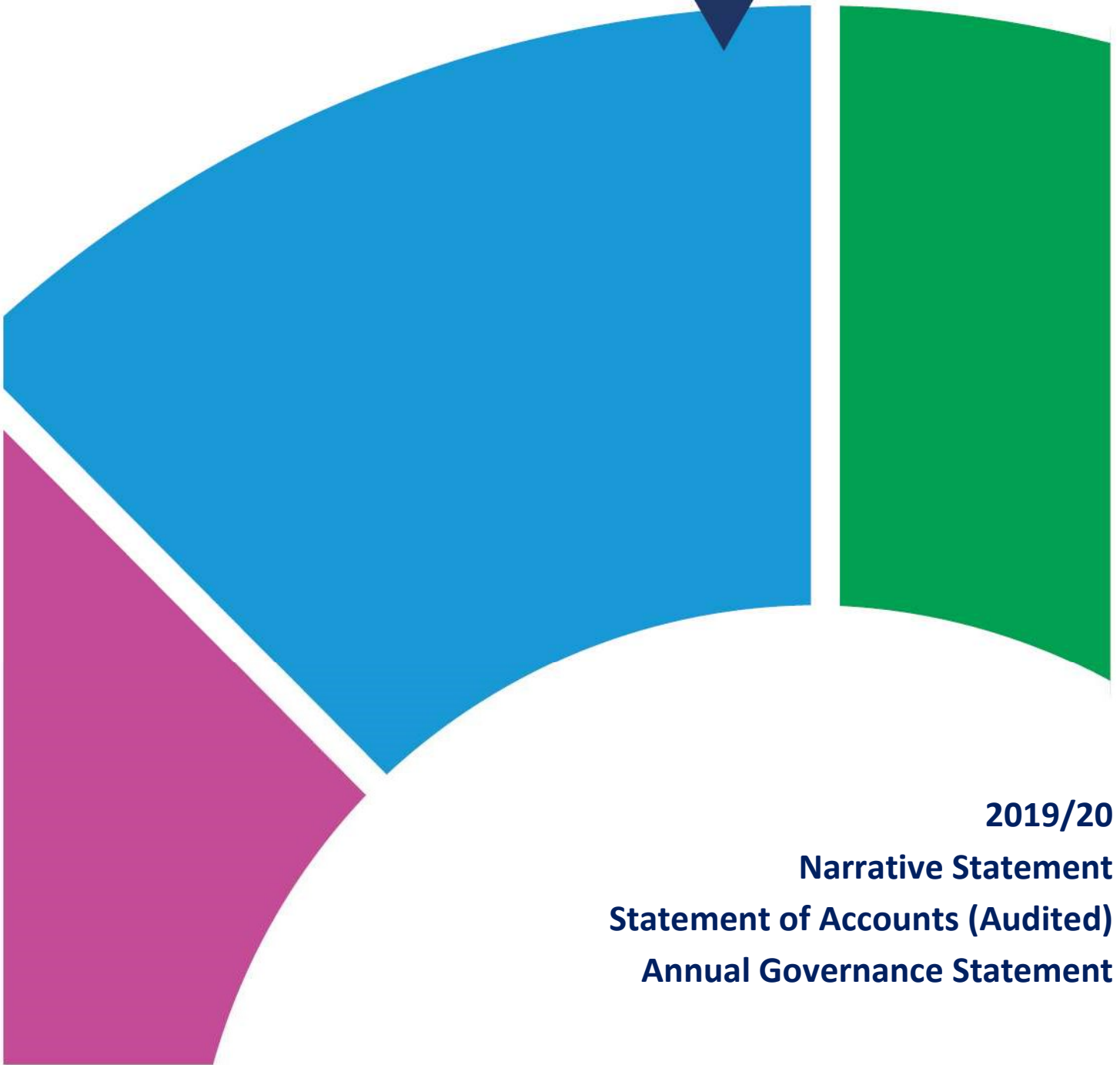


2019/20



2019/20
Narrative Statement
Statement of Accounts (Audited)
Annual Governance Statement

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Torbay Council

Statement of Accounts • 2019/2020

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 2020. It gives information as to the Council’s assets and liabilities at a point in time (31st March 2020) and detail on the Council’s financial performance during 2019/20. 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 2019/20 including balance sheet, income and expenditure Account, cash flow and movement in reserves.
 - Notes to the Core Financial Statements, that provide further detail to the core statements
 - Accounting Policies. The ‘framework’ adopted in preparing the accounts.
 - The Collection Fund Summary Account (for the accounting for the collection of National Non-Domestic Rates (NNDR) and Council Tax)
 - Group Accounts
- Annual Governance Statement

The form and content of the Statement of Accounts is highly prescribed, by the CIPFA Code of Practice, and is produced on an International Financial Reporting Standards (IFRS) basis. The classification of costs, income and services under IFRS and the “Code of Practice” is different to the Council’s internal financial reporting to management.

The Accounts are presented on a “going concern” basis as Councils cannot be created or dissolved without statutory prescription, it would not therefore be appropriate for local authority financial statements to be prepared on anything other than a going concern basis.

The Accounts are a technical document and due to statutory requirements are a lengthy and complicated document. The figures in these accounts are presented to the nearest £100,000. The Code states that “information is material if omitting it or misstating it could influence decisions that users make on the basis of financial information about a specific reporting authority. In other words, materiality is an authority-specific aspect of relevance based on the nature or magnitude, or both, of the items to which the information relates in the context of an individual authority’s financial statements”.

“Group” accounts have been produced to consolidate the Council’s financial position with the companies that it owns or has an ownership in with notes if material. The financial position of its subsidiary and related companies are fully disclosed in both the Narrative Statement and the related parties note.

The Accounts are subject to a detailed audit by the Council's external auditor (Grant Thornton UK LLP). Under the Accounts and Audit Regulations, the Accounts, with its supporting documents, are available for public inspection. Full details are available from Financial Services at Torquay Town Hall or on the Council's website at: <http://www.torbay.gov.uk/council/finance/statement-of-accounts/>

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

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 2019/20 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/>

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

The Council is required under statute to publish its unaudited accounts by the 31st May of the following financial year, however for 2019/20 this has been extended to 31 August. The Council's external auditors will audit the accounts to enable Council (via Audit Committee) to approve its accounts.

Head of Finance’s Narrative Statement

Our Place

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

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

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

Our Council

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

Local elections are held every four years. A referendum on the governance arrangements for Torbay Council was held in May 2016. As a result of the referendum, from May 2019 Torbay Council changed from being made up of the Elected Mayor and 36 Councillors to a Leader and Cabinet model of governance.

The results of the May 2019 elections were 16 Conservative councillors, 12 Liberal Democrat councillors and 8 independent councillors. A total of 36 Councillors represent Torbay’s 16 wards. At a Council meeting on 28 May 2019 a Liberal Democrat and independent “partnership” was agreed with a Liberal Democrat Leader of the Council supported by 6 cabinet members including an Independent Deputy Leader of the Council.

Further detail of the Council’s governance and its risk management arrangements are set out in the Annual Governance Statement, which is included in addition to the Statement of Accounts.

Supporting the work of the Leader of the Council 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 952 people (958 18/19), this does not include schools based employees.

Our Corporate Plan

The Council’s new Community and Corporate Plan – One Torbay: Working for all Torbay, was adopted in February 2020.

Our ambition is: we want Torbay and its residents to thrive.

To deliver our ambition we have identified four visions, each with a number of priority areas:

- Thriving people
- Thriving economy
- Tackling climate change
- A Council fit for the future

Thriving people

We will ensure that all activities of the Council are focused on turning the tide on poverty and that Torbay’s residents, young and old have high aspirations and the opportunity to reach their full potential.

Our aim is to ensure that all our residents are active, healthy, safe, resilient and self-sufficient with good quality homes, which are affordable and meet their needs. They will have access to high quality employment opportunities whilst living in a community which is vibrant and attractive.

For those in need of extra support, there will be access to good quality children’s and adult social care.

We will create a whole community response to make Torbay a child-friendly and age-friendly place. One Torbay: Working for all of Torbay so that the people in our communities thrive.

Thriving economy

We will achieve our economic potential and play our distinctive role in the national and international economy. We will be well-connected with skilled individuals, a diverse economy and higher quality, better paid jobs.

We will work to ensure that the local economy is sustainable so as to deliver long term future prosperity and an improved quality of life for all of our residents, especially those living in our most deprived areas. We want to achieve clean, green and inclusive growth.

Through our people, our businesses and our infrastructure, we will create a whole community response to drive forward clean, inclusive growth. One Torbay: Working with all of Torbay so that our economy thrives.

Tackling climate change

We will work to reduce consumption and increase recycling. We will promote low carbon energy and work to improve poor air quality and reduce noise and emissions.

We will create a whole community response to protect our environment. One Torbay: Working for all of Torbay to tackle climate change.

A Council fit for the future

We will fundamentally change the way in which the Council communicates and engages with all residents, including our young people. We will strengthen our relationships within the community and across our partnerships, including ensuring that our plans align.

We will be an organisation that our communities can trust. One Council: Working for all of Torbay to enable our communities and create a Council fit for the future.

Our Achievements

- **Thriving people**
 - During Mental Health Awareness Week, the Council highlighted that it has signed up to the Prevention Concordat for Better Mental Health from Public Health England, to help tackle poor mental health. Agencies across the community and care sectors have come together to make prevention a priority for mental health.

- The Torbay Lottery is a Council initiative, empowering local groups to generate vital funds in a fun and effective way, while enabling players to support the causes they care about the most. Grants have been awarded to 16 good causes.
- We joined forces with Crowdfund Devon to become part of the Crowdfunder.co.uk platform and pledged funds towards local community projects. This way of fundraising lets us support our residents by pledging funds for them to develop and deliver projects that will benefit those who live in the Bay.
- The Geopark signed up 14 local businesses and coastal initiatives to become Official Associate Partners. They will raise awareness of the Geopark designation and the importance of Torbay’s geological heritage. They work to give local people a sense of pride in the area and give opportunities for all to learn about, experience and understand other cultures and environments.
- The annual Geopark Festival provided the ideal opportunity for locals and visitors to discover what makes the Bay’s geological and cultural history unique and special.
- In partnership with Teignbridge Council, funding was secured to provide free training to Landlords to gain a better understanding of the legislation that is linked to managing a property. The one day course will mean landlords also receive accreditation status and one year’s membership to the South West Landlords Association.
- Brixham Library, underwent refurbishment funded by the Council and a donation from the Friends of Brixham Library. The renovation will meet the needs of the local community and offer them an even more enjoyable and welcoming space to visit.
- We have continued to implement our Children’s Services Improvement Plan which was approved by Ofsted and the Children’s Improvement Board. After their monitoring visit in January 2020, Ofsted’s letter acknowledged the progress being made and recognised that social workers in Torbay are highly committed and supported by accessible and visible managers, and that morale is good.
- We have secured an agreement with Paignton Academy for the school to take an extra 30 pupils per year starting from September 2019. The school will admit a further 30 pupils per year from September 2020. This will increase their numbers from 300 to 360 per year group, which creates 300 new secondary places over a five year period. We are funding five new classrooms and the remodelling of existing space to accommodate this increase.
- The Medical Tuition Service (MTS), for pupils unable to attend mainstream schools, moved to My Place at Parkfield. This means the service is now able to offer subjects and activities that were not possible at their previous location.
- A new partnership agreement changed the way that two key services for children and young people are run. The Torbay Youth Service and the Young Carers Service are now delivered by Torbay Youth Trust. This arrangement will result in more opportunities to creatively support young people in Torbay to be happy, healthy, safe and to achieve, than would be available if the services were delivered solely by the local authority.
- Our supporting families’ programme made remarkable progress in the last year, the children’s partnership has worked effectively with 807 families who have achieved significant and sustained improvement. They are currently on target to achieve this for 1180 families in Torbay by the end of March 2020.
- Funding to continue support work for those who find themselves street homeless in Torbay was secured for a further year. Over the past year a team of six workers have worked with 140 people. This funding means they can continue to work with the 90 people who are on their active case load. The team will also be able to continue to support 23 people who are in stable accommodation in case they need any help in keeping their tenancy.

- Our Public Health work on prevention has been included in a Local Government Publication as an example of good practice. Also £2m was secured from the NHS to spend on prevention activities across Devon. This funding will allow us to roll out a number of new services in the Bay associated with falls, frailty and emotional health.
- A group of prominent scientific advisers to the government visited Torbay, to better understand the health challenges faced by local residents and to see how research can help. It was an opportunity to showcase how all stakeholders in the integrated care system of our region are uniquely placed to work together to co-produce relevant knowledge not only for local but also for national impact.
- **Thriving economy**
 - The Council continues to deliver its Investment and Regeneration Strategy which is generating revenue income and stimulating regeneration within Torbay.
 - Using its Economic Growth Fund, Torbay Council purchased Fleet Walk Shopping Centre in Torquay as part of plans to regenerate Torbay’s town centres and help boost the local economy.
 - The Council has agreed to purchase the land at Crossways shopping centre in Paignton, if necessary by the use of a compulsory purchase order to facilitate regeneration of the site. The aspiration is to develop the land as an attractive retail, residential and employment space.
 - Paignton was one of the few towns across the UK to receive revenue funding of £150,000 from the Future High Streets Fund. Torbay Council and TDA will use the funding to produce business cases to attract capital funding to deliver projects in Paignton town centre.
 - Torquay is one of 100 places invited by the Government to develop innovative regeneration plans that will help to build a prosperous future for the town. The Council will work with partners to develop ambitious plans to transform Torquay’s economic growth prospects.
 - TDA ran two free Apprenticeship Fairs in July 2019 and February 2020, for anyone considering an apprenticeship or looking to develop their skills. Torbay is one of just four areas working with the Department for Education (DfE) / Education and Skills Funding Agency on the Government’s ‘Opportunities through Apprenticeships Pilot’, to increase the value of apprenticeships and enable social mobility. Torbay’s pilot is now being nationally recognised for best practice by the DfE and the Local Government Association (LGA).
 - Torbay’s £8m Electronics and Photonics Innovation Centre (EPIC) has now been officially handed over by contractors Interserve to Torbay Council. EPIC will be a centre of excellence, supporting technological innovation and promoting collaborative activity between businesses and research institutions. It has passed to the TDA to manage under a long lease to accommodate and support start up and spin-off companies and encourage foreign direct investment to Torbay and its microelectronics and photonics sector.
 - A £2.5m project funded by us and the European Maritime Fisheries Fund (EMFF) concluded at Oxen Cove Jetty in Brixham. This will provide additional landing capacity to support the fishing industry by easing crowding at peak times and streamlining the logistics of distribution.
 - A new bar and dining venue overlooking Paignton Harbour opened in 2020 after St Austell Brewery’s investment into the Harbour Light Restaurant. This project was a product of Torbay Council’s Port Masterplan and has been promoted by the Tor Bay Harbour Committee. The Council worked alongside the TDA to take this project forward. It is another example of a successful private operator bringing investment, development and regeneration into Torbay, which in turn will create jobs.

- **Tackling climate change**

- On 24 June 2019, Torbay Council declared a ‘Climate Emergency’ in recognition of the scale and urgency of the global challenge from climate change. We have joined the Devon Climate Emergency Response Group (DCERG). As a member of the DCERG, which is made up of Devon’s councils, emergency services and business groups, Torbay has endorsed the principles of the Devon Climate Declaration and a Net-Zero Task Force has been appointed by the DCERG to deliver the Devon Carbon Plan. The Carbon Plan, will lay out in stark terms what every resident, organisation and business has to do to reduce emissions and safeguard the planet for the next generation. Residents were asked to submit their thoughts and ideas to tackle climate change to feed into the Carbon Plan for Devon.
- £1.64m was invested in 11 new recycling vehicles, with a further 11 to be purchased in 2020, to update the current fleet which are coming to the end of their life. The new vehicles will collect more recycling and have been designed to reduce the noise of glass being collected.
- Torre Station is one of only nine community projects in Devon to receive funding from Great Western Railway (GWR). The contribution was matched by Section 106 funding from Torbay Council, which aims to improve sustainable transport facilities in the area. The funding was used at the station entrance, to improve the pedestrian walkway and replace signage.

- **A Council fit for the future**

- A new Community and Corporate Plan One Torbay: Working for all Torbay has been agreed by the Council. It sets out the ambitions and visions of the Council over the next four years and the principles within which the Council will operate.
- As part of the Partnership’s commitment to improve engagement with members of the community, the Leader of the Council and his Cabinet held a drop-in event for residents to talk to councillors about the draft Housing Strategy and our new Community and Corporate Plan or about any other issues which mattered to them. Another “Cabinet Conversation” event is planned later in the year.
- Torbay Council held its first Community Conference on 11 September 2019 to help develop a new and more engaged relationship between the Council, individuals and communities in Torbay. Community stakeholders and members of the public were invited to attend. Following the conference, the Cabinet agreed a detailed action plan and committed to embracing a spirit of co-operation and partnership, being open about the challenges we face, working to empower and enable our communities and operating with openness and transparency.
- A new Housing Strategy for 2020-2025 was approved by Council. The Housing Strategy and four other associated strategies set out the Cabinet’s plans toward meeting its priority of improving the delivery, affordability and quality of housing in Torbay.
- The fourth Torbay Air Show attracted more than 165,000 visitors across the Bay over two days. It 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.
- Torbay was awarded the prestigious Blue Flag Awards for six of its beaches in 2019. Princess Gardens, including Royal Terrace Gardens, and Babbacombe Downs were awarded a Green Flag for their green spaces. This means Torquay Harbour and seafront area is the only place in Devon, Cornwall and Somerset to be awarded a Blue Flag for its beaches, a Purple Flag for the evening and night-time economy around the Harbour and a Green Flag for its green spaces.
- The Oldway Trust was formed to help raise funds for its restoration. We agreed a Memorandum of Understanding that shows support for the trust and the future direction of the Oldway Estate. A volunteer group has been established to help maintain the grounds and

the trust is working together with the Council’s Oldway Working Party to identify funding opportunities.

- Council leaders from Torbay have joined others from all over the UK in signing an open letter committing them to working towards tackling ageism and building Age-friendly communities. The letter has been co-ordinated by the UK Network of Age-friendly Communities, part of the World Health Organisation’s Global network of over 900 places committed to fostering healthy and active ageing.
- Torbay Libraries staff made an impact in The Libraries Unlimited Making a Difference Staff Awards - winning three out of the five awards. Members of staff across Devon made the nominations to recognise significant contributions made by employees and teams, and to celebrate the difference made to library customers. Torbay libraries are managed by Libraries Unlimited.
- Devon, Somerset and Torbay Trading Standards Service has been shortlisted for the 2020 LGC Awards in the ‘Best Service Delivery Model’ category. The award recognises local authorities which have pioneered innovative ways of service delivery.
- For the first time ever, six of the public toilets in Torbay area have won platinum in the national Loo of the Year Awards. A total of £1.8m is planned to be invested in Torbay’s toilets with Cabinet proposing an extra £600,000 over the next financial year, £1.1m of this investment had been made by the 31st March 2021. The toilets in Torbay are managed by Healthmatic on our behalf.
- Resurfacing work was carried out on the hill section of Kings Ash Road in Paignton. Major roadworks were carried out on Goodrington Road in Paignton to reconstruct the road.
- Every year the Public Health Training programme is subjected to a vigorous review of quality from the Deanery and despite being the smallest team in the South West, we have earned an ‘Excellent’ rating for the third year in a row. This is a fantastic result and will help us attract trainees in the future.
- The Council’s Fraud and Error Team have been nominated in the Public Finance awards in the category for Outstanding Proactive Fraud Detection and Recovery.
- Torbay Council introduced a new visual identity for the digital age and to meet current legibility guidelines. To ensure it is as accessible as possible we used guidelines from the RNIB, Dyslexia Association and the UK association for Accessible Formats to determine both layout, text and colour combinations. A unified approach to the use of icons, illustration, photography, layouts and data visualisation has been developed and is being rolled out.

Our Performance

• Thriving people

- The number of looked after children fell slightly to 357 at the end of March 2020 from 359 in March 2019.
- 94.5% of children looked after cases were reviewed within timescales during the month of March 2020. This is a 1.3% increase from the March 2019 figure.
- The percentage of Initial Child Protection Conferences held within 15 working days of strategy discussions was 63.1% at the end of 2019/20, 4.1% less than at the end of 2018/19.
- The successful treatment of opiate users decreased to 5.0% in 2018 from 7.5% in 2017 and from 8.4% in 2016. This figure is below the target of 5.8% which is the England average.

- The percentage of physically active adults rose from 67.1% in 2016/17 to 70.7% in 2017/18 and again to 69.8% in 2018/19. This is above the target of 67.2% (England average).
 - The percentage of physically inactive adults, has fallen from 20.8% in 2016/17 and again in 2017/18 to 20.0% but rose again to 20.9% in 2018/19. It is still below the England Average of 21.4%.
 - The average number of people sleeping rough for January and February 2020 was 14. Due to the Covid 19 outbreak, people who were sleeping rough were housed in temporary accommodation in March. The average number at the end of quarter 4 2018/19 was 21.
 - Year to date figures for number of permanent care home placements in Torbay has fluctuated between 602 and 648 throughout the last year. At the end of March 2020 it was 605, just above the target of 600 for that month.
 - The percentage of carers receiving a needs assessment or review, and a specific carer's service or advice and information rose from 29% at the end of March 2018/19 to 40% at the end of 2019/20. This was above the target of 36%.
 - Adult Social Care’s percentage of repeat safeguarding referrals at the end of 2019/20 was 7.8%, 0.2% below target and 0.5% less than at the same time last year.
- **Thriving economy**
 - Average earnings for Torbay are a way below the target figures (the Great Britain average). For 2019 earnings by residence for full time workers was £506.80 against the target of £587.50 but has risen by £34.90 on Torbay’s figure in 2018 (£471.90).
 - Gross earnings by workplace was £484.30 against a target of £587.00 in 2019. Torbay has increased on the previous year’ average of £440.50 by £43.80. Great Britain’s average has increased by £16.80 this year.
 - The percentage of those claiming out of work benefits at the end of 2019/20 was 3.5% against the target of 3.1% (Great Britain’s monthly average). The lowest figure this performance indicator fell to over the year, was 3.0%.
- **Tackling climate change**
 - Residual household waste for quarter 3 2019/20 was at 126kg per household, a 1kg increase on the same period the previous year.
 - Household waste sent for reuse, recycling and composting was at 41.68% for quarter 3 of 2019/20. This is a slight decrease when compared to the same period the previous year 41.86%, and below the target of 50.00%.
- **A Council fit for the future**
 - The number of corporate stage one complaints logged by the Information Compliance Team in 2019/20 was 456. This equates to complaints from 3.4 people per 1000 residents in Torbay. It is much less than the previous year when 779 stage one complaints were logged.
 - Of the stage one complaints, the percentage that were dealt with on time more than doubled to 83% in 2019/20 from 40% the previous year.
 - The number of data breaches increased from 66 in 2018/19, to 72 in 2019/20.

Coronavirus (COVID19)

The 2019/20 Accounts with a balance sheet date of 31 March 2020 are produced with the ongoing significant financial and performance uncertainty arising from the coronavirus 2019 pandemic. As the future economic and societal impact of the pandemic are all unknown, this uncertainty will highly influence any future look at Council’s financial position. In particular the exact financial impact as at 31 March 2020 cannot be estimated with any accuracy as there is an absence of any evidence. Therefore these Accounts and Narrative Statement can only refer to potential impact.

The MHCLG have already allocated £10.4m of funding to Torbay to support the financial impact of the pandemic (as at July 2020). In a letter to all Councils in relation to this funding the Secretary of State for Housing, Communities and Local Government stated “I hope you agree that this package of financial support demonstrates our strong commitment to local government. At the outset of the emergency I said I would give councils the resources they need to respond and I meant it”.

The key areas of impact are as follows:

Provision of Services:

The Council has reacted to the pandemic in a number of ways. This has included the establishment of an excess death facility and support to the community included the supply of PPE, support to food banks and grants to voluntary organisations.

The key service impacted is adult social care in supporting providers and in particular care homes and joint working with health partners in relation to support and care for vulnerable adults.

The majority of schools in Torbay were closed apart from a low level provision for children of key workers.

A number of other services are impacted that are closely linked to travel restrictions and social isolation requirements. As examples Torre Abbey has been closed, along with some car parks, a number of events cancelled and weddings not supported by the Registrars service.

The Council has already established a recovery group to ensure that services and the community can return to previous service provision levels as the pandemic permits.

The Council has received funding from MHCLG for a hardship fund £1.6m in 2020/21 to process support to council tax support scheme claimants. In addition the council has experienced increased level of requests for financial support.

The Council has been allocated £47m by BEIS (The Department for Business, Energy and Industrial Strategy) to provide business grants to support smaller businesses during the pandemic. The payments of these grants are subject to specific criteria. The Council is acting as “agent “ here on behalf of the BEIS.

Council Workforce

The primary impact of the pandemic is that the majority of staff are working from home. However as the Council has invested in IT that supports flexible working this change has not had a fundamental impact on the work of the Council.

A number of staff in services that are now closed have been redeployed to help with support for the community and increased volume of contact with the Council.

The Council has, to date, a very low level of staff absence due to Coronavirus.

