13.3	
2.6	Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services			13.3
(0.9)	Difference between fair value depreciation and historical cost depreciation		(1.0)	
(0.3)	Accumulated gains on assets sold or scrapped		(2.5)	
(1.2)	Amount written off to the Capital Adjustment Account	9		(3.5)
61.9	Balance at 31 March			71.7

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 2017/18 was £1.2m (£1.3m 16/17), of which £0.6m (£0.6m 16/17) 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 2017/18 was £10.5m (£10.4m 16/17), of which £3.0m (£3.0m 16/17) was paid to the Council to commission adult social care services and £7.5m (£7.4m 16/17) was used by the CCG to commission health related services.

Improved Better Care Fund

The Council received £4.4m of Improved Better Care Fund in 2017/18 (nil 16/17) 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 £443,000 (£447,000 2016/17) were paid to members of the Council during the year. In addition £3,000 of approved expenses was paid (£5,000 2016/17). 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)	2017/18	107	0	0	16	123
	2016/17	104	0	0	14	118
Director of Adult Social Care	2017/18	117	1	0	18	136
	2016/17	113	1	0	15	129
Director of Children's Services	2017/18	115	0	0	17	132
from July 2016	2016/17	84	0	0	11	95
To July 2016	2016/17	23	0	49	0	72
Assistant Director – Community & Customer Services (to Dec 2017)	2017/18	51	0	0	8	59
	2016/17	81	0	0	11	92
Chief Finance Officer (s151)	2017/18	67	0	0	10	77
	2016/17	64	0	0	8	72
Director of Public Health	2017/18	101	0	0	15	116
	2016/17	113	0	0	16	129
Assistant Director – Corporate Services & Operations & Monitoring Officer	2017/18	96	0	0	14	110
	2016/17	81	0	0	11	92

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 2017/18 which would impact on the lower band as the banding has not been inflated.

Number of Employees by Employer 2016/17			Remuneration Band	Number of Employees by Employer 2017/18		
Council	Schools - Council	Schools - Governing Body		Council	Schools - Council	Schools - Governing Body
9	1	5	£50,000 to £54,999	10	1	4
14	5	5	£55,000 to £59,999	7	2	3
3	4	5	£60,000 to £64,999	3	4	4
3	0	0	£65,000 to £69,999	4	2	2
3	0	1	£70,000 to £74,999	2	0	1
0	0	0	£75,000 to £79,999	1	0	0
3	1	1	£80,000 to £84,999	1	0	0
0	0	0	£85,000 to £89,999	0	1	1
0	0	0	£90,000 to £94,999	0	0	0
0	0	0	£95,000 to £99,999	1	0	0
1	0	1	£100,000 to £104,999	1	0	0
1	0	0	£105,000 to £109,999	1	0	1
2	0	0	£110,000 to £114,999	0	0	0
0	0	0	£115,000 to £119,999	2	0	0
0	0	0	£135,000 to £139,999	0	0	0
39	11	18	Total	33	10	16

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.

2016/17 £000		2017/18 £000
102	Fees payable to Grant Thornton with regard to external audit services carried out by the appointed auditor for the year	102
18	Fees payable to Grant Thornton for the certification of grant claims and returns for the year	14
120	Total	116

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 2015. 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 2017/18 are as follows:

Schools Budget Funded by Dedicated Schools Grant 2017/18			
	Central Expenditure	Individual Schools Budget	Total
	£m	£m	£m
Final DSG for year before Academy Recoupment			95.4
Less Academy figure and direct funding of Higher Needs recouped			(59.1)
Total DSG after Academy Recoupment *			36.3
Brought Forward from 2016/17			0.4
Agreed initial budgeted distribution in year	19.0	17.7	36.7
In year Adjustments	0.1	0	0.1
Final budgeted distribution for year	19.1	17.7	36.8
Less: Actual Central Expenditure	(20.1)	0	(20.1)
Less: Actual ISB deployed to schools	0	(17.7)	(17.7)
Carry forward	(1.0)	0	(1.0)

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

32. Grant Income

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

2016/17 restated £m		2017/18 £m
	Credited to Taxation and Non Specific Grant Income	
20.1	Revenue Support Grant	14.2
0.2	Other General Grants	0.2
3.1	New Homes Bonus Grant	2.3
12.5	NNDR Top Up, S31 and transitional relief	20.6
7.5	Capital Grants & Contributions	7.2
43.4	Sub Total	44.5
	Credited to Cost of Services	
36.6	Dedicated Schools Grant (Dept of Education)	36.4
65.4	Benefit Subsidy & Admin Grant (DWP)	61.8
1.9	Pupil Premium	1.8
1.5	Post 16 Funding (Learning & Skills Council)	1.5
9.8	Public Health Grant	9.6
-	Improved Better Care Fund	4.4
6.9	Other Central Government Grants – Revenue	6.8
6.3	Other Central Government Grants – Refcus *	5.1
128.4	Sub Total	127.4
171.8	Total	171.9

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

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

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 impact of consolidation of these interests into group accounts is not material.

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

English Riviera Tourism Company ceased trading as at 31 March 2017. The residual LGPS pension settlement at that date of £0.4m was transferred to the Council.

All the companies within the group have a reporting period end date of the 31st 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).

For those companies within the group that are 'Limited by Guarantee and not having a share capital' any surplus is reinvested into their activities. The Torbay Economic Development Company Ltd (TEDC Ltd) is a private limited company 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 2017/18.

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 31st March 2018 the net balances outstanding between members of the group were:-

- Torbay Council and TOR2 Ltd, a net £0.3m owed by the Council and £7.5m paid in advance to TOR2 for 2018/19 fees.
- Torbay Council and the Torbay Economic Development Company, a net £0.6m owed by Torbay Council and £0.7m has been paid in advance and £1.4m loan provided to the TDA.
- Torbay Council and the Complete Facilities Management Solutions Company, a net £0.1m owed by Torbay Council.

