

Financial Services



STATEMENT OF ACCOUNTS

2003/04

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

TORBAY COUNCIL

STATEMENT OF ACCOUNTS 2003/2004

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Explanatory Foreword

1 Introduction

The Statement of Accounts for 2003/04 has been prepared in accordance with "The Code of Practice on Local Authority Accounting in the United Kingdom 2003" published by the Chartered Institute of Public Finance and Accountancy (CIPFA). This lays down the proper accounting practice for Local Authorities. Any departures from this standard are referred to in the notes.

2 Financial Overview

The Council's management is linked to its overall aims and priorities. These aims and objectives, with a summary of the Council's budgetary position are included in the Council's 2004/2005 Best Value Performance Plan (BVPP) and its Strategic Plan 2004-2008 – "Transforming Torbay". This is available on the Council's website:- www.torbay.gov.uk.

The 2003/04 Financial year was a year of significant change and challenges for the Council. As a response to the Council's Comprehensive Performance Assessment, there were a number of significant changes to the management of the Council including the appointment of a new Managing Director and a restructuring of the management of the Council's services including the formation of the Torbay Development Agency.

A new Council was elected in May 2003 with a Liberal Democrat majority who continued the Leader and Executive political structure. However this political structure of the Council was revised to include an Overview and Scrutiny Board to develop policy and hold the Council's Executive to account. This replaced the previous Select Committees.

The Government changed the method of setting a Council's spending from the Standard Spending Assessment method to Formula Spending Share. This gave the Council a spending level of £134.760 million for 2003/2004. While the effect of the change on Torbay was broadly neutral however the revised method resulted in below national average increases in both schools and highways maintenance.

The Council subsequently set a budget of £135.000 million for 2003/2004 (an increase of 9.5% over 2002/2003). This equated to a Band D Council Tax of £957.63 for the Torbay Council Tax requirement, an increase of 9.7%. The Total Council Tax Band D including the Devon and Cornwall Police Authority was £1,060.90, an overall increase of 12.0%.

The Council's budget requirement of £135.000 million is primarily funded from Central Government grant and redistributed NNDR (£90.1 million or 67%), with the balance funded from local taxpayers (£44.9 million or 33%). In addition the Council also generated income from services and other specific government grants, which supports the provision of services.

The Council faced a number of financial pressures in 2003/04. The main pressure being the continued increase in demand for Social Services care in particular within Children's services and within Housing Services from increased demand and cost of Homelessness. The Council gained from significant Non Domestic Rate Rebates from its Leisure Centre and Car Parks that enabled a balanced budget position to be attained.

The Council's Overview and Scrutiny Board on the 14th July 2004, and subsequently ratified by Full Council on the 22nd July 2004 considered a Provisional Outturn Report for 2003/04 (FIN/51/04). The final net underspend for 2003/04 transferred to the General Fund Reserve was £44,000, (or 0.05% of approved budget).

The Consolidated Revenue Account on page 18 shows that the final outturn position for 2003/04 has increased the Council's General Fund Balance at the year end to £2.259 million. (Increase of £44,000 compared to 2002/03).

The requirements of a new Financial Reporting Standard "FRS17 – Retirement benefits" have now been fully incorporated into Torbay's statement of accounts. This has had a significant impact on the Council's Consolidated Revenue Account and Balance Sheet. The impact of this will be referred to within the body of the Accounts.

3 Statement of Accounts

The Statement of Accounts is over 70 pages long with its form and content mostly prescribed by legislation. The Accounts consist of a number of financial statements and supporting notes to them.

The purpose of each of these statements is outlined in the following paragraphs.

4 The Consolidated Revenue Account

This Statement reports the actual expenditure and income of the services for which the Authority is responsible. It demonstrates how the net cost has been financed from central Government Grants and from local taxpayers and brings together expenditure and income relating to all of the Authority's functions.

A summary of the Consolidated Revenue Account for 2003/04 is shown below in comparison with the revised budget (the detailed account is shown on page 18). Note the budget and actual for both 2002/03 and 2003/04 have been restated to incorporate FRS17.

Summary Consolidated Revenue Account

	Budget	Net	Variance
	£,000	Expenditure	£,000
	2003/2004	£,000	2003/2004
	2003/2004	2003/2004	2003/2004
Net Cost of Services	144,819	146,818	1,999
Surplus on Trading Undertakings	(1,163)	(1,321)	(158)
Non Operational Assets – Investment Properties	96	130	34
Asset Management Revenue Account	(8,225)	(4,172)	4,053
Pensions Interest Cost and Return on Assets	3,040	3,040	0
Debt Restructuring	(232)	(233)	(1)
Interest and Investment Income	(1,270)	(1,041)	229
	137,065	143,221	6,156
Net Operating Expenditure			
Contribution to or from Capital Reserves.	0	(7,556)	(7,556)
Contribution to Devon County Council Debt	1,093	1,098	5
Transfer to Insurance Reserve	0	(882)	(882)
Transfers to School Balances	0	113	113
Transfers to Earmarked Reserves	(1,494)	(1,772)	(278)
Transfers to Pension liability	(1,760)	(1,760)	0
Capital Expenditure Financed from Revenue	96	2,494	2,398
	(2,065)	(8,265)	(6,200)
Amount to be met from Government Grants and Local Taxation			
General Government Grants	50,770	50,770	0
NNDR Redistribution	39,369	39,369	0
Demand on Collection Fund (Council Tax payers)	44,031	44,031	0
Transfer from collection fund in respect of surplus	830	830	0
Net General Fund Surplus	0	(44)	(44)

5 Trading Operations Summary

Trading Operations are where a service of the Council is trading with the public, third parties or trading within an internal market within the Council. The Council has disclosed a number of these activities as a note to the Consolidated Revenue Account.

For information, the statements for the trading operations of both the Council's Operating Services (formally Contracting Division), a former Direct Service Organisation to which CCT no longer applies, and the "ring fenced" Harbour Accounts are included as an appendix to these accounts.

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 Authority in relation to Non-Domestic Rates and Council Tax and illustrates the way in which these have been distributed to Devon and Cornwall Police Authority (by way of precept) and to this Authority's General Fund.

7 The Consolidated Balance Sheet

The Consolidated Balance Sheet shows the overall financial position of the Authority at 31st March 2004. It shows the balances and reserves of the Authority together with the total assets and liabilities. The Consolidated Balance Sheet includes all assets and liabilities of all activities of the Authority excluding Trust Funds. Again the balances for both 2002/03 and 2003/04 have been stated in line with FRS17.

8 The Statement of Total Movement in Reserves

The Statement of Total Movement in Reserves brings together all the recognised gains and losses of the Authority during the period and identifies those which have not been recognised in the Consolidated Revenue Account. The statement separates the movements between revenue and capital reserves.

9 The Cash Flow Statement

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

10 The Statement on the System of Internal Control

The requirements of this statement have changed to incorporate the Account and Audit Regulations 2003. The SORP states that a Statement of Internal Financial Control is required, however if a Council produces a Statement of Internal Control that it publishes within its Statement of Accounts this will meet the SORP requirement. Torbay Council has included this statement within the body of these accounts. The Statement of Internal Control demonstrates the framework within which internal control is managed including a review of the adequacy of its governance arrangements.

11 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 Authority and Director of Finance for the accounts.

12 Group Accounts

The Council owns Torbay Enterprise Agency Ltd, however the turnover and assets held by this company are considered not significant enough to produce Group Accounts.

13 Current Borrowing, Asset Utilisation and Investments

As at 31st March 2004, the total external investments of the Council amounted to £19.450 million, which represents Funds held by the Council's external fund manager and temporary short term cash deposits with borrowers on the Council's approved lending list (31/3/03 £17.895 million). As at the 31st March 2004 the Council had not borrowed any short term monies.

As at 31st March 2004, the Council had debt outstanding of £42.639 million to Public Works Loan Board (PWLB) loans, of which £4.461 million is repayable within one year, principally to finance the costs of the Authority's Capital Programme (31st March 2003 total debt outstanding £38.485 million)

Westlands and Homelands Schools – 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 became effective on 10th May 2000 at which time both parties agreed that the conditions precedent had been satisfied. The contract runs until October 2027.

Fixed Assets under Construction - where assets are under construction and therefore not yet Operational at the year end, the added value of any significant works is assessed by the Council's valuers pending the issue of a revaluation certificate upon completion of the works. £4.4million has been included in the Balance Sheet value of Non-Operational Fixed Assets to reflect this capital investment to date on incomplete assets.

Capital Expenditure in the year totalled £16.782 million. The major areas of spending during the year were:

	2003/04 £,000
<u>Education (Schools) Services</u>	
Primary Provision	648
Secondary Provision	2,794
Special School Provision	2,229
Special Government Initiatives	3,607
<u>Cultural Services</u>	188
<u>Housing Services</u>	
Grants & Advances	2,472
Community Development	24
<u>Social Services</u>	
Private Sector Adaptations	31
Residential Home & Day Centres	157
Other	66
<u>Transport Services</u>	
Structural Maintenance and Bridges	634
Integrated Transport Schemes	1,306
Other	22
<u>Other Services</u>	
Waterfront project	1,673
Office Accommodation	270
New Financial Information System	225
Other	436
TOTAL CAPITAL EXPENDITURE	<u><u>16,782</u></u>

The Expenditure was Financed from-

Borrowing	10,522
Grants and Contributions	5,628
Reserves	1,624
Revenue	425
Capital Receipts	0
Less used for change in Capital Creditors & unfunded from previous year	(1,417)
	<hr/>
	16,782

14 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) Disclosure Statement.

FRS 17 requires Local Authorities for 2003/04 to recognise pension assets and liabilities within their accounts. Comparative figures for 2002/03 have been restated as appropriate. The impact on the General Fund for 2003/04 of the FRS17 entries is neutral overall.

This liability is at a point in time reflecting short term stock market changes. The 'cash' implications for the Council of this liability will be reflected in the actuary's triennial valuation of the fund 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 that is likely to lead to higher employer contributions in the future.

The actuary has now estimated a net deficit on the funded liabilities within the Pension Fund as at the 31st March 2004 of £34.380 million (excluding unfunded liabilities). This is a decrease in estimated liabilities within the year of £12.830 million, which is due primarily to investment returns achieved during the year being better than expected.

The actuary has also estimated the liability on the Council's unfunded liabilities, i.e. enhanced pension payments) to be £6.540 million at 31st March 2004 (£6.390 million 2002/03). This figure was not included as a note to the 2002/03 accounts.

Therefore the Council's overall pension liability as at 31/03/04 is £40.920 million. (£53.600 million 2002/03). The overall impact on this liability on the Council is to reduce its net assets by 27% as at 31st March (36% in 2002/03).

15 Changes in Accounting Policies

The Council's Accounting policies were reviewed for 2003/04, and any changes have been incorporated within the Statement of Accounts. The main change is the full introduction of FRS17 Retirement Benefits throughout these accounts. All entries for 2003/04 are FRS17 compliant and the four main financial statements have been restated for 2002/03.

In addition, £1.236 million of the Council's insurance reserve has been reclassified as a provision. This change has been reflected within the Consolidated Revenue Account. This although neutral in total will increase the cost of services in 2003/4.

The changes in funding in the advances to Housing Associations from April 2003 following the removal of the Local Authority Social Housing Grant has resulted in changes to the accounting treatment of these advances. In prior years, these advances were classified as long term debtors reimbursed by grant from the Housing Corporation. From April 2003 with no contribution from the Housing Corporation, these advances are now charged to the net cost of services as a deferred charge, with the opposite entry within the appropriation section of the Consolidated Revenue Account. The value of this charge in 2003/04 is £1.6 million.

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 2003: 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 fairly” 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:

a) Relevance

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

b) Reliability

Financial information will be reliable if:

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

c) 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.

d) 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

a) 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.

b) Going Concern

These accounts are prepared on a going concern basis, which is that the accounts are prepared on the assumption that the authority 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.

c) Primacy of Legislative Requirements

Local Authorities derive their power from statute and their financial and accounting framework is closely controlled by primary and secondary information. 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 and 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:

Reserves and Provisions

CIPFA's Local Authority Accounting Panel (LAAP) Bulletin No:55 issued February 2003 states that 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 an authority. The purpose of each of the Council's reserves is explained within the notes to the balance sheet.

The fixed asset restatement reserve represents principally the balance of surpluses or deficits arising on the periodic revaluation of fixed assets.

In accordance with FRS12 the Council sets aside provisions for specific future expenses that are a known liability of the Council but of uncertain timing or amount.

Fixed Assets

(i) Recognition

Expenditure which adds to, and not merely maintains, the value of an asset is capitalised and classified as a fixed asset, provided that the fixed asset yields benefits to the Authority and the services it provides are for a period of more than one year.

Expenditure on the acquisition, creation or enhancement of fixed assets (as defined by the SORP) over £10,000 is capitalised on an accruals basis. Expenditure under £10,000 is generally only capitalised in certain instances e.g. school minor improvement works where funded under Government Special Initiatives

(ii) Measurement

Fixed Assets are categorised into classes as follows:

Operational Assets - assets held and occupied in the direct delivery of services, including infrastructure and community assets

Non- operational Assets - assets held but not directly occupied or used in the delivery of services, including investment and surplus assets

Assets, excluding Infrastructure and Community assets, are included in the Balance Sheet at the lower of net current replacement cost or net realisable value (in existing use for operational assets). For non-specialised operational assets, net current replacement cost is calculated on the basis of Existing Use Value (EUV). For specialised operational assets, net current replacement cost is calculated on the basis of Depreciated Replacement Cost (DRC). Non operational assets including investment properties are included in the Balance Sheet at Open Market Value (OMV). Infrastructure and Community Assets are included in the Balance Sheet at Historical Cost, net of depreciation where appropriate.