Supply Chains

In addition to the issues for adult social care providers there have only been a few suppliers who have reported financial difficulty, however the Council has complied with the Cabinet office guidance. In particular Clennon Valley leisure centre and the Riviera Centre were closed.

Reserves, financial performance and financial position

The full financial impact of the pandemic of the council is uncertain. The Council has already received £10.4m additional funding from MHCLG (as at July 2020) and will also receive a 75% contribution to its service income losses over a 5% threshold. Conversely the Council is incurring costs to support the community and providers and is expecting lower levels of income from council tax, NNDR, rents, car parks, interest receipt and other service income.

Given the uncertainty over the level of government support, the full level of additional expenditure and the full impact on income the impact on the council’s reserves and financial position is not known. However the Council will continue to monitor and report on the financial impact and will include the consideration of any impact in future years in its medium term financial planning.

Our Financial Performance

Financial Context

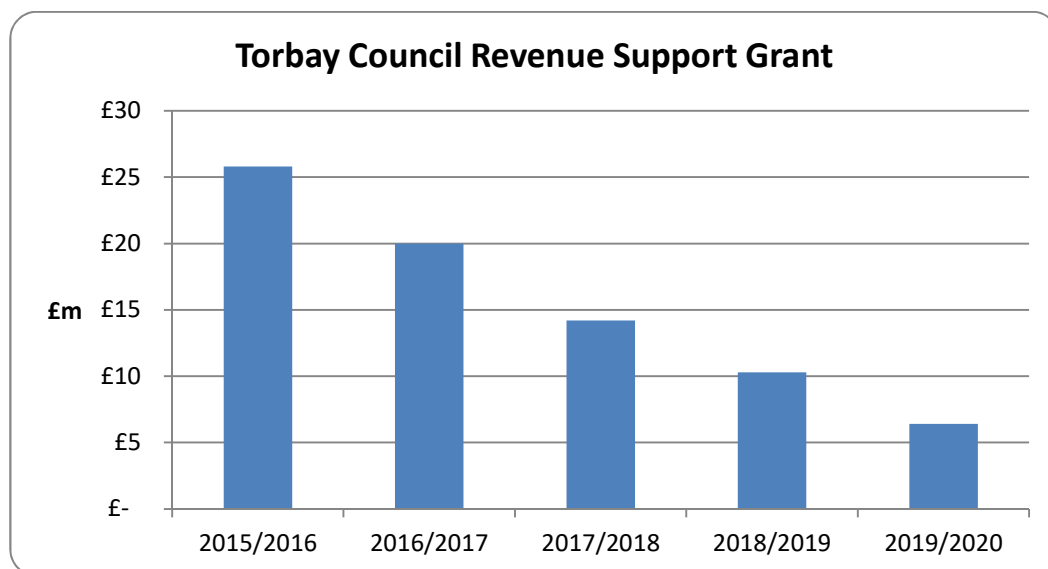
Torbay Council is responsible for managing cash flows and assets of over £1 billion.

The Council:

- Collects £86m of Council Tax (£81m 18/19) which is an in-year collection rate of 95.7% (96.3% 18/19) and £32m (£33m 18/19) of National Non-Domestic Rates (Business Rates) which is an in-year collection rate of 95.1% (96.6% 18/19)
- Holds over £600m of non current assets including of £338m operational assets for delivering services, £34m of heritage assets and £209m of investment property which generates a gross rent of £11m annually.
- In 2019/20 spent over £115m on capital projects and loans for a capital purpose funded from capital receipts, grants, contributions and borrowing.
- In 2019/20 spent over £323m on its revenue budget (its day to day spend) on a wide range of services.
- Generates over £50m of fees, charges, rental and other income used to fund the delivery of its 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 2019/20 and future financial years as a result on the ongoing “austerity” reductions in public expenditure. The Council has had certainty over the reductions as the Council accepted the MHCLG “offer” of a four year funding settlement with 2019/20 the final of the four years. In this period central government funding for local government reduced by 56% or £6.1 billion. For Torbay Council, this was a reduction in its Revenue Support Grant (RSG) from £27m (restated) in 2015/16 to £6m by 2019/20.



It is still very uncertain what the Council’s future funding will be in future years. For 2020/21 there was a one year “Spending Round” which did give an inflationary increase in funding to local government plus additional funding for social care. The 2019 national Spending Review which would have allocated the total central government funding for local government for three years was delayed to 2020. MHCLG intends to introduce a new funding formula to allocate the total funding between councils and have issued a number of consultation documents on the design of the formula which the Council has responded to. In addition MHCLG intends to introduce a 75% NNDR retention system in which local Councils bear 75% of the risks/reward of changes in local NNDR income and have, again, issued a number of consultation documents on the design of the scheme. However the implementation of both of these changes have again been delayed to 2022/23.

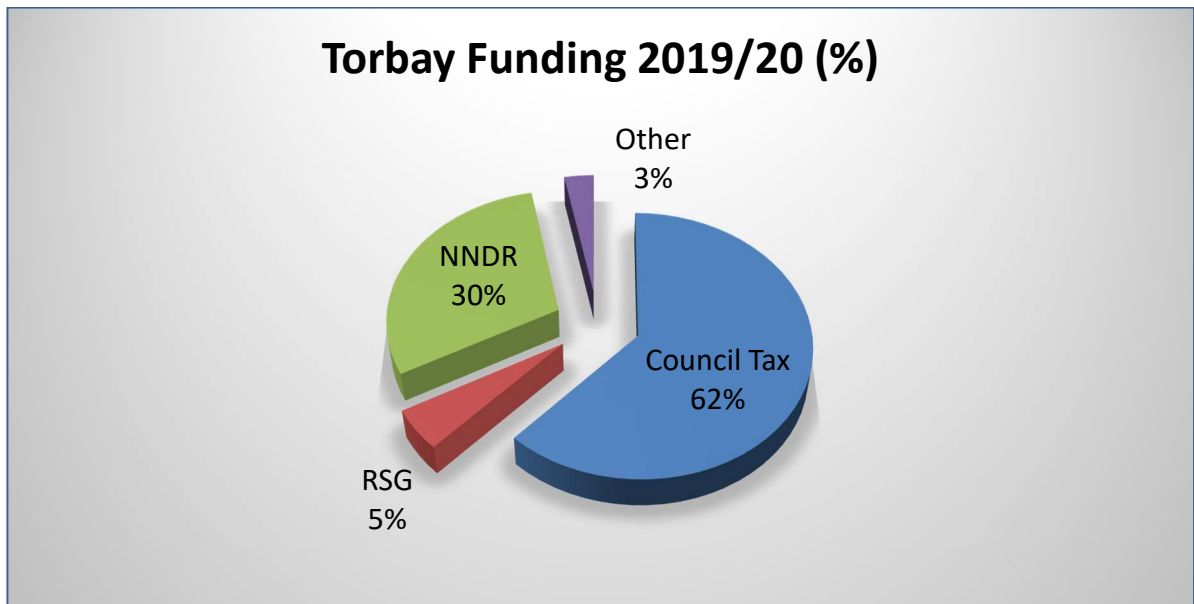
Revenue Budget 2019/2020

In February 2019, the Council set a budget for 2019/20 of £111m (compared to a budget of £112m in 2018/19). £8m of net reductions were required to set a balanced budget for 2019/20 and there is also an estimated funding gap up to £16m for the following three years from 2021/22. The Council has already started the process of meeting the significant financial challenges through identifying and implementing service changes and income generation opportunities, and, in some case, service reductions.

The Council raised its level of Council Tax by 2.99%. This resulted in the Council setting its share of the Council Tax for a Band D property at £1,503.04, (£1,459.40 18/19).

The table below shows how the Council’s revenue budget was funded in 2019/2020.

	2018/19	2019/20	
	£ m	£ m	% change
Net Budget Requirement	112	111	(1)
New Homes Bonus and other general grants	(1)	(1)	0
NNDR Rate Retention	(43)	(33)	(23)
Revenue Support Grant	0	(6)	100
Council Tax	(66)	(69)	5
Collection Fund (surplus)/deficit	(2)	(2)	0

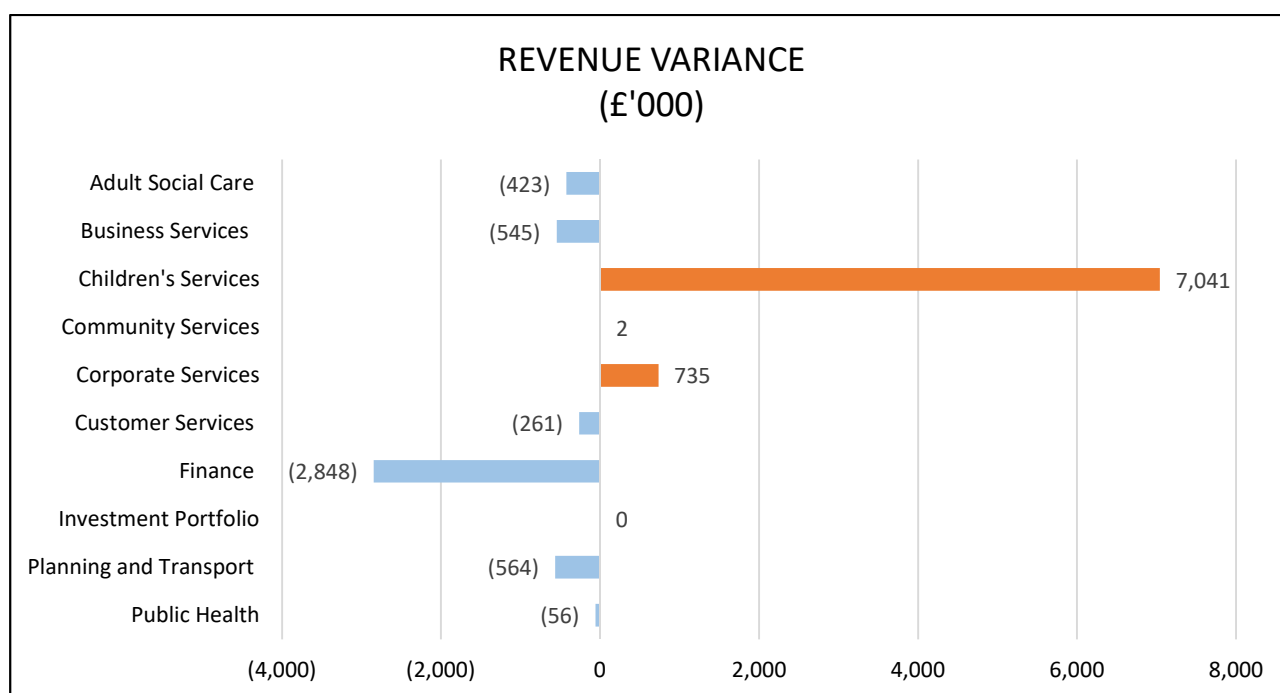
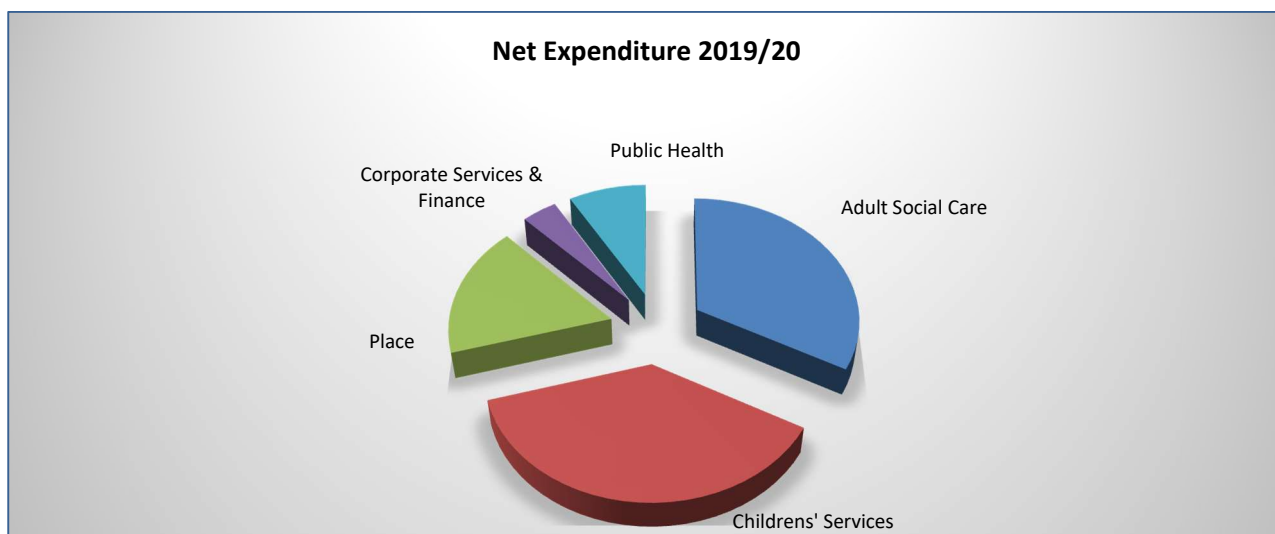


Council Spending in 2019/2020

The table below provides a summary of the budget and expenditure by service in 2019/2020, together with the variances against each budget at the end of the year. The charts below show the net expenditure by service and the budget variance at 31 March 2020.

Torbay Council Revenue	Budget	Outturn	Variance
Q4 2019/20	£000s	£000's	£000's
1. Adult Social Care	38,103	37,680	(423)
2. Public Health	9,689	9,633	(56)
3. Children's Services	36,039	43,080	7,041
4. <i>Community Services</i>	1,824	1,826	2
5. <i>Corporate Services</i>	5,227	5,962	735
6. <i>Customer Services</i>	2,798	2,537	(261)
7. <i>Investment Portfolio</i>	(4,135)	(4,135)	0
Sub Total – Corporate Services	5,714	6,190	476
8. Finance	1,019	(1,829)	(2,848)
9. <i>Business Services</i>	13,523	12,978	(545)
10. <i>Planning and Transport</i>	7,282	6,718	(564)
Sub Total - Place	20,805	19,696	(1,109)
Revenue total	111,369	114,450	3,081

Mitigating Actions	£'000
11. Use of Reserves	(3,081)
Net Overspend / (underspend)	0



The main financial pressure was for Looked After Children (LAC). The overall LAC numbers were up to 360. Within this totals there was an increasing number of residential placements which have a significant financial impact as the current average placement cost per week is £4,700 which equates to an average annual cost of £245k per placement.

Additional corporate resources and support were made available to support the senior leadership team of Children’s Social Care. This included weekly meetings chaired by the Chief Financial Officer with the Chief Executive, Director for Children’s Services and Director of Corporate Services and Deputy Head of Finance. These meetings were focused on the financial recovery plan of the service. This recovery will be underpinned by the implementation of best practice across all aspects of operational service delivery.

The schools’ higher needs block in the Dedicated Schools Grant (DSG) continues to be under financial pressure as a result of an increasing level of referrals from schools for higher needs support for children.

For 2019/20 there was an overspend of £1.1m, after the one off £1.4m “disapplication” transfer of funds between the funding blocks in the DSG. The Council does not receive any funding for schools therefore the over spend will remain in the DSG to be funded in future years and is not a cost that the Council will fund. As a result the DSG reserve is a £3.8m deficit by the end of 2019/20.

The Spending Round announced in September allocated £700m nationally to support Special Education needs. Torbay’s allocation for 2020/21 was £1.5m which, although welcomed is not sufficient to meet the level of demand faced by the Higher Needs Block.

Overall, the Council’s financial performance in 2019/20 was an overspend of £3.1m that was funded from earmarked reserves to enable a break even position.

Capital Plan

The Council spent £115m on capital expenditure in 2019/20 (£66.5m 18/19) of which £67m (£35m 18/19) was Investment Properties and £10m loans (for a capital purpose). This spend was funded as shown in the table below.

	Revised Budget	Outturn	Variation
	£ m	£ m	£ m
Unsupported (Prudential) Borrowing	106	99	(7)
Grants	14	12	(2)
Other Contributions	2	1	(1)
Revenue and Reserves	2	2	0
Capital Receipts	1	1	0
Total Funding	125	115	(10)

Of the £115m, £100m 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 £15m 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 2019/20 is shown below.

Corporate Plan Theme	Examples of 2019/20 Schemes	Spend £m
Protecting all children and given them the best start in life	Includes early year expansion at Paignton Community College and the relocation of the Medical Tuition service to Parkfield.	3
Working towards a more prosperous Torbay	Completion of the EPIC centre in Paignton, capital loan to TDA to build business units, Oxen Cove Jetty and Western Corridor transport scheme.	10
Regeneration projects	Purchase of Fleet Walk shopping centre in Torquay	17
Investment Fund	Purchase of Investment Properties in Taunton, Exeter and Didcot and loans for a capital purpose	77
Ensuring Torbay remains an attractive and safe place to live and visit	Includes spend on Harbour Lights in Paignton, structural repair at Brixham Breakwater and toilet refurbishment.	3
Protecting and supporting vulnerable adults	Includes spend on Disabled facilities Grants and grants to adapt care homes	1
Corporate Support	IT purchases and purchase of waste collection vehicles	4
Total		115

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 2019/20 accounts. On 1st April 2019 the TDA acquired the 100% shareholding of a company, C&A Consultancy Limited and during the year set up both Torvista Homes and TEDC Developments to construct and rent affordable housing. Oldway Mansion Management Company Ltd ceased trading during 2019/20 and the transactions are now included in Torbay’s accounts.

Entity	Assessed Relationship	Council Shareholding /Control	Turnover £m	Surplus/ (Deficit) for year £m	Property, Plant & Equipm’t £m	Net Equity £m
Torbay Economic Development Company Ltd, trading as TDA. Includes: TDA, Kings Ash Holdings Complete Facilities Management Services, C & A Consultancy, Business Centres South West, TEDC Developments and Torvista	Subsidiary (Consolidated for the TEDC Group)	100%	8.6	6.5	17.9	7.0
TOR2 Ltd - estimated position.	Associate	19.99%	13.7	(0.7)	0.2	(2.1)
CSW Group Ltd - surplus excludes IAS19 pension entries	Associate	25%	7.9	0.2	0	(18.9)

The Council has also produced group accounts. For the year 2019/20 the values of the Council’s subsidiaries assets and liabilities in relation to the Council’s own balance sheet are small (under 3% of Council’s non current assets).

SWISCO

The Council has established SWISCO (South West Integrated Services Company) as a 100% owned company to provide services that are currently provided by TOR2 when the current 10 year contract expires at the end of July 2020. The staff employed by TOR2 will transfer to the new company and will provide services from July 2020.

Schools

The Council, as at 31 March 2020, has nine schools (same as 2018/19) 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 2019/20 is £40m compared with £37m in 2018/19. The level of earmarked school reserves as at 31 March 2020 is £0.1m compared with £0.9m in 2018/19. Further detail on school asset recognition and the use of Dedicated School Grant in 2019/20 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 2019/2020

This was again a very challenging financial year for the Council with the requirement to make reductions of £8m 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 £7m.

The Council is a partner in a three way Risk Share Agreement with 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) and the Devon Clinical Commissioning Group. 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. In 2019/20 a new three year risk share agreement has been agreed for the three years from 2020/21 where the Council pays a fixed amount to the ICO which provided all partners with financial certainty.

The Council has continued to implement its Transformation Programme. The Council established an Investment Fund which has subsequently increased to £300m in July 2019 with £231m allocated as at March 2020. During the year the Council also spent £67m on five other properties, a distribution depot in Didcot, Odeon Cinema in Taunton, a records office in Exeter and two other projects were completed; a distribution centre in Exeter and a Travelodge in Chippenham. In addition £10m of loans for a hotel development was fully drawdown in 2019/20 and a new loan to a local business was advanced. The net surplus on these properties will be used to support the Council’s services. The budgeted net surplus in 2019/20 was £4.1m.

The Council has had a long held aspiration to support affordable housing. In 2017/18 the Council 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. Subsequently in July 2019 Council agreed to use its existing subsidiary TDA to develop and then rent affordable housing. TDA have now set up Torvista Homes and TEDC Developments as subsidiary companies to deliver these houses. As at end of March 2020 these were established but not fully trading. The Council has agreed to borrow £25m to support these companies subject to a viable business case being approved.

In previous years, Council schools converted to Academy status and are now fully independent of the Council. In Torbay, by 31st March 2020, a total of 31 schools had converted with no further conversions in 2019/20.

The Council’s gross expenditure in the year was over £320m for revenue (day to day) spend and £115m for capital (spend on long term assets such as roads and schools) of which over £76m was the use of the Investment Fund for both purchases and loans for a capital purpose.

In 2018/19 the Council agreed a “pass through” arrangement for the LGPS pension liability for the Council’s subsidiary, TDA. This has now been actioned as at 31st March 2020. The impact is to increase the Council’s pension liability by £4.9m, with a corresponding statutory override to have a net nil impact on the Council’s balance sheet. TDA will continue to recognise a pension liability but will now also recognise an asset to the value of the liability. On group account consolidation these assets and liabilities will “net off”.

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 14 years from April 2020). A triennial review of the fund took place as at 31st March 2019 with changes to the Council’s employer contribution rate from April 2020 resulting in an increased “primary rate” more than offset by a lower “secondary” rate.

The Council’s liability as at 31st March 2020 is assessed at £168m which is a £11m decrease over the previous year (compared to a £7m decrease in 18/19). This is primarily due to a reduction in the liability of £40m primarily due to actuarial changes in financial assumptions offset, in part, by a reduction of the value of the assets of £29m primarily due to decreased returns on those assets as at 31st March 2020.

There were no significant changes in Torbay’s economy compared to recent years until the last month when the impact of COVID started and the “lockdown” from late March which has been referred to earlier. Collection rates on NNDR and Council Tax were both lower throughout the year but were also impacted by collection issues in March. As economic conditions around year end were in “flux” due to COVID there is material uncertainty over the Councils’ property values to such a level that the Council’s valuer has not attempted to change any valuations of the Council’s property assets as at year end.

The “Brexit” national changes did not appear to have an impact on the Council’s financial position, although the Council will continue to monitor any impact.

For 2019/20 there not any changes in IFRS that impacted on the accounting policies relevant to Torbay’s accounts. The introduction of a new standard for leases (IFRS16) has again been deferred, this time to 2021/22.

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 2019/20 is a deficit of £12m (£6m 18/19). The key reason for this deficit are depreciation and impairment charges of £20m.

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 2019/20. 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 £5.6m. This was primarily a net increase of £3.4m from capital grants, capital receipts (including deferred capital receipts) to fund capital expenditure in year and a net increase in earmarked revenue reserves of £2.2m linked in part to an increase in unused ring fenced grants as at year end.

On the balance sheet there were some significant changes in year. There was a net increase of £16m in the carrying value of the Council's property, plant and equipment, heritage assets and investment properties. In particular there was a £60m net increase from investment property purchases. In addition the Councils long term debtors increased by £11m. As a result the Council’s long term borrowing increased by £92m to fund capital expenditure. There was a £11m 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 m, which is equivalent to 4% of the Council’s 2020/21 net revenue budget.

Overall the Council’s net assets were higher than the previous year by £9m resulting in a net worth of £37m compared to £28m in 2018/19. Of the increase £11m related to the net reduction in the Council’s pension liability.

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

Although it may appear that a low net worth is a concern, it is not as the Pension Liability of £168m 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. In the absence of a three year Spending Review, the Government has provided details of the Revenue Support Grant to the Council for just 2020/21. The 2020 Spending Review will be for three years, which should help the Council’s ability to effectively plan ahead. In addition MHCLG have also delayed the introduction of a new funding formula to allocate the total funding between councils to 2022/23 at the earliest. The proposed new 75% NNDR retention system in which local Councils bear 75% of the risks/reward of changes in local NNDR income has also been delayed to 2022/23 at the earliest.

Inevitably the central government expenditure on the COVID pandemic along with the expected significant economic downturn will have an impact on the national fiscal position which could impact on future year local government funding settlements.

The Medium Term Resource Plan (August 2020 update) provides details of the number of significant issues and risks that are impacting on the Council, its finances and its service delivery:

In addition to the significant funding uncertainties listed in the overview section of this plan in particular the Spending Review 2020, new funding formula and impact of 75% NNDR retention, other significant financial planning risks that may affect the projections are likely to be:

- Inflation runs at a much higher rate than the rates that have been assumed,
- Borrowing costs are higher than anticipated in any Business case for capital expenditure.
- Income projections built into the budget may not be achievable due to factors outside of the council’s control e.g. a worsening economic outlook, further reduction in investment yields.
- Ongoing demand and cost of social care both Children’s and Adults.
- Impact of major changes in Adult Social Care such as the future “Green Paper” and the future of the Better Care Fund.
- Achievement of the Council’s transformation projects in both their timing and income target
- Potential revenue costs of major capital schemes and the risk of overspends on major capital projects.
- Risk of achievement of income targets on major capital investment projects, in particular those funded from prudential borrowing where there is a known additional MRP and interest cost.
- Achievement of 2020/21 and future year budget savings
- 2022 Pension actuarial Review
- Future year increase to the Living Wage

- Collection fund balances – collection of NNDR and Council Tax
- Risk of exposure of any major legal claims against the Council
- Impact of the Devon-wide NHS Sustainability and Transformation Plan on Torbay
- Impact from the TDA and its related companies expansion into new trading areas including housing
- Impact of major schemes linked to Regeneration
- Impact of Council ownership of SWISCO
- Impact of Ofsted judgement of “inadequate” for children’s social care
- Reserve levels “resilience” to future financial pressures

The combination of uncertainty of funding and rising demand is a major challenge for the Council as, to achieve the savings required, there will be an 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 2021/22 to 2023/24 is over £16 m. This is in addition to the £7m of savings and income required to balance the 2020/21 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.