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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
Torbay Economic Development Company Ltd 07604855 Trading as Torbay Development Agency (TDA)	Private Limited Company	14 th April 2011	To bring about Regeneration in Torbay In 17/18 Council paid £1.3m (£1.6m 16/17) grant In addition in 2016/17 the Council has provided a loan to the company. Balance outstanding at year end of £1.4m	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 17/18 Council funded a £0.2m (nil 16/17) 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 2017/18	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)
Busines Centres South West Limited	Private Limited Company – 100% owned by Torbay Economic	Not trading in 2017/18	To manage innovation centres accross the South West of England	Subsidiary	Shareholding /Control: 100% (via Torbay Economic Development Company Ltd) Members of Torbay Council that are Directors of

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10829733	Development Company Ltd				this Company are as follows:- Steve Parrock (Officer Torbay Council & Chief Executive TDA)
Oldway Mansion Management Company Ltd 8219420	Company limited by share	20 th September 2012	To manage the Oldway Estate on behalf of Torbay Council and tenants In 17/18 Council funded a £0.1m (£0.1m 16/17) payment	Subsidiary	Shareholding /Control: 100% Directors: K Mowatt (Officer Torbay Council) N Coish (Officer Torbay Council) M Irving (Officer Torbay Council)
TOR2 Ltd 07204696	Company limited by share	19 th July 2010	Waste and recycling collections; maintenance of highways, grounds, parks, car parks, buildings and the Council's vehicle fleet; street and beach cleansing; and out of hours call centre support in the Torbay area Council has 10 year contract with TOR2 for a number of services. For 2017/18 annual cyclical works were approx £10.7 (£10.3m 16/17) and ordered works approx £2.0m (£2.5m 16/17) In 2017/18 £7.5m was paid in advance to TOR2 for 2018/19 fees.	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 st April 2008 formerly Connexions Cornwall & Devon Ltd	To develop, co-ordinate, operate and ensure provision of support services for young people and provide careers advice, information and guidance to people of all ages. In 17/18 Council funded a £0.3m (£0.3m 16/17) payment	Associate	Shareholding /Control: 25% A list of directors is available on the CSW group website.

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Torbay Public Services Trust 09943577	Company Limited by Guarantee and not having a share capital	Not trading in 2017/18	To provide a single co-ordinated local offer of help and support for children and families in Torbay using the shared skills and assets of the Members to improve their outcomes.	Member	One of six equal Members, 16.7% share. Devon & Cornwall Police Devon Partnership NHS Trust Office of the Police and Crime Commissioner S. Devon & Torbay Clinical Commissioning Group Torbay and South Devon NHS Foundation Trust Torbay Council
Torbay Housing Company Limited 10960992	Company limited by share	Not trading in 2017/18	To support the implementation of the Council's Housing Strategy		Shareholding /Control: 100% Directors: A-M Bond (Officer Torbay Council) C Taylor (Officer Torbay Council) M Phillips (Officer Torbay Council)
Torbay Housing Development Company 11214978	Company limited by share 100% owned by Torbay Housing Company Limited	Not trading in 2017/18	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) C Taylor (Officer Torbay Council) M Phillips (Officer Torbay Council)
Torbay Housing Rental Company 11214868	Company limited by share 100% owned by Torbay Housing Company Limited	Not trading in 2017/18	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) C Taylor (Officer Torbay Council) M Phillips (Officer Torbay Council)

Summary financial information of Subsidiary Companies

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

	Torbay Economic Development Co Ltd *		English Riviera Tourism Co Ltd**		Oldway Mansion Management Co Ltd	
	2016/17	2017/18	2016/17	2017/18	2016/17	2017/18
	£m	£m	£m	£m	£m	£m
Income	(5.6)	(7.0)	(0.3)	-	(0.1)	(0.1)
Expenditure	5.5	6.8	0.3	-	0.1	0.1
Operating (Profit) or loss	(0.1)	(0.2)	0	-	0	0
Other Comprehensive Income and Expenditure	0.2	0.4	0	-	0	0
Actuarial (gains)/Losses recognised in the pension scheme	1.7	(0.7)	(0.2)	-	0	0
Taxation (including deferred)	0	0.1	0	-	0	0
Total (Profit) or loss	1.8	(0.4)	(0.2)	-	0	0
Assets	9.2	9.7	0	-	0	0
Liabilities	(9.4)	(9.3)	0	-	0	0
Total Net Assets	(0.2)	0.4	0	-	0	0

Note *: Torbay Economic Development Company limited for 2017/18 is the consolidated position including the company's 100% owned subsidiary Complete Facilities Management Solutions Limited

Note **: English Riviera Tourism Co Ltd this company is now dormant and was not trading in 2017/18.

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
2016/17	*		**	
Income	(14.9)	(3.0)	(7.4)	(1.9)
Expenditure	14.3	2.9	7.2	1.8
Operating (Profit) or Loss	(0.6)	(0.1)	(0.2)	(0.1)
Other comprehensive income and expenditure	0	0	0	0

	TOR2 Ltd *		CSW Group Ltd (formally Careers South West Ltd)	
Actuarial (Gains)/Losses recognised in the pension scheme	0	0	0	0
Taxation	0.1	0	0	0
Total (Profit) or loss	(0.5)	(0.1)	(0.2)	(0.1)
Fixed Assets & Net Current Assets	(0.4)	(0.1)	1.7	0.4
Long Term Liabilities	(0.1)	0	0	0
Total Capital & Reserves	(0.5)	(0.1)	1.7	0.4
2017/18				
Income	(14.8)	(3.0)	(9.8)	(2.5)
Expenditure	14.5	2.9	9.5	2.4
Operating (Profit) or Loss	(0.3)	(0.1)	(0.3)	(0.1)
Other comprehensive income and expenditure	0.2	0	-	-
Actuarial (Gains)/Losses recognised in the pension scheme	0	0	-	-
Taxation	0	0	-	-
Total (Profit) or loss	(0.1)	0	-	-
Fixed Assets & Net Current Assets	(0.4)	(0.1)	-	-
Long Term Liabilities	0	0	-	-
Total Capital & Reserves	(0.4)	(0.1)	-	-

Note* - TOR2 accounts to end June 2017. Note ** - CSW Group Ltd – excludes IAS19 pension entries

Other interests in Companies

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

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

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 2017/18 was £0.5m, (£0.4m 16/17).

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 – 2017/18 £0.350m (2016/17 £0.350m). No capital funds were provided in 2017/18 (nil 2016/17).

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.

Trust Funds

The Council acts as a Trustee for a number of funds. These balances do not form part of the Council's accounts. The value of these funds as at 31st March 2017 was £24,000 (£24,000

2016/17). Of this balance £18,000 is held within the Council's bank account with the balance of £6,000 (£5,000 16/17) 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 2017/18 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 [subject to common control by central government]

SWERCOTS is a partnership of 15 local authority trading standard services, who work together to maximise the benefits of regional collaboration to protect the interest of consumers and reputable businesses in the South West of England. The partnerships funds are held by Cornwall County Council. In 2017/18 SWERCOTS established a Community Interest Company and staff transferred to the company from Cornwall County Council.

