

Financial Services



STATEMENT OF ACCOUNTS

2009/10

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

TORBAY COUNCIL

STATEMENT OF ACCOUNTS 2009/2010

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Explanatory Foreword

1 Introduction

Torbay Council's Statement of Accounts for 2009/10 has been prepared in accordance with "The Code of Practice on Local Authority Accounting in the United Kingdom 2009" published by the Chartered Institute of Public Finance and Accountancy (CIPFA). This sets out the principles and practices of accounting required to prepare a Statement of Accounts which is a 'true and fair view' of the financial position and transactions of a local council. Any departures from this standard are disclosed in the notes to the accounts. This is the last year that the Council's accounts will be prepared under the Code of Practice. For 2010/11 onwards the Council's accounts will be prepared under International Financial Reporting Standards (IFRS) supported by the new "IFRS Code" published by the Chartered Institute of Public Finance and Accountancy (CIPFA).

2 Overview of Torbay

Torbay covers an area of just under 64 square kilometres and has approximately 45 kilometres of coast line with 20 public beaches. It is split into three towns, Torquay Paignton and Brixham, and is also known as "The English Riviera" and has a population of 134,000.

Torbay Council is a Unitary Authority and is composed of an elected Mayor and 36 councillors who are elected every 4 years. The Mayor and all councillors meet together as the Council to decide the Council's overall policies and to set the budget for each year. The Mayor appoints a group of 9 councillors who together with the Mayor form the Cabinet. The Council also appoints a number of regulatory and other committees.

The elected Mayor is the first citizen of Torbay but the Chairman of Torbay Council wears the chain of office and undertakes the civic and ceremonial role. The Mayor and Councillors are supported by council officers, who are not elected. They are led by a Chief Executive and four commissioners. The council is accountable to its council tax payers and all its services are independently inspected.

The Council, as a Unitary Council, provides a wide range of services including schools, libraries, road maintenance, parks, waste collection & disposal, culture, tourism, regeneration, early years and social care (adults & childrens). The Council's "budget book" which shows budgeted expenditure and income by service is available on the Council's website:

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

3 Links to Further Information

The Council's aims and objectives for the 2009/10 year were set out in its Corporate Plan 2009+ and the Community Plan 'Turning the Tide for Torbay'. These are available on the Council's website:-

"Corporate Plan 2009+" - <http://www.torbay.gov.uk/corporateplan>

"Turning the Tide for Torbay" - <http://www.torbay.gov.uk/communityplan>

A summary of the Council's budgetary position is included in the Medium Term Financial Plan 2010 - 2013 which is also available on the Council's website:-

<http://www.torbay.gov.uk/mtfp.doc>

Further detail of the Council's finances is available on the Council's website:-

http://www.torbay.gov.uk/financial_services.

Detail on the Council's performance can also be found on the website including external inspection reports and the Council's own annual report. Information can also be found on the Council's environmental footprint.

Annual Report:

<http://www.torbay.gov.uk/annualreport09.pdf>

Inspection Report:

<http://www.torbay.gov.uk/index/council/performance/caa.htm>

Environment Information:

<http://www.torbay.gov.uk/index/environment-planning/theenvironment/climatechange.htm>

Additional Information or paper copies of the above on Council Performance can be accessed from James Bennett - 01803 207022 or email: james.bennett@torbay.gov.uk

Additional financial information or paper copies can be accessed from Financial Services – 01803 207283, 207285 or 207309 or email: financial.services@torbay.gov.uk

4 Financial Overview 2009/10

The Council set a Revenue budget, including the local precept from Brixham Town Council, for 2009/10 of £116 million (£111m 2008/09 an increase of 4%).

This equated to a Band D Council Tax of £1,227.40 (£1,180.92 2008/09) for the Torbay Council Tax requirement (excluding local precept), an increase of 3.94%. The Total Council Tax Band D including the Devon and Cornwall Police Authority, and Devon & Somerset Fire & Rescue Authority was £1,445.80 (£1,389.69 2008/09), an overall increase of 4.04%.

Brixham Parish Council issued a local precept on Torbay Council and is included within Torbay's Income and Expenditure Account, which is received from the council taxpayers in the area covered by the Parish Council. The local precept (within the Brixham Parish Council area) for a Band D Council Tax was £27.65. (£24.47 - 2008/09).

The Council's net budget requirement of £116 million was funded from Central Government grant and redistributed National Non-Domestic Rates (£56 million in total or 48%), with the balance funded from local taxpayers (£60 million or 52%). In addition the Council also generated income from services and other specific government grants, which supported the provision of services. This resulted in a gross Council budget for both revenue and capital of approximately £387 million.

The Council faced a number of financial pressures and challenges in 2009/10. There were three main issues the Council faced:

- Increased demand for childrens' social care. In the year there was a significant increase in the number of children referrals to the Council for social care issues. This was in part linked to the impact of the "baby P" case at a London Council.
- Increased costs for adult social care. The Torbay Care Trust, who are commissioned by the Council to provide adult social care found containing expenditure within the amount allocated by the Council a challenge due to increased client numbers which is reflected by the Council's demographics i.e. an increasing number of older adults.
- Increased costs and reduced income from the economic conditions. A number of the Council's income streams were reduced by the continuing economic conditions in particular investment income and demand led fees and charges such as land charges and planning applications.

The Council through its budget monitoring, identified these issues early in the financial year and the Council's senior managers and members took action to achieve a balanced budget by the end of the year. This enabled the Council to counteract any adverse budget changes and achieve a balanced budget for 2009/10 while allowing monies to be earmarked for service issues in 2010/11 and beyond.

As mentioned above the economic conditions continued to bring considerable uncertainty to the Torbay area. The impact could continue to be seen in various Council services from reductions in income, reduced council tax and business rate collection, increased demand for housing and council tax benefit and other support services, and a significant reduction in investment rates. In addition there was an ongoing impact on the level of capital receipts from land sales and developer contributions. A number of these issues were reflected in the Council's 2009/10 budget setting.

The economic conditions continued to have a significant adverse impact on the Council's share of the Devon County Pension Fund liability as at 31st March 2010, with a further significant increase of £54 million in the overall pension fund liability to £167m (£113m 2008/09). In 2009/10, although Torbay's share of the market value of assets in the fund increased by £50m (primarily linked to stock market recovery), this was more than offset by a significant reduction in bond yields which increased Torbay's share of fund liabilities by £104m. Further information on this issue is in the Local Government Pension Fund section of the explanatory foreword.

The Council continued to progress its Local Pay Review for all staff (except teachers). After the results of the review were sent to staff, there was an appeal process. This has now been completed and staff were notified of their "final" grades in early 2010. Based on these results the Council has accrued for 2009/10 costs and set aside monies into appropriate provision and reserves for any back pay and any future costs.

The Council received a net VAT refund (principal and interest) in relation to cultural services income dating back to the 1990's of £1.6m. This income has been reflected as interest income and within the cost of services and then transferred to support the council's capital programme.

The only change in service delivery in 2009/10 was the transfer of the Council's Internal Audit function to be part of the Devon Audit Partnership, a joint committee, with Devon County Council and Plymouth City Council. In 2010/11 there are expected to be additional changes with the creation of a joint venture company for operational services and the proposed creation of a private

company for Tourism, a private company has been set up for Economic Development which will not trade until 2010/11. In addition from April 2010 the responsibility for a number of functions previous managed by the Learning and Skills Council were transferred to the Council.

In 2010/11 and future years there is uncertainty over the impact of the public sector deficit on the Council. At the time of writing this report the government had just announced a series of in year cuts for 2010/11 which will impact upon the Council's revenue and capital budgets. The Council will be analysing the impact of these reductions and further significant reductions are expected in 2011/12.

The Council's Cabinet met on the 15th June 2010 to consider the Provisional Revenue Outturn Report for 2009/10 which was approved by Full Council on the 24th June 2010. The final net surplus, after transfers to earmarked reserves, for 2009/10 transferred to the General Fund Reserve was £0.6 million (or 0.5% of approved budget). An extract from that report is included in the income and expenditure section below.

The Statement of Movement on the General Fund balance shows that the final outturn position for 2009/10 has left the Council's General Fund Balance at the year end at £3.7 million. (2008/09: £3.1million). This results in the General Fund Balance being 3% of the Council's 2010/11 Budget.

A Capital Outturn Report for 2009/10 was to presented to the Council's Cabinet on the 15th June 2010. The Report showed a spend on capital in 2009/10 of £49 million (£51 m 2008/09). This compares to £56 million in the latest budget report in February 2010. The underspend represents slippage in expenditure on a number of schemes. The budget will be carried forward in the Capital Plan to fund the completion of the projects in future years. The expenditure of £49 million on capital projects is at a similar level to spend for 2008/09 but is still significantly higher than in earlier years and covers a wide range of projects such as Foxhole school, Brixham Fish Quay, Torquay Community College, Rock Walk, Paignton Library and Haldon Pier. Capital expenditure is expected to remain high in 2010/11 due, in part, to the approval in 2009/10 of the Castle Circus Regeneration Project - a major £36m scheme.

5 Statement of Accounts

The Statement of Accounts is over 170 pages long with its form and content mostly prescribed by legislation.

2009/10 is the last year that the Council's accounts will be prepared under United Kingdom accounting rules as interpreted by CIPFA for local government. From 2010/11 the Council's accounts will be prepared under International Financial Reporting Standards (IFRS). This will have a significant change to the presentation of the core statements and an impact on the accounting for certain items such as fixed assets and employee benefits. However there is not expected to be any impact on the "bottom line" of the accounts – i.e no change in costs to be funded from the taxpayer. For the 2010/11 accounts the comparative year, 2009/10, will have to be restated on an IFRS basis. Reports highlighting the issues have been presented to the Council's Audit Committee, the latest in March 2010. These reports can be accessed on the Council's website on the link to Council reports and then selecting Audit Committee:

<http://www.my-bay.info/index/council/councillorsdecisions/minutesandreports.htm>

As this is the last year prior to the significant changes from the introduction of IFRS there are a number of minor changes to help the conversion to IFRS. The changes to PFI accounting under IFRS have been introduced a year early and there have been changes to the accounting for the assets and liabilities for Council Tax and NNDR in the Collection Fund. Both the last two changes are significant and have required the prior year accounts to be restated. These changes do not have an impact on the "bottom line" in respect of the charge to the Council tax payer.

A number of notes have now been removed these include the notes in relation to publicity, s137 expenditure and income under the Goods and Services Act. The Council has the option of removing the building control account note but has chosen to continue to publish this information.

Councils are now required to publish more detail on remuneration of senior staff. The Council already publishes information beyond the requirement.

A summary Statement of Accounts is also prepared for wider distribution and is available at the Council "Connections" offices and public libraries.

Balances are shown to the nearest £100,000 which is shown as £0.1 million in the accounts.

Summary of Significant Accounting Changes for 2009/10

Previous Treatment	New Treatment from 1 st April 2009
Collection Fund on an Agency Basis	
<p>The Council is the billing authority for Council Tax and NNDR. Council tax is collected on behalf of the Council itself and the two major precepting bodies – Devon and Cornwall Police, and Devon and Somerset Fire Authority. NNDR is collected on behalf of Central Government .</p> <p>The Council recognised in its balance sheet the total of all the components of the year end position of both taxes – i.e. total arrears, impairment and prepayments along with any balances due to/from central government in relation to payments on account made during the year.</p> <p>Any surplus or deficit on the Collection Fund at year end was held in a reserve to be distributed in future years.</p>	<p>The Council is now acting on an agency basis for all Collection Fund balances. For Council Tax it collects tax on behalf of itself, Devon and Cornwall Police, Devon and Somerset Fire Authority, and for NNDR it collects tax on behalf of central government. This results in the Council reflecting in its balance sheet only the components (arrears, impairment and prepayments, share of surplus/deficit) that it is liable for – i.e. only the Council's share (approx 85%) of all Council tax balance and no balances in relation to NNDR.</p> <p>In addition the Council now recognises in year any surplus or deficit for Council tax within its Income and Expenditure Account with corresponding entries to reverse this impact in the Statement of Movement on General Fund Balance and the Collection Fund Adjustment Account.</p> <p>The figures for 2008/09 have been restated.</p>

PFI – Private Finance Initiative	
<p>Torbay’s PFI scheme for two schools – Westlands and Homelands was accounted for “off balance sheet” with the only costs being the annual “unitary charge” paid to the contractor from its Income and expenditure account.</p> <p>There were entries on the Income and expenditure accounts and balance sheet to reflect the schools reverting to Council ownership at the end of the contract</p>	<p>The two schools are now accounted for as Council assets with the values recognised as fixed assets (and then depreciated and revalued as other fixed assets) with a corresponding liability recognised to the contractor for the “purchase” of the schools.</p> <p>The annual payment to the contractor is now split into three components: a payment to reduce the liability for the buildings on the balance sheet, a finance charge in the Income & Expenditure Account to recognise the payment for the building being spread over 25 years and a annual charge for the running costs of the school within the contract.</p> <p>In addition the Council now makes an annual revenue provision (for the repayment of liability) for the two schools which is equal to the annual reduction in the liability to the contractor.</p> <p>The Council continues to recognise a PFI grant as a revenue grant but has now split the grant to match the three components.</p> <p>The figures for 2008/09 have been restated</p>

5.1 Income and Expenditure Account

This account summarises the resources that have been generated, consumed and set aside in providing services and managing Torbay Council during the last year. It includes all day-to-day expenses and related income including capital receipts on an accruals basis, as well as transactions measuring the value of fixed assets actually consumed and the real projected value of retirement benefits earned by employees in the year. However to view the overall impact of the Council’s financial position for 2009/10 the surplus/deficit on this Account needs to be combined

with the Statement of Movement on the General Fund Balance.

The Income and Expenditure Account shows the financial position of the Council before the adjustments provided by statute that allow Local Authorities to raise council tax according to different accounting rules. An example would be the treatment of depreciation on fixed assets, depreciation is charged to the Income and Expenditure Account but cannot be charged to the General Fund due to its possible impact on the amount of Council tax to be raised. These accounting adjustments are summarised in the paragraph below on the Statement of Movement on the General Fund Balance. The statement includes all income related to the year both revenue and capital.

The Council is required to present its service expenditure analysis on a 'Total Cost' basis, i.e. including support services, capital charges and FRS17 retirement benefits, in accordance with the CIPFA Best Value Accounting Code of Practice. This code promotes comparability and consistency for local authority financial reporting. The description of services is prescribed by the Code of Practice which does not reflect the Council's own organisation of services.

A summary of the Income and Expenditure Account and Statement of Movement on the General Fund Balance for 2009/10 is shown below in comparison with the revised budget (the detailed account is shown in the Core Financial Statements).

Summary Income and Expenditure Account

	Budget £m	Net Expenditure £m	Variance £m
	2009/10	2009/10	2009/10
Net Cost of Services	118.5	123.9	5.4
(Gains)/Losses on disposal of Fixed Assets	0	0.4	0.4
(Surplus)/deficit on Trading Undertakings	(0.5)	(0.3)	0.2
(Surplus)/deficit on Investment Properties	0	(0.3)	(0.3)
Interest Payable and Similar Charges	5.8	6.8	1.0
(Gains)/Losses on early settlement of borrowing	0	0	0
Interest and Investment Income	(2.1)	(3.6)	(1.5)
Pension interest cost and expected return on pension asset	9.3	9.3	0
Brixham Parish Council	0.2	0.2	0
Net Operating Expenditure	131.2	136.4	5.2
Funding:			
General Government Grants – Revenue Support Grant	(10.5)	(10.5)	0
NNDR Redistribution	(45.6)	(45.6)	0
PFI Grant – Finance Costs	0	(0.6)	(0.6)
Area Based Grant	(7.9)	(7.9)	0
Income from Council Tax	(59.5)	(60.6)	(1.1)
Net General Fund (Surplus)/Deficit	7.7	11.2	3.5

The Income and Expenditure Account shows Torbay Council's actual financial performance for the year, measured in terms of the resources consumed and generated over the last 12 months. However, the Council is required to raise council tax on a different accounting basis, the main differences being:

- Capital investment is accounted for as it is financed, rather than when the fixed assets are consumed.
- Retirement benefits are charged as amounts become payable to pension funds and pensioners, rather than as future benefits are earned.

- Surplus or Deficit on Collection Fund recognised as a cost or income in year rather than when distributed.
- The General Fund Balance shows whether Torbay Council has over or under spent against the council tax that it raised for the year, taking into account the use of reserves built up in the past and contributions to reserves earmarked for future expenditure.

5.2 Statement of Movement on the General Fund Balance

	Budget	Net Expenditure	Variance
	£m	£m	£m
	2009/10	2009/10	2009/10
(Surplus)/Deficit for the year on the Income and Expenditure Account (from Summary Income & Expenditure Account above)	7.7	11.2	3.5
Net additional amount required by statute and non-statutory proper practices to be debited or credited to the General Fund Balance for the year	(7.7)	(11.8)	(4.1)
Increase in General Fund Balance for the Year	0	(0.6)	(0.6)
General Fund Balance B/F	(3.1)	(3.1)	0
General Fund Balance C/F	(3.1)	(3.7)	(0.6)

The statement reconciles the difference between the outturn on the Income and Expenditure account and the movement on the General Fund Balance.

The Council's statutory reporting requires its income and expenditure to be presented in line with CIPFA guidance. The Council however for its management financial information reports in line with the Council's management structure of business units each providing a range of services. The detail of the Council's financial performance on this basis is included in the Revenue Outturn report to Cabinet on the 15th June 2010. This report can be accessed on the Council's website on the link to Council reports:

<http://www.my-bay.info/index/council/councillorsdecisions/minutesandreports.htm>.

A summary from that report of the Council's 2009/10 income and expenditure by Business Unit is shown in the table below.

Council Services	Revised Budget	Actual Spend	Carry Forward to 2010/2011	Outturn	Net Over / (Underspend)
	£'000	£'000	£'000	£'000	£'000
Environment					
Residents and Visitors	11,548	10,669	404	11,073	(475)
Waste and Cleaning	8,700	8,376	0	8,376	(324)
Spatial Planning	4,927	4,931	0	4,931	4
Torbay Development Agency	4,389	4,307	80	4,387	(2)
	29,564	28,283	484	28,767	(797)
People					
Adult Social Care	41,640	42,382	0	42,382	742
Children's	21,973	22,222	0	22,222	249
Community Safety	1,513	1,346	101	1,447	(66)
Housing Services	2,373	2,373	0	2,373	0
	67,499	68,323	101	68,424	925
Corporate Support					
Governance	6,965	6,911	0	6,911	(54)
Business Planning	2,714	2,427	43	2,470	(244)
JVC	0	191	0	191	191
JE	600	(0)	0	(0)	(600)
Pay Award	379	(0)	0	(0)	(379)
	10,658	9,529	43	9,572	(1,086)
Operational Support					
- Customer Contact	1,800	1,705	0	1,705	(95)
- Finance	8,815	9,180	0	9,180	365
- Human Resources	1,087	1,001	40	1,041	(46)
- Information Technology	3,069	2,995	0	2,995	(74)
- Legal and Procurement	858	1,042	0	1,042	184
	15,629	15,923	40	15,963	334
Transfer to Reserve	0	50	0	50	50
Total	123,350	122,108	668	122,776	(574)

5.3 Statement of Total Recognised Gains and Losses

This Statement brings together all the gains and losses of the Council for the year not reported in the Income and Expenditure Account and the Statement of Movement on General Fund Balance, and shows the aggregate increase in the Council's net worth. In addition to the surplus generated on the Income and Expenditure Account, it includes gains and losses relating to the revaluation of fixed assets and re-measurement of the net liability to cover the cost of retirement benefits.

5.4 The Balance Sheet

The Balance Sheet shows the overall financial position of the Council at 31st March 2010. It shows the balances and reserves of the Council together with the total assets and liabilities. The Balance Sheet includes all assets and liabilities of all activities of the Council excluding Trust Funds.

5.5 The Cash Flow Statement

This statement summarises all of the inflows and outflows of cash arising from transactions with third parties for both revenue and capital purposes.

5.6 The Collection Fund

This account reflects the statutory requirement for billing authorities to maintain a separate Collection Fund. The account shows the transactions of the Council in relation to Non-Domestic Rates and Council Tax, and illustrates the way in which these have been distributed (by way of precept) to Devon and Cornwall Police Authority, Devon and Somerset Fire and Rescue Authority, and to this Council's General Fund.

The Brixham Parish Council 'local' precept does not appear in the Collection Fund but as a charge to the Council's Income and Expenditure Account.

The Collection Fund, as a separate account, is not affected by the change to accounting for asset and liabilities on an agency basis.

5.7 Annual Governance Statement

The Annual Governance Statement is the formal statement that recognises, records and publishes Torbay Council's governance arrangements. Although the Council is required to publish the statement as part of its Statement of Accounts there is a separate authorisation and approval process.

5.8 The Statement of Responsibilities for the Statement of Accounts

Local Authorities are required to include in their Statement of Accounts a Statement of Responsibilities for the Statement of Accounts, which sets out the respective responsibilities of the Council and the Chief Finance Officer for the accounts.

6 Group Accounts

Group Financial Statements are required to reflect the risks and rewards of the Council's interest in other legal entities normally arising as a result of changes in service delivery from the Council to other organisations.

The Council has assessed its relationship with other bodies and the following companies fall within the requirement to produce Group Accounts. A summary is listed below.

- Torbay Enterprise Agency Ltd. The turnover and assets held by this company are considered not significant enough to produce Group Accounts.
- Torbay Development Agency Limited. This company has had no financial transactions.
- SWERCOTS Ltd. This is the South West of England Regional Co-ordination of Trading Standards and represents the 15 South West Regional Authorities. The company was established in 2004 as a company limited by guarantee to operate 'Consumer Direct' a Central Government funded initiative. The payment of a £10 membership fee gives Torbay Council membership of the board with Torbay represented by a councillor. There are no transactions/liabilities associated with Torbay Council's membership other than the £10 initial one-off fee. For financial reporting this relationship has been treated as an investment.
- PLUS Organisation is a company limited by guarantee. Devon County Council, Plymouth

City Council, Torbay Council and Somerset County Council each have an equal share in the company. For financial reporting this relationship falls within the definition of an associate; this technically requires the Council to produce group accounts. Group accounts have not been produced as the net assets and profit are not considered to be material. A summary of PLUS accounts for the year 2009/2010 is disclosed in Note 36.

- South West Grid for Learning Trust. The company 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.
- Connexions Cornwall and Devon Ltd. The company was incorporated on 7 March 1995 as a Company limited by guarantee not having a share capital. The council had an equal share with 13 other public sector bodies. With effect from 1st April 2008 the company resolved to become a local authority controlled company with 4 members. The members are Cornwall County Council, Devon County Council, Plymouth Council and Torbay Council, each member has an equal share in the company. The company aims to help young people and adults engage in learning and work. For financial reporting this relationship falls within the definition of an associate; this technically requires the Council to produce group accounts. Group accounts have not been produced as the net assets and profit are not considered to be material.
- Torbay Town Centres Limited. In 2008/09 the Council with representatives from local businesses formed this company to support the process for establishing Business Improvement Districts in the Torbay area. In March 2010 there was a "yes" vote for a Torquay BID and the levy from business within this district is due from May 2010. For financial reporting purposes this relationship has been treated as an investment.
- Torbay Economic Development Company Limited. This company was incorporated in February 2010 as a Company Limited by Guarantee with 100% ownership by the Council. This company has had no financial transactions. For financial reporting this company will be a subsidiary of Torbay Council.
- South West Academic Trust. Torquay Boys Grammar school along with a number of other

schools across the South West have formed a company to promote joint working and share good practice. The company is not trading.

7 Current Borrowing, Asset Utilisation and Investments

As at 31st March 2010, the total fair value of external investments of the Council amounted to £112.5 million (31/3/09 £75.1m), which represents temporary short term cash deposits with borrowers on the Council's approved lending list. Of these investments £4.4 million have been invested for over one year. As at the 31st March 2010 the Council had not borrowed any short term monies and had long term debt outstanding of £134.1 million (31st March 2009: £110.7m) primarily to Public Works Loan Board (PWLB), of which £1.5 million (31st March 2009: £1.2m) is interest due within one year, principally to finance the costs of the Council's Capital Budget, (see Note 28).

Private Finance Initiative - A Project Agreement was signed on 31st March 2000 with Torbay School Services Ltd for the provision of serviced facilities at Westlands Secondary and Homelands Primary Schools in Torquay. The contract runs until October 2027. A liability to Torbay Schools Services in relation to the construction of the two schools is now recognised on the Council's balance sheet.

Capital Expenditure in the year totalled £48.9 million (2008/09: £50.8m). The major areas of spending during the year were detailed in the table below. Further details can be found in the Council's capital outturn report for 2009/10 that was considered by Cabinet in June 2010 and is available on the Council's website.

	2009/10
Children	£m
Pre-Primary and Primary Provision	6.4
Secondary Provision	15.0
All Childrens School Initiatives including Youth projects	5.9
Housing	
Grants for Private Sector Renewal & Disabled Facilities	1.0
Grants to Housing Providers	1.5
Adults	
Support for community and mental health facilities	0.2
Highways & Engineering	
Local Transport Plan	3.9
South Devon Link Road	0.8
Other Schemes	0.8
Community (Environment)	
Flood Prevention & Coastal Defence	1.5
Fleet purchases (Vehicles, plant & equipment)	0.9
Culture	
Rock Walk	1.1
Paignton Library	3.3
Other Schemes	0.6
Other Schemes	
Sea Change – Cockington & Berry Head	0.8
Brixham Regeneration	4.6
Office Accommodation & Major Buildings	0.3
Other Schemes	0.3
TOTAL CAPITAL EXPENDITURE	48.9

The Capital Expenditure was financed from:-	£m
Borrowing – Supported by Government	4.9
Borrowing – Unsupported	6.2
Grants and Contributions	34.0
Capital Receipts	2.3
Earmarked Reserves & Revenue Budgets	1.5
Total	48.9

Note – this table includes £6.5m Revenue Expenditure Financed by Capital Under Statute that has been charged to the Council’s income and expenditure account to comply with the SORP.

This expenditure, combined with the results of the Council’s 5-year cyclical revaluation programme and the recognition of the two PFI financed schools, resulted in an overall increase of £54 million in the Balance Sheet net value of the Council’s Long Term (Tangible) Assets when compared to the 2008/09 closing balance (before restatement) (£62 million increase in 2008/09).

8 Local Government Pension Fund

The Actuary of the Devon County Council Pension Fund to which Torbay Council is a member has provided information concerning the assets and liabilities in relation to the Pension Scheme in accordance with FRS17 (Financial Reporting Standard 17). The Pension Fund has a new actuary for 2009/10 (Barnett Waddington) however this change has not impacted on pension calculations.

FRS 17 requires Local Authorities to recognise pension assets and liabilities within their accounts. The impact on the General Fund for 2009/10 of the FRS17 entries is neutral overall.

This liability is at a point in time (31st March 2010) reflecting short term stock market changes and is closely linked to corporate bond yields. The ‘cash’ implications for the Council of this liability will be reflected in the actuary’s triennial valuation of the fund (which is closely linked to long term gilt yields) and the subsequent change in employer’s contribution rates to meet the long term pension liabilities of the Council. Torbay, like most Councils, has a deficit. The last actuarial review of the Devon County Pension Fund took place as at 31st March 2007 and as a result Torbay’s employer’s

contributions to the fund was set at 17% for 2008/09 and for the next two financial years. In addition a lump sum is paid annually in relation to the transfer of staff to Torbay Care Trust of £0.3m for 2009/10 (£0.3m 08/09). The next review will be undertaken in 2010/11 with any changes in employer contribution rates will be reflected in 2011/12 onwards. The actuary, based on the 2009/10 information provided by the Council, has estimated that the employer's contributions to the fund in 2010/11 will be £8.4 million.