	2020/21	2021/22	2022/23	2023/24
	£m	£m	£m	£m
Revenue Support Grant, NNDR & Council Tax	(116)	(113)	(114)	(115)
Estimated Expenditure	116	122	127	131
Total Estimated Cumulative Funding Gap	0	9	13	16
In- year Funding Gap	0	9	4	3

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

The Council has an approved Capital Plan that is updated throughout the year with any new funding or schemes. A summary of capital spend (as approved by Council in February 2020) over the next three years, is summarised below.

	2020/21	2021/22	2022/23
	£m	£m	£m
Total Capital Expenditure	144	74	51

In March 2020 HM Treasury issued a consultation on changes to PWLB borrowing terms with the purpose

of stopping councils borrowing to invest in commercial property (“debt for yield”) and CIPFA subsequently issued a statement that requested that the “spirit” of the consultation is adhered to with immediate effect. As a result the Council will cease to purchase commercial property itself. The Capital plan will as a result be reduced by £65m from the totals shown in the table above.

Borrowing and Investments

The Council undertakes borrowing to support its capital expenditure. As at 31 March 2020 the Council had £395m of borrowing, primarily from the Public Works Loans Board, a net increase of £92m in year. In addition, it had a long term liability of £6m to the PFI contractor for The Spires (formerly Westlands) and Homelands schools and a liability of £12m in relation to the Council’s share of the Energy from Waste Facility in Plymouth. The Council had £66m (£58m in 2018/19) of cash investments at year end with a net debt position of £347m (compared with £263m in 2018/19).

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 2019/20 the Council spent over £67m 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 2019 £m	31 March 2020 £m
Balance Sheet Values: (principal)		
External Borrowing *	303	395
Long Term Liabilities (PFI)	18	18
External Investments *	(58)	(66)
Net Debt	263	347
Treasury Management Limits:		
Capital Financing Requirement	321	413
Authorised Limit	520	520
Operational Limit	470	470
Revenue Income & Expenditure:	2018/19	2019/20
Interest Receivable	(0.8)	(1.3)
Interest Payable	9.5	10.8
MRP Repayment (including PFI)	4.8	5.3
Ratio of net financing costs to net revenue (excluding revenue contributions to capital).	12%	13%

* 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 £5.1m (£4.2m in 18/19). 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. 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 outlined earlier the Council’s pension guarantee to TDA is now a “pass through” whereby the Council has taken on a higher level of risk and has recognised a liability to the value of the TDA’s IAS19 pension valuation. 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: 11 August 2020

Martin Phillips
Head of Finance
Torbay Council

STATEMENT OF ACCOUNTS 2019/20

STATEMENT OF ACCOUNTS 2019/20

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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 2019/20

I confirm that the Council completed its approval process of the Statement of Accounts 2019/2020 on the 23 November 2020 at a meeting of the Council's Audit Committee.

Councillor Robert Loxton
Chair of Audit Committee
23 November 2020

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 26 to page 128 and has been prepared in accordance with the accounting policies which are set out, if significant, on pages 103 to 116. In my opinion it is a true and fair view of the financial position of the Council at 31st March 2020 and its income and expenditure for the year ended 31st March 2020.

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

The Statement of Accounts 2019/20 were authorised for issue on the 11 August 2020. This is also the date up to which events after the balance sheet date have been considered.

Martin Phillips
Chief Finance Officer
11 August 2020

The Statement of Accounts 2019/20 were authorised for approval by Members on the 23 November 2020 and for publication once the audit opinion has been received. This is also the date up to which events after the balance sheet date will be considered.

Martin Phillips
Director of Finance
30 November 2020

Independent auditor's report to the members of Torbay Council

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Torbay Council (the 'Authority') and its subsidiaries (the 'group') for the year ended 31 March 2020 which comprise the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement, the Collection Fund Summary Account, the Group Movement in Reserves Statement, the Group Comprehensive Income and Expenditure Statement, the Group Balance Sheet and the Group Cash Flow Statement and Notes to the Core Financial Statements, including a summary of significant accounting policies. The Notes to the Core Financial Statements include the EFA, Notes to the Core Statements, Policies and Judgements, Notes to the Collection Fund Summary Account and Note to the Group Accounts. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2019/20.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the group and of the Authority as at 31 March 2020 and of the group's expenditure and income and the Authority's expenditure and income for the year then ended;
- have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2019/20; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the group and the Authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

The impact of macro-economic uncertainties on our audit

Our audit of the financial statements requires us to obtain an understanding of all relevant uncertainties, including those arising as a consequence of the effects of macro-economic uncertainties such as Covid-19 and Brexit. All audits assess and challenge the reasonableness of estimates made by the Chief Finance Officer and the related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the group's and Authority's future operational arrangements.

Covid-19 and Brexit are amongst the most significant economic events currently faced by the UK, and at the date of this report their effects are subject to unprecedented levels of uncertainty, with the full range of possible outcomes and their impacts unknown. We applied a standardised firm-wide approach in response to these uncertainties when assessing the group's and Authority's future operational arrangements. However, no audit should be expected to predict the unknowable factors or all possible future implications for an authority associated with these particular events.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Chief Finance Officer's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Chief Finance Officer has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the Authority's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

In our evaluation of the Chief Finance Officer's conclusions, and in accordance with the expectation set out within the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2019/20 that the Authority's financial statements shall be prepared on a going concern basis, we considered the risks associated with the group's and Authority's operating activities, including effects arising from macro-economic uncertainties

such as Covid-19 and Brexit. We analysed how those risks might affect the group's and Authority's financial resources or ability to continue operations over the period of at least twelve months from the date when the financial statements are authorised for issue. In accordance with the above, we have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the Authority or group will continue in operation.

Emphasis of Matter – effects of Covid-19 on the valuation of land and buildings and property investments

We draw attention to Note 4 of the financial statements, which describes the effects of the Covid-19 pandemic on the valuation of the Authority's and group's land and buildings and the Authority's share of the pension fund's property investments as at 31 March 2020.

As, disclosed in note 4 to the financial statements, the outbreak of Covid-19 has impacted global financial markets and market activity has been impacted. A material valuation uncertainty was therefore disclosed in both the Authority's property valuer's report and the pension fund's property valuation reports. Our opinion is not modified in respect of this matter.

Other information

The Chief Finance Officer is responsible for the other information. The other information comprises the information included in the Statement of Accounts, the Narrative Report and the Annual Governance Statement, other than the Authority and group financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge of the group and Authority obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Other information we are required to report on by exception under the Code of Audit Practice

Under the Code of Audit Practice published by the National Audit Office on behalf of the Comptroller and Auditor General (the Code of Audit Practice) we are required to consider whether the Annual Governance Statement does not comply with the 'delivering good governance in Local Government Framework 2016 Edition' published by CIPFA and SOLACE or is misleading or inconsistent with the information of which we are aware from our audit. We are not required to consider whether the Annual Governance Statement addresses all risks and controls or that risks are satisfactorily addressed by internal controls.

We have nothing to report in this regard.

Opinion on other matter required by the Code of Audit Practice

In our opinion, based on the work undertaken in the course of the audit of the financial statements and our knowledge of the Authority gained through our work in relation to the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources, the other information published together with the financial statements in the Statement of Accounts, the Narrative Report and the Annual Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

Under the Code of Audit Practice, we are required to report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make a written recommendation to the Authority under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or;

- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014, in the course of, or at the conclusion of the audit.

We have nothing to report in respect of the above matters.

Responsibilities of the Authority, the Chief Finance Officer and Those Charged with Governance for the financial statements

As explained more fully in the Statement of Responsibilities set out on pages 27 to 28, the Authority 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 authority, that officer is the Chief Finance Officer. The Chief Finance Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2019/20, for being satisfied that they give a true and fair view, and for such internal control as the Chief Finance Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Chief Finance Officer is responsible for assessing the group's and the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless there is an intention by government that the services provided by the Authority will no longer be provided.

The Audit Committee is Those Charged with Governance. Those charged with governance are responsible for overseeing the Authority's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Report on other legal and regulatory requirements - Conclusion on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

Qualified Conclusion

On the basis of our work, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in April 2020, except for the effects of the matter described in the basis for qualified conclusion section of our report, we are satisfied that the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2020.

Basis for qualified conclusion

In considering the Authority's arrangements for securing efficiency, economy and effectiveness in its use of resources we identified the following matter:

In January 2016, Ofsted issued a report on the inspection of the Authority's services for children in need of help and protection, children looked after and care leavers. The overall judgement was that children's services were inadequate. Ofsted subsequently performed a re-inspection and issued a report in August 2018 which concluded that children's services in Torbay continued to be inadequate. The report concluded that the pace of change had been too slow and some recommendations from the previous inspection had not been implemented. It also stated that fundamental weaknesses remained in management oversight and supervision, in identification of and response to risk, as well as workforce development and capacity.

Since the release of their inspection report in August 2018, Ofsted has performed four monitoring visits. The most recent of these visits took place in January 2020. Ofsted subsequently reported that senior management:

- have a realistic understanding of the challenges and scale of poor practice and outcomes for vulnerable children in Torbay

- are taking urgent action to begin to address the long-standing concerns, and while it is too soon to evaluate the impact of these changes, inspectors are encouraged about the scale of the work that has been achieved since their previous monitoring visit in October 2019
- are starting to create a culture of high expectation and an environment in which understanding the child's world is central to all activity and practice.

Having considered the findings and conclusions of the inspections and monitoring visits, together with the results of our audit work, we have concluded that whilst there have been recent improvements in children's services, they continue to be inadequate. This matter is evidence of weaknesses in proper arrangements for understanding and using appropriate and reliable financial and performance information to support informed decision making and performance management, and for planning, organising and developing the workforce effectively to deliver strategic priorities

Responsibilities of the Authority

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

Auditor's responsibilities for the review of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to be satisfied that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in April 2020, as to whether in all significant respects the Authority had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2020.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to be satisfied that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

Report on other legal and regulatory requirements - Certificate

We certify that we have completed the audit of the financial statements of the Torbay Council in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice.

Use of our report

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the Authority's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

Sarah L Ironmonger, Key Audit Partner
for and on behalf of Grant Thornton UK LLP, Local Auditor

London

30 November 2020

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.

2018/19						2019/20	
Gross Exp	Gross Income	Net Exp	Services	Note	Gross Exp	Gross Income	Net Exp
£m	£m	£m			£m	£m	£m
50.9	(12.8)	38.1	Adults' Services		46.9	(14.2)	32.7
92.3	(48.9)	43.4	Children's Services		101.8	(54.6)	47.2
76.2	(66.5)	9.7	Corporate Services		68.8	(57.8)	11.0
4.8	(10.4)	(5.6)	Finance		8.2	(16.6)	(8.4)
48.1	(23.7)	24.4	Place		55.7	(21.6)	34.1
9.4	(0.3)	9.1	Public Health		9.0	(0.2)	8.8
281.7	(162.6)	119.1	Cost Of Services		290.4	(165.0)	125.4
1.2	(1.2)	0	Other Operating Income & Expenditure	See ** below	3.5	(3.5)	0
20.2	(13.2)	7.0	Financing and Investment Income and Expenditure	11	29.2	(18.4)	10.8
2.8	(122.9)	(120.1)	Taxation and Non-Specific Grant Income and expenditure	12	0.1	(124.3)	(124.2)
305.9	(299.9)	6.0	(Surplus)/Deficit on Provision of Services		323.2	(311.2)	12.0
		(20.2)	(Surplus)/Deficit on revaluation on Non Current Assets (PPE)	26			(7.6)
		4.1	Impairment losses on non current assets charged to the revaluation reserve	26			2.2
		(14.2)	Remeasurement of net defined pension liabilities	40			(15.4)
		(30.3)	Other Comprehensive Income and Expenditure				(20.8)
		(24.3)	Total (Surplus)/Deficit in Comprehensive Income and Expenditure				(8.8)

Note ** - includes Brixham Town Council precept of £317,372

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.

2018/19	General Fund Balance	Earmarked General Fund Reserves	Dedicated Schools Grant*	Sub Total Revenue Reserves	Capital Receipts Reserve	Capital Grants Unapplied Account	Total Usable Reserves	Unusable Reserves	Total Council Reserves
	£m	£m Note 10	£m Note 25	£m	£m Note 9	£m Note 9	£m Note 25	£m Note 26	£m
Balance at 31st March 2018 brought forward	4.6	26.1	(1.0)	29.7	2.8	9.1	41.6	(38.1)	3.5
Movement in Reserves during 2018/19									
Surplus or (deficit) on provision of services (accounting basis)	(6.0)	0	0	(6.0)	0	0	(6.0)	0	(6.0)
Other Comprehensive Expenditure and Income (see C I&E Statement)	0	0	0	0	0	0	0	30.3	30.3
Total Comprehensive Expenditure and Income	(6.0)	0	0	(6.0)	0	0	(6.0)	30.3	24.3
Adjustments between accounting basis & funding basis under regulations (Note 9)	9.0	0.2	0	9.2	(2.0)	(0.4)	6.8	(6.8)	0
Net Increase/Decrease before Transfers to Earmarked Reserves	3.0	0.2	0	3.2	(2.0)	(0.4)	0.8	23.5	24.3
Transfers (to)from Earmarked Reserves (Note 10)	(3.0)	4.7	(1.7)	0	0	0	0	0	0
Increase/(Decrease) in Year	0	4.9	(1.7)	3.2	(2.0)	(0.4)	0.8	23.5	24.3
Balance at 31st March 2019 carried forward	4.6	31.0	(2.7)	32.9	0.8	8.7	42.4	(14.6)	27.8

Movement in Reserves Statement

2019/20	General Fund Balance	Earmarked General Fund Reserves	Dedicated Schools Grant Deficit Reserve*	Sub Total Revenue Reserves	Capital Receipts Reserve	Deferred Capital Receipts	Capital Grants Unapplied Account	Total Usable Reserves	Unusable Reserves	Total Council Reserves
	£m	£m Note 10	£m Note 25	£m	£m Note 9	£m	£m Note 9	£m Note 25	£m Note 26	£m
Balance at 31st March 2019 brought forward	4.6	31.0	(2.7)	32.9	0.8	0	8.7	42.4	(14.6)	27.8
Movement in Reserves during 2019/20										
Surplus or (deficit) on provision of services (accounting basis)	(12.0)	0	0	(12.0)	0	0	0	(12.0)	0	(12.0)
Other Comprehensive Expenditure and Income (see C I&E Statement)	0	0	0	0	0	0	0	0	20.8	20.8
Total Comprehensive Expenditure and Income	(12.0)	0	0	(12.0)	0	0	0	(12.0)	20.8	8.8
Adjustments between accounting basis & funding basis under regulations (Note 9)	14.2	0	0	14.2	(0.4)	2.7	1.1	17.6	(17.6)	0
Net Increase/Decrease before Transfers to Earmarked Reserves	2.2	0	0	2.2	(0.4)	2.7	1.1	5.6	3.2	8.8
Transfers (to)/from Earmarked Reserves (Note 10)	(2.2)	3.3	(1.1)	0	0	0	0	0	0	0
Increase/(Decrease) in Year	0	3.3	(1.1)	2.2	(0.4)	2.7	1.1	5.6	3.2	8.8
Balance at 31st March 2020 carried forward	4.6	34.3	(3.8)	35.1	0.4	2.7	9.8	48.0	(11.4)	36.6

*Note: Under The School and Early Years Finance (England) Regulations 2020 as part of the ring fenced dedicated schools grant (DSG), this deficit can not be funded from Council general fund but will need to be funded from future year DSG.

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 2019		31 st March 2020	
£m		Note	£m
321.8	Property, Plant & Equipment	13	337.9
32.6	Heritage Assets	14	33.5
148.7	Investment Property	15	208.7
0.4	Intangible Assets		0.6
4.9	Long Term Investments	18	9.7
11.7	Long Term Debtors	19	23.1
520.1	Long Term (Non Current) Assets		613.5
51.9	Short Term Investments	18	49.3
0.3	Assets Held for Sale		0.1
0.1	Inventories		0.1
21.4	Short Term Debtors	19	22.9
2.6	Cash and Cash Equivalents	20	8.2
76.3	Current Assets		80.6
(4.0)	Short Term Borrowing	23	(5.4)
(2.2)	Other Short Term Liabilities	24	(2.3)
(26.0)	Short Term Creditors (inc Receipts in Advance)	21	(33.8)
(4.0)	Capital Grants/Contributions: Receipts in Advance		(0.5)
(4.1)	Provisions	22	(5.0)
(0.5)	Cash and Cash Equivalents	20	(1.6)
(40.8)	Current Liabilities		(48.6)

31st March 2019		Notes	31st March 2020
£m			£m
(4.5)	Long Term Creditors	21	(4.3)
(0.1)	Provisions	22	(0.1)
(302.2)	Long Term Borrowing	23	(391.5)
(41.8)	Other Long Term Liabilities	24	(44.4)
(178.6)	Pension Liability	40	(168.1)
(0.6)	Capital Grants/Contributions: Receipts in Advance		(0.5)
(527.8)	Long Term Liabilities		(608.9)
27.8	Net Assets/Liabilities		36.6
42.4	Usable reserves	25	48.0
(14.6)	Unusable Reserves	26	(11.4)
27.8	Total Reserves		36.6
<p>M Phillips Chief Finance Officer 11 August 2020</p> <p>M Phillips Chief Finance Officer 30 November 2020</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.

2018/19		note	2019/20	
£m	£m		£m	£m
	(6.0)	Net surplus or (deficit) on the provision of services, including £9.5m interest paid and (£0.8m) interest received.		(12.0)
33.5		Adjustments to net surplus or deficit on the provision of services for non cash movements	See note below	28.5
(10.3)		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		(11.3)
	17.2	Net cash inflows/(Outflow) from Operating Activities		17.2
		Investing Activities:		
(62.1)		Purchase of property, plant and equipment, investment property, heritage and intangible assets	37	(100.0)
1.1		Proceeds from the sale of property, plant and equipment, investment property and intangible assets		0.7
11.5	(49.5)	Proceeds from short-term and long-term investments	18	8.5 (90.8)
		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)
(1.8)		Council Tax and NNDR adjustments		(1.6)
30.5	28.0	Net new borrowing in year	23	92.4 90.1
	(4.3)	Net increase or (decrease) in cash and cash equivalents		4.5

2018/19		2019/20	
£m	Cash and Cash Equivalents	Notes	£m
6.4	Cash and cash equivalents * at the beginning of the reporting period	20	2.1
2.1	Cash and cash equivalents at the end of the reporting period	20	6.6
(4.3)	Net increase or (decrease) in cash and cash equivalents		4.5
*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			
14.7	Depreciation, Impairment & downward valuations		20.1
3.2	Change in value of Investment Properties		6.8
0.1	Amortisation of Intangible Assets		0.1
0.9	Increase/(Decrease) in Creditors		1.5
3.4	(Increase)/Decrease in Debtors including impairment for bad debts		(14.5)
6.2	Movement in pension liability		9.8
1.0	Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised		3.1
4.0	Other non-cash items charged to the net surplus or deficit on the provision of services		1.6
33.5	Total		28.5

Notes to the Core Financial Statements

1. Changes in Accounting Policy

For 2019/20 there are no changes in IFRS that impacted on the accounting policies relevant to Torbay's accounts.

The only new accounting policy is in relation to the recognition of a liability to the value of the TDA IAS19 liability offset by a statutory override to hold the balance in the Pension Reserve. Any movement in value will be included in Other Comprehensive Income and Expenditure as an unrealised movement in value.

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

There are no changes in accounting requirements for 2020/21 that are anticipated to have a material impact on the Council's financial performance or financial position.

A new leasing standard (IFRS 16), which changes the current definition and accounting for operating and finance leases, is now due to be introduced from 2021/22 with a restatement required for 2020/21. The impact of this standard is not expected to be material as the Council does not lease in many assets.

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 addition the Council is not majority shareholder of TOR2.
- In assessing its existing leases under IFRS guidance the Council has only considered leases where either the value of rent or the value of the asset was material. In addition a ratio of 75% of lease term to asset life has been used as a guide to recognising leases as finance leases.
- In assessing the recognition of grants the Council has determined that if grant conditions have not been met then the grant is not recognised as income, but held as a receipt in advance. If a grant could be used to support capital or revenue spend it has been treated as revenue.

In assessing the fair value of its Heritage Assets the Council has used insurance valuations where available or historic cost. The asset lives of heritage assets, by their nature, have been deemed to be infinite.

- The accounting for the recognition of school assets based on the Council's assessment of its control including its residual interest in asset and its control over school admissions and staff employment over these assets is as follows:
 - Community Schools (5 schools) – assets recognised on balance sheet

- Voluntary Controlled schools (1 schools) – building, but not land, recognised on balance sheet
 - Voluntary Aided Schools (1 schools) – building, but not land, recognised on balance sheet
 - Foundation Schools (2 schools) - assets recognised on balance sheet
 - Academy Schools - assets not recognised on balance sheet
- Schools assets converting to Academy status are written out from the Council's balance sheet in year of transfer. The Comprehensive Income and Expenditure statement does not include any income or expenditure associated with Academy schools after date of transfer. There are no significant restrictions or material risks in relation to the schools assets or liabilities.
 - The Council has recognised a long term liability for the annual local government reorganisation discretionary pension payment to Devon County Council. This payment is invoiced for in the year that the County Council makes payments to its pensioners.
 - The Council has recognised its (£33m/17%) share of the Energy from Waste facility in Plymouth based on estimated tonnages per the business case for the facility and the financial allocation model agreed between Torbay, Plymouth and Devon County Councils. All three Councils have assessed the facility to be "on balance sheet" under IFRIC12 as a service concession arrangement. The Council has recognised a liability to the value of the asset recognised. This liability is apportioned between the Council's own liability to fund the asset based on forecast unitary payments over the life of the facility from the three councils (£12m/37%) and the expected third party income (£21m/63%) based on the business case. The third party income liability has been accounted for as deferred income with the balance allocated to the Council's CI&E statement over the life of the 25 year contract. As a "non cash" transaction this credit will be reversed in the MIRS to the Capital Adjustment Account the asset life of the facility has been assessed at 30 years based on the contract life and the optional 5 year extension period. The Council has assumed all lifecycle costs to be revenue unless evidence that they are capital.
 - There is a high degree of uncertainty about future levels of funding for local government. However the Council has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Council might be impaired as a result of a need to close facilities and reduce levels of service provision. The Council can only be dissolved by a statutory prescription.
 - The Council has a number of pension guarantees to related bodies where the Council could incur a liability if the body becomes insolvent. These are classified as insurance contracts. As at 31 March 2020 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 2019/20 or

expected in future years.

The only items in the Council's balance sheet at 31st March 2020 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Uncertainties	Effect if Actual Results Differ from Assumptions
Pension Liability Value 31/3/20 £168m (£179m 18/19)	
<p>The Council's liability as at 31st March is based on a number of complex judgements relating to</p> <ul style="list-style-type: none"> • 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>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 £8m. Similarly a change in the mortality assumption of 1 year would result in a change of £16m. However, the assumptions interact in complex ways. The actuary advised that, during 2019/20, the net pensions' liability had decreased by £11m. In part this was a result of estimates being corrected as a result of "experience" updating of actuarial assumptions offset, in part, by a 10% decrease in asset values linked to the COVID19 impact on asset values. It is clear that as economic uncertainty continues these asset values could significantly change in the future.</p> <p>A table on sensitivity of assumptions is included in the Pensions Note.</p>
COVID19 Pandemic	
<p>The impact of the global pandemic which only started to impact on the Torbay area in March 2020 has resulted in material uncertainty in the relation some balance sheet values primarily on non current assets. The outbreak of COVID 19 has impacted global financial markets and market activity has been impacted. A material valuation uncertainty was therefore disclosed in both the Council's property valuer's report and property fund's property valuation reports. In other cases the Council has obtained a reasonable value such as a quoted value of an asset or liability as at 31 March 2020.</p>	<p>Fair Value of Property, Plant and Equipment.</p> <p>The Valuation Certificate has been produced on the same basis as it would have been pre COVID 19 but a 'material valuation uncertainty' has been attached to the opinion of the Council's appointed valuer to highlight the uncertainty around the valuations. It is beyond question real estate will be disrupted significantly by COVID19 over the next few months and it is</p>

	<p>unfortunate the valuation date coincides with year-end. Because of the reduced level of certainty that can be attached to any valuation, due to inconsistent or absence of, comparable data as a direct result of COVID19, it is impossible at this time to reduce valuations either on individual or portfolio basis.</p> <p>Impairment of Financial Assets</p> <p>The Council has values as at year end for all its financial assets used for treasury management purposes such as deposits and its holding in a property fund. The Pension Fund IAS19 valuation used pension fund asset values at year end.</p> <p>The collectability of the Council's debt including council tax and NNDR as at year end is likely to have reduced. The exact impact is unknown as there is no historic experience, however the Council has increased its impairment for its outstanding debt including Council tax and NNDR.</p>
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5. Events after the Reporting Period

Events taking place after the 11 August 2020 are not reflected in the financial statements.

