
Statement of Accounts

2015-2016



Council of the
ISLES OF SCILLY



The Council of the Isles of Scilly, Town Hall, St. Mary's, Isles of Scilly, TR21 0LW.

Email: enquiries@scilly.gov.uk

Tel: 01720 424000

CONTENTS

Narrative Report	
An Introduction to the Council of the Isles of Scilly.....	
Foreword by the Section 151 Officer.....	
Statement of Responsibilities	
The Council’s responsibilities.....	
Responsibilities of the Council’s Section 151 Officer.....	
Certificate.....	
Explanation of the Core Statements	
Movement in Reserves Statement.....	
Comprehensive Income and Expenditure Statement.....	
Balance Sheet.....	
Cash Flow Statement.....	
Notes to the Accounts	
Note 1 Accounting Policies.....	
Note 2 Accounting Standards issued but not yet adopted.....	
Note 3 Critical Judgements in Applying Accounting Policies.....	
Note 4 Assumptions and Estimation Uncertainty about the Future.....	
Note 5 Events after the Reporting Period.....	
Note 6 Adjustments between Accounting/Funding Basis under Regulations.....	
Note 7 Transfers to/from Earmarked Reserves.....	
Note 8 Other Operating Expenditure.....	
Note 9 Financing and Investment Income and Expenditure.....	
Note 10 Total Taxation and Total Specific Grant Income.....	
Note 11 Property, Plant & Equipment.....	
Note 12 Heritage Assets.....	
Note 13 Assets Held For Sale.....	
Note 14 Investment Properties.....	
Note 15 Financial Instruments.....	
Note 16 Nature and Extent of Risks Arising from Financial Instruments.....	
Note 17 Stock and Inventories.....	
Note 18 Debtors.....	

Note 19 Cash and Cash Equivalents.....	
Note 20 Creditors.....	
Note 21 Provisions	
Note 22 Contingent Liabilities.....	
Note 23 Usable Reserves	
Note 24 Unusable Reserves	
Note 25 Cash flow Statement – Operating Activities	
Note 26 Cash Flow Statement Investing Activities	
Note 27 Cash Flow Statement Financing Activities	
Note 28 Amounts Reported for Resource Allocation Decisions	
Note 29 Trading Operations	
Note 30 Members’ Allowances.....	
Note 31 Officers’ Remuneration.....	
Note 32 Senior Officers’ Emoluments.....	
Note 33 Employee Exit Packages	
Note 34 External Audit Costs	
Note 35 Dedicated Schools Grant – Deployment of the Isles of Scilly Education Grant	
Note 36 Grant Income	
Note 37 Related Parties	
Note 38 Capital Expenditure and Capital Financing	
Note 39 Leases.....	
Note 40 Teachers’ Pensions.....	
Note 41 Local Government Pension Scheme.....	
Note 42 Isles of Scilly Fire-Fighters’ Pension Fund	
Note 43 Collection Fund	
Auditor’s Report and Opinion.....	
Glossary of Terms.....	

Narrative Report

The Council of the Isles of Scilly, as all local authorities, is required by law to publish an Annual Statement of Accounts which sets out the Council's financial position for the year ended 31 March 2016. This Statement of Accounts has been prepared in accordance with the requirements of the Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 (2015). The 2015/16 Code is based on International Financial Reporting Standards (IFRS) for public sector accounting in the UK. The Code specifies the principles and practices of accounting required to prepare a Statement of Accounts which gives a true and fair view of the financial position and transactions of a local authority.

As a unitary authority which provides a wide variety of public services to the islands, the Council's formal accounts are necessarily technical and complex as they are compiled to meet relevant accounting, as well as legislative, regulations. We have attempted to make them clear and concise so the reader can determine how the Council has received and spent public monies.

This narrative statement provides a guide to the most significant matters contained within the Accounts. It focuses specifically on how the Council has spent its revenue and capital budgets in 2015/16 in delivering the objectives of the Council's Corporate Plan and in providing positive outcomes for the Isles of Scilly. It reviews the financial position as at 31 March 2016 and looks forward over the next few years, which are expected to continue to be financially challenging for all local authorities.

At the back of the document there is a glossary which covers some of the technical terms used throughout the document.

An Introduction to the Council of the Isles of Scilly

The Council of the Isles of Scilly is a small unitary authority delivering a breadth of services to an island community of approximately 2,200 residents, located 28 miles south west of Land's End, England.

The Authority delivers the widest range of services of any Council in the country, all of the usual statutory services as well as some additional services such as water, sewerage and the operation of St Mary's Airport.

Geographical distance from the mainland and between the islands has a major impact on the provision of services on the islands and means that there is an additional cost and complexity to all service delivery.

The Islands are an Area of Outstanding Natural Beauty, with enchanting coasts and beaches and diverse wildlife. These natural assets combined with the warmth and sunshine abundant during the summer months have resulted in the Islands being economically sustained by tourism. The influx of tourists creates an additional pressure on the services provided by the Authority and when combined with stormy winters, presents unique challenges for the Council in wide ranging areas including; Transport, Economic Development, Infrastructure and Services to our Community, etc.

Foreword by the Section 151 Officer

The production of the Statement of Accounts for the financial year 2015/16 has been a long drawn out and arduous task, this is clearly evident from the External Auditors Audit Findings Report which has culminated in a formal section 24 letter, to which I have publically had to respond to the recommendations set out in that letter.

Following the departure of the previous Section 151 Officer the Council entered into a strategic collaboration agreement with Cornwall Council and I formally took the Section 151 officer role on 1 October 2016. Since that time it has become evidently clear to me that the Council is ill equipped in its current set up to able to deal with the complex and technical accounting required of a unitary authority, particularly one with the breadth of services and legal standing as the Council has.

Well documented issues around the financial systems, controls and procedures together with the lack of financial capability and capacity within the Council has led to the current financial position of the authority as well as the reasoning behind the late set of accounts and the section 24 letter issued by the auditor.

Below I set out the bottom line financial performance of the authority and the stark financial position it faces moving forward.

Positively the Council is looking forward. It has a plan to address the financial sustainability on two fronts, living annually with the resources available to it and having enough financial resilience in terms of it's general fund reserve to be able to deal with unforeseen circumstances.

Plans are ahead to introduce much needed new financial systems and processes as well as bolstering the required financial expertise and capacity with the strategic collaboration with Cornwall Council.

General Fund Revenue Account

Going in to financial year 2015/16 the General Fund Reserve Balance had a balance of £0.865m, with the final changes and amendments to the accounts the confirmed balance going forward into 2016/17 is just £0.536m, this is nearly half of the approved minimum level of reserve balance to be held.

It also demonstrates that there was an overspend in year of £0.334m, however when you review the movement in reserves statement this was after a £0.450m switch from earmarked reserves, therefore the financial performance in 2015/16 is more likely to suggest an overspend of £0.784m.

When compared to the previous financial year this make worrying reading. The Council had a general reserve fund balance of just over £2m going into 2014/15, but with a draw of £1.154m in that financial year a total of £1.488m has been drawn down from the general fund in just 2 financial years, and when taking into consideration the £0.720m offset by utilising earmarked reserves (£0.450m in 2015/16 and £0.270m in 2014/15) the total use of one off monies through the general fund has been £2.2m, clearly indicating that the current financial position is unsustainable and the Council is not living within it's means, hence immediate plans need to be put in place to overhaul and rectify this position.