The actuary has estimated a net deficit on the funded liabilities within the Pension Fund as at the 31st March 2010 of £156.3 million (2008/09: £103.4m), excluding unfunded liabilities. This is a 50% increase in the estimated liabilities within the year of £52.9 million.

The actuary has also estimated the liability on the Council's unfunded liabilities, i.e. enhanced pension payments, to be £10.2 million at 31st March 2009 (2008/09: £9.4 million).

Therefore the Council's overall pension liability as at 31st March 2010 is £166.5 million (£112.8m 2008/09). The overall impact of this liability on the Council is to reduce its net assets by 64% as at 31st March 2010 (45% in 2008/09).

The increase of £52.9m in the funded liabilities in the fund is an increase of £103m in liabilities primarily due to the actuary's assessment that long term inflation rates are rising which result in higher future liabilities under index linked pensions and reductions in corporate bond yields that influence discount rates used to quantify scheme liabilities. This is offset in part by an increase in assets of £50.2m as the money markets recovered during 2009/10.

9 Changes in Accounting Policies

The Council's Accounting policies were reviewed for 2009/10. The Council has fully incorporated any changes arising from the Code of Practice on Local Authority Accounting in the United Kingdom 2009 and CIPFA Local Authority Accounting Panel Bulletins.

The significant changes in accounting polices for 2009/10 have been highlighted in section 3 of the Explanatory Forward and are in relation to Collection Fund and PFI accounting. Both these changes have required a restatement of the comparative 2008/09 information. Further information on these adjustments are in note 33 to the accounts.

TORBAY COUNCIL

CORE FINANCIAL STATEMENTS

2009/10

INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31st MARCH 2010

This account summarises the resources that have been generated, consumed and set aside in providing services and managing Torbay Council during the last year. It includes all day-to-day expenses and related income on an accruals basis, as well as transactions measuring the value of fixed assets actually consumed and the real projected value of retirement benefits earned by employees in the year. The Council is required to present the service expenditure analysis on a 'Total Cost' basis, i.e. including support services, capital charges and FRS17 retirement benefits, in accordance with the CIPFA Best Value Accounting Code of Practice. This code promotes comparability and consistency for local authority financial reporting.

Net Expenditure Restated		Gross Expenditure	Gross Income	Net Expenditure
2008/09		2009/10	2009/10	2009/10
£m		£m	£m	£m
1.7	Central Services to the Public	17.9	(16.2)	1.7
28.3	Children's and Education Services	144.9	(111.7)	33.2
0.3	Court Services – Coroner	0.4	(0.1)	0.3
26.1	Cultural, Environmental and Planning Services	36.1	(11.9)	24.2
9.5	Highways, Roads and Transport Services	18.7	(9.6)	9.1
2.2	Housing Services	68.5	(65.8)	2.7
43.1	Social Care – Adults	45.9	(1.7)	44.2
5.7	Corporate & Democratic Core	6.9	(0.4)	6.5
0.6	Non Distributed Costs	1.1	(0.1)	1.0
(2.4)	Exceptional Costs (see note 17)	1.0	0	1.0
115.1	Net Cost of Service	341.4	(217.5)	123.9
(0.2)	(Gains)/Losses on disposal of Fixed Assets			0.4
0.2	Local Precept (Brixham Parish Council)			0.2
0.3	(Surplus)/ deficit on Trading Undertakings			(0.3)
0.3	(Surplus)/deficit on Investment Properties			(0.3)
6.5	Interest payable and similar charges			6.8
0.1	(Gains)/Losses on early settlement of borrowing			0
(5.0)	Interest and Investment Income			(3.6)
3.7	Pension interest cost & expected return on pension assets			9.3
121.0	Net Operating Expenditure			136.4

INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31st MARCH 2010				
2008/09 Restated £m		2009/10 £m	2009/10 £m	2009/10 £m
121.0	Net Operating Expenditure brought forward			136.4
(6.5)	General Government Grant - Revenue Support Grant			(10.5)
(7.5)	General Government Grant - Area Based Grant			(7.9)
(0.6)	General Government Grant – PFI Finance Costs			(0.6)
(46.7)	NNDR Redistribution			(45.6)
(57.6)	Income from Council Tax			(60.6)
2.1	Total (Surplus)/Deficit			11.2

STATEMENT OF MOVEMENT ON THE GENERAL FUND BALANCE FOR THE YEAR ENDED 31st MARCH 2010		
<p>The Income and Expenditure Account shows Torbay Council's actual financial performance for the year, measured in terms of the resources consumed and generated over the last 12 months. However, the Council is required to raise council tax on a different accounting basis, the main differences being:</p> <p>Capital investment is accounted for as it is financed, rather than when the fixed assets are consumed.</p> <p>Retirement benefits are charged as amounts become payable to pension funds and pensioners, rather than as future benefits are earned.</p> <p>The General Fund Balance shows whether Torbay Council has over or under spent against the council tax that it raised for the year, including the use of reserves built up in the past and contributions to reserves earmarked for future expenditure.</p> <p>Amount by which finance costs calculated in accordance with the SORP are different from the amount of finance costs calculated in accordance with statutory requirements</p> <p>Amount by which Council tax income included in Income and Expenditure Account is different from the amount taken to the general fund in accordance with regulation</p>		
2008/09 Restated £m		2009/10 £m
2.1	(Surplus)/Deficit for the year on the Income and Expenditure Account	11.2
(2.2)	Net additional amount required by statute and non-statutory proper practices to be debited or credited to the General Fund Balance for the year (Note 40)	(11.8)
(0.1)	Increase in General Fund Balance for the Year	(0.6)
(3.0)	General Fund Balance Brought Forward	(3.1)
(3.1)	General Fund Balance Carried Forward	(3.7)
(3.1)	Amount of General Fund Balance generally available for new expenditure	(3.7)
Note:		
(1.0)	Amount of Earmarked Reserve held by schools under local management schemes	(0.7)

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES FOR THE YEAR ENDED 31ST MARCH 2010

This Statement brings together all the gains and losses of the Council for the year and shows the aggregate increase in its net worth. In addition to the surplus generated on the Income and Expenditure Account, it includes gains and losses relating to the revaluation of fixed assets and re-measurement of the net liability to cover the cost of retirement benefits.

2008/09	2009/10
Restated	Restated
£m	£m
2.1 (Surplus)/Deficit for the year on the Income and Expenditure Account	11.2
(26.6) Surplus/(Deficit) arising on revaluation of fixed assets	(7.1)
0 (Surplus)/Deficit arising on revaluation of available-for-sale fixed assets	0
55.7 Actuarial (gains)/losses on pension fund assets and liabilities	46.1
31.2 Total recognised (gains)/losses for the year	50.2
The cumulative effect on 'Net Worth' of prior period adjustment:-	
132.8 Balance Sheet as at 31 st March 2009	
5.8 Recognition of PFI Assets and Liabilities (note 33)	
138.6 Restated Balance Sheet as at 31 st March 2009	

BALANCE SHEET AS AT 31st MARCH 2010

Torbay Council's balance sheet shows the Council's financial position as at 31st March 2010. This includes the Council's:-

- balances and reserves
- long-term indebtedness
- fixed and net current assets employed in its operations
- summarised information on the fixed assets held

	2008/09		Note	2009/10	
	Restated			£ m	£ m
	£ m	£ m			
Long Term Assets:					
	0.9	Intangible Assets	20.1		0.7
Tangible Fixed Assets					
<i>Operational Assets:-</i>					
320.8		Other Land & Buildings		329.9	
6.3		Vehicles, Plant and Equipment		7.1	
58.2		Infrastructure Assets		63.0	
7.1		Community Assets		9.3	
	392.4		20.1		409.3
<i>Non Operational Assets:-</i>					
4.1		Investment Properties		3.1	
23.0		Assets under Construction		39.1	
1.6		Surplus Assets held for Disposal		0.9	
	28.7		20.1		43.1
	421.1	Total Tangible Assets			453.1
Other Assets					
13.6		Long Term Investments	24.3	4.4	
0.5		Long Term Debtors		0.7	
	14.1				5.1
	436.1	Total Long Term Assets			458.2

2008/09		BALANCE SHEET AS AT 31st MARCH 2010		<i>Note</i>
Restated		Continued		
£ m	£ m			
	436.1	Brought forward		458.2
		Current Assets		
0.1		Landfill Allowances (LATS)	26	0
0.4		Stock and Work in Progress	44	0.4
16.4		Debtors (net of provision for bad and doubtful debt)	12	9.7
61.5		Temporary Investments	24	108.1
1.9		Payments in Advance		2.1
5.6		Cash and Bank		1.7
	85.9			122.0
	522.0	Total Assets		580.2
		Current Liabilities		
(1.2)		Long Term borrowing due within 12 months	19.1&28	(1.5)
(19.9)		Creditors	11.1	(25.4)
(1.2)		Deferred Liabilities due within 12 months	28.3	(1.2)
0		Bank Overdraft		0
(4.3)		Receipts in Advance		(4.7)
(21.3)		Capital Grants and Contributions Unapplied		(21.5)
	(47.9)			(54.3)
	474.1	Total Assets less Current Liabilities		525.9
(109.5)		Borrowing repayable within a period in excess of 12 months	19.1&28	(132.6)
(31.0)		Deferred Liabilities including PFI liability	28.3	(29.8)
(77.4)		Government Grant & Contributions Deferred account	23	(103.7)
(2.1)		Creditors due in excess of 12 months	11.2	(2.1)
(2.5)		Provisions	34	(2.6)
(0.2)		Financial Guarantees	18	(0.2)
(103.4)		Liability to defined benefit pension scheme -funded	32.6	(156.3)
(9.4)		Liability to defined benefit pension scheme- unfunded	32.11	(10.2)
	(335.5)			(437.5)
	138.6	Total Assets less Liabilities		88.4

2008/09		BALANCE SHEET AS AT 31st MARCH 2010		<i>Note</i>	2009/10	
Restated		Continued				
£ m	£ m				£ m	£ m
Financed by:-						
48.1		Revaluation Reserve		38.2	52.0	
172.9		Capital Adjustment Account		38.3	167.6	
0.4		Usable Capital Receipts Reserve		38.4	0.4	
(103.4)		Pension Reserve – funded liabilities		32.6	(156.3)	
(9.4)		Pension Reserve – unfunded liabilities		32.11	(10.2)	
0		Available-for-sale Financial Instruments Reserve		38.6	0	
(0.4)		Financial Instrument Adjustment Account		38.5	(0.3)	
0		Collection Fund Adjustment Account		38.7	1.1	
26.3		Earmarked Reserves		38.9	29.7	
1.0		Schools Balances		38.8	0.7	
3.1		General Fund Reserve			3.7	
	<u>138.6</u>	Total Net Worth				<u>88.4</u>
<p>R. THORPE BA <u>CPFA</u></p> <p>Chief Finance Officer</p> <p>10th June 2010</p>						

**CASH FLOW STATEMENT FOR THE YEAR ENDED
31st MARCH 2010**

This statement summarises the inflows and outflows of cash arising from transactions with third parties for revenue and capital purposes. Cash is defined for the purpose of this statement, as cash in hand and deposits repayable on demand less overdrafts repayable on demand.

2008/09		2009/10	
Restated			
£ m	£ m	£ m	£ m
Revenue Activities			
<u>1.8</u>	Net Cash Flow from Revenue Activities	<i>Note 8</i>	<u>(26.2)</u>
Returns on Investment and Servicing of Finance			
Cash Outflows			
<u>5.7</u>	Interest Paid	<u>6.1</u>	6.1
5.7			6.1
Cash Inflows			
<u>(4.2)</u>	Interest Received		<u>(2.3)</u>
<u>1.5</u>	Net Cash (Inflows)/outflows from Investments		<u>3.8</u>
Capital Activities			
Cash Outflows			
41.1	Purchase of fixed assets		45.8
Cash Inflows			
(0.5)	Sale of fixed assets	(1.8)	
(30.7)	Capital grants received	(30.9)	
(4.0)	Other capital cash receipts	(0.9)	
<u>(35.2)</u>			<u>(33.6)</u>
<u>5.9</u>	Net Cash Flow from Capital Activities		<u>12.2</u>
9.2	Net Cash (inflow)/outflow before Financing		(10.2)

2008/09		2009/10	
Restated			
£ m	£ m	£ m	£ m
Management of Liquid Resources			
(6.8)	Net Increase/(decrease) Short term investments	45.1	
3.0	Net Increase/(decrease) in long term investments	(9.0)	
			36.1
Financing			
Cash Outflows			
12.5	Repayment of Amounts Borrowed	2.0	
0.3	Private Finance Initiative	0.3	
0.9	Devon County Transferred Debt	0.8	
13.7		3.1	
Cash Inflows			
(23.0)	New Loans Raised	(25.1)	
			(22.0)
	Net (Increase)/Decrease in Cash		3.9

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NOTES TO THE CORE FINANCIAL ACCOUNTS

1 Acquired or Discontinued Operations

There are no acquired or discontinued operations.

2 Agency

Torbay Council's agreements with external bodies to undertake work are disclosed under Trading Services in Note 45

The Council is now acting on an agency basis for all Collection Fund balances. For Council Tax it collects tax on behalf of itself, the Devon & Somerset Fire and Rescue Authority and Devon & Cornwall Police and for NNDR it collects tax on behalf of central government. This results in the Council only reflecting in its balance sheet only the components (arrears, impairment and prepayments, share of surplus/deficit) that it is liable for – i.e. only the Council's share (approx 85%) of all Council tax balances and no balances in relation to NNDR. Any balances that the other bodies are liable for are reflected in the Council's balance sheet as a debtor or creditor.

3 Audit Costs

In 2009/10 Torbay Council incurred the following fees relating to external audit and inspection:

2008/09 £000's		2009/10 £000's
241	Fees payable with regard to external audit services carried out by the appointed auditor (the Audit Commission).	238
22	Fees payable in respect of statutory inspection under s10 Local Government Act 1998	16
32	Fees payable to the Audit Commission for the certification of grant claims and returns by appointed auditor.	49
18	Fees payable in respect of any other services provided by the Appointed Auditor (the Audit Commission).	2

4 Building Control Trading Account

This note discloses income and expenditure associated with the Council's building control function. Certain activities performed cannot be charged for, such as providing general advice and liaising with other statutory authorities. The statement below shows the total cost of operating the building control unit divided between chargeable and non-chargeable activities.

Building Regulations Charging Account 2009/10			
	Chargeable	Non – Chargeable	Total Building Control
	2009/10	2009/10	2009/10
	£ 000	£ 000	£ 000
Expenditure			
Employee Expenses	277	154	431
Transport	12	7	19
Supplies and Services	19	10	29
Central Support	71	34	105
Total Expenditure	379	205	584
Income			
Building Control Fees	(341)	0	(341)
Other Income	0	(9)	(9)
Total Income	(341)	(9)	(350)
(Surplus) / Deficit for the Year	38	196	234
Comparatives for 2008/09:			
Expenditure	375	196	571
Income	(363)	(5)	(368)
(Surplus) / Deficit for the Year	12	191	203

This disclosure is no longer required under the 2009 SORP, however the Council has chosen to publish this information as part of its accounts.

5 Business Improvement District (BID)

The Council is working with local businesses to establish a number of business improvement districts (BIDS) within Torbay. As an aid to this process the Council has established, with representatives of local businesses, a company (Torbay Town Services Limited) to co ordinate the BID process. In March 2010 there was a "yes" vote for a BID for central Torquay and the levy will be collected from 2010/11.

6 Cash Flow Statement

The Council has adopted the indirect method of presentation. The net decrease in cash of £3.9m is a result of a net increase in investments £36.1m and a net increase in financing such as loans of £22.0m. This has been offset by a net outflow on capital of £12.2m and net income on revenue and interest payments £22.4m.

7 Cash Flow Statement - Reconciliation of Movements in Cash and Net Debt

2008/09		Reconciliation of Movements in Cash & Net Debt		2009/10	
		£ m	£ m	£ m	£ m
1.8		Cash Flow from Revenue Activities	(26.2)		
5.9		Cash Flow from Capital Activities	12.2		
1.5		Cash Flow from Investments and Servicing of Finance	3.8		
	9.2	Net increase/(decrease) in Debt			(10.2)
6.8		Cash Flow from Liquid Resources	(45.1)		
(3.0)		Cash Flow from Investments (over one year)	9.0		
9.3		Cash Flow from Financing	22.0		
(3.9)		Change in Cash Balances	3.9		
	9.2	Net Increase/(decrease) in Debt			(10.2)

8 Cash Flow Statement - Movement of Financing and Liquid Resources

Movement of Financing and Liquid Resources (Principal values)			
	As at 31 st March 2009	As at 31 st March 2010	Movement in year
	£m	£m	£m
Financing Items			
External Long Term Borrowing (net movement)	109.3	132.4	23.1
PFI Liability	10.8	10.5	(0.3)
Devon County Transferred Debt	21.4	20.5	(0.9)
	141.5	163.4	21.9
Liquid Resources			
Temporary Investments	(59.9)	(105.0)	(45.1)
Investments (over one year)	(13.1)	(4.0)	9.1
	(73.0)	(109.0)	(36.0)
Cash Related			
Net Cash Overdrawn	0	0	0
Cash In Hand	(5.6)	(1.7)	3.9
	(5.6)	(1.7)	3.9
Total Movement of Financing & Liquid Resources	62.9	52.7	(10.2)

Liquid resources are current asset investments that are readily disposable by the Council without disrupting its business and are either readily convertible to known amounts of cash at or close to the carrying amount, or traded in an active market. Investments that are due to be repaid after one year have been included in liquid resources but separately identified.

9 Cash Flow Statement – Reconciliation of Revenue Cash Flow

Reconciliation of Income & Expenditure Account to Revenue Cash Flow				
2008/09			2009/10	
£ m	£ m		£ m	£ m
	2.1	Income & Expenditure Account		11.2
	(10.3)	Depreciation amortisation and impairment		(15.9)
	6.1	Reserves and other non cash movements		(5.4)
		Items classified elsewhere on cash flow:		
(5.7)		Interest Paid	(6.1)	
4.2	(1.5)	Interest Received	2.3	(3.8)
	0	Increase/(decrease) in stock and work-in-progress		0
	0.9	(Increase)/decrease in creditors/receipts in advance		(5.9)
	2.9	(Increase)/decrease in provisions		(0.1)
	1.6	Increase/(decrease) in debtors/payments in advance		(6.3)
	<u>1.8</u>	Revenue Activities Net Cash Flow		<u>(26.2)</u>

10 Contingent Liabilities and Assets

The Council has a number of contingent liabilities in relation to pension and overdraft guarantees.

PLUSS has been admitted to the Devon County Pension Fund. The former Council staff are now employed by PLUSS and as a result the Council has guaranteed to meet any pension related financial liabilities arising on staff prior to transfer. The latest estimate of the value of this guarantee is £0.4 million. In addition the Council agreed to guarantee an overdraft to Barclays Bank to a value of £0.125 million.

The Council has also given pension guarantees for a number of services where the Council has an involvement including the Chief Executive for the South West Grid for Learning, and the Council staff that transferred to National Car Parks, Connexions Cornwall & Devon Limited, Torquay Museum, and Eden Catering.

LATS - The use of landfill continues to be a significant issue within Torbay Council, the Council have identified that there is a possibility of total cumulative fines to 2019/20 of £27.5m if action is not taken to address landfill issues and if adequate LATS trading does not take place. The joint PFI scheme with Plymouth City Council and Devon County Council will mitigate risk but although this project still progressing is not yet operational. The creation of the Joint Venture Council including waste collection and disposal is also expected to reduce landfill costs.

VAT – The Council has two outstanding protective VAT claims lodged with HMRC. One is in relation to car park income and the other in relation to compound interest being paid on any claims paid or due to be paid. The timing of any possible agreement to any of these claims is not known.

11 Creditors

This heading reflects the value of monies owed by the Council as at 31st March 2010.

11.1 Creditors due within 12 months

31 st March 2009		31 st March 2010
£ m		£ m
12.2	Creditors	18.1
2.2	Revenue & Customs	2.1
5.5	Torbay Care Trust	5.2
<u>19.9</u>		<u>25.4</u>

11.2 Creditors due in excess of 12 months

31 st March 2009		31 st March 2010
£ m		£ m
0.2	Legal Agreements and Bonds	0.2
0.9	S106 Agreements	0.8
1.0	PFI Renewal Fund	1.1
<u>2.1</u>		<u>2.1</u>

12 Debtors

This heading reflects the value of monies owed to the Council as at 31st March 2010.

31 st March 2009 £ m		31 st March 2010 £ m
	Debtors meeting the definition of a Financial Instrument	
4.2	Sundry Debtors	2.2
6.4	Accrued income	3.9
	Significant debtors are:-	
0.6	- NNDR due from Central Government	1.8
1.1	- Revenue & Customs re VAT	1.5
4.1	- Department of Works & Pensions	0.3
0.4	Liability Orders for Community Charge, Council Tax and NNDR	0.4
1.7	Housing Benefit Recovery Control	1.6
18.5	Sub Total – Debtors- Financial Instruments	11.7
2.6	Council Tax Arrears	2.8
21.1	Total Debtors	14.5
	Impairment	
(1.3)	Impairment – Other Debtors	(1.2)
(1.5)	Housing Benefit recovery	(1.5)
(1.9)	Council Tax arrears	(2.1)
16.4	Total	9.7

13 Dedicated Schools Grant (DSG)

DSG is a ring-fenced grant and can only be applied to meet expenditure properly included in the Schools Budget. The Schools Budget includes elements for a restricted range of services provided on an authority-wide basis and for the Individual Schools Budget, which is divided into a budget share for each school. Over and under-spends on the two elements are required to be accounted for separately. The Council is able to supplement the Schools Budget from its own resource but for this year it has chosen not to do so.

The Council has fully deployed the DSG grant to support the Schools Budget. This was evidenced by the Chief Financial Officer's certification of the Section 52 (Schools outturn) statement to the Department for Children, Schools and Families.

Details of the deployment of DSG receivable for 2009/10 are as follows:

Schools Budget Funded by Dedicated Schools Grant 2009/10

	Central Expenditure	Individual Schools Budget	Total
	£m	£m	£m
Final DSG for 2009/10	9.0	61.6	70.6
Brought forward from 2008/09	0.3	0	0.3
Carry forward to 2010/11 agreed in advance	0	0	0
Agreed budgeted distribution in 2009/10	9.3	61.6	70.9
Actual Central Expenditure	(9.0)	0	(9.0)
Actual ISB deployed to schools	0	(61.6)	(61.6)
Local authority contribution for 2009/10	0	0	0
Total actual expenditure	(9.0)	(61.6)	(70.6)
Carry forward to 2010/11	0.3	0	0.3

14 Developer Contributions (Section 106 Receipts)

Receipts under Section 106 (of the Town & Country Planning Act 1990) are contributions payable by landowners/developers under planning agreements towards funding any increased demand for Council services which results from granting planning permissions, e.g. towards provision of school places, highway improvements, new transport links, affordable housing (if not provided on site) and on-going maintenance of public amenities. The sums are payable when trigger points are reached during the developments. The sums received can only be spent in accordance with the agreements with the developers. Any unspent amounts are held in the Balance Sheet in the Capital Contributions Unapplied Account (capital contributions) or Receipts in Advance (revenue contributions) or as a creditor (if the S106 has conditions that may require repayment) until required. The Section 106 balances held at 31 March 2010 are as follows –

2008/09		2009/10
£m		£m
	Capital Contributions -	
1.1	- Capital Contributions unapplied	0.5
0.9	- Creditors	0.8
<u>2.0</u>		<u>1.3</u>
<u>1.3</u>	Revenue Contributions	<u>1.1</u>

15 Employees

15.1 Remuneration – Employees over £50,000

The number of employees whose taxable remuneration, excluding employer's pension contributions, exceeds £50,000 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 allowance (as far as those sums are chargeable to UK income tax) and the money value of any other benefits received other than in cash.

Number of Employees by employer 2008/09			Remuneration Band	Number of Employees by employer 2009/10		
Council	Schools - Council	Schools - Governing Body		Council	Schools - Council	Schools - Governing Body
15	20	14	£50,000 to £54,999	13	19	14
8	11	3	£55,000 to £59,999	12	7	7
5	7	3	£60,000 to £64,999	2	7	3
2	1	0	£65,000 to £69,999	4	3	0
3	3	2	£70,000 to £74,999	0	0	0
4	1	0	£75,000 to £79,999	2	3	2
2	1	0	£80,000 to £84,999	2	0	0
1	1	0	£85,000 to £89,999	1	1	0
0	1	1	£90,000 to £94,999	2	0	0
0	0	2	£95,000 to £99,999	0	1	1
1	0	0	£100,000 to £104,999	0	0	1
0	0	0	£105,000 to £109,999	2	0	1
0	0	0	£110,000 to £114,999	0	0	0
0	0	0	£115,000 to £119,999	0	0	0
0	0	0	£120,000 to £124,999	0	0	0
0	0	0	£125,000 to £129,999	1	0	0
0	0	0	£130,000 to £134,999	0	0	0
0	0	0	£135,000 to £139,999	0	0	0
0	0	0	£140,000 to £144,999	0	0	0
1	0	0	£145,000 to £149,999	0	0	0
0	0	0	£150,000 to £154,999	0	0	0
0	0	0	£155,000 to £159,999	0	0	0
0	0	0	£160,000 to £164,999	1	0	0
42	46	25		42	41	29

15.2 Remuneration – Senior Employees

The total salary, expenses and employer pension contributions and expenses for each of the Council's senior management team in 2009/10 are disclosed below. The comparative for the previous financial year (2008/09) is contained in the second table below:

2009/10		Salary	Expenses & Allowances	Compensation for loss of office	Sub Total	Employers' Pension ***	Total Remuneration
Title	Name	£000's	£000's	£000's	£000's	£000's	£000's
Chief Executive	E Raikes	155	1	0	156	27	183
Deputy Chief Executive	C Taylor	109	1	0	110	19	129
People Commissioner	C Tozer	125	1	0	126	21	147
Environment Commissioner	C Uzzell	109	1	0	110	19	129
Operational Commissioner	C Tanner	91	1	0	92	16	108
Chief Finance Officer	R Thorpe	80	1	0	81	14	95
Monitoring Officer ****	K Stevens	-	-	-	-	-	59

2008/09		Salary	Expenses & Allowances	Compensation for loss of office	Sub Total	Employers' Pension	Total Remuneration
Title	Name	£000's	£000's	£000's	£000's	£000's	£000's
Chief Executive	E Raikes	148	1	0	149	25	174
Deputy Chief Executive	C Taylor	103	1	0	104	18	122
People Commissioner	C Tozer	58*	1	0	59	10	69
Environment Commissioner	C Uzzell	50*	0	0	50	9	59
Operational Commissioner	C Tanner	68*	1	0	69	12	81
Chief Finance Officer	R Thorpe	79	1	0	80	13	93
Monitoring Officer ****	K Stevens	-	-	-	-	-	52
Monitoring Officer	**	25*	0	30	55	3	58
Strategic Director Of Performance	**	26*	0	55	81	4	85
Strategic Director of Environment	**	25*	0	50	75	3	78
Strategic Director of Childrens	**	11*	0	0	11	2	13

* Employee in Senior Officer post for part of 2008/09.

** Strategic Director posts deleted from Council structure during 2008/09.

*** Employer pension contributions are standard employer contribution

**** Monitoring Officer is not an employee of Torbay Council but contracted.

16 Events after the Balance Sheet Date & Authorised for Issue Date

Authorised for Issue date

The 2009/10 Statement of Accounts were authorised for issue by the Chief Finance Officer, R Thorpe BA CPFA, Chief Finance Officer on the 10th June 2010. This date is the date that the 2009/10 Statement of Accounts was issued to be a public document to be tabled to Council Member's for both scrutiny and approval by Members. At this date the Accounts were subject to external audit.

Events After Balance sheet date

The 2009/10 Statement of Accounts was authorised for publication by the Chief Finance Officer on the 10th June 2010. As at 10th June 2010 there are two post balance sheet events to report.