(iii) Revaluation

All asset valuations of land and property have been carried out in accordance with the Statements of Asset Valuation Practices and Guidance notes published by RICS and CIPFA. All Land and Property assets were revalued as at 1st April 1999, following which, a 5-year rolling programme of revaluation has been established. Infrastructure Assets transferred from Devon County Council upon re-organisation are held at the value disaggregated by the County Council using tax base. Assets where a material change occurs during the year are revalued at the time of the change.

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 Fixed Asset Restatement Reserve as appropriate.

The management of property valuations is undertaken by Sam Partridge A.R.I.C.S. who is the Estates Manager within the Financial Services Directorate of Torbay Council

(iv) Depreciation

In accordance with FRS 15 depreciation is provided on all fixed assets. Depreciation is not normally provided for freehold land, community assets or non-operational investment properties. The effect of the basis of measurement is disclosed in Note 1 to the Balance Sheet.

The information on asset life and residual value required to calculate depreciation on operational buildings is not fully available. Data is being gathered by the Council's Valuer during the current 5-year revaluation cycle. Depreciation was introduced on an estimated average useful life of 40 years and is revised for individual assets when useful life is certified by the Valuer.

Vehicles, plant & equipment are depreciated over periods between 3 to 10 years depending on the nature of the asset. Provision for depreciation is made on a straight-line basis over the estimated life of the asset.

(v) 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.

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 cost is recognised in the service revenue account. For other instances of impairment the effect is recognised in the Fixed Asset Restatement Reserve.

(vi) Charges to Revenue

The SORP requires that service revenue accounts are charged with a capital charge for all fixed assets used in the provision of a service. The charge covers the annual provision for depreciation, where applicable, plus a capital financing charge determined by applying a specified notional rate of interest to the net amount at which the asset is included in the balance sheet. For assets carried at current value, including assets carried at historical cost as a proxy for current value, the rate of interest to be applied in determining capital charges has been set at 3.5% for 2003/04. For assets carried at historical cost, that is infrastructure and community assets, the rate to be applied in 2003/04 is 4.625%.

The capital charges are in accordance with the SORP Code of Practice apart from the level of depreciation charged (see note above). Charges are 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.

Capital charges for the use of fixed assets and relevant impairment losses are credited to the Asset Management Revenue Account.

Finance costs (including interest payable under finance leases) and provisions for depreciation are charged to the Asset Management Revenue Account. Any excess of depreciation and impairment over the Minimum Revenue Provision is adjusted through the Capital Financing Reserve to balance the charge to the council taxpayer to the Minimum Revenue Provision (see below).

(vii) Disposal

Capital receipts arising from the disposal of assets are separated into a usable part and a reserved part. Receipts are credited to the Capital Receipts Reserve and the Capital Financing Reserve respectively. Upon disposal the net value of the asset disposed of is written off against the Fixed Asset Restatement Reserve. The reserved portion can be used only to meet credit liabilities (i.e. the repayment of external loan debt or liabilities on credit arrangements). The usable portion may be used either to finance capital expenditure or as voluntary provision for credit liabilities. Both portions earn interest for the Revenue budget until required.

(viii) Deferred Charges

Deferred charges are items of a capital nature, which do not result in the creation of a fixed asset (e.g. Improvement Grants). The opportunity is taken to write out in the year any expenditure that is incurred, which means that the cost of service is charged with the deferred charge expenditure

incurred in the year. The exception is where the economic benefit from this expenditure is considered to extend over a number of years when this cost will be amortised to revenue over a longer period. This is offset by any grants that are received in the year for the deferred charge and are shown as a revenue grant in the cost of services. The appropriation section of the Consolidated Revenue Account will offset any additional cost of service in order that there is no impact on the level of Council Tax.

(ix) Grants

Capital grants and contributions received by the Council are credited to a Deferred Capital Grants account when applied to finance capital expenditure. This balance is released to the Asset Management Revenue Account over the life of the asset acquired (or in some instances direct to the Capital Financing Reserve). Capital Grants that relate to Deferred Charges written off in the year are credited to the Revenue Account and treated as revenue grants. In the case of revenue grants they are accounted for in the Revenue Account on an accruals basis.

(x) Finance Leases

Assets acquired under a Finance Lease are recognised on the Council's Balance Sheet. The liability for the lease payments is recognised as a deferred liability on the Balance Sheet. Rental payments are apportioned between interest (charged to the Asset Management Revenue Account) and the reduction of the outstanding liability.

(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 6 Foundation Schools included in the Balance Sheet is £35.2 million.

(xii) Voluntary Aided and Voluntary Controlled Schools

The assets of Voluntary Aided and Voluntary Controlled 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.

Interest

Interest payable on external borrowings and interest income is accrued and accounted for in the accounts of the period to which it relates.

Minimum Revenue Provision (Debt Redemption)

Provisions in the Local Government Act 1989 require authorities to set aside revenue resources for repayment of debt incurred as a result of funding capital expenditure. This minimum revenue provision (MRP) is calculated as 4% of the opening "credit ceiling" (a notional measure of the Council's indebtedness).

Any excess of charges in the Asset Management Revenue Account in respect of depreciation and impairment over the MRP is adjusted through the Capital Financing Reserve to ensure that only the MRP is charged to Council Taxpayers in the year.

Repurchase of Borrowing

Gains or losses arising from repurchase or early settlement of borrowing should be recognised in the period during which the transaction was made. Where however the repurchase of borrowing was coupled with a refinancing or restructuring with substantially the same overall economic effect when viewed as a whole, gains or losses are recognised over the life of the replacement borrowing.

Operating Leases

The Council's Operating Leases relate mainly to computer equipment and vehicles and are charged direct to revenue or to holding accounts. During 2003/04 a review of the Council's operating leases was undertaken to ensure correct classification.

Harbour Covenant

The Council has a covenant agreement relating to the financing of Brixham Fish Quay. The balance outstanding as at 31st March 2004 was £208,000.

Long Term Contracts (PFI)

Westlands and Homelands Schools – Private Finance Initiative.

The Council has entered into a 26 year contract for the receipt of services with a private sector partner. The cost of these services is recognised in the revenue account for the years in which they are receivable. However, the Council is in receipt of Government support for part of the cost of the scheme, with higher amounts of grant being receivable in the early years of the project. The Council has 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.

The 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 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 as recognised under Regulation 16 of the Local Authorities (Capital Finance) Regulations 1997. The terms of the contract indicate that, following separation of some service elements, FRS 5 will apply. An analysis of the benefits and risks associated with the properties indicates that upon commencement of the Headleases (following completion of the construction phases) the properties are no longer recognised on the Authority's Balance Sheet as Fixed Assets. Westlands and Homelands operational phase commenced in October 2001 and August 2002 respectively. The Balance Sheet value of the assets (£8.625 million and £0.632 million respectively) were written out from those dates. Deferred assets representing the expected fair value of the residual assets remaining at the end of the contract period (year 2027) are being built up in the Council's Balance Sheet over time.

Debtors and Creditors

The Authority operates its revenue accounts on an income and expenditure basis and FRS18 "Accounting Policies". This means that all sums, which are due to be remitted to the Authority, 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.

The Council makes a provision for the non payment of debt on 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.

Included within the internal debtors and creditors for 2003/04 are entries reflecting the agreement reached with Westlands School over its contributions to the costs of the PFI initiative. The school has reflected the transactions within their accounts with the PFI Sinking Fund used to balance the entries. The Fund will be replaced as the School pays the outstanding internal invoices over the next three financial years.

Government Grants

Revenue Grants are matched with the expenditure to which they relate. Grants are accounted for on an accrual basis and recognised in the accounts when the conditions for their receipt have been complied with.

Stock and Work in Progress

Stocks are shown at the lower of actual cost or net realisable value. The Council has valued all stocks using an appropriate basis. Work in progress in respect of uncompleted jobs is valued at cost including an allocation of overheads.

Central 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 the Authority's Resource management system or on other appropriate (fair) bases.

Best Value

The Authority is also 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.

Pensions

The pension costs charged to the Authority'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 entries within the Council's accounts.

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 2003 SORP exempts the Teacher's 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.

In particular the following accounting policies have been applied for 2003/04:

The attributable assets in the scheme are measured at fair value.

The attributable liabilities of each scheme are measured on an actuarial basis using the projected unit method.

Scheme liabilities are discounted at a rate that reflects the time value of money and the characteristics of the liability

The deficit on the scheme is the shortfall of the value of the assets in the scheme below the value of the scheme liabilities

The current service cost is based on the most recent actuarial valuation of the period with the financial assumptions updated to reflect conditions at that date.

Interest cost is based on the discount rate and the present value of the scheme liabilities at the beginning of the period.

The expected return on assets is based on long-term expectations at the beginning of the period and is expected to be reasonably stable.

Actuarial gains and losses will arise from any new valuation and from updating the latest actuarial valuation to reflect conditions at balance sheet date.

Past Service costs are disclosed on a straight line basis over the period in which the increase in benefits vest.

The Pension Fund's Actuary has stated that the pension figures, calculated under FRS17, supplied for Torbay are consistent with the Code of Practice provided by CIPFA. Further detail is provided in notes to both the Consolidated Revenue Account and Balance sheet in accordance with FRS17.

These accounting policies represent a change to those applied in prior years. Previous policy was to recognise liabilities in relation to retirement benefits only when employer's contributions became payable to the fund or payments fell due to pensioners for which the Council is responsible. The new policies better reflect the Council's commitment in the long term to increase contributions to make up any shortfall in attributable net assets in the pension fund.

The change has had the following effects on the results of the prior and current periods. The Consolidated Revenue Account, Balance Sheet and Statement of Movement in Reserves have been restated for 2002/2003 to reflect this change. The notes to pensions and reserves have also been restated

a) The overall amount to be met from Government grants and local taxation has remained unchanged, but the costs disclosed for individual services are approximately 5% (6% 2002/03) lower after the replacement of employers contributions by current service costs. Net operating expenditure will also be higher by 1% (1% lower 2002/03) than it would otherwise have been.

b) The requirement to recognise the net pensions liability has reduced the reported net worth of the authority by 27% (36% 2002/03).

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.

Investments

Temporary investments are shown in the balance sheet at cost. They reflect the temporary investment of the Council's cash balances as at 31st March 2004. Such investments are held with banks and other similar institutions. Any interest due is accrued as interest income. The balance held by the Council's fund Manager is valued at the original investment with all changes in that value of the investment accrued as interest to the Council. Other investments are also valued at cost.

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). Following the change of status of Riviera Centre Limited on 1st April 2002 the Council has no material subsidiary or associated companies. The Council owns Torbay Enterprise Agency but it is not consolidated into the Council accounts, as the amounts involved are not material.

VAT

VAT is included in income and expenditure accounts, whether of a capital or revenue nature, only to the extent that it is irrecoverable.

Consolidated Revenue Account for the Year ended 31st March 2004

Restated Net Expenditure		Gross Expenditure	Gross Income	Net Expenditure
£,000		£,000	£,000	£,000
2002/3		2003/4	2003/4	2003/4
531	Central Services to the Public	15,843	(15,274)	569
165	Court Services - Coroner	335	(93)	242
19,527	Cultural, Environmental and Planning Services	26,326	(7,496)	18,830
59,140	Education services	94,148	(28,677)	65,471
7,224	Highways Roads and Transport Services	10,417	(2,350)	8,067
3,940	Housing Services	46,000	(39,399)	6,601
30,351	Social Services	63,497	(26,150)	37,347
2,280	Corporate and Democratic Core	4,056	(1,688)	2,368
4,132	Non Distributed Costs	2,467	(897)	1,570
188	Devon & Cornwall Magistrates' Courts	195	0	195
4,333	Devon Fire Authority	4,792	0	4,792
736	Environment Agency	766	0	766
132,547	Net Cost of Service	268,842	(122,024)	146,818
(58)	(Surplus) on Trading Undertakings			(1,321)
(114)	Income from Investment Properties			130
(7,286)	Asset Management Revenue Account (see note 3)			(4,172)
(933)	Interest and Investment income			(1,041)
(233)	(Gains) on early settlement of borrowing			(233)
640	Pension Interest costs and expected return on pension assets			3,040
124,563	Net Operating Expenditure			143,221
	<u>Appropriations</u>			
(6,080)	Contributions to or from Capital Reserves, including the provision for repayment of external loans and amounts set aside to finance capital expenditure. (see note 11 to Balance Sheet)			(7,556)
1,139	Contributions to Devon County Council Debt Repayment and probation debt			1,098
473	Transfers (from) Insurance Reserve			(882)
(135)	Transfers (from) Earmarked Reserves			(1,772)
(43)	Transfers to Schools Balances			113
2,553	Capital Expenditure financed from Revenue			2,494
748	Contribution from the Pensions Reserve			(1,760)
123,218	Amount to be met from Government Grants and Local Taxation			134,956
(43,612)	General Government Grants			(50,770)
(38,806)	NINDR Redistribution			(39,369)
(39,817)	Demand on Collection Fund			(44,031)
(983)	Transfer from collection fund in respect of surplus			(830)
0	Net General Fund Surplus			(44)
(2,215)	Balance on General Fund b/f			(2,215)
(2,215)	Balance on General Fund c/f			(2,259)

Note:

Net amount held by schools under local management schemes:

Schools Balances within Earmarked Reserves as at 31/3/04 £2,203,000 (31/3/03 £2,090,000).