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 2017/18 the funding payment to the Trust in the year for funding adult social care was £43.7m (£42.1m 2016/17).

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 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 became a member from April 2017. 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 24.7%. Torbay's contribution to the partnership for 2017/18 was £0.2m (2016/17 £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 £1.5m (£1.5m 16/17) of which Torbay's share was £0.3m (£0.3m 16/17). The expenditure in year was £0.2m 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.

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 2017/18, primarily as a result of the Council's rolling programme the Council has recognised impairment losses of £12m (£5m 16/17) in total on its property, plant and equipment charged to the Income and Expenditure account. Impairment losses in 2017/18 related primarily to the revaluation of a number of school sites. In addition the Council's investment properties are revalued each year. In 2017/18 this resulted in a reduction in fair value of £6m.

35. Contingent Liabilities

The Council is aware of a number of areas where claims have been made against the Council which could result in a financial payment. However the Council considers that any payment is

unlikely and therefore has not recognised these claims as a liability.

The board of Municipal Mutual Insurance limited in 2012/13 concluded that it couldn't forecast a solvent "run off" of claims which has led to the scheme of arrangement being activated which exposes the Council to a share of the costs of any outstanding insurance claims. The company's administrator 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 2017/18, incurring liabilities of £0.3m. The table below shows the number of exit packages and the total cost per band. This amount is payable to 10 officers from the Council and 18 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 2016/17				Value of Exit package £		Number of Exit packages by band 2017/18			
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	215	8	41	0	to 20,000	26	183	2	31
5	145	2	59	20,001	to 40,000	2	53	1	32
1	49	0	0	40,001	to 60,000	0	0	0	0
1	78	0	0	60,001	to 80,000	0	0	0	0
0	0	0	0	80,001	to 100,000	0	0	0	0
0	0	0	0	100,001	to 150,000	0	0	0	0
33	487	10	100			28	236	3	63

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.

2016/17 £m	Capital Financing Requirement	2017/18 £m
151.1	Opening Capital Financing Requirement	174.3
	Capital investment	
9.4	Property, Plant and Equipment	14.7
0	Intangible Assets	0.3
21.1	Investment Property	97.8
0	Heritage Assets	0.1
6.7	Revenue Expenditure Funded from Capital under Statute	2.6
0.5	Loans for a Capital Purpose	5.4
	Sources of finance	
(0.1)	Capital receipts	0
(10.8)	Government grants and other contributions	(10.7)
	Sums set aside from revenue:	
(0.2)	• Direct revenue contributions	(1.2)
(3.4)	• MRP	(3.8)
174.3	Closing Capital Financing Requirement	279.5
	Explanation of movements in year	
26.6	Increase in underlying need to borrowing (unsupported by government financial assistance)	109.0
(3.4)	Provision for repayment of borrowing (MRP)	(3.8)
23.2	Increase/(decrease) in Capital Financing Requirement	105.2

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 2017/18 totalled £0.1m (£0.1m 2016/17). The future minimum lease payments due under property leases in future years is £0.5m (£0.4m 2016/17).

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 2017/18, including turnover rents, totalled £8.8m (£3.4m 2016/17).

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

31 March 2017 £m	Total payments due classified by year of expiry of lease term	31 March 2018 £m
4.2	Not later than one year	10.4
12.4	Later than one year and not later than five years	31.0
67.7	Later than five years	124.4
84.3	Total	165.8

Finance Leases:

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

39. Pensions Schemes Accounted for as Defined Contribution Schemes

Teachers' Pension Scheme

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

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

The employers' contribution rate was 16.48% (16.48% 16/17). Contributions of £1.7m were paid in 2017/18 (£1.9m 16/17). The contribution rate for participants in the Scheme has been set at 16.48% of pensionable pay for 2018/19. The payments for 2018/19 are estimated to be less due to more schools converting to Academy schools.

The 2016/17 accounts for the Scheme record liabilities of £347 billion (£272b 16/17). [Source: Teachers' Pension Scheme Annual Accounts 2016/17). 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 8,762 employers (7,722 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 14.3% in 2017/18 (14.3% 2016/17). Contributions of £0.050m were paid in 2017/18 (£0.1m 16/17). The contribution rate for participants in the Scheme has been set at 14.3% of pensionable pay for 2018/19. The payments for 2018/19 are estimated to be at a similar level to 2017/18.

The 2016/17 accounts for the Scheme record liabilities of £509 billion (£382 billion 16/17). [Source: NHS Pension Scheme Annual Accounts 2016/17). 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 141 (142 16/17) local authorities participating in the Scheme, amongst a total of 8,848 employers (9,065 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 16/17) years for active members and deferred pensioners, 70 (70 16/17) years for pensioners and 76 (76 16/17) years for unfunded pensioners.

In 2016/17 there were a number of settlements within the fund resulting from staff transfers with a net loss of £0.4m, (£0.6m gain 16/17). In 2016/17 the loss included the transfer of the net pension liability in relation to the English Riviera Tourism Company to Torbay Council.

To assess the value of the Employer's net liabilities at 31 March 2018, 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 31st March 2018
- Estimated fund returns based on asset statements (or estimates of) as at 31st March for 2016, 2017 and 2018.
- Estimated fund income and expenditure in respect of the employer for the period to 31st March 2018

The service cost for the year ending 31st March 2018 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 2017/18. 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

	31/3/16	31/3/17	31/3/18
	£m	£m	£m
Present value of Funded Obligation	(381.7)	(465.9)	(456.8)
Fair Value of Fund Assets (Bid Value)	239.8	273.8	280.3
Net Liability	(141.9)	(192.1)	(176.5)
Present value of Unfunded Obligation	(9.1)	(10.0)	(9.4)
Net Liability in Balance Sheet	(151.0)	(202.1)	(185.9)

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:

Local Government Pension Scheme Post Employment Benefits		
2016/17 £m	Comprehensive Income & Expenditure Statement	2017/18 £m
	Cost of Services:	
7.2	Current service cost	10.7
0.2	Past service costs	0.2
(0.6)	Settlements and curtailments	0.4
0.1	Administration Expenses	0.1
	Financing and Investment Income and Expenditure	
5.5	Net Interest on the defined benefit liability	5.4
12.4	Total Charged to the Surplus or Deficit on the Provision of Services	16.8
	Other Comprehensive Income and Expenditure	
5.3	Other Actuarial (gains)/losses on assets	0
95.6	Change in Financial Assumptions	(22.3)
(3.0)	Change in Demographic Assumptions	0
(17.2)	Experience (gain)/loss on defined benefit obligation	0
(35.7)	Return on plan assets in excess of interest	(3.9)
45.0	Sub Total Other Comprehensive Income and Expenditure	(26.2)
57.4	Total Post Employment Benefit Charged/(Credited) to the Comprehensive Income and Expenditure Statement	(9.4)
	Movement in Reserves Statement	
(12.4)	Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code	(16.8)
	Actual amount charged against the General Fund Balance for pensions in the year:	
5.8	Employers' contributions payable to scheme	6.1
0.6	Retirement benefits payable to pensioners	0.6

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

Local Government Pension Scheme		
2016/17 £m		2017/18 £m
239.8	Opening balance at 1 April	273.8
8.8	Interest on Assets	7.3
35.7	Return on Assets less Interest	3.9
(5.3)	Other Actuarial gains/(losses)	0
(0.1)	Administration Expenses	(0.1)
1.7	Contributions by scheme participants	1.7
6.4	Employer contributions	6.8
(12.9)	Benefits paid	(13.7)
(0.3)	Settlement process received/(paid)	0.6
273.8	Closing balance at 31 March	280.3

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

Liabilities: Local Government Pension Scheme		
2016/17 £m		2017/18 £m
(390.8)	Opening balance at 1 April	(475.9)
(7.2)	Current service cost	(10.7)
(1.7)	Contributions by scheme participants	(1.7)
(14.3)	Interest cost	(12.7)
(95.6)	Change in Financial Assumptions	22.3
3.0	Change in Demographic Assumptions	0
17.2	Experience (loss)/gain on defined benefit obligation	0
12.2	Benefits paid	13.1
(0.2)	Past service costs, including Curtailments	(0.2)
0.9	Liabilities (assumed)/extinguished on Settlements	(1.0)
0.6	Unfunded Pension payments	0.6
(475.9)	Closing balance at 31 March	(466.2)
(10.0)	Present Value of Unfunded Obligation included in above	(9.4)

40.3 Fund Assets

The return on the fund (on a bid value to bid value basis) for the year to 31st March 2018 is estimated to be 4% (19% 16/17). The actual return on Fund assets over the year may be different.

The estimated asset allocation for Torbay Council as at 31st March 2018 (7% of total fund) is as follows:

31 st March 2017			31 st March 2018	
£m	%		£m	%
8.2	3	Gilts	8.8	3
65.8	24	UK Equities	60.1	21
95.2	35	Overseas Equities	103.7	37
23.9	9	Property	26.1	9
10.7	4	Infrastructure	10.1	4
40.6	15	Target Return portfolio	41.9	15
7.3	3	Cash	6.8	2
7.0	2	Other Bonds	5.7	2
15.0	5	Alternative Assets	15.2	6
-	-	Private Equity	1.9	1
273.7	100		280.3	100

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 31st March 2018, the actuary rolled forward the value of the employer's liabilities calculated for the funding valuation as at 31st 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 31st March 2018 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 31st 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.

Demographic and Statistical Assumptions

The actuary has adopted a set of demographic assumptions that are consistent with those used for the most recent funding valuation as at 31 March 2016. The post retirement mortality tables adopted are the S2PA tables with a multiplier 90%. These base tables are then projected using the CMI 2015 Model, allowing for a long term rate of improvement of 1.5% per annum.

The assumed life expectations from age 65 are;

Mortality assumptions:	2014/15	2015/16	2016/17	2017/18
Longevity from age 65: retiring today				
• Men	22.8 yrs	22.9 yrs	23.4 yrs	23.5 yrs
• Women	26.1 yrs	26.2 yrs	25.5 yrs	25.6 yrs
Longevity from age 65: retiring in 20 years				
• Men	25.1 yrs	25.2 yrs	25.6 yrs	25.7 yrs
• Women	28.4 yrs	28.6 yrs	27.8 yrs	27.9 yrs

The actuary has made the following assumptions:

- Members will exchange half of their commutable pension for cash at retirement;
- Members will retire at one retirement age for all tranches of benefit, which will be the pension weighted average tranche retirement age;
- It is assumed members opted into the 50:50 section at the previous valuation will continue.

Financial Assumptions

	31st March 2015	31st March 2016	31st March 2017	31st March 2018
	% p.a	% p.a	% p.a	% p.a
RPI Increases	3.2	3.3	3.6	3.3
CPI Increases	2.4	2.4	2.7	2.3
Salary Increases	4.2	4.2	4.2	3.8
Pension Increases	2.4	2.4	2.7	2.3
Discount Rate	3.3	3.7	2.7	2.55

These assumptions are set with reference to market conditions at 31 March 2018.

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 annulised 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. 2.3%. 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
Adjustment to Discount Rate	+0.1%	0%	(0.1%)
Present Value of obligation	457.7	466.2	474.9
Projected Service Cost	11.2	11.5	11.8
Adjustment to Long Term Salary increase	+0.1%	0%	(0.1%)
Present Value of obligation	466.9	466.2	465.6
Projected Service Cost	11.5	11.5	11.5
Adjustment to Pension increases and deferred revaluation	+0.1%	0%	(0.1%)
Present Value of obligation	474.3	466.2	458.4
Projected Service Cost	11.8	11.5	11.2
Adjustment to Life Expectancy Rating Assumption	+1 year	None	(1 year)
Present Value of obligation	484.3	466.2	448.9
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 2017/18, these proper accounting practices principally comprise:

- the Code of Practice on Local Authority Accounting in the United Kingdom 2017/18 (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 will continue in operational existence for the foreseeable future.

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. Within these policies the abbreviation "CIES" has been used for "Comprehensive Income and Expenditure Statement".

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:

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

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

Revenue relating to such things as council tax and NNDR 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.

41.3 Valuations of Assets & Liabilities

The historic cost convention is applied modified as appropriate where an asset or liability is required to be held at fair value. Where assets and liabilities are held at fair value or a disclosure note requires a fair value the following definition has been applied. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Class of Assets	Valuation Basis
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 the Code i.e. valuations may be made by any method that is appropriate and relevant such as insurance valuations
Investment Properties	Fair value.
Financial Instruments – Available for Sale Assets	Fair values based on the following: <ul style="list-style-type: none"> • assets quoted on a market – the market price • assets without an active market – valuation techniques such as net equity of subsidiary
Pensions Assets	Fair values based on the following: <ul style="list-style-type: none"> • quoted securities – current bid price • unquoted securities – professional estimate • unitised securities – current bid price • property – market value.