The Council In April 2010 signed a major 10 year contract with May Gurney to create a Joint Venture Company to run the Council operational services functions including waste collection and disposal. The contract is due to go live in July 2010 and 400 staff will transfer to the new company.

After the general election in May 2010 there is a Conservative/Liberal Democrat coalition government who have in May 2010 announced reductions of £1.1 billion in local government in 2010/11. In addition there is likely to be further reductions in local government expenditure in future years. At this time the exact impact of these cuts on the Council are unknown.

In its recent budget, the new coalition government announced that, in future, the pension increase order applied to public service pension schemes' pensions in payment will be linked to the Consumer Price Index (CPI) rather than the Retail Price Index (RPI). Over the past 20 years, CPI has, on average, been 0.5% lower than RPI. If this past trend continues then we can expect future pension increases to be 0.5% lower than previously projected. The Council's actuary, Barnett Waddingham has adjusted the assumptions used to calculate the Pension Fund Liability in relation to future levels of pension increase. This change will reduce the Pension Liability within the Balance Sheet by £17.2m as shown in the following table:

	RPI £m	CPI £m	Difference £m
Present Value of funded obligations	355.9	339.2	(16.7)
Fair Value of scheme assets	(199.7)	(199.7)	0
Net Liability	156.2	139.5	(16.7)
Present Value of Unfunded Obligations	10.3	9.8	(0.5)
Total Pensions Liability	166.5	149.3	(17.2)

17 Exceptional Items

In previous years the Council has recognised in its accounts a provision for the costs of implementing the Local Pay Review (Pay Modernisation) throughout the Council. The Council has continued to recognise costs associated with this process as an exceptional cost. In 2009/10 the entries reflect the accrual in relation to 2009/10 costs and any adjustments to the value of the provision for prior year costs. The Council in 2009/10 completed the appeals process in relation to the Review and issued "final" letters to staff. However as at 31st March 2010 the proposed scheme had not been agreed with the relevant union.

18 Financial Guarantees

Torbay Coast and Countryside Trust

The Council has agreed to act as a guarantor to the Torbay Coast and Countryside Trust for £950,000 (£950,000 2008/09). This is relating to a bank loan and an overdraft facility, in respect of capital work and trading at Occombe Farm. The loan was, in part, restructured by the Trust in January 2010 over a five year period.

As at 31st March 2010 the fair value of this guarantee after amortisation was £171,000 (£208,000 2008/09). This change in value of the fair value of the guarantee has been reflected in the Council's Income and Expenditure Account and balance sheet. Under Statutory Instrument 414/2008 (30F) the Council is allowed to neutralise the overall impact of this guarantee on its accounts until the "risk subsists".

Note: Under this legislation any new guarantee agreed after 9th November 2007 does not have this protection and will become a charge to be funded.

19 Financial Instruments

19.1 Carrying amount of Financial Instruments

The Financial Instruments disclosed on the Balance Sheet are made up of the following categories of Financial Instrument.

Financial Instruments	Long Term		Current	
	31/3/09	31/3/10	31/3/09 restated	31/3/10
	£m	£m	£m	£m
Loans and Receivables:				
- Investments	13.6	4.4	46.5	57.9
- LATS Allowances (see note 25)	0.0	0	0.1	0
- Contractual Debtors (net of impair)	0.3	0.5	15.7	9.1
- Payments in Advance	0	0	1.9	2.1
- Soft Loans	0.2	0.2	0	0
	31/3/09	31/3/10	31/3/09	31/3/10
	restated		restated	
	£m	£m	£m	£m
Available for Sale Assets:				
- Investments	0	0	0.1	12.5
Assets held at Fair Value through profit and Loss				
- Investments	0	0	14.9	37.7
Financial Liabilities at Amortised Cost				
- Long Term Debt	(109.5)	(132.6)	(1.2)	(1.5)
- Financial Guarantees	(0.2)	(0.2)	0	0
- Accounts payable	(2.1)	(2.1)	(19.9)	(25.4)
- Receipts in Advance	0	0	(4.3)	(4.7)
- PFI Liability	(10.5)	(10.1)	(0.3)	(0.4)
Total Financial Instruments	(108.2)	(139.9)	53.5	87.3

19.2 Reclassification, transfer, collateral and default of Financial Instruments

During the year the Council has not reclassified any financial instruments, or transferred any financial instruments that would require a change in the recognition of that instrument. 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.

19.3 Disclosures in the Income & Expenditure Account and the Statement of Total Recognised Gains and Losses

The gains and losses in the Income and Expenditure Account and the Statement of Recognised Gains and Losses (STRGL) in relation to Financial Instruments for Investments and Borrowing are made up as follows.

	Financial Liabilities	Financial Assets			
	Measured at Amortised Cost	Loans and Receivables	Available for Sale	Fair Value through Profit and Loss	Total
Income & Expenditure A/C					
Interest Expenses	3.7	0	0	0	3.7
Change in Fair Value for interest due	1.5	0	0	0	1.5
Loss on Derecognition	0	0	0	0	0
Impairment Losses	0	0	0	0	0
Interest Payable	5.2	0	0	0	5.2
Interest Income	0	(0.4)	(0.1)	0	(0.5)
Change in Fair Value for Interest due	0	(1.3)	0	0	(1.3)
Change in Value on assets held at Fair Value through profit and loss	0	0	0	(0.8)	(0.8)
Gains on Derecognition	0	0	0	0	0
Interest and Investment Income	0	(1.7)	(0.1)	(0.8)	(2.6)

	Measured at Amortised Cost	Loans and Receivables	Available for Sale	Fair Value through Profit and Loss	Total
STRGL					
Gains on Revaluation	0	0	0	0	0
Losses on Revaluation	0	0	0	0	0
Surplus/Deficit on STRGL	0	0	0	0	0
Net (Gain)/Loss for the year	5.2	(1.7)	(0.1)	(0.8)	2.6

19.4 Main Measurement Bases

The main measurement bases used by the Council in preparing the treatment of Financial Instruments within its financial statement are as follows:

Financial Instrument	Basis of measurement	Note
Investments – fixed rate	Carrying value adjusted for interest owed at year end	Investment have both fixed term and fixed interest rates
Investments – Money market Funds	Increase in carrying value reflected in Balance Sheet and not recognised in Income & Expenditure Account until realised	Minimal balances at year end as investment realised before year end. Interest rate determinable on 1 st April.
Investments – Fund Manager	Treated as a Financial Instrument at Fair Value through Profit and Loss as the fund is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit taking.	Fund Manger and Treasury Management advisor have confirmed that the carrying value of the fund at 31 st March is the fair value of the Fund.
Investments – Other	Held at carrying value on basis of materiality	
Soft Loans	Where material soft loans have been measured using an assumed effective interest rate of 5%.	Only loan deemed material is loan to PLUSS.

Contractual Debt/payables	Held at invoiced or billed amount less an estimate of Impairment for the uncollectability of that debt.	
PWLB Debt	Carrying value adjusted for interest due at year end	Borrowing is both fixed term and fixed interest rates
LOBO Debt	Balance measured using the effective interest rate (if a stepped rate) or fixed rate (if a vanilla/flat rate) within the contract for the maximum life of the deal	Rate calculated over full term assuming the options within the contract are not exercised.
Financial Guarantee	Balance measured by applying a range of probabilities to the risk of the guarantee being called.	Only guarantee in this category is to Torbay Coast and Countryside Trust.
Financial Instruments under adverse economic conditions	All financial instruments assessed for impairment from the current economic conditions	As appropriate the impairment for contractual debt has been increased. The Council does not hold any investments which it has assessed to be subject to any impairment.

The Council in compiling its accounts assessed all its financial instruments and there were a number that were not considered material to make adjustment to the carrying value of the asset or liability. These include car loans to staff which are at a market rate, deferred payments and other minor investments.

19.5 Comparison of Carrying Amount and Fair Value

Financial Liabilities and assets represented by loans and receivables are carried in the Balance Sheet at amortised cost. A comparison of the fair value of these financial instruments to the carrying value (amortised cost), can be made by calculating the present value of the cash flows that will take place over the remaining term of the instruments, using the following assumptions:

- For PWLB debt the fair value has been assessed by using PWLB rates for new loans as

at 31st March 2010, and then matched, as appropriate, to the duration on an existing maturity. No early repayment or impairment is recognised.

- For LOBO debt the fair value has been assessed by using a discount rate for LOBOs of similar length and structure with a comparable lender as at 31st March 2010
- For Investments, such as callable deposits (assumed to maturity) and fixed term deposits where the rate is fixed, the fair value has been assessed by using a discount rate for deposits of similar length with a comparable lender as at 31st March 2010
- For investments held in higher earning “cash” accounts the fair value is assumed to be the same as the nominal value of the deposit.
- The fair value of trade and other receivables is taken to be the invoiced or billed amount.

The carrying amount and fair values for the Financial Instruments carried at amortised cost are shown in the table below.

	31 st March 2009		31 st March 2010	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	(restated)	(restated)		
	£m	£m	£m	£m
Financial Assets - under 3 months				
- Investments – Deposits	15.5	15.0	22.3	22.3
- Investments – “cash” accounts	0.1	0	12.1	12.1
- Investments – Market Funds	0.1	0.1	12.5	12.5
Sub Total	15.7	15.1	46.9	46.9
Financial Assets – over 3 months				
- Investments – Deposits	30.8	30.7	23.5	23.8
Financial Assets – over 1 year				
- Investments – Deposits	13.6	14.5	4.5	5.2

Total Financial Assets - (note 1)	60.1	60.3	74.9	75.9
Trade and other receivables	18.3	18.3	11.2	11.2
Financial Liabilities				
- PWLB Debt	(100.4)	(97.7)	(123.7)	(116.5)
- LOBO Debt	(10.3)	(10.9)	(10.1)	(12.1)
Sub Total – Note Two	(110.7)	(108.6)	(133.8)	(128.6)
Trade and other payables	(26.3)	(26.3)	(28.2)	(28.2)

Note One: The fair value of the investments is higher than the carrying amount because the Council's portfolio of investments include a number of fixed rate loans where the interest rate is higher than the rates available for similar loans at the balance sheet date. This guarantee to receive interest above current market rates increases the amount that the Council would receive if it agreed to early repayment of the loans.

Note Two: The fair value of the borrowing is less than the carrying amount because the Council's portfolio of loans includes a number of fixed rates where the interest rate payable is lower than the rates available for similar loans at the balance sheet date. The commitment to pay interest below current market rates reduces 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 have provided a fair value of the Council's PWLB debt as at 31st March 2010 of £122.4 million. (£103.4m 2008/09) This is lower than the carrying amount of £123.5m 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 and is not a realistic view as it is unlikely that the Council would repay/reschedule loans while they were lower than current levels.

19.6 Management of Risk

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 authority
- liquidity risk – the possibility that the authority 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 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 central treasury team, under policies approved by full Council as set out in the Treasury Management Strategy. (Report 22/2009 as presented to Council on 4th February 2009 refers). 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 changes in the event of changing circumstances such as economic change impacting on rates or changes to investment counter party lists.

Credit Risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposure to the Council's customers. Deposits are not made with banks and financial institutions unless they have a sufficiently high credit rating, as designated by independent credit rating agencies, or other strong measure of security such as a central government guarantee with a maximum sovereign rating of "AAA"/"AA+", with a range of investment limits relating to both value and length of deposit depending on rating. During 2009/10 the system of counterparty selection was enhanced to incorporate a sophisticated modelling approach which combines credit ratings, credit watches, credit outlooks and credit default swaps (CDS) spreads in a weighted scoring system for which the end product is a series of colour code bands which indicate the value and durational limits for each counterparty. The Council's fund manager also complies with a list of approved institutions with appropriate maximum holdings.

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

	Amount at 31/3/10	Historical experience of default	Historical experience adjusted for market conditions at 31/3/10	Estimated maximum exposure to default and uncollectability
	£m	%	%	£m
Deposits with banks and other financial institutions	74.9	0	0.1	0.070
Deposits held by Fund manager	37.2	0	0.1	0.040
Trade and other Receivables – Sundry Debt	2.2	5	10	0.220
Total	114.3			0.330

The Council does not generally allow credit for customers. In reviewing the Council's sundry debt £1.3 million of its sundry debt of the £2.1 million balance is past its due date for payment. The past due amount can be analysed by age as follows:

31/03/09		31/03/10
£m		£m
2.3	Less than 3 months	0.9
1.5	Three months to one year	0.9
0.4	More than one year	0.4
4.2	Total	2.2

Liquidity Risk

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

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

£m		£m
31/03/09		31/03/10
1.2	Less than one year	1.5
0	Between one and two years	0
4.0	Between two and five years	4.0
9.0	Between five and ten years	12.0
7.0	Between ten and twenty years	21.0
17.3	Between twenty and thirty years	24.3
72.2	Above thirty years	71.0
<u>110.7</u>	Total	<u>133.8</u>

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 significant 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 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 Income and Expenditure will rise
- investments at fixed rates - the fair value of the assets will fall

Where the Council has borrowing 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 STRGL. However, 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. Movements in the fair value of fixed rate investments will be reflected in the STRGL.

The Council has a number of strategies for managing interest rate risk. Its policy is to limit its exposure to variable rate loans to a maximum of 20% of its total borrowings. (as at 31st March 2010 the Council had no borrowing at variable interest rates with the exception of £5m on a rate market loan (LOBO) where in future years the rates could vary. During periods of falling interest rates, and where long term economic circumstances make it favourable, fixed rate loans will be repaid early to limit exposure to losses. The risk of loss is ameliorated by the fact that a proportion of Government funding for supported borrowing costs will normally move with prevailing interest rates.

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 2010 the interest rates are 1% higher than the actual interest rates the financial impact would be:

a) Borrowing:

The Council did not have any variable rate borrowing as at 31st March 2010 except the stepped rate market loan, so the impact would be nil. There is a possibility that Central Government could increase funding for the financing costs of supported borrowing in future year funding settlements. This, given the three year funding settlement 2008/09-2010/11, is unlikely to be quantifiable and in any case would relate to future year borrowing.

b) Investments

It is reasonable to assume that the Council's investments in "cash" accounts, money market funds and the fund manger should increase by the change in interest rates. If the Council's investment were maintained at the level as at 31st March 2010 for a full financial year, this would generate an additional £1.0m over a year. It should be noted that if the interest rate increase was forecast it is likely the profile of fixed rate deposits would have

been invested on that basis.

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

Price Risk

The Council does not generally invest in equity shares. The Council does have an equity interest in a number of companies (see note 36) but these do not lead to a share of profits.

Foreign Exchange Risk

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

20 Fixed Assets

20.1 Movement of Fixed Assets

During the year revaluations and capital expenditure increased the net value of tangible fixed assets by over £31 million. These revaluations were part of the cyclical revaluation programme but also reflect capital expenditure in the year.

The following tables analyse the movement in three types of fixed assets; Operational, Non Operational and Intangible assets. Information on depreciation methods and calculation are stated within the accounting policies.

Movement of Operational Assets 2009/10

	Land & Buildings	Vehicle, Plant & Equipment	Infrastructure Assets	Community Assets	Total
	£ m	£ m	£ m	£ m	£ m
Cost or Valuation					
At 1 April 2009	306.7	13.1	66.9	7.2	393.9
Adjustment to opening balance re PFI	22.8	0	0	0	22.8
Additions	10.7	2.0	6.1	1.4	20.2
Disposals	(2.7)	(0.2)	0	0	(2.9)
Reclassifications	6.0	0.1	0.3	1.6	8.0
Revaluations	7.4	0	0	0	7.4
At 31 March 2010	350.9	15.0	73.3	10.2	449.4
Depreciation and impairments					
At 1 April 2009	(8.0)	(6.8)	(8.7)	(0.1)	(23.6)
Adjustment to opening balance re PFI	(0.7)	0	0	0	(0.7)
Charge in year - Depreciation	(4.1)	(1.4)	(1.5)	(0.2)	(7.2)
Charge in year - Impairment	(9.5)	0	(0.1)	(0.3)	(9.9)
Disposals	0.1	0.3	0	0	0.4
Reclassifications	0.2	0	0	(0.3)	(0.1)
Revaluations	1.0	0	0	0	1.0
At 31 March 2010	(21.0)	(7.9)	(10.3)	(0.9)	(40.1)
Balance sheet amount at 31 March 2010	329.9	7.1	63.0	9.3	409.3
Balance sheet amount at 31 March 2009 (restated fro PFI)	320.8	6.3	58.2	7.1	392.4
Nature of asset holding:					
Owned	308.1	7.1	63.0	9.3	387.5
PFI	21.8	0	0	0	21.8

Movement of Non Operational Assets 2009/10

	Investment Properties	Surplus Properties	Assets Under Construction	Total
Cost or Valuation	£ m	£ m	£ m	£ m
At 1 April 2009	4.1	1.7	23.0	28.8
Additions	0	0	22.1	22.1
Disposals	0	(0.1)	0	(0.1)
Reclassifications	(1.0)	(1.0)	(6.0)	(8.0)
Revaluations	0	0	0	0
At 31 March 2010	3.1	0.6	39.1	42.8
Depreciation and impairments				
At 1 April 2009	0	(0.1)	0	(0.1)
Reclassifications	0	0.1	0	0.1
Revaluations	0	0.3	0	0.3
Charge in year – Impairment	0	0	0	0
At 31 March 2010	0	0.3	0	0.3
Balance sheet amount at 31 March 2010	3.1	0.9	39.1	43.1
Balance sheet amount at 31 March 2009	4.1	1.6	23.0	28.7
Nature of asset holding:				
Owned	3.1	0.9	39.1	43.1

Movement in Intangible Assets 2009/10

	Total
Purchased Software Licences	£ m
Original Cost	3.2
Amortisation to 1 April 2009	(2.3)
Carrying Value Balance as at 1 April 2009	0.9
Additions	0.1
Amortisation written off	(0.3)
Balance as at 31 March 2010	0.7

The costs are being written down over periods between 3 and 10 years depending upon the expected life of the software. Information on amortisation methods and calculation are stated within the accounting policies.

20.2 Capital Financing Requirement

The Capital Financing Requirement (CFR) was introduced by the Prudential Code for Capital Finance and reflects the movement in the Balance Sheet Accounts for Fixed Assets, Capital Adjustment Account, Government Grants Deferred and the Revaluation Reserve. The net movement in the Capital Financing Requirement illustrates the change in the underlying need for the Council to borrow during the year, to fund capital investment which has not been funded immediately from resources such as grants, capital receipts and direct funding from revenue.

2008/09		2009/10
£ m		£ m
101.9	Opening Capital Financing Requirement	123.6
11.2	Adjustment to CFR re PFI	0
113.1	Restated Opening Capital Financing Requirement	123.6
	Capital Investment in Year:-	
45.2	Tangible Fixed Assets	42.3
0.2	Intangible Assets	0.1
5.4	Revenue Expenditure funded from Capital under Statute (ex deferred charge)	6.5
50.8	Total Expenditure in Year	48.9
2008/09		2009/10
£ m		£ m
	Direct funding of Capital Investment in the Year -	
(32.3)	Government Grants and Other Contributions	(34.0)
(2.0)	Capital Receipts	(2.3)
(1.4)	Direct Revenue Funding	(1.5)
(35.7)		(37.8)
15.1	Resultant Increase in Borrowing requirement from Spend in Year	11.1
	Revenue Provisions for the repayment of Debt:-	
(3.4)	Minimum Revenue Provision	(3.8)

£ m		£ m
(0.3)	Minimum Revenue Provision - PFI	(0.3)
(0.9)	Debt Transferred from Devon County Council	(0.9)
(4.6)	Reduction in Borrowing from provisions set aside in the Year	(5.0)
10.5	Net Increase in Capital Financing Requirement	6.1
123.6	Closing Capital Financing Requirement	129.7
	The increase in the underlying need to Borrow is represented by -	
8.2	Borrowing Supported by the Government	4.9
6.9	Borrowing Not Supported by the Government (Prudential Borrowing)	6.2
(4.6)	Provision set aside for the repayment of debt	(5.0)
10.5		6.1

20.3 Significant Commitments under Capital Contracts as at 31st March 2010

The significant commitments on capital schemes with a value greater than £0.5 million are in the table below:

Contract	Purpose	Total Commitment	2010/11	2011/12
		£ m	£ m	£ m
<u>Education</u>				
Queensway RC School	Remodel school to provide contemporary learning space and new accommodation.	1.2	1.2	
Torquay Community College Rebuild	Rebuild secondary school under Building Schools for the Future programme	6.7	6.2	0.5
Paignton Community & Sports College - Sports Hub	Provision of new sports facilities	1.9	1.9	
<u>Housing</u>				
Sanctuary HA - Dunboyne	Development to provide a 45 apartment Extra Care scheme	0.6	0.6	

Contract	Purpose	Total Commitment	2010/11	2011/12
Torbay Enterprise Project	Scheme to provide education and employment for people moving to independent living	0.5	0.5	
New Growth Points – Land acquisition	Acquisition of land to facilitate future Affordable Housing developments	1.3	0.1	1.2
<u>Economic Regeneration</u>				
Brixham Regeneration	Redevelopment of Brixham Fish Market and adjoining harbourside facilities	4.1	4.1	
Castle Circus Regeneration	Regeneration of Toquay Town Centre and centralisation of Council Offices	1.0	0.5	0.5
<u>Culture</u>				
Paignton Library	Provision of new Community Library and Information Centre	0.5	0.5	
Total Significant Commitments		17.8	15.6	2.2

20.4 Assets

The assets of the Council comprise of, figures in brackets show 2008/09 comparatives:-

Primary Schools	32 (32)	Includes 9 Voluntary Aided Schools where the Council owns the site only; 3 Foundation Schools where the asset rests with the governing body and 1 school under a PFI contract
Secondary Schools	8 (8)	Includes 1 Voluntary Aided School where the Council owns the site only; 5 Foundation Schools where the asset rests with the governing body and 1 school (which is also a Foundation School) under a PFI contract
Special Schools	3 (3)	
Libraries	4 (4)	
Corporate Buildings		Including Torquay Town Hall, Oldway Mansion and Brixham Town Hall
Torre Abbey and Spanish Barn		A Community asset
Depots		Yalberton and Borough Road
Off Street Car Parks		38 Public Car Parks 6 Parking Space areas
Leisure Centres and Pools		Torbay Leisure Centre (Leased out). 5 Swimming Pools
Theatres		Princess (Leased out); Babbacombe; Brixham and Palace Avenue
Community Centres	9 (9)	
Information Centres	3 (3)	Vaughan Parade Torquay, Apollo Cinema Paignton, Market House Brixham

Parks and Recreational Facilities		
Piers and Beaches		22 Miles of Coastline (22)
Public Conveniences	45 (46)	
Public Shelters	42 (42)	
Cemeteries; Crematorium and Closed Churchyards		(Leased out)
Riviera Centre		Council owns freehold. Leased to Riviera International Conference Centre Limited.
Harbours		Fish Quays and Infrastructure
Industrial Units and development land		
Social Care Properties		Various care provider units for both adults and children. (some leased to Torbay Care Trust).
Other Community Asset Holdings		Berry Head Country Park (leased to Torbay Coast & Countryside Trust); Cockington Land Holdings (leased to Torbay Coast & Countryside Trust); Victoria Park.
Leased Commercial Property		Waterside Caravan Park; The Pavillion; Goodrington Beach Resort; Torquay Golf Club; Victoria Shopping Centre; Gala Bingo Club; Vaughan Parade Properties: Parkfield Nursery,

20.5 Assets recognised under a PFI Contract

The Council has entered into a 26 year contract with a private sector partner, for the provision of serviced facilities at Westlands Secondary and Homelands Primary Schools in Torquay.

The Project Agreement was signed on 31st March 2000 with Torbay School Services Ltd. The contract became effective on 10th May 2000 at which time both parties agreed that the conditions precedent had been satisfied. The contract is a “design, build, finance and operate” PFI contract.

Under the principles of IFRIC 12 in the 2009 SORP the Council has now recognised the assets and related long term liability to the contractor on its balance sheet. The balance sheet as at 31st March 2008 has been restated to reflect the values of the PFI entries as if the Council had applied this accounting policy since the inception of the scheme. The assets have now been recognised are now subject to depreciation, revaluation and impairment as for other tangible assets.

The value of these assets included in the Council’s balance sheet are as follows:

	Westlands £m	Homelands £m	Total PFI Schools £m
Gross Value 31/03/09	19.1	3.7	22.8
Depreciation to date	(0.6)	(0.1)	(0.7)
Net Value 31/03/09	18.5	3.6	22.1
Depreciation 09/10	(0.2)	(0.1)	(0.3)
Net Value 31/03/10	18.3	3.5	21.8

20.6 Valuation Information

Valuation of Fixed Assets carried at current value - the following statement shows the progress of the Council's rolling programme for the revaluation of fixed assets, including assets valued following completion of significant projects. Valuations of Land & Buildings are carried out by the Council's internal Valuer Sam Partridge A.R.I.C.S. The basis for valuation is set out in the Statement of Accounting Policies. The Council is not aware of any material changes in asset values that have not been updated.

	Land, Buildings & Infrastructure £ m	Vehicles & Plant £ m	Assets under construction, Investment & Surplus Properties £ m	Total £ m
Valued at Historical Cost	83.2	15.0	39.1	137.3
Valued at Current Value in year				
2009/10	106.5	0	0.2	106.7
2008/09	77.7	0	2.4	80.1
2007/08	94.4	0	0.2	94.6
2006/07	27.8	0	0.1	27.9
2005/06	33.0	0	1.2	34.2
Total Gross Value	422.6	15.0	43.2	480.8

20.7 Foundation Schools

The Council is required to transfer ownership of Fixed Assets and long term liabilities to the Governing Bodies of individual schools that have elected to adopt Foundation Status. 8 schools have elected to adopt Foundation status (one of which is a PFI school). Even though the Council's title to the asset passes to the Governing Bodies, the value of the fixed assets totalling £ 89.6m (£88.8m 2008/09) is included in the Council's balance sheet value of fixed assets reflecting the fact that these properties can only be used as schools.

21 Gains/Losses on disposals of Assets and other capital receipts

Gains and Losses on disposals of assets are recorded in the Income and Expenditure account by recording the cash receipt from the sale of assets compared to the costs of disposal and the carrying value of the asset.

The Council also receives other cash receipts in a year which are not directly related to a disposal of an asset.

21.1 Analysis of Capital Receipts in year

2008/09		2009/10
£ m		£ m
0.5	Sale of Assets	0.5
0	Ex Council House Right to Buy sales	0.1
0	Foxhole Infants	0.7
0	The Manor	0.5
0	Borough Road	0.5
<u>0.5</u>		<u>2.3</u>

21.2 Analysis of Gain/Loss on Disposal of Assets 2009/10

Asset	Sale Receipt	Value of asset (net)	Net Gain/(loss) on disposal
	£ m	£ m	£ m
Surplus Assets	0.5	(0.4)	0.1
Dunboyne	0	(1.0)	(1.0)
Right to Buy sales	0.1	0	0.1
Foxhole Infants	0.7	(0.7)	0
The Manor	0.5	0	0.5
Borough Road	0.5	(0.6)	(0.1)
Gains/(losses) on disposal	2.3	(2.7)	(0.4)

22 General Government Grants

The Council receives three grants that are not service specific and are applied to support overall Council expenditure. A summary of the three general grants the Council receives is in the table below:

2008/09		2009/10
£m		£m
6.5	Revenue Support Grant	10.5
7.5	Area Based Grant	7.9
0.6	PFI Grant	0.6
14.6		19.0

The Area based Grant, although a general grant, did represent funding that had previously been received by the Council as service specific grants, therefore the expenditure funded from the grant remains broadly in line with the previous allocation of the specific grants.

23 Government Grants & Contributions Deferred Accounts

The Government Grants & Contributions Deferred Accounts show the external funding used to

finance capital investment immediately from monies received from Government Bodies and private contributions. Amounts are transferred out of these Accounts over time into the Income and Expenditure Account as the capital assets, which have been acquired using this funding, depreciate.