Within the schools earmarked balances an adjustment has been made to reflect £446,000 of income in advance relating to Westlands School.

NOTES TO THE CONSOLIDATED REVENUE ACCOUNT
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The Consolidated Revenue Account reports the net cost for the year of the functions for which the Authority is responsible. It also demonstrates how that cost has been financed from general Government Grants and income from Torbay Council Taxpayers. It brings together expenditure and income relating to all of Torbay Council's functions.

The Council is required to present the service expenditure analysis in accordance with the CIPFA Best Value Accounting Code of Practice. This code promotes comparability and consistency for local authority financial reporting.

1 Acquired or Discontinued Operations

There are no disclosures in relation to any acquired or discontinued operations.

2 Exceptional, Extraordinary and Prior Period Adjustments

There are no disclosures in relation to any extraordinary items.

During 2003/04 the Council benefited from £1.4 million of rate refunds relating to its leisure centre and car parks. In addition the reclassification of part of the insurance fund as a provision has increased the net cost of services by £1.2 million with the opposite entry in reserve movements.

To meet the requirements of FRS17 the comparative data for 2002/03 on the Consolidated Revenue Account and Balance Sheet have been restated.

3 Asset Management Revenue Account

Capital Charges are levied on all of the Authority's Assets used in the provision of services and these charges are included in all of the service accounts. However, while the aim of these charges is to give a fairer picture of the true cost of services, it is not intended that they should affect the level of local taxation. Consequently, the Authority maintains the Asset Management Revenue Account centrally to hold the income from these charges with the surplus being returned to the General Fund. Thus the overall cost to the Taxpayer is only the external payments of interest on debt and the Minimum Revenue Provision which must be levied under the current legislation.

2002/2003 £ ,000	Components of the Asset Management Account	2003/2004 £ ,000
1,510	External Interest Payable	1,637
35	Interest Payable under Finance Leases	29
1,691	Interest on Transferred Debt	1,632
4,495	Depreciation	5,798
5	Impairment Loss	0
7,736	Expenditure	9,096
(14,846)	Reversal of Capital Charges	(12,866)
(5)	Reversal of Impairment Loss	0
(171)	Capital Grants / Contributions released from the government grants deferred account	(402)
(15,022)	Income	(13,268)
(7,286)	Net position of the Asset Management Revenue Account	(4,172)

Provision for Repayment of External Loans (Minimum Revenue Provision)

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 is £1.495 million calculated as follows:-

	£,000
4% of Non-Housing amount	1,388
Amortisation of costs covered by Supplementary Credit Approval	1,104
Notional interest on credit arrangement	9
Commutation adjustment	(1,006)
	1,495

The excess of depreciation, impairment and effect of deferred charges charged to Net Operating Expenditure over the Minimum Revenue Provision is reversed after Net Operating Expenditure by an appropriation from the Capital Financing Reserve.

4 Leases

(i) Operating Leases

From August 1994, the Authority has entered into operating lease agreements to acquire vehicles, plant and equipment. Drawdowns up to 31st March 2004 totalled £7,922,901. In addition, from 1st April 1998, the Authority adopted operating lease agreements previously entered into by Devon County Council and subsequently transferred under unitary agreements.

The combined lease rentals incurred in 2003/04 amounted to £971,034 (£1,055,586 in 2002/03). The outstanding obligation on all operating lease drawdowns is £2,677,154.

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

Year Due	Value £,000
Within One Year	798
One to Two Years	571
Two to Five Years	1,129
Over five years	179
Total Due:	2,677

(ii) Finance Leases

The Council has a finance lease in respect of printing equipment which expires in 2005/06. Lease payments amounted to £0.045 million in 2003/04. Payments of £0.045 million are due in 2004/05.

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

Year Due	Value £,000
Within One Year	45
One to Two Years	31
Total Due:	76

5 Undischarged Obligations – PFI 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 contract became effective on 10th May 2000. 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 2003/04 was £1.637 million. The Council is committed to a maximum payment of £1.685 million in 2004/05 depending on performance.

6 Pension Assets and Liabilities

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 authority has a commitment to make the payments that needs to be disclosed at the time that employees earn their future entitlement.

Local Government Scheme

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 pensions liabilities with investment assets.

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.

The Council recognises 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 of the CRA after Net Operating Expenditure. The following transactions have been made in the CRA during the year:

	Local Government Scheme	
	£000's	£000's
	2002/03	2003/04
Net Cost of Services		
- Current Service Cost	(3,990)	(4,630)
- Past Service Cost	0	(460)
Net Operating Expenditure		
- Interest Cost	(7,480)	(8,170)
- Expected Return on Assets in the Scheme	6,840	5,130
Amounts to be met from Government Grants and Local Taxation		
- Movement on Pensions Reserve	(748)	1,760
Actual Amounts charged against council tax for pensions in year	(5,378)	(6,370)

Note 18 to the Balance Sheet contains details of assumptions made in estimating the figures included in this note. Note 5 to the Statement of Total Movements in reserves details the movements that have arisen through the year on the Council's Pension Reserve.

Teachers' Pension Scheme

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

In 2003/04 the Authority was due to pay £4.385 million (£2.554 million in 2002/03) to the Pensions Agency in respect of teachers' retirement benefits, which represents 13.5% (8.4% in 2002/03) of teachers' pensionable pay. The significant increase in contributions is due to an increase in the employer's contribution rate from 8.35% to 13.5%.

Contributions to Devon County Unfunded Discretionary Pensions

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 2003/04 these amounted to £0.730 million (£0.708 million in 2002/03).

7 Section 137 Expenditure

Section 137 of the Local Government Act 1972 empowers the Authority, subject to various conditions and limits, to incur expenditure which in its opinion is in the interest of, and will bring direct benefit to, the area or any part of it, or all or some of its inhabitants.

The Local Government Act 2000 granted new powers to authorities in England and Wales to promote 'well being' in their area. As a consequence the majority of the provisions of Section 137 were replaced with effect from October 2000.

Local Authorities are still required to disclose any expenditure under Section 137. However for Torbay Council there was no expenditure on Section 137.

8 Staffing

The number of employees whose taxable remuneration exceeds £50,000, is set out in the table below:-

No. of Employees 2002/03	Remuneration Band	No. of Employees 2003/04
8	£50,000 to £59,999	14
4	£60,000 to £69,999	6
2	£70,000 to £79,999	4
1	£80,000 to £89,999	1
1	£90,000 to £99,999	0
0	£100,000 to £109,999	0
0	£110,000 to £119,999	0
0	£120,000 to £129,999	1
16		26

Remuneration for these purposes includes all sums paid or receivable by an employee and sums due by way of expenses 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. This will include amounts in respect of redundancy payments and pension enhancements.

9 Members Allowances

Member's Allowances for 2003/04 were £334,868 (£264,712 in 2002/2003). During 2003/4 the allowances paid to members were reviewed twice. Firstly, as a result of a new committee structure and secondly following an Independent Review Panel recommendation.

10 Memorandum – Publicity Account

2002/03		2003/04	
£ ,000	£ ,000	£ ,000	£ ,000
	282		366
	Recruitment advertising		
	Publicity Advertising		
812	Torbay Tourist Board:-	970	
	Marketing (including Riviera Guide)		
(416)	Less: advertisement income	(430)	
	396		540
	106		121
	Other Publicity Advertising		
	5		8
	Best Value		
	30		48
	Other Advertising (includes statutory)		
	<u>819</u>		<u>1,083</u>

The above Memorandum Publicity Account is that required by Section 5 of the Local Government Act 1986, as amended.

It is a memorandum account only, and the income and expenditure figures are included in the Revenue Accounts of the Committees and Services involved.

11 Related Party Transactions

The Authority is required to disclose material transactions with related parties, bodies or individuals, that have a potential to control or influence the Authority or to be controlled or influenced by the Authority. The Authority potentially has transactions with Central Government, Members of the Council, Officers, Other Public Bodies including Regional Development Agency, Riviera Centre, Riviera Housing 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, i.e. 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 2003/4

- Co-Opted Member Mark Lord-Lear declared hire of moorings.
- Co-Opted Member Susan Fenner declared receiving Foster Carers Allowance.
- Councillor Hytche declared that his vehicle had been serviced by the Operations Division (Environment).

Officers: The Council maintains a Register of Disclosures in 2003/4 the following entry was recorded:-

T Whitehead declared a direct interest in a mooring in Brixham Harbour

Public Bodies: The Council has entered into a number of partnership and joint working arrangements with other Public Bodies in particular the Torbay Primary Health Trust and NHS Devon Partnership Trust. However these relationships are as a result of complying with Government directives and legislation.

Trusts: The Council paid a management fee of £149,500 to the Torbay Coast and Countryside Trust in 2003/04. Although the Council has representation on the Trustee Board it is not felt to have a significant influence over Trust policies.

The Council contributed £540,000 to Riviera Centre International Limited, a not for profit company. The Council does not hold assets or liabilities in the new Company.

Assisted Organisations: The Council provided £117,000 to the Torbay Citizen's Advice Bureau. The Council does not have any influence over policies.

The Council although providing no direct financial support has 3 representatives out of 16 with full voting rights on Sure Start Paignton.

Precepts and Levies: The total cost of these services disclosed on the Consolidated Revenue Account. Within that total the precepts and levies paid in 2003/04 are as follows:

	£,000
Devon Fire Authority	4,792
Devon and Cornwall Magistrates Courts Committee	195
Environment Agency	766
Devon Sea Fisheries	38

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 Consolidated Revenue Account and within its Cash Flow Statement. A summary of revenue grants by Service is shown below:

Best Value Service Classification	2003/04
	£,000
Central Services	8,090
Culture, Environment & Planning	704
Education	19,197
Highways, Roads & Transport	12
Housing Services	38,871
Social Services	10,277
Other	735
	77,886

Outstanding Balances: Any amounts due to or from related parties as at 31st March 2004 are within the Council's balance sheet.

12 Building Control Trading Account

The Building (Local Authority Charges) Regulations 1998 require the disclosure of information regarding the setting of charges for the administration of the building control function. However, certain activities performed by the Building Control Unit 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 2003/2004

	Chargeable 2003/2004 £,000	Non – Chargeable 2003/2004 £,000	Total Building Control 2003/2004 £,000
<u>Expenditure</u>			
Employee Expenses	225	103	328
Transport	14	6	20
Supplies and Services	12	6	18
Central Support	47	19	66
Total Expenditure	298	134	432
<u>Income</u>			
Building Control Fees	(399)	0	(399)
Other Income	(2)	(1)	(3)
Total Income	(401)	(1)	(402)
(Surplus) / Deficit for the Year	(103)	133	30
Comparatives for 2002/03:			
Expenditure	277	121	398
Income	(348)	(1)	(349)
(Surplus) / Deficit for the Year	(71)	120	49

13 Local Authorities (Goods and Services) Act 1970

The Council provides services to other local authorities and certain prescribed bodies under the Local Authorities (Goods and Services) Act 1970 as laid out below. The significant trading with such bodies is outlined in the table below:

Restated 2002/03 £ ,000		2003/04 £ ,000
818	Torbay Primary Care Trust – Primarily Social Services	860
203	Teignbridge and South Hams Councils – Use of Reclamation Facility	220
231	Various Public Bodies – Sale of printing services	199
105	Riviera Housing Trust – Property Work	207
4	Section 10 OFSTED Inspections	9
584	Operational Services – Maintenance, Waste Collection, Tipping, Cleaning work, Fleet Transport and 24 hour Emergency Control for Devon Fire Authority, Devon County Council, Riviera Housing Trust, Teignbridge Council and Housing Associations.	386
<u>1,945</u>		<u>1,881</u>

14 Trading Operations

The Council is disclosing seven trading units where the service manager is required to operate in a commercial environment and balance their budget by generating income from other parts of the authority or other organisations. These are disclosed under the following parameters: - details of units with turnover of greater than £200,000 in 2003/2004 are as follows:

Operation	Description		2002/03 £000's	2003/04 £000's
Operational Services	The Council operates a Trading Operation for a number of its services. Further detail can be found in Appendix 1	Turnover	13,159	12,552
		Expenditure	13,145	12,498
		Surplus/(Deficit)	14	54
Harbours' Accounts	The Council operates a ring fenced account for its three harbours. Further detail can be found in Appendix 1	Turnover	1,585	1,434
		Expenditure	1,548	1,415
		Surplus/(Deficit)	37	19
Off Street Car Parks	The Council operates off street car parking throughout Torbay	Turnover	3,073	3,491
		Expenditure	2,260	2,098
		Surplus/(Deficit)	813	1,393
Printing Services	The Council operates an in house printing and stationery service which operates on a trading basis	Turnover	1,352	1,327
		Expenditure	1,352	1,327
		Surplus/(Deficit)	0	0
Industrial Units	The Council maintains a number of sites where land/office space is rented to business to generate employment within Torbay	Turnover	198	228
		Expenditure	241	177
		Surplus/(Deficit)	(43)	51
Land Charges	The Council has a duty to maintain the register of local land charges and respond to searches on behalf of prospective purchasers.	Turnover	880	898
		Expenditure	91	92
		Surplus/(Deficit)	789	806
Torbay Industrial Services	To enable the maximum number of people with disabilities to gain & sustain paid employment in the most cost effective manner possible.	Turnover	1,897	2,053
		Expenditure	2,318	2,443
		Surplus/(Deficit)	(421)	(390)

Note : Harbours are shown excluding FRS17. For information the impact of FRS17 on this account is to reduce expenditure by £9,000 in 2003/04.