The COVID19 pandemic started to have an impact in the Torbay area from March 2020, however the impact of the pandemic on both the community and the Council will continue in the longer term and that longer term impact is currently unknown. Where the Council has a market price such as in its property fund holding and its share of pension fund assets values as at 31 March 2020 have been used. However for property valuations there was “material valuation uncertainty” as at 31 March 2020.

From the 1 August 2020 the Council appointed an Interim Chief Executive, Anne-Marie Bond.

6. 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.

2018/19				2019/20		
Net Expend Chargeable To the General Fund	Adjustments between the Funding and Accounting	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
40.0	(1.9)	38.1	Adult's Services	37.7	(5.0)	32.7
36.9	6.5	43.4	Children's Services	43.1	4.1	47.2
7.2	2.5	9.7	Corporate Services	6.2	4.8	11.0
(2.9)	(2.7)	(5.6)	Finance	(4.9)	(3.5)	(8.4)
21.5	2.9	24.4	Place	19.7	14.4	34.1
9.3	(0.2)	9.1	Public Health	9.6	(0.8)	8.8
112.0	7.1	119.1	Cost Of Services	111.4	14.0	125.4
0	7.0	7.0	Financing and Investment Income and Expenditure	0	10.8	10.8
(112.0)	(8.1)	(120.1)	Taxation and Non-Specific Grant Income and expenditure	(111.4)	(12.8)	(124.2)
0	6.0	6.0	(Surplus)/Deficit on Provision of Services	0	12.0	12.0

Note: General Fund Opening Balance as at 31 March 2019 £4.6m and Closing Balance as at 31 March 2020 £4.6m

7. Expenditure and Income Analysis

Adjustments between Funding and Accounting Basis from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts.

2018/19					2019/20			
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	£m
(0.2)	0	(1.7)	(1.9)	Adult Social Care	(0.2)	0	(4.8)	(5.0)
4.9	0	1.6	6.5	Children's Services	2.0	0	2.1	4.1
(0.5)	0	3.0	2.5	Corporate Services	(0.6)	0	5.4	4.8
(3.9)	1.5	(0.3)	(2.7)	Finance	(5.5)	4.9	(2.9)	(3.5)
7.8	0	(4.9)	2.9	Place	16.3	0	(1.9)	14.4
0	0	(0.2)	(0.2)	Public Health	0	0	(0.8)	(0.8)
8.1	1.5	(2.5)	7.1	Net Cost Of Services	12.0	4.9	(2.9)	14.0
(4.5)	4.6	(1.2)	(1.1)	Other income and expenditure from Expenditure and Funding Analysis	(6.5)	4.2	0.3	(2.0)
3.6	6.1	(3.7)	6.0	Difference between General Fund (surplus)/deficit and Comprehensive Income and Expenditure Statement (surplus)/deficit on the Provision of Services	5.5	9.1	(2.6)	12.0

8. Expenditure and Income Analysed by Nature

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

2018/19 £m restated		2019/20 £m
	Expenditure	
60.4	Employee benefits expenses	67.1
210.0	Other services expenses	203.6
19.0	Depreciation, amortisation, impairment and change in Fair Value	32.5
15.6	Interest payments	16.5
0.4	Precepts and levies	0.4
0.5	Written out of accounts on the disposal of assets	3.1
305.9	Total Expenditure	323.2
	Income	
(35.5)	Fees, charges and other service income	(34.3)
(15.1)	Financing & Investment Income and Other Operating Income	(21.9)
(97.4)	Council tax and non domestic rates	(84.7)
(151.9)	Government grants and contributions	(170.3)
(299.9)	Total Income	(311.2)
6.0	(Surplus) or Deficit on the Provision of Service	12.0

Segmental Income of Fees, charges and other service income

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

2018/19 £m		2019/20 £m
(4.5)	Adult's Services	(5.0)
(4.3)	Children's Services	(4.4)
(6.8)	Corporate Services	(4.8)
0	Finance	(0.1)
(19.7)	Place	(19.8)
(0.2)	Public Health	(0.2)
(35.5)	Total income analysed on a segmental basis	(34.3)

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 Pooled Investment Fund Adjustment Account.

2018/19							2019/20						
Usable Reserves			Unusable Reserves				Usable Reserves				Unusable Reserves		
General Fund	Capital Receipts	Capital Grants Unapplied	CAA	Pension	Other		General Fund	Capital Receipts	Capital Grants Unapplied	Deferred Capital Receipts	CAA	Pension	Other
£m	£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:													
<u>Items relating to capital expenditure</u>													
(14.7)	0	0	14.7	0	0	Charges for depreciation and impairment of non current assets	(20.1)	0	0	0	20.1	0	0
(0.1)	0	0	0.1	0	0	Amortisation of intangible assets	(0.1)	0	0	0	0.1	0	0
(3.8)	0.3	0	3.5	0	0	Revenue expenditure funded from capital under statute	(3.2)	0.1	0	0	3.1	0	0
(0.5)	0	0	0.5	0	0	Amounts of non current assets written off on disposal/sale as part of the gain/loss on disposal to the CI&E statement. <i>*Revaluation Reserve</i>	(3.1)	0	0	0	2.4	0	0.7*
0.1	0	0	(0.1)	0	0	Notional Rent Credit	0.1	0	0	0	(0.1)	0	0
(19.0)	0.3	0	18.7	0	0	c/f	(26.4)	0.1	0	0	25.6	0	0.7

Usable Reserves							Unusable Reserves						
General Fund	Capital Receipts	Capital Grants Unapplied	CAA	Pension	Other		General Fund	Capital Receipts	Capital Grants Unapplied	Deferred Capital Receipts	CAA	Pension	Other
£m	£m	£m	£m	£m	£m		£m	£m	£m	£m	£m	£m	£m
(19.0)	0.3	0	18.7	0	0	b/f	(26.4)	0.1	0	0	25.6	0	0.7
0.8	0	0	(0.8)	0	0	Deferred Credit re Energy From Waste	0.8	0	0	0	(0.8)	0	0
						<u>Other</u>							
(3.8)	0	0	3.8	0	0	Movement in the fair value of Investment Properties and AHFS	(6.8)	0	0	0	6.8	0	0
						<u>Items relating to capital financing applied in the year</u>							
5.7	0	0	(5.7)	0	0	Capital Grants and Contributions Applied	10.3	0	0	0	(10.3)	0	0
						Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement							
						<u>Items relating to capital financing applied in the year</u>							
4.8	0	0	(4.8)	0	0	Provision for the financing of capital investment	5.3	0	0	0	(5.3)	0	0
2.7	0	0	(2.7)	0	0	Capital expenditure charged against the General Fund	1.7	0	0	0	(1.7)	0	0
(8.8)	0.3	0	8.5	0	0	c/f	(15.1)	0.1	0	0	14.3	0	0.7

Usable Reserves							Unusable Reserves						
General Fund	Capital Receipts	Capital Grants Unapplied	CAA	Pension	Other		General Fund	Capital Receipts	Capital Grants Unapplied	Capital Receipts Deferred	CAA	Pension	Other
£m	£m	£m	£m	£m	£m		£m	£m	£m	£m	£m	£m	£m
(8.8)	0.3	0	8.5	0	0	b/f	(15.1)	0.1	0	0	14.3	0	0.7
Adjustments involving Capital Grant Unapplied Account													
5.0	0	(5.0)	0	0	0	Capital Grants & Contributions unapplied credited to the CI&E Statement	7.1	0	(7.1)	0	0	0	0
0	0	5.4	(5.4)	0	0	Application of (prior year) Grants to capital financing applied in the year transferred to the Capital Adjustment Account	0	0	6.0	0	(6.0)	0	0
Adjustments involving the Capital Receipts Reserve:													
1.2	(1.2)	0	0	0	0	Transfer of sale proceeds credited as part of the gain/loss on disposal to the CI&E Statement	3.4	(0.7)	0	(2.7)	0	0	0
0	2.9	0	(2.7)	0	0	Use of the Capital Receipts Reserve to finance new capital expenditure applied in the year	0	1.0	0	0	(1.0)	0	0
Adjustments involving the Pensions Reserve:													
(2.6)	2.0	0.4	0.4	0	0	c/f	(4.6)	0.4	(1.1)	(2.7)	7.3	0	0.7

Usable Reserves			Unusable Reserves					Usable Reserves				Unusable Reserves		
General Fund	Capital Receipts	Capital Grants Unapplied	CAA	Pension	Other		General Fund	Capital Receipts	Capital Grants Unapplied	Capital receipts Deferred	CAA	Pension	Other	
£m	£m	£m	£m	£m	£m		£m	£m	£m	£m	£m	£m	£m	
(2.6)	2.0	0.4	0.4	0	0	b/f	(4.6)	0.4	(1.1)	(2.7)	7.3	0	0.7	
(13.7)	0	0	0	13.7	0	Reversal of items relating to retirement benefits debited or credited to the CI&E Statement (see Note 40.2)	(16.8)	0	0	0	0	16.8	0	
7.5	0	0	0	(7.5)	0	Employer's pensions contributions and direct payments to pensioners payable in the year	7.7	0	0	0	0	(7.7)	0	
Adjustments involving the Collection Fund Adjustment Account:														
(0.5)	0	0	0	0	0.5	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	(0.2)	0	0	0	0	0	0.2	
Adjustment involving the Accumulated Absences Account														
(9.3)	2.0	0.4	0.4	6.2	0.5	c/f	(13.9)	0.4	(1.1)	(2.7)	7.3	9.1	0.9	

Usable Reserves			Unusable Reserves				Usable Reserves				Unusable Reserves		
General Fund	Capital Receipts	Capital Grants Unapplied	CAA	Pension	Other		General Fund	Capital Receipts	Capital Grants Unapplied	Capital Receipts Deferred	CAA	Pension	Other
£m	£m	£m	£m	£m	£m		£m	£m	£m	£m	£m	£m	£m
(9.3)	2.0	0.4	0.4	6.2	0.5	b/f	(13.9)	0.4	(1.1)	(2.7)	7.3	9.1	0.9
0.1	0	0	0	0	(0.1)	Amount by which officer remuneration charged to the CI&E Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(0.1)	0	0	0	0	0	0.1
Adjustment involving the Pooled Fund Adjustments Account (Previously Financial Instruments Adjustment Account)													
0.2	0	0	0	0	(0.2)	Amount by which financial instruments charged to the CI&E Statement are different from amounts chargeable in the year in accordance with statutory requirements	(0.2)	0	0	0	0	0	0.2
(9.0)	2.0	0.4	0.4	6.2	0.2	Total Adjustments per MIRS	(14.2)	0.4	(1.1)	(2.7)	7.3	9.1	1.2
<i>Memo items:-</i>													
(6.0)	0	0	0	0	0	<i>Surplus/(Deficit) on Provision of Services</i>	(12.0)	0	0	0	0	0	0
(4.7)	(0.2)	0	0	0	0	<i>Movement in earmarked reserves</i>	(3.3)	0	0	0	0	0	0
1.7	0	0	0	0	0	<i>Movement in Dedicated Schools Grant Deficit Reserve *</i>	1.1	0	0	0	0	0	0

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0	0	0	0	(14.2)	0	<i>Other Comprehensive Income and Expenditure: Remeasurement of net defined pension liability</i>	0	0	0	0	0	(15.4)	0
0	0	0	(1.2)	0	0	<i>Other movement on the Capital Adjustment Account - Adjusting amounts written out of the Revaluation Reserve to the Capital Adjustment Account</i>	0	0	0	0	(1.4)	0	0
0	0	0	(0.8)	(8.0)	0	Total Movement in year	(0)	0.4	1.1	(2.7)	5.9	(6.3)	1.2

*Note: Under The School and Early Years Finance (England) Regulations 2020 as part of the ring fenced dedicated schools grant (DSG), this deficit can not be funded from Council general fund but will need to be funded from future year DSG.

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 2019/20.

	Balance at 31 March 2018 £m	Transfer Out 2018/19 £m	Transfer In 2018/19 £m	Balance at 31 March 2019 £m	Transfer Out 2019/20 £m	Transfer In 2019/20 £m	Balance at 31 March 2020 £m
Reserves:-							
earmarked for General Expenditure	3.6	(1.1)	2.4	4.9	(3.1)	0.4	2.2
earmarked for specific issues	9.2	(1.0)	2.3	10.5	(9.7)	7.3	8.1
to reflect timing of expenditure including grants received but not spent.	4.6	0	2.2	6.8	(3.8)	11.1	14.1
to support Capital expenditure	2.9	(1.3)	0.0	1.6	(1.0)	1.6	2.2
School Related Reserves	0.2	0.0	0.0	0.2	0	0	0.2
Schools' Balances (held under a delegation scheme)	0.8	(0.8)	0.9	0.9	(1.0)	0.2	0.1
Ring Fenced	4.8	(5.2)	6.5	6.1	(4.8)	6.1	7.4
Total	26.1	(9.4)	14.3	31.0	(23.4)	26.7	34.3

11. Financing and Investment Income and Expenditure

2018/19 £m		2019/20 £m
11.0	Interest payable and similar charges	12.3
4.6	Net interest on net defined pension liability	4.2
(1.5)	Interest receivable and similar income	(1.1)
(5.5)	Income and expenditure in relation to investment properties and changes in their fair value	(3.6)
(1.6)	Gain from Devon wide NNDR Pool (NNDR Pilot in 2018/19)	(1.0)
7.0	Total	10.8

12. Taxation and Non Specific Grant Income

2018/19 restated £m		2019/20 £m
(65.8)	Council tax Income	(69.0)
(43.7)	*Retained income from rate retention scheme	(33.1)
(1.7)	Collection Fund – NNDR & Council Tax	(1.5)
0.5	Collection Fund Adjustment Account	0.1
(1.7)	Non-ring fenced government grants	(7.7)
(7.7)	Capital grants and contributions	(13.0)
(120.1)	Total	(124.2)
	*For 2018/19 the Council was part of a Devon wide 100% pilot Rate Retention Scheme	

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 2019/20, and the prior year 2018/19, in Property, Plant and Equipment by category of assets is shown in the tables below:

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

2019/20	Other Land and Buildings	Vehicles, Plant & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant & Equipment	PFI Assets in P, P & E
	£m	£m	£m	£m	£m	£m	£m	£m
Cost or Valuation								
As at 1st April 2019	207.0	16.8	141.8	9.2	0.9	10.8	386.5	48.5
Additions	19.1	4.1	7.5	0	0.4	1.9	33.0	0
Revaluation increases/ (decreases) recognised in the Revaluation Reserve	2.1	0	0	0	0.2	0.1	2.4	(0.3)
Revaluation Increases/ (decreases) recognised in the Surplus/Deficit on the Provision of Services	(9.3)	0	0	0	(0.5)	0	(9.8)	0
Derecognition – Disposals	(3.0)	0	0	0	0	0	(3.0)	0
Assets reclassified (to)/from Held for Sale	0	0	0	0	0	0	0	0
Other movements in Cost or Valuation	8.1	0	0.8	0	0.2	(7.4)	1.7	0
As at 31st March 2020	224.0	20.9	150.1	9.2	1.2	5.4	410.8	48.2
Accumulated Depreciation and Impairment								
As at 1st April 2019	(7.1)	(15.0)	(41.8)	(0.8)	0	0	(64.7)	(0.7)
Depreciation charge	(4.7)	(0.5)	(5.5)	(0.2)	0	0	(10.9)	(1.6)
Depreciation written out to the Revaluation Reserve	2.0	0	0	0	0	0	2.0	1.3
Revaluation Increases/ (decreases) recognised in the Surplus/Deficit on the Provision of Services	0.6	0	0	0	0	0	0.6	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 2020	(9.1)	(15.5)	(47.3)	(1.0)	0	0	(72.9)	(1.0)
Net Book Value:-								
As at 31st March 2020	214.9	5.4	102.8	8.2	1.2	5.4	337.9	47.2
As at 31 st March 2019	199.9	1.8	100.0	8.4	0.9	10.8	321.8	47.8

Contractual Commitments for the acquisition of Property, Plant and Equipment as at 31st March 2020

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 £26.4m.

Contract	Purpose	Total Commitments	2020/21	2021/22
		£m	£m	£m
Expenditure on Council Assets:				
Education				
New Paignton Primary School	Contribution to site acquisition for new Free School	0.6	0.6	0
Transport				
South Devon Highway	Major investment to provide new road to alleviate congestion and ease traffic flow to and from Torbay.	1.6	1.6	0
Regeneration				
Harbour View Hotel	Town Centre regeneration / employment scheme	0.7	0.7	0
Vehicle Fleet Purchases	Replacement recycling vehicles to improve waste collection efficiencies	1.9	1.9	0
Total Significant Commitments		4.8	4.8	0

Revaluations

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

Valued at fair value as at	Other Land and Buildings £m
31 March 2020	68.1
31 March 2019	54.0
31 March 2018	54.9
31 March 2017	21.8
31 March 2016	25.2
Total Cost or Valuation of Other Land & Buildings	224.0

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 2018	8.1	0.2	24.0	32.3
Additions	0	0	0.1	0.1
Revaluation increases/(decreases) recognised in the Revaluation Reserve	(0.3)	0	0.5	0.2
31 st March 2019	7.8	0.2	24.6	32.6
Additions	0	0	0	0
Revaluation increases/(decreases) recognised in the Revaluation Reserve	0.2	0	0.7	0.9
31 st March 2020	8.0	0.2	25.3	33.5

Fine Arts Collection

Includes exhibits held at Torre Abbey. The valuation was undertaken by external valuers, Bearnese Hampton and Littlewood, in 2010 but the exhibits held at Torre Abbey were valued by Bearnese Hampton and Littlewood in 2016. The collection includes William Holman Hunt’s “The Children’s Holiday”. There are a large number of exhibits at Torre Abbey that are not included in the valuation due to their low item value. Further details of the exhibits included in this collection and visiting information are available on the council’s website.

Mayoral Regalia

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

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 £21m. 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. During the year the Council also spent £67m on five other properties, a distribution depot in Didcot, Odeon Cinema in Taunton, a records office in Exeter and two other projects were completed; a distribution centre in Exeter and a Travelodge in Chippenham.

Gross rent income relating to these properties in 2019/20 was £11m, (£9m 18/19) with operating costs of £0.3m (£0.3m 18/19).

31 st March 2019		31 st March 2020
£m		£m
115.4	Opening Balance	148.7
36.5	Purchases in year	66.8
(3.2)	Movements in value in year	(6.8)
148.7	Total	208.7

16. Financial Instruments

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

31 st March 2019			31 st March 2020	
Non Current	Current		Non Current	Current
£m	£m		£m	£m
		Investments		
0	40.5	Loans and receivables (at amortised cost)	5.0	44.8
4.9	11.4	Financial assets at fair value through profit and loss	4.7	4.5
4.9	51.9	Total investments	9.7	49.3
		Cash & Cash Equivalents		
0	0.4	Cash in hand and Bank (net)	0	(1.0)
0	1.7	Loans and receivables (at amortised cost)	0	7.6
0	2.1	Total Cash & Cash Equivalents	0	6.6
		Debtors		
11.8	19.1	Financial assets carried (at amortised cost)	23.1	20.6

11.8	19.1	Total Debtors	23.1	20.6
		Borrowings/Liabilities		
(302.2)	(4.0)	Financial liabilities (at amortised cost)	(391.5)	(5.4)
(302.2)	(4.0)	Total borrowings	(391.5)	(5.4)
		Other Long Term Liabilities		
(17.5)	(0.7)	PFI liability (at amortised cost)	(16.7)	(0.8)
0	0	Financial Guarantee	(4.9)	0
(17.5)	(0.7)	Total other long term liabilities	(21.6)	(0.8)
		Creditors		
(1.8)	(18.2)	Financial liabilities (at amortised cost)	(1.4)	(21.3)
(1.8)	(18.2)	Total Creditors	(1.4)	(21.3)
(304.8)	50.2	Total All Financial Instruments	(381.7)	49.0

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

Financial Instrument	Basis of measurement	Note
Investments – fixed rate	Carrying value adjusted for interest owed at year end	Investments have both fixed term and fixed interest rates
Investments – Money Market Funds	Increase in carrying value recognised in Income & Expenditure Account	Interest rate determinable on 1 st April.
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 a Financial Instrument at Fair Value through Profit and Loss.	Carrying value of the fund at 31 st March is the fair value of the Fund. Dividends due in year are recognised in CIES. In addition changes to the fair value of the fund are accounted for in the Income and Expenditure Account with a statutory override reversing the impact of these movements in the MIRS.
Investments – Other	Held at carrying value on basis of materiality	

Financial Instrument	Basis of measurement	Note
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.
Financial Guarantee	IAS19 valuation of pension liability	
Council Companies	Held at initial investment (i.e. value of shares)	

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

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

Income, Expense, Gains and Losses

	2018/19				2019/20			
	Financial Liabilities	Financial Assets		Total	Financial Liabilities	Financial Assets		Total
	Liabilities measured at amortised cost	Loans and receivables	Assets at Fair Value through Profit and Loss		Liabilities measured at amortised cost	Loans and receivables	Assets at Fair Value through Profit and Loss	
£m	£m	£m	£m	£m	£m	£m	£m	
Interest expense	6.2	0	0	6.2	9.1	0	0	9.1
Reductions in fair value re interest due	3.3	0	0	3.3	1.7	0	0	1.7
Total expense in Surplus or Deficit on the Provision of Services	9.5	0	0	9.5	10.8	0	0	10.8
Interest income	0	(0.3)	(0.2)	(0.5)	0	(0.2)	(0.2)	(0.4)
(Gain) /Loss in fair value	0	(0.1)	(0.2)	(0.3)	0	(0.3)	0.1	(0.2)
Total income in Surplus or Deficit on the Provision of Services	0	(0.4)	(0.4)	(0.8)	0	(0.5)	(0.1)	(0.6)
Net gain/(loss) for the year	9.5	(0.4)	(0.4)	8.7	10.8	(0.5)	(0.1)	10.2

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 £385.2m (£296.1m 18/19), the fair value of £414.5m (£346.4m 18/19) has been assessed by using PWLB discount rates (certainty rate) for new loans as at 31st March 2020, 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 18/19), the fair value of £17.2m (£17.5m 18/19) has been assessed by using discount rates of similar length and structure with a comparable lender as at 31st March 2020. 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 2020 of £613.5m (£413.0m 18/19). This is higher than the fair value PWLB amount of £414.5m (£346.4m 18/19) 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 7.5 years on its 25 year School PFI contract for the construction element. The fair value of the liability as at 31 March 2020 of £6.6m (18/19: £7.6m) 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 19.5 years on its 25 year Energy from Waste PFI contract for the construction element. The fair value of the liability as at 31st March 2020 of £23.8m (£25.1m 18/19) has been assessed using Level Two inputs using a PWLB annuity discount rate, i.e. an input other than quoted prices that are observable.

17. Nature and Extent of Risks Arising from Financial Instruments

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

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

The Council’s overall risk management programme (as outlined in its Treasury Management Strategy) focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services. Risk management is carried out by the Council’s treasury team, under policies and practices approved by full Council in March 2010 and updated in February 2019. The Council provides written principles for overall risk

management, as well as written policies covering specific areas, such as interest rate risk, credit risk and the investment of surplus cash. The Council's treasury team also, as required, make in year adjustments in the event of changing circumstances such as economic pressures impacting on rates or changes to investment counterparty lists.

Credit and Counterparty Risk

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

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

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

2019/20	Value as at 31 st March 2020	Fitch rating A	Fitch rating AA	Fitch rating AAA	Historical experience of default	Historical experience adjusted for market conditions as at 31 st March 2020	Estimated maximum exposure to default and uncollectability at 31 st March 2020
	£m				%	%	£m
Deposits with banks and other financial institutions	49.5	30.5	0.3	18.7	0	0	0
Deposits held in Enhanced Money Market Fund	4.5	0	0	4.5	0	0	0
Deposits held with other public sector bodies	8.0	n/a as public sector			0	0	0
Units purchased in CCLA Property Fund	4.7	0	0	4.7	0	0	0
Trade and other Receivables, excluding loans (Sundry, Beach Huts & Harbour Debt)	5.0	Not applicable			2%	10%	0.6

The Council does not generally allow credit to customers. Within the Council's sundry debt total of £5.0m (£4.0m 18/19), £1.1m (£0.5m 18/19) is over three months due for payment. The past due amount can be analysed by age as follows:

31 st March 2019		31 st March 2020
£m		£m
3.5	Less than 3 months	3.9
0.3	Three months to one year	0.9
0.2	More than one year	0.2
4.0	Total	5.0

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 2019		31 st March 2020
£m		£m
4.0	Less than one year	5.4
3.6	Between one and two years	2.6
13.9	Between two and five years	14.9
29.4	Between five and ten years	25.8
53.9	Between ten and twenty years	68.9
50.4	Between twenty and thirty years	67.2
151.0	Above thirty years	212.1
306.2	Total	396.9

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 2020 the Council didn't have any PWLB borrowing at variable interest rates however the Council does have £5m in a market loan (LOBO) where in future years the rate 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 2020 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 2020 so there would be no impact.

b) Investments:

It is reasonable to assume that the Council's investments in "cash" accounts, money market funds and the fund manager should increase by the change in interest rates. If the Council's investment in these instruments were maintained at the level as at 31st March 2020 for a full financial year, this would generate an additional £0.6m over a year if rates increase by 1%. It should be noted that if the interest rate increase was forecast it is likely the profile of fixed rate deposits would have been invested on that basis.