2008/09		2009/10
£ m		£ m
restated		
49.3	Opening Balance as at 1st April	77.4
0.3	Restatement for PFI scheme	0
29.5	Grants and contributions deferred in year	28.6
(1.7)	Released to Revenue	(2.3)
<u>77.4</u>	Balance as at 31st March	<u>103.7</u>

24 Investments

24.1 SWERCOTS Ltd

This is the South West of England Regional Co-ordination of Trading Standards and represents the 15 South West Regional Authorities. The company was established in 2004 as a company limited by guarantee to operate 'Consumer Direct' a Central Government funded initiative. The payment of a £10 membership fee gives Torbay Council membership of the board with Torbay represented by a councillor. There are no transactions/liabilities associated with Torbay Council's membership other than the £10 initial one-off fee. For financial reporting this relationship has been treated as an investment.

24.2 South West Grid for Learning Trust

The company 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.

24.3 Torbay Town Centres Limited

Torbay Town Centres Limited. In 2008/09 the Council with representatives from local businesses formed this company to support the process for establishing Business Improvement Districts in the Torbay area. In March 2010 there was a “yes” vote for a Torquay BID and the levy from business within this district is due from May 2010. For financial reporting purposes this relationship has been treated as an investment.

24.4 Money Market Investments

As at 31st March 2010 the Council had invested, as part of its treasury management function, £4.0 million (2008/09 £13.0m) with 2 different institutions with a maturity of greater than one year.

The table below shows an analysis of the Money Market Investments repayments, (principal only):

Total Invested	Analysis of Investments by due dates		Total Invested
31st March 2009			31st March 2010
£ m			£ m
9.0	1 up to 2 years		2.0
2.0	2 up to 3 years		2.0
2.0	3 up to 4 years		0
<u>13.0</u>	Total		<u>4.0</u>
13.6	<i>Fair Value as at 31st March - including interest due</i>		4.4

24.5 Temporary Investments

Temporary investments include £105.0 million (2008/09: £59.9m) of short-term (money market) investments, of which £35.5 million (2008/09: £14.9m) is held by the Council's fund managers – Scottish Widows.

Total Invested 31st March 2009 £ m	Analysis of Investments by due dates	Total Invested 31st March 2010 £ m
15.0	Cash or cash Equivalents (under three months)	22.0
0.1	- Cash Deposits	24.5
14.9	- Money Market Funds/Notice Accounts	35.5
	- Fund Manager	
30.0	Total Cash or Cash Equivalents	82.0
	Temporary Investments (over 3 months, less than 1 year)	
29.9	- Cash Deposits	23.0
0	- Money Market Funds/Notice Accounts	0
0	- Fund Manager	0
29.9	Total Temporary Investments	23.0
59.9	Total	105.0
61.5	<i>Fair Value as at 31st March - including interest due</i>	108.1

The Council has designated its holding with Scottish Widows as 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.

25 Joint Committee – Devon Audit Partnership

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

Devon County is the "host" Council for the Joint Committee with all staff now employed by Devon County Council. The Chief Finance Officer for the Joint Committee is Richard Thorpe. As the turnover of the Committee is over £1m per annum the Committee is required to produce SORP compliant accounts.

Assets and Liabilities of the Joint Committee are split on an agreed basis (number of FTE's on inception of the Committee). Torbay's share is equal to 27%. Each partner is required to reflect their share of income and expenditure and any assets and liabilities within their accounts. The

impact on the Council's accounts of this change is not material. Torbay's contribution to the partnership for 2009/10 was £0.4m.

A summary of the Joint Committee's accounts and Torbay's share is shown in the table below:

2008/9	Devon Audit Partnership	2009/10	2009/10
		Total	Torbay
£m		£m	£m
-	Income & Expenditure Account:		
-	Income	(1.9)	(0.51)
-	Expenditure	1.8	0.49
-	Surplus/(Deficit) transferred to/from reserve	(0.1)	(0.02)
£m	Balance Sheet:	£m	£m
-	Current Assets & Liabilities	0.1	0.02
-	Reserves	(0.1)	(0.02)
-		0	0

26 Local Authority Trading Scheme (LATS) Assets and Liabilities

Current Assets

This reflects the recognition of the Landfill Allowances from DEFRA as an asset at a fair (market) value. The table below shows the calculation of the value of the asset at year end.

2008/09	Allowance Year	Allowance	Fair Value	2009/10
£m		Tonnes	£	£m
0.14	2009/10	8,867	0	0
0.14				0

As 2009/10 is a "target year" for the LAT Scheme any surplus allowances from 2008/09 or earlier cannot be carried forward, so becoming forfeit. The value of the 2009/10 allowances at year end as been assessed at nil

Liability to DEFRA (included in provision)

This reflects the Council's usage of the allowances for the landfill of biodegradable municipal waste within the year recognised at a fair (market) value.

2008/09	Vintage	BMW Landfill	Fair Value	2009/10
£m		Tonnes	£	£m
0	2009/10	29,357	0	0
0				0

As the fair value of the 2009/10 vintage has been assessed at nil there is no requirement for a provision in the Council's accounts.

27 Leases

27.1 Operating Leases

The Council has entered into operating lease agreements to acquire vehicles, plant and equipment. The total lease rentals incurred in 2009/10 amounted to £0.1 million (2008/09: £0.3 million). The outstanding obligation on all operating lease drawdowns is £0.1 million. During 2009/10 the Council did not enter into any new lease agreements.

27.2 Operating Leases (Future rental liabilities)

The profile and timing of the operating lease payments required is as follows:

Vehicle, Plant and Equipment 2008/09 £ m	Year Due	Vehicle, Plant and Equipment 2009/10 £ m
0.1	Within 1 year	0.1
0.1	1 to 2 years	0
0	2 to 5 years	0
0	Over 5 years	0
0.2	Total Due	0.1

27.3 Land and Property Leases

The Council also enters leases for the use of accommodation and also acts as a lessor in offering leases (rent) for its own property.

The Council as a lessee: The Council made a total of £0.5 million of lease (rent) payments in 2009/10 (2008/09: £0.6m), and it is anticipated that the payments will be at a similar level in 2010/11. Note: Rents below £10,000 have been excluded.

Property 2008/09 £ m	Year Due	Property 2009/10 £ m
0.1	Within 1 year	0.1
0	1 to 2 years	0
0	2 to 5 years	0
0.5	Over 5 years	0.5
<u>0.6</u>	Total Due	<u>0.6</u>

The Council as a lessor: The Council received a total of £2.0 million of lease (rent) payments in 2009/10. The gross values of these assets are £47.1m (2008/09: £45.9m) with accumulated depreciation of £1.7m (2008/09: £1.0m).

28 Long Term Borrowing & Deferred Liabilities

28.1 Long Term Borrowing

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

Total Outstanding 31st March 2009 Principal £ m	Borrowing Repayable	Total Outstanding 31 March 2010 Principal £ m	Total Outstanding 31 March 2010 Fair Value £ m
	Amounts falling due within one year		
0	Public Works Loans Board & LOBO	0	1.5
0			
	Amounts falling due in excess of one year		
10.0	Money Market (LOBO) see note	10.0	10.2
99.3	Public Works Loans Board	122.4	122.4
109.3	Total	132.4	132.6
109.3			134.1

The table below shows an analysis of the Long Term Borrowing repayable: - (by principal outstanding)

Total Principal Outstanding 31st March 2009 £ m	Analysis of Loans by Maturity	Average Interest Rate	Total Principal Outstanding 31st March 2010 £ m
0	Within 1 year	0	0
0	1 up to 2 years	0	0
0	2 up to 3 years	0	0
0	3 up to 4 years	4.18%	4.0
4.0	4 up to 5 years	0	0
9.0	5 up to 10 years	3.73%	17.0
7.0	10 up to 15 years	4.19%	13.0
0	15 up to 20 years	4.39%	3.0
0	20 up to 25 years	4.34%	9.0
89.3	Over 25 years	4.21%	86.4
109.3	Total	4.20%	132.4

28.2 Lenders Option Borrowers Option (LOBO)

The Council has two LOBO loan (Lenders Option Borrowers Option). One with Barclays Bank where after a short initial period of low interest, it then moved to a higher rate during 2009/10. The second, taken in 2008/09 with Dexia has, at inception, a constant rate of interest for the length of the loan but only fixed for the initial period.

On both loans the lender has the option to increase the rate beyond the agreed rates after the initial period and at agreed intervals thereafter. The borrower then has the option to continue at the higher rate or repay the loan incurring no penalty. The loan will continue for the full term at the agreed rate unless the lender exercises the option to increase the rate of interest.

28.3 Deferred Liabilities

Transferred debt

Deferred Liabilities recognises the “transferred debt” arrangements between Devon County Council and Torbay Council, which arose out of the reorganisation of Local Authorities in England on 1st April 1998. Payments to Devon include principal and interest based upon an apportionment of Devon’s Credit Ceiling prior to transfer as directed by the Local Government changes for England (Payments to Designated Authorities) (Minimum Revenue Provision) Regulations 1995. Payments to Devon County Council are funded by the Council Taxpayers through charges to the Statement of Movement on the General Fund Balance.

Transferred Debt principal outstanding at 31st March 2010 is £20.5 million, (2008/09 £21.4m).

Total Outstanding 31st March 2009 £ m	Deferred Liabilities	Total Outstanding 31st March 2010 £ m
0.9	Amounts falling due within one year	
	Devon County Council Debt Repayment	0.8
20.5	Amounts falling due in excess of one year	
	Devon County Council Debt Repayment	19.7
21.4	Total	20.5

Private Finance Initiative

A Project Agreement was signed on 31st March 2000 with Torbay School Services Ltd (TSS) for the provision of serviced facilities at Westlands Secondary and Homelands Primary Schools in Torquay. The period of the contract is 26 years from the actual completion of the redevelopment of the Westlands School buildings which occurred on 24th October 2001 (i.e. expires in 2027). Payments under the contract commenced on 1st April 2001 when Phase 1 of Westlands was completed. The actual level of payments depends upon TSS performance in providing accommodation and services. The actual payment to TSS in 2009/10 was £1.9 million. The Council is committed to a payment of £2.1 million in 2010/11 depending on performance.

The contract payments to the contractor are split in the Council's accounts between three elements to reflect the three elements of the cost to the Council.

	Repayment of Liability	Interest (Finance) cost	Service Charge (estimate)	Total
	£m	£m	£m	£m
Within 1 year	0.4	0.5	1.1	2.0
Within 2 to 5 years	1.7	2.0	4.2	7.9
Within 6 to 10 years	2.7	1.9	5.3	9.9
Within 11 to 15 years	3.5	1.1	5.3	9.9
Within 16 to 18 years	2.1	0.2	2.5	4.8
Total	10.4	5.7	18.4	34.5

* The total annual payment for all three elements to the contractor will remain constant until 2027/28 when the contract finishes.

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 Income and Expenditure account.

Liability on PFI Contract in relation to the construction of Westlands and Homelands Schools outstanding as at 31st March 2010 is £10.5 million, (2008/09 £10.8m).

Total Outstanding 31st March 2009 £ m	Deferred Liabilities	Total Outstanding 31st March 2010 £ m
	Amounts falling due within one year	
0.3	PFI Liability to Torbay Schools services Limited	0.4
	Amounts falling due in excess of one year	
10.5	PFI Liability to Torbay Schools services Limited	10.1
10.8	Total	10.5

29 Members Allowances

Member's Allowances for 2009/10 were £0.481 million (2008/09: £0.475m).

The current Allowances' scheme can be found on the Council's website at www.torbay.gov.uk/index/council/councillors-democracy/constitution.htm.

30 Minimum Revenue Provision - Repayment of External Debt

The net amount charged to revenue in compliance with the statutory requirement to set aside a Minimum Revenue Provision for the repayment of external debt, including an amount for the PFI schools, is £4.1 million (£3.7m 2008/09) calculated as follows:-

2008/09 restated £ m		2009/10 £ m
3.9	4% of Capital Financing Requirement (CFR)	4.3
(0.2)	Adjustment allowed under Prudential Code	(0.2)
(0.2)	Commutation adjustment	0
(0.3)	Adjustment allowed under capital regulations	(0.8)
0.2	MRP – Unsupported Borrowing based on a prudent asset life	0.4
0.3	MRP – PFI assets	0.4
3.7		4.1

The Council approves its MRP Policy on annual basis. This includes a MRP charge over a prudent asset life for assets funded from unsupported borrowing on an annuity basis. In addition this MRP will only be charged once the asset is operational. The Council also makes an annual MRP charge in relation to the two PFI funded schools now recognised on the Council's balance sheet.

31 Analysis of Net Assets Employed in the Current Year

Balance as at 31 st March 2009 £ m		Balance as at 31 st March 2010 £ m
restated 122.4	General Fund	76.6
(3.5)	Operational Services	(8.3)
19.7	Harbours	20.1
138.6		88.4

32 Pensions

As part of the terms and conditions of employment of its officers and other employees the Council offers retirement benefits. Although these benefits will not actually be payable until the employees retire, the Council has a commitment to make the payments that need to be disclosed at the time that employees earn their future entitlement.

32.1 Local Government Pension Scheme (LGPS)

Torbay Council participates in the Local Government Pension Scheme, which is administered by Devon County Council. The Local Government Pension Scheme is a defined benefit scheme based on final pensionable salary. This means that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pension liabilities with investment assets. Torbay has 6,000 members in the fund of which 50% are active members.

Further information on the scheme and its performance can be found in Devon County Council's Superannuation Fund's Annual Report which is available upon request from the Director of

Resources, Devon County Council, County Hall, Exeter, EX2 4QJ. Some information is also available on the Devon County Council website at www.devon.gov.uk/pensions.

In accordance with Financial Reporting Standard No 17 – Retirement Benefits (FRS 17), Torbay Council is required to:-

- disclose certain information concerning assets, liabilities, income and expenditure related to pension schemes for its employees.
- recognise the cost of retirement benefits in the Net Cost of Services when they are earned by employees, rather than when the benefits are eventually paid as pensions.

However the charge the Council is required to make against council tax is based on the cash payable in the year, so the real cost of retirement benefits is reversed out in the Statement of Movement on General Fund Balance.

Disclosures in relation to funded liabilities and unfunded liabilities are shown separately. (Unfunded benefits are those arising from the Council's discretionary award of additional service).

The FRS17 figures are for Torbay Council as an admitted body to the pension scheme. It excludes the FRS17 disclosures for two ex Grant Maintained schools: Hayes Road School and Torquay Boys Grammar School who are separately admitted bodies to the pension fund.

Analysis of Results:

The Current Service costs and contributions in year are broadly similar to the previous year primarily due as in 2009/10 there were no significant changes in the number of staff employed.

There is an increase in the net pension interest cost and expected return on pension assets of £5.5m primarily due to lower long term expected investment returns on fund assets based the April 2009 position.

The significant changes are on the balance sheet value of the pension liability (and on the corresponding pension reserve). The increase of £52.9m in the funded liabilities in the fund is an increase of £103m in liabilities primarily due to the actuary's assessment that long term inflation rates are rising which result in higher future liabilities under index linked pensions and reductions in corporate bond yields that influence discount rates used to quantify scheme liabilities. This is

offset in part by an increase in assets of £50.2m as the money markets recovered during 2009/10.

Assumptions:

The latest actuarial valuation of the Devon County Council Pension Fund took place on 31st March 2007. The latest actuarial valuation of the Council's unfunded benefits took place as at 31st March 2009. The principal assumptions used by the independent qualified actuaries in updating the latest valuation of the Fund for FRS17 purposes as at year end were:

32.2 Principal Financial Assumptions

31 st March 2009		31 st March 2010
% pa		% pa
3.5	Rate of inflation	3.9
5.0	Rate (long term) of general increase in salaries	5.4
3.5	Rate of increase to pensions in payment	3.9
6.6	Discount Rate	5.5

32.3 Assumptions for Commutation

Each member is assumed to exchange 50% (50% 2008/09) the maximum amount permitted of their pre April 2008 service pension entitlements and 75% (75% 2008/09) of the maximum amount permitted of their post April 2008 pension entitlements

32.4 Principal Demographic Assumptions

Post Retirement Mortality

31 st March 2009		31 st March 2010
Males		
Base Table (2007)		
80% of Long Cohort	Cohort improvement factors	80% of Long Cohort
1.25%	Minimum underpin to improvement factors	1.25%
23.1 yrs	Future lifetime from age 65 (current age 65)	23.1 yrs
25.4 yrs	Future lifetime from age 65 (current age 45)	25.4 yrs

31 st March 2009	Females	31 st March 2010
	Base Table (2007)	
60% of Long Cohort	Cohort improvement factors	60% of Long Cohort
1.25%	Minimum underpin to improvement factors	1.25%
25.0 yrs	Future lifetime from age 65 (current age 65)	25.0 yrs
27.3 yrs	Future lifetime from age 65 (current age 45)	27.3 yrs

32.5 Long Term Rate of Return on Assets and Asset Type held

Long Term rate of return expected as at 31 st March 2009	Asset split as at 31 st March 2009 (%)		Long Term rate of return expected as at 31 st March 2010	Asset split as at 31 st March 2010 (%)
(% pa) *			(% pa) *	
7.0	52	Equities	7.5	69
4.0	22	Gilts	4.5	17
5.8	1	Other Bonds	5.5	0
6.0	8	Property	6.5	6
1.6	17	Cash	3.0	7
n/a	n/a	Absolute Return Funds	5.0	1
5.3	100	Expected Return on Assets	6.6	100

Funded Liabilities

32.6 Reconciliation of Opening and Closing balances of Scheme Funded

The movement in the Council's net deficit for the year to 31st March 2010 is shown by the changes to the present value of liabilities and to the fair value of assets for funded liabilities:

2008/09			2009/10	
£m	£m		£m	£m
	(228.6)	Opening Present Value of Liabilities		(252.9)
(5.9)		Current Service Costs	(6.0)	
(0.5)		Past Service Costs	0	
0		Curtailments	(0.5)	
(15.6)		Interest on pension scheme liabilities	(16.7)	

£m	£m		£m	£m
(6.0)		Actuarial Gain/(loss)	(85.7)	
6.5		Benefits paid out	8.2	
0		Liabilities extinguished on settlements	0.5	
(2.8)		Contribution by participants	(2.8)	
	(252.9)	Closing Present Value of Liabilities		(355.9)
	182.1	Opening Fair Value of assets		149.5
12.5		Expected return on assets	8.0	
(49.5)		Actuarial Gain/(loss)	40.4	
8.1		Contributions by employer	7.8	
2.8		Contribution by participants	2.8	
0		Receipt of Bulk Transfer value	(0.6)	
(6.5)		Benefits paid out	(8.3)	
	149.5	Closing Fair Value of Assets		199.6
	(103.4)	Net Torbay liability - funded		(156.3)

Therefore from the table above the Actual Return on Assets can be shown:

2008/09		2009/10
£m		£m
12.5	Expected return on Assets	8.0
(49.5)	Actuarial gain/(loss) on assets	40.4
<u>(37.0)</u>	Actual Return on Assets	<u>48.4</u>

32.7 The history of asset values, present value of liabilities and surplus/deficit over 2009/10 and previous five years as follows:

As at March 31st 2005	As at March 31st 2006	As at March 31st 2007	As at March 31st 2008	As at March 31st 2009		Year Ending 31 st March 2010
£m	£m	£m	£m	£m		£ m
132.0	167.0	183.0	182.1	149.5	Fair Value of Assets	199.7
(199.0)	(225.0)	(242.6)	(228.7)	(252.9)	Present value of Liabilities	(355.9)
(67.0)	(58.0)	(59.6)	(46.6)	(103.4)	Surplus/(Deficit)	(156.2)

32.8 The history of the amounts recognised in the Statement of Recognised Gains and Loss (STRGL) over 2009/10 and previous five years as follows:

As at March 31st 2005	As at March 31st 2006	As at March 31st 2007	As at March 31st 2008	As at March 31st 2009		Year Ending 31 st March 2010
£m	£m	£m	£m	£m		£ m
0	6.4	0	15.6	0	Total Actuarial Gain	40.4
(31.0)	0	0	0	(55.5)	Total Actuarial Loss	(85.7)
(31.0)	6.4	0	15.6	(55.5)	Total gain/(loss) in STRGL	(45.3)

Results under the FRS17 can change dramatically depending on market conditions. The liabilities are linked to yields on AA rated corporate bonds whereas the majority of the assets of the Fund are invested in equities. This will lead to volatility in the net pension asset on the balance sheet and the actuarial gains/(losses) in the statement of total recognised gains and losses.

32.9 The history of experience gains and losses over 2009/10 and previous five years as follows:

As at March 31st 2005	As at March 31st 2006	As at March 31st 2007	As at March 31st 2008	As at March 31st 2009		Year Ending 31 st March 2010
£m	£m	£m	£m	£m		£ m
7.1	23.2	1.7	(17.4)	(49.5)	Experience of gain/(loss) on assets	40.4
3.2	(0.4)	(0.4)	(1.8)	(1.0)	Experience of gain/(loss) on liabilities	0
10.3	22.8	1.3	(19.2)	(50.5)	Total experience gain/(loss)	40.4

In accordance with Paragraph 79 of FRS17 (as amended), unfunded liabilities are disclosed separately for periods beginning on or after April 2007. The history of experience gain/(loss) on liabilities has not been restated for periods ending 2007, 2006 and 2005 and includes the experience relating to unfunded liabilities.

32.10 Analysis of amount charged to the Income & Expenditure Account and the Statement of Movement on the General Fund Balance

Local Government Scheme – Funded Liabilities		
2008/09 £ m	Income and Expenditure Account	2009/10 £ m
	Net Cost of Services	
5.9	- Current Service Cost	6.0
	- Curtailment Cost	0.5
0.5	- Past Service Cost	0
	Net Operating Expenditure	
15.6	- Interest Cost	16.7
(12.5)	- Expected Return on Assets in the Scheme	(8.0)
9.5	Expense Recognised in Income and Expenditure Account	15.2
	Statement of Movement on General Fund Balance	
(9.5)	- Reversal of net charge made for retirement benefits in accordance with FRS17	(15.2)
0		0
8.1	Actual Amounts charged against council tax for pensions in year	7.8

Torbay Council's contribution rate over the accounting period was 283% of member contributions (2008/09 283%). The contribution rate for 2010/11 is 283%. In addition as a result of over 500 Torbay Adult Care Trust staff, (formally Council employees), ceased to be active members of the Fund as at 1st December 2005. The actuary anticipated that some of these members were likely to elect to transfer their past service benefits to the NHS pension scheme on special terms. In recognition of this additional cost to the Council a lump sum of £0.3m per annum is being paid to the fund in addition to the contribution rate. The actuary, based on the 2009/10 information provided by the Council, has estimated that the employer's contributions to the fund in 2010/11 will be £8.4 million.

Unfunded Liabilities

32.11 Reconciliation of Opening and Closing balances of Scheme Unfunded

The movement in net deficit for the year to 31st March 2010 has changes to the present value of liabilities and to the fair value of assets for unfunded liabilities:

2008/09			2009/10	
£m	£m		£m	£m
	(9.2)	Opening Present Value of Liabilities		(9.4)
(0)		Past Service Costs		0
(0.6)		Interest on pension scheme liabilities		(0.6)
(0.1)		Actuarial Gain/(loss)		(0.9)
0.5		Benefits paid out		0.7
	(9.4)	Closing Present Value of Liabilities		(10.2)
	0	Opening Fair Value of assets		0
0.6		Contributions by employer		0.6
(0.6)		Benefits paid out		(0.6)
	0	Closing Fair Value of Assets		0
	(9.4)	Net Torbay liability - unfunded		(10.2)

32.12 The history of the present value of unfunded liabilities and surplus/deficit over 2009/10 and previous five years as follows:

As at March 31st 2005	As at March 31st 2006	As at March 31st 2007	As at March 31st 2008	As at March 31st 2009		Year Ending 31 st March 2010
£m	£m	£m	£m	£m		£m
(7.8)	(9.4)	(9.7)	(9.2)	(9.4)	Present value of Liabilities	(10.3)
(7.8)	(9.4)	(9.7)	(9.2)	(9.4)	Surplus/(Deficit)	(10.3)

32.13 The history of the amounts recognised in the Statement of Recognised Gains and Loss (STRGL) over 2009/10 and previous two years is as follows:

As at March 31st 2008	As at March 31st 2009		Year Ending 31 st March 2010
£m	£m		£ m
0.4	0	Total Actuarial Gain	0
0	(0.1)	Total Actuarial Loss	(0.9)
<u>0.4</u>	<u>(0.1)</u>	Total gain/(loss) in STRGL	<u>(0.9)</u>

32.14 The history of experience gains and losses on liabilities over 2009/10 and previous two years is as follows:

As at March 31st 2008	As at March 31st 2009		Year Ending 31 st March 2010
£m	£m		£ m
(0)	(0.1)	Experience of gain/(loss) on liabilities	0.4
<u>(0)</u>	<u>(0.1)</u>	Total experience gain/(loss) on liabilities	<u>0.4</u>

In accordance with Paragraph 79 of FRS17 (as amended), unfunded liabilities are disclosed separately for periods beginning on or after April 2007. This disclosure note presents the history of liabilities, and experience gain/(loss) on liabilities for periods ending 2008 and 2009. For periods ending 2007 and earlier unfunded liabilities are included in the disclosure note for funded benefits.

32.15 Analysis of amount charged to the Income & Expenditure Account and the Statement of Movement on the General Fund Balance

Local Government Scheme – Unfunded Liabilities		
2008/09 £ m		2009/10 £ m
	Income and Expenditure Account	
	Net Cost of Services	
0	- Past Service Cost	0
	Net Operating Expenditure	

£ m		£ m
0.6	- Interest Cost	0.6
0.6	Expense Recognised in Income and Expenditure Account	0.6
Statement of Movement on General Fund Balance		
(0.6)	- Reversal of net charge made for retirement benefits in accordance with FRS17	(0.6)
<u>0</u>	Total	<u>0</u>
<u>0.6</u>	Actual Amounts charged against council tax for pensions in year	<u>0.6</u>

32.16 Contributions to Devon County Unfunded Discretionary Pension

The Council is responsible for a proportion of pension payments awarded by Devon County Council prior to 1st April 1998. It was agreed that the Council would make annual contributions to meet the cost of future payments made by Devon County Council. These amounts do not have sufficient characteristics of liabilities directly in respect of retirements benefits for which FRS17 retirement benefits apply. Therefore these amounts have been disclosed as amounts payable to Devon County Council as they fall due each year. In 2009/10 these amounted to £0.80 million (£0.8 million in 2008/2009).

The Council's liability is to Devon County Council in relation to unfunded pensions prior to 1998. It is estimated that, if FRS17 applied to these contributions, the total liabilities in relation to these pre 1998 enhancements at the liability at 31st March 2009 to be £104 million (2008/2009: £91 m), of which Torbay's share would be £12 million (2008/2009: £11 m).

32.17 Teachers' Pension Scheme

Teachers employed by the Council are members of the Teachers Pension Scheme, administered by Capita. It provides teachers with defined benefits on their retirement, and the Council contributes towards the costs by making contributions based on a percentage of members' pensionable salaries.

In 2009/10 the Council was due to pay £5.4 million (£5.4 million in 2008/09) to the Pensions Agency in respect of teachers' retirement benefits, which represents 14.0% (14.1% in 2008/09) of teachers' pensionable pay of £39m (08/09 £38m) . For 2009/10 the employer's contribution rate was 14.1%. With Regard to the Teachers Pensions scheme there were £0.7m contributions remaining payable at the year end of which represents both employee and employer contributions.

The scheme is a defined benefit scheme, administered by Capita Hartshead Limited. Although the scheme is unfunded, Capita uses a notional fund as the basis for calculating the employers' contribution rate paid by local education authorities like Torbay Council. However it is not possible for the Council to identify a share of the underlying liabilities in the scheme attributable to its own employees. For the purposes of this statement of accounts it is therefore accounted for on the same basis as a defined contribution scheme.