15 Agency

Torbay Council carries out work for South West Water Services Ltd, whereby revenue operations are provided for fixed sums and capital works undertaken on a reimbursement basis. An agency contract with South West Water expired on 31 March 2003. However, work continues on small capital projects.

South West Water PLC

2002/03 £,000		2003/04 £,000
253	Sewerage Contract – Revenue	62
431	Sewerage Contract – Capital and Other	131
252	Sewerage Contract – Administration	132
936		325

16 Schemes under Transport Act 2000

Under the Transport Act 2000 Torbay Council is required to produce a Local Transport Plan (LTP). The Capital expenditure associated with this plan is shown within the capital expenditure notes to these accounts. The council in relation to its LTP is also required to submit Annual Progress Report (APR) to Central Government.

In addition under this Act local authorities are obliged to have a bus concessionary fare scheme in place. Within the County of Devon there is a unified partnership approach between all councils allowing half price travel, principally for people over the age of 60 and the disabled, throughout Devon (not just the Authority's own area). The scheme is known as the Devonwide Scheme and is operated by Devon County Council.

In 2003/4 Torbay council contributed £343,600 (£260,500 2002/03) to the estimated running costs for the Devonwide Scheme.

Total cost of Devonwide Scheme:-

	2003/2004	
	£'000	£'000
Total Cost of Devonwide Scheme:		
Devon County Council Management Costs	167	
Operator's Costs	1,515	
		1,682
Income:		
Partnership Authority Contributions	(1,769)	
Other Income	(3)	
		(1,772)
Net (surplus)		(90)

Surpluses are refunded back to partnership authorities pro rata to their contributions to the scheme. Torbay's refund will be £17,656.

17 Pooled Budgets

The council is actively involved in working with the Torbay Primary Care Trust and Devon County Council for a number of schemes that involve either partnership work, shared funds or pooled budgets, all to support social services and health authority care responsibilities. Pooled budget arrangements with a turnover greater than £200,000 are as follows:

Schemes for 2003/4	Partner	Torbay's contribution £000's	Partner's Contribution £000's	Total Budget £000's
Mental Health & Substance Budgets	Devon County Council	1,978	44	2,022
TOTAL		1,978	44	2,022

18 Audit Costs

In 2003/4 Torbay Council incurred the following fees relating to external audit and inspection:

	2002/3 £000	2003/4 £000
Fees payable with regard to external audit services carried out by the appointed auditor, PricewaterhouseCoopers LLP	209	217
Fees payable in respect of statutory inspection under s10 Local Government Act 1998	102	71
Fees payable to the Audit Commission for the certification of grant claims and returns by appointed auditor, PricewaterhouseCoopers LLP	20	65
*Fees payable in respect of any other services provided by the Appointed Auditor.	6	30
* Note: These fees were paid to District Audit, the Council's Appointed Auditor prior to PricewaterhouseCoopers LLP		

COLLECTION FUND SUMMARY ACCOUNT 2003/04

ACTUAL 2002/03			ACTUAL 2003/04	
£ ,000	£ ,000		£ ,000	£ ,000
Income				
37,118		Council Tax	41,521	
6,985		Transfers from General Fund - Council Tax benefits	8,227	
	44,103			49,748
	25,356	Income in respect of Non-domestic Rates		23,544
	<u>69,459</u>			<u>73,292</u>
Expenditure				
Precepts and demands				
3,365		Devon & Cornwall Police Authority	4,748	
39,817		Torbay Council's own Demand	44,031	
	43,182			48,779
Distribution of previous year's estimated collection fund surplus:				
77		Police Authority	70	
983		Torbay Council	830	
	1,060			900
25,043		Non-domestic Rates		
215		Payment to NNDR Pool	23,312	
	25,258	Cost of Collection Allowance	213	
				23,525
Bad & doubtful debts – write offs, provisions				
Council tax:				
184		Write Offs	333	
(29)		Provision for uncollectable amounts	(176)	
	155			157
Non-domestic Rates:				
130		Write Offs	173	
(32)		Provision for uncollectable amounts	(154)	
	98			19
	<u>69,753</u>			<u>73,380</u>
	<u>(294)</u>	(Deficit) for year		<u>(88)</u>
Movement of Fund Balance				
	964	Balance brought forward, 1st April		677
	7	Balance brought forward adjustment		0
	(294)	(Deficit) for the year		(88)
	<u>677</u>	Balance carried forward		<u>589</u>

NOTES to the COLLECTION FUND SUMMARY 2003/04

1. General

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

2. Council Tax

2.1 Council Tax Base 2003/04

For Council tax purposes the number of domestic properties in each band converted to a Band D equivalent for 2003/04 was as follows:

Valuation Band	2003/4			
	Ratio to Band D	No of Dwellings In valuation list	No of Dwellings Band D Equivalent	Average Council Tax Per Dwelling £
A	6/9	11,585	6,097	707.27
B	7/9	16,090	10,782	825.14
C	8/9	15,388	12,160	943.03
D	1	9,107	8,258	1,060.90
E	11/9	4,726	5,324	1,296.66
F	13/9	2,235	2,949	1,532.41
G	15/9	1,176	1,686	1,768.17
H	18/9	111	145	2,121.80
TOTAL		60,418	47,401	
Less Allowance for Non Collection @ 3%			1,422	
TAX BASE 2003/04			45,979	

The number of dwellings Band D equivalent for 2003/04 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.

2.2 Council Tax Income 2003/04

Precepts and Demands:

The following Authorities made a demand on the Collection Fund in 2003/04:

	£000
Torbay Council	44,031
Devon and Cornwall Police Authority	4,748
Total Demands on Collection Fund 2003/04	48,779
Divided by Council Tax Base	45,979
Band D Council Tax	1,060.90

The Income credited to the Collection Fund in 2003/04 can be analysed as follows.

	£000
Gross Council Tax Payable for Year	58,038
Reduced Assessments (discounts)	(8,290)
Actual Income from Council tax	49,748
Less Council tax benefit	(8,227)
Total Council tax Income 2003/04	41,521

The difference between the actual Council Tax income of £49.748 million and the estimated income of £48.779 million of £0.969 million is due to changes during the year in the Council Tax Base including changes to the number of eligible properties and changes to discounts combined with the actual tax collection rate.

3. Income from Business Rates

Under the arrangements for uniform business rates, the Authority 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 2004 was £63.911 million. The Multiplier (rate in the £) for 2003/04 as set by Government was 44.4 pence in the pound.

CONSOLIDATED BALANCE SHEET AS AT 31ST MARCH 2004

2002/03 £,000	2002/03 £,000		2003/04 £,000	2003/04 £,000
		<u>Fixed Assets</u>		
		Operational Assets:		
149,927		Other Land and Buildings	155,089	
1,935		Vehicles, Plant and Equipment	2,233	
27,845		Infrastructure Assets	30,157	
<u>524</u>		Community Assets	<u>744</u>	
	180,231			188,223
		Non Operational Assets:		
	<u>11,064</u>	Other Land and Buildings		<u>10,355</u>
	191,295	Total Fixed Assets		198,578
		<u>Other Assets</u>		
615		Deferred Asset (PFI)	1,059	
2,263		Deferred Consideration (PFI)	2,170	
7,429		Deferred Charges	6,390	
30		Investments	30	
<u>714</u>		Long Term Debtors	<u>617</u>	
	<u>11,051</u>			<u>10,266</u>
	202,346	Total Long Term Assets		208,844
		<u>Current Assets</u>		
646		Stocks and Work in Progress	551	
15,529		Debtors (net of provision for bad and doubtful debt)	13,796	
17,895		Temporary Investments	19,450	
3,391		Payments in Advance	1,364	
<u>1,269</u>		Cash and bank	<u>2,150</u>	
	<u>38,730</u>			<u>37,311</u>
	241,076	Total Assets		246,155
		<u>Current Liabilities</u>		
(5,846)		Long Term Borrowing due within 12 months	(4,461)	
(15,231)		Creditors	(17,291)	
(1,255)		Deferred Liabilities due within 12 months	(1,221)	
(2,616)		Bank Overdraft	(1,538)	
<u>(5,650)</u>		Receipts in Advance	<u>(5,530)</u>	
	<u>(30,598)</u>			<u>(30,041)</u>
	210,478	Total Assets less Current Liabilities		216,114
(32,639)		Borrowing repayable within a period in excess of 12 months	(38,178)	
(26,504)		Deferred Liabilities	(25,282)	
(229)		Creditors due in excess of 12 months	(429)	
(264)		Provisions	(1,527)	
<u>(53,600)</u>		Liability related to defined benefit pension scheme	<u>(40,920)</u>	
	<u>(113,236)</u>			<u>(106,336)</u>
	<u>97,242</u>	Total Assets less Liabilities		<u>109,778</u>

CONSOLIDATED BALANCE SHEET AS AT 31ST MARCH 2004

2002/03 £,000	2002/03 £,000		2003/04 £,000	2003/04 £,000
		<u>Represented by</u>		
94,460		Fixed Asset Restatement Reserve	94,082	
23,417	117,877	Capital Financing Reserve	22,252	116,334
	8,495	Government grants-deferred account		10,817
	3,699	Capital Grant and Contributions Unapplied		2,917
	1,653	Usable Capital Receipts Reserve		4,258
	(53,600)	Pension Reserve		(40,920)
	161	Deferred Capital Receipts		0
	15,258	Earmarked Reserves		12,897
		<u>Balance:</u>		
	2,215	General Fund		2,259
	677	Collection Fund		589
	807	Trading Operations		627
	97,242	Total Net Worth		109,778

NOTES TO THE CONSOLIDATED BALANCE SHEET

(1a) MOVEMENT OF FIXED ASSETS

The council's entire housing stock, together with associated estate shops and garages were transferred to the Riviera Housing Trust on 19th February 2001, and therefore there are no council dwellings included in the Fixed Asset Portfolio. Assets under construction of £4.4m are recognised within the Balance Sheet value of Non-operational assets reflecting capital expenditure on assets not yet operational at 31st March 2004.

	Other Land & Buildings £, 000	Vehicles Plant & Equipment £,000	Infrastructure Assets £, 000	Community Assets £, 000	Non- Operational Assets £, 000	Total Assets £, 000
Gross Book Value as at 31st March 2003	157,379	5,371	30,286	537	11,248	204,821
Accumulated Depreciation	(7,447)	(3,436)	(2,441)	(13)	(19)	(13,356)
Accumulated Impairment	(5)	0	0	0	(165)	(170)
Net Book Value as at 31 March 2003	149,927	1,935	27,845	524	11,064	191,295
Revaluation in year applicable from 1 st April (rolling programme)						
– Gross Value	908	0	22	216	1,157	2,303
– Depreciation w/off	2,403	0	0	13	5	2,421
Restated Net Book Value at 1 April 2003	153,238	1,935	27,867	753	12,226	196,019
<u>Movements in Year::</u>						
Additions -						
- Acquisitions	0	71	0	0	0	71
- Capital Exp in year	9,614	788	3,046	0	11	13,459
Revaluations (other than rolling programme)	(3,336)	(3)	0	0	163	(3,176)
New Assets under construction	0	0	0	0	(988)	(988)
Disposals	0	(230)	0	0	(1,125)	(1,355)
	6,278	626	3,046	0	(1,939)	8,011
Depreciation :						
Depreciation for year	(4,427)	(549)	(756)	(9)	(57)	(5,798)
Depreciation on assets sold	0	221	0	0	0	221
	(4,427)	(328)	(756)	(9)	(57)	(5,577)
Impairment :						
Impairment for year	0	0	0	0	0	0
Impairment on assets sold/disposals	0	0	0	0	125	125
Net Book Value 31st March 2004	155,089	2,233	30,157	744	10,355	198,578

(1b) Capital Expenditure & Financing in year

	Expenditure £ ,000	Financed From				
		Revenue / Reserve £ ,000	Capital Receipt £ ,000	Credit Approvals £ ,000	Grant / Contrib'ns £ ,000	Creditors/ Unfunded £ ,000
Fixed Assets – Expenditure in Year	13,459	1,986	0	8,070	4,820	(1,417)
Deferred Charges :-						
Private Sector Improvement & Disability Grants	895	63	0	577	255	0
Voluntary Aided /Controlled Schools Capital Exp	820	0	0	267	553	0
Advances to Housing Associations	1,608	0	0	1,608	0	0
	16,782	2,049	0	10,522	5,628	(1,417)

(1c) Significant commitments under Capital contracts as at 31st March 2004

		£ ,000
Education Provision	Paignton Community College	899
	Special Schools Reorganisation	1,641
	Oldway Primary	1,945
	Other Education Projects	578
Social Services	IT & Housing Associations	661
Corporate	Financial Information System	190
		<u>5,914</u>

Works are expected to be completed in the financial year 2004/05.