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 as outlined below.

Level 1	Quoted prices in active markets for identical assets/liabilities that the authority can access at the measurement date
Level 2	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)
Level 3	Unobservable inputs for the asset or liability (eg, projected cash flows)

The Statement of Accounts has been adjusted to reflect events after 31 March 2018 and before the date the Statement was authorised for issue [28th May 2018] only where the events provide evidence of conditions that existed at 31 March.

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:

Expense	Accounting Basis in CIES	Funding Basis in MiRS	Adjustment Account
Property, Plant and Equipment	Depreciation and revaluation/impairment losses	Revenue provision to cover historical cost determined in accordance with the 2003 Regs	Capital Adjustment Account
Intangible Assets	Amortisation and impairment	Revenue provision to cover historical cost determined in accordance with the 2003 Regs	Capital Adjustment Account
Heritage Assets	Impairment	Revenue provision to cover historical cost determined in accordance with the 2003 Regs	Capital Adjustment Account
Investment Properties	Movements in fair value	Revenue provision to cover historical cost determined in accordance with the 2003 Regs	Capital Adjustment Account
Revenue Expenditure Funded from Capital under Statute	Expenditure incurred in 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)
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.

14.6 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 and are initially measured at fair value.

Borrowings and investments are (generally) carried at their amortised cost. Annual debits and credits to the Financing and Investment Income and Expenditure line in the CIES for interest payable and receivable are based on the carrying amount of the instrument, multiplied by its effective rate of interest. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised. For [most of] the instruments that the Council holds, this means that the amount presented in the Balance Sheet is the outstanding principal repayable or receivable (plus accrued interest); and interest debited/credited to the CIES is the amount payable for the year according to the instrument agreement. The interest owed/due is shown on the balance sheet as short or long term depending on the timing of the expected cash flow of the interest payment.

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 as an available for sale asset with any changes in value recognised in the Available for Sale Reserve and has recognised any dividends in year as part of its investment income.

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.

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.

Where the purpose of the subsidiary is primarily to provide services on behalf of the council, the initial and subsequent recognition of the Council's investment in its subsidiaries is at the nominal value of the shares held, unless the loss falls below the nominal value of the shares when

impairment will be recognised. 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 Foundation Trust

The Council entered a “partnership agreement” with Torbay Care Trust (formerly Torbay Primary Care Trust) on the 1st December 2005. From April 2013 the Care Trust was split into a Clinical Commissioning Group (CCG) and the Torbay and South Devon Health and Care NHS Trust with the Council’s agreement continuing with the latter. Subsequently from October 2015 The Torbay and South Devon Foundation Trust “acquired” the NHS Trust with the Council’s agreement now with the Foundation Trust. As part of this new arrangement the Council has entered into a risk share agreement with the Foundation Trust and Torbay and South Devon Clinical Commissioning Group where the Council’s risk is 9% of the total financial position of the Foundation Trust. The Trust are accounting for the partnership on the basis that the Council is funding the Trust to undertake delegated activities. The Trust will account for income and expenditure on the Adult Social Care functions in the appropriate service category and will account for the funding received for the Council as “providing” income. The Council will show the funding paid to the Trust for providing the delegated functions within its Income and Expenditure Account.

Better Care Fund

From April 2015 Torbay Council with the Torbay and South Devon Clinical Commissioning Group (CCG) jointly received funding as part of the Better Care Fund initiative. The majority of the Better Care Fund is 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.

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.

41.11 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 20% 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.

41.12 Property, Plant and Equipment

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

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

Assets are initially measured at cost, comprising:

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

Capital expenditure is not recognised until 31st March therefore no depreciation is charged in year of acquisition or enhancement. 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 1st April of that year which results in depreciation for a year being calculated on the revalued amount. The only exception would be if the total depreciation charge for the year would be materially incorrect. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains.

Exceptionally, gains might be credited to the CIES where they arise from the reversal of a loss previously charged to a service.

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

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

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

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

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

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

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

- where the asset being valued includes a building, the land value is assumed to be 30% of the value of the asset, or a percentage as adjusted by the Valuer if they feel a different percentage is appropriate.
- where there is no building, the prevailing land value in the locality of the asset taking into account its use, is used

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

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

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

Schools Recognition

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

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

Voluntary Aided Schools and Voluntary Controlled Schools:

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

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

41.13 Service Concessions - 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.

41.14 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 31st March 2017 using historic information; however for appeals that could be submitted after 31st 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.

41.15 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.

42. Post Balance Sheet Event (Non adjusting)

At the end of March 2018 the Council had exchanged contracts on an investment property in Gloucester, with the sale being completed in early April. The commitment to the purchase as at the 31st March 2018 is shown in Note 13 'Contractual Commitments for the acquisition of Property, Plant and Equipment'. The deposit on this property was paid in 2017/18 and is included in the Assets Under Construction on the balance sheet.