Capital Programme

As a small local authority with limited capacity to generate internal capital resources, it is important to attract external investment for key projects. The majority of the Council's programme in 2015/16 was funded from external grants.

Total Capital Expenditure in 2015/16 was £3.2m analysed as follows:

	2015/16 spend	Externally Funded
Waste Infrastructure	£1.2m	100%
Porthmellon Enterprise Centre	£0.8m	100%
Housing Improvements	£0.5m	0%
Airport	£0.3m	100%
Other Capital Expenditure	£0.4m	57%
Total Capital Expenditure 2015/16	£3.2m	79%

Reserves

The Council has a General Fund balance of £0.531m. This is about one tenth of net revenue budget or put another way, is equivalent to just over one months expenditure.

The General Fund is included within Useable Reserves. A schedule of the resources held by the authority at 31 March 2016 and available for future expenditure is shown below. There is also a reference to identify these reserves in the Statement of Accounts.

Available Resources	Description of the Resource and link to the Statement of Accounts	31/3/16
General Fund Reserve	This is the Council's main non-earmarked reserve. It is the reserve that is generally used for unplanned and therefore non-budgeted expenditure. It should be maintained at a reasonable level. The year-end balance is shown on the Balance Sheet.	£531k
Earmarked Reserves	These are reserves that have been held for a specific purpose. The Council has a number of earmarked reserves and these are shown in Note 7.	£4,245k
Capital Grants Unapplied	These are capital grants which have been received by the Authority, but which have not yet been allocated /spent on capital projects. As there are no conditions attached to the grants, the authority can determine how to spend these grants.	£863k
Useable Capital Receipts	Proceeds from past asset sales held for recycling into future capital expenditure.	£296k

Reserves are 'one-off' in nature and are not recurring funding sources. Whilst reserve balances are relatively healthy, it is important that the Council continues to use its resources to meet priorities and build on its track record

of leveraging Government funding for key infrastructure improvements. The Council is currently working with Central Government Departments on key infrastructure improvements within waste, water and sewerage and is looking to negotiate increased Government funding to fund these vital projects.

All local authorities face a difficult few years in terms of revenue budgets, uncertainty has increased following the result of the referendum on Brexit, and the Isles of Scilly Council is working to provide services against falling revenue support from Government. A re-organisation in 2014/15 and further efficiencies in 2015/16 have continued the streamlining of the running costs of the Council. This is reflected in the outturn.

The Council will continue to carefully manage both its revenue budget and capital resources and will seek to align these against corporate priorities set out in its Corporate Plan.

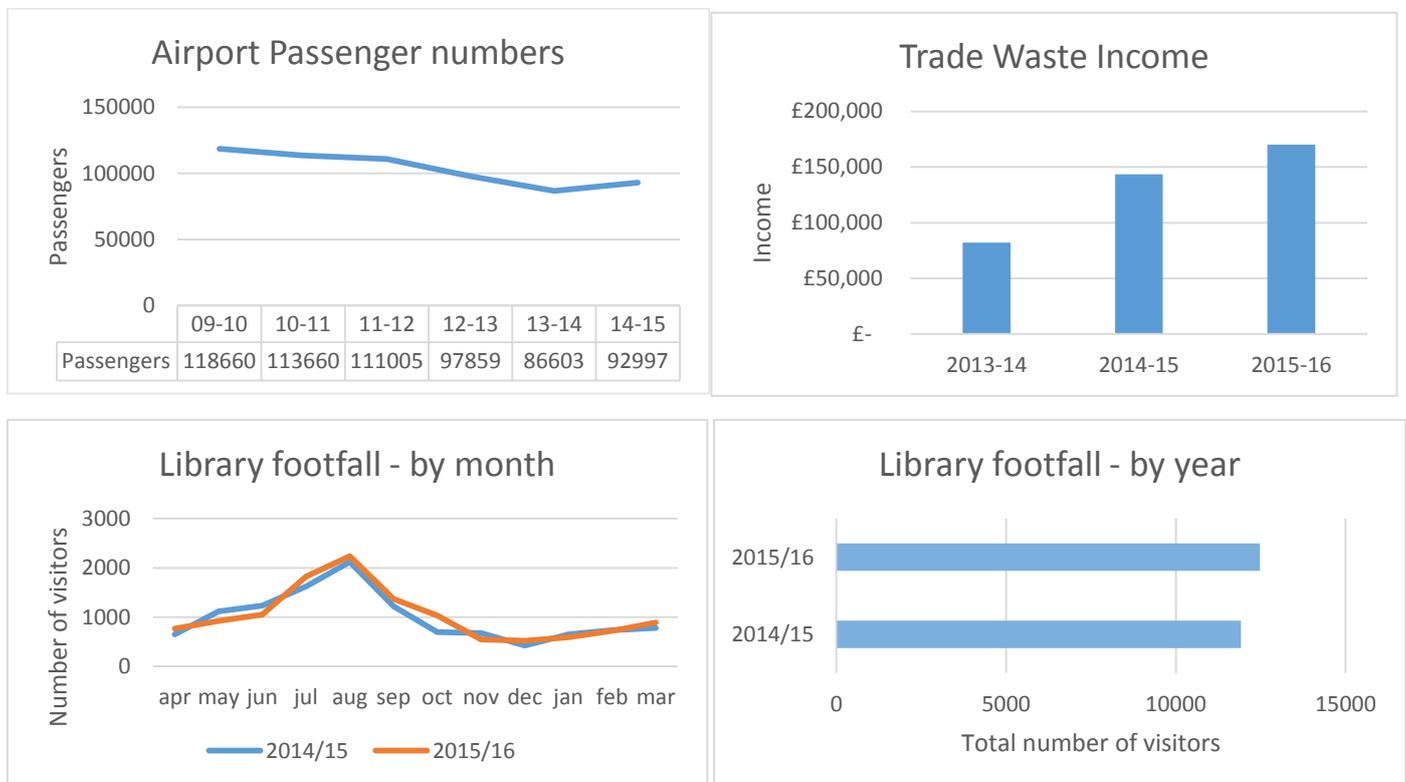
The Corporate Plan

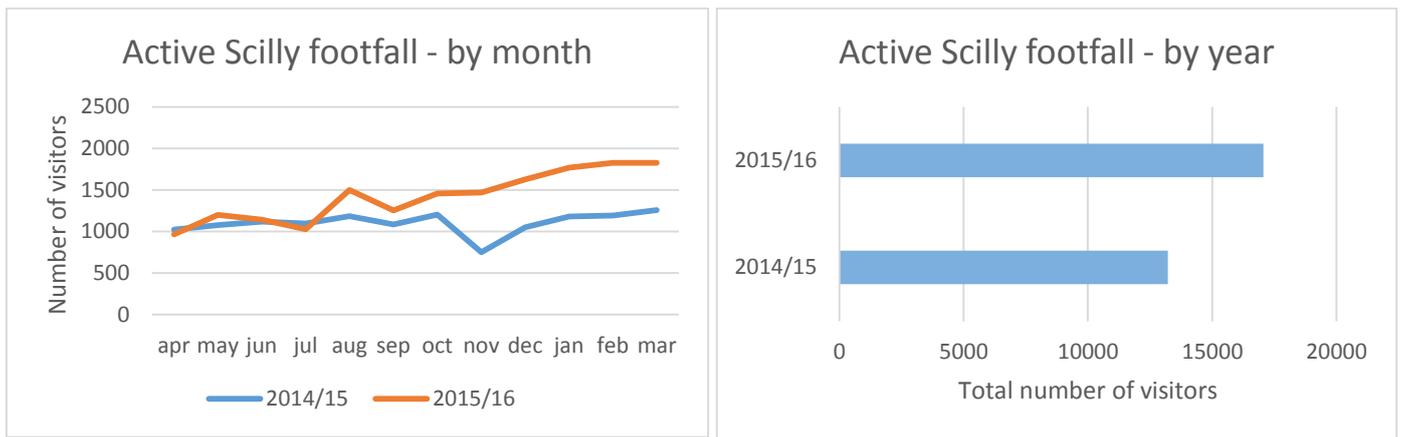
The vision within the Corporate Plan is to work in partnership to create opportunities for all, caring for our community and sustaining a diverse and skilled economy in harmony with our beautiful landscape. To achieve this goal the Council has published 4 overarching strategies:

- **Health, wellbeing and Independence** – enabling healthy lifestyles, independent living and access to good quality healthcare.
- **Growth, employment and skills** – supporting a strong local economy by creating opportunities for better learning, greater investment and more jobs. Enabling access to employment that pays a living wage.
- **Housing quality, affordability and supply** – facilitate the delivery of decent and affordable homes for the community.
- **Place and infrastructure** – driving improvements to the quality of the wider environment we live in and ensuring that our infrastructure is compliant and conforms to the highest standards.

Performance

The following charts provide the backdrop of performance against some of the Council’s key performance indicators for 2015/16 compared to previous years.





Other Key Points arising from the Statement of Accounts

Property Plant and Equipment

The Council maintains a significant property portfolio which it maintains and enhances through its capital programme. During 2015/16, the Council completed the Portmellon Enterprise Centre and made significant progress towards a new waste infrastructure. Note 11 shows these and other capital projects as additions, but also shows the impact of the annual valuation of assets and the level of depreciation which is charged to the annual accounts. Valuations are generally based on the value of the asset in its existing economic condition and use, which tends to be for the provision of services. For this reason, valuations are often at levels lower than the building costs incurred.

Trading Accounts

Note 29 covers the Council's trading services which include Water and Sewage, Trade Waste and the Airport. Whilst incorporated into the Council's accounts, these services are shown separately in order to demonstrate the Council's commitment to ensure that the services are self-supporting and not funded via council tax and ratepayers.

Isles of Scilly Education Grant and the Five Islands School

Note 35 covers the deployment of the Isles of Scilly Education Grant which is received from the Government solely for the purposes of education on the islands. This is analysed into the amounts delegated to the Five Islands School and to Early Years Providers and Central Education Expenditure and any grant not spent must be retained by the authority exclusively for future education spending. At the year end, £202,000 was available for future education expenditure.

Pension Liabilities

The Council's Pension Fund and Fire fighters' Pension Fund are administered by Cornwall Council. The balance sheet shows a £8.317m liability (£0.417m for fire) which is effectively the Council's liability to the Local Government Pension Scheme. These liabilities have increased significantly in 2014/15 due to actuarial assessments on future returns, costs and demographic changes. Whilst the amounts have no impact on revenue balances as they are matched by a pension reserve the level of future contributions to be made by the Council are set by independent actuaries and are reviewed every three years.

Collection Fund

The Council accounts for Council Tax and Business Rates within its Collection Fund. Income is paid into the Collection Fund and the Council and Devon and Cornwall Police precept on the fund. Any surplus or deficit at the year-end is then redistributed in future years. The Collection Fund is shown in note 43.

Statement of Responsibilities

The Council's responsibilities

The Council is required to:

Make arrangements for the proper administration of its financial affairs and to ensure that one of its officers has the responsibility for the administration of those affairs. In this Council, that officer is the Section 151 Officer.

- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- Approve the Statement of Accounts.

Responsibilities of the Council's Section 151 Officer

The Section 151 Officer is responsible for the preparation of the Council's Statement of Accounts, in accordance with proper practices as set out in The Chartered Institute of Public Finance and Accountancy (CIPFA)/Local Authority Scotland Accounts Advisory Committee (LASAAC) Code of Practice on Local Authority Accounting in the United Kingdom ('the Code of Practice'), and is required to give a true and fair view of the financial position of the Council at the accounting date and its income and expenditure for the year ending 31 March 2016.

In preparing this Statement of Accounts, the Section 151 Officer has:

- Selected appropriate accounting policies and then applied them consistently,
- Made judgments and estimates that were reasonable and prudent, and
- Complied with the Code of Practice.

The Section 151 Officer has also:

- Kept proper accounting records that were up to date, and
- Taken reasonable steps for the prevention and detection of fraud and other irregularities.

Certificate

<p>By the Section 151 Officer.</p> <p>I hereby certify that the Statement of Accounts for the year ended 31 March 2016 has been prepared in accordance with the Accounts and Audit (England) Regulations 2015 and that it gives a true and fair view of the financial position of the Authority as at 31 March 2016, and its income and expenditure for the year then ended.</p> <p>The Accounts were authorised for issue to the Council on the dates below:</p> <p>Andy Brown Section 151 Officer Date: 26 January 2017</p>	<p>By the Chairman of the Council</p> <p>I confirm that these accounts were approved by Full Council at its meeting on 26 January 2017.</p> <p>Amanda Martin Chairman of the Council Date: 26 January 2017</p>
---	--

Explanation of the Core Statements

The Statement of Accounts consists of four main statements and various disclosure notes as follows:

The Movement in Reserves Statement (MiRS) – Shows the changes in the Authority’s financial reserves over the year to help readers understand how the balances have changed over the year, whether the balances are still adequate, and what the balances mean in terms of future budgets and services. Information on the level of reserves can also be found in the Balance Sheet and related notes.

The Comprehensive Income and Expenditure Statement (CIES) – Shows the gains and losses that contributed to these changes in reserves. The CIES shows the economic cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation as shown in the MiRS above.

The Balance Sheet – Shows how the resources available to the Authority are held in the form of assets and liabilities

The Cash Flow Statement – Shows how the movement in resources has been reflected in cash flows generated and used during the year.

Movement in Reserves Statement

This Statement shows the movement in the year on the different reserves held by the Authority, analysed into usable reserves (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The surplus/(deficit) on the provision of services line shows the true economic cost of providing the Authority's services, more details of which are shown in the Comprehensive Income and Expenditure Statement (CIES). These are different from the statutory amounts required to be charged to the General Fund Balance and Housing Revenue Account for Council Tax setting and dwellings rent setting purposes. The 'Net Increase / (Decrease) before transfers to earmarked reserves' line shows the statutory General Fund Balance and Housing Revenue Account Balance before any discretionary transfers to or from earmarked reserves undertaken by the Authority.