(1d) Assets comprise -

Primary Schools	33	Includes 9 Voluntary Aided Schools where the Council owns the site only; 2 Foundation Schools where the asset rests with the governing body and 1 PFI school where the asset rests with Torbay Schools Services Ltd*
Secondary Schools	8	Includes 1 Voluntary Aided School where the Council owns the site only; 4 Foundation Schools where the asset rests with the governing body and 1 PFI school where the asset rests with Torbay Schools Services Ltd *
Special Schools	3	
Libraries	4	
Civic Offices		Including Torquay Town Hall and Oldway Mansion
Torre Abbey and Spanish Barn		
Depots		Yalberton and Borough Road
Off Street Car Parks		
Leisure Centres and Pools		Torbay Leisure Centre (Leased out); Brixham Community Centre
Theatres		Princess (Leased out); Babbacombe; Brixham and Palace Avenue
Information Centres		
Parks and Recreational Facilities		
Cliff Railway		
Piers and Beaches		22 Miles of Coastline
Public Conveniences		
Public Shelters		
Cemeteries; Crematorium and Closed Churchyards		
Harbours		Fish Quays and Infrastructure
Industrial Units and development land		
Community Asset Holdings		Berry Head Country park; Cockington Land Holdings (leased to the Countryside Trust); Brixham Town Square, Victoria Park.
Leased Commercial Property		Waterside Caravan Park; The Pavillion; Goodrington Beach Resort; Torquay Golf Club; Victoria Shopping Centre; Gala Bingo Club; Model Village; Vaughan Parade Properties; Parkfield Nursery

* Westlands and Homelands Schools are PFI schools provided by Torbay Schools Services Ltd. The fixed assets are not on the council's balance sheet. **Deferred assets** has been identified which will be built up over the period of the PFI contract (26 years) representing the residual value of the assets which will transfer back to the Council at the end of the contract term. **Deferred consideration** has also been identified to acknowledge the economic benefit to the council, which accrues from providing a site to the school at a peppercorn rent.

(1e) Assets held under Finance Leases

During 2001/02 the Council acquired printing equipment valued at £207,750 financed by a Credit Arrangement over 4 years. The value of the equipment is included under Fixed Assets in the Balance Sheet as the Council retains most of the risk and rewards of ownership of the asset other than legal title.

	Gross Book Value 31 st March 2004 £000	Accumulated Depreciation £000
Printing Equipment	207	52

(1f) 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. 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.

	Land & Buildings £000	Vehicles & Plant £000	Non-Operational Properties £000	Total £000
Valued at Historical Cost	0	5,139	0	5,139
Valued at Current Value in year				
2003/04	42,082	859	9,793	52,734
2002/03	42,472	0	358	42,830
2001/02	45,005	0	315	45,320
2000/01	15,941	0	0	15,941
1999/2000	19,064	0	0	19,064
Total Gross Value	164,564	5,998	10,466	181,028

(2) DEFERRED CHARGES

	Balance 1st April 2003 £ ,000	Expenditure In Year £ ,000	Discharged £ ,000	Balance 31st March 2004 £ ,000
Private Sector Improvement Grants	0	859	(859)	0
Housing Associations	0	1,608	(1,608)	0
Other Grants	0	36	(36)	0
Local Government Reorganisation	7,429	0	(1,039)	6,390
Voluntary Aided /Controlled Schools	0	820	(820)	0
Total	7,429	3,323	(4,362)	6,390

The balance outstanding on the Deferred Charge account relates to the accumulated expenditure on Local Government Reorganisation over the years 1997/98 to 2001/02. The economic benefit from this expenditure is considered to extend over a number of years and the costs will therefore be amortised to revenue over the period up to 2011/12 in line with the repayment of the Supplementary Credit Approvals granted for this purpose.

(3) INVESTMENTS

Association of District Councils

The Council is the registered holder of £30,000 of Zero Coupon First Mortgage Debenture Stock 1996/2011 which is constituted and secured by a Trust Deed dated 28th July 1989 and made between (1) the Association of District Councils (Properties) Limited and (2) Eagle Star Trust Company Limited as Trustees for the Stockholders.

(4) STOCKS AND W.I.P

	31 March 2003 £ ,000	31 March 2004 £ ,000
General Fund	387	292
Contracting	259	259
	<hr/>	<hr/>
	646	551
	<hr/>	<hr/>

(5) DEBTORS

	31 March 2003 £ ,000	31 March 2004 £ ,000
Sundry Debtors	4,388	4,101
Accrued income	7,561	6,154
Government Departments (Customs & Excise)	1,809	853
Assisted Car Purchase	96	111
Liability Orders for Community Charge, Council Tax and NNDR	107	141
Other	15	9
Housing Benefit Recovery Control	1,214	1,249
Council Tax	1,955	1,684
NNDR	883	576
NNDR Payments to Pool	977	1,898
Sub-total	<hr/>	<hr/>
	19,005	16,776
Bad Debt Provision – Debtors	(1,730)	(1,564)
NNDR	(442)	(288)
Council Tax	(1,304)	(1,128)
Total	<hr/>	<hr/>
	15,529	13,796
	<hr/>	<hr/>

(6) TEMPORARY INVESTMENTS

Temporary investments include £9.450 million of short-term investments and £10 million to Alliance Capital Fund Managers who will continue to manage the fund on the basis of their agreed mandate.

(7) CREDITORS

	31 March 2003 £ ,000	31 March 2004 £ ,000
Sundry Creditors	4,991	4,516
Accrued Expenditure	7,967	9,468
Deposits	16	10
Government Departments Inland Revenue	1,615	2,580
Devon County Council	636	711
Frozen Holiday Pay	6	6
	<hr/> 15,231	<hr/> 17,291 <hr/>

Note: £1.8m relating to a DFE grant has been classified as accrued expenditure as at 31st March 2004. This outstanding amount had been classified as receipts in advance as at 31st March 2003.

(8) PROVISIONS

<u>Provisions</u>	Balance 1st April £ ,000	Additions £ ,000	Withdrawals £ ,000	Balance 31st March £ ,000
Commuted Sums	134	47	17	164
Leased Vehicle Returned Condition	85	0	0	85
Leased Bins Returned Condition	42	0	0	42
Other Provisions	3	0	3	0
Insurance	0	1,236	0	1,236
TOTAL PROVISIONS	264	1,283	20	1,527

Description of Provisions

Name of Provision

Description of Provision

Commuted Sum	Amounts received by the Council from Developers to carry out maintenance work on adopted sites if required at some time in the future. The liability to the Council will depend on the actual operational requirements based primarily on programmed maintenance and inspection, which will vary from year to year.
Leased Vehicle Return Condition	Provision for vehicles under an operating lease to cover the potential cost of return. The liability to the Council will depend on the actual mileage and general condition of a number of vehicles when returned.
Leased Bins Return Condition	Provision for bins under an operating lease to cover the potential cost of return. The liability to the Council will depend on the general condition of a large number of wheeled bins when returned.
Insurance	Reflects a reliable estimate of Council liability on all known claims, which have yet to be settled. £1.236 million of the Council's insurance reserve has been reclassified as a provision. This change has been reflected within the Consolidated Revenue Account.

(9) RESERVES

Description of Reserves

Name of Reserve

Description of Reserve

HRA Unknown Liabilities	To provide for any minor residual costs relating to ex-HRA property following the closure of the HRA at 31 st March 2002. This reserve has now been cleared as no longer required.
Revenue Reserve	Following a review of Council's reserves this fund is now earmarked to support revenue expenditure in 2004/5. (Reserve previously called 'Unknown Liabilities')
Equipment Fund	To facilitate renewal of equipment within services where the replacement is at irregular periods.
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.
Early Retirement Reserve	To enable the Council to meet new redundancy-related liabilities as they fall due. Built up from annual budgets for new redundancies.
Financial Strategy	To fund the implementation of high level reviews.
Planning	To provide for costs of Local Plan Inquiry held every 4/5 years.

<u>Name of Reserve</u>	<u>Description of Reserve</u>
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 due to be repaid over a period of 11 years.
IT Equipment	To provide funds for priority driven replacements of IT equipment, particularly PCs.
Car Parks Machine	To replace Pay and Display machines at the end of their useful life.
Vehicles and Plant	To finance the purchase of vehicles and plant when updating the authorities fleet.
Harbours	Torquay, Paignton and Brixham Harbours – To finance Harbour expenditure schemes for the purpose of Harbour Users.
Capital Funding	To provide funding for items in the approved Capital Plan.
Cemeteries and Crematoria	To provide a reserve into which annual revenue contributions are made to fund future cremator replacement
Miscellaneous Specific	Includes: Council Elections, Art Objects Purchase Fund, Replacement Software Reserve, Claylands Reserve, Hele Signal Maintenance Reserve.
Carry Forwards	Agreed Carry Forwards (per Council 22 nd July 2004)
School Carry Forwards	Reflects the net amount held (as a carry forward) by schools under local management schemes.
Kingskerswell Bypass	To set aside funding for the development costs for the Kingskerswell Bypass.
Torbay Enterprise Agency	This reserve reflects the Council's on going support for Torbay Enterprise Agency.
South West Water Agency	This reserve established to hold annual surpluses or deficits arising from Maintenance operations.
Section 106 Reserve	Various sums received from developers under Planning Section 106 agreements, which are used to provide one off public amenity benefits.
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, and a general reserve to meet as yet unknown insurance claims. £1.236 million of the Council's insurance reserve has been reclassified as a provision. This change has been reflected within the Consolidated Revenue Account

Analysis of Reserve Movements

Reserves

	Balance April 1st 2003 £,000	Additions £,000	Withdrawals £,000	Balance March 31st 2004 £,000
HRA Unknown Liabilities	34	0	34	0
Revenue Reserve	250	0	150	100
Specific Reserves	111	0	55	56
Equipment Reserves	346	73	95	324
PFI Sinking Fund	2,403	395	760	2,038
Early Retirement Reserve	576	69	255	390
Financial Strategy	236	0	236	0
Planning Reserve	0	61	4	57
LGR Repayment Reserve	575	0	70	505
IT Equipment Reserve	297	185	190	292
Car Parks Machine Reserve	87	20	0	107
Vehicles and Plant	549	100	59	590
Harbour's Reserve	1,165	78	97	1,146
Capital Funding Reserve	1,080	127	677	530
Cemeteries and Crematoria	382	78	0	460
Carry Forwards	1,467	1,329	1,370	1,426
School Carry Forwards	2,090	2,387	2,274	2,203
Insurance Reserves	3,168	594	1,476	2,286
Kingskerswell Bypass	91	29	120	0
Torbay Enterprise Agency	28	15	0	43
South West Water Agency	206	25	0	231
Section 106 Agreements	117	26	30	113
	15,258	5,591	7,952	12,897
Total Reserves	15,258	(2,361)		12,897

Note: In 2003/4 part of the Insurance Reserve was reclassified as a provision.

Within the schools earmarked balances an adjustment has been made to reflect £446,000 of income in advance relating to Westlands School

Analysis of Balances

	Balance April 1st 2003 £,000	Additions £,000	Withdrawals £,000	Balance March 31st 2004 £,000
General Fund	2,215	44	0	2,259
Contracting Reserves	807	80	260	627
Collection Fund Reserve	677	0	88	589
	3,699	124	348	3,475
Total Balances	3,699	(224)		3,475
Total Reserves and Balances	18,957	(2,585)		16,372

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 an authority.

(10) LONG TERM BORROWING & DEFERRED LIABILITIES

Borrowing Repayable		Total Outstanding 31 March 2003 £ ,000	Total Outstanding 31 March 2004 £ ,000
Amounts falling due within one year			
Public Works Loans Board	<i>(Note b)*</i>	5,846	4,461
Amounts falling due in excess of one year			
Public Works Loans Board		32,639	38,178
Total		38,485	42,639
Deferred Liabilities		Total Outstanding 31 March 2003 £ ,000	Total Outstanding 31 March 2004 £ ,000
Amounts falling due within one year			
Deferred payment loan and covenant balance	<i>(Note a)*</i>	125	135
Finance Lease	<i>(Note c)*</i>	37	37
Devon County Council Debt Repayment	<i>(Note d)*</i>	1,093	1,049
		1,255	1,221
Amounts falling due in excess of one year			
Deferred payment loan and covenant balance	<i>(Note a)*</i>	209	73
Finance Lease	<i>(Note c)*</i>	61	25
Devon County Council Debt Repayment	<i>(Note d)*</i>	26,234	25,184
		26,504	25,282
Total		27,759	26,503

***Note a**

The amount of outstanding refers to the covenant agreement in respect of Brixham Fish Quay. A minimum payment of £135,000 is payable on 1st August 2004 together with other annual payments, with the remaining balance payable in full on 1st August 2005. Both the principal repayment and all interest due are charged to the Brixham Harbour Revenue Account.

*Note b		Total Outstanding 31 March 2003 £ ,000	Total Outstanding 31 March 2004 £ ,000
An Analysis of Loans by Maturity	Average Interest Rate		
Within 1 year	4.489%	5,846	4,461
2 up to 3 years	4.208%	4,461	3,000
3 up to 4 years	4.250%	1,000	1,000
4 up to 5 years	4.250%	1,000	0
5 up to 10 years	4.438%	2,000	2,000
10 up to 15 years	4.843%	7,808	7,808
15 up to 20 years	4.681%	7,535	9,370
20 up to 25 years	4.768%	8,835	7,000
Over 25 years	4.700%	0	8,000
		<u>38,485</u>	<u>42,639</u>

***Note c**

The Council acquired printing equipment in 2001/02 valued at £207,750 financed partly by a Credit Arrangement (Finance Lease) of £147,750 repayable over 4 years.

***Note d**

Deferred Liabilities

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 Consolidated Revenue Account.

The Transferred Debt principal outstanding at 31st March 2004 is £26.234m.