COLLECTION FUND SUMMARY ACCOUNT 2017/18

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
2016/17				2017/18		
(93.1)	-	-	Gross Council Tax Payable for Year	(98.0)	-	-
22.4	-	-	Reduced Assessments	22.2	-	-
(70.7)	(37.1)	(107.8)	Council Tax & NNDR Receivable	(75.8)	(31.3)	(107.1)
			Expenditure:			
			Precepts and Demands			
7.5	0	7.5	Police and Crime Commissioner for Devon and Cornwall	7.8	0	7.8
3.4	0.4	3.8	Devon & Somerset Fire & Rescue Authority	3.5	0.3	3.8
0	18.7	18.7	DCLG, (Central Government)	0	15.2	15.2
56.9	18.3	75.2	Torbay Council's Own Demand (Including Brixham Town Council)	60.9	14.9	75.8
67.8	37.4	105.2	Total Precepts and Demands	72.2	30.4	102.6
0	0.2	0.2	Cost of Collection Allowance	0	0.2	0.2
			Distribution of Previous Years Estimated Surplus/(Deficit);			
0.3	0	0.3	Police and Crime Commissioner for Devon and Cornwall	0.3	0	0.3
0.1	0	0.1	Devon & Somerset Fire & Rescue Authority	0.1	0	0.1
0	(1.0)	(1.0)	DCLG, (Central Government)	0	(0.1)	(0.1)
2.1	(1.0)	1.1	Torbay Council	2.2	0	2.2
2.5	(2.0)	0.5	Total Distribution of previous year's Surplus/(Deficit)	2.6	(0.1)	2.5
			Bad and Doubtful Debts/Appeals			
0.7	0.6	1.3	Write Offs	0.8	0.3	1.1
0.2	0	0.2	Impairment for Uncollectable debt	0.5	0.2	0.7
0	(1.2)	(1.2)	Provision for Appeals	0	0.6	0.6
0.9	(0.6)	0.3	Total Bad & Doubtful Debt and Appeals	1.3	1.1	2.4
71.2	35.0	106.2	Total Expenditure	76.1	31.6	107.7
0.5	(2.1)	(1.6)	(Surplus)/Deficit for Year	0.3	0.3	0.6
			Movement of Collection Fund Balance			
(3.1)	2.6	(0.5)	Balance brought forward as at 1st April	(2.6)	0.5	(2.1)
0.5	(2.1)	(1.6)	(Surplus)/Deficit for Year	0.3	0.3	0.6
(2.6)	0.5	(2.1)	Balance carried forward as at 31st March	(2.3)	0.8	(1.5)
			Balance Attributable to major precepting bodies			
(0.3)	0	(0.3)	Police and Crime Commissioner for Devon and Cornwall	(0.3)	0	(0.3)
(0.2)	0	(0.2)	Devon & Somerset Fire & Rescue Authority	(0.2)	0	(0.2)
0	0.3	0.3	Central Government	0	0.4	0.4
(2.1)	0.2	(1.9)	Torbay Council	(1.8)	0.4	(1.4)
(2.6)	0.5	(2.1)	Balance carried forward at 31st March	(2.3)	0.8	(1.5)

NOTES TO THE COLLECTION FUND SUMMARY ACCOUNT

These notes represent the statutory requirement for a billing Council to maintain a separate Collection Fund. The accounts are consolidated with the Council's main accounts. In its Balance Sheet the Council includes the disaggregated amounts for the Major Precepting Bodies within its current assets and liabilities. The surplus attributable to Torbay Council has been treated as a credit on the Collection Fund Adjustment Account.

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

Brixham Town Council, a local precepting authority, 'precepts' on Torbay Council as a billing authority to fund its activities, the precept for 2017/18 was £0.254m (£0.234m in 2016/17) 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 2017/18

The number of dwellings Band D equivalent for 2017/18 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 2017/18" report from the Council meeting in December 2016.

For Council tax purposes the number of domestic properties in each band converted to a Band D equivalent for **2017/18** was as follows:

Valuation Band	Ratio to Band D	Amount payable by all council tax payers			Additional amount payable by council tax payers resident in the Brixham Town Council area		
		No Dwellings in valuation list	No of Dwellings Band D Equivalent	Average Council Tax Per Dwelling £	No Dwellings in valuation list	No of Dwellings Band D Equivalent	Average Council Tax Per Dwelling £
A	6/9	13,294	5,133	1,089.85	1,402	555	28.69
B	7/9	17,354	9,722	1,271.49	2,213	1,247	33.48
C	8/9	16,314	11,633	1,453.14	2,430	1,745	38.26
D	1	10,055	8,757	1,634.78	1,531	1,324	43.04
E	11/9	4,950	5,470	1,998.07	648	708	52.60
F	13/9	2,320	3,090	2,361.35	313	416	62.17
G	15/9	1,211	1,876	2,724.63	96	147	71.73
H	2	108	203	3,269.56	3	5	86.08
TOTAL		65,606	45,884		8,636	6,147	
Less Allowance for Non Collection @ 4.0% (4.0% 2016/17)			(1,835)			(246)	
TAX BASE 2017/18			44,049.22	(43,180.70 16/17)		5,900.83	(5,811.07 16/17)
Band D Council Tax (excluding Brixham Town Council precept)				1,634.78 (1,564.31 16/17)	Band D Council Tax (including Brixham Town Council precept)		1,677.82 (1,604.55 16/17)

B) Income from Business Rates

Under the arrangements for uniform business rates, the Council collects non-domestic rates for its area, which are based on local rateable values multiplied by a uniform rate. The total rateable value as at 31st March 2018 was £93.0m (2016/17: £98.3m).

In line with the Local Government Act 2003, from 1st April 2005, there are two multipliers, the small business non-domestic rating multiplier, which is applicable to those that qualify for the small business relief; and the non-domestic rating multiplier, which includes the supplement to pay for small business relief. The small business non-domestic rating multiplier for 2017/18 was 46.6 pence per pound of rateable value and the non domestic rating multiplier was 47.9 pence per pound.

In April 2013 the NNDR retention scheme was introduced with Councils now responsible for a percentage share of all transactions in relation to NNDR income in their area. This to include movement up and down in NNDR income, (up to a safety net), which includes the payment of any outstanding NNDR appeals as at 31st March 2018 that have not yet been determined by the valuation office. Torbay Council as a unitary authority is responsible for 49% of the NNDR income, Devon and Somerset Fire authority 1% and the Department of Communities and Local Government 50%.

ANNUAL GOVERNANCE STATEMENT 2017/18

ANNUAL GOVERNANCE STATEMENT FOR THE FINANCIAL YEAR 2017/2018

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 ended 31 March 2018 and up to the date of approval of the statement of accounts.

The Governance Framework

The Constitution

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

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

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

The Audit Committee is responsible for all internal and external audit matters, 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 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 has continued to be delivered during 2017/2018. 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 receive reports and make recommendations to him on Executive decisions. The Elected Mayor then, in the majority of cases, takes 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 the 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 has met throughout the year and the Council and its partners have agreed "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, Torbay Housing Company Ltd and Oldway Management Company. 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 which will be delivering the Productivity Strategy for the region and maximising the opportunities for Government funding in Devon and Somerset. The Council is also pursuing other partnership opportunities such as the Plymouth and South West Peninsula City Deal. In addition, the Council is working with partners on the Wider Devon Sustainability and Transformation Plan and the Better Care Fund together with other initiatives with Devon County Council, Plymouth City Council and local district councils, including the Devon-wide National Non-Domestic Rates pilot scheme. Significantly 2017/18 saw preparations for the revised arrangements for Children's Services with Plymouth City Council which came into effect on 1 April 2018.

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 are 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 Executive Heads to identify any financial issues which may require management action. Regular discussions are held with the Elected Mayor who is the Executive Member with responsibility for finance. The Chief Finance Officer has responsibility for ensuring the Council operates secure and reliable financial and accounting systems.