Movement in Reserves 2014/15

£'000s	General Fund Balance	General Fund – Earmarked	Capital Receipts Account	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
Balance as at 31 March 2014	2,019	5,435	2	630	8,086	32,780	40,866
Surplus/(deficit) on the provision of services	3,813	0	0	0	3,813	0	3,813
Other Comprehensive Income and Expenditure:							
Surplus/(Deficit) on the revaluation of Non-Current Assets	0	0	0	0	0	66	66
Actuarial Gains or (Losses) on Pension Assets and Liabilities	0	0	0	0	0	(2,903)	(2,903)
Total Comprehensive Income and Expenditure	3,813	0	0	0	3,813	(2,837)	976
Adjustments between Accounting Basis and Funding Basis under Regulations	(5,237)	44	0	27	(5,166)	5,166	0
Net Increase/(Decrease) before Transfers to Earmarked Reserves	(1,424)	44	0	27	(1,353)	2,329	976
Transfers to/(from) Earmarked Reserves	270	(980)	0	0	(710)	710	0
Other Movements (School bank balance)	0	196	0	0	196	0	196
Increase/(decrease) in 2014-15	(1,154)	(740)	0	27	(1,867)	3,039	1,172
Balance as at 31 March 2015	865	4,695	2	657	6,219	35,819	42,038

Movement in Reserves 2015/16

£'000s	General Fund Balance	General Fund – Earmarked	Capital Receipts Account	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Authority Reserves	<i>Note</i>
Balance as at 31 March 2015	865	4,695	2	657	6,219	35,819	42,038	<i>B/S</i>
Surplus/(deficit) on the provision of services	(1,285)	0	0	0	(1,285)	0	(1,285)	<i>CIES</i>
Other Comprehensive Income and Expenditure:								
Surplus/(Deficit) on the revaluation of Non-Current Assets	0	0	0	0	0	458	458	<i>24.1</i>
	0	0	0	0	0	119	119	
Actuarial Gains or (Losses) on Pension Assets and Liabilities	0	0	0	0	0	1,874	1,874	<i>40,41 42</i>
Total Comprehensive Income and Expenditure	(1,285)	0	0	0	(1,285)	2,451	1,166	<i>CIES</i>
Adjustments between Accounting Basis and Funding Basis under Regulations	501	0	294	863	1,658	(1,658)	0	<i>6</i>
Net Increase/(Decrease) before Transfers to Earmarked Reserves	(784)	0	294	863	373	793	1,166	
Transfers to/(from) Earmarked Reserves	450	(450)	0	0	0	0	0	
Increase/(decrease) in 2015-16	(334)	(450)	294	863	373	793	1,166	
Balance as at 31 March 2016	531	4,245	296	1,520	6,592	36,612	43,204	<i>B/S</i>

Comprehensive Income and Expenditure Statement

This Statement shows the economic cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

2014/15				2015/16				
Gross Expenditure £'000s	Gross Income £'000s	Net Expenditure £'000s		Gross Expenditure £'000s	Gross Income £'000s	Net Expenditure £'000s	Note	
961	(170)	791	Central Services	551	(157)	394		
649	(223)	426	Cultural Services	667	(121)	546		
1,841	(616)	1,225	Environmental Services	1,796	(266)	1,530		
757	(311)	446	Planning Services	1,222	(438)	784		
4,700	(3,575)	1,125	Children's & Education Services	5,597	(3,679)	1,918		
504	(18)	486	Fire & Rescue Services	519	(36)	483		
164	(32)	132	Highways, Roads & Transport Services	801	(13)	788		
931	(850)	81	Housing Services	1,261	(842)	419		
1,853	(919)	934	Adult Social Services	1,646	(924)	722		
66	(78)	(12)	Public Health	105	(120)	(15)		
3,145	0	3,145	Corporate & Democratic core	1,489	0	1,489		
0	0	0	Court Services	4	0	4		
	(6)	(6)	Non Distributed Gain – Pension Credit Arising from change in indexation method used	0	0	0		
15,571	(6,798)	8,773	Net Cost of Services	15,658	(6,596)	9,062	28.1	
0	0	0	Other Operating Expenditure (Note 8)	0	(9)	(9)		
3,110	(2,479)	631	Financing and Investment Income and Expenditure (Note 9)	3,001	(2,539)	462		
0	(13,217)	(13,217)	Taxation and Non-Specific Grant Income (Note 10)	0	(8,230)	(8,230)		
18,681	(22,494)	(3,813)	(Surplus)/Deficit on the Provision of Services for the Year	18,659	(17,374)	1,285	28.2	
		(66)	(Surplus)/Deficit on Revaluation of Non-Current Assets			(458)	24.1	
		0	PPE Assets recognised during the year			(119)		
		2,903	Actuarial (Gains) or Losses on Pension Assets and Liabilities			(1,874)	41 42	
		(976)	TOTAL Comprehensive (Income) and Expenditure			(1,166)		

Balance Sheet

The Balance Sheet shows the value as at the Balance Sheet date, of the assets and liabilities recognised by the Authority. The net assets of the Authority (assets less liabilities) are matched by the reserves held by the Authority. Reserves are reported in two categories: the first category of reserves are usable reserves, i.e. those reserves that the Authority may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves is unusable reserves, i.e. those that the Authority is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are disposed of or sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

31 March 2015 £'000s		Note	31 March 2016 £'000
50,904	Property, Plant & Equipment	11	50,560
117	Heritage Assets	12	117
68	Investment Properties	14	276
109	Long Term Debtor	15.1	128
51,198	Long Term Assets		51,081
365	Assets Held for Sale	13	0
96	Inventories	17	110
3,538	Debtors	18	1,604
2,907	Cash & Cash Equivalents	19	2,559
6,906	Current Assets		4,273
(55)	Short term Borrowing	15.1	(44)
(4,205)	Creditors	20	(2,412)
0	Provisions	21	0
(4,260)	Current Liabilities		(2,456)
(1)	Long Term Creditors	15.1	(3)
(122)	Long Term Borrowing	15.1	(74)
(9,952)	Liability Relating to Pension Schemes	41,42	(8,734)
(1,731)	Capital Grants Received in Advance	36.4	(883)
(11,806)	Long Term Liabilities		(9,694)
42,038	Net Assets		43,204
	Usable Reserves		
865	- General Fund Balance	MIRS	531
5,354	- Other Usable Reserves	23	6,061
35,819	Unusable Reserves	24	36,612
42,038	Total Reserves		43,204

Andy Brown, Section 151 Officer, 26 January 2017

Cash Flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents of the Authority during the reporting period. The statement shows how the Authority generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Authority are funded by way of taxation and grant income or from the receipts of services provided by the Authority. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Authority's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Authority.

2014/15 £'000s		2015/16 £'000s	Note
(3,813)	(Surplus) or Deficit on the Provision of Services (CIES)	1,285	<i>CIES</i>
(5,666)	Adjustments to surplus or deficit on the provision of services for non-cash movement	(5,096)	<i>25</i>
9,913	Adjustments to surplus or deficit on the provision of services that are investing and financing activities	3,704	<i>25</i>
434	Net Cash Flows from Operating Activities	(107)	
(99)	Investing Activities	396	<i>26</i>
54	Financing Activities	59	<i>27</i>
389	Net (Increase) or Decrease in Cash and Cash Equivalents	348	
(3,296)	Cash and Cash Equivalents at 1 April	(2,907)	
(2,907)	Cash and Cash Equivalents at 31 March	(2,559)	

Notes to the Accounts

Note 1 Accounting Policies

1.1 General Principles

The Statement of Accounts summarises the Authority's transactions for the 2015/16 financial year and its position at the year end of 31 March 2016. The Authority is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2011 which require them to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 (The Code) and the Service Reporting Code of Practice 2015/16 (SeRCOP), supported by International Financial Reporting Standards (IFRS). The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

Going Concern – The accounts are prepared on the assumption that the Authority will continue in operational existence into the foreseeable future i.e. there is no intention to significantly curtail the scale of the operation.