(11) Capital Financing Reserve

	2002/2003 £ 000	2003/2004 £000
Opening Balance as at 1st April	21,134	23,417
Capital Receipts Set Aside	958	729
Repayment of Brixham Harbour covenant	115	125
Capital financing		
Capital receipts	496	0
Revenue	2,134	2,049
Transfer from Grants & Contributions Deferred A/c's	3,182	2,097
Principal repaid on Transferred Debt	1,139	1,093
Funding of Capitalised Element of PFI Payment (Deferred Asset)	419	445
Set-up of Deferred Consideration re PFI Contract	650	0
	<u>30,227</u>	<u>29,955</u>
Less :		
Write down of deferred debtors	(559)	(147)
Excess of depreciation & other charges over MRP	(6,251)	(7,556)
Balance as at 31st March	<u>23,417</u>	<u>22,252</u>

The capital financing reserve contains the amounts which are required by statute to be set aside from capital receipts for the repayment of external loans and the amount of capital expenditure financed from revenue and capital receipts.

(12) Usable Capital Receipts Reserve

	2002/03 £ ,000	2003/04 £,000
Opening balance as at 1st April	927	1,653
Capital receipts in Year	2180	3,334
Less :		
Capital Receipts Set-Aside	(958)	(729)
Capital Receipts used for financing	(496)	0
Balance as at 31st March	<u>1,653</u>	<u>4,258</u>

The usable capital receipts reserve represents the capital receipts available to finance capital expenditure in future years, after setting aside the statutory amounts for the repayment of external loans.

Analysis of Capital Receipts in year

	2002/03 £ ,000	2003/04 £,000
Housing - Clawback from sales to tenants of Riviera Housing Trust	538	782
Sale of Assets	927	2,273
Repayment of Loans to Housing Associations	543	143
Loan & Covenant repayments	172	136
	<u>2,180</u>	<u>3,334</u>

(13) Government Grants & Contributions Deferred Account

	2002/03 £ ,000	2003/04 £,000
Opening Balance as at 1st April	6,647	8,495
Grants and contributions deferred in year	5,030	4,820
Released to Revenue	(171)	(402)
Released to Capital Financing reserve	(3,011)	(2,096)
Balance as at 31st March	<u>8,495</u>	<u>10,817</u>

(14) TRUST FUNDS

The Authority acts as trustee for the funds listed below. In accordance with LAAP58 these funds have not been consolidated in the accounts of the Authority and a summary of income and expenditure in year is as shown in the table below.

TITLE OF TRUST FUND	Balance 31st March 2003 £ ,000	Income in Year £000's	Spend in Year £000's	Balance 31st March 2004 £ ,000
Sports Events To provide grants to local sports men and women.	16	1	1	16
Stoney Park Allotment To maintain and repair the Stoney Park Allotment	8	0	1	7
Leanora Carlow: To provide contributions to Handicapped Children in Torbay	13	0	0	13
Thomas W Gleiman: Established to support the poor in Torbay	1	0	0	1
Mayoral Charity Account: To receive contributions to the Mayor of Torbay for distribution to local charities.	4	5	5	4
Education Committee Bequests to specific schools within Torbay	13	1	0	14

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

(15) STATEMENT OF NET ASSETS EMPLOYED IN THE CURRENT YEAR

	Restated Balance 31 st March 2003 £ ,000	Balance 31 st March 2004 £ ,000
General Fund	85,394	94,429
Contract Services	(2,890)	(1,165)
Harbour's	14,738	16,514
	<hr/>	<hr/>
	97,242	109,778

Note: 2002/03 balance has been restated to include FRS17. The increase in net assets as at 31st March 2004 is due in part to a £14 million actuarial gain on the pensions liability.

(16) MEMORANDUM ACCOUNT – PROVISION FOR CREDIT LIABILITIES

This account is operated in accordance with the Local Government and Housing Act 1989. The movements in the Provision for Credit Liabilities memorandum account in 2003/04 are set out below. The provision is now subsumed within the Capital Financing Reserve.

Each authority is obliged to set aside sums as provision for credit liabilities. These amounts, together with any amounts set aside voluntarily may be used to:-

- (i) repay the principal element of outstanding external debt,
- (ii) meet liabilities on credit arrangements, or
- (iii) finance expenditure covered by a credit approval.

The provision for credit liabilities is as follows:-

	2002/03 £ ,000	2003/04 £ ,000
Opening Balance as at 1st April	7,682	6,884
Additions to PCL		
Minimum Revenue Provision	690	1,495
Reserved Capital Receipts	958	729
Use/Application of PCL		
Cover for use of Credit Approvals in Year	(2,401)	(6,368)
Finance Lease Payments (credit arrangements)	(45)	(45)
Balance as at 31st March	<hr/> <u>6,884</u>	<hr/> <u>2,695</u>

(17) FOUNDATION SCHOOLS

The schools Standards and Framework Act 1998 changed the status of Grant Maintained Schools. Fixed Assets and long term liabilities remain invested in the Governing Bodies of individual Foundation Schools. However, the value of the fixed assets (totalling £35.2m) is included in the Council's balance sheet value of fixed assets reflecting the fact that these properties can only be used as schools ("substance over form").

(18) **PENSIONS**

a) Local Government Scheme

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

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.

As noted within the Explanatory Forward and note 6 to the Consolidated Revenue Account full compliance with FRS 17 has now been incorporated within these accounts.

The most recent valuation was carried out as at 31st March 2001, and has been updated by independent actuaries to the Devon County Council Pension Fund to take account of the requirements of FRS 17 in order to assess the liabilities of the fund at 31st March 2004. Liabilities are valued on an actuarial basis using the projected unit method, which assesses the future liabilities discounted to their present value.

Torbay Council's contribution rate over the accounting period was 254% of member contributions. The Contribution rates certified for Torbay council at the 31 March 2001 valuation are as follows:

April 2002 to March 2003	254% of members contributions
April 2003 to March 2004	254% of members contributions
April 2004 to March 2005	254% of members contributions

These figures include the past service element of the contribution rate.

Assumptions:

The main assumptions used for the purpose of FRS 17 are as follows:

	31 March 2003	31 March 2004
	% pa	% pa
Discount Rate	6.1	6.4
Rate of increase in salaries	4.1	4.4
Rate of increase in pensions in payment	2.6	2.9
Rate of increase in deferred pensions	2.6	2.9
Rate of inflation	2.6	2.9
Rate of return on equities	7.6	7.7
Rate of return on bonds	4.6	4.7
Rate of return on property	6.6	6.7
Rate of return on other assets	3.1	4.2
Average long term expected rate of return	6.3	6.9

The Authority has used the Government Actuary's Department rate for discount rates for corporate bonds in accordance with the SORP requirements. The Council recognises that this rate does not necessarily best reflect economic conditions.

Position in the Fund:

Assets are valued at fair value, principally market value for investments. The proportion of total assets held in each asset type by the Fund as a whole at 31st March 2004 and 31st March 2003 are as follows:

	2003 Value %	2004 Value %
Equities	58	66
Bonds	19	16
Property	10	10
Other	13	8

Note that "Other" Assets above represent Net Current Assets and Cash.

The following amounts, needed for reconciliation to the balance sheet, were measured in accordance with the requirements of FRS17 at 31st March 2004 and 31st March 2003 are as follows:

	2003 £m	2004 £m
Share of assets in Devon County Council Pension Fund	79.23	102.21
Estimated funded liabilities	(126.44)	(136.59)
Estimated unfunded liabilities	(6.39)	(6.54)
Torbay Council's deficiency in the scheme	(53.60)	(40.92)

The 2002/03 figures have been restated to include unfunded liabilities that have been provided for by the actuary for the first time. The effect of the restatement is to increase the pension fund liability from £47.210 million to £53.600 million.

The deficiency revealed above should be borne in mind when considering the amount of overall reserves held. The Council's total reserves as at 31/3/04 are £16 million as shown within the Balance Sheet and notes to it. The projected deficit of £40.92 million above is an assessment of the value of the fund at a point in time (i.e. at 31 March 2004). Future costs to the Council are likely to be reflected within the next actuarial valuation of the fund in late 2004 and the reassessed employer's contribution which will be set at a rate to meet 100% of the long term liabilities of the fund from April 2005.

The movement in net deficit for the year to 31st March 2004 is as follows:

	£m	£m
Net Deficit at beginning of year:		
- Deficit re Funded Liabilities	(47.210)	
- Deficit re unfunded liabilities	(6.390)	(53.600)
Contributions paid	5.900	
Contributions towards unfunded liabilities	0.470	
Current Service Costs	(4.630)	
Past Service Costs	(0.460)	
Gain/Loss on Curtailments	0	
Expected return on pension fund assets	5.130	
Interest on pension scheme liabilities	(8.170)	
Actuarial Gain/loss	14.440	12.680
Net Deficit at end of year		(40.920)

b) Teachers Pensions Scheme

With Regard to the Teachers Pensions scheme there were no contributions remaining payable at the year end.

The scheme is a defined benefit scheme, administered by the Teachers Pension Agency (TPA). Although the scheme is unfunded, the TPA 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.

c) Contributions to Devon County Unfunded Discretionary Pensions

Note 6 to the Consolidated Revenue Account refers to Torbay's liability to Devon County Council in relation to their unfunded pensions prior to 1998. The Actuary has calculated that, if FRS17 applied that the total liabilities in relation to these pre 1998 enhancements at the liability at 31st March 2004 to be £78.083 million (£79.319 million 2003), of which Torbay's share would be £9.160 million (£9.305 million 2003).

(19) THE EURO

During the last financial year, the Council has continued to review the impact of the Euro on its ongoing operations. Until a decision is made as to whether the UK should adopt the Euro, the expenditure on Euro activities will be absorbed within existing budgetary provision.

(20) RELATED COMPANIES

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.

For the company's latest accounts for the financial year ended 31st March 2004 (16 months) its loss for the financial year was £5,205, reducing its total net assets to £13,344. Due to the size of the company under the Companies Act 1985 it is exempt from audit. Copies of the accounts can be obtained from the Director of Finance at Torbay Council.

(21) POST BALANCE SHEET EVENTS

In July 2004 the Government announced that Torbay Council's budget for 2004/05 would be capped at a figure £614,000 lower than set in March 2004. It is anticipated that the Council's insurance reserve will be used to finance this budget shortfall in 2004/05 with the reserve being restored to current levels over a number of years.

In addition the Council is restructuring the delivery of a number of its services including:-

- the transfer of Adult Education responsibility to South Devon College
- the transfer of Torbay Industrial Services to a not for profit company
- the creation of an Adults Trust with Torbay Primary Care Trust to deliver social care to adults within Torbay. There will be restructuring costs arising from these changes which are estimated to be at a minimum £0.2 million.

CASH FLOW STATEMENT

<u>Revenue Activities</u>	2003/04 £ ,000	2003/04 £ ,000	2002/03 £ ,000
Cash Outflows			
Cash paid to and on behalf of employees	106,005		95,476
Precepts paid	4,818		3,365
NNDR payments to national pool	24,233		25,935
Housing Benefit paid out	33,011		34,994
Other operating cash payments	107,949		94,359
	276,016		254,129
Cash Inflows			
Rents	(3,123)		(3,047)
Council Tax receipts	(41,657)		(37,536)
Non-domestic rate income receipts	(23,782)		(26,577)
Receipt from National NNDR Pool	(39,369)		(38,806)
Revenue Support Grant	(50,770)		(43,612)
DWP grants for housing benefits	(31,995)		(33,307)
Other Government grants	(45,172)	<i>Note 4</i>	(36,024)
Cash received for goods and services	(32,034)		(40,785)
Other Operating Cash Receipts	(18,805)		0
	(286,707)		(259,694)
Revenue Activities Net Cash Flow	<i>Note 1</i>	(10,691)	(5,565)
<u>Returns on Investment and Servicing of Finance</u>			
Cash Outflows			
Interest Paid	3,297		3,136
Interest Element of finance lease payments	8		25
	3,305		3,161
Cash Inflows			
Interest received	(629)		(633)
	(629)	2,676	2,528
<u>Capital Activities</u>			
Cash Outflows			
Purchase of fixed assets	13,474		16,675
Other capital cash payments (deferred charges)	3,304		1,794
	16,778		18,469
Cash Inflows			
Sale of fixed assets	(3,194)		(1,638)
Capital grants received	(5,812)		(6,169)
Other capital cash receipts	(373)		(780)
	(9,379)	7,399	9,882
Net cash inflow/outflow before Financing		(616)	6,845
<u>Management of Liquid Resources</u>			
Short term investments	<i>Note 3</i>	1,555	(2,155)
<u>Financing</u>			
Cash Outflows			
Repayment of Amounts Borrowed		5,972	16,191
Devon County Transferred Debt	<i>Note 5</i>	1,093	0
Capital element of finance leases		37	38
Cash Inflows			
New Loans Raised	<i>Note 3</i>	(10,000)	(22,527)
		(2,898)	(6,298)
(Increase)/Decrease in cash	<i>Note 3</i>	(1,959)	(1,608)

NOTES TO CASH FLOW STATEMENT

1. <u>Reconciliation of Revenue Cash Flow</u>	2003/04 £ ,000	2003/04 £ ,000	2002/03 £ ,000
Consolidated Revenue Account (Surplus)/Deficit for the year	(44)		0
Items classified elsewhere on cash flow:			
Interest Paid	(3,305)		(3,161)
Interest Received	629		633
	(2,720)		(2,528)
Increase/(decrease) in stock and work-in-progress	(95)		(36)
(Increase)/decrease in creditors/receipts in advance	(2,141)		(2,967)
Increase/(decrease) in debtors/payments in advance	(3,858)		4,381
Contributions (to)/from Reserves	2,542		(424)
Contributions to/(from) other balances	(4,419)		(3,991)
Revenue Activities Net Cash Flow		(10,691)	(5,565)
2. <u>Reconciliation of Movements in Cash & Net Debt</u>			
	2003/04 £ ,000	2003/04 £ ,000	2002/03 £ ,000
Cash Flow from Revenue Activities	(10,691)		(5,565)
Cash Flow from Capital Activities	7,399		9,882
Cash Flow from Investments and Servicing of Finance	2,676		2,528
Net increase in debt		(616)	6,845
Balance of net Debt as at 1/4/03		22,368	15,523
Cash Flow from Liquid Resources	(1,555)		2,155
Cash Flow from Financing	2,898		6,298
Change in Cash Balances	(1,959)		(1,608)
Net increase in Debt		(616)	6,845
Balance of net Debt as at 31/3/04		21,752	22,368

3. <u>Movement of Financing and Liquid Resources</u>	As at 31 March 2003 £,000	As at 31 March 2004 £,000	Movement in year £,000
Financing Items			
Public Works Loans Board (net movement)	38,485	42,639	4,154
Devon County Transferred Debt	<i>Note 5</i> 27,327	26,234	(1,093)
Finance Leases/Covenant	431	268	(163)
	<hr/> 66,243	<hr/> 69,141	<hr/> 2,898
Liquid Resources			
Temporary Investments	(17,895)	(19,450)	(1,555)
Cash Related			
Net Cash Overdrawn	2,616	1,538	(1,078)
Cash In Hand	(1,269)	(2,150)	(881)
	<hr/> 1,347	<hr/> (612)	<hr/> (1,959)
Total Movement of Financing & Liquid Resources	49,695	49,079	(616)

Liquid resources are current asset investments that are readily disposable by the authority 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. The temporary investments held by the Council's External Fund Managers are repayable on demand.