Members are briefed on key financial issues with revenue and capital budget monitoring reports being considered by the Overview and Scrutiny Board and the Council on a 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 and Operations is the **Monitoring Officer**. She is responsible to the Council for ensuring that agreed procedures and protocols are followed and that all applicable Statutes and Regulations are complied with.

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

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

Training and Information

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 holds Mayoral Connect Forums to enable members of staff to hear directly from the Elected Mayor and to share their views with him.

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 Operations 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 complaints are being received. It also enables the tracking of the implementation of recommendations and actions.

The Information Compliance Team report to the Senior Leadership Team on a quarterly basis, these reports include the type of complaint, service area, outcomes and any learning points. This results in further actions being identified and implemented. This Team has also been undertaking the actions necessary in respect of the implementation of General Data Protection Regulation.

The Council's Whistleblowing Policy was agreed in July 2013 and is available on the Council's website and intranet site. The Council has an established phone line that any whistleblowing call can be made to and which goes directly to 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 Act 1998. To support this, there is an Information Governance Steering Group, which consists of the Information Governance Lead, 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 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, who are working towards ensuring that information management across all departments complies with the forthcoming change to data protection law. Part of this work is to review and update 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 the executive managers within the Authority who have responsibility for the development and maintenance of the governance environment, the Head of the Devon Audit Partnership’s annual report, and also by comments made by the External Auditors and other review agencies and inspectorates. This review is demonstrated through the Annual Governance Statement.

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

The effectiveness of the governance framework has been evaluated over the course of the year against the seven core principles within Torbay Council’s Code of Corporate Governance. Details of the evaluation 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 aims to be in 2019 and the areas on which the Council will 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 will include progress against each action within the Delivery Plans and an identification of the priorities for the coming months.

The Council has established a Strategic Partnership for Torbay and 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.

A revised Risk Share Agreement in respect of the Integrated Care Organisation was agreed during 2017/2018 whereby the Council "bought-out" its share of the risk at a set amount for the remainder of the agreement. This involved the Council providing a higher amount of funding to the Torbay and South Devon NHS Foundation Trust than the core funding previously provided. The revised Risk Share Agreement provides budget certainty in respect of Adult Social Care for the Council moving forward. Discussions will take place during 2018/2019 on the future arrangements, once the current Agreement comes to an end.

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 are made and agreed. The Members' Development Programme continues to be delivered and communication with councillors is supplemented by Councillor Conversations which take place to provide an informal opportunity to discuss forthcoming issues. The Elected Mayor and Group Leaders meet monthly to discuss a range of issues aimed at working better together.

The recommendations arising from the Corporate Peer Challenge undertaken by the Local Government Association in 2015 have all been implemented and Council decision making is being effectively delivered.

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

The Standards Committee has been re-appointed and has met as required during 2017/2018. 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 on a monthly basis to ensure that there is a regular 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 now 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, takes 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 have 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. Two decisions of the Elected Mayor have been called-in over the course of 2017/2018.

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 is also in place to discuss issues relating to the Joint Operations Team.

Overview and Scrutiny Briefings are held to which all members of the Council are invited to attend. This provides an opportunity to share information and identify issues which should be formally considered by the Overview and Scrutiny Board.

The Council's Information Asset Register is being reviewed and updated as part of the Council's GDPR project plan, this will allow the Council the information which being processed across all departments, the lawful basis for processing and the security measures associated with the information asset. This will allow the Council to ensure that we are compliant to the forthcoming changes to data protection law.

The Performance and Risk Management Framework was reviewed as part of the LGA Corporate Peer Challenge in 2015 with a recommendation 'to ensure that the framework is effectively rolled out, and adding to the 'business' of the authority'. The subsequent internal audit report on Risk Management and Risk Recording (dated January 2017) found that Councillors and Senior Managers take the lead to ensure that approaches for addressing risk are being developed and implemented. It also found that the Framework, as a methodology, was effective, well-structured and integrated with performance monitoring.

Building on the recommendations about the risk framework, further work has been developed in terms of the council's risk register and business continuity and the proposed approach has now been approved by the council's senior leadership team. Operational risk registers will be developed at an operational level by departments, risks will be escalated on the strategic risk register as they meet the threshold for being 'high risk'.

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

A full Member Induction Programme was put in place immediately post the Local Elections in May 2015. Over the course of the year, the second phase of the Member Development Programme continued to build members' focus on the strategic issues.

A Constitution Working Party has been established to review the preparation by the Monitoring Officer of a new Constitution for a Leader and Cabinet model of governance for implementation in May 2019. This Working Party has commenced its work and will also work to identify member development needs to ensure an effective transition to the new governance arrangements.

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. An Organisational Development Plan (including an SLT Development Plan) is in place.

Workforce planning across the organisation is in place to assist managers in identifying the learning and development requirements within their service areas. Training for all staff on key policies, procedures and legislation is available through i-Learn, the Council's online learning portal.

SLT continue to deliver improvements previously identified through the staff survey, in respect of:

- Clear and consistently applied face-to-face communication
- Staff recognition and celebration of success
- Everyone in the organisation understanding how the Corporate Plan relates to them
- Tackling bullying and harassment

Examples of specific actions which have taken over the course of the year to deliver these improvements include:

- Templates to assist managers and staff with 1:1 and team meetings to provide consistency of communication.
- Key messages and information communicated from the Senior Leadership Team directly to all managers at Managers Forums with an emphasis on the cascade of information to front line staff
- Introduction of a staff recognition scheme to reward staff who have gone the extra mile and consistently display the Council's core values.

All of the above has been supported through the implementation of a new learning and development plan and the re-introduction of the Council's Staff Wellbeing Focus Group. New learning and development courses and programmes have been introduced for leaders, managers and staff which support aspects of the corporate plan and its delivery across the organisation, but also in direct response to some of the issues raised in the staff survey. Courses for staff have included Personal Effectiveness, Customer Service and Assertiveness, Confidence Building and Communication.

A new corporate leadership programme has been introduced to encourage consistency amongst senior managers in regard to the delivery and implementation of the corporate plan and core values. This programme has also provided development opportunities for them to get involved in leading and implementing projects, the staff survey action plan is an area that has been identified for them to continue to take forward.

The Staff Wellbeing Group has been reintroduced to ensure that the health and wellbeing of staff continues to be a focus for the organisation. The Group will continue to support the staff survey actions as well as introducing new wellbeing initiatives, such as the introduction of Mental Health First Aiders across the Council during 2018.

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.

The Action Plan associated with the Communication, Consultation and Engagement Strategy continues to be implemented aimed at improving the way that the Council communicates, consults and engages with the residents of Torbay.