Legislative Requirements – It is a fundamental principle that where specific legislative requirements and accounting principles conflict, legislative requirements take precedence.

1.2 Accruals of Income and Expenditure

Activity is accounted for in the year in which it takes place, not simply when cash payments are made or received. In particular:

- Revenue from the sale of goods is recognised when the Authority transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Authority.
- Revenue from the provision of services is recognised when the Authority can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Authority.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption they are carried as inventories on the Balance Sheet. Exceptions include school balances and utility bills that are recorded at the date of meter readings.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is provided for and a charge made to the service for the income that might not be collected.

1.3 Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature in three months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts, if they exist, that would be repayable on demand.

1.4 Exceptional Items

When items of income and expenditure are material, their nature and amount is disclosed separately, either on the face of the Comprehensive Income and Expenditure Statement or in the notes to the accounts, depending on how significant the items are to an understanding of the Authority's financial performance.

1.5 Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors

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

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

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

1.6 Charges to Revenue for Non-Current Assets

Services, support services and trading accounts are debited with the following amounts to record the cost of holding fixed assets during the year:

- Depreciation attributable to the assets used by the relevant service.
- Revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off.
- The Authority is not required to raise Council Tax to fund depreciation, revaluation and impairment losses or amortisations, although it may set aside sums for the replacement of assets. However, the Authority is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement (equal to an amount calculated on a prudent basis determined by the Authority) in accordance with statutory guidance. Depreciation, revaluation and impairment losses and amortisations are therefore replaced by the contribution in the General Fund Balance [the Minimum Revenue Provision (MRP)], by way of an adjusting transaction with the Capital Adjustment Account shown in the Movement in Reserves Statement for the difference between the two.

1.7 Employee Benefits - Benefits Payable during Employment

Short-term employee benefits are those due to be settled within 12 months of the year end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits for current employees and are recognised as an expense for services in the year in which employees render service to the Authority. An accrual is made for the cost of holiday entitlements (or any form of leave, e.g. time off in lieu) earned by employees but not taken before the year end which employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

1.8 Employee Benefits - Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Authority to terminate an Officer's employment before the normal retirement date or an Officer's decision to accept voluntary redundancy. The amounts are charged on an accruals basis to the Non-Distributed Costs line in the Comprehensive Income and

Expenditure Statement when the Authority is demonstrably committed to the termination of the employment of an Officer or group of Officers or making an offer to encourage voluntary redundancy.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable by the Authority to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year end.

1.9 Employee Benefits - Post Employment Benefits

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

- The Teachers’ Pension Scheme, administered by Capita Teachers’ Pensions on behalf of the Department for Education (DfE).
- The Local Government Pension Scheme, administered by Cornwall Council.
- Fire Fighters’ Pension Scheme, administered by Cornwall Council.

All schemes provide defined benefits to members (retirement lump sums and pensions), earned whilst employees work for the Authority.

However, the arrangements for the teachers’ scheme mean that liabilities for these benefits cannot ordinarily be identified specifically to the Authority. The scheme is therefore accounted for as if it were a defined contribution scheme and no liability for future payments of benefits are recognised in the Balance Sheet. The Children’s and Education Services line in the Comprehensive Income and Expenditure Statement is charged with the employer’s contributions payable to Teachers’ Pensions in the year as part of the overall payment to the Five Islands School.

1.10 The Local Government Pension Scheme

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

- The liabilities of the Cornwall Pension Fund attributable to the Authority are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates and projections of anticipated earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate of 4.8% (based on the single average gilt yield over 20 years plus the median credit spread on AA corporate bonds).

The assets of Cornwall Pension Fund attributable to the Authority are included in the Balance Sheet at their fair value:

quoted securities	current bid price
unquoted securities	professional estimate
unitised securities	current bid price
property	market value

The change in the net pension's liability is analysed into seven components:

- Current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees work.
- Past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non-Distributed Costs.
- Interest cost – the expected increase in the present value of liabilities during the year as they move one year closer to being paid – debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.
- Expected return on assets – the annual investment return on the fund assets attributable to the Authority, based on an average of the expected long-term return credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.
- Gains or losses on settlements and curtailments – the result of actions to relieve the Authority of liabilities or events that reduce the expected future service or accrual of benefits of employees – debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs.
- Actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – debited to the Pensions Reserve.
- Contributions paid to the Cornwall Pension Fund – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the Authority to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

1.11 Discretionary Benefits

The Authority has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

1.12 Fire Fighters' Pension Scheme

The accounts for the scheme are prepared in accordance with the Code of Practice on Local Authority Accounting issued by the Chartered Institute of Public Finance and Accountancy (CIPFA), and with guidance notes issued by CIPFA on the application of accounting standards to Local Authorities. They do not take account of liabilities to pay pensions and other benefits in the future. Income and expenditure have been accounted for on an accruals basis for contributions and benefits payable.

1.13 Events after the Balance Sheet Date (Reporting Period)

Events after the Balance Sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. Two types of events can be identified:

- Those that provide evidence of conditions that existed at the end of the reporting period –the Statement of Accounts is adjusted to reflect such events.
- Those that are indicative of conditions that arose after the reporting period – the Statement of Accounts are not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

1.14 Financial Instruments - Financial Liabilities

Financial liabilities are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

This means that all of the borrowings presented in the Balance Sheet are the outstanding principal repayable (plus accrued interest); and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

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

Where premiums and discounts have been charged to the Comprehensive Income and Expenditure Statement, regulations allow the impact on the General Fund Balance to be spread over future years. The reconciliation of amounts charged to the Comprehensive Income and Expenditure Statement to the net charge required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

1.15 Financial Instruments - Financial Assets

Financial instrument assets are classified into two types:

- Loans and receivables – assets that have fixed or determinable payments but are not quoted in an active market.
- Available-for-sale assets – assets that have a quoted market price and/or do not have fixed or determinable payments. The Council of the Isles of Scilly does not hold such assets.

1.16 Loans and Receivables

Loans and receivables are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. If the Authority has made any loans it would mean that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

If the Authority makes any loans to organisations at less than market rates (soft loans) the loss is recorded in the Comprehensive Income and Expenditure Statement (debited to the appropriate service) for the present value of the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal. Interest is credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement at a marginally higher effective rate of interest than the rate receivable from the voluntary organisations, with the difference serving to increase the amortised cost of the loan in the Balance Sheet. Statutory provisions require that the impact of soft loans on the General Fund Balance is the interest receivable for the financial year – the reconciliation of amounts debited and credited to the Comprehensive Income and Expenditure Statement to the net gain required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the relevant service (for receivables specific to that service) or the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate.

Any gains and losses that arise where an asset is no longer held are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

1.17 Government Grants and Contributions

Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as due to the Authority when there is reasonable assurance that:

- The Authority will comply with the conditions attached to the payments; and
- The grants or contributions will be received.

Amounts recognised as due to the Authority are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset acquired using the grant or contribution are required to be consumed by the recipient as specified, or the future economic benefits or service potential must be returned to the transferor.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grantor contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non-Specific Grant Income (non ring-fenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is held within the Capital Grants Unapplied Reserve. Where it has been applied, it is recognised in the Capital Adjustment Account. Amounts in the Capital Grants Unapplied Reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

1.18 General Grant

General grants are allocated by central government directly to local authorities as additional revenue funding. Such grants are non ring-fenced and are credited to Taxation and Non-Specific Grant Income in the Comprehensive Income and Expenditure Statement.