The impact of a 1% fall in interest rates would be as above but with the movements being reversed.

Price Risk

The Council does not generally invest in equity shares. The Council does have an equity interest in a number of companies as part of service delivery. Of these, only the Council's minority shareholding in TOR2 could lead to a realised share of profits. The Council's holding in the CCLA property fund will vary in price depending on the Fund's performance.

Foreign Exchange Risk

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

18. Investments

Long Term Investments

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

2018/19		2019/20		
Property Fund		Cash Investment	Property Fund	Total
£m		£m	£m	£m
5.0	Balance at start of year:	0	5.0	5.0
(0.1)	Change in Investment	5.0	(0.3)	4.7
4.9	Fair Value as at 31st March	5.0	4.7	9.7

Short Term Investments

Temporary investments are short term investments with a maturity less than one year that are held for investment purposes not short term cash flow liquidity.

Total Invested 31st March 2019 £ m		Total Invested 31st March 2020 £ m
	Short Term Investments (less than 1 year)	
28.0	Deposits: fixed term & structured	19.0
12.4	Notice\Call Accounts	25.5
11.0	Enhanced Money Market Fund *	4.0
51.4	Total Short Term Investments	48.5
51.9	<i>Fair Value as at 31st March - including interest due</i>	49.3

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

19. Debtors

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

Long Term Debtors (due over one year)

31 March 2019 £m		31 March 2020 £m
7.6	Loans	16.1
1.2	Social Services – Client Debt	1.3
(0.1)	Impairment re Client Debt	(0.1)
3.0	Asset Related (capital accounting)	5.8
11.7	Total	23.1

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

31 st March 2019 £m		31 st March 2020 £m
5.0	Central government bodies (WGA)	4.3
5.0	Other local authorities and public bodies	4.2
0.4	NHS bodies	0.4
6.0	Council Tax (inc. liability orders)	7.2
1.3	NNDR (inc liability orders)	1.5
4.2	Housing Benefit Overpayments	4.1
9.8	Other entities and individuals	13.6

31 st March 2019		31 st March 2020
31.7	Sub Total	35.3
(10.3)	Impairment (uncollectibility of debt)	(12.4)
21.4	Total	22.9

Local Taxation

The total net debt for Council Tax and NNDR is analysed by age of debt. Impairment is not included. These amounts are included in the debtor note above and prepayments (creditors) below.

	Council Tax	NNDR	Total 2019/20
	£m	£m	£m
Up to 1 year	2.2	0.9	3.1
1 to 3 years	2.5	0.7	3.2
Over 3 years	1.6	0.3	1.9
Total	6.3	1.9	8.2

Loans

The Council has provided the following loan or loan facility to the following organisations. These loans are included in the Council's long and short term debtor balances on (and notes to) the balance sheet as at 31 March 2020.

Value of loan -31 st March 2019 £m	Organisation	Value of loan -31 st March 2020 £m	Due within one year £m	Due in excess of one year £m
1.4	TDA	2.8	0	2.8
0	Tor Vista Homes	0.1	0	0.1
1.1	Care Home Provider	0	0	0
3.7	South Devon College	3.6	0.2	3.4
1.7	Parkwood Leisure	0	0	0
0	THAT Group	9.3	0	9.3
0	Effect Photonics Ltd	0.5	0	0.5
7.9		16.3	0.2	16.1

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 2019		31 March 2020
£m		£m
0.4	Bank current accounts	(1.0)
1.7	Short-term deposits with Money Market Funds and Liquidity Accounts	7.6
2.1	Total Cash and Cash Equivalents	6.6
2.6	<i>Current Assets</i>	8.2
(0.5)	<i>Current Liabilities</i>	(1.6)
2.1	Total Cash and Cash Equivalents	6.6

21. Creditors

Represents monies owed by the Council

Long Term Creditors (due over one year)

31 March 2019		31 March 2020
£m		£m
2.7	Section 106 agreements	3.0
0.4	Salix Finance	0.3
1.3	PFI Sinking Fund - Contractor	0.8
0.1	Other	0.2
4.5	Total	4.3

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

31 March 2019		31 March 2020
£m		£m
3.2	Central government bodies (WGA)	9.6
2.8	Other local authorities and public bodies	4.6
1.2	NHS bodies	1.0
18.8	Other entities and individuals	18.6
26.0	Total	33.8

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 2019	0.2	4.0	4.2
Provisions made in year	0.1	0.9	1.0
Provisions reversed in year	0	-	0
Amounts used in year	(0.1)	-	(0.1)
Balance at 31 March 2020	0.2	4.9	5.1
<i>Short term</i>	<i>0.1</i>	<i>4.9</i>	<i>5.0</i>
<i>Long term</i>	<i>0.1</i>	<i>0</i>	<i>0.1</i>
<i>Balance at 31 March 2020</i>	<i>0.2</i>	<i>4.9</i>	<i>5.1</i>

*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 31 st March, which have yet to be settled. The timing of spend will be up to three years depending on claim type.
NNDR Appeals	Reflects the Council's 49% share of the estimated value of outstanding NNDR appeals submitted to the Valuation Office by 31 st March.

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 2019		31 st March 2020
Principal £ m	Borrowing Repayable	Principal £ m
-	Amounts falling due within one year	
0.7	Public Works Loans Board loans	3.7
-	Amounts falling due in excess of one year	
10.0	Money Market loans	10.0
292.2	Public Works Loans Board loans	381.5
302.9	Total	395.2
306.2	<i>Carrying Amount as at 31st March - including interest due</i>	396.9

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

Total Principal Outstanding 31st March 2019 £ m	Analysis of Loans by Maturity	Average Interest Rate	Total Principal Outstanding 31st March 2020 £ m
0.7	Within 1 year - (short term)	3.46%	3.7
3.6	1 up to 2 years	3.81%	2.6
2.6	2 up to 3 years	3.69%	3.6
3.6	3 up to 4 years	3.81%	2.6
7.6	4 up to 5 years	2.59%	8.7
29.3	5 up to 10 years	3.39%	25.8
27.2	10 up to 15 years	2.82%	42.0
26.6	15 up to 20 years	3.93%	26.8
21.0	20 up to 25 years	3.18%	36.8
180.7	Over 25 years	2.83%	242.6
302.9	Total	3.00%	395.2
306.2	<i>Carrying amount as at 31st March - including interest due.</i>		396.9
363.9	<i>Fair value (as IFRS 13 see Note 16 Fair Value of Assets and Liabilities)</i>		431.7

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 2019 £m		31 st March 2020 £m
	Liabilities due within 1 year	
0.6	PFI Liability - Schools	0.7
0.1	PFI Liability – EFW	0.1
0.8	PFI Liability – EFW – Deferred Income	0.8
0.7	DCC Pre LGR Liability	0.7
2.2	Total due within 1 year	2.3
	Liabilities due over 1 year	

5.7	PFI Liability – Schools	5.0
11.8	PFI Liability – EFW	11.7
16.7	PFI Liability – EFW – Deferred Income	15.9
7.6	DCC Pre LGR Liability	6.9
0	TDA – LGPS Pension liability	4.9
41.8	Total due over 1 year	44.4
44.0	Total Liabilities	46.7

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.

School - PFI Payments

The Council makes an agreed payment each year which is increased each year by inflation and can be reduced if the contractor fails to meet availability and performance standards in any year but which is otherwise fixed. In relation to this contract the Council recognises as a liability on its balance sheet the element of this annual payment that relates to the construction and purchase of the two schools. The other elements of the contract, finance costs and service charges are recognised on an annual basis in the Council's Comprehensive Income and Expenditure Statement. Payments remaining to be made under the PFI contract at 31 March 2019 (excluding any estimation of inflation and availability/performance deductions) are as follows:

	Payment for Services *	Reimbursement of Capital Expenditure	Interest	Total
	£m	£m	£m	£m
Payable in 2020/21	2.1	0.6	0.3	3.0
Payable within 2 to 5 years	8.4	2.9	0.8	12.1
Payable within 6 to 10 years	5.3	2.2	0.1	7.6
Total	15.8	5.7	1.2	22.7

* 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:

2018/19		2018/19
£m		£m
6.9	Balance outstanding at start of year	6.3
(0.6)	Payments during the year	(0.6)
6.3	Balance outstanding at year-end	5.7

Energy from Waste Plant – Private Finance Initiative

Torbay, in partnership with Plymouth and Devon County Councils has entered into a 25 year PFI contract with MVV Umwelt for the construction and operation of an Energy from Waste Plant for the disposal of domestic waste. The Plant became operational in April 2015, the Councils deliver waste to the facility paying a unitary charge linked to waste tonnages. The period of the contract operation is to a fixed contract end date in November 2039

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

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

EFW - PFI Property Plant and Equipment

Income and expenditure, assets and liabilities are recorded in each of Plymouth City Council, Torbay Council and Devon County Council's Statements of Accounts respectively in the ratio 48:17:35 based on estimated tonnages for 2015/16: The total construction costs were £195m, Torbay Council's initial recognition of its share was £33m. The plant was revalued as at 31st March 2020 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 2020 (excluding any estimation of inflation) is as follows:

	Payment for Services *	Reimbursement of Capital Expenditure	Interest	Total
	£m	£m	£m	£m
Payable in 2020/21	2.5	0.1	1.1	3.1
Payable within 2 to 5 years	10.1	0.8	4.1	12.9
Payable within 6 to 10 years	13.9	1.7	4.0	17.0
Payable within 11 to 15 years	14.4	3.7	2.3	17.8
Payable within 16 to 20 years	14.8	5.5	(0.7)	17.2
Total	55.7	11.8	10.8	68.0

* 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:

2018/19 £m Torbay Share	2018/19 £m Deferred Income		2019/20 £m Torbay Share	2019/20 £m Deferred Income
12.0	18.3	Liability outstanding at start of year	11.9	17.5
(0.1)	(0.8)	Payments during the year	(0.1)	(0.8)
11.9	17.5	Liability outstanding at year-end	11.8	16.7

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 2019/20 was £0.7m (£0.7m 2018/19). The estimate of the remaining liability of £7.6m (£8.3m 18/19) is based on Devon County's IAS19 disclosures.

2018/19		2019/20
£m		£m
9.0	Liability outstanding at start of year	8.3
0	IAS19 Actuarial remeasurements	0
(0.7)	Payments during the year to Devon County	(0.7)
8.3	Liability outstanding at year-end	7.6

TDA Pension Liability Pass Through

In 2019/20 the Council recognised, under a pass through arrangement, a financial guarantee for the pension liability for the TDA (a subsidiary company) that would require the Council to pay the TDA employer pension payments to the Devon County Pension Fund if the TDA defaulted on the payments. The TDA remains an admitted body to the pension scheme and will make higher employer contributions to mitigate any financial risk to the Council. The TDA will continue to recognise a pension liability under IAS19 and also recognises an asset to the value of that IAS19 Liability. The Council's liability is therefore the value of the TDA IAS19 pension liability.

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 2019		For in year movements see Note:-	2019/20 movement	31 st March 2020
£m				£m
4.6	General Fund Reserve	9	0	4.6
31.0	Earmarked Reserves	10	3.3	34.3
(2.7)	Dedicated Schools Grant Deficit Reserve	9	(1.1)	(3.8)
0	Deferred Capital receipts	9	2.7	2.7
0.8	Usable Capital Receipts Reserve	9	(0.4)	0.4
8.7	Capital Grants & Contributions Unapplied	9	1.1	9.8
42.4	Total Usable Reserves		5.6	48.0

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 2019		For in year movements see Note:-	2019/20 movement	31 st March 2020
£m			£m	£m
86.6	Revaluation Reserve	26.1	3.2	89.8
85.9	Capital Adjustment Account	9	(5.9)	80.0
(0.1)	Financial Instruments Reserve	9	0.1	0
0	Pooled Investment Fund Adjustment Account*	9	(0.2)	(0.2)
(186.9)	Pensions Reserve (Funded and Unfunded)	9	6.3	(180.6)
1.0	Collection Fund Adjustment Account	9	(0.2)	0.8
(1.1)	Accumulating Compensated Absences Adjustment Account	9	(0.1)	(1.2)
(14.6)	Total Unusable Reserves		3.2	(11.4)

* Note: The Pooled Investment Fund Adjustment Account was previously the Financial Instrument Reserve

26.1 Revaluation Reserve

2018/19			2019/20	
£m			£m	
71.7	Balance at 1 April	Note		86.6
20.2	Revaluation of assets		7.6	
(4.1)	Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services		(2.2)	5.4
(1.2)	Difference between fair value depreciation		(1.4)	

	and historical cost depreciation			
0	Accumulated gains on assets sold or scrapped		(0.8)	
(1.2)	Total amount written off to the Capital Adjustment Account	9		(2.2)
86.6	Balance at 31 March			89.8

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 2019/20 was £1.5m (£1.4m 18/19), of which £0.7m (£0.6m 18/19) 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 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 2019/20 was £11.2m (£10.7m 18/19), of which £3.1m (£3.0m 18/19) was paid to the Council to commission adult social care services and £7.7m (£7.7m 18/19) was used by the CCG to commission health related services.

Improved Better Care Fund

The Council received £7.7m of Improved Better Care Fund in 2019/20 (£6.1m 18/19) 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 £437,000 (£487,000 2018/19) were paid to members of the Council during the year. In addition £3,000 of approved expenses was paid (£4,000 2018/19). 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
Chief Executive (4 days per week)	2019/20	112	0	0	17	129
	2018/19	110	0	0	16	126
Director of Adult Services (note 1)	2019/20	25	0	0	3	28
	2018/19	119	0	0	18	137
Director of Children's Services (Note 2)	2019/20	0	0	0	0	0
	2018/19	42	0	0	5	47
Director of Place (from January 2019)	2019/20	100	1	0	15	116
	2018/19	25	0	0	4	29
Head of Finance (s151 officer)	2019/20	95	0	0	14	109
	2018/19	116	0	0	17	133
Director of Public Health	2019/20	108	0	0	16	124
	2018/19	111	0	0	16	127
Director of Corporate Services & Monitoring Officer	2019/20	109	0	0	16	125
	2018/19	111	0	0	16	127

Note 1: The Director of Adult Services (from May 2019) was an employee of the Torbay and South Devon NHS Foundation Trust and seconded to the Council. Torbay Council contributed 100% to the cost of this post (£126,000), which includes salary and other costs.

Note 2: The Director of Children's Services (to January 2020) was an employee of Plymouth City Council and Torbay Council contributed 50% to the cost of this post (£82,000) (£106,000 2018/19), which includes salary and other costs incurred by Plymouth City Council. From January 2020 the (new) Director of Children's Services was employed from an agency who were paid (£49,000) for that period.

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 2019/20 which would impact on the lower band as the banding has not been inflated.

Number of Employees by Employer 2018/19			Remuneration Band	Number of Employees by Employer 2019/20		
Council	Schools - Council	Schools - Governing Body		Council	Schools - Council	Schools - Governing Body
18	3	5	£50,000 to £54,999	20	4	2
10	1	1	£55,000 to £59,999	7	2	4
1	3	4	£60,000 to £64,999	0	1	1
1	1	2	£65,000 to £69,999	1	4	4
2	1	0	£70,000 to £74,999	1	1	1
0	0	1	£75,000 to £79,999	2	0	0
4	0	0	£80,000 to £84,999	0	0	2
0	1	1	£85,000 to £89,999	1	1	0
0	0	0	£90,000 to £94,999	4	0	0
1	0	0	£95,000 to £99,999	0	0	0
0	0	0	£100,000 to £104,999	1	0	0
1	0	0	£105,000 to £109,999	3	0	0
2	0	1	£110,000 to £114,999	1	0	1
2	0	0	£115,000 to £119,999	0	0	0
42	10	15	Total	41	13	15

30. External Audit Costs

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

2018/19 £000		2019/20 £000
79	Fees payable to Grant Thornton with regard to external audit services carried out by the appointed auditor for the year	103
21	Fees payable to Grant Thornton for the certification of grant claims and returns for the year	19
0	Fees payable in respect of other services provided by Grant Thornton during the year in respect of 2018/19 & 2016/17	18
0	Fees payable to Grant Thornton for the certification of grant claims and returns for prior years	5
100	Total	145

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 2020. 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 2019/20 are as follows:

Schools Budget Funded by Dedicated Schools Grant 2019/20			
	Central Expenditure	Individual Schools Budget	Total
	£m	£m	£m
Final DSG for year before Academy Recoupment			104.5
Less Academy figure and direct funding of Higher Needs recouped			(65.0)
Total DSG after Academy Recoupment *			39.5
Brought Forward from 2018/19 – surplus/(deficit)			(2.7)
Agreed initial budgeted distribution in year	18.5	18.3	36.8
In year Adjustments	(0.2)	0	(0.2)
Final budgeted distribution for year	18.3	18.3	36.6
Less: Actual Central Expenditure	(22.1)	0	(22.1)
Less: Actual ISB deployed to schools	0	(18.3)	(18.3)
Carry forward – surplus/(deficit)	(3.8)	0	(3.8)

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

The Dedicated Schools Grant (DSG) has been under financial pressure as a result of an increasing level of referrals from schools for higher needs support for children. This resulted in a 2019/20 in year over spend of £1.1m.

The Council does not receive any funding for schools therefore the over spend will remain in the DSG to be funded in future years and is not a cost that the Council will fund, a position that was confirmed by the Schools and Early Years (England) Finance Regulations 2020. The cumulative deficit balance of £3.8m on the Dedicated Schools Grant is held as a deficit reserve.

32. Grant Income

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

2018/19 £m		2019/20 £m
	Credited to Taxation and Non Specific Grant Income, Finance & Investment	
0	Revenue Support Grant	6.4
0.7	Other General Grants	0.5
1.5	New Homes Bonus Grant	1.0
13.3	NNDR Top Up, S31 and transitional relief	18.7
7.7	Capital Grants & Contributions	13.0
23.2	Sub Total	39.6
	Credited to Cost of Services	
37.3	Dedicated Schools Grant (Dept of Education)	39.5
58.3	Benefit Subsidy & Admin Grant (DWP)	49.7
1.9	Pupil Premium	2.1
1.5	Post 16 Funding (Learning & Skills Council)	1.3
9.3	Public Health Grant	9.1
6.1	Improved Better Care Fund	7.7
3.2	Land Release Fund	0.8
0	Dept of Education Support Grant	1.3
0	COVID 19 funding	5.4
0	Social Care Grant	1.4
8.1	Other Central Government Grants – Revenue	7.8
3.0	Other Central Government Grants – Refcus *	4.6
128.7	Sub Total	130.7
151.9	Total	170.3

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

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

33. Related Parties

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

Interest in Companies

The Council maintains involvement with a number of subsidiary and associated companies.

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

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).

The TDA (Torbay Economic Development Company 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 six 100% owned subsidiaries, Complete Facilities Management Services Limited, KAH Holdings Limited, Business Centres South West Limited, C&A Consultants (Torquay) Ltd, TEDC Developments Ltd and TorVista Homes Ltd.

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 from 1 July 2020, a new company SWISCo, (South West Integrated Services Company) which is 100% owned by Torbay Council commenced trading.

In 2019/20 Torbay Education Limited was established to operate the Council's medical tuition school. The company is expected to become operational in September 2020.

As at the 31st March 2020 the material balances outstanding between members of the group were:-

- Torbay Council and the TDA, a net £0.2m owed by Torbay Council, £0.6m was been paid in advance and £2.9m of loans provided to the TDA.

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 as at 31/3/20
Torbay Economic Development Company Ltd 07604855 Trading as TDA	Private Limited Company	14 th April 2011	To bring about Regeneration in Torbay In 19/20 Council paid £1.2m (£1.2m 18/19) grant During 2019/20 the Council provided an additional loan to TEDC for £1.5m.	Subsidiary	Shareholding /Control: 100% Members and Officers of Torbay Council that were Directors of this Company are as follows:- Cllr James O'Dwyer Cllr Cordelia Law Cllr Swithin Long 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 19/20 Council funded a £0.2m (£0.2m 18/19) payment	Subsidiary	Shareholding /Control: 100% (via Torbay Economic Development Company Ltd) Officers of Torbay Council that were Directors of this Company are as follows:- Steve Parrock (Officer Torbay Council & Chief Executive TDA)
C & A Consultants (Torquay) Limited 02773632	Private Limited Company – 100% owned by Torbay Economic Development Company Ltd	April 2019 Not trading 2019/20	Construction of civil engineering projects and other engineering activities	Subsidiary	Shareholding /Control: 100% (via Torbay Economic Development Company Ltd) Officers of Torbay Council that were Directors of this Company are as follows:- Steve Parrock (Officer Torbay Council & Chief Executive TDA)
KAH Holdings Limited	Private Limited Company – 100% owned by Torbay Economic	Not trading in 2018/19	To manage property owned by Torbay Economic Development Company Ltd	Subsidiary	Shareholding /Control: 100% (via Torbay Economic Development Company Ltd) Officers of Torbay Council that were Directors of

11088019	Development Company Ltd				this Company are as follows:- Steve Parrock (Officer Torbay Council & Chief Executive TDA)
Enterprise South West Limited 10829733	Private Limited Company – 100% owned by Torbay Economic Development Company Ltd	Not trading in 2019/2020	To manage innovation centres across the South West of England	Subsidiary	Shareholding /Control: 100% (via Torbay Economic Development Company Ltd) Officers of Torbay Council that were Directors of this Company are as follows:- Steve Parrock (Officer Torbay Council & Chief Executive TDA)
TEDC Developments Ltd 12015583	Private Limited Company – 100% owned by Torbay Economic Development Company Ltd	Incorporated 24 May 2019	Development of building projects	Subsidiary	Shareholding /Control: 100% (via Torbay Economic Development Company Ltd) Officers of Torbay Council that were Directors of is Company are as follows:- Steve Parrock (Officer Torbay Council & Chief Executive TDA)
TorVista Homes Ltd 12044007	Private Limited Company – 100% owned by Torbay Economic Development Company Ltd	Incorporated 11 June 2019	Buying and selling of own real estate and Renting and operating of Housing Association real estate.	Subsidiary	Shareholding /Control: 100% (via Torbay Economic Development Company Ltd) Officers of Torbay Council that were Directors of is Company are as follows:- Steve Parrock (Officer Torbay Council & Chief Executive TDA)
Oldway Mansion Management Company Ltd	Company limited by share	Dominant during 2019/2020	To manage the Oldway Estate on behalf of Torbay Council and tenants	Subsidiary	Shareholding /Control: 100% Directors: K Mowat (Officer Torbay Council) N Coish (Officer Torbay Council)

Torbay Council
2019/20 Statement of Accounts for the year ended 31st March 2020 – Notes to the Core Financial Statements

08219420					M Irving (Officer Torbay Council)
TOR2 Ltd 07204696	Company limited by share	19 th July 2010	<p>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</p> <p>Council has 10 year contract with TOR2 for a number of services. For 2019/20 annual cyclical works were approx £10.7 (£10.7m 18/19) and ordered works approx £1.0m (£1.8m 18/19)</p>	Associate	<p>Shareholding /Control: 19.99%</p> <p>Members of Torbay Council that were Directors of this Company are as follows:-</p> <p>Cllr Mike Morey</p>
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	<p>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.</p> <p>In 19/20 Council funded a £0.3m (£0.4m 18/19) payment</p>	Associate	<p>Shareholding /Control: 25%</p> <p>A list of directors is available on the CSW group website.</p>
Torbay Housing Company Limited 10960992	Company limited by share	Not trading in 2019/20	To support the implementation of the Council's Housing Strategy		<p>Shareholding /Control: 100%</p> <p>Directors: A-M Bond (Officer Torbay Council) M Phillips (Officer Torbay Council) Caroline Taylor (resigned 31/3/19)</p>
Torbay Housing Development Company 11214978	Company limited by share 100% owned by Torbay Housing Company Limited	Not trading in 2019/20	To support the implementation of the Council's Housing Strategy		<p>Shareholding /Control: 100% (via Torbay Housing Company Limited)</p> <p>Directors: A-M Bond (Officer Torbay Council) M Phillips (Officer Torbay Council) Caroline Taylor (resigned 31/3/19)</p>

Torbay Council
2019/20 Statement of Accounts for the year ended 31st March 2020 – Notes to the Core Financial Statements

Torbay Housing Rental Company 11214868	Company limited by share 100% owned by Torbay Housing Company Limited	Not trading in 2019/20	To support the implementation of the Council's Housing Strategy		Shareholding /Control: 100% (via Torbay Housing Company Limited) Directors: A-M Bond (Officer Torbay Council) M Phillips (Officer Torbay Council) Caroline Taylor (resigned 31/3/19)
London Medway Commercial Park Management Company Ltd 09487105	Due to a purchase of a Unit at Medway, Torbay Council now has twelve Ordinary B Share	March 2015	Management of London Medway Commercial Park		By virtue of the rights attached to B Ordinary shares, the company is controlled by Goodman Real Estate (UK) Limited
Torbay Education Ltd 12153652	Company limited by share	Incorporated 13/08/2019 Not trading in 2019/20	Primary, General secondary, Post-secondary non-tertiary education and other education	Subsidiary	Shareholding /Control: 100% Directors: A-M Bond (Officer Torbay Council) M Phillips (Officer Torbay Council)
SWISCo Limited 12213029	Company limited by share	Incorporated 18/09/2019 Not trading in 2019/20	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	Subsidiary	Shareholding /Control: 100% Directors: K Mowat (Officer Torbay Council) A-M Bond (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 *		Oldway Mansion Management Co Ltd	
	2018/19	2019/20	2018/19	2019/20
	£m	£m	£m	£m
Income	(7.8)	(8.6)	(0.1)	0
Expenditure	7.6	9.1	0.1	0
Operating (Profit) or loss	(0.2)	0.5	0	0
Other Comprehensive Income and Expenditure	0.2	(1.5)	0	0
Actuarial (gains)/Losses recognised in the pension scheme	(0.2)	(5.5)	0	0
Taxation (including deferred)	0.1	0	0	0
Total (Profit) or loss	(0.1)	(6.5)	0	0
Assets	9.2	19.9	0	0
Liabilities	(8.7)	(12.9)	0	0
Total Net Assets	(0.5)	7.0	0	0

Note *: Torbay Economic Development Company limited for 2019/2020 is the consolidated position including the company's 100% owned subsidiary Complete Facilities Management Solutions Limited

Summary financial information of Associate Companies

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

	TOR2 Ltd *		CSW Group Ltd (formally Careers South West Ltd)	
	Total	Torbay Council's Share (19.99%)	Total	Torbay Council's Share (25%)
	£m	£m	£m	£m
2018/19				
Income	(14.5)	(2.9)	(9.2)	(2.3)
Expenditure	15.4	3.1	8.7	2.2
Operating (Profit) or Loss	0.9	0.2	(0.5)	(0.1)
Other comprehensive income and expenditure	0.1	0.0	-	-
Actuarial (Gains)/Losses recognised in the pension scheme	0	0	-	-

	TOR2 Ltd *		CSW Group Ltd (formally Careers South West Ltd)	
Taxation	(0.1)	0	-	-
Total (Profit) or loss	0.9	0.2	(0.5)	(0.1)
Fixed Assets & Net Current Assets	(0.5)	(0.1)	2.4	0.6
Long Term Liabilities	0	0	(16.8)	(4.2)
Total Capital & Reserves	(1.4)	(0.3)	(14.4)	(3.6)
2019/20				
Income	(13.7)	(2.7)	(7.9)	(2.0)
Expenditure	14.5	2.9	7.7	1.9
Operating (Profit) or Loss	0.8	0.2	(0.2)	(0.1)
Other comprehensive income and expenditure	0	0	0	0
Actuarial (Gains)/Losses recognised in the pension scheme	0	0	0	0
Taxation	(0.1)	0	0	0
Total (Profit) or loss	0.7	0.2	(0.2)	(0.1)
Fixed Assets & Net Current Assets	0.7	0.1	2.5	0.6
Long Term Liabilities	(2.8)	(0.5)	(21.4)	(5.3)
Total Capital & Reserves	(2.1)	(0.4)	(18.9)	(4.7)

Note* - TOR2 accounts 18/19 to June 2019 and 19/20 estimated as at March 2020.