There were no additional benefits awarded upon early retirement outside the Teacher's scheme.

33 Prior Period Adjustments

There are a number of minor prior period adjustments required for these accounts as a result of changes to and clarifications to the SORP. As stated in section 3 of the Explanatory Forward the new accounting requirements are applicable from 1st April 2008 there are a prior period adjustments for 2008/09 information in relation to PFI and Collection Fund.

Collection Fund – restatement required to 2008/09 accounts.

	2008/09	Council Tax	NNDR	PFI Schools	Restated
	£m	£m	£m	£m	£m
Income & Expenditure Account					
Children's & Education Services	27.8	0	0	0.5	28.3
Interest Payable	5.9	0	0	0.6	6.5
General Grant - PFI	0	0	0	(0.6)	(0.6)
Income from Council Tax	(57.7)	0.1	0	0	(57.6)
Deficit for year	1.5	0.1	0	0.5	2.1
Statement of Movement on General					
Deficit for year	1.5	0.1	0	0.5	2.1
Net amount required by Statute and non-statutory proper practices	(1.6)	(0.1)	0	(0.5)	(2.2)
Increase in General Fund Balance c/f	(0.1)	0	0	0	(0.1)
Statement of Total Recognised Gains					
Total Net Worth	132.8	0	0	5.8	138.6
Balance Sheet					
Tangible fixed assets	399.0	0	0	22.1	421.1
Deferred Asset/Consideration	5.1	0	0	(5.1)	0
Debtors	16.9	(0.1)	(0.4)	0	16.4
Receipts in Advance	(4.8)	0.1	0.4	0	(4.3)
Deferred Liabilities due within 1year	(0.9)	0	0	(0.3)	(1.2)
Deferred Liabilities in excess of 1 year	(20.5)	0	0	(10.5)	(31.0)
Government Grants Deferred	(77.1)	0	0	(0.3)	(77.4)
Total Assets less liabilities	132.8	0	0	5.8	138.6
Revaluation Reserve	44.2	0	0	3.9	48.1
Capital Adjustment Account	171.0	0	0	1.9	172.9
Net Worth	132.8	0	0	5.8	138.6

34 Provisions

This heading reflects monies held where the Council has an obligation to which is likely to lead to a payment but the exact amount and timing of the payment is unknown.

	Balance as at 1 st April 2009	Additions	Withdrawals	Balance as at 31 st March 2010
	£ m	£ m	£ m	£ m
<u>Provisions</u>				
Leased Vehicle and Leased Bin Returned Condition	0.1	0	0	0.1
Insurance	0.7	0	(0.1)	0.6
Pay Modernisation	1.6	0.3	0	1.9
Other Provisions	0.1	0	(0.1)	0
TOTAL PROVISIONS	2.5	0.3	(0.2)	2.6

Description of Provisions held by the Council

Name of Provision

Description of Provision

Leased Vehicle Return Condition

Provision for vehicles under an operating lease to cover the potential cost of return. The timing and level of liability to the Council will depend on the actual mileage and general condition of a number of vehicles when returned.

Insurance

Reflects a reliable estimate of Council liability on all known claims outstanding as at 31st March, which have yet to be settled. The timing of spend will be up to three years depending on claim type.

Pay Modernisation

Provision to meet the costs relating to 2007/08 and 2008/09 of implementing the Local Pay Review. The year end balance reflects the estimated value of payments to meet the lump sum payments to staff of implementing the scheme where a reliable estimate can be made. In recognising the potential for such costs the council is not conceding that any such costs will be paid in the future.

Other Provisions

Provision to meet costs of claims against the Council which may result in a payment by the Council. In recognising the potential for such costs the council is not conceding that any such costs will be paid in the future.

35 Related Companies

35.1 Torbay Enterprise Agency

Torbay Enterprise Agency Limited is a private company limited by guarantee without share capital under the control of Torbay Council. The nature of the company is to support businesses within Torbay. Torbay Council staff and Councillors comprise all members and directors of this company. The company is now not actively trading.

The company's latest (draft) accounts for the financial year ended 31st March 2010 shows a net loss of £30,000 decreasing its total net assets to £10,000. Due to the size of the company under the Companies Act 1985 it is exempt from audit. Copies of the latest published accounts can be obtained from the Chief Finance Officer at Torbay Council.

35.2 The PLUSS Organisation Ltd

The PLUSS Organisation Ltd is a company limited by guarantee with no share capital. Devon County Council, Plymouth City Council, Torbay Council and Somerset County Council each have an equal 'share' in the company and equal voting rights. The Company's membership structure does not allow a dividend payment, and all profits are retained by PLUSS Organisation Ltd for the future development of services.

For financial reporting this relationship falls within the definition of an associate which, if material, would require the Council to produce group accounts. Under the equity method for accounting for associates prescribed in FRS9 only the net assets need to be disclosed, these were considered to be immaterial. A summary of PLUSS accounts for the year 2009/10 is shown below:-

Torbay Council's 25% share 2008/09	The PLUSS Organisation Ltd	PLUS	Torbay Council's 25% share 2009/10
	Profit and Loss Account for the period ended 31 March 2010	2009/10	2009/10
£m		£ m	£m
5.89	Gross Turnover	21.48	5.37
(5.80)	Less Operating Costs	(21.65)	(5.41)
0.09	Operating Profit/(Loss)	(0.17)	(0.04)
0	Gains/(Losses) on Disposals	0.01	0
0.01	Interest Receivable	0	0
0	Interest Payable	(0.02)	0
0.03	Finance Income (FRS17)	(0.50)	(0.13)
0.13	Profit/ (Loss) before Taxation	(0.68)	(0.17)
(0.03)	Less Taxation	0.15	0.04
0.10	Profit/ (Loss) after Taxation	(0.53)	(0.13)
£m	Balance Sheet as at 31st March 2010	£m	£m
0.19	Fixed Assets	0.95	0.24
1.30	Current Assets	4.38	1.10
(0.87)	Less Current Liabilities	(2.63)	(0.66)
£m		£m	£m
0.62	Total Assets less Current Liabilities	2.70	0.68
(0.31)	Less Long Term Creditors & Provisions	(1.72)	(0.44)
(0.85)	Pension Assets/(Liabilities)	(4.84)	(1.21)
(0.54)	Net Assets including pension assets	(3.86)	(0.97)

Profit and Loss Account for the period ended 31 March 2010 Continued			
	Capital and Reserves		
0.27	Profit and Loss Reserve	0.55	0.13
(0.81)	Pension Reserve	(4.41)	(1.10)
(0.54)	Members' Funds - non-equity	(3.86)	(0.97)

The movement in the balance sheet from a “net asset” position to a “net liability” position is due to the impact of the FRS17 assessment of as at 31st March 2010 linked to the impact of the economic conditions of the assets in the pension fund.

Arising from the creation of PLUSS on 1st August 2005 as a Local Authority controlled company for the provision of supported employment with the Council having an equal share along with Devon County Council, Plymouth City Council and Somerset County Council, the Council entered a number of agreements to support the new company. These include;

- The guarantee of an overdraft to Barclays bank to a value of £0.125 million.
- The issue of a (interest free) loan to the new company to cover working capital of £0.231 million. This loan is shown as a soft loan in the Council's long term debtors and repayments are due to start in 2011/12.

PLUS has been admitted to the Devon County Pension Fund. The former Council staff are now employed by PLUS and as a result the Council has guaranteed to meet any pension related financial liabilities arising on staff prior to transfer. The estimate of the value of this guarantee in 2005 was £0.4 million.

The information is based on unaudited accounts for the year ending 31st March 2010.

35.3 Torbay Town Centres Limited

Torbay Town Centres is a private company limited by guarantee, there is currently only one local authority Director out of eleven. In 2008/09 the Council with representatives from local businesses formed this company to support the process for establishing Business Improvement Districts in the

Torbay area. A ballot for a Torquay BID was held in March 2010 and following a yes vote implementing from 1st April 2010. 2009/10 turnover is expected to be under £0.1 million.

35.4 Connexions Cornwall and Devon Ltd

The company was incorporated on 7 March 1995 as a Company limited by guarantee not having a share capital. The council had an equal share with 13 other public sector bodies. With effect from 1st April 2008 the company resolved to become a local authority controlled company with 4 members. The members are Cornwall County Council, Devon County Council, Plymouth Council and Torbay Council, each member has an equal share in the company. The company aims to help young people and adults engage in learning and work. For financial reporting this relationship falls within the definition of an associate; this technically requires the Council to produce group accounts. Group accounts have not been produced as the net assets and profit are not considered to be material.

35.5 Torbay Economic Development Company Limited

Torbay Economic Development Company Limited is a private company limited by guarantee without share capital under the control of Torbay Council. The nature of the company is to support economic development within Torbay. Torbay Council staff and Councillors comprise all members and directors of this company. At year end the company was not trading.

35.6 Torbay Development Agency Limited

This company has had no financial transactions.

35.7 South West Academic Trust

Torquay Boys Grammar school along with a number of other schools across the South West have formed a company to promote joint working and share good practice. The company is not trading.

36 Related Party Transactions

The Council is required to disclose material transactions with related parties, bodies or individuals, that have a potential to control or influence the Council or to be controlled or influenced by the Council. The Council potentially has transactions with Central Government, Members of the Council, Officers, Other Public Bodies including Regional Development Agency, other Councils,

Riviera Centre, Riviera Housing Trust, NHS Trusts, Torbay Care Trust, Housing Associations and Pension Funds.

No material transactions with related parties during the year have been identified other than those disclosed below or elsewhere in these statements, e.g. government grants etc.

During the year transactions with related parties arose as follows:

Members: A Members Record of Interests is maintained and is available for public inspection. In addition for 2009/10 the following declarations were made:-

Mr N Hutchinson declared that his guest house had provided bed and breakfast services to the Council for homeless people in the early part of the year. But this arrangement has now terminated.

The Council maintains a Members Register of Gifts & Hospitality. During 2008/09 Members received hospitality (over the value of £25) from the following organisations/individuals:-

Greenway Quay and Ferry Service,

Officers: The Council maintains a Register of Gifts & Hospitality. During 2009/10 officers received hospitality (over the value of £25) in the course of their employment from the following organisations/individuals:-

Princess Theatre, Apple Education (UK) Ltd, Apple Computers, Glendinning Surfacing, Mr Passmore, Morgan Ashurst Plc, Herald Express, ICE SW, Ashfords

Public Bodies: The Council has entered into a number of partnership and joint working arrangements with other Public Bodies both within the NHS and Local Government.

Trusts: The Council paid a management fee of £210,000 (2008/09: £159,500) to the Torbay Coast and Countryside Trust. Although the Council has representation on the Trustee Board it is not felt to have a significant influence over Trust polices.

The Council has agreed to act as a guarantor to the Torbay Coast and Countryside Trust for £950,000. This is relating to an overdraft facility that was

originally in respect of capital work and initial trading at Ocombe Farm but now covers the whole TCCT activities.

The Council contributed a deficit funding payment of £605,000 (2008/09 £710,000) to Riviera Centre International Limited, a not for profit company. The Council does not hold assets or liabilities in the Company.

Assisted Organisations The Council provided £142,000 (2008/09) 137,900 to the Torbay Citizen's Advice Bureau for its annual agreement plus an additional £66,000 in year support . The Council does not have any influence over policies.

Precepts The total cost of these services is disclosed within the Income and Expenditure Account. Within that total the precepts and levies paid in 2009/10 are as follows:

	£,000
Environment Agency	38
Devon Sea Fisheries	55
Brixham Parish Council	182

Government Grants: The Council receives government grants to support the provision of services within its net budget. These are within the gross income within the Income and Expenditure Account and within its Cash Flow Statement. A summary of revenue grants by Service is shown below.

2008/09	Service Classification	2009/10
£ m		£ m
13.3	Central Services	15.2
3.0	Culture, Environment and Planning	1.9
94.2	Children's and Education Services	95.7
1.0	Highways, Roads and Transport	1.1
55.4	Housing Services	63.2
0.5	Social Care	0.9
0.5	Other	0.9
167.9		178.9

Care Trust In December 2005 the Council entered a “partnership agreement” with Torbay Care Trust, (formally Torbay Primary Care Trust) for the provision of Adult care services formally operated by the Council. The Council remains ultimately responsible for Adult Social Care.

2008/09	Partnership Agreement Memorandum Account	2009/10
£m		£m
47.5	Health Funding	45.6
40.3	Torbay Council Funding	41.5
87.8	Total Pooled Budget Funding	87.1
-	Health Commissioned Expenditure	31.2
-	Pooled Provider Expenditure	27.1
-	Net Social Care Commissioned Expenditure	29.6
88.0	Total Pooled Budget Expenditure	87.9
0.3	Surplus Deficit	0.8

PLUSS: The supported employment service, formally Torbay Industrial Services, was transferred in 2005 to a Local Authority Controlled company (PLUSS) in which the Council has an equal share with Devon County Council, Plymouth City Council and Somerset County Council. In 2009/10 the Council has provided £1.5m of funding and purchases of goods and services (£2.0m 2008/09).

Outstanding Balances

Any amounts due to or from related parties as at 31st March 2010 are within Balances: the Council's balance sheet. The only balances with related parties over £0.5m are £5.2 million (2008/09: £4.4 m) due to Torbay Care Trust

37 Reserves and Balances

37.1 Summary of Movements in Reserves

The table below shows a summary of the Council's reserves that comprise of its Net Worth. Details of each reserve are listed below the table or are referenced to other notes in the accounts.

Reserve	Balance as at 1st April 2009 Restated £m	Net Movement in Year £m	Balance as at 31st March 2010 £m	Further Details
Revaluation Reserve	48.1	3.9	52.0	Note 38.2
Capital Adjustment Account (see note 1)	172.9	(5.3)	167.6	Note 38.3
Usable Capital Receipts	0.4	0	0.4	Note 38.4
Financial Instrument Adjustment Account	(0.4)	0.1	(0.3)	Note 38.5
Available for Sale Reserve	0	0	0	Note 38.6
Collection Fund Adjustment Account	0	1.1	1.1	Note 38.7
Pension Reserve	(103.4)	(52.9)	(156.3)	Note 32
Pension Reserve – unfunded liabilities	(9.4)	(0.8)	(10.2)	Note 32
General Fund	3.1	0.6	3.7	Statement of Movement on General Fund Balance
School Balances	1.0	(0.3)	0.7	Note 38.8
Earmarked Reserves	26.3	3.4	29.7	Note 38.9
TOTAL NET WORTH	138.6	(50.2)	88.4	

37.2 Revaluation Reserve

The balance on the Revaluation Reserve records the accumulated gains (or losses up to the value of an asset within this reserve) on the fixed assets held by the authority arising from factors such as market price changes, revaluations relating to significant capital expenditure or the consumption of the economic benefit of an asset. This balance will, in effect, be the difference

between the depreciated current value of each fixed asset compared to the depreciated historical cost. For consistency for all Council's the opening balance on this account was set as at 1st April 2007 as nil.

2008/09		2009/10
£ m		£ m
18.3	Opening balance as at 1 st April	48.1
3.9	Restatement re PFI schools	0
(0.2)	Restatement of opening balance	0
26.8	Net gains on revaluation of fixed assets in excess of net value	7.1
(0.5)	Excess of Current Value depreciation compared to historical cost depreciation	(0.7)
(0.1)	Adjust for any balance in Reserve for assets disposed of in year	(0.7)
(0.1)	Adjustment to balance in Reserve for assets impaired in year	(1.8)
<u>48.1</u>	<u>Balance as at 31st March</u>	<u>52.0</u>

37.3 Capital Adjustment Account

The Capital Adjustment Account accumulates (as debits) the write down of the historical cost of the asset as it is consumed by depreciation, impairment or written off on disposal. It also accumulates (as credits) the resources that have been set aside to finance capital expenditure. The balance on this account thus represents timing differences between the amount of the historical cost of the fixed assets that has been consumed and the amount that has been financed in accordance with statutory requirements.

2008/09		2009/10
£m		£m
173.8	Opening Balance as at 1st April	172.9
2.3	Restatement re PFI schools*	0
	Resources set aside to finance capital expenditure:	
	Direct financing of Capital Investment in Year -	
2.0	Capital receipts	2.3
1.3	Revenue	1.3
2.7	Grant, contributions & revenue used to fund Refcus	5.6
0.9	Repayment of Debt Transferred from Devon County Council	0.9
3.7	Minimum Revenue Provision (including PFI)	4.1
186.7		187.1
	Variations in Historical Cost of the Asset:	
(6.4)	Depreciation Charged in Year to I&E	(7.2)
(0.4)	Amortisation of Intangible Assets	(0.3)
(2.6)	REFCUS funded from capital resources	(0.8)
(2.7)	REFCUS funded from grant, contributions and revenue	(5.6)
(3.8)	Impairment charged in Year to I&E	(8.4)
0.1	Impairment charged in Year to Revaluation Reserve	1.8
1.7	Amortisation of Government Grants	2.3
(0.3)	Assets Disposed of In year (write off carrying value)	(2.6)
0.1	Assets Disposed of in year (clear revaluation reserve value)	0.7
0	Assets Decommissioned In year (write off carrying value)	(0.1)
0.5	Excess of Current Value depreciation compared to historical cost depreciation	0.7
172.9	Balance as at 31st March	167.6

* note: the restatement of the CAA in relation to PFI includes an amount that is equal to the value of MRP that would have been charged to the Income & Expenditure Account from the inception of the contract to 31/3/08 of £1.8m.

37.4 Usable Capital Receipts Reserve

The Usable Capital Receipts Reserve holds capital receipts from the sale of assets which have been received and have not yet been used to finance capital expenditure. The balance on the

Reserve is held to fund future year's expenditure in the approved Capital Plan Budget.

2008/09		2009/10
£ m		£ m
1.9	Opening balance as at 1st April	0.4
0.5	Receipts from the Sale of Assets in the Year (note 1)	2.3
(2.0)	Transferred to the Capital Adjustment Account to fund investment in the year	(2.3)
0.4	Balance as at 31st March	0.4

Note 1: For detail of the capital receipts in year see note 21 on Gains/losses on disposal of assets.

37.5 Financial Instrument Adjustment Account

The Financial Instrument Adjustment Account is a reserve to reflect statutory provision that allows the negation of the impact on a Council's Income and Expenditure of the accounting requirements for Financial Instruments.

2008/09		2009/10
£m		£m
(0.4)	Opening Balance as at 1st April	(0.4)
	Adjustments to Financial Instruments in Year	
0	- Loan to Pluss as a soft loan *	0
0	- (Increase)/decrease in Fair Value of Financial Guarantee to Torbay Coast & Countryside Trust	0.1
(0.4)		(0.3)

* note – movement in year was £10,000.

37.6 Available for Sale Reserve

This reserve reflects the changes in fair value process for Available for Sale Assets arising from any unrecognised gains or losses. These would include any Council investments held in money market funds at year end. The balance on this account at year end was £0. (£5,000 2008/09).

37.7 Collection Fund Adjustment Account

The Collection Fund Adjustment Account is a reserve to reflect statutory provision that allows the negation of the impact on a Council's Income and Expenditure of the accounting requirements for the Collection Fund on an agency basis.

2008/09		2009/10
£m		£m
(0.1)	Opening Balance as at 1st April	0
0.2	Reversal of prior year surplus/(deficit) distributed in year	0
(0.1)	Reversal of Council share of residual surplus/deficit *	0
0	Recognition of surplus/(deficit) at year end	1.1
0		1.1

* note – actual Council share of deficit as at 31/03/09 was £15,000

37.8 Schools Balances

Under the Torbay “Scheme for Financing Schools”, schools are permitted to carry forward surplus balances subject to meeting the conditions within the scheme. The conditions primarily relate to the surplus being assigned for a specific purpose and the balance subject to a percentage of an individual school budget. (5% for secondary schools and 8% for primary and special schools). These balances are committed to schools related expenditure.

2008/09		2009/10
£ m		£ m
2.4	Opening balance as at 1st April	1.0
(1.4)	Net Additions/(withdrawals in year)	(0.3)
1.0	Balance as at 31st March	0.7

37.9 Earmarked Reserves

Revenue reserves result from events that have allowed money to be set aside from surpluses, or decisions causing anticipated expenditure to have been postponed or cancelled. Reserves of this

nature are available and can be spent or earmarked at the discretion of the Council. The reserves held by the Council are:-

<u>Name of Reserve</u>	<u>Description of Reserve</u>
Budget Issues Reserve	To support future budgetary pressures facing the Council in the medium term.
Capital Funding	To reserve funding for items in the approved Capital Plan Budget.
Car Parks Machine	To replace Pay and Display machines at the end of their useful life.
Carry Forwards	Service Carry Forwards - <i>Council 24th June 2010</i>
Castle Circus Regeneration Project	Reserve to help meet the short term revenue costs of the implementation of this major project.
Cemeteries	To provide a reserve to fund future maintenance issues on Council cemetery sites
Change Management and Financial Strategy	To fund the implementation of high level reviews and other corporate initiatives.
Disposal Costs Reserve	To support the revenue costs associated with the rationalisation of the Council's assets
Early Retirement Reserve	To enable the Council to meet childrens' redundancy-related liabilities as they fall due. Built up from annual budgets for new redundancies.
Employment Issues Reserve	To support employment related issues, such as implication of pay modernisation, redundancy and payroll related issues.
Equipment Fund	To facilitate renewal of equipment within services where the replacement is at irregular periods.

Financial Climate	Reserve established in 2009/10 to support the Council's general fund reserve to reflect the increased risk to Council balances from external issues such as the economic conditions.
Harbours	Torquay, Paignton and Brixham Harbours – To finance Harbour expenditure schemes for the purpose of Harbour Users.
Housing Telecare	Reserve to support supporting people via the use of telecare with Torbay Care Trust
JVC Set Up Reserve	To set aside monies in relation to the Council initiative to establish a Joint Venture Company to deliver a range of services – balance used as at 31/3/10
Insurance Reserve	To set aside amounts to cover the future cost of past uninsured events which result in a loss to the Council. This reserve comprises estimates of potential liabilities arising from the Council's previous insurers Municipal Mutual Insurance Ltd not having sufficient solvency, to meet pre 1998 claims from Devon County Council, amounts for specific uninsured risks and a general reserve to meet as yet unknown insurance claims
IT Equipment	To provide funds for priority driven replacements of IT equipment.
Local Authority Business Growth Incentive Reserve	Reserve for the business incentive grant pending the development of plans for the effective use of this grant.
LGR Repayment	To mitigate the impact of increased Minimum Revenue Provision on the Council's Revenue Account arising from the Council's Local Government Reorganisation Supplementary Credit Approval.
Other Specific Reserves	Includes: Council Elections, Art Objects Purchase Fund, Replacement Software Reserve, Claylands Reserve, Hele Signal Maintenance Reserve, Pearl Assurance House Repair, Performance Reward Grant,

PFI Sinking Fund	To provide funds to meet the liabilities under the PFI agreement over 25 years (Westlands and Homelands Schools) and to provide funding towards Paignton Community College expansion project.
Planning Reserve	To provide for costs of Local Plan Inquiry held every 4/5 years.
Riviera Centre	Reserve to help support the Riviera Centre and any alternative use of the site
South West Water Agency	This reserve is held to meet any employee and other liabilities arising from the former agency work with South West Water. This reserve now transferred to be part of Employment Issues Reserve.
Supporting People Re provision Reserve	To set aside monies to help in the commissioning of services for the re provision of the supporting people function
Pension Reserve	To set aside monies for any potential liability for the pension costs relating to the transfer of staff to Torbay Care Trust in 2005 and any Council pension funding issues.
TDA Capital Reserve	To support funding of TDA Capital projects such as Brixham Regeneration
TPSL Reserve (Housing)	To set aside amounts for potential costs of returning properties to landlords under the Private Sector Leasing scheme for homeless people.
Trading Reserves	Trading Reserves to support Operational Services
Unsupported Borrowing Equalisation Reserve	Reflects the temporary surplus/deficit arising from the charges to services for the repayment of expenditure under Prudential Borrowing compared to actual interest and Revenue Provision.
Vehicles and Plant	To finance the purchase of vehicles and plant when updating the authority's fleet.

Waste Disposal Strategy Reserve	Reflects the reclassification of part of the equipment fund as a specific reserve for Waste Disposal Initiatives.
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Analysis of Earmarked Reserve Movements					
	Balance as at 1st April 2009	Transfers between Reserves 2009/10	Additions to the Reserve	Withdrawals from the Reserve	Balance as at 31st March 2010
	£ m	£ m	£ m	£ m	£ m
Earmarked Reserves					
Budget Issue Reserves	0.4	0	0.4	(0.3)	0.5
Capital Funding Reserve	0.5	0	1.8	(0.6)	1.7
Carry Forwards	4.4	0	5.2	(3.6)	6.0
Castle Circus Regeneration Project	0	0	0.3	0	0.3
Cemeteries and Crematoria Reserve	0.1	0	0	0	0.1
Change Management & Financial Strategy Reserve	2.0	0	0.8	(1.9)	0.9
Disposal and Property Costs Reserve	0.2	0	0.1	0	0.3
Early Retirement Reserve	0.5	0	0.5	(0.7)	0.3
Employment Issues Reserve	1.9	0.1	1.6	(0.9)	2.7
Equipment Reserves	0.6	0	0.1	(0.2)	0.5
Financial Climate	0	0.2	0	0	0.2
Harbour's Reserve	0.9	0	0.2	(0.1)	1.0
Housing - Telecare	0	0	0.3	0	0.3
JVC Set Up Reserve	0.5	0	0	(0.5)	0
Insurance Reserves	3.8	(0.2)	0.3	0	3.9
IT Equipment Reserve	0.7	0	0.1	0	0.8
LA Business Growth Incentive	0.4	0	0.2	(0.4)	0.2
LGR Repayment Reserve	0.1	0	0	0	0.1

	Balance as at 1st April	Transfers between Reserves	Additions to the	Withdrawals from the	Balance as at 31st March
Misc. Specific Reserves	0.1	0	0.5	(0.1)	0.5
PFI Sinking Fund	4.3	0	0.8	(0.8)	4.3
Planning Reserve	0.4	0	0	0	0.4
Riviera Centre	0.1	0	0.2	0	0.3
South West Water Agency	0.1	(0.1)	0	0	0
Supporting People Reserve	1.2	0	0	(0.2)	1.0
TCT Pension Reserve	0.2	0	0	0	0.2
TDA Agency Capital Scheme Reserve	0.6	0	0.2	(0.5)	0.3
TPSL Reserve (Housing)	0.1	0	0	0	0.1
Trading Reserves	0.3	0	0	0	0.3
Unsupported Borrowing Reserve	1.1	0	0.2	0	1.3
Vehicles and Plant Reserve	0.2	0	0	0	0.2
Waste Strategy Reserve	0.6	0	0.5	(0.1)	1.0
Total Earmarked Reserves	26.3	0	14.2	(10.9)	29.7

38 Section 75 NHS Act (Pooled Budgets)

Under Section 75 of the NHS Act 2006, Councils are able to work with NHS bodies to assist in the delivery of services. In 2009/10 the only Pooled budget arrangement with a turnover greater than £200,000 was the Joint Equipment Store in partnership with Torbay Care Trust (formally Torbay Primary Care Trust). In this pooled budget arrangement the Council is the lead body in the operation of an equipment store for the purchase and distribution of items to support social care in the Torbay area.

2008/9		2009/10
£m	Joint Equipment Store	£m
1.4	Gross Expenditure	1.0
(0.9)	Torbay Care Trust Funding	(0.5)
(0.5)	Torbay Council Funding (Revenue)	(0.5)
(0)	Grant Funding (Torbay Council) and Sundry Income	(0)
0	Net Expenditure	0

39 Soft Loans

A Soft Loan is where the Council has lent money, normally for service purposes, at a lower than market rate. Where this has occurred the Council adjusts, if material, the carrying value of the loan to reflect the cost to the Council of the lower than market rate.