1.19 Heritage Assets

The Authority has a small number of assets that it holds for the purposes of increasing the knowledge, understanding and appreciation of its history and local area. For the purposes of this statement they are known as Heritage Assets. They are recognised and measured (including the treatment of revaluation gains and losses) in accordance with the Authority's accounting policies on property, plant and equipment.

The carrying amounts of Heritage Assets are reviewed where there is evidence of impairment for heritage assets, e.g. where an item has suffered physical deterioration or breakage or where doubts arise as to its authenticity. Any impairment is recognised and measured in accordance with the Authority's general policies on impairment.

1.20 Inventories

The Authority holds inventories at its airport, waste disposal, water, tourism services and leisure facilities. The Authority holds stores of consumable items so that it can rapidly repair key equipment within the airport and water installations. Stores have been valued at cost less an allowance for loss in value. The tourism office and leisure facilities hold stocks of items for resale and these have been valued at the lower of cost or net realisable value.

1.21 Long-term Contracts

Long-term contracts are accounted for on the basis of charging the Surplus or Deficit on the Provision of Services with the value of works and services received under the contract during the financial year.

1.22 Investment Property

Investment properties are those that are used solely to earn rentals and/or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods or is held for sale.

Investment properties are measured initially at cost and subsequently at fair value, based on the amount at which the asset could be exchanged between knowledgeable parties at arm's length. Properties are not depreciated but are revalued on a five year rolling valuation or earlier if the carrying amount does not differ materially with market conditions at the Balance Sheet date.

Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

Rentals received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain for the General Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

1.23 Leases

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards fundamental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases. Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification.

Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

1.24 The Authority as Lessee –

Finance Leases

Property, plant and equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor. Initial direct costs of the Authority are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability. Contingent rents are charged as expenses in the periods in which they are incurred.

Lease payments are apportioned between:

- a charge for the acquisition of the interest in the property, plant or equipment – applied to write down the lease liability; and
- a finance charge (debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

Property, Plant and Equipment recognised under finance leases is accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life (where ownership of the asset does not transfer to the Authority at the end of the lease period).

The Authority is not required to raise Council Tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, a prudent annual contribution is made from revenue funds towards the deemed capital investment in accordance with statutory requirements. Depreciation and revaluation and impairment losses are therefore substituted by a revenue contribution in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

Operating Leases

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefitting from use of the leased property, plant or equipment. Charges are made on a straight-line basis over the life of the lease even if this does not match the pattern of payments (e.g. there is a rent-free period at the commencement of the lease).

1.25 The Authority as Lessor

Finance Leases

Where the Authority grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. A gain, representing the Authority's net investment in the lease, is credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal i.e. offset against the carrying value of the asset at the time of disposal and matched by a lease (long-term debtor) asset in the Balance Sheet.

Lease rentals receivable are apportioned between:

- A charge for the acquisition of the interest in the property – applied to write down the lease debtor (together with any premiums received); and
- Finance income (credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

The gain credited to the Comprehensive Income and Expenditure Statement on disposal is not permitted by statute to increase the General Fund Balance and is required to be treated as a capital receipt. Where a premium has been received, this is transferred out of the General Fund Balance and into the Capital Receipts Reserve in the Movement in Reserves Statement. Where the amount due in relation to the lease asset is to be settled by the payment of rentals in future financial years, this is transferred out of the General Fund Balance and into the Deferred Capital Receipts Reserve in the Movement in Reserves Statement. When the future rentals are received, the element for the capital receipt for the disposal of the asset is used to write down the lease debtor. At this point, the deferred capital receipts are transferred to the Capital Receipts Reserve.

The written-off value of disposals is not a charge against Council Tax, as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are therefore appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

Operating Leases

Where the Authority grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Credits are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a premium paid at the commencement of the lease). Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

1.26 Overheads and Support Services

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA Service Reporting Code of Practice 2014/15 (SeRCOP). The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

- Corporate and Democratic Core – costs relating to the Authority’s status as a multifunctional, democratic organisation.
- Non Distributed Costs – the cost of discretionary benefits awarded to employees retiring early and impairment losses chargeable on Assets Held for Sale.

These two cost categories are defined in SeRCOP and accounted for as separate headings in the Comprehensive Income and Expenditure Statement, as part of Net Expenditure on Continuing Services.

1.27 Property, Plant and Equipment

Assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and that are expected to be used during more than one financial year are classified as Property, Plant and Equipment.

Recognition

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

The Authority operates a de minimis level of £6,000 when capitalising expenditure unless it is creating or enhancing a group of assets, when amounts below this level can be capitalised.

Measurement

Assets are initially measured at cost, comprising:

- The purchase price.
- Any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.
- The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

The Authority does not capitalise borrowing costs incurred whilst assets are under construction.

The cost of assets acquired other than by purchase is deemed to be its fair value, unless the acquisition does not have commercial substance (i.e. it will not lead to a variation in the cash flows of the Authority). In the latter case, where an asset is acquired via an exchange, the cost of the acquisition is the carrying amount of the asset given up by the Authority.

Donated assets are measured initially at fair value. The difference between fair value and any consideration paid is credited to the Taxation and Non-Specific Grant Income line of the Comprehensive Income and Expenditure Statement, unless the donation has been made conditionally. Until conditions are satisfied, the gain is held in the Donated Assets Account. Where gains are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance to the Capital Adjustment Account in the Movement in Reserves Statement.

Assets are then carried in the Balance Sheet using the following measurement basis:

- Infrastructure, community assets and assets under construction – depreciated historical cost.
- Dwellings – fair value, determined using the basis of existing use value for social housing (EUV-SH).
- All other assets – fair value, determined as the amount that would be paid for the asset in its existing use value (EUV).

Where there is no market-based evidence of fair value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of fair value.

Where non-property assets that have short useful lives and/or low values, depreciated historical cost basis is used as a proxy for fair value.

Assets included in the Balance Sheet at fair value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their fair value at the year end, and as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. (Exceptionally, gains might be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of a loss previously charged to a service).

Where decreases in value are identified, they are treated in the following way:

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

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

Impairment

Assets are assessed at each year end as to whether there is any indication that an asset's value has fallen. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

Where impairment losses are identified, they are accounted for in the following way:

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

Where an impairment loss is subsequently reversed, the reversal is credited to the relevant service line(s) in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, but adjusted for the depreciation that would have been charged if the loss had not been recognised.

Depreciation

Depreciation is provided for on all Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life i.e. freehold land and certain Community Assets (the majority of community assets held by the Authority are land assets which have an unlimited useful life and therefore depreciation is not charged) and assets that are not yet available for use i.e. assets under construction.

Depreciation is calculated on the following basis:

- Council Dwellings - Straight-line allocation over the useful life of the property as estimated by the valuer currently between 0 to 55 years.
- Other Land and Buildings – Straight-line allocation over the useful life of the property as estimated by the valuer currently between 0 to 80 years.
- Vehicles, Plant, Furniture and Equipment – Straight-line allocation over the useful life of the asset class, as advised by a suitably qualified Officer between 0 to 20 years.
- Infrastructure – Straight-line allocation of between 0 to 40 years.

Where an item of Property, Plant and Equipment, whose cost or valuation is greater than 2.5% of the total value of assets held by the Authority, has major components that are greater than 10% of the value of the individual asset, the components are depreciated separately.