There continues to be good engagement from partners with the Torbay Strategic Partnership and an independent Chairman has been appointed. . There is a desire and intent to work together to develop plans to deliver the Partnership’s ambitions as set out in “Your Torbay, Your Future”.

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 last year has seen national tragedies in respect of the Grenfell fire, and the Manchester bombing. These tragedies have seen both concerns and praise in respect of wider community engagement. It is important that the Council takes account of the community engagement lessons from these events. It is recognised that a Community Partnership framework, to incorporate engagement with Brixham Town Council, is not utilised as effectively as it could be and this will be reviewed over the coming year along with the exploration of other avenues for engaging with local people and communities. It is hoped that a refreshed framework will be in place for May 2019 for the new Council administration to consider.

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.

The approach to managing and reporting risk has been reviewed and updated to ensure that operational risks will be recorded centrally and issues can be escalated to SLT, these will then be considered as part the strategic risk register to determine what actions need to be put in place.

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

The Children's Improvement Board has continued to meet to ensure that the action plan in response to the January 2016 Ofsted Inspection of services is implemented. In February 2018, Ofsted undertook their fifth monitoring visit. The visit identified that the Local Authority's progress in improving services for its children and young people remained too slow and that the quality of service that some children looked after receive has declined since the Local Authority was last inspected. The findings of the monitoring visit have been carefully scrutinised and the findings and recommendations in this latest letter have been added to the Improvement Plan, with changes having been implemented within our senior and middle management to ensure the delivery of services to children and young people are the best that we can provide.

Following the recommendation of the Government-appointed Children's Commissioner, Torbay Council entered into a contractual partnership with Plymouth City Council on 1 April 2018 for the running of Torbay's Children's Services. A Joint Director of Children's Services has been appointed who will report to both Councils' Chief Executives and politicians under a set of managerial and political arrangements which remain unchanged.

As reported in the 2016/2017 Annual Governance Statement, in early 2017, the internal audit undertaken of Emergency Planning and Business Continuity identified a number of issues that needed addressing. It identified a "Fundamental Weakness" in business continuity planning. Work on addressing the recommendations has been prioritised and the Senior Emergency Planning Officer has been working with representatives from the Senior Leadership Team, Risk Management and IT to agree an overarching approach to risk. In February 2018 a new Corporate Business Continuity Strategy was agreed and this is now being implemented.

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

Significant governance issues

Following the Ofsted Inspection of services for children in need of help and protection, children looked after and care leavers (January 2016) which judged services to be inadequate, the Council was subject to a Statutory Direction in May 2016 with a revised Direction issued in March 2018. The Direction remains in place and the Chief Executive of Hampshire County Council continues as Commissioner for Children's Services in Torbay. An Improvement Board chaired by the Commissioner with representatives from the Council and local partners has met regularly throughout the year to oversee the improvement process. The Commissioner also reports on a quarterly basis to the Secretary of State on progress. The direction will remain in place until such time as it is revoked by the Secretary of State. The final Ofsted monitoring visit has taken place (with the observations detailed above) and Children's Services will be subject to re-inspection in the coming months.

The internal audit report on Food Safety, Safety and Licensing (dated March 2018) identified that improvements were required as there were a number of instances where controls and procedures did not adequately mitigate the risks identified. Existing procedures needed to be improved in order to ensure that they are fully reliable. The overall opinion of “Improvements Required” was given following improvements made after the conclusion of the audit. In particular, the sufficiency of resource to deliver statutory functions to minimise the risk to public safety and the associated risk of potential legal challenge and reputational risk to the Council was highlighted. A management response to the report is currently being prepared which will be implemented over the course of 2018/2019.

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 monthly 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

Gordon Oliver
Elected Mayor of Torbay

Action	Responsible Officer	Deadline
Hold discussions on the future arrangements for adult social care once the current Risk Share Agreement ends	Director of Adult Services and Housing	31 March 2019
Continue to review and update the Information Asset Register	Assistant Director of Corporate Services and Operations	31 March 2019
Develop operational risk registers	Senior Leadership Team	31 March 2019
Constitution Working Party to consider proposed Constitution and member development requirements for the Leader and Cabinet model of governance.	Director of Corporate Services and Operations	1 May 2019
Continue to deliver the Staff Survey Action Plan	Chief Executive	31 March 2019
Continue to deliver the Action Plan associated with the Communication, Consultation and Engagement Strategy	Director of Corporate Services and Operations	31 March 2019
Refresh the Community Partnership framework ahead of consideration by the new Council administration	Director of Corporate Services and Operations	31 March 2019
Continue to deliver the Children's Services Ofsted Improvement Plan	Director of Children's Services	31 March 2019
Deliver the Action Plan in response the Internal Audit report on Emergency Planning and Business Continuity	Executive Head – Community Services	31 March 2019
Prepare and implement an Action Plan in response the Internal Audit report on Food Safety, Safety and Licensing	Executive Head – Community Services	31 March 2019

GLOSSARY

A

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

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

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

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

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

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

Asset categories & their definitions:

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

Vehicles, Plant & Equipment – Assets used for operational purposes

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

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

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

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

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

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

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

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

Available-for-sale assets - (i.e. investments and cash equivalents) - assets that have a quoted market price and/or do not have fixed or determinable payments.

B

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

C

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

Capital Adjustment Account - The Capital Adjustment Account represents the capital funding used to finance capital investment immediately from capital receipts and directly from revenue. It also contains amounts which in the past were required by statute to be set aside from capital receipts for the repayment of external loans. The Account is also used to compensate the General Fund Revenue Account for any excess of charges paid in respect of depreciation of assets over the statutory Minimum Revenue Provision which Council Taxpayers are required to bear. The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The Account is credited with the amounts set aside by the Council as finance for the costs of acquisition, construction and enhancement.

The Account contains accumulated gains and losses on Investment Properties and accumulated losses on Assets held for Sale that have yet to be consumed by the Council. The Account also contains revaluation gains accumulated on non current assets before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains.

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 Rate of Return on Pension Assets – The average rate of return, including income but net of scheme expenses, expected over the remaining life of the pension.

Extraordinary Items – Abnormal material items are those which fall outside the ordinary activities of the Council and which are not expected to recur.

F

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

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

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

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

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

Financial Instruments Available For Sale Adjustment Account - The Financial Instruments Available for Sale reflects the movement in fair value of the Councils investments held as financial assets at fair value.

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 – 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.