The only significant soft loan the Council has is the interest free loan to PLUS in 2005 to cover the company's working capital of £0.231 million with repayments due to start in 2011/12. The fair value of this loan as at 31st March 2010 under the accounting for financial instruments is £0.160 million.

40 Statement of Movement on the General Fund Balance

The Income and Expenditure Account shows Torbay Council's actual financial performance for the year, measured in terms of the resources consumed and generated over the last 12 months. However, the Council is required to raise council tax on a different accounting basis, the main differences being:

- Capital investment is accounted for as it is financed, rather than when the fixed assets are consumed.
- Retirement benefits are charged as amounts become payable to pension funds and pensioners, rather than as future benefits are earned.
- The General Fund Balance shows whether Torbay Council has over or under spent against the council tax that it raised for the year, taking into account the use of reserves built up in the past and contributions to reserves earmarked for future expenditure.
- Amount by which finance costs calculated in accordance with the SORP are different from the

amount of finance costs calculated in accordance with statutory requirements

The following table reconciles the difference between the outturn on the Income and Expenditure Account and the General Fund Balance:

2008/09		2009/10	
£m	Amounts included in the Income and Expenditure Account	£m	£m
restated	but required by statute to be excluded when determining the Movement on the General Fund Balance for the year		
(0.4)	Amortisation of intangible fixed assets	(0.3)	
(6.4)	Depreciation of fixed assets	(7.2)	
(3.9)	Impairment of Fixed Asset	(8.4)	
1.7	Government Grants Deferred amortisation	2.3	
(2.6)	Capital resources used to fund Refcus	(0.9)	
(2.7)	Grant and contributions used to fund Refcus	(5.6)	
2.7	Refcus funded from grant and contributions	5.6	
0.2	Gain/(loss) on disposal of fixed assets & other capital income	(0.4)	
0.1	Differences between amounts to the Income and Expenditure Account and amounts to be recognised under statutory provisions relating to soft loans, stepped loans and financial guarantees	0.1	
(0.1)	Council Tax Reversal	1.1	
(10.1)	Net charges for retirement benefits in accordance with FRS 17	(15.8)	
2.6	Reversal of Local Pay Review costs (per SI 2007/573)	0	
(18.9)			(29.5)
	Amounts not included in the Income and Expenditure Account but required to be included by statute when determining the Movement on the General Fund Balance for the year		
3.4	Minimum revenue provision for capital financing	3.7	
0.3	MRP re PFI	0.4	
1.3	Capital expenditure charged in-year to the General Fund Balance	1.3	
0.9	Repayment of LGR transferred Debt – Principal to DCC	0.8	
8.7	Employer's contributions payable to the Devon County Council Pension Fund and retirement benefits payable direct to pensioners	8.4	
14.6			14.6

£m		£m	£m
	Transfers to or from the General Fund Balance that are required to be taken into account when determining the Movement on the General Fund Balance for the year		
2.1	Net transfer to or (from) earmarked reserves	3.1	
2.1			3.1
(2.2)	Net additional amount required to be charged to the General Fund balance for the year		(11.8)

41 Statement of Total Recognised Gains and Losses

This Statement brings together all the gains and losses of the Council for the year and shows the aggregate increase in its net worth.

The detail supporting each of the disclosed movements to this account are disclosed elsewhere in the accounts. The relevant notes are as follows:

- a) Surplus arising on revaluation of fixed assets – see note 38.2 to the Revaluation Reserve and note 38.3 to the Capital Adjustment Account
- b) (Surplus)/Deficit arising on revaluation of available-for-sale fixed assets – see note 38.6
- c) Actuarial (gains)/losses on pension fund assets and liabilities – see note 32 to FRS17 Pensions

42 Stock and Work in Progress

31 st March 2009 £ m		31 st March 2010 £ m
0.1	General Fund	0.1
0.3	Operational Services	0.3
<u>0.4</u>		<u>0.4</u>

43 Trading Operations

In line with the Best Value Accounting Code of Practice, the Council is disclosing three services as “trading undertakings” in its income and expenditure account. Details of these services in 2009/10 (including reserve movements) are as follows:

Trading Operations 2009/10				
2008/09	Operation	Description		2009/10
£ m				£ m
14.9	Operational Services	The Council operates a Trading	Turnover	14.9
(14.6)		Operation for a number of its	Expenditure	(14.8)
0.3		services.	Surplus/(Deficit)	0.1
0.4	Developer Services	The Council undertakes work on	Turnover	0.2
(0.3)		behalf of the Environment Agency	Expenditure	(0.2)
0.1		and South West Water	Surplus/(Deficit)	0
1.2	Printing Services	The Council operates an in house	Turnover	1.2
(1.2)		Printing service which operates	Expenditure	(1.3)
0		on a trading basis	Surplus/(Deficit)	(0.1)

44 Trust Funds

The Council acts as trustee for the funds listed below. In accordance with LAAP 58 these funds have not been consolidated in the accounts of the Council and a summary of income and expenditure in year is as shown in the table below.

TITLE OF TRUST FUND	Balance 31 st March 2009 £000s	Net Change in Year £000s	Balance 31st March 2010 £000s
Sports Events			
To provide grants to local sports men and women.	17	0	17
Stoney Park Allotment			
To maintain and repair the Stoney Park Allotment	9	(1)	8
Leanora Carlow:			
To provide contributions to Handicapped Children in Torbay	14	0	14
Thomas W Gleiman:			
Established to support the poor in Torbay	1	0	1
Mayoral (civic) Charity Account:			
To receive contributions to the Chairman of Torbay for distribution to local charities.	6	1	7
Education			
Bequests to specific schools within Torbay	17	1	18

All monies, with the exception of the mayoral charity account are held within the Council's bank account.

COLLECTION FUND SUMMARY ACCOUNT 2009/2010

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

2008/09			2009/10	
£ m	£ m		£ m	£ m
		Income		
(55.9)		Council Tax	(57.4)	
(12.8)		Transfers from General Fund - Council Tax Benefits	(14.6)	
	(68.7)			(72.0)
	(30.8)	Income in respect of Non-Domestic Rates		(31.3)
	<u>(99.5)</u>	Total Income		<u>(103.3)</u>
		Expenditure		
		<i>Precepts and Demands:-</i>		
6.9		Devon & Cornwall Police Authority	7.2	
3.2		Devon Fire Authority	3.3	
57.5	67.6	Torbay Council's own Demand (including Brixham Town Council)	59.5	70.0
	0.2	<i>Distribution of previous years estimated collection fund surplus. Note 48.4.</i>		0.0
		<i>National Non-domestic Rates (NNDR):-</i>		
30.1		Payments to NNDR Pool	30.6	
0.2	30.3	Cost of Collection Allowance	0.2	30.8
		<i>Bad and Doubtful Debts/Appeals:-</i>		
		<u>Council tax</u>		
0.4		Write Offs	0.5	
0.6	1.0	Provision for uncollectable amounts	0.2	0.7

2008/09			2009/10	
£ m	£ m		£ m	£ m
		<u>NNDR</u>		
0.3		Write Offs	0.4	
0.2	0.5	Provision for uncollectable amounts	0.1	0.5
	<u>99.6</u>	Total Expenditure		<u>102.0</u>
	<u>0.1</u>	Surplus for year		<u>(1.3)</u>
Movement of Fund Balance				
(0.1)		Balance brought forward as at 1 st April		0
	<u>0.1</u>	Surplus for the year		<u>(1.3)</u>
	<u>0</u>	Balance carried forward as at 31 st March		<u>(1.3)</u>
	0	Balance attributable to major precepting bodies.		(0.2)
		<i>Note 48.5.</i>		
	0	Balance attributable to Torbay Council.		(1.1)
		<i>Note 48.5.</i>		

Note: Brixham Town Council, a local precepting authority, was established in May 2007. The Town Council 'precepts' on Torbay Council as a billing authority to fund its activities, the precept for 2009/10 was £0.182m (£0.162m in 2008/09) and is received from council taxpayers in the town council's area. This precept is included in Torbay Council's demand on the collection fund.

NOTES TO THE COLLECTION FUND SUMMARY ACCOUNT

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

Note: Brixham Town Council, a local precepting authority, was established in May 2007. The Town Council 'precepts' on Torbay Council as a billing authority to fund its activities, the precept for 2009/10 was £0.182m (£0.162m in 2008/09) 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.

45 Council Tax

45.1 Council Tax Base 2009/10

For Council tax purposes the number of domestic properties in each band converted to a Band D equivalent for 2009/10 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	12,841	6,765	963.87	1,379	732	18.43
B	7/9	16,751	11,305	1,124.51	2,206	1,499	21.51
C	8/9	16,003	12,692	1,285.15	2,422	1,930	24.58
D	1	9,662	8,778	1,445.80	1,490	1,355	27.65
E	11/9	4,925	5,560	1,767.09	636	733	33.79
F	13/9	2,250	3,003	2,088.38	312	415	39.94
G	15/9	1,201	1,788	2,409.67	89	137	46.08
H	2	119	160	2,891.60	6	5	55.30
TOTAL		63,752	50,051		8,540	6,806	
Less Allowance for Non Collection @ 3.5% (2.5% 2008/09)			(1,751)			(238)	
TAX BASE 2009/10			48,300			6,568	

The number of dwellings Band D equivalent for 2009/10 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. In the light of the economic conditions for 2009/10 the Council adjusted the estimated allowance for non collection to 3.5% from 2.5% in the previous year.

45.2 Council Tax Income 2009/10

Precepts and Demands:

The following Authorities made a demand on the Collection Fund in 2009/10.

	£ m
Torbay Council (see note below)	59.5
Devon and Cornwall Police Authority	7.2
Devon & Somerset Fire & Rescue Authority	3.3
Total Demands on Collection Fund 2009/2010	70.0
Divided by Council Tax Base:-	
Torbay Council Tax Base	48,299
Brixham Town Council Tax Base	6,568
Band D Council Tax (excluding Brixham Town Council precept)	£1,227.40
Band D Council Tax (including Brixham Town Council precept)	£1,255.05

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

The income credited to the Collection Fund in 2009/10 can be analysed as follows.

	£ m
Gross Council Tax Payable for Year	82.9
Reduced Assessments (discounts)	(10.9)
Actual Income from Council tax	72.0
Less Council Tax Benefit	(14.6)
Total Council tax Income 2008/09	57.4

The difference of £2.0 million between the actual Council Tax income (£72.0m) and the estimated income (£70.0m) is due to changes during the year in the Council Tax Base and collection rates. These changes include the number of eligible properties, discounts and the actual and estimated tax collection rate.

45.3 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 amount, less certain reliefs and other deductions, is paid to a central pool (the NNDR Pool) managed by Central Government, which in turn pays back to Authorities their share of the pool based on a standard amount per head of the resident population.

The total rateable value as at 31st March 2010 was £78.3 m (2008/2009: £78.2m).

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 2009/10 was 48.1 pence per pound of rateable value and the non domestic rating multiplier was 48.5 pence per pound.

As part of the NNDR regulations, all commercial premises have been revalued by the Valuation Office and a new rating list put into effect from 01/04/10. As part of this process the multiplier for this year has been reduced.

45.4 Distribution of previous years' estimated collection fund surplus/(deficit)

2008/2009		2009/2010
£000's		£000's
201	Torbay Council	0
23	Devon and Cornwall Police Authority	0
11	Devon & Somerset Fire & Rescue Authority	0
235	Total	0

45.5 Accounting for the Collection Fund balance

The opening balance for the Collection Fund for 2009/10 was £0.0m. The balance as 31 March 2010 was £1.3m surplus. Surpluses and deficits are shared with the other major precepting bodies that make a demand on the fund. The Council accounted for the Collection Fund balance in its 2009/10 Statement of Accounts as follows.

Major Precepting Bodies:-	£ 000's
Torbay Council	(1,103)
Devon and Cornwall Police Authority	(135)
Devon and Somerset Fire and Rescue Authority	(62)

In the Balance Sheet as at 31 March 2010 the Council included the disaggregated amounts for Devon & Cornwall Police Authority and Devon and Somerset Fire and Rescue Authority as a creditor. 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

Statement of Accounting Concepts and Accounting Policies

General Policies and Concepts

The general policies and concepts adopted in compiling the accounts are those recommended by the Chartered Institute of Public Finance & Accountancy (CIPFA) in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice (SORP).

These concepts and policies are important in that compliance by the Council in all material aspects with these will help to achieve the requirement to present a “true and fair view” of the financial statements of the Council.

Fundamental Accounting Concepts

FRS18 Accounting Policies sets out the fundamental accounting principles to be followed in selecting accounting policies. These are outlined as follows:

Qualitative Characteristics of Financial Information:

- Relevance

The objective of these financial statements is to provide information about a council’s financial performance and position that is useful for assessing the stewardship of public funds and for making economic decisions.

- Reliability

Financial information will be reliable if:

- it can be depended upon if it reflects the substance of the transactions and other events that have taken place
- it is free from deliberate or systematic bias
- it is free from material error
- it is complete within the bounds of materiality
- it has been prudently prepared (under conditions of uncertainty)

- Comparability

Information in financial statements increases its usefulness if it can be compared with similar information about the body for some other period of time or another body. This will depend on consistency and adequacy of disclosures.

- Understandability

All reasonable efforts should be taken in the preparation of financial statements to ensure they are as easy to understand as possible.

Pervasive Accounting Concepts

- Accruals

The financial statements are prepared on an accruals basis, The accruals basis of accounting requires the non cash effects of transactions to be reflected in the financial statements of the accounting period in which these effects are experienced, and not the period in which any cash is paid or received.

- Going Concern

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

- Primacy of Legislative Requirements

Local Authorities derive their power from statute and their financial and accounting framework is closely controlled by primary and secondary legislation. To the extent that treatments are prescribed by law the accounting concepts outlined above may not apply in all cases. It is a fundamental principle of local authority accounting that, where specific legislative requirements and accounting principles conflict, legislative requirements shall apply.

Accounting Policies

Accounting Policies are defined in FRS18 as those 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 are significant to the understanding of the Council's accounts are listed below:

Accruals of Expenditure and Income

The Council operates its accounts on an accrued income and expenditure basis. This means that all sums, which are due to be remitted to the Council in the relevant financial year, are recorded in the accounts whether or not the cash has actually been received or paid in the year. This will include customer and client receipts, employee costs and supplies and services. 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, to meet earlier closure requirements 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.

The Council makes an assessment of the impairment of its debt based on the uncollectability of its debt outstanding. The level of the provision depends on the type and age of debt outstanding.

Internal transactions between different sections of the Council, including schools have been netted off so to have no impact on the Council's balance sheet.

Best Value

The Council is required to present the service expenditure analysis in accordance with the CIPFA Best Value Accounting Code of Practice. This analysis is in some service areas different to the Council's internal budgeting and monitoring arrangements

Cash

Cash is disclosed as the balance as at 31st March per the “cash book” of its financial systems which reflect the position of the Council after transactions processed through the account have been cleared such as cheques and BACs payments. In addition are the balances held by local payment schools and petty cash/imprest accounts.

Collection Fund

The Councils the billing authority for the Torbay area. The Council maintains the statutory Collection Fund account for the collection of Council tax and NNDR.

National Non Domestic rates (NNDR)

In collecting business rates the Council is acting as agent for central government. The Council then reflects the net value of NNDR collection as at 31st March – such as arrears, impairment, and receipts in advance as an accrual due from/to central government.

Council Tax

From April 2009 the Council only reflects in its balance sheet only its own share of the net value of Council tax collection as at 31st March – such as arrears, impairment, and receipts in advance. The share is calculated on the value of Council's own precept as a percentage of the total Council tax precept from all precepting authorities in a year. The share relating to the other precepting bodies are an accrual due to/from the Fire and Police.

From April 2009 the Council will reflect in its Income and Expenditure Account its Council tax income in year as the precept set for the year adjusted for the Council's actual surplus/deficit on the collection fund for the year plus any adjusted required for the previous year's surplus or deficit.

Employee Benefits

The pension costs charged to the Council's accounts in respect of its employees are based on the Devon County Council Pension Fund's actuary's estimate of the Current Cost of pension liabilities and other FRS17 'Retirement Benefits' entries within the Council's accounts. Statutory provisions limit the council to raising council tax to cover the amounts payable by the council to the pension

fund in the year. The amount charged to the general fund for providing pensions for employees is the amount payable for the year in accordance with statutory requirements governing the pension scheme. Where this amount does not match the amount charge to the Income and Expenditure account for the year, any difference is taken to the pensions reserve.

In the Statement of Movement on the General Fund Balance there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and any amounts payable to the fund but unpaid at the year-end.

Torbay Council and its employees contribute to the Local Government Scheme administered by Devon County Council which is a defined benefit scheme and to the Teachers pension scheme which is classified for reporting purposes as a defined contribution scheme where FRS17 does not apply. The SORP exempts the Teachers' Pension scheme, a multi employer defined benefit scheme, from FRS17 requirements and requires it to be accounted for as a defined contribution scheme.

A defined benefit scheme is where 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.

A defined contribution scheme is where employers pay fixed amounts into a scheme and has no obligation to pay further amounts if the scheme does not have sufficient assets to pay employee benefits.

The Pension Fund's Actuary has stated that the pension figures, calculated under FRS17 (as amended), supplied for Torbay are consistent with the Code of Practice provided by CIPFA. Further detail is provided in notes to the accounts in accordance with FRS17.

The Discount Rate for scheme liabilities is based on a "current rate of return on a high quality corporate bond of equivalent currency and term to the Scheme Liabilities" which is often referred to as "AA Corporate Bond Rates".

The overall amount to be met from Government grants and local taxation has remained unchanged, but the costs disclosed for individual services are approximately 2% lower (2% lower 2008/2009) after the replacement of employers' contributions by FRS17 related costs. Net

operating expenditure is also higher by 5% (1% higher 2008/2009) than it would otherwise have been.

The requirement to recognise the net pensions liability has reduced the reported net worth of the Council by 65% (45% 2008/2009).

Torbay Council in 1998 agreed to fund a tax base share of Devon County's enhanced pension payments (unfunded benefits). As this is a liability to Devon County Council and not to a pension fund these costs have not been treated as pension related and therefore FRS17 does not apply to these costs.

Exceptional items and prior period adjustments

Exceptional Items

As at 31st March 2010 the Council had still not finalised its costs in relation to Job Evaluation. Any movements relating to its provision for job evaluation costs as at that date are continued to be reflected as an exceptional item within the net Cost of Services.

Prior Period Adjustments

These are changes to the prior year accounts as result of material changes in accounting policies.

2008/09 has been restated to reflected the prior period adjustment in relation to accounting for NNDR on an agency basis on behalf of central government.

2008/09 has been restated to reflect the prior period adjustment in relation to accounting for the Council's PFI scheme for schools under IFRC 12. This has resulted in the removal of the previous PFI accounting entries from both the Income and Expenditure Account and Balance Sheet and the introduction of the school assets and corresponding liability to the contractor on the balance sheet. The entries reflect the values of the PFI entries as if the Council had applied this accounting policy since the inception of the scheme. The assets have now been recognised are now subject to depreciation, revaluation and impairment as any other tangible assets.

2008/09 has been restated to reflect that the annual payment to the contractor is now recognised in its accounts as a reduction in liability payment of finance costs (based on effective interest rate),

and a revenue payment for services. In recognising the entries as at 31st March 2008 the Council has reflected the reduction to that date in its liability by an adjustment to the opening balance of the Capital Adjustment Account, which is the equivalent to Revenue Provision on the assets since inception.

Financial Instruments

a) Financial Liabilities

Financial liabilities are initially measured at fair value and carried at their amortised cost. Annual charges to the Income and Expenditure Account for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. For most of the borrowings that the council has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable plus the interest due and interest charged to the Income and Expenditure Account is the amount payable for the year in the loan agreement. (The interest due is shown as short or long term depending on the timing of the expected cash flow of the interest payment). The exception is the stepped rate LOBO loan the Council has with Barclays. This has been recognised at amortised costs and an effective interest rate calculated for the maximum duration of the loan. This effective interest rate is charged to the Income and Expenditure account.

Gains and losses on the repurchase or early settlement of borrowing are credited and debited to Net Operating Expenditure in the Income and Expenditure Account in the year of repurchase or settlement. However, if material, where repurchase has taken place as part of a restructuring of the loan portfolio that involves the modification or exchange of existing instruments, the premium or discount is respectively deducted from or added to the amortised cost of the new or modified loan and the write-down to the Income and Expenditure Account is spread over the life of the loan by an adjustment to the effective interest rate.

Where premiums and discounts have been charged to the Income and Expenditure Account, regulations allow the impact on the General Fund Balance to be spread over future years. The council, if material, will spread the gain/loss over the term that was remaining on the loan against which the premium was payable or discount receivable when it was repaid. The reconciliation of amounts charged to the Income and Expenditure Account to the net charge required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Statement of Movement on the General Fund Balance.

b) Financial Assets

Financial assets are classified into two types:

loans and receivables – assets that have fixed or determinable payments but are not quoted in an active market

available-for-sale assets – assets that have a quoted market price and/or do not have fixed or determinable payments

c) Loans and Receivables

Loans and receivables are initially measured at fair value and carried at their amortised cost. Annual credits to the Income and Expenditure Account for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the loans that the council has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable plus interest due and interest credited to the Income and Expenditure Account is the amount receivable for the year in the loan agreement.

However, the council has made a loan to PLUSS limited at less than market rates (soft loans). When soft loans are made, a loss is recorded in the Income and Expenditure Account for the present value of the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal. Interest is credited at a higher effective rate of interest (5%) than the rate receivable from PLUSS (0%), with the difference serving to increase the amortised cost of the loan in the Balance Sheet. Statutory provisions require that the impact of soft loans on the General Fund Balance is the interest receivable for the financial year – the reconciliation of amounts debited and credited to the Income and Expenditure Account to the net gain required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Statement of Movement on the General Fund Balance.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the Income and Expenditure Account.

Any gains and losses that arise on the derecognition of the asset are credited/debited to the Income and Expenditure Account.

d) Available-for-sale Assets

Available-for-sale assets are initially measured and carried at fair value. Where the asset has fixed or determinable payments, annual credits to the Income and Expenditure Account for interest receivable are based on the amortised cost of the asset multiplied by the effective rate of interest

for the instrument. Where there are no fixed or determinable payments, income (eg, dividends) is credited to the Income and Expenditure Account when it becomes receivable by the Council.

Assets are maintained in the Balance Sheet at fair value. Values are based on the following principles:

instruments with quoted market prices – the market price

other instruments with fixed and determinable payments – discounted cash flow analysis

equity shares with no quoted market prices – independent appraisal of company valuations.

Changes in fair value are balanced by an entry in the Available-for-sale Reserve and the gain/loss is recognised in the Statement of Total Recognised Gains and Losses (STRGL). The exception is where impairment losses have been incurred – these are debited to the Income and Expenditure Account, along with any net gain/loss for the asset accumulated in the Reserve.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the Income and Expenditure Account.

Any gains and losses that arise on the derecognition of the asset are credited/debited to the Income and Expenditure Account, along with any accumulated gains/losses previously recognised in the STRGL.

Where fair value cannot be measured reliably, the instrument is carried at cost (less any impairment losses).

e) Assets carried at Fair Value through Profit and Loss

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

Any changes in the fair value of the asset are reflected in the carrying value of the asset and the changes in year recognised as interest in the income and expenditure account

f) Instruments Entered Into Before 1 April 2006

The council entered into a financial guarantee in relation to PLUS that is not required to be

accounted for as financial instruments. These guarantees are reflected in the Statement of Accounts to the extent that provisions might be required or a contingent liability note is needed.

Pension guarantees are deemed to be outside the scope of financial instruments and have not been recognised. These guarantees are reflected in the Statement of Accounts to the extent that provisions might be required or a contingent liability note is needed.

g) Financial Instruments – Statutory Overrides

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

- SI 2007 573 - provision to mitigate the impact of Soft Loans

- SI 2008 414 – provision to mitigate the impact of Financial Guarantees up to 9th November 2007 and the impact of the recalculation of interest on an amortised costs basis on stepped rate loans. Note the Council has not used the provision in SI 414 2008 to mitigate the ongoing impact of the interest on the stepped rate LOBO with Barclays.

h) Financial Instruments – interest due at year end

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

Financial Relationships with other Bodies

Financial Relationships with Companies

Councils are required to produce Group Accounts in accordance with FRS2 (Accounting for Subsidiary Undertakings) and FRS 9 (Associates and Joint Ventures).

The Council owns Torbay Enterprise Agency, Torbay Development Agency Limited and has representation on the board of SWERCOTS Ltd, SWIGFL, Devon and Cornwall Connexions, Torbay Town Centres Limited and the PLUSS Organisation but these companies are not consolidated into the Council accounts, as they are not material in terms of the amounts and

impact on the Council.

Financial Relationship with Torbay Care Trust

The Council entered a “partnership agreement” with Torbay Care Trust (formally Torbay Primary Care Trust) on the 1st December 2005. This partnership was to enable the Care Trust to provide Adult Care Services delegated by the Council. Council staff working in Adult Social Care transferred employment to the Care Trust. The Council however remains accountable for adult social care. In 2008/09 the Care Trust were responsible for any overspends in adult social care. In 2009/10 any overspends on the adults social care function provided by the Torbay Care Trust is the Council's responsibility.

Section 31 of the Health Act permits Primary Care Trusts to exercise various local authority functions and for local authorities to exercise various Primary Care Trust functions. The Torbay Primary Care Trust was re designated as a Care Trust under the Health and Social Care Act 2001. The Care Trust remains within the Department of Health accounting boundary.

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

As the Council is accountable for social care, government grants are accounted for within the Council's Income and Expenditure Account and then passed to the Care Trust as part of the overall funding. In addition the Council continues to support a number of functions on behalf of the Care Trust, in particular, a debtor's function for charges for social care.

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

Government Grants and other contributions

Developers' Contributions

Contributions from landowners/developers payable under planning agreements under Sec 106 of the Town & Country Planning Act 1990 are credited to the Unapplied Capital Contributions Account or to the appropriate service revenue account depending upon the expenditure that is to be met from the contribution (Capital or Revenue).

As capital contributions are applied to finance capital expenditure, in accordance with the agreements, they are transferred to the Capital Contributions Deferred Account and released to the Income and Expenditure Account in line with depreciation of the asset funded.

Revenue contributions unspent at year end are held as Receipts in Advance until required.

Where the agreement provides for contributions to be returned to the developer if works are not carried out within a specified period, the capital contributions are treated as a creditor in the Balance Sheet until the Council is in a position to satisfy the conditions and recognise the contribution as its own.

Government Grants (Revenue)

Revenue Grants, including the Dedicated Schools Grant, are matched with the expenditure to which they relate. The Local Authority Business Growth Incentive Grant, although unhypothecated, has been treated as an economic development grant in line with the Council spending plans in relation to this grant. Grants are accounted for on an accrual basis and recognised in the accounts when the conditions for their receipt have been complied with. To meet earlier closure requirements where the exact value of a grant is not yet known estimates of the amounts due/owed have been made. The Area Based Grant (new from 2008/09) has been treated as a General Government Grant.

Government Grants (Capital)

Capital Grants are allocated to the Government Grants Unapplied account as they are received and transferred to the Government Grants Deferred Account as they are utilised to finance capital expenditure. Where a Capital Grant has been used to finance an asset that is subject to depreciation then the grant is released from the Government Grants Deferred account to the appropriate service in the Income and Expenditure Account in line with the depreciation charged on the asset concerned. Capital grants relating to expenditure classified as REFCUS are now

treated for financial reporting as a revenue grant reported as income within the relevant service

Intangible assets

Non-financial assets which do not have physical substance but are identified and controlled by the Council through legal rights e.g. IT software, and which bring benefits to the Council for more than one year

Assets are initially measured at cost, comprising all the expenditure that is directly attributable to bringing the asset into working condition for its intended use. Intangible Assets are then valued in the Balance Sheet using the following basis: purchase cost, net of amortisation to revenue over the economic life of the investment.