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 2019/20 was £0.3m, (£0.6m 18/19).

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 – 2019/2020 £0.350m (2018/19 £0.350m). No capital funds were provided in 2019/20 (nil 2018/19). In July 2020 due to the proposed changes to the operator of the Centre the board of the company resigned and were replaced by a board comprising Torbay Council officers and members giving the Council 100% control of the company.

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 2020 was £26,000 (£24,000 2018/19). Of this balance £21,000 is held within the Council's bank account with the balance of £5,000 (£5,000 18/19) 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 2019/20 is shown in the Members Allowances' Note. Members have not disclosed any material transactions with the Council. The Members' Record of Interests and Register of Gifts & Hospitality for each Member are available on the Council's website.

Officers

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

Other Public Bodies

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

Torbay and South Devon NHS Foundation Trust (ICO). In October 2015 the ICO "acquired" the Torbay and Southern Devon Health and Care NHS Trust with all its assets and liabilities transferring to the ICO including the partnership agreement for the provision of adult social care services. In 2019/20 the payment to the Trust in the year for funding adult social care was £42.5m (£43.2m 2018/19).

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

Joint Committees

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

Devon Audit Partnership

From April 2009 Torbay set up a Joint Committee with Devon County Council and Plymouth City Council for the provision of a shared internal audit service. Since then a number of other District Councils in Devon have joined. 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 contribution to the partnership for 2019/20 was £0.2m (2018/19 £0.2m).

PATROL – Parking and Traffic Regulations outside London.

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

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

South West Devon Waste Disposal Partnership

Torbay Council, with Plymouth City Council and Devon County Council are working together and have jointly contracted a PFI project for an Energy from Waste Plant (based in Plymouth) to dispose of residual waste collected by the three Councils. As part of the Joint Working Agreement between the three Councils the South West Devon Waste Partnership Joint Committee has been established to facilitate the procurement and subsequent operation and management of the facilities (by the selected contractor). The Plant became operational in April 2015.

The expenditure associated with this project is being incurred by Plymouth City Council (as lead authority) and then allocated on an estimated tonnage share basis to Torbay and Devon County Councils. Expenditure in year was £1.4m (£1.4m 18/19) of which Torbay's share was £0.2m (£0.2m 18/19). The expenditure in year was £0.1m of contract management costs and £1.3m of "pass through costs" relating to the Facility that the three Councils are liable for in addition to the unitary charge, such as NNDR and lease costs. Torbay's share of the expenditure is reflected within the cost of services on the comprehensive income and expenditure statement.

The Heart of the South West Joint Committee

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

Adopt South West (a Regional Adoption Agency)

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

34. Impairment Losses

Impairment losses and impairment reversals are charged to the Surplus or Deficit on the Provision of Services and to Other Comprehensive Income and Expenditure. The impairment by asset class is shown within the note reconciling the movement over the year in Property, Plant and Equipment and Heritage Assets. During 2019/20, primarily as a result of the Council's rolling programme the Council has recognised net impairment losses of £9.9 (£4.5m 18/19) in total on its property, plant and equipment charged to the Income and Expenditure account. Impairment losses in 2019/20 related primarily to the revaluation of an innovation centre. In addition the Council's investment properties are revalued each year. In 2019/20 this resulted in a net reduction in fair value of £6.8m (£3m 18/19).

35. Contingent Liabilities

The board of Municipal Mutual Insurance Limited in 2012/13 concluded that it couldn't forecast a solvent "run off" of claims which has led to the scheme of arrangement being activated which exposes the Council to a share of the costs of any outstanding insurance claims. The company's administrator has previously 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 2019/20, incurring liabilities of £0.14m. The table below shows the number of exit packages and the total cost per band. This amount is payable to 4 officers from the Council and 15 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 2018/19				Value of Exit package £		Number of Exit packages by band 2019/20			
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	
12	56	3	30	0	to 20,000	17	90	0	0
2	56	1	30	20,001	to 40,000	0	0	2	50
14	112	4	60	Total		17	90	2	50

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.

2018/19 £m restated	Capital Financing Requirement	2019/20 £m
279.3	Opening Capital Financing Requirement	320.7
	Capital investment	
26.2	Property, Plant and Equipment	33.0
0	Intangible Assets	0.3
35.2	Investment Property	66.8
3.5	Revenue Expenditure Funded from Capital under Statute	3.3
1.2	Loans for a Capital Purpose	11.3
	Sources of finance	
(3.0)	Capital receipts including capital loan repayments	(1.9)
(14.2)	Government grants and other contributions	(13.1)
	Sums set aside from revenue:	
(2.7)	• Direct revenue contributions	(1.7)
(4.8)	• MRP	(5.3)
320.7	Closing Capital Financing Requirement	413.4
	Explanation of movements in year	
46.5	Increase in underlying need to borrowing (unsupported by government financial assistance)	98.9
(4.8)	Provision for repayment of borrowing (MRP)	(5.3)
(0.3)	Loans for a Capital Purpose - repayments	(0.9)
41.4	Increase/(decrease) in Capital Financing Requirement	92.7

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 2019/20 totalled £0.1m (£0.1m 2018/19). The future minimum lease payments due under property leases in future years is £0.3m (£0.4m 2018/19).

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, for regeneration purposes and as Investment properties. Payments received in 2019/20, including turnover rents, totalled £14.6m (£12.4m 2018/19).

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

31 March 2019 £m	Total payments due classified by year of expiry of lease term	31 March 2020 £m
12.4	Not later than one year	16.4
35.0	Later than one year and not later than five years	45.2
141.1	Later than five years	130.4
188.5	Total	192.0

Finance Leases:

The Council has leased out 3 properties on long leases that have been classified as finance leases. The Council has a gross investment in these leases, made up of the minimum lease payments expected to be received over the remaining term and the residual value anticipated for the property when the lease comes to an end. The minimum lease payments comprise of settlement of the long term debtor for the interest in the property acquired by the lessee and finance income that will be earned by the Council in future years whilst the debtor remains outstanding. The gross investment is made up of the following amounts:

31 March 2019 £m		31 March 2020 £m
	Finance Lease debtor (Net present value of minimum lease payments)	
2.3	Non Current	5.0
0.1	Unearned finance Income	2.8
2.4	Gross Investment in the leases	7.8
Minimum Lease payments are: £0.4m per annum		

The minimum lease payments do not include rents that are contingent on events taking place.

39. Pension Schemes Accounted for as Defined Contribution Schemes

Teachers' Pension Scheme

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

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

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

The employers' contribution rate was 16.48% up to August 2019 and then increased from September 2019 to 23.68% (16.48% 18/19). Contributions of £2.3m were paid in 2019/20 being an increase on 2018/19 (£1.7m 18/19). The payments for 2020/21 will increase as the 23.6% is applied over the full year.

The 2018/19 accounts for the Scheme record liabilities of £360 billion (£362 bn 17/18). [Source: Teachers' Pension Scheme Annual Accounts 2018/19]. 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 17/18) local authorities participating in the Scheme, amongst a total of 11,128 employers (10,177 17/18).

NHS Pension Scheme

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

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

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

The employers' contribution rate was 14.38% in 2019/20 (14.38% 2018/19). Contributions of £0.012m were paid in 2019/20 (£0.04m 18/19). The contribution rate for participants in the Scheme has been set at 14.38% of pensionable pay for 2020/21. The payments for 2020/21 are estimated to be at a similar level to 2019/20.

The 2018/19 accounts for the Scheme record liabilities of £533 billion (£526 billion 17/18). [Source: NHS Pension Scheme Annual Accounts 2018/19]. 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 154 (155 17/18) local authorities participating in the Scheme, amongst a total of 8,486 employers (8,674 17/18).

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 2022 and will set contributions for the period from 1 April 2023 to 31 March 2026. 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 2019. 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 16.7% of pensionable pay for 2020/21, 2021/22 and 2022/23, budgeted to result in a payment of around £5m per annum to the Fund. Additional fixed cash payment of £0.5m per annum (equal to 2%) is also payable as a contribution towards the deficit on 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 future the liability cashflows. 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 18/19) years for active members and 47 (46 18/19) years for deferred pensioners, 71 (70 18/19) years for pensioners and 78 (76 18/19) years for unfunded pensioners.

In 2019/20 there was a net settlement gain of £0.4m (£1.3m gain 18/19) within the fund as a result of staff transferring to the Youth Service from Torbay Council.

To assess the value of the Employer's liabilities at 31 March 2020, the actuary has used a number of information sources including:

- The results of the valuation as at 31 March 2019 which was carried out for funding purposes and the results of the 31st March 2019 IAS19 report which was prepared for accounting purposes.
- Estimated whole fund income and expenditure items for the period to 31 March 2020
- Estimated fund returns based on Fund asset statements (or estimates of) as at 31st March for 2019 and 2020.
- Estimated fund income and expenditure in respect of the employer for the period to 31 March 2020.
- Details of any settlements for the period to 31 March 2020.

The service cost for the year ending 31 March 2020 is calculated using an estimate of the total pensionable payroll in year of £28m.

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 2019/20. 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

	31/3/18	31/3/19	31/3/20
	£m	£m	£m
Present value of Funded Obligation	(456.8)	(459.4)	(420.9)
Fair Value of Fund Assets (Bid Value)	280.3	289.6	261.0
Net Liability	(176.5)	(169.8)	(159.9)
Present value of Unfunded Obligation	(9.4)	(8.8)	(8.2)
Net Liability in Balance Sheet	(185.9)	(178.6)	(168.1)

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		
2018/19	Post Employment Benefits	2019/20
£m	Comprehensive Income & Expenditure Statement	£m
	Cost of Services:	
10.1	Current service cost	10.6
0.1	Past service costs including curtailments	2.2
(1.3)	Settlements	(0.4)
0.2	Administration Expenses	0.2
	Financing and Investment Income and Expenditure	
4.6	Net Interest on the defined benefit liability	4.2
13.7	Total Charged to the Surplus or Deficit on the Provision of Services	16.8
	Other Comprehensive Income and Expenditure	
0	Other Actuarial (gains)/losses on assets	(1.3)
21.4	Change in Financial Assumptions	(41.2)
(26.3)	Change in Demographic Assumptions	(5.7)
0	Experience (gain)/loss on defined benefit obligation	(2.3)
(9.3)	Return on plan assets in excess of interest	30.3
(14.2)	Sub Total Other Comprehensive Income and Expenditure	(20.2)
(0.5)	Total Post Employment Benefit Charged/(Credited) to the Comprehensive Income and Expenditure Statement	(3.4)
	Movement in Reserves Statement	
(13.7)	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:	
6.2	Employers' contributions payable to scheme	7.0
0.6	Unfunded pension payments	0.7

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

Local Government Pension Scheme		
2018/19		2019/20
£m		£m
280.3	Opening balance at 1 April	289.6
7.0	Interest on Assets	6.9
9.3	Return on Assets less Interest	(30.3)
0	Other Actuarial gains/(losses)	1.3
(0.2)	Administration Expenses	(0.2)
1.7	Contributions by scheme participants	1.8
6.8	Employer contributions	7.0
(13.5)	Benefits paid	(14.7)
(1.8)	Settlement process received/(paid)	(0.5)
289.6	Closing balance at 31 March	260.9

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

Liabilities: Local Government Pension Scheme		
2018/19		2019/20
£m		£m
(466.2)	Opening balance at 1 April	(468.2)
(10.1)	Current service cost	(10.6)
(1.7)	Contributions by scheme participants	(1.8)
(11.7)	Interest cost	(11.1)
(21.4)	Change in Financial Assumptions	41.2
26.3	Change in Demographic Assumptions	5.7
0	Experience (loss)/gain on defined benefit obligation	2.3
13.0	Benefits paid	14.1
(0.1)	Past service costs, including Curtailments	(2.2)
3.1	Liabilities (assumed)/extinguished on Settlements	0.9
0.6	Unfunded Pension payments	0.6
(468.2)	Closing balance at 31 March	(429.1)
(8.8)	Present Value of Unfunded Obligation included in above	(8.2)

40.3 Fund Assets

The return on the fund (on a bid value to bid value basis) for the year to 31 March 2020 is estimated to be a decrease of 8% (6% increase in 18/19). The actual return on Fund assets over the year may be different.

The estimated asset allocation for Torbay Council as at 31 March 2020 (7% of total fund) is as follows:

31 st March 2019			31 st March 2020	
£m	%		£m	%
9.3	3	Gilts	11.1	4
47.6	16	UK Equities	34.7	14
123.6	43	Overseas Equities	112.2	43

31 st March 2019			31 st March 2020	
£m	%		£m	%
26.0	9	Property	24.6	10
10.9	4	Infrastructure	11.2	4
41.4	14	Target Return portfolio	34.3	13
4.9	2	Cash	3.0	1
5.6	2	Other Bonds	13.7	5
15.5	5	Alternative Assets	16.1	6
4.8	2	Private Equity	0	n/a
289.6	100		260.9	100

Of the total asset values as at 31 March 2020, 82.4% are assets that have a quoted market price. Further information on the investment activity is available on the Peninsula Pensions website.

40.4 Actuarial Assumptions

Valuation Approach

To assess the value of the employer's liabilities as at 31 March 2020, the actuary rolled forward the value of the employer's liabilities calculated for the funding valuation as at 31st March 2019, 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 2020 should not introduce any material distortion in the results provided that the actual experience of the employer and the fund has been broadly in line with the underlying assumptions and the structure of the liabilities is substantially the same as the latest formal valuation.

To calculate the asset the actuary has rolled forward the assets allocated to the employer as at 31 March 2019 allowing for investment returns, contributions paid into, and estimated benefits paid from, the fund by and in respect of the employer and its employees.

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

An allowance has been made for the recent Court of Appeal judgement in relation to the McCloud & Sargeant cases which relate to age discrimination within the Judicial & Fire Pension schemes respectively. On 27 June 2019 the Supreme Court denied the Government's request for an appeal and on 15 July 2019 the Government released a statement to confirm that it expects to have to amend all public service schemes, including the LGPS.

The estimated impact on the total liabilities at 31 March 2020 is estimated to be £2m (0.5% of total liabilities) this has been allowed for as a past service cost. The projected service cost has also increased as a result of this additional allowance. The estimated impact as a percentage of the projected service cost is to be 3.1%.

Demographic and Statistical Assumptions

The post retirement mortality tables adopted are the S3PA tables with a multiplier 95% for males and 110% for females. These base tables are then projected using the Continuous

Mortality Investigation (CMI) 2018 Model, allowing for a long term rate of improvement of 1.25% per annum.

The assumed life expectations from age 65 are:

Mortality assumptions:	2016/17	2017/18	2018/19	2019/20
Longevity from age 65: retiring today				
• Men	23.4 yrs	23.5 yrs	22.4 yrs	22.9 yrs
• Women	25.5 yrs	25.6 yrs	24.4 yrs	24.1 yrs
Longevity from age 65: retiring in 20 years				
• Men	25.6 yrs	25.7 yrs	24.1 yrs	24.3 yrs
• Women	27.8 yrs	27.9 yrs	26.2 yrs	25.5 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 2017	31st March 2018	31st March 2019	31st March 2020
	% p.a	% p.a	% p.a	% p.a
RPI Increases	3.6	3.3	3.4	2.7
CPI Increases	2.7	2.3	2.4	1.9
Salary Increases	4.2	3.8	3.9	2.9
Pension Increases	2.7	2.3	2.4	1.9
Discount Rate	2.7	2.6	2.4	2.4

These assumptions are set with reference to market conditions at 31 March 2020.

The actuary's estimate of the duration of the Employer's liabilities is 20 years.

The discount rate is the annualised yield at the on the Merrill Lynch AA rated corporate bond yield curve (where the spot curve is assumed to be flat beyond the 30 year point). This is consistent with the approach used at the last accounting date.

The RPI increase assumption is set based on the annualised Merrill Lynch AA rated corporate bond yield curve and the Bank of England implied inflation curve. As future pension increases are expected to be based on CPI rather than RPI, the actuary has made a further assumption about CPI which is that it will be 0.8% below RPI i.e. 1.9%. 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 1.0% per annum above CPI This differs from the salary increase assumption previously and has been updated in line with the most recent funding valuation.

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	420.9	429.1	437.4
Projected Service Cost	9.6	9.8	10.1
Adjustment to Long Term Salary increase	+0.1%	0%	(0.1%)
Present Value of obligation	429.7	429.1	428.5
Projected Service Cost	9.8	9.8	9.8
Adjustment to Pension increases and deferred revaluation	+0.1%	0%	(0.1%)
Present Value of obligation	436.9	429.1	421.4
Projected Service Cost	10.1	9.8	9.6
Adjustment to Life Expectancy Rating Assumption	+1 year	None	(1 year)
Present Value of obligation	446.2	429.1	412.6
Projected Service Cost	10.1	9.8	9.6

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. The Accounts and Audit (Coronavirus) (Amendment) Regulations 2020 (SI 2020 No 4040) have amended the 2015 Regulations for the 2019/20 financial year, deferring publication dates and making other consequential changes.

For 2019/20, these proper accounting practices principally comprise:

- the Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 (the Code)
- the Local Authorities (Capital Finance and Accounting)(England) Regulations 2003 (SI 2003 No 3146, as amended) (the 2003 Regs)

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

41.1 Accounting Policies

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

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

The Statement of Accounts has been adjusted to reflect events after 31 March 2020 and before the date the Statement was authorised for issue by the of 11 August 2020 only where the events provide evidence of conditions that existed at 31 March.

41.2 Accruals of Income and Expenditure

The Statement of Accounts has been prepared using the accruals basis. Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. Where the exact amount of the sum is unknown an estimate will be made based on historical knowledge of the type of transaction and the value of similar payments. An exception is where there are regular bills, such as utilities and staff travel payments where, if not material, no accruals have been made as over a period of time the number of payments per year will even out. In addition where the exact value of a transaction or a number of transactions is not yet known estimates of the amounts due/owed have been made.

In particular:

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

41.3 Measurement of Assets & Liabilities

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

Class of Assets	Measurement 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	Fair value *

and Buildings – Surplus Assets	
Heritage Assets	Heritage assets (other than operational heritage assets) are measured at valuation in accordance with FRS 30 i.e valuations may be made by any method that is appropriate and relevant such as insurance valuations.
Investment Properties	Fair value *
Financial Instruments – Fair Value through Profit or Loss	Fair value *
Pensions Assets	Fair values based on the following: <ul style="list-style-type: none"> • 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.

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)

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)
Financial Instruments	Movements in the fair value of CCLA investment.	Gains/losses for CCLA Investment.	Pooled Investment Fund Adjustment Account
Pensions Costs	Movements in pensions assets and liabilities.	Employer's pensions contributions payable and direct payments made by the Council to pension funds for year	Pensions Reserve
Council Tax	Accrued income from in year bills	Demand on the Collection Fund for the year plus recovery of estimated deficit/share for prior year	Collection Fund Adjustment Account
Business Rates	Accrued income from in year bills	Budgeted income receivable from the Collection Fund for the year plus recovery of estimated deficit/share for prior year	Collection Fund Adjustment Account
Untaken Leave entitlements	Projected cost of untaken leave entitlements at 31 March.	No charge	Accumulated Absences Adjustment Account

41.5 Prior period Adjustments and Changes in Accounting Policies and Estimates

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

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

41.6 Post-Employment Benefits

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

- The Teachers' Pension Scheme, administered by Capita Teachers' Pensions on behalf of the Department for Education (DfE).
- The NHS Pension Scheme, administered by NHS Pensions.
- The Local Government Pensions Scheme, administered by Devon County Council.

All schemes provide defined benefits to members (retirement lump sums and pensions), earned as employees worked for the Council.

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

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

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

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

- **Service cost** comprising:

Current service cost – allocated in the CIES to the services for which the employees worked

Past service cost - the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years. Includes gains or losses on settlements and

curtailments - the result of actions to relieve the Council of liabilities or events that reduce the expected future service or accrual of benefits of employees such as the transfer of staff to an alternative supplier: Debited/Credited to the Surplus or Deficit on the Provision of Services in the CIES as part of Non Distributed Costs.

Net Interest on the net pension liability - the expected net increase in the present value of liabilities during the year as they move one year closer to being paid offset by the expected return on assets - the annual investment return on the fund assets attributable to the Council, based on an average of the expected long-term return - debited to the Financing and Investment Income and Expenditure line in the CIES.

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

• **Remeasurements** comprising:

Return on Plan Assets – this excluding amounts included in net interest on the net defined benefit liability. Any movement in year is an adjustment to the Pensions Reserve as Other Comprehensive Income and Expenditure.

Actuarial gains and losses - changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – any movement in year is an adjustment to the Pensions Reserve as Other Comprehensive Income and Expenditure.

Payments to Fund:

Contributions paid to the Devon County Council Local Government Pension Scheme - cash paid as employer's contributions to the pension fund in settlement of liabilities are not accounted for as an expense in the CIES.

Termination Benefits

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

Local Government Reorganisation

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

TDA – Pension Liability Pass through

In 2019/20 the Council recognised, under a pass through arrangement, a financial guarantee for the LGPS pension liability for the TDA (a subsidiary company) that would require the Council to pay the TDA employer pension payments to the Devon County Pension Fund if the TDA defaulted on the payments. The TDA remains an admitted body to the pension scheme and will make higher employer contributions to mitigate any financial risk to the Council. The TDA will continue to recognise a pension liability under IAS19 and also recognises an asset to the value of that IAS19 Liability. The Council's liability is therefore at the value of the TDA IAS19 pension liability.

41.7 Financial Instruments

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

Financial liabilities are subsequently measured at amortised cost. For the Council's borrowing this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest). Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument.

Financial assets are subsequently measured in one of two ways:

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

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

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

Where the Council provides a loan for a capital purpose it is treated as capital expenditure for capital financing with the balance of the loan held as a debtor with repayments of the loan treated as a capital receipt.