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

1.28 Disposals and Non-current Assets Held for Sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is accounted for in the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previous losses recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.

If assets no longer meet the criteria to be classified as Assets Held for Sale they are reclassified as non-current assets and valued at the lower of their carrying amount before they were classified as Held for Sale; adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as Held for Sale, and their recoverable value at the date of the decision not to sell.

Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale.

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off in the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal i.e. offset against the carrying value of the asset at the time of disposal. Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. The balance of receipts is required to be credited to the Capital Receipts Reserve, and can then only be used for new capital investment or set aside to reduce the Authority's underlying need to borrow the capital financing requirement. Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

The written-off value of disposals is not a charge against Council Tax, as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

1.29 Provisions, Contingent Liabilities and Contingent Assets

Provisions

Provisions are made where an event has taken place that gives the Authority a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. For instance, the Authority may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the Authority becomes aware of the obligation, and are measured at the best estimate at the Balance Sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

Where some or all of the payment required to settle a provision is expected to be recovered from another party, e.g. from an insurance claim, this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the Authority settles the obligation.

Contingent Liabilities

A contingent liability arises where an event has taken place that gives the Authority a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Authority. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

Contingent Assets

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

Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

1.30 Reserves

The Authority sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against Council Tax for the expenditure.

Certain reserves are kept to manage the accounting processes for non-current assets, retirement and employee benefits and financial instruments and do not represent usable resources for the Authority – these reserves are explained in the relevant policies.

1.31 Revenue Expenditure Funded from Capital under Statute (ReFCUS)

Expenditure incurred during the year that may be capitalised under statutory provisions but does not result in the creation of a non-current asset has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in that year. Where the Authority has determined to meet the cost of this expenditure from existing capital resources, or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account is made. An adjustment to reverse out the amounts charged so that there is no impact on the level of Council Tax is then made.

1.32 VAT

VAT payable is included as an expense only to the extent that it is not recoverable from Her Majesty's Revenue and Customs (HMRC). VAT receivable is excluded from income.

1.33 Acquired Operations

Acquired operations are the operations that the Council has acquired during the accounting period or the transfer of services acquired as a consequence of legislation. The Council acquired the responsibility for statutory Public Health Services from the National Health Service on 1st April 2013. The service expenditure and income has been included within our income and expenditure and shown on the face of the Comprehensive Income and Expenditure Statement as an acquired operation. (No operations were acquired in the year to 31 March 2016).

Note 2 Accounting Standards issued but not yet adopted

The 2015/16 Code of Practice on Local Authority Accounting requires the Authority to identify any accounting standards that have been issued but have yet to be adopted and could have a material impact on the accounts. Those amendments that may impact the Council include:

Amendments to IAS 19 Employee Benefits (Defined Benefit Plans: Employee Contributions).

Amendment to IAS16 Property, Plant and Equipment and IAS38 Intangible Assets (Clarification of Acceptable Methods of Depreciation and Amortisation).

Amendment to IAS1 Presentation of Financial Statements (Disclosure Initiative).

The changes to the format of the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement and the introduction of the new Expenditure and Funding Analysis.

The changes to the format of the Pension Fund Account and the Net Assets Statement.

Note 3 Critical Judgements in Applying Accounting Policies

In applying the accounting policies set out in Note 1, the Authority has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are:

Valuation

The Council has placed reliance on technical estimates supplied by third parties for the following. Property valuations prepared by the District Valuer (VoA) and Pension valuations supplied by Hymans Robertson LLP an actuary engaged by Cornwall County Council for both LGPS and Fire Fighter pension schemes.

Going Concern

The accounts have been prepared on a going-concern basis. The concept of going concern assumes that the Council, its provision of services and statutory functions will continue in operational existence for the foreseeable future. Full Council approved a balanced budget for the 2016/17 financial year on the 8th March 2016. The Medium Term projections contained within the Full Council report of the 8th March 2016 do require the implementation of a significant savings plan for the coming 4 year period, however assessment of available resources were deemed to be sufficient to continue services over that period.

Future Funding

There is a high degree of uncertainty about future levels of funding for local government. However, the Authority has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Authority might be impaired as a result of a need to close facilities and reduce levels of service provision.

Note 4 Assumptions and Estimation Uncertainty about the Future

The Statement of Accounts contains estimated figures that are based on assumptions made by the Authority about the future or other factors that are otherwise uncertain. Estimates are made by taking into account historical experience, current trends, expert advice and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates. Where this has potential to impact on figures or value it has been disclosed in the relevant note.

Revaluations of Property, Plant and Equipment

Certain classes of assets are re-valued according to the rolling revaluation programme outlined in the accounting principles.

Whilst these valuations are carried out by a professionally qualified valuer and the valuations themselves are made in accordance with International Financial Reporting Standards (IFRS), as interpreted by the current CIPFA Code of Practice for Local Authority Accounting, there is an element of assumption built into these valuations, as detailed in the valuation reports.

For example the estimated remaining economic life of each asset is based on assumptions surrounding the continuation of repairs and maintenance programmes and the overall valuation of the assets is based on the assumption that the inspection of the visible and accessible element of the assets provides a reasonable assessment of the whole asset.

Should these assumptions prove to be incorrect then this would have an impact on the net book value of assets within the statements.

Pension Liability Estimation

The estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets.

A firm of consulting actuaries is engaged to provide the Authority with expert advice about the assumptions to be applied.

The effects on the net pension liability of changes in individual assumptions can be seen in Note 41.

Arrears

At 31 March 2016, the Council had a gross sundry debtors balance of £1,604k. A review of significant balances suggested that a provision for doubtful debts of £65k was appropriate. However, in the current economic climate it is not certain whether such an allowance would be sufficient. An increase of 1% in the provision would lead to an increased bad debt provision of £16k.

Note 5 Events after the Reporting Period

The Statement of Accounts was authorised for issue by Andy Brown, Section 151 Officer on 26 January 2017. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2016, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

The financial statements and notes have not been adjusted for any events which took place after 31 March 2016.

Note 6 Adjustments between Accounting/Funding Basis under Regulations

This note details the adjustments that are made to the total Comprehensive Income and Expenditure Statement, recognised by the Authority in the year in accordance with proper accounting practice, to the resources that are specified by statutory provisions as being available to the Authority to meet future capital and revenue expenditure.

2014/15 £'000s	Usable Reserves					Movement in Unusable Reserves
	General Fund Balance	Earmarked Reserves	Capital Receipts Unapplied	Capital Grants Unapplied		
Adjustment primarily involving the Capital Adjustment Account						
Reversal of items debited or credited to the Comprehensive Income & Expenditure Account						
Charges for Depreciation and Impairment of non-current Assets	4,002	283	0	0	(4,285)	
Capital Grants and Contributions Applied	(8,190)	0	0	0	8,190	
Revenue Expenditure Funded from Capital Under Statute	5	0	0	0	(5)	
Insertion of items debited or credited to the Comprehensive Income & Expenditure Account						
Statutory provision for the financing of capital investment	(220)	0	0	0	220	
Capital Expenditure charged against the General fund	(1,369)	0	0	0	1,369	
Net transfer to/from earmarked reserves required by legislation (earmarking of revenue grants with no conditions)	239	(239)	0	0	0	
Adjustment primarily involving the Capital Grants Unapplied Account						
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	(108)	0	0	108	0	
Application of grants to capital financing transferred to the Capital Adjustment account	0	0	0	(81)	81	
Adjustments primarily involving the Pension Reserve						
Reversal of items relating to retirement benefits debited or credited to the comprehensive Income and Expenditure statement net of employer's pension contributions and direct payments to pensioners payable in the year	363	0	0	0	(363)	
Adjustments primarily involving the Collection Fund Adjustment Account						
Amount by which council tax income credited to the comprehensive Income and Expenditure statement is different from council tax income calculated for the year in accordance with statutory requirements	42	0	0	0	(42)	
Adjustments primarily involving the Accumulated Absences Account						
Amount by which officer remuneration charged to the comprehensive Income and Expenditure statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(1)	0	0	0	1	
TOTAL ADJUSTMENTS	(5,237)	44	0	27	5,166	