4. Analysis of Other Government Grants

Related Service Area	2003/04 £,000	2002/03 £,000
Education	19,502	17,268
Social Services	14,810	10,417
Council Tax Benefit	7,239	6,759
Other Grants	3,621	1,580
	<hr/> 45,172	<hr/> 36,024

Note: Within Social Services there is an increase of £6.1m relating the Supporting People function. Other grants include subsidy on Homelessness payments.

5. Devon County Transferred Debt

For 2003/04 the Council's liability for a share of Devon County Council's debt relating to before unitary status in 1998 has now been treated as a financing transaction rather than a revenue transaction. The relevant notes to the Cash Flow statement have been adjusted, however the comparative for 2002/03 within the statement itself has not been altered. The comparative figure for cash payment in 2002/03 to Devon County Council would have been £1.139 million within the revenue activities net cash flow.

STATEMENT of TOTAL MOVEMENTS in RESERVES			
For the Year ended 31st March 2004			
	Restated		
	2002/3	2003/4	
	£000	£000	
Surplus / (deficit) for the year:			
- General Fund	0	44	
- Trading & Other Balances	10	(180)	
<i>add back</i> Movements on specific revenue reserves	414	(2,361)	
<i>add back</i> Movements on Collection Fund	(287)	(88)	
<i>deduct</i> Appropriations from Pension Reserve	270	(1,760)	
Actuarial gains/(losses) relating to Pensions	(22,530)	14,440	
Total increase / (decrease) in revenue resources	(22,123)		10,095
Increase / (decrease) in useable capital receipts	727	2,444	
Increase / (decrease) in unapplied capital grants & contributions	3,055	(782)	
Total increase / (decrease) in realised capital resources (Note 1)	3,782		1,662
Gains / (losses) on revaluation of fixed assets	(19,493)	631	
Impairment losses on fixed assets due to general change in prices	0	0	
Total increase / (decrease) in unrealised value of fixed assets (Note 2)	(19,493)		631
Value of assets sold, disposed of or decommissioned (Note 3)	(490)		(1,009)
Capital receipts set aside	1,454	729	
Revenue resources set aside	(2,353)	(3,991)	
Movement on Government Grants Deferred	5,030	4,419	
Total increase / (decrease) in amounts set aside to finance capital investment (note 4)	4,131		1,157
Increase/(Decrease) in Pensions Reserve	(6,390)		0
Total recognised gains and losses	(40,583)		12,536
Note: The 2002/2003 has been restated to include the Pension Reserve (required by FRS17), the Collection Fund and Deferred Capital Receipts			
Notes to the Statement of Total Movements on Reserves :			
	<i>Usable capital receipts</i>	<i>Unapplied capital grants & contributions</i>	
	£000	£000	
1. Movements in realised capital resources			
Amounts receivable in year	2,465	4,038	
Transfer from Deferred Capital Receipts	(21)	0	
Applied to finance new capital investment in year	0	(4,820)	
Total increase / (decrease) in realised capital resources in year	2,444	(782)	
Balance brought forward 1 April 2003 (Including Deferred Capital Receipts)	1,814	3,699	
Balance carried forward at 31 March 2004	4,258	2,917	

	Fixed asset restatement reserve £000
2. Movements in unrealised value of fixed assets	
Gains / losses on revaluation of fixed assets in year	631
Impairment losses on fixed assets due to general changes in prices in year	<u>0</u>
Total increase / (decrease) in unrealised capital resources in year	631

3. Value of assets sold, disposed of or decommissioned	(1,009)
Amounts written off fixed asset balances for disposals in year	(378)
Total movement on reserve in year	94,460
Balance brought forward at 1 April 2003	<u>94,082</u>
Balance carried forward at 31 March 2004	<u>94,082</u>

	<i>Capital financing reserve</i>	<i>Government grants deferred</i>	<i>Total</i>
	£000	£000	£000
4. Movements in amounts set aside to finance capital investment			
Capital receipts set aside in year :			
- reserved receipts	729	0	729
Total capital receipts set aside in year	<u>729</u>		<u>729</u>
Revenue resources set aside in year:			
- capital expenditure financed from revenue	2,494	0	2,494
- repayment of deferred liabilities/debtors	1,071	0	1,071
of which: transferred debt	1,093		
covenant	125		
mortgages	(147)		
- reconciling amount for provisions for loan repayment	<u>(7,556)</u>	0	<u>(7,556)</u>
Total revenue resources set aside in year	<u>(3,991)</u>		<u>(3,991)</u>
Grants applied to capital investment in year	0	4,820	4,820
Amounts credited to Capital Financing Reserve	2,097	(2,097)	0
Amounts credited to AMRA	0	(402)	(402)
Movement on Government Grants Deferred	<u>2,097</u>	<u>2,321</u>	<u>4,418</u>
Total increase / (decrease) in amounts set-aside to finance capital investment			1,156
Total movement on reserve in year	(1,165)	2,321	
Balance brought forward at 1 April 2003	23,417	8,496	
Balance carried forward at 31 March 2004	<u>22,252</u>	<u>10,817</u>	

5. Pension Reserve Movements

The actuarial gains identified on the Pension reserve in 2003/04 can be analysed into the following categories, measured as absolute amounts and as a percentage of assets or liabilities at 31st March 2004.

	2002/03 £,000	2003/04 £,000	2003/04 %
Actual return less expected return on assets.	(22,990)	14,230	13.9
Experience gains and losses on pensions liabilities	490	210	0.1
Changes in assumptions underlying present value of pension liabilities	(30)	0	0.0
	<u>(22,530)</u>	<u>14,440</u>	<u>10.1</u>

6. Movement in Revenue Reserves

	General Fund Balance	Restated Pensions Reserve	Earmarked Reserves
Surplus for 2003/04	44	0	0
Appropriations from Revenue	0	(1,760)	(2,878)
Actuarial gains and losses relating to pensions	0	14,440	0
	<u>44</u>	<u>12,680</u>	<u>(2,878)</u>
Balance brought forward at April 2003	2,215	(53,600)	16,742
Balance Carried forward at 31st March 2004	<u>2,259</u>	<u>(40,920)</u>	<u>13,864</u>

The earmarked reserves are described in more detail as a note to the Balance Sheet. The Pensions Reserve is a requirement of FRS17 Retirement Benefit entries which requires Council's to show the position of their share of the Local Government Pension Fund at the end of each year. The Pensions Reserve is offset on the Council's Balance Sheet by a Pension Liability for the same balance. The annual actuarial assessment of the position of the fund is represented by the actuarial assessment of the gains or losses on the performance of the fund.

Earmarked reserves include Collection Fund and Trading Reserves.

HARBOUR REVENUE ACCOUNTS For the Year ended 31st MARCH 2004
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TORQUAY and PAIGNTON HARBOURS (excluding FRS17 Retirement Benefits)

	2002/03	2003/04
	Actual	Actual
Expenditure	£ ,000	£ ,000
Operations and Maintenance:-		
Harbour Attendants Wages	76	85
Repairs and Maintenance	77	116
Other Operating Costs	97	82
Management and Administration:-		
Salaries	109	119
Internal Support Services	90	99
Other Administration Costs	29	30
Capital Charges	39	33
	517	564
Income		
Rents and Rights:-		
Property and Other Rents/Rights	150	153
Marina Rental	161	182
Operating Income:-		
Harbour Dues	70	74
Mooring fees	53	65
Boat and Trailer parking	31	39
Other Income	21	29
	486	542
Operating Surplus / (Deficit)	(31)	(22)
Net Contribution (to)/from Reserve Fund	0	23
Net Surplus / (Deficit) to Reserve Fund	(31)	1
 RESERVE FUND		
Opening Balance as at 1st April	359	342
Interest Received	14	11
Net Contribution (to) / from Revenue Account	0	(23)
Net Surplus / (Deficit) from Revenue Account	(31)	1
Withdrawals	0	(48)
Closing Balance as at 31st March	342	283

HARBOUR REVENUE ACCOUNTS For the Year ended 31st MARCH 2004
--

<u>BRIXHAM HARBOUR (excluding FRS17 Retirement Benefits)</u>	2002/03	2003/04
	Actual	Actual
Expenditure	£ ,000	£ ,000
Operations and Maintenance:-		
Harbour Attendants Wages	79	74
Repairs and Maintenance	380	130
Other Operating Costs	198	233
Management and Administration:-		
Salaries	89	95
Internal Support Services	79	94
Other Administration Costs	43	59
Capital Charges	163	166
	1,031	851
Income		
Rents and Rights:-		
Rents and Rights	159	146
Marina Income	108	121
Operating Income:-		
Harbour Dues	69	77
Mooring fees	104	88
Fish Tolls income	366	392
Other Income	40	37
	846	861
Operating Surplus / (Deficit)	(185)	10
Net Contribution (to)/from Reserve Fund	253	8
Net Surplus / (Deficit) to Reserve Fund	68	18
 RESERVE FUND		
Opening Balance as at 1st April	1,032	823
Interest Received	37	30
Net Contribution (to) / from Revenue Account	(253)	(8)
Net Surplus / (Deficit) from Revenue Account	68	18
Net Withdrawals/Contributions	(61)	0
Closing Balance as at 31st March	823	863

Operational Services – Summary Revenue Account

	Income 2003/04 £ ,000	Expenditure 2003/04 £ ,000	Surplus /(Deficit) £ ,000
Highways and Sewers	1,766	1,894	(128)
General Maintenance	1,002	993	9
Horticultural Maintenance	1,263	1,258	5
Other Cleaning	1,225	1,222	3
Building Cleaning	941	936	5
Refuse Collection	2,017	1,999	18
Vehicle Repair and Maintenance	622	622	0
Fleet Transport	2,212	2,194	18
Waste Transfer Station and C/A Sites	1,504	1,498	6
FRS17 Retirement Benefits		(118)	118
Total	<u>12,552</u>	<u>12,498</u>	<u>54</u>
Total Previous Year 2002/03	<u>13,159</u>	<u>13,145</u>	<u>14</u>
Total of Balances on the above operations			£ ,000
Balances Brought Forward (Surplus)			807
Plus: surplus/(deficit) for the year on trading activities			54
Plus: contributions			0
Less: withdrawals			(14)
Less: appropriations to General Fund			(103)
Less: FRS 17 Retirement Benefits			(118)
Balance Carried Forward (Surplus)			<u>626</u>

NOTES:-

Operations

The Summary Operational Services Revenue Account brings together all of the categories of work that were required to be separately accounted for under the Compulsory Competitive Tendering requirements and are now continued as Trading operations. Full reports and accounts of all Operational Services are produced separately and may be obtained from Operational Services.

The Revenue Accounts are charged directly with a capital financing charge that is based on 3.5% of the valuation of assets used by each operation.

FINANCIAL CERTIFICATES

The Statement of Responsibilities for the Statement of Accounts

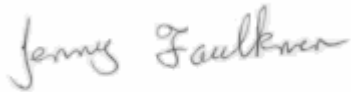
The Authority's Responsibilities

The Authority is required:-

- ◆ to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Director of Finance as 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 2003/04

I confirm that the Council completed its approval process of the Statement of Accounts 2003/04 on the 26 August 2004 at a meeting of the Council.



Councillor Jenny Faulkner

Mayor of Torbay

Date 26 August 2004

The Chief Finance Officer's Responsibilities

The Chief Finance Officer is responsible for the preparation of the authority'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 is set out on page 18 to page 61 and has been prepared in accordance with the accounting policies set out on pages 9 to 17. It presents fairly the financial position of the Authority at 31st March 2004 and its income and expenditure for the year ended 31st March 2004.