Assets carried at Fair Value through Profit and Loss

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

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

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

41.8 Government Grants and Contributions

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

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

Amounts recognised as due to the Council are not credited to the CIES until the Council has satisfied any conditions attached to the grant or contribution that would require repayment if not met.

The grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non-specific Grant Income and Expenditure (non-ringfenced revenue grants and all capital grants) in the CIES. The recognition of grants and contributions is on an accruals basis. Developer contributions under S106 or CIL agreements are presumed to have conditions unless clear evidence to the contrary that would require repayment if not met and are recognised as a receipt in advance.

41.9 Heritage Assets

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

41.10 Interests in Companies and other Entities

The Council has material interests in companies and other entities that have the nature of subsidiaries and associates. In the Council's own single-entity accounts, the interests in companies and other entities are recorded as financial assets at cost or fair value.

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

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

Other Entities

Torbay and South Devon Health and Care NHS Foundation Trust

The Council has an agreement with the Trust and Devon Clinical Commissioning Group where the Council's makes a fixed annual payment for the provision of Adult Social Care. 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. Expenditure and income associated with the pooled budget are accounted for in line with contributions from the two partners in year which are assumed to be the relevant “share”.

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

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

41.11 Investment Properties

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

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

41.12 Leases

The Council’s leases relate mainly to property where the Council both leases in and leases out property. The Council has considered all its leases for possible classification as finance or operating leases. The Council presumes a lease to be an operating lease unless there is evidence to the contrary and it is material to the accounts that a lease is classified as a finance lease.

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

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

As Lessee: Rentals paid by the Council under operating leases are charged to the CIES as an expense of the services benefitting from use of the leased property, plant or equipment. Charges are made, if material, on a straight-line basis over the life of the lease, even if this does not match the pattern of payments.

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

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

As Lessor: Where the Council grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the CIES. Credits are made, if material, on a straight-line basis over the life of the lease, even if this does not match the pattern of payments.

41.13 Property, Plant and Equipment

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

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

Assets are initially measured at cost, comprising:

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

Capital expenditure is not recognised until 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 Jonathan Veale M.R.I.C.S. who is an employee of TDA. 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.

Where an asset is treated as a disposal due to the length of the lease and there is an ongoing annual rent, the asset is initially derecognised then the value of the future lease payments treated as long term debtor with the balance shown as a deferred capital receipt. Lease payments in future years therefore reduce both the value of the long term debtor and the deferred capital receipts reserve.

Schools Recognition

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

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

Voluntary Aided Schools and Voluntary Controlled Schools:

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

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

41.14 Private Finance Initiative (PFI)

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

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

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

- fair value of the services received during the year - debited to the relevant service in the CIES.
- finance cost - an interest charge on the outstanding Balance Sheet liability, debited to the Financing and Investment Income and Expenditure line in the CIES.
- payment towards liability - applied to write down the Balance Sheet liability towards the PFI operator. In addition the Council makes an annual revenue provision to the Capital Adjustment Account that is equal to the annual reduction in the liability to the contractor and correspondingly reduces the Council's Capital Financing Requirement.

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

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

Any lifecycle costs incurred by the contractor are assumed to be revenue in nature in maintaining the existing value of the asset.

Any variations of a capital nature requested and funded by the school are treated as capital expenditure and capital resources outside the PFI contract.

41.15 Provisions

Provisions are charged as an expense to the appropriate service line in the CIES where an event has taken place that gives the Council a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. Provisions are charged as the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

The Council is required to provide for the cost of any backdated NNDR refunds arising from appeals submitted to the Valuation Office that are successful. The Council's balance sheet only reflects the Council's 49% share of the provision.

The Council has estimated the impact of appeals submitted by 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.

41.16 Overheads and Support Services

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

COLLECTION FUND SUMMARY ACCOUNT 2019/20

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
2018/19				2019/20		
(104.5)	-	-	Gross Council Tax Payable for Year	(109.5)	-	-
23.1	-	-	Reduced Assessments	23.1	-	-
(81.4)	(33.1)	(114.5)	Council Tax & NNDR Receivable	(86.4)	(31.7)	(118.1)
			Expenditure:			
			Precepts and Demands			
8.4	-	8.4	Police and Crime Commissioner for Devon and Cornwall	9.7	-	9.7
3.8	0.3	4.1	Devon & Somerset Fire & Rescue Authority	3.9	0.3	4.2
-	-	-	DCLG, (Central Government)	0	14.6	14.6
65.8	30.4	96.2	Torbay Council's Own Demand (Including Brixham Town Council)	69.0	14.4	83.4
78.0	30.7	108.7	Total Precepts and Demands	82.6	29.3	111.9
-	0.2	0.2	Cost of Collection Allowance	-	0.2	0.2
			Distribution of Previous Years Estimated Surplus/(Deficit);			
0.3	-	0.3	Police and Crime Commissioner for Devon and Cornwall	0.2	-	0.2
0.1	-	0.1	Devon & Somerset Fire & Rescue Authority	0.1	-	0.1
-	(0.4)	(0.4)	DCLG, (Central Government)	-	-	-
2.1	(0.4)	1.7	Torbay Council	1.7	(0.2)	1.5
2.5	(0.8)	1.7	Total Distribution of previous year's Surplus/(Deficit)	2.0	(0.2)	1.8
			Bad and Doubtful Debts/Appeals			
0.7	0.4	1.1	Write Offs	0.6	0.3	0.9
0.5	0.2	0.7	Impairment for Uncollectable debt	1.5	0.3	1.8
-	2.3	2.3	Provision for Appeals	-	1.9	1.9
1.2	2.9	4.1	Total Bad & Doubtful Debt and Appeals	2.1	2.5	4.6
			Total Expenditure			
0.3	(0.1)	0.2	(Surplus)/Deficit for Year	0.3	0.1	0.4
			Movement of Collection Fund Balance			
(2.3)	0.8	(1.5)	Balance brought forward as at 1st April	(2.0)	0.7	(1.3)
0.3	(0.1)	0.2	(Surplus)/Deficit for Year	0.3	0.1	0.4
(2.0)	0.7	(1.3)	Balance carried forward as at 31st March	(1.7)	0.8	(0.9)
			Balance Attributable to major precepting bodies			
(0.2)	-	(0.2)	Police and Crime Commissioner for Devon and Cornwall	(0.2)	-	(0.2)
(0.1)	-	(0.1)	Devon & Somerset Fire & Rescue Authority	(0.1)	-	(0.1)
-	-	-	Central Government	-	0.1	0.1
(1.7)	0.7	(1.0)	Torbay Council	(1.4)	0.7	(0.7)
(2.0)	0.7	(1.3)	Balance carried forward at 31st March	(1.7)	0.8	(0.9)

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 2019/20 was £0.317m (£0.281m in 2018/19) 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 2019/20

The number of dwellings Band D equivalent for 2019/20 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 2019/20" report from the Council meeting in December 2018.

For Council tax purposes the number of domestic properties in each band converted to a Band D equivalent for **2019/20** 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	13,664	5,436	1,201.23	1,409	575	34.19
B	7/9	17,617	10,076	1,401.43	2,254	1,308	39.89
C	8/9	16,745	12,037	1,601.64	2,473	1,796	45.59
D	1	10,431	9,009	1,801.84	1,599	1,394	51.29
E	11/9	5,211	5,769	2,202.25	692	766	62.69
F	13/9	2,367	3,146	2,602.65	338	449	74.09
G	15/9	1,246	1,923	3,003.07	95	152	85.48
H	2	132	207	3,603.68	6	5	102.58
TOTAL		67,413	47,603		8,866	6,445	
Less Allowance for Non Collection @ 4.0% (4.0% 2018/19)			(1,903)			(257)	
TAX BASE 2019/20			45,699.55	(44,865.89 18/19)		6,187.87	(6,004.42 18/19)
Band D Council Tax (excluding Brixham Town Council precept)				1,801.84 (1,731.69 18/19)	Band D Council Tax (including Brixham Town Council precept)		1,853.13 (1,778.46 18/19)

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 2020 was £93.7m (2018/19: £93.5m).

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 2019/20 was 49.1 pence per pound of rateable value and the non-domestic rating multiplier was 50.4 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 2020 that have not yet been determined by the valuation office. In 2019/20, Torbay Council as a unitary authority is responsible for 49% of the NNDR income, Ministry of Housing, Communities & Local Government 50%, and Devon and Somerset Fire authority 1% .

Group Accounts

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

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

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

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

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

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

Entity	Torbay Ownership	Company Type
TOR2	19.99%	Associate
CSW Group (excludes IAS19)	25%	Joint Venture
Oldway Mansion Management Company	100%	Subsidiary (not trading in 2019/20)
Torbay Education Limited	100%	Subsidiary (not trading in 2019/20)
SWISCo Limited	100%	Subsidiary (not trading in 2019/20)
London Medway Commercial Park Man Co.	0%	12 B Shares held
Torbay Housing Company Group of Companies: (not trading in 2019/20)		
Torbay Housing Company	100%	Subsidiary, Parent of Group
Torbay Housing Development Company	100%	Subsidiary of Torbay Housing Co.
Torbay Housing Rental Company	100%	Subsidiary of Torbay Housing Co.
Torbay Economic Development Agency Group of Companies:		
TEDC Limited (Trading as TDA)	100%	Subsidiary, Parent of Group
TEDC Subsidiary Companies:-		
Complete Facilities Management Services Ltd	100%	Subsidiary
KAH Holding Limited	100%	Subsidiary

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Enterprise South West Limited	100%	Subsidiary (not trading)
C&A Consultants (Torquay) Limited	100%	Subsidiary
TorVista Homes Limited	100%	Subsidiary
TEDC Developments Limited	100%	Subsidiary

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

The Group accounts have been prepared using the Group accounts requirements of the 2019/20 Code. Companies or other reporting entities that are under the ultimate control of the Council have been included in the Council's Group accounts, to the extent that they are material to the users of the financial statements in relation to their ability to see the complete economic activities of the Council and its exposure to risk through interests in other entities and participation in their activities.

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

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

Group Movement in Reserves Statement

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

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

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2019/20	General Fund Balance	Earmarkd General Fund Reserves*	Sub Total Revenue Reserves	Capital Receipts Reserves	Capital Grants Unapplied Account	Total Usable Reserves	Unusable Reserves	Total Council Reserves	Council share of Group	Total Group Reserves
	£m	£m Note 10	£m	£m Note 9	£m Note 9	£m Note 25	£m Note 26	£m	£m	£m
Balance at 31st March 2019 brought forward	4.6	28.3	32.9	0.8	8.7	42.4	(14.6)	27.8	0.5	28.3
Movement in Reserves during 2019/20										
Surplus or (deficit) on provision of services (accounting basis)	(12.0)	0	(12.0)	0	0	(12.0)	0	(12.0)	0.9	(11.1)
Other Comprehensive Expenditure and Income (see C I&E Statement)	0	0	0	0	0	0	20.8	20.8	5.6	26.4
Total Comprehensive Expenditure and Income	(12.0)	0	(12.0)	0	0	(12.0)	20.8	8.8	6.5	15.3
Adjustments between accounting basis & funding basis under regulations	14.2	0	14.2	2.3	1.1	17.6	(17.6)	0	0	0
Adjustments between Group Accounts and Torbay accounts	0	0	0	0	0	0	0	0	0	0
Net Increase/Decrease before Transfers to Earmarked Reserves	2.2	0	2.2	2.3	1.1	5.6	3.2	8.8	6.5	15.3
Transfers (to)from Earmarked Reserves	(2.2)	2.2	0	0	0	0	0	0	0	0
Increase/(Decrease) in Year	0	2.2	2.2	2.3	1.1	5.6	3.2	8.8	6.5	15.3
Balance at 31st March 2020 carried forward	4.6	30.5	35.1	3.1	9.8	48.0	(11.4)	36.6	7.0	43.6

- *includes Dedicated Schools Grant Deficit Reserve of £3.8m (£2.7m 18/19)

Group Comprehensive Income and Expenditure Statement

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

2018/19				2019/20			
Gross Exp	Gross Income	Net Exp	Services	Note	Gross Exp	Gross Income	Net Exp
£m	£m	£m			£m	£m	£m
50.9	(12.8)	38.1	Adult's Services		46.9	(14.2)	32.7
92.3	(48.9)	43.4	Children's Services		101.8	(54.6)	47.2
76.2	(66.5)	9.7	Corporate Services		68.8	(57.8)	11.0
4.8	(10.4)	(5.6)	Finance		8.2	(16.6)	(8.4)
44.8	(23.7)	21.1	Place		52.4	(21.7)	30.7
9.4	(0.3)	9.1	Public Health		9.0	(0.2)	8.8
7.6	(4.5)	3.1	TEDC Ltd Group		9.0	(5.2)	3.8
286.0	(167.1)	118.9	Cost Of Services		296.1	(170.3)	125.8
1.2	(1.2)	0	Other Operating Income & Expenditure		3.5	(3.5)	0
0	0	0	Transfer of schools to academies		0	0	0
20.4	(13.2)	7.2	Financing and Investment Income and Expenditure		29.4	(18.5)	10.9
2.8	(122.9)	(120.1)	Taxation and Non-Specific Grant Income and expenditure		0.1	(124.3)	(124.2)
310.4	(304.4)	6.0	(Surplus)/Deficit on Provision of Services		329.1	(316.6)	12.5
0	0	0	Share of surplus or deficit on the provision of serves by joint ventures and associates		0	0	0
0.1	0	0.1	Tax Expenses of Group Companies		0	0	0
310.5	(304.4)	6.1	Group (Surplus)/Deficit		329.1	(316.6)	12.5
		(20.2)	(Surplus)/Deficit on revaluation on Non Current Assets (PPE)				(9.3)
		4.1	Impairment losses on non current assets charged to the revaluation reserve				2.2
		(14.4)	Remeasurement of net defined pension liabilities				(21.0)
		0	Council share of OCIE of Joint Venture and Associates				0
		(30.5)	Other Comprehensive Income and Expenditure				(28.1)
		(24.4)	Total (Surplus)/Deficit in Comprehensive Income and Expenditure				(15.6)

Group Balance Sheet

The Balance Sheet shows the value of the assets and liabilities recognised by the Group at 31 March 2020. The net assets of the Group are matched by Group reserves.

31st March 2019		31 st March 2020	
£m		Note	£m
329.3	Property, Plant & Equipment	G1	350.4
32.6	Heritage Assets		33.5
148.7	Investment Property		208.7
0.5	Intangible Assets		0.7
0	Goodwill (TDA)		0.4
4.9	Long Term Investments		9.7
10.3	Long Term Debtors		18.4
526.3	Long Term (Non Current) Assets		621.8
51.9	Short Term Investments		49.3
0.3	Assets Held for Sale		0.1
0.1	Inventories		0.1
22.1	Short Term Debtors		23.2
3.2	Cash and Cash Equivalents		8.8
77.6	Current Assets		81.5
(4.0)	Short Term Borrowing		(5.4)
(2.2)	Other Short Term Liabilities		(2.3)
(26.6)	Short Term Creditors (inc Receipts in Advance)		(34.7)
(4.0)	Capital Grants/Contributions: Receipts in Advance		(0.5)
(4.1)	Provisions		(5.0)
(0.5)	Cash and Cash Equivalents		(1.6)
(41.4)	Current Liabilities		(49.5)
31st March 2019			31st March 2020
£m			£m
(4.5)	Long Term Creditors		(4.3)
(0.1)	Provisions		(0.1)
(302.2)	Long Term Borrowing		(391.7)

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(41.8)	Other Long Term Liabilities		(39.5)
(183.6)	Pension Liability		(173.0)
(2.0)	Receipts in Advance		(1.6)
(534.2)	Long Term Liabilities		(610.2)
28.3	Net Assets/Liabilities		43.6
42.9	Usable reserves		59.9
(14.6)	Unusable Reserves		(16.3)
28.3	Total Reserves		43.6
<p>M Phillips Chief Finance Officer 11 August 2020</p> <p>M Phillips Chief Finance Officer 30 November 2020</p>			

Group Cash Flow Statement

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

2018/19				2019/20	
£m	£m		note	£m	£m
	(6.1)	Net surplus or (deficit) on the provision of services,			(5.5)
34.1		Adjustments to net surplus or deficit on the provision of services for non cash movements		22.5	
(10.4)		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		(11.1)	
(0.1)		Taxation		(0.1)	
	17.5	Net cash inflows/(Outflow) from Operating Activities			5.8
	(49.6)	Investing Activities:			(93.3)
	27.9	Financing Activities			92.0
	(4.2)	Net increase or (decrease) in cash and cash equivalents			4.5
2018/19				2019/20	
£m		Cash and Cash Equivalents	Notes		£m
6.9		Cash and cash equivalents * at the beginning of the reporting period			2.7
2.7		Cash and cash equivalents at the end of the reporting period			7.2
(4.2)		Net increase or (decrease) in cash and cash equivalents			4.5

Note to the Group Accounts Core Statements

Note G1 – Property, Plant and Equipment

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

2018/19			2019/20			
Torbay Council	TDA Group	Total Group		Torbay Council	TDA Group	Total Group
£m	£m	£m		£m	£m	£m
			Cost or Valuation			
357.9	7.8	365.7	As at 1 st April	386.5	7.8	394.3
26.2	0.1	26.3	Additions	34.7	3.9	38.6
11.3	0	11.3	Revaluation increases/ (decreases) recognised in the Revaluation Reserve	2.4	0	2.4
(6.1)	(0.1)	(6.2)	Revaluation Increases/ (decreases) recognised in the Surplus/Deficit on the Provision of Services	(9.8)	1.4	(8.4)
(1.5)	0	(1.5)	Derecognition – Disposals	(3.0)	(0.2)	(3.2)
(0.1)	0	(0.1)	Assets reclassified (to)/from Held for Sale	0	0	0
(1.2)	0	(1.2)	Other movements in Cost or Valuation	0	0	0
386.5	7.8	394.3	As at 31st March	410.8	12.9	423.7
			Accumulated Depreciation and Impairment			
(61.2)	(0.3)	(61.5)	As at 1 st April	(64.7)	(0.3)	(65.0)
(10.1)	0	(10.1)	Depreciation charge	(10.9)	0	(10.9)
3.7	0	3.7	Depreciation written out to the Revaluation Reserve	2.0	0	2.0
2.0	0	2.0	Revaluation Increases/ (decreases) recognised in the Surplus/Deficit on the Provision of Services	0.6	0	0.6
0.9	0	0.9	Derecognition – Disposals	0.1	(0.1)	0
0	0	0	Other movements in Depreciation and Impairment	0	0	0
(64.7)	(0.3)	(65.0)	As at 31st March	(72.9)	(0.4)	(73.3)
			Net Book Value:-			
296.7	7.5	304.2	As at 31 st March (prior year)	321.8	7.5	329.3
321.8	7.5	329.3	As at 31st March (end of year)	337.9	12.5	350.4

ANNUAL GOVERNANCE STATEMENT 2019/20

ANNUAL GOVERNANCE STATEMENT FOR THE FINANCIAL YEAR 2019/2020

Explanatory Note

This Annual Governance Statement covers the Financial Year 2019/2020 during which Torbay Council's governance arrangements changed a number of times.

For the first month covered by this report, the Council operated an Elected Mayor model of governance. On 2 May 2019 the new Council was elected and moved to a Leader and Cabinet model of governance, with the Cabinet having collective decision making powers.

On 23 March 2020, as a result of the Covid-19 outbreak and in light of the Government's guidance on social distancing, all public meetings were cancelled. In addition, the Leader of the Council changed the delegation arrangements to enable him as Leader to make executive decisions rather than collectively by the Cabinet. However with the use of technology permitting virtual meetings, decisions reverted to being made collectively by cabinet as of 7 May 2020.

Whilst this Annual Governance Statement covers significant governance issues from 1 April 2019 up to the date of approval of the Statement of Accounts, the governance system described throughout is, in the main, that which was in place for the majority of the 2019/2020 municipal year (namely Leader and Cabinet, with collective decision making).

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?CIId=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

The Constitution

The Constitution sets out the main elements of the governance framework of Torbay Council, in particular how decisions are made and the procedures which are followed to ensure that these are efficient and transparent and that decision makers are accountable to local people. It explains that (for the 2018/2019 financial and municipal years) and until 2 May 2019, the Council was made up of the Elected Mayor and 36 Councillors who, together, were responsible for approving the Council's Budget and Policy Framework. The Elected Mayor was responsible for decisions which were consistent with the Budget and Policy Framework and was supported by Executive Lead Members who oversaw and advised on specific areas. Matters outside the Budget and Policy Framework were referred to the Council for decision.

From May 2019 Torbay Council moved to a Leader and Cabinet model of governance. The Leader of the Council and the Cabinet are responsible for major decisions including key policy matters within the framework set by Full Council. These are referred to as "Executive Functions". When major decisions are to be discussed or made, these are published in the Forward Plan in so far as they can be anticipated. The Cabinet collectively takes decisions at meetings of the Cabinet and these meetings will generally be open for the public to attend except where exempt or confidential matters are being discussed.

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.

As the local elections in May 2019 left no party with overall control of the Council, the Liberal Democrat Group and Independent Group have signed a partnership agreement and have joined together to form the administration of the Council.

The Cabinet has to make decisions which are in line with the policies and budget set by Council. If they wish to make a decision which is outside the budget or policy framework, this must be referred to the Council as a whole to decide. The Council has an overview and scrutiny process which provides a ‘critical friend’ challenge to cabinet policy makers and decision making.

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 five times per municipal year. In relation to performance and risk management the Audit Committee requested that the reporting arrangements are enhanced. A new performance and risk strategy was presented to the board in November 2020.

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 Cabinet 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.

As a result of the Covid-19 outbreak, Group Leaders reviewed the approach to the council’s public meetings. In light of the Government’s guidance on social distancing, from Monday 23 March 2020 all public meetings were cancelled.

For Cabinet decisions, the Leader of the Council changed the delegation arrangements to single decision making rather than collectively by Cabinet members. This enabled decisions to be taken remotely. The Leader of the Council consulted with the Cabinet and Group Leaders remotely, prior to making decisions. Associated officer reports for decisions were published in advance of decisions being made.

Any urgent Council decisions required to be made during this time were made by the Chief Executive in consultation with the Leader and Group Leaders.

For other decision-making Committees, in circumstances where decisions could not be delayed, officer delegations applied after consultation with relevant members. However with the use of technology permitting virtual meetings, from the beginning of May 2020 where required, meetings have been arranged virtually and collective responsibility for decisions by Cabinet and Full Council has been re-instated.

The Corporate Plan and Decision-making

Included within the Policy Framework is the Council's Community and Corporate Plan, the main strategic document under which all other Policy Framework documents sit. Following the local elections in May 2019, a Community and Corporate Plan "One Torbay: Working for all Torbay" has been prepared by the Cabinet, and adopted by the Council, which sets out the ambitions and visions of the Council over the next four years and the principles within which the Council will operate.

The Delivery Plan associated with the Council's Community and Corporate Plan have been developed and are in the process of being agreed. Alongside this performance measures and risks are being identified. These will be monitored as part of the refreshed Corporate Performance and Risk Report.

The Council also has a Medium Term Resource Plan which is reviewed on an on-going basis to take into account new information and changed circumstances. Both of these documents provide a framework for planning and monitoring resource requirements.

The Council's Transformation Programme continued to be delivered during 2019/2020. This aims to ensure that the ambitions within the Council's Community and 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 Cabinet receive reports containing recommendations for decisions made at meetings of the Cabinet. 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.

Between 23 March 2020 and 7 May 2020, reports which the Leader of the Council considered ahead of making decisions were published on the Council's website and circulated to all members of the Council. Feedback was encouraged via electronic

means before the Leader made his decision. Decisions were then published online (as would normally happen when meetings of the Cabinet were held).

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

Community and Service User Engagement

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

The partnership administration has made clear its wish to strengthen community engagement and empowerment and work is continuing to ensure that the Council can build on the existing arrangements across Torbay.

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 Council retains legal responsibilities for the provision of Adult Social Care in accordance with the Care Act 2014, the Mental Capacity Act 2005 and the Mental Health Act 1983, but these are delegated to Torbay and South Devon NHS Foundation Trust, an integrated organisation responsible for providing acute health care services from Torbay Hospital, community health services and adult social care for the people of Torbay and South Devon.

The Torbay Adult Social Care Risk Share 2020 to 2023 agreement under the powers outlined in S.75 NHS Act 2006 was agreed in March 2020 to continue integrated appropriate and well managed arrangements for Adult Social Care in Torbay.

The Torbay Community Development Trust (TCDT) The TCDT supports Torbay Council in its overall approach to working with the community and voluntary sector by forging new partnerships; whilst finding creative and innovative ways for delivering services that will sustain a thriving voluntary and community sector in Torbay. The development of the community and voluntary sector in Torbay is key to the future strategic plans of Torbay Council, South Devon and Torbay Clinical Commissioning Group (CCG) and Torbay & South Devon NHS Foundation Trust.

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

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

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

Our 10-year joint venture TOR2 Ltd contract with Kier Ltd ends in June 2020. Councillors voted in February 2019 to create a new wholly-owned company to continue the service and bring bin collections, recycling and other front line services back in house. From July 2020, the new company Swisco (South West Integrated Services Company) will deliver the services previously provided by TOR2 Ltd.