A general de-minimis limit of £50,000 is applied to recognition of Intangible Assets with exceptions as above.

Intangible assets are amortised to the revenue account over their useful life (between 3 -10 years depending on the asset), in accordance with FRS10, reflecting their consumption of benefit to the service.

Landfill allowances schemes

DEFRA allocates tradable landfill allowances to each Waste Disposal Authority in England. The Council has adopted a "lower of cost and net realisable value" policy of accounting for the value of allowances. For 2009/10 the Council has assessed this value to be nil.

The Council has included the initial value adjusted for any trading as a current asset offset in part by a current liability to DEFRA for the actual landfill usage.

Any purchase of future year LATS vintages will not be recognised in the Income and Expenditure Account until the year the vintage related to. In the meantime the future years LATS vintage will be carried on the balance sheet as an investment asset at cost.

Leases

Operating Leases

The Council's Operating Leases relate mainly to vehicles and are charged direct to revenue or to holding accounts. In addition the Council leases accommodation and also acts as a lessor in 'renting' land and property.

The Council has a number of leases which were arranged before the new capital regulations were introduced in 2004. These leases under SSAP21 would now be classified as finance leases however CIPFA guidance allowed the existing accounting treatment to continue. All leases, where material, entered into after 2004 have been assessed under SSAP21 using a straight line estimate of the residual value at the end of the lease term.

Finance leases

The Council does not have any finance leases

Overheads

The Council allocates the costs of administration and management, central support services and capital charges to services. This meets the requirement for services to be reported at total cost. The majority of the costs of management and administration and central services have been charged to services based on an appropriate (fair) basis. E.g. Accommodation on floor area, personnel on head count.

PFI Schemes

Westlands and Homelands Schools – Private Finance Initiative.

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

Under the principles of IFRIC 12 in the 2009 SORP the Council has now recognised the assets and related long term liability to the contractor on its balance sheet. The balance sheet as at 31st March 2008 has been restated to reflect the values of the PFI entries as if the Council had applied

this accounting policy since the inception of the scheme. The assets have now been recognised are now subject to depreciation, revaluation and impairment as for other tangible assets.

The annual payment to the contractor is now recognised in its accounts as a reduction in liability payment of finance costs (based on effective interest rate), and a revenue payment for services. In addition the Council makes a annual revenue provision that is equal to the annual reduction in the liability to the contractor. In recognising the entries as at 31st March 2008 the Council has reflected the reduction to that date in its liability by an adjustment to the opening balance of the Capital Adjustment Account, which is the equivalent to Revenue Provision on the assets since inception.

The Council is in receipt of Government support for part of the cost of the scheme. The Council set up a sinking fund reserve to set aside some of the grant proceeds so that the scheme can be funded evenly from Government support over its operational life.

Property, Plant and Equipment -Tangible Fixed Assets

Revaluation Reserve and Capital Adjustment Account

From 1st April 2007 the Revaluation Reserve replaced the Fixed Asset Restatement Account. This account will reflect differences between an asset's historical cost and the current value of the asset. As at 1st April 2007 this account was set at zero with the closing balance on the old Fixed Asset Restatement account transferred to the new Capital Adjustment Account along with the closing balance on the Capital Financing Account. Historical cost and current value records will be kept on the Council's asset register to record the movements in both values for each asset. Any differences between the current value depreciation charged to services and the asset's historical cost depreciation will be adjusted for between the Revaluation Account and the Capital Adjustment Account.

(i) Categorisation

Fixed Assets are categorised into classes:

- **Tangible Fixed Assets:**

- **Operational Assets**

Assets held and occupied for the direct delivery of services or administrative purposes on a continuing basis, including infrastructure and community assets.

- **Non- operational Assets**

Assets held but not directly occupied or used in the delivery of services, including assets held primarily for investment purposes, surplus assets awaiting disposal and land and buildings in the course of development but not yet completed or not yet having the “substance” of an asset (assets under construction). For 2009/10 the Council will use a sub category within surplus assets called Assets Held For Sale. The classification for assets in this category is the same as defined by the IFRS Code for 2001/11 accounts in that the assets is expected to be disposed within 12 months of the accounts date and is being actively marketed by the Council.

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

(ii) Recognition

Expenditure on the acquisition, creation or enhancement of fixed assets (i.e. which adds to, and not merely maintains, the performance of the asset) is capitalised on an accruals basis and classified as either a Tangible Fixed Asset on the Balance Sheet, provided that it yields benefits to the Council and the services it provides are for a period of more than one year. Expenditure that secures but does not extend the performance of the asset (e.g. repairs & maintenance) is charged to the Revenue Account in the year it is incurred.

De-minimis -

- A general de-minimis limit of £25,000 is applied to recognition of expenditure on Tangible Fixed Assets. 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.

(iii) Measurement

Assets are initially measured at cost, comprising all the expenditure that is directly attributable to bringing the asset into working condition for its intended use. Assets are then valued in the

Balance Sheet using the following bases:

- Operational land & buildings, vehicles, plant & equipment - lower of net current replacement cost or net realisable value in existing use. For non-specialised operational assets, net current replacement cost is calculated on the basis of Existing Use Value (EUUV); for specialised operational assets, net current replacement cost is calculated on the basis of Depreciated Replacement Cost (DRC).
- Infrastructure – depreciated historical cost. Infrastructure assets transferred from Devon County Council upon Local Government re-organisation in 1998 are held at the value disaggregated by the County Council using tax base, subject to depreciation.
- Community assets - historical cost.
- Investment property and surplus assets - lower of net current replacement cost or net realisable value. Net current replacement cost is calculated on the basis of Market Value.
- Assets under construction (Work in Progress) – where capital projects are incomplete and the assets under construction are not yet operational at the year end, the added value of any significant works in progress is assessed by the Council's professional valuer pending the issue of a revaluation certificate upon completion of the works or expenditure to date is used in proxy. For assets valued at historical cost (infrastructure and community assets) costs are disclosed under operational fixed assets as they are incurred. The value of assets under construction from a prior year where a new valuation is issued, to the extent that valuation is in excess of the capital expenditure, is cleared to the Revaluation Reserve.

(iv) Revaluation

All land and building assets are regularly revalued under a 5-year rolling programme. All asset valuations are carried out in accordance with the Statements of Asset Valuation Practices and Guidance notes published by RICS and CIPFA. The management of property valuations is undertaken by Sam Partridge A.R.I.C.S. who is an employee of Torbay Council.

Assets where a material change (e.g. capital expenditure on improvement or enhancement) occurs during the year are revalued as at the time of the change. Where there is a revaluation in year and capital expenditure has occurred in the year, the revaluation is assumed to have

reflected the value of the expenditure in year.

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

Where capital expenditure on an asset has been incurred, but the asset has not been revalued, the expenditure is added to both the historical and current value of the asset, unless there is clear evidence that the expenditure has not “added” value to the asset.

(v) Expenditure in Year and Revaluation

Where capital expenditure has occurred and a new valuation certificate has not been issued, the expenditure in year is deemed to have increased the current value of the asset by a “pound for pound” amount. Where expenditure is assessed as not adding value to the asset, the corresponding value will be written off as impairment.

(vi) Depreciation

Depreciation is provided for on all Tangible fixed assets which are either Operational or Surplus and which have a determinable finite life. Depreciation is not normally provided for freehold land, community assets, Non-Operational investment properties or assets under construction. The value of accumulated depreciation on Fixed Assets is disclosed in the Notes to fixed assets.

Provision for depreciation on buildings and other structures is made on a straight-line basis over the remaining life of the asset as estimated by the Council’s Valuer, making an allowance for any residual value. Annual depreciation is calculated based upon the opening Balance Sheet value for each asset unless a material change has occurred during the financial year, in which case a pro-rata adjustment is made.

Vehicles, plant & equipment are depreciated on a straight-line basis over periods between 3 to 10 years depending on the nature of the asset.

Infrastructure is depreciated on a straight-line basis generally over 40 years.

Where grants or external contributions are received to fund the acquisition of Fixed Assets, the

amounts are first credited to the Capital Grants and Contributions Unapplied Accounts on an accrual basis and then transferred to Capital Grants and Contributions Deferred Accounts when applied to finance capital expenditure. Annual sums are written down from the Capital Grants and Contributions Deferred Accounts to the relevant service revenue account to offset depreciation charges in line with the depreciation policy applicable to each asset. Where a grant cannot be allocated to a specific service asset the grant is written down to Non Distributed costs.

(viii) Impairment

Assets have been reviewed for impairment in accordance with the requirement of the SORP and any material effects reflected in the Balance Sheet valuation of Fixed Assets. For the review of impairment as at 31st March 2010 particular regard was again made by the valuer to the economic conditions.

Where an impairment loss is caused by a clear consumption of economic benefits (e.g. physical damage or deterioration in the quality of the service provided by the asset) the loss is charged to the service revenue account. For other instances of impairment the loss is written off against the asset value in the Revaluation Account, then if the impairment is greater than the value of the asset in the revaluation account written off to the capital adjustment account.

Where capital expenditure in year has not added value to an asset the expenditure is written off to the Income and Expenditure account as impairment.

(ix) Charges to Revenue for Fixed Assets

Service revenue accounts, support services and trading accounts are charged annually with the following amounts to reflect the real cost of holding fixed assets –

- depreciation charges on Operational Assets used in the provision of services,
- impairment losses attributable to the consumption of economic benefits on Tangible Fixed Assets

The impact of these charges to the Income and Expenditure Account are reversed out in the Statement of Movement on the General Fund Balance (by way of a charge to the Capital Adjustment Account) as the Council is not required to raise Council Tax to cover depreciation, impairment losses or amortisation. The actual cost the taxpayer must bear in relation to the

provision of assets is the payment of real interest incurred on external debt, and a minimum revenue provision towards the repayment of debt which must be set-aside from the Revenue account under current legislation (Minimum Revenue Provision – see below).

Services which operate on a ring fenced basis, such as Operational services and the Harbours accounts, will also be charged a rate of return on their assets based on their opening Balance Sheet value, using a capital interest rate set by CIPFA. However for external reporting these charges will be reversed as they are not part of the “Total Cost” of services.

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

(x) Disposal and gains or losses on disposal

Upon disposal the net carrying value of the asset disposed of is written off against the Capital Adjustment Account and then, if there is any accumulated gains in the revaluation reserve, an adjustment is made between the two accounts to the value of the gain.

Any gain or loss on disposal is shown as a surplus/deficit on the Income and Expenditure Account and reversed through the Statement of Movement on the General Fund Balance to clear the impact of this (notional) entry. The net gain or loss is calculated by comparing the sale proceeds (i.e. the capital receipt) net of disposal costs and any adjustment arising from the amortisation of government grants, with the current value (i.e. the carrying value in the Balance Sheet).

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

Expenditure Account of the year of receipt.

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

All Capital receipts are ultimately credited to the Usable Capital Receipts Reserve (via the entries through the Income & Expenditure Account) and can only be used to finance capital expenditure or as voluntary provision for repayment of debt. Unspent receipts earn interest for the Revenue budget until required. Receipts below the de-minimis level of £10,000 specified by the Capital Finance Regulations 2003 are not recognised as capital receipts and are retained in the Revenue Account.

Where the council receives a premium in relation to a lease that is treated as an operating/finance lease as appropriate and the premium is spread over the life of the lease. However where the lease using FRS5 'substance over form' has the characteristics of a disposal the asset is treated as a disposal and the premium recognised as a capital receipt.

(xi) Foundation Schools

The assets of Foundation schools remain with the Governing Bodies which are exempt charities. However these assets can only be used as schools and the value of Foundation schools is included in the Balance Sheet value of the Council's Fixed Assets. The net value of the Foundation Schools (excluding the PFI school where the building asset rests with the contractor) included in the Fixed Assets on the Balance Sheet is £70 million. (Note this value excludes one foundation in school which is voluntary aided so the asset is not on the Council's balance sheet). Trust schools are accounted for as a type of Foundation school.

(xii) Voluntary Aided and Voluntary Controlled Schools

The assets of Voluntary Aided schools are owned and largely funded by charitable foundations (usually the Diocesan Board). Following a review of the risks and rewards associated with these schools the value of these assets is not included in the balance sheet value of the Council's fixed assets.

Provisions

In accordance with FRS12 'Provisions, Contingent Liabilities and Contingent Assets', the Council sets aside provisions where an event has taken place that gives the council an obligation that probably requires settlement by a transfer of economic benefits, but where the timing or amount of the transfer is uncertain.

Provisions are charged to the appropriate service revenue account in the year that the authority becomes aware of the obligation, based on the best estimate of the likely settlement. When payments are eventually made, they are charged to the provision set up in the balance sheet. Estimated settlements are reviewed at the end of each financial year - where it becomes more likely than not that a transfer of economic benefits will not now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service revenue account.

Reserves

Revenue reserves result from events that have allowed money to be set aside from surpluses, or decisions causing anticipated expenditure to have been postponed or cancelled. Reserves of this nature can be spent or earmarked at the discretion of the Council.

Certain reserves are kept to manage the accounting processes for tangible fixed assets and retirement benefits and that do not represent usable resources for the council - these reserves are explained in the relevant policies.

Reserves are created by appropriating amounts in the Statement of Movement on the General Fund Balance. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service revenue account in that year to score against the Net Cost of Services in the Income and Expenditure Account. The reserve is then appropriated back into the General Fund Balance statement so that there is no net charge against council tax for the expenditure.

The purpose of each of the Council's reserves is explained within the notes to the core financial statements.

Revenue expenditure funded from capital under statute (REFCUS)

REFCUS expenditure are items of a capital nature, which do not result in the creation of a fixed asset (e.g. payments to third parties such as Private Sector Renovation Grants). Charges incurred in the year are charged as expenditure to the relevant service revenue account in the year. Any grants or contributions used to fund this expenditure will also be treated as a revenue grant. Where the Council has determined to fund the cost of REFCUS from capital resources or

borrowing there will be a transfer from the Capital Adjustment Account to the Statement of Movement on the General Fund Balance so there is no effect on Council Tax. Although REFCUS, for financial reporting is treated as revenue expenditure, it is still, by statute capital expenditure therefore the costs of REFCUS will appear within the notes for capital expenditure and financing.

Revenue Provision

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

Within the Statement of Movement of General Fund Balance the depreciation, impairment losses and amortisation charged in the Service accounts are reversed and replaced by the revenue provision for the repayment of debt by way of an adjusting transaction with the Capital Adjustment Account.

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

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

The Local Authority (Capital Finance and Accounting) (Amendment) Regulations. (SI 2008/414) supported by statutory guidance on the Minimum Revenue Provision further changed the method of calculation from 2008/09. The Council adopted the new requirements for 2008/09 which will reduce the surplus contributions to the Unsupported Borrowing Equalisation Reserve. The Council has set a Policy for Revenue Provision that will charge 4% on all capital expenditure funded from borrowing supported by central government and will charge a prudent amount linked to asset life

on an annuity basis to assets, once operational, funded from unsupported borrowing.

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

Transferred Debt. In 1998 after attaining Unitary status the Council agreed to pay a tax base share of Devon County Council's borrowing as at 31/3/98. The Council funds the interest and principal payments (as payment to Devon's minimum revenue provision) to Devon County Council from its revenue budget. The debt outstanding is shown as a liability on the Balance Sheet

Stocks and long term contracts

The Council has valued all stocks, subject to a general de minimis for recognition of £50,000, using an appropriate basis. Work in progress in respect of uncompleted jobs is valued at cost including an allocation of overheads. An exception to this is the Joint Equipment Store run as a pooled budget with the Torbay Care Trust where due to the nature of the purchases the costs are directly charged to revenue.

Value Added Tax

VAT is included in income and expenditure accounts, whether of a capital or revenue nature, only to the extent that it is irrecoverable. Input tax is reclaimed from the date an invoice is input on the Council's payment system rather than on the date the invoice is paid.

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

Full Council Approval of the Statement of Accounts 2009/2010

I confirm that the Council completed its approval process of the Statement of Accounts 2009/2010 on the 24th June 2010 at a meeting of the Council.

Councillor Phillips
Chairman of the Council

Date 24th June 2010

The Chief Finance Officer's Responsibilities

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

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

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

The Chief Finance Officer has also:-

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

The Chief Finance Officer's Statement

The Statement of Accounts as required by the Accounts and Audit Regulations 2003 amended 2006 is set out on pages 3 to page 141 and has been prepared in accordance with the accounting policies set out on pages 118 to 141. In my opinion it is a true and fair view of the financial position of the Council at 31st March 2010 and its income and expenditure for the year ended 31st March 2010.

The accounts are audited by the Council's External Auditor, the Audit Commission.

The Statement of Accounts 2009/10 were authorised for issue on the 10th June 2010. This is also the date up to which events after the balance sheet date have been considered.

R. THORPE BAC PFA
Chief Finance Officer
10th June 2010

Independent auditor's report to Members of Torbay Council

Opinion on the accounting statements

I have audited the accounting statements and related notes of Torbay Council for the year ended 31 March 2010 under the Audit Commission Act 1998. The accounting statements comprise the Income and Expenditure Account, the Statement of Movement on the General Fund Balance, the Balance Sheet, the Statement of Total Recognised Gains and Losses, the Cash Flow Statement, the Collection Fund and the related notes. These accounting statements have been prepared under the accounting policies set out in the Statement of Accounting Policies.

This report is made solely to the members of Torbay Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 49 of the Statement of Responsibilities of Auditors and of Audited Bodies published by the Audit Commission in April 2008.

Respective responsibilities of the Responsible Financial Officer and auditor

The Responsible Financial Officer's responsibilities for preparing the accounting statements in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice, are set out in the Statement of Responsibilities for the Statement of Accounts.

My responsibility is to audit the accounting statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

I report to you my opinion as to whether the accounting statements give a true and fair view, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice, of the financial position of the Authority and its income and expenditure for the year.

I review whether the governance statement reflects compliance with 'Delivering Good Governance in Local Government: A Framework' published by CIPFA/SOLACE in June 2007. I report if it does not comply with proper practices specified by CIPFA/SOLACE or if the statement is misleading or inconsistent with other information I am aware of from my audit of the accounting statements. I am not required to consider, nor have I considered, whether the governance statement covers all risks and controls. Neither am I required to form an opinion on the effectiveness of the Authority's corporate governance procedures or its risk and control procedures.

I read other information published with the accounting statements, and consider whether it is consistent with the audited accounting statements. This other information comprises the Explanatory Foreword and the content of the Annual Report. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the accounting statements. My responsibilities do not extend to any other information.

Basis of audit opinion

I conducted my audit in accordance with the Audit Commission Act 1998, the Code of Audit Practice issued by the Audit Commission and International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounting statements and related notes. It also includes an assessment of the significant estimates and judgments made by the Authority in the preparation of the accounting statements and related notes, and of whether the accounting policies are appropriate to the Authority's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the accounting statements and related notes are free from material misstatement, whether caused by fraud or other irregularity or error. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the accounting statements and related notes.

Opinion

In my opinion the Authority's accounting statements give a true and fair view, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice, of the financial position of the Authority as at 31 March 2010 and its income and expenditure for the year then ended.

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

Authority's Responsibilities

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

Auditor's Responsibilities

I am required by the Audit Commission Act 1998 to be satisfied that proper arrangements have been made by the Authority for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires me to report to you my conclusion in relation to proper arrangements, having regard to relevant criteria for principal local authorities specified by the Audit Commission and published in May 2008 and updated in October 2009. I report if significant matters have come to my attention which prevent me from concluding that the Authority has made such proper arrangements. I am not required to consider, nor have I considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Conclusion

I have undertaken my audit in accordance with the Code of Audit Practice and having regard to the criteria for principal local authorities specified by the Audit Commission and published in May 2008 and updated in October 2009, and the supporting guidance. I am satisfied that, in all significant respects, Torbay Council made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2010.

Certificate

I certify that I have completed the audit of the accounts in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

Alun Williams
District Auditor
3-4 Blenheim Court
Lustleigh Close
Matford Business Park
Exeter
EX2 8PW

30 September 2010

ANNUAL GOVERNANCE STATEMENT FOR THE FINANCIAL YEAR 2009/10

Introduction

The purpose of the annual governance statement is to provide for Members, stakeholders and other interested parties an accurate representation of the governance (decision making) arrangements in place during the year. It should also evidence how the authority gets its assurance that the decision making arrangements are operating as planned and are robust. The annual review should also highlight those areas where improvement is required and reflect upon improvements that have been implemented since the previous statement.

Scope of responsibility

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

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

Torbay Council has approved and adopted a code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE Framework *Delivering Good Governance in Local Government*. A copy of the code is on the Council's website at [The Council's Constitution](#) or can be obtained from Democratic Services. This statement explains how Torbay Council has complied with the code and also meets the requirements of regulation 4 (2) of the Accounts and Audit regulations 2003 as amended by the Accounts and Audit (Amendment) (England) Regulations 2006 in relation to the publication of a statement on internal control.

The purpose of the governance framework

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

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

The governance framework has been in place at Torbay Council throughout the year ended 31st March 2010 and up to the date of approval of the annual report and statement of accounts.

The Governance framework

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

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

Torbay Council, Torbay Development Agency (TDA), the Torbay Strategic Partnership (TSP) and more specifically the Mayor have clear visions for the future of the Bay. The second Community Plan for Torbay, was formally published in June 2007 and has been accepted as the basis of the overall priorities for the area and for the Council. Following the 2007 election, awaydays were held with the Cabinet to develop revised priorities for the Council in the light of the adopted Community Plan, although this is constantly being reviewed in the light of changing circumstances. As a consequence the Council then published a Corporate Plan covering the period 2007-11 to reflect how the Council will deliver its responsibilities under the Community Plan. This was then refreshed in 2008 and again for 2009 to reflect what had been achieved and what was planned to be delivered during the following year. A refresh of the Community Plan will be completed by early Summer 2010 reflecting further achievements along with identifying the next steps in its delivery. Priority issues have been considered for inclusion in the Local Area Agreement during the refresh process of the agreement. The Mayor and his fellow Members have also undertaken consultation with the public through the "Torbay Connect" caravan and other mediums on a regular basis. Members and officers have also undertaken consultation with stakeholders when new strategies and policies have been developed.

The current **Community Plan** "Turning the Tide" was launched by the Mayor in July 2007 and described a vision to drive forward economic prosperity based upon four key themes.

The Council works closely with and supports the work of the Torbay Strategic

Partnership. This developed the Community Plan referred to above and is fully accepted by all. The partnership has held a number of events with the wider community, to look at aspects of how priorities identified in the Community Plan contribute to all the themes. The outcomes have been fed into the overall planning for the delivery of the expected outcomes.

To complement the Community Plan, the **Mayoral Vision** was launched in October 2007 which is a complementary view of the aspirations for Torbay's built environment over the next 20 years. A series of Visioning Events were held with the local community, to explore ideas and themes and to examine wider issues about the image and identity of Torbay and more specifically to start the process of developing the 'Vision' for the Built and Natural Environment. Several 'Connect' Caravan events were held and the general public invited to give their ideas or projects that could be included in this Mayor's Vision review. Press articles referred also to the Council's website where a Questionnaire, including an opportunity for further ideas, could be completed on line. A further Visioning Event took place in October 2007 and well over 120 people attended from a cross section of the Community along with key stakeholders. The final stage translated the Vision into 19 transformational projects and the Action Framework Plan gives a full outline of the whole process undertaken. It outlines the implementation of the Mayoral Vision for Torbay and is a companion document that will inform the Local Development Framework (LDF) Core Strategy and should, in tandem with the Mayoral Vision, assist the LDF in providing clear strategic direction for the regeneration of the built environment of Torbay. The Action Framework Plan will guide public and private sector investment. It was recognised that all the schemes could not all be taken forward at the same time and so, following the Developers' Day held in February 2008, a number of these projects are being taken forward. Some projects are being developed faster than others but all involve public consultation and involvement during the key periods of the project planning stage. In addition the Council has also closely involved its partners, such as the Health Authority, Regional Development Agency, to help achieve the expected outcomes.

The Community Plan 'Turning the Tide for Torbay' 2007+ shows how economic prosperity is the way to drive out poverty and need and the inequality that we see between our communities. Through raising the economic prosperity of the Bay we will strive for more and better jobs, a decent wage and affordable homes that bring prosperity to our communities and make them thrive.

The **Corporate Plan** sets out the council's vision, its core principles and the priorities for 2007-11. The plan shows, at a high level, how the Council is contributing in the shorter term to delivering the new Community Plan 'Turning the Tide for Torbay' 2007+. The Council's corporate plan is its main statement of intent for the coming three years. The plan is updated as a series of 'pledges' each year and includes a brief outline of the achievements of the previous year and future challenges.

The Council, the Police and partners, with leadership from the Care Trust have worked together to identify the needs of the area, including Health matters, and published a **Joint Strategic Needs Assessment**. With full agreement of the Torbay Strategic Partnership the latest version of the JSNA covered more than just the Health issues within the area and now represents a true needs assessment for many communities within the Bay and is the basis for commissioning services to meet most needs. Once again this followed considerable consultation with stakeholders.

Traditionally **Business Plans** and directorate performance have been monitored by elected Members through Performance Improvement Meetings on a quarterly basis and summary reports provided to the Overview and Scrutiny Board. In order to strengthen the Council's performance management culture a revised approach has been introduced. This is based on a comprehensive report covering performance against our key strategic targets and indicators, as contained in the Strategic Balanced Scorecard, financial and human resources. This single document is considered in detail by the senior management team, COG, the Mayor and Cabinet at JET and the O&S Board. All recipients have positively welcomed this revised approach.

The Corporate Plan and Business Plans are reviewed annually as part of the Council's Annual Planning Cycle.

Further information in respect of planned outcomes is contained within the Council's Local Area Agreement and Annual Report.

The Council's **Communication Strategy**, as approved by full Council, is communicated to staff, and all stakeholders via regular internal and external updates using promotional material, the web, the intranet, resident's magazine, staff newsletter and consultation caravan.

The Council has, in recent years, made much more use of the **Community Partnerships** where local ward members and stakeholders can discuss concerns and issues with their constituents. These were used to help assess the impact and proposals included in the following year's budget and are gradually developing into major influencing and responsible bodies within the Community.

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

The Community Plan is delivered through the Local Area Agreement which is subject to an annual review and refresh. The Performance Indicators and stretch targets included in the LAA are also monitored and refreshed through this process as well as on a quarterly basis through the TSP Executive Board, which reports to the full TSP.

The Council has recognised the growing importance and influence of partnerships in delivering the outcomes for the community. To this end it has completed an audit of existing partnerships and produced a Policy and Guidance for all partnerships, existing and future. This Policy and Guidance includes the governance arrangements for partnerships and identifies clear accountability for ensuring such arrangements are in place.

The authority has also kept under review other key initiatives such as the actions arising from the Joint Strategic Needs Assessment for Health and Well Being, development of an Older Persons Strategy etc. and where appropriate have adapted the priority issues facing the Council. The Council has refreshed its Local Area Agreement with new targets agreed for those indicators most affected by the current economic climate.

Regular consultation events were also used to inform the development and review of the Authority's vision. These have continued to be used to obtain feedback on both service delivery and proposed plans and developments.

The budget setting process includes detailed scrutiny of proposals and their links to the Council's vision, priorities and stakeholder views, including meetings with representatives of the 14 Community Partnerships

Issues identified in the corporate assessment and the Community Plan are monitored and tracked through the Corporate Plan and Business Plans and performance against targets is recorded on SPAR and reported to Performance Improvement Meetings and where appropriate either the full Overview and Scrutiny Board or the Audit Committee.

The Council is also very mindful that the staff are also key stakeholders and as such, senior officers and Members have taken part in road shows and has established Team Mercury scheme whereby staff outside the normal cascade arrangements are used to feed information both up and down the structure, as well as regular consultation and communication with trade union colleagues. The last staff survey indicates a high understanding and recognition of overall issues as well as service objectives

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

The Council has continued to improve its collection and use of performance information and has made significant improvements in its data collection and verification of Performance Indicators. In addition it has developed a range of Balanced Scorecards from the Strategic level down to Business Unit level, to measure performance across a basket of performance indicators linked to

Customer, Pounds, Process and Employees. In essence the scorecard measures the activities, processes and outcomes that are most important in delivering the agreed outcomes.