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



R. THORPE BACPF
Director of Finance
6th August 2004

Auditors' Report to Torbay Council

We have audited the statement of accounts on pages 9 to 61 which has been prepared in accordance with the accounting policies applicable to local authorities as set out on pages 9 to 17.

This report is made solely to Torbay Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 54 of the Statement of Responsibilities of Auditors and of Audited Bodies, prepared by the Audit Commission.

Respective Responsibilities of the Chief Financial Officer and Auditors

As described on page 61 the Chief Financial Officer is responsible for the preparation of the statement of accounts in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2003. Our responsibilities, as auditors, are established by statute, the Code of Audit Practice issued by the Audit Commission and our profession's ethical guidance.

We report to you our opinion as to whether the statement of accounts presents fairly the financial position and results of operations of the Council.

We review whether the statement on internal control on page 64 reflects compliance with CIPFA's guidance "The Statement on Internal Control in Local Government: Meeting the Requirements of the Accounts and Audit Regulations 2003" published on 2 April 2004. We report if it does not comply with proper practices specified by CIPFA or if the statement is misleading or inconsistent with other information we are aware of from our audit of the statement of accounts. We are not required to consider, nor have we considered, whether the statement on internal control covers all risks and controls. We are also not required to form an opinion on the effectiveness of the authority's corporate governance procedures or its risk and control procedures. Our review was not performed for any purpose connected with any specific transaction and should not be relied upon for any such purpose.

We read the other information published with the statement of accounts and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the statement of accounts. The other information comprises only the explanatory foreword.

Basis of audit opinion

We conducted our audit in accordance with the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission, which requires compliance with relevant auditing standards issued by the Auditing Practices Board.

An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the statement of accounts. It also includes an assessment of the significant estimates and judgements made by the council in the preparation of the statement of accounts, and of whether the accounting policies are appropriate to the council's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the statement of accounts is free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion, we evaluated the overall adequacy of the presentation of the information in the statement of accounts.

Opinion

In our opinion the statement of accounts presents fairly the financial position of Torbay Council as at 31 March 2004 and its income and expenditure for the year then ended.

Certificate

We certify that we 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.

Signature:

A handwritten signature in black ink that reads "PricewaterhouseCoopers LLP". The signature is written in a cursive style and is positioned above a light grey rectangular box.

Date: 25/11/05

PricewaterhouseCoopers LLP
Bristol

STATEMENT ON INTERNAL CONTROL 2003/2004

1. 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 and 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 ensuring that there is a sound system of internal control which facilitates the effective exercise of the Council's functions and which includes arrangements for the management of risk.

2. THE PURPOSE OF THE SYSTEM OF INTERNAL CONTROL

The system of internal control 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 system of internal control has been in place at Torbay Council throughout the year ended 31st March 2004 and up to the date of approval of the annual report and accounts.

3. THE INTERNAL CONTROL ENVIRONMENT

The key elements of Torbay Council's internal control environment are:

Corporate Governance

Since its publication, Torbay Council has complied with the principles enshrined within the original CIPFA/SOLACE code on Corporate Governance. It is currently working a revised code of Corporate Governance and this will be approved within the current financial year. This will also reflect the requirements of the CIPFA/SOLACE Framework "Corporate Governance in Local Government: a Keystone for Community Governance".

The Authority has adopted and updated a Code of Conduct for Members; put in place a Code of Conduct for Officers; and 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 comprises 50 per cent Independent Members and is chaired by an Independent Member. This far exceeds

the legal requirement for involvement of Independent Members and has been praised by the Audit Commission. The Standards Committee has been given responsibility for promoting high ethical standards amongst Members; monitoring Member training; and dealing with complaints against Members under the Local Protocols.

The Council has a well developed and successful Scrutiny function in the Overview & Scrutiny Board which undertakes a range of reviews into policies and performance and makes recommendations to the Executive as appropriate.

The Council's constitution formalises the above arrangements and contains Council Standing Orders and Financial Regulations with which all Members and Officers are required to comply.

The Council established its initial priorities through consultation and these were published in Transforming Torbay and cascaded through service business plans to individual staff targets which are set as part of the RADAR process. The performance against these objectives are reported to Members and external inspectors through a series of monitoring and performance boards and are continually assessed for realism. The planning process is a continual process and the 2005-06 objectives will reflect the objectives of the Community Plan following further development of the LSP.

In addition to the monitoring of performance by the above approach a policy and decision making framework has been established and is enshrined in the Council's constitution. This defines which decisions are Council or Executive, delegated to Member or Officer. The Council also has Codes of Conduct in place to cover both Member and Officer approaches to work related issues.

Risk Management

During the year Torbay Council has started to put in place appropriate management and reporting arrangements to enable itself that its approach to risk management is both adequate and effective in practice.

This has included the adoption of a Risk Management Policy, Strategy and Implementation Plan, which will be implemented over the coming period. The Assistant Managing Director has been given responsibility for overseeing the implementation and monitoring of the strategy supported by a Corporate Risk Management Group and Directorate Risk Management Co-ordinators. Directorate Risk Registers are being developed and will feed into a review of the Council's Corporate Risk Register

A risk appetite for the Council has been agreed by Members together with a Risk Assessment Matrix and delegated authority limits for the acceptance of risk.

Directorate and Service Business plans contain assessments of risk and risk management information, which then feed into the Council's Strategic Plan and Annual Planning Cycle.

The Corporate Risk Management Group and Health & Safety Group are responsible for training and communication of risk management and Health and Safety to directorates and formal training is planned for 2004/05.

Performance Management

The Council has strengthened its arrangements for performance management including improvements to business planning and to best value reviews. It is taking a more systematic approach to appraising the performance of its staff and to meeting their training and development needs.

The Council has improved its collection and use of performance information and has made significant improvements in its data collection and verification of Performance Indicators. This has been recognised by the External Audit report on the 2002/03 BVPIs that was considered by the Overview and Scrutiny Board in February 2004. The Corporate Progress Assessment Report also recognised that the Council had made significant improvement in this area.

Performance Boards have been established for all the Council's directorates and for the Corporate Centre. These boards monitor performance against performance indicators and also consider progress against the Strategic Plan, Business Plans, delivery of Service Level Agreements, budget monitoring reports and other performance issues. The Boards comprise Scrutiny Lead Members and Executive members and report to the Overview and Scrutiny Board.

Action on areas of poor performance is closely scrutinised. The performance reporting system is based on exceptions and so areas where performance is a concern, appropriate corrective action will be considered and scrutinised.

The Council record performance information using performance-reporting software, which is currently being further developed in partnership with 5 other local authorities and a software company.

Financial Management

A range of financial management measures are in place to ensure the effective use and management of resources including: -

- Medium-term financial plans covering both revenue and capital spend which provides a framework for the planning and monitoring of resource requirements.
- 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 Directorate Management Teams.
- Financial stewardship in respect of both capital and revenue is reported to Overview and Scrutiny quarterly, and is considered regularly by Directors Management Team and Performance Boards. In addition Directorate 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.
- Standing Orders and Financial Regulations contained within the Council's Constitution set out the overall framework that governs the management of the Council's finances.

4. REVIEW OF EFFECTIVENESS

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

Overall responsibility for the system of internal control rests with the Executive and they receive regular reports from the Director of Finance (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. The Executive has also approved the Risk Management Strategy and Appetite and has identified the key Strategic Risks facing the Authority.

The Council Constitution has been reviewed during the year by a Constitution Working party and includes a Members Code of Conduct, and an Officers Code of Conduct, as well as defining the relative responsibilities of the Council, the Executive, Scrutiny Board and Chief Officers. This also includes the Council's Standing Orders and Financial Regulations.

The Comprehensive Performance Assessment review in December 2003 scored the Council three out of four for the Auditors Scored Judgement which demonstrates a commitment by the Council to manage its affairs wisely. The assessment covered: -

- Financial Standing
- Internal Financial Control
- Standards of financial conduct and prevention of fraud
- Financial Statements
- Legality of financial transactions.

The Council has embarked on an ambitious programme to improve corporate arrangements in a number of areas. There has been substantial progress in many of these areas as recognised by External Audit and by the Audit Commission Progress Assessment, which moved Torbay from poor to weak. Among the areas where work is progressing are the following: -

- Corporate Planning and prioritisation
- Performance Management
- Human Resource Management
- Procurement arrangements across the Council
- The Council's approach to risk and the Risk Management Policy and Strategy
- The way we work with our partners
- New Financial Information and Management System.

This programme will significantly impact on internal controls, in the wider sense, in these areas.

The Annual Audit Letter for 2003 did not identify any significant weaknesses in internal control arrangement. The letter was reviewed by the Overview and Scrutiny Board, which has recommended a management action plan to the Executive to implement the recommendations. The action plan is monitored by the Overview and Scrutiny Board biannually.

The Council's Internal Audit Plan, which is risk based, is agreed annually with Chief Officers and the Council's Overview and Scrutiny Board. This provides the basis for the review of internal control 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 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 whistleblowing policy.
- 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 Overview and Scrutiny Board and Directors Management team on a twice yearly basis. This report also includes an opinion and assurance about the system of internal control throughout the Council.

In addition there are quarterly meetings between the Assistant Director, the Scrutiny Co-ordinator and the Scrutiny lead member for Finance to discuss audit issues. Regular update reports are also prepared by Internal Audit for Directorate Performance Boards.

Regular meetings are also held between the Director of Finance, assistant Director Internal Audit and the Monitoring Officer (Assistant Managing Director) to discuss financial, ethical and probity issues.

5. SIGNIFICANT INTERNAL CONTROL ISSUES

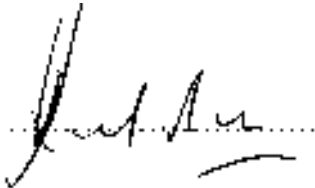
As a consequence of the above reporting mechanisms members and Directors have been continually updated and advised on the implications of the reviews of the effectiveness of the system of internal controls. Plans have been devised and put in place to ensure continuous improvement of the system.

The Council, through the Overview and Scrutiny Board, receives reports from the Director of Finance on issues that have been identified through the audit process. A number of weaknesses have been identified through this process including some control issues in certain key financial systems, and these were brought to the Members attention, along with action plans to eradicate the weaknesses. The details can be seen in the appropriate Board reports. The Council has also developed its Risk Management Strategy and policies over the 12 month period and recognizes that there are weaknesses which are being addressed at the present time.

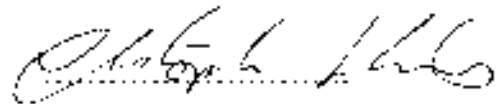
6. CERTIFICATION

To the best of our knowledge, the internal control environment as defined above has been effectively operated during the year.

Signed:



Signed:



Date: 5th August 2004

Date: 5th August 2004

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.

Asset Management Revenue Account - The revenue account, which contains the credit for capital charges offset by charges for depreciation and external interest payments.

B

Basic Credit Approval (BCA) - an annual general approval from the Office of the Deputy Prime Minister which allows a local authority to raise credit, e.g., loan, lease, etc, to finance capital expenditure (see also Supplementary Credit Approval).

C

Capital Charges - are charges made to service accounts for the use of assets. The charges consist of depreciation (where appropriate) and an interest charge, generally 3.5%, based on the valuation of the asset.

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

Capital Financing Reserve - this reserve contains the proportion of capital receipts and certain capital grants which have to be set aside under the Local Government and Housing Act 1989, for the redemption of debt. In addition, all capital financing transactions relating to the use of capital receipts, revenue contributions and reserves are credited to this reserve.

Capital Receipts - money received from the sale of land, buildings and other assets; a proportion of which has to be set aside for loan debt redemption whilst the remainder is available for financing future capital expenditure.

Capital Receipts Deferred - money that is due under deferred purchase arrangements. This item consists mainly of Council House sales where the purchasers are buying their houses from the Council over a number of years. As the principal is repaid it becomes a true capital receipt.

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.

Curtailement – 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

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

Deferred Charge – 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. Types of deferred charges include items such as improvement grants, grants to community organisations and computer software

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 in revenue 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 authority 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.

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.

Fixed Assets – assets that yield benefits for a period of more than one year, split into several 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. offices, leisure centres, depots.

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, land awaiting development.

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, historic buildings.

Fixed Asset Restatement Reserve - when an asset is revalued the difference between the valuation at the beginning of the year and the new valuation is credited (increase in valuation) or debited (decrease in valuation) to this Reserve.

G

Government Grants Deferred Account - this account collates certain government grants and other contributions received in relation to capital schemes. As assets to which these grants relate are depreciated, the corresponding amount is released from this account to the General Fund Summary.

I

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

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

Investment Properties – Interest in land and buildings that have had development work completed and are held for its investment potential, where any rental income being negotiated at arm's length.

L

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

M

Minimum Revenue Provision - The minimum amount which must be charged to an authority's revenue account each year and set aside as provision for credit liabilities, as required by the Local Government and Housing Act 1989.

N

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

Net Debt – The Authority's borrowings less cash and liquid resources.

Non Distributed Cost – It's a category that within the Authority'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.

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.

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.

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.

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.

Revenue Contribution to Capital Outlay - the financing of capital expenditure directly from revenue, rather than from loan 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.

S

Scheme Liabilities – Money due on a defined benefit scheme due after the valuation date.

Supplementary Credit Approval - similar to the BCA but issued in respect of specific projects.

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.