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

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

A review of a joint arrangement between Plymouth and Torbay councils to share a Director of Children’s Services concluded that each authority needs its own director to provide more strategic capacity and make the improvements that are necessary for our respective services. The arrangement of a Joint Director of Children’s Services came to an end in January 2020. An Interim Director of Children’s Services was agreed at council in January 2020 and was appointed Director permanently in mid-February 2020.

Performance and Risk Management

The Council records performance information using performance-reporting software called SPAR.net.

The framework for Performance and Risk has been under review since the Local Elections in May 2019 and the subsequent adoption of the new Community and Corporate Plan “One Torbay: Working for all Torbay”. As a result, new Performance

and Risk Dashboards are in development to reflect the priorities of the Plan, measure the specific actions within the ensuing delivery plans and ensure current strategic or operational risks are identified, mitigated and monitored.

The Senior Leadership Team will monitor the Council's performance and risks. They will receive formal updates on a quarterly basis. These updates will be shared with the Leader and Cabinet at Informal Cabinet meetings and with Audit Committee. Any areas of concern will be 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 Assistant Directors are responsible for managing risk within their Business Units.

Senior Management

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

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

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

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

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

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

Training and Information

The Torbay Managers Forum meets at least 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.

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

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

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

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

The Council has a Counter Fraud and Corruption Policy which is reviewed regularly and has been communicated to all staff and is available on the Council’s Intranet.

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

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

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

Customer Feedback, Whistleblowing and Prevention of Fraud

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

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

The Information Governance Team have now employed two complaint investigators whose job it is to investigate the majority of corporate complaints. The introduction of these posts has meant the Council has moved to a one stage complaints process. The aim of this new process was to improve timeliness of responses, consistency of responses and improved timescales for escalation to the Local Government and Social Care Ombudsman. In the first six months of this process, the Council's performance in complaint handling has increased from 40% of responses sent on time to 70%. Reports regarding complaints are provided to the Senior Leadership Team on a regular basis, these reports include the type of complaint, service area, outcomes and any learning points. This results in further actions being identified and implemented.

The Council's Whistleblowing Policy is available on the Council's website and intranet site. The Council has an established phone line that any whistleblowing call can be made to and which goes directly to Internal Audit which has responsibility for dealing with these issues in the first instance. The Probity and Ethics Group; comprising of the Monitoring Officer, the Chief Finance Officer, Internal Audit and the Head of Human Resources, continue to meet to consider and progress as appropriate all matters of concern.

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

Information Management

The Council holds and processes a significant amount of information. It is critical that the information held is of good-quality, accurate and kept up-to-date to inform decision making. Equally important is the requirement to process personal and sensitive information in accordance with the data protection legislation. To support this, there is an Information Governance Steering Group, which consists of the Head of Information Governance (who is also the Council's Data Protection Officer), the Senior Information Risk Owner (SIRO) and the Council's Caldicott Guardian. This Group reviews the Council's approach to information management and sharing. There is also an Information Security Group which is made up of operational staff to

review and update policies and processes to ensure that the day to day handling of information is carried out in accordance with legislative requirements. Under this framework there are a number of operational policies and procedures including a suite of information security policies. These policies are subject to regular review and updates are communicated to all staff.

The Council's Information Governance Team are responsible for monitoring and reviewing compliance to data protection legislation across the Council. Part of this work is reviewing 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 originally formed by Torbay, Devon County and Plymouth City Councils but has been subsequently expanded to include several district councils. It is constituted under section 20 of the Local Government Act 2000. Devon Audit Partnership undertakes the role of auditing the Council's systems to give assurance to the organisation.

The Council's Internal Audit Plan, which is risk based, is agreed annually by the Head of Finance, Senior Leadership Team and the Council's Audit Committee. This provides the basis for the review of internal control and governance within the Council and includes the following: -

- Annual reviews of the Council's key financial systems by Internal Audit against known and evolving risks.
- Reviews of internal controls in operation within each service area against known and evolving risks based on a detailed risk assessment. These reviews consider the strategic and operational risks identified in the Corporate Risk Register, as well as materiality, sensitivity and previous audit and inspection findings.
- Work in relation to the investigation of any potential irregularities identified either from audit work or through the Council's whistle-blowing policy.
- Advice and support to ensure future safeguards when implementing new systems.
- Value for money work in relation to assessing the efficiency, economy and effectiveness of the Council's operations and recommending improvements as necessary.

The Council also receives assurance from the NHS Internal Audit Confederation (Audit South West) over the controls in operation at Torbay and Southern Devon NHS Foundation Trust which covers the provision of adult social care services.

Achievement against the Audit Plan is reported to the Audit Committee on a twice yearly basis. This report also includes an opinion and assurance about the system of internal control throughout the Council.

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

Review of Effectiveness

Torbay Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of managers within the Authority who have responsibility for the development and maintenance of the governance environment, the Head of the Devon Audit Partnership's annual report, and also by comments made by the External Auditors and other review agencies and inspectorates. This review is demonstrated through the Annual Governance Statement.

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

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

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

The Council's new Community and Corporate Plan "One Torbay: Working for all Torbay" was adopted in February 2020. The associated Delivery Plans which set out the challenges faced by the Council and the areas on which the Council would focus on were due to be considered in March, but with the outbreak of the pandemic, have been paused to ensure that they are focussed on how the Council will work in recovery. The subsequent Performance and Risk Dashboards which set out how the Council will measure its performance towards meeting the ambitions of the Corporate Plan and the actions in the Delivery Plans will be created as part of the current Performance and Risk Framework review. These will include progress against each action within the Delivery Plans and an identification of the priorities for the coming months.

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

The Council's Constitution was rewritten ahead of the change to the Leader and Cabinet model of governance in May 2019. It has also been continually reviewed

throughout the year by the Monitoring Officer, Chief Financial Officer and Governance Support Manager in consultation with the Leader of the Council and Group Leaders whereby improvements and changes to the constitution were made and agreed.

A full Member Induction Programme was put in place immediately post the Local Elections in May 2019. Over the course of the year, the second phase of the Member Development Programme continued to build members' focus on the strategic issues.

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

The Standards Committee was re-appointed and met as required during 2019/2020. 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 Monitoring Officer had received complaints which were dealt with in accordance with the Assessment and Determination of Allegations of Breaches of the Member's Code of Conduct and were not progressed to the Standards Committee.

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

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

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

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

Meetings of the Cabinet are well-established, enabling reports to be presented and considered ahead of decisions being made collectively in the public domain.

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

The Overview and Scrutiny Board has undertaken a range of work from reviewing draft Policy Framework documents to matters arising from budget monitoring

reports. There has been one decision called-in since the start of the new administration.

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

The framework for Performance and Risk has been under review since the election of the new administration and the subsequent adoption of the new Community and Corporate Plan "One Torbay: Working for all Torbay". As a result, new Performance and Risk Dashboards are in development to reflect the priorities of the Plan, measure the specific actions within the ensuing delivery plans and ensure current strategic or operational risks are identified, mitigated and monitored.

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

Decisions taken by the Investment and Regeneration Committee, up to May 2019, and subsequently by the Cabinet in relation to the Council's Investment and Regeneration Portfolio are taken in accordance with the Investment and Regeneration Fund Strategy. This Strategy sets out how the Council aims to improve its financial resilience through the purchase of a balance portfolio of investments which appropriately spreads the Council's risk, as well as supporting the Economic Strategy by delivering economic growth, tackling inequality and creating change in the area that benefits everyone. The Strategy also sets the framework to ensure that appropriate due diligence is undertaken during the decision making process in relation to the Council's investments.

The Council has also established an Economic Growth Fund to help further deliver economic growth within Torbay. Applications for money from this Fund are determined in accordance with the Economic Growth Fund Criteria approved by the Cabinet, which is similar to the investment criteria but allows more flexibility in terms of income generated, as its main role it to enable growth and create jobs in Torbay. Such investments are also subject to appropriate due diligence.

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

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.

The Members' Development Programme continues to be delivered including training on Planning, Information Governance and the Data Protection Act and Corporate Parenting and communication with councillors was supplemented by Councillor Conversations which take place to provide an informal opportunity to discuss forthcoming issues. Councillors learning and development is also supported with

external training opportunities available from The Local Government Association, The Devon Shared Service and Peers from other authorities.

Key messages and information are communicated from the Senior Leadership Team directly to all managers at quarterly Managers Forums. This is then fed back in team meetings with an emphasis on the cascade of information to front line staff.

A number of staff volunteers from different areas across the Council have been recruited to become Wellbeing Supporters. They are a confidential point of contact for employees experiencing emotional distress or a mental health issue. This interaction could range from having an initial conversation to supporting and signposting the person to get appropriate help. Volunteers attended 'Connect 5' training to provide them with the right tools and knowledge to carry out their roles.

Induction events are periodically held for all new starters. These events form part of the formal induction programme and aim to; welcome new employees to the council, give new employees important information, enable a networking opportunity and enable new employees to meet the Executive Director and/or member of the Senior Leadership Team and ask questions.

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. This work has included consultation on the proposals for budget savings and income generation.

There continues to be good engagement from partners within Torbay Together Partnership and an independent Chairman continues to lead the partnership over the last year. The Partnership took time to reflect in February as to their progress to date, and how they can improve going forward. This reflection session was independently facilitated, and attended by the LGA and local MPs to gain their advice and insight. They have continued to meet virtually through the pandemic, and are more determined than ever to work together for the benefit of Torbay.

Torbay Council held its first Community Conference on 11 September 2019 to help develop a new and more engaged relationship between the Council, individuals and communities in Torbay. Community stakeholders and members of the public were invited to attend. Following the conference the Cabinet agreed a detailed action plan and made the following commitments to the community of Torbay:

- We will embrace the spirit of co-operation and partnership.
- We will be open with our communities about the challenges that the Council faces.
- We will work to empower and enable our communities.
- We will operate with openness and transparency.

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

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

The Council carried out the planned second phase of a Community Governance Review to determine whether changes should be made to the existing local governance arrangements, including whether or not to establish new town or parish councils for parts of Torbay where they do not currently exist.

This phase of consultation featured a series of events including roadshows, Facebook live sessions, attendance at a range of community meetings and an open public event held at the Riviera Centre. A series of information videos was made available and a questionnaire hosted on the Council's website that attracted over 1,700 responses. The second stage of community engagement ended in October 2019.

In light of the wishes of the significant majority of respondents, who did not support any of the proposals for change, Cabinet's recommendation was that there be no change to existing community governance arrangements in Torbay. This recommendation was accepted by Council at its meeting on 9 January 2020.

A public consultation on the Community and Corporate Plan "One Torbay: Working for all Torbay", took place between November 2019 and January 2020. The aim of the consultation was to ensure that residents, business owners, stakeholders and groups were aware of the proposed new Community and Corporate Plan and to encourage them to provide feedback via an on-line questionnaire.

This consultation and that of the Draft Housing Strategy and Draft 2020/21 Budget proposals were promoted in a press release, on our social media and using posters in public offices and libraries as well as in key community locations. A number of Facebook live question and answer sessions were held, in order to attempt to achieve a greater reach. Community Partnerships and key stakeholders were contacted directly to ensure they could get involved in the conversation and share awareness within their communities. Links to the on-line questionnaires were sent to just over 400 Viewpoint panel members and all Council staff. The draft plan was considered by members of the Overview and Scrutiny Board.

A drop-in Cabinet Conversation was held on 14 January 2020 where members of the public could ask questions about the Budget, Draft Community and Corporate Plan and the Draft Housing Strategy. The consultation was rounded off by a public event organised by Torbay Community Development Trust (TCDT).

The partnership have introduced drop-in Cabinet Conversation events to enable people to talk to members about issues that matter to them. These are held with the aim of involving communities more in the work carried out by the Council to improve Torbay.

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 approach to managing and reporting corporate performance and risk is being reviewed and updated as part of the framework of new policies stemming from the adoption of the new Community and Corporate Plan and its delivery plans. Corporate performance and risk reports will be reviewed regularly by the Senior Leadership Team, Leader of the Council and Cabinet, Group Leaders and the Audit Committee. This will enable any areas of concern to be highlighted and recovery plans to be prepared, scrutinised and monitored. The Audit Committee will refer matters by exception to the Overview and Scrutiny Board if it is felt that further investigation is required.

A tracking system to ensure that actions to address areas identified by Internal Audit as requiring improvement are monitored by the Joint Operations Management Team, has been reviewed and is in development.

Ofsted re-inspected our children’s social care services in June and July 2018 and concluded that overall they remained inadequate. Ofsted carried out monitoring visits to our children’s social care services in April and October of 2019 and January of 2020.

Although the current Ofsted rating of inadequate has not changed since 2015, the January 2020 Ofsted letter acknowledges the progress that is being made, and that the DfE have appointed a commissioner to support Torbay going forward. They stated that leaders have a sound understanding of the key priorities for improvement and recognise the immense challenges they face. Leaders are highly visible and accessible, inspiring increased confidence with the workforce. It is vital that these early signs of progress are secured and sustained.

The joint arrangement to share a Director of Children’s Services between Plymouth and Torbay councils was reviewed in 2019/20. The review concluded that each authority needs its own Director to increase strategic capacity and to respectively ensure necessary improvements to services. The arrangement came to an end in January 2020 when an Interim Director was appointed who was subsequently made Director permanently in mid-February 2020.

The Draft Annual Audit Report for 2019/2020 set out that the Head of Internal Audit’s opinion was one of “Substantial Assurance” on the adequacy and effectiveness of much of the Council’s internal control framework. The exception to this is the Children’s Directorate where they were only able to provide “Limited Assurance” at this time however the Directorate is showing a positive direction of travel and is currently driving significant change through a service programme, including a complex migration to a new IT system. The Local Authority’s Children’s Services, is under a Government appointed Commissioner and Adult Social Care is

delivered through the Integrated Care Organisation, which has its own scrutiny function.

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

A new partnership agreement changed the way that two key services for children and young people are run. The Torbay Youth Service and the Young Carers Service are now delivered by Torbay Youth Trust. This arrangement will result in more opportunities to creatively support young people in Torbay to be happy, healthy, safe and to achieve, than would be available if the services were delivered solely by the local authority.

As part of the work of developing the Community and Corporate Plan, a new Housing Strategy for 2020-2025 was approved by Council in February 2020. This strategy and four other associated strategies set out the Cabinet's plans toward meeting its priority of improving the delivery, affordability and quality of housing in Torbay.

Significant governance issues

In their Draft Annual Report, Internal Audit identified Covid-19 measures have resulted in a significant level of challenge to the Council and put pressure on the expected control environment; the need for prompt and urgent action by officers has required changes to some procedures and control arrangements. The level of impact this had in 2019/20, and continues to have in 2020/21, is changing as the situation develops. In respect of this statement it has not been possible to fully quantify the additional risk that may have arisen from such emergency and short-term measures or fully determine the overall impact on the framework of governance, risk management and control.

In response to the outbreak Torbay Council has had to adapt significantly but is able to continue delivering a mostly normal service to our community. The vast majority of staff are able to work productively from home with agile working kits and via video meetings. Staff wellbeing is being supported through weekly wellbeing updates and dedicated web pages covering a range of issues affecting staff in and outside of work.

As mentioned earlier in this statement, alternative arrangements were made to accommodate social distancing and public meetings were cancelled. The Leader of the Council changed the delegation arrangements to enable him as Leader to make executive decisions rather than collectively by the Cabinet. All councillors were trained in the use and etiquette of video conferencing for formal meetings, in advance of the start of virtual committee meetings and collective responsibility for decisions by Cabinet and Full Council has been re-instated.

The Council endeavoured to provide regular, timely and relevant communications of official Information and guidance as well as changes to our services to the Torbay community, through our website and social media channels.

The Council worked to support the community by providing many more Covid-19 related services, such as the Community Hub which is distributing PPE and food parcels and the Shielding Call Centre which is making thousands of calls to our most vulnerable residents. We are allocating business support grants and funding for community groups who are responding to the coronavirus outbreak. Financial support is also being offered to individuals experiencing financial hardship.

At the moment there is uncertainty over how the outbreak will fully affect our finances. It is clear that the coronavirus will have an impact on our savings proposals and it will have a big impact on the amount of income we can generate this year. The government's funding to support the extra costs we have incurred for the services put in place as part of our COVID response and to mitigate some of the impact it's had on our financial position, is not expected to cover the loss in income that we are experiencing. We will continue to work with neighbouring authorities and our local MPs to seek an urgent response from the government on this matter. Our recovery from the economic and social impact will also continue long after the more obvious health response.

As outlined in an earlier section, Ofsted re-inspected our children's social care services in June and July 2018 and concluded that overall they remained inadequate. Ofsted carried out monitoring visits to our children's social care services in April and October of 2019 and January of 2020 and concluded that overall they remained inadequate.

Although the current Ofsted rating of inadequate has not changed since 2015, the January 2020 Ofsted letter acknowledges the progress that is being made, and that the DfE have appointed a commissioner to support Torbay going forward. They stated that leaders have a sound understanding of the key priorities for improvement and recognise the immense challenges they face. Leaders are highly visible and accessible, inspiring increased confidence with the workforce. The letter also recognises the considerable political support here at Torbay Council to improve our children's services. It is vital that these early signs of progress are secured and sustained.

Audit's Draft report on Children's Services Contracted / Commissioned Services in March 2020, identified a Lack of consistent compliance with Financial Regulations and Contract Standing Orders in relation to procurement practices. Although there are some properly procured suppliers and supplier framework arrangements in place, there is a notable proportion of engagement with suppliers and value of spend that is not compliant with statutory and regulatory requirements, including failure to update the Contracts Register appropriately. Greater strategic level oversight of procurement is needed with less devolvement to, and less spot purchasing by, service teams.

Audit identified control issues in relation to authorisation of spend outside of the framework and have made recommendations that must also be reflected in Liquid Logic which will replace the PARIS system. Similarly, control weaknesses around payments were noted, suggesting either inaccuracies in recording in PARIS or errors in payments made. These issues could be addressed through properly recorded schedules of charges and intended payments in PARIS. Similarly, a lack of effective monitoring of supplier service and reporting to senior management for spend outside of the framework arrangements was noted. The Corporate Procurement Manager is currently temporarily overseeing procurement in Children's Services and reviewing practices including driving a culture change in relation to procurement. Children's Services has had oversight from the Deputy Head of Finance from August 2019. A number of Sufficiency Strategy Workstreams were created to develop the services for children who may need care, or who are on the edge of care and as such, business cases have been developed which address some of the recommendations made by Audit. These were submitted to Cabinet and the recommendations in the accompanying report were agreed by the Leader of the Council on 21 April 2020.

The internal audit report on Better Care Fund (BCF) (March 2018) found insufficient information available to undertake testing as to whether BCF, and Improved Better Care Fund iBCF, monies have been spent in line with approved Plans. A follow up review report (November 2019) was still unable to provide assurance that monies have been spent in line with approved plans. It found that monitoring systems were being set up and projects are ongoing but some individual programmes/projects had a number of issues resulting in a lack of transparency, accountability and governance. The audit opinion is that improvement is required.

The internal audit report on the Brixham Express Ferry (March 2018) identified fundamental weaknesses as there was a lack of documentary evidence available to provide assurance that the all-year round ferry project, and the related contract with Brixham Express Ltd, were managed and monitored effectively. Audit were unable to revise this opinion in their follow up report in November 2019 as there has been little progress in establishing a methodology to ensure that documentation for future projects is retained appropriately. Officers are aware of the need for this and will be exploring options.

In 2018, the internal audit report on the compliance of Tor Bay Harbour Authority with the Port Marine Safety Code found that improvements were required and reported that there was a lack of compliance against the requirements of the Code. However the internal audit report on the Port Marine Safety Code (November 2019) subsequently found that Tor Bay Harbour Authority is currently compliant but there remain concerns in relation to land-based Health and Safety (H&S), however these concerns are outside of the scope of the Code and are being investigated, managed and resolved through the Council's Health and Safety Team in conjunction with the Tor Bay Harbour Authority.

Devon Audit Partnership conducted a follow-up of its 2015-2016 audit of Sports Pitch Leases and the report was published in March 2018. The audit opinion remained as

improvements required as it did in the second follow up report in November 2019. Progress has been limited. In some cases, this is due to changes in operational priorities, the inability to make changes to existing lease agreements, and general ongoing capacity issues. The risk therefore remains that income from sports pitch leasing is not maximised and remain, in some cases, detrimental to the Council. In relation to some outstanding rental income, recovery is now being progressed.

A follow-up of the 2014-2015 audit of Section 106 Agreements was also undertaken and report published in November 2019. The initial audit opinion had been one of “Fundamental Weaknesses” this was revised to “Improvements Required” in the follow up of July 2018. A project to implement a s106 and CIL Monitoring system has made significant progress with live implementation planned for early 2020. This will provide means for effective monitoring, and minimise previously identified associated risks. A s106 and CIL Monitoring Officer has been appointed and regular meetings to monitor progress have been put in place. As the solution had yet to go live, Audit were unable to revise their opinion at the time of the November 2019 follow up.

The Audit review of Health and Safety found improvements were required as there had been a failure to a set clear H&S direction for the organisation to follow, and a fundamental weakness to identify and manage H&S risks. However the team have now made significant progress and are having a positive impact on corporate H&S with limited resources. SLT are promoting a cultural shift in relation to H&S, and this includes a clear strategy and robust action plan to address the issues raised by an external review. This included additional resources for training, a new Corporate H&S Officer, and the procurement of an electronic H&S management system, all of which have been delivered.

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

Conclusion

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

We have recognised where there are areas for further improvement as outlined within this Statement. We propose, over the coming year, to take the steps detailed in the action plan below 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.

Anne Marie Bond
Interim Chief Executive

Councillor Steve Darling
Leader of the Council

Action	Responsible Officer	Deadline
Review of lessons to be learned from Torbay Council's Covid19 response	Senior Leadership Team	31 March 2021
Continue to deliver the Children's Services Ofsted Improvement Plan	Director of Children's Services	31 March 2021
Deliver the Action Plan in response to the Internal Audit report on Children's Services Contracted / Commissioned Services	Director of Children's Services	31 March 2021
Deliver the Action Plan in response to the Internal Audit report on the Better Care Fund	Director of Adult Services	31 March 2021
Deliver the Action Plan in response to the Internal Audit report on the Brixham Express Ferry	Director of Place	31 March 2021
Deliver the Action Plan in response to the Internal Audit report on the Port Marine Safety Code	Director of Place	31 March 2021
Deliver the Action Plan in response to the Internal Audit report on Sports Pitch Leases	Director of Place	31 March 2021
Deliver the Action Plan in response to the Internal Audit report on Section 106 Agreements	Director of Place	31 March 2021
Deliver the Action Plan in response to the Internal Audit report on Corporate Health and Safety	Senior Leadership Team	31 March 2021
Develop the Community and Corporate Plan Delivery Plans	Senior Leadership Team	31 March 2021
Implement and monitor the Performance and Risk Framework	Senior Leadership Team	31 March 2021

GLOSSARY

A

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

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

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

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

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

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

Asset categories & their definitions:

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

Vehicles, Plant & Equipment – Assets used for operational purposes

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

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

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

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

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

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

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

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

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

B

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

C

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Contingent liability - arises where an event has taken place that gives the Council a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council

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

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

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

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

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

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

D

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

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

Deferred Capital Receipts Reserve – reserve to reflect the value of future capital receipts for assets treated as disposal but with an ongoing rental stream from a long term lease.

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

Defined contribution:

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

Defined benefit:

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

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

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

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

E

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

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

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

Exceptional Items – Events or transactions that fall within the ordinary activities of the Council and need to be disclosed separately due to their size to give fair presentation of the accounts.

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

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

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

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

Financial Guarantee – a liability recognised to reflect any legal agreements with a third party that may incur a cost to the council in the future if that third party is unable to meet a specified future cost if it occurs.

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

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

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

Funded Pension Liabilities – These are liabilities relating to pensions due in the future to members of a pension fund based on the “standard” entitlements within the scheme.

G

Grants – Receipts in Advance – a grant from central government or other body that has conditions that will require repayment of the grant if not complied with. These grants are not recognised as income until the conditions are met.

H

Heritage Assets - Heritage assets are those assets that are intended to be preserved in trust for future generations because of their cultural, environmental or historical associations. Heritage assets include historical buildings, archaeological sites, civic regalia, museum and gallery collections and works of art.

Historical Cost – the historical or original cost of a fixed asset can be increased by further capital expenditure on that asset.

I

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

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

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

Intangible Assets – (notably software) are recognised on the Balance Sheet at their cost of acquisition or development but only revalued in restricted circumstances.

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

Investment Properties – land and buildings held only for the income stream or for capital appreciation.

IFRS – International Financial Reporting Standards. These are the financial “rules” that Council accounts will have to comply with. These rules should be consistently applied throughout all bodies throughout the world.

J

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

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

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

L

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

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

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

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.

Q

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.

Pooled Investment Fund Adjustment Account - absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments such as the CCLA Property Fund per statutory provisions. Also known as the Financial Instrument Adjustment Account.

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

SWISCo – South West Integrated Services Company. A subsidiary of Torbay Council.

T

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