Surveys of users in service specific groups and Place Survey results are used together with specific Viewpoint and YEP (Youth Panel) surveys to assess quality of service and policy changes to be made in light of user feedback. All these surveys and results are publicly accessible on the Council website.

The Overview & Scrutiny Board holds a quarterly Performance Improvement Meeting (PIM) at which it considers the new style performance report. As mentioned previously this report includes performance against the Council's key strategic targets, key risks, financial and workforce data. The report also includes progress against LAA targets and sections on complaints and lessons learned and, where appropriate, progress on delivering Improvement Plans following inspections, peer reviews etc.

The Council records performance information using performance-reporting software (SPAR) and action on areas of poor performance is closely scrutinised. The performance reporting system is based on exceptions and where performance is identified as a concern, appropriate corrective action will be considered, scrutinised and monitored.

The Council participates in a range of Benchmarking clubs including those provided by CIPFA, SOCITM, PWC, as well as the Audit Commission comparative data sets. It uses the data to measure performance against comparators and to identify authorities from whom the Council could learn. In addition a peer reviews of Overview and Scrutiny has been undertaken and monitoring of the resulting improvement is via the PIMs.

There is also a range of consultation and feedback mechanisms for obtaining feedback from customers.

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

The **Council's Constitution** sets out how the Council operates, how decisions are made and the procedures that are followed to ensure that these are efficient, transparent and accountable to local people. Following a referendum, Torbay moved to an Elected Mayor form of governance with the first Elected Mayor taking up office in October 2005. The full Council of 37 elected Members, including the Mayor, is responsible for approving the Mayor's budget and the policy framework. The Mayor is responsible for decisions within this framework and has been supported by a cabinet of 7 other Members who oversee and advise on specific

areas of Council business. Prior notice of matters for Mayoral or Officer level decisions, which are classed as key decisions, are published within the Forward Plan. Cabinet meetings are public and notice of all areas for discussion is published in advance. Matters outside of the budget and policy framework are referred to full Council for decision.

The **Council's Constitution** is designed to ensure the Council acts lawfully at all times and to ensure compliance with its policies and procedures. The Constitution includes Standing Orders, Financial Regulations, Contract Procurement rules and the budget and policy framework. These are underpinned by Codes of Conduct for officers and Members, Gifts and Hospitality rules, local protocols and by the Authority's Code of Corporate Governance.

The **Schemes of Delegation** to Officers and Members are contained within the Constitution and are subject to regular review. The Council has a well developed and successful Scrutiny function with the Overview & Scrutiny Board which undertakes a range of reviews into policies and performance. The Board also has the facility to 'call-in' Mayoral decisions or Officer key decisions and makes recommendations to the Cabinet / Council as appropriate. Overview and Scrutiny arrangements were reviewed in 2007/08 to reflect the new Community and Corporate Plans.

The Council also created a "stand alone" Audit Committee in 2008-09, taking this function out of the Overview and Scrutiny Board remit. The Committee has taken responsibility for all internal and external audit matters along with some other Governance associated matters.

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

All meetings are open to the public but a small number of confidential matters are considered in private when the press and public are formally excluded from meetings. It is the Council's objective to keep these private papers to a minimum with only the confidential elements being kept exempt from the press and public. This ensures open and transparent decision making is undertaken at all times. Council officers provide appropriate advice at the points of consideration and decision, and report to Members on progress and outcomes of decisions taken.

The council has further improved its approach to safeguarding by the appointment of an independent chair for child and adult safeguarding. This is in line with best practice and ensures appropriate challenge to the council and partners in exercising their statutory responsibilities.

Since its publication, Torbay Council has complied with the principles enshrined within the original CIPFA/SOLACE code on Corporate Governance and has

developed a revised code of Corporate Governance based around the CIPFA/SOLACE Framework “Delivering Good Governance in Local Government”.

The Authority has developed a number of **Local Protocols** (including in relation to Member and Officer Relations; Planning Matters and the role of the Monitoring Officer), all in line with good Corporate Governance. These documents are available on the Council’s website. In addition, the Council’s Standards Committee has a majority of Independent Members (six independent members, four Torbay councillors and 3 Brixham Town councillors) and is chaired by an Independent Member. This far exceeds the legal requirement for involvement of Independent Members and the Committee has been given responsibility for promoting high ethical standards amongst Members; monitoring the operation of the Members’ Code of Conduct (including observing performance at public meetings and training members); and dealing with complaints against Members under the Local Protocols.

The Council has an approved organisational structure with job descriptions for all officers and Members supported by a relevant scheme of delegation.

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

The Council’s intranet contains a range of policies, procedures and guidance for all staff including Human Resources (HR) policies, Computer Security Policy, Freedom of Information Policy and Data Protection Policy and the Corporate Plan and Constitution. This is supported by regular updates from HR in respect of new policies and guidance.

Regular HR updates are produced and Newsflash system monitors press releases which reflect external legislative change issues. These are also communicated widely to staff by a number of methods.

Corporate induction courses are run on a regular basis and managers have the responsibility to ensure that all new staff attend these induction events. They are also responsible for more local induction arrangements. All officers who are in politically restricted posts and those responsible for negotiating contracts etc are required to provide HR with a register of their personal interests.

The Council has a Fraud and Corruption Policy which is reviewed regularly and has been communicated to all staff and is available on the Council’s Intranet. That has been discussed and approved by the Council’s Standards Committee.

The Standards Committee’s remit includes monitoring the conduct of Members and investigating complaints in respect of individual Members and is comprised of a majority of independent co-opted Members. The Standards Committee develops an annual work programme to promote and embed ethical standards and this is

reported to the Council. A number of the actions within the work programme were identified following the results of an ethics questionnaire to all members and senior staff commissioned by the Standards Committee.

The Council, in conjunction with the Audit Commission, undertook a pilot peer review of Governance (Good Governance Standard Diagnostic) within Torbay and had a follow up meeting in the Spring of 2009 to monitor the progress made over the 12 month period. The resulting action plan has now been delivered and the outcome reported to the Audit Committee in September 2009.

The Standards Committee independent members also observe Council, Cabinet and other meetings and provide feedback reports on probity and conduct issues. This has resulted in improvements to the Constitution, procedures and a coaching programme for individual councillors.

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

The Council's Constitution is continually reviewed throughout the year by the Monitoring Officer and Democratic Services Manager in consultation with the Mayor and Group Leaders to ensure the Council's governance arrangements reflect best practice. It includes various codes of conduct and local protocols, as well as defining the relative responsibilities of the Council, the Mayor, Scrutiny and senior officers. This also includes the Council's Standing Orders and Financial Regulations, and is based upon recommendations from officers in order that the Council continues to operate in an efficient and effective way.

The Council underwent a major restructuring during 2008-09 to move to a Commissioning organisation. As a consequence a full review of the Standing Orders has been undertaken and Council approved the revised document in June 2009.

Commissioners and Executive Heads are responsible for risk management within their departments, with advice and support from the Council's Risk Management officer. Business Plans identify the key risks affecting Business Units and identify control measures where applicable. The Executive Head of Governance has been given responsibility for overseeing the implementation and monitoring of the risk management strategy and policy and provides regular progress reports to the Audit Committee which has responsibility for monitoring the approach to Risk Management. The overall risk register has been considered by the Audit Committee and Cabinet as part of the process.

The Council completed a detailed review of its Risk Management Policy and Strategy and the Strategic Risk Register in the current year. A revised strategy

has been produced and key risks are considered by the Audit Committee and agreed by the Cabinet.

The Council, when considering any matter, will have a risk assessment within the report in which officers identify both the risks attached to the decision and the consequences of not undertaking the recommendation.

The Council fully recognises the need to continue to control risks in all projects and, as part of standard procedures Prince II and MSP are the adopted approaches that are applied to all such exercises.

(G) Ensuring the Authority's financial management arrangements conform with the governance arrangements of the CIPFA statement on the role of the CFO in local government (2010).

Following the implementation of the commissioning strategy within Torbay Council, Chief Financial Officer (CFO) has direct access to the Chief Executive on all matters and has direct access to all members and senior officers of the Council.

The Council follow a number of well established practices to ensure it makes best use of its resources. The CFO ensures that the Commissioning Officer Group (COG) receive regular monitoring statements on both volatile or key budgets and the overall position which indicate possible trends and report on management actions necessary to bring any budgets at variance back on track. These then get reported formally to members on a quarterly basis but the Cabinet member with responsibility for finance has monthly briefings. This applies to both revenue and capital budgets. All new monies received by the Council are reported at the earliest opportunity along with recommendation regarding its use.

All reports to members that are brought forward include a section on the resource implications of the recommendations and these are cleared before publication by the CFO or one of his senior staff. These reports also cover value for money and bench marking implications where appropriate and available.

The Council takes its financial responsibilities very seriously and to this end, the full Council approves the Treasury strategy on an annual basis and all members are briefed on key financial issues, and groups such as Scrutiny and Audit Committees have undertaken specific training on, for example, treasury matters.

The CFO also has responsibility for ensuring that the Council operates secure and reliable financial and accounting systems and the Devon Audit Partnership undertake the role of auditing these systems to give the assurance needed. This is described in more detail in section M) page 17.

The Council undertakes a long term view about its financial requirements and, to

aid this process, publishes a Medium Term Financial Plan (MTFP) on an annual basis. However, as events are taking place all the time that impact on the MTFP, there is a working document that reflects the latest projections and which is used to inform recommendations that appear in reports to members. A more detailed plan though is developed through the annual budget process and is against which the Council monitors its financial performance and is used to deliver its expected outcomes.

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

As indicated earlier, a stand alone Audit Committee was established during 2008-09 and meets on a quarterly basis where reports from both Internal and External Audit were considered as well as Risk and associated matters.

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

The system of internal financial control is based on a coherent accounting and budgeting framework including Financial Regulations, Contract Standing Orders, Scheme of Delegation and accountability. In particular the system includes: -

- Medium-term financial plans covering both revenue and capital spend which provides a framework for the planning and monitoring of resource requirements. These also link in with the business development proposals which are fed by the Strategic Plan
- Operation of the Capital Strategy aims to ensure that investment is linked to Strategic Objectives. Bids for capital and other asset management funding require an effective 'business case' linked to Strategic Objectives, and progress in delivering projects is formally monitored by the Capital Asset Management team, Councillors and Commissioners Management Teams. Linked in with this is the Asset management Plan which ensures that assets are only retained for effective business purposes.

Financial stewardship in respect of both capital and revenue is reported to Overview and Scrutiny and Cabinet quarterly, and is considered regularly by the Commissioning Officer Group and Performance Improvement Meetings. In addition Commissioners Management Teams also consider their respective budgets on a regular basis. This is supported by an established budget monitoring process by managers and Accountancy staff.

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

including some risk control self assessment workshops.

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

The **Fraud & Corruption Policy, Fraud Response Plan and Whistle Blowing Policy** were reviewed and updated in 2008. The Policy is available on the website, intranet and direct from Internal Audit. The Authority also subscribes to Public Concern at Work which provides a staff helpline.

The Council has an established phone line that any whistle blowing call can be made to and which goes directly to the area which has responsibility for dealing with these issues in the first instance. These are recorded and passed on to the appropriate part of the organisation to investigate and the outcomes are monitored.

The Council has previously introduced new procedures for dealing with customer complaints and this provides the means for customers to feedback concerns or issues. Data is collected from all service areas regarding complaints including the number of complaints they have received, the complaint issue and the resolution. This information is analysed and reported back quarterly to Members and Senior Managers along with the actions taken to improve services where there are relevant learning points. An Annual Report is also produced which gives an account of the complaints and compliments received and handled by the Council and Ombudsman complaints during the previous financial year. This report is presented to the Overview & Scrutiny Board. Customer Care standards have been agreed and published.

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

A comprehensive induction took place for elected Members following the local elections in May 2007. Dedicated support within the Democratic Services team has been identified to work on the Council's approach to member development and the Council was awarded the South West Charter for Elected Member Development in March 2008. Annual one to one development sessions with senior officers from the Democratic Services team are offered to all members and a members' skills framework is used to identify development needs which in turn inform the annual members' development programmes. 35 members have personal development plans. Corporate training needs for members are also identified by the Commissioning Officer Group.

The Member Development Strategy seeks to build on the work already undertaken to ensure a structured approach and that all members, including our co-opted members on Overview and Scrutiny and Independent Members on the Standards Committee, are supported in their role. It also ensures that the Members are effective in supporting the Council's corporate objectives.

Strategic roles and development needs are identified and assessed through Senior Management Forums, annual RADARs and Management Team Meetings. The Council has also undertaken senior officer training on the Commissioning framework with Birmingham University

Training has been given to officers and at senior management events on protocols on decision making e.g. initiative development.

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

There is a series of monthly consultation and feedback events with the Connect caravan where members of the public can feed back on those issues that interest them directly to the Mayor, Councillors and officers. This is supplemented by other specific consultation events using the caravan.

The Council used the Audit Commission stakeholder analysis to improve local relations. Regular consultation events are held with public and voluntary services plus regular business forum meetings. Other consultation and feedback surveys are also undertaken throughout the year including via the refreshed Viewpoint Panel.

Torbay Council's Call Centre is based in Torquay and is open 6 days a week–

- Monday: Friday 8.30am - 5.30 pm
- Wednesday: 9.30am - 5.30pm
- Saturday: 8.30am - 12pm

The Call Centre deals with a wide variety of calls including, but not limited to, the following:

- Housing/Council Tax Benefits
- Council Tax and Business Rates
- Planning
- Anti-Social Behaviour
- Waste issues
- Street Scene

In December 2007 a new telephony system was installed to improve our service to customers. This system enables us to manage our calls more effectively:

- easier access for customers to contact the Council
- 90% of customers get through to an operator first time
- average waiting time of under 1 minute
- we offer an out-of-hours messaging service

All customer contact received via our Call Centre or our Connections offices is documented to ensure the information is actioned by, or forwarded to, the relevant department, as necessary. The Council also uses its libraries and Tourist Information Centres as initial contact points from which enquiries can also be dealt with.

The Consultation and Engagement framework is available on the website indicating mechanisms and groups and how the Consultation and Engagement Group effectively manages engagement with public and voluntary sector. There are also 12 Community Partnerships and regular newsletters to Viewpoint Panel and residents' magazine Torbay View. Councillors have also been encouraged to produce their own means of communication and, for example a number have created their own website.

A number of community groups have been established to support those members of the community who can be regarded as "hard to reach", e.g. BME, LGBT, Faith, Older Persons, Young People and those with Disabilities. The Council's approach is to support the development of these groups and build their capacity to make them largely self-sufficient.

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

The governance of the Torbay Strategic Partnership was considered and reviewed in 2007 to ensure it is fit for purpose in delivering the new Community Plan. The Strategic Partnership is underpinned by a number of delivery partnerships all of which are represented on TSP.

The Council's Code of Corporate Governance is available on website and Local Strategic Partnership stakeholders are aware of governance arrangements and the link to the council code and processes. There is a robust Constitution established for the Torbay Strategic Partnership and for the local Community Partnerships.

Strategic Commissioning Partnerships have been established, based on the four quadrants of the TSP's Wheel, at a level below the TSP itself to deliver Joint Commissioning Strategies.

Joint Commissioning Strategies further refine and define outcomes, measures, targets and spending plans across each quadrant, including all other agency 'must do's', not just those relating to the Community Plan. They ensure effective "join-up" of all relevant agencies and partners, and effective engagement with suppliers and users of services. In summary it merges each partner's intentions

into one overall statement of strategic commissioning intent, aligning budgets and policies wherever possible, and reflecting the needs of the people of Torbay.

The Council has also established appropriate arrangements in respect of service specific partnerships such as the Torbay Care Trust and the Torbay Coast & Countryside Trust.

As mentioned previously, a Policy and Guidance for all partnerships, existing and future has been agreed and introduced. This Policy and Guidance includes the governance arrangements for partnerships and identifies clear accountability for ensuring such arrangements are in place.

Review of effectiveness

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

Overall responsibility for the governance framework including the system of internal control rests with the Mayor and Chief Executive and they receive regular reports from the Section 151 Officer on financial issues and the Monitoring Officer on legal issues as and when appropriate. This includes regular budget monitoring information and the Medium Term Financial Plan.

This is supported by an annual review of Internal Audit by the Section 151 Officer which reviews compliance with the CIPFA Code of Practice and the effectiveness of the audit service. 2009-10 saw the first year of operation of the Devon Audit Partnership which was the amalgamation of the three Internal Audit functions of Devon County Council, Plymouth City Council and Torbay Council. As in previous years the new service undertook certain assurance work on behalf of the Council and to give assurance to the external auditors as part their audit opinion and the external auditors raised no concerns by the standard of work. No major issues were identified and the service has maintained the level of assurance it is able to provide to management.

The Council's Constitution is continually reviewed throughout the year by a Constitution Working party and defines the relative responsibilities of the Council, the Mayor, Overview and Scrutiny Board and Senior Officers. This also includes the Scheme of delegation to Mayor, Cabinet, Committees and Officers, and also the Officer Scheme of Delegation.

Internal Audit

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

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

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

The Council's Constitution is continually reviewed throughout the year by the Monitoring Officer and Democratic Services Manager in consultation with the Mayor and Group Leaders and defines the relative responsibilities of the Council, the Mayor, Overview and Scrutiny and Senior Officers. This also includes the Scheme of delegation to Mayor, Cabinet, Committees and Officers, and also the Officer Scheme of Delegation.

Regular meetings were also held between the Section 151 Officer, Head of Internal Audit, the Monitoring Officer and the Head of Human Resources to discuss financial, ethical and probity issues. However with the review of the Council's structure these meetings have more recently involved just the Section 151 officer and the Head of Internal Audit.

External Review

Comprehensive Area Assessment (CAA) is the new way the Government assesses how well people are being served by their local public services and how well those local public services are working together to tackle the major issues facing the area. Unlike its predecessor, the CPA, no score is given as part of the judgement. However, a system of flags is used to identify exceptional outcomes in priority areas, or something innovative, and that others can learn from – Green Flag, or to highlight where something more or different needs to happen to ensure the most important challenges are being addressed – Red Flag.

The full assessment can be found on the One Place website. Torbay received one Red Flag for the quality of life for the worst off. The partnerships initiative, Closing the Gap, is focussed on addressing this issue.

As part of the CAA process, Torbay Council is subject to an Organisational Assessment, which comprises a revised Use of Resources (UoR) assessment and a new Managing Performance (MP) assessment. Both UoR and MP are scored from 1-4 (with 4 the highest) and an overall Organisational score is then applied. The Council was scored 2 out of 4 in both UoR and MP and this was confirmed as the overall Organisational Assessment score.

The assessment recognised that the Council is delivering some important improvements for local people. It is strong in the areas of crime and is recognised as performing well in services for children and young people and adult social care, ie the two largest service areas. It does not do so well as other areas at recycling (but is improving and the new JVC operative from July 2010 will produce significant further improvements), housing benefits (a subsequent inspection judged the service as 'fair with promising prospects for improvement') and homelessness.

The Annual Audit Report for 2009 was very positive and did not identify any significant weaknesses in internal control arrangements. The report was reviewed by the Audit Committee and appropriate actions implemented as necessary.

Significant governance issues

As a consequence of the above reporting mechanisms, Members and Directors have been continually updated and advised on the implications of reviews of the effectiveness of the system of internal controls. Plans have been devised and put in place to ensure continuous improvement. The Council's annual review of the governance framework including the system of internal controls and associated reviews during the year identified some areas where action is appropriate to enhance the governance and internal control environment and ensure continuous improvement. These are listed below, along with the proposed action to remedy or improve the position.

<i>Governance Issue</i>	<i>Action Planned</i>
(1) Risk Management	<p>Whilst operational risk management is embedded in a number of areas and an action plan had been devised for 2009-10 to see an improvement in this area, it was not possible to proceed with this as fully as might have been anticipated. Member training was undertaken and the Risk register was regularly updated and reported upon.</p> <p>However the impact of Swine Flu was such that it meant that available resources had to be diverted to deal with issues relating to the pandemic which had a consequential impact on the original Risk Management work programme.</p>
(2) Review Corporate Governance arrangements and performance management of the Council and its partnerships	<p>The Council has in place a framework for the quarterly monitoring of performance across all its services and the Torbay Care Trust. In addition, through the LAA Project Board it also monitors the delivery of its LAA targets, including the performance of partners.</p> <p>In moving towards the Commissioning Model the Council recognises that it needs to review its current performance management arrangements to ensure they are effective for monitoring a potential range of service providers. Work is ongoing to achieve this revised approach.</p>
(3) Payroll processing and administration and work force planning	<p>The Council, following previous audit reports, has only recently completed the re-implementation of the payroll system. Whilst the implementation appears to have been successfully achieved the new payroll has not yet been in operation for a full audit cycle and therefore there may to be further checks made before officers and auditors are fully satisfied of the total integrity of the system.</p>

(4) Management of information and data	The continuing loss of PCs and data nationally has continued to highlight the need to ensure that all Torbay data is properly secured and handled in accordance with agreed protocols. Further work will be undertaken on this both internally and with partners in line with the agreed work programme and national standards.
(5) Review and testing of Business Continuity and contingency plans	This is also part of the Risk Manager's remit to undertake. The recent Swine Flu outbreak had the beneficial impact of testing the Council's Emergency and Business Continuity Plans. Certain weaknesses were identified and action taken to reduce the impact. However more work still needs to be undertaken and the consequential results will be implemented over both the short and medium, term.
(6) Contractual compliance with European tendering procedures.	European legislation is changing at a rapid pace and with the Council moving to a Commissioning organization, it is essential that the Council is kept up to date on all changes in this area. The Council has appointed an interim legal expert to keep an overview on this matter and is looking to appoint a full time member of staff, given the possible punitive damages that could be incurred. Part of the role of this member of staff will be to ensure that officers are kept up to date with these changes whilst at the same time commissioning officers are expected to check with the legal team before committing the council during any negotiating arrangements.

We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these

steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

Signed

Signed

Elizabeth Raikes
Chief Executive

Nick Bye
Mayor of Torbay

Date: 16th June 2010

Date: 16th June 2010

GLOSSARY OF TERMS

A

Actuarial Gains & Losses – 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 authority (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.

Area Based Grant – a general government grant that was introduced in 2008/09 replacing a number of service specific grants and the Local Area Agreement Grant.

Assets – Property that yield benefits for a period of more than one year, split into categories:

Operational Assets – held, occupied, used or consumed in the direct delivery of those services for which the Council has either a statutory or discretionary responsibility, e.g. schools, offices, leisure centres, depots. These also include -

Infrastructure Assets – fixed assets which by their very nature cannot be sold and therefore expenditure can only be recoverable by continued use of the asset created, e.g. coastal defences, highways, land drainage.

Community Assets – assets which the Council intends to hold in perpetuity, that have no determinable finite useful life, and may have restrictions on their disposal,

e.g. parks, historical buildings.

Intangible Assets - non-financial assets which do not have physical substance but are identified and controlled by the Council through legal rights e.g. IT software

Non-Operational Assets – held by the Council but not directly occupied, used or consumed in the direct delivery of services, e.g. assets in the course of construction and surplus land.

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

B

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

C

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

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

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

Government Grants Deferred and the Fixed Asset Restatement Account.

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

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

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

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

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

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

D

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

DCSF – the Department of Children and Families, the central government department responsible for a number of services including schools. (From May 2010 the Department of Education (DFE))

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

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

Defined contribution:

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

Defined benefit:

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

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

E

Emoluments – Employees expenses allowances.

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

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

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

F

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

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

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

Financial Instrument – a general term relating to a number of contractual arrangement , such as investments, borrowing, debtors and creditors, that a Council may incur. Based on this classification there are a a number of additional accouting 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.

Fixed Assets – see Assets.

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

Government Grants & Contributions Deferred Accounts - these accounts holds government grants and other contributions used to finance capital expenditure. As assets to which these grants relate are depreciated, grants are released from this account into the service Revenue account to help offset the cost of depreciation.

H

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

I

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

Intangible Assets – see Assets

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

Investment Properties – land and buildings held only for investment potential.

IFRS – International Financial Reporting Standards. These are the financial “rules” that Council accounts will have to comply with for reporting periods from 2010/11. These rules should be consistently applied throughout all bodies throughout the world.

J

Joint Arrangement – An arrangement under which the participants engage in joint activities but do not create a legal entity because it would not carry on a trade or business of its own.

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

L

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

Local Pay Review – Council are required to evaluate the pay of all staff (except teachers) to ensure equality of pay for all staff. This is due to be implemented with an effective date of April 2007.

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

Minimum Revenue Provision - The minimum amount which must be charged to an 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.

NNDR – National Non Domestic Rates, a national tax collected on a local level formally known as business rates.

Non Distributed Cost – It's a category that within the Council's cost of services that represents past service costs (see below) and other costs that have not been attributed to specific services.

O

Operating Lease – An operating lease is a lease other than a finance lease (please see above). The future obligations relating to operating leases are disclosed to provide the reader with an estimate of the outstanding undischarged obligations in relation to such leases.

P

Past Service Cost – The increase in the present value of a defined benefit scheme, as a result of improvements to, retirement benefits.

PFI - Private Finance Initiative – A method of using private investment to fund public sector schemes often supported by central government. The private sector typically builds an asset such as a school and then charges the Council over a period of typically 25 years to use and pay for the asset.

Post Balance Sheet Events – Those events, both favourable and unfavourable, which occur between the balance sheet date and the date on which the Statement of Accounts is signed.

Prior Period Adjustments – Those material adjustments applicable to prior years arising from changes in accounting policies or from the correction of fundamental errors. A fundamental error is one that is of such significance as to destroy the validity of the financial statements.

Precept - A levy made by one statutory body on another to meet the net cost of its services.

Precepting Body – the statutory body that makes a “precept” on a Council that is responsible for collecting Council Tax in an area. Town and parish Council 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.

Provisions - amounts set aside for the purposes of providing for any liability or loss which is likely or certain to be incurred but is uncertain as to the amount or the date on which it will arise, e.g., bad debts.

Prudential Code – The CIPFA Prudential Code for Capital Finance in Local Authorities which is the guidance applicable from April 2004 for the greater freedom for Councils to borrow to fund capital investment (under the Local Government Act 2003). This Code requires the Council to set

and monitor a suite of Prudential Indicators, including its Affordable Borrowing Limit, and establish its policy for using the new freedoms.

PWLB – see Borrowing

R

Related Party Transaction – Is the transfer of assets or liabilities, or the provision of services to or for a related party, irrespective of whether a charge is made.

Relative Needs Formula (RNF) - the notional amount of Torbay Council's "need" for funding that the DCLG has assessed Torbay Council as required to spend on its revenue activities within a financial year. Central Government funding from Revenue Support grant and National Non Domestic rates are based on this figure.

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 - available for meeting general, future expenditure, for example, capital expenditure on new projects or unforeseen occurrences. Reserves may also be used to smooth the cost of certain activities over a number of years, e.g., crematoria replacement.

Revaluation Reserve – this reserve reflects the accumulated differences in a fixed assets current value compared to its historical cost. The balance on this account when introduced as at 1st April 2007 was set at zero.

Revenue Contribution to Capital Outlay - the financing of capital expenditure directly from revenue or reserves, rather than from borrowing or other sources.

Revenue Expenditure - expenditure on day-to-day expenses consisting mainly of employees, running expenses of buildings and equipment and capital financing costs.

Revenue Support Grant – a General Government Grant funded from national taxation to support the Council's net expenditure.

S

Scheme Liabilities – Money due on a defined benefit scheme due after the valuation date.

Supported Borrowing – the amount of Council Borrowing towards which the Government provides financial support through the annual Revenue Support Grant

T

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 pensions 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.