2015/16	Usable Reserves				Movement in Unusable Reserves
	General Fund Balance	Earmarked Reserves	Capital Receipts Unapplied	Capital Grants Unapplied	
£'000s					
Adjustment primarily involving the Capital Adjustment Account					
Reversal of items debited or credited to the Comprehensive Income & Expenditure Account					
Charges for Depreciation and Impairment of non-current Assets	3,955	0	0	0	(3,955)
Revenue Expenditure Funded from Capital Under Statute	23	0	0	0	(23)
Insertion of items debited or credited to the Comprehensive Income & Expenditure Account					
Statutory provision for the financing of capital investment	(219)	0	0	0	219
Capital Expenditure charged against the General fund	(614)	0	0	0	614
Adjustment primarily involving the Capital Receipts Reserve					
Transfer of sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(9)	0	374	0	(365)
Use of capital receipts reserve to fund new capital expenditure	0	0	(80)	0	80
Adjustment primarily involving the Capital Grants Unapplied Account					
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	(3,330)	0	0	3,330	0
Application of grants to capital financing transferred to the Capital Adjustment account	0	0	0	(2,467)	2,467
Adjustment primarily involving the Pension Reserve					
Reversal of items relating to retirement benefits debited or credited to the comprehensive Income and Expenditure statement net of employer's pension contributions and direct payments to pensioners payable in the year	655	0	0	0	(655)
Adjustments primarily involving the Collection Fund Adjustment Account					
Amount by which council tax income credited to the comprehensive Income and Expenditure statement is different from council tax income calculated for the year in accordance with statutory requirements	40	0	0	0	(40)
Adjustment primarily involving the Accumulated Absences Account					
Amount by which officer remuneration charged to the comprehensive Income and Expenditure statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	0	0	0	0	0
TOTAL ADJUSTMENTS	501	0	294	863	(1,658)

Note 7 Transfers to/from Earmarked Reserves

This note sets out the amounts set aside from the General Fund into earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund expenditure in 2014/15 and 2015/16.

	31 March 2014 £000's	Transfers (Out) £000's	Transfers In £000's	31 March 2015 £000's	Transfers (Out) £000's	Transfers In £000's	31 March 2016 £000's
Five Island School Fund	214	0	196	410	(43)	0	367
Other Project & Specific Earmarked Reserves							
Water Reserve	483	0	54	537	(167)	0	370
Sewerage Fund	762	(83)	40	719	(41)	18	696
Airport	249	(420)	0	(171)	0	59	(112)
Capital	168	(168)	0	0	0	0	0
Repairs Funds	233	(170)	0	62	0	0	62
Plant Fund	1	0	0	1	0	0	1
Equipment Fund	10	0	0	10	0	0	10
Pollution Fund	11	0	0	11	0	0	11
Children's Services	100	(72)	0	28	0	0	28
One-Stop Shop	20	0	0	20	0	0	20
Buzza Bus	50	0	0	50	0	0	50
IFCA	30	0	15	45	0	14	59
Public Health	0	0	6	6	0	15	21
Housing Reserve	1,620	(30)	190	1,780	(403)	0	1,377
Revenue Grants Unapplied	1,483	(360)	64	1,186	(174)	273	1,286
All Earmarked Reserves	5,434	(1,303)	565	4,695	(829)	379	4,245

Note 8 Other Operating Expenditure

31 March 2015 £000's	31 March 2016 £000's
0 (Gains)/Losses on the disposal of non-current assets	(9)
0 Total Other Operating Expenditure	(9)

Note 9 Financing and Investment Income and Expenditure

31 March 2015 £000's	31 March 2016 £000's
17 Interest payable and Similar Charges (note 15)	25
857 Pensions Interest Costs & Expected Return on Pension Assets (notes 41.5 & 42)	788
(568) Interest Income on Pensions Assets	(465)
(5) Interest and Investment Income	(12)
(21) Investment Properties (note 14)	(7)
351 (Surplus)/Deficit on Trading Services (note 29)	133
631 Total Financing and Investment Income and Expenditure	462

Note 10 Total Taxation and Total Specific Grant Income

31 March 2015	31 March
---------------	----------

£000's		2016 £000's
(1,428)	Council Tax Collection Fund	(1,454)
(2,117)	General Government Grants – Revenue (note 36.2)	(2,052)
(8,312)	General Government Grants – Capital (note 36.1)	(3,330)
(1,360)	Non Domestic Rates	(1,394)
(13,217)	Total Taxation and Non-Specific Grant Income	(8,230)

Note 11 Property, Plant & Equipment

	Council Dwellings	Other Land & Buildings	Vehicles, Plant & Equipment	Infrastructure	Community Assets	Assets under Construction	Total
Comparative Movements 2014/15	£000's	£000's	£000's	£000's	£000's	£000's	£000's
Cost or Valuation							
At 1 April 2014	9,537	28,637	2,503	8,312	1	2,987	51,977
Additions	30	38	51	3,030	0	7,197	10,346
Not Previously Recognised	0	0	0	0	0	0	0
Transfer to Investment Property	0	0	0	0	0	0	0
Reclassifications	0	3,717	611	4,512	0	(8,840)	0
Revaluations to Revaluation Reserve	22	(295)	0	0	0	0	(273)
Revaluations to CIES	(186)	(2,722)	0	0	0	0	(2,908)
As at 31 March 2015	9,403	29,375	3,165	15,854	1	1,344	59,142
Depreciation and Impairments							
As at 1 April 2014	(296)	(2,359)	(1,327)	(3,218)	0	0	(7,200)
Charge for the Year	(128)	(632)	(327)	(781)	0	0	(1,868)
Depreciation on Disposals	0	0	0	0	0	0	0
Reclassifications	0	0	0	0	0	0	0
Revaluations to Revaluation Reserve	0	339	0	0	0	0	339
Revaluations to CIES	84	407	0	0	0	0	491
As at 31 March 2015	(340)	(2,245)	(1,654)	(3,999)	0	0	(8,238)
Net Book Value at 31 March 2015 (n11.5)	9,063	27,130	1,511	11,855	1	1,344	50,904
Net Book Value at 31 March 2014	9,241	26,278	1,176	5,094	1	2,987	44,777
Movements 2015/16	£000's	£000's	£000's	£000's	£000's	£000's	£000's
Cost or Valuation							
At 1 April 2015	9,403	29,375	3,165	15,854	1	1,344	59,142
Additions	484	370	89	146	0	2,140	3,229
Not Previously Recognised	116	0	0	0	0	0	116
Transfer to Investment Property	0	(207)	0	0	0	0	(207)
Reclassifications	0	1,935	0	0	0	(1,935)	0
Revaluations to Revaluation Reserve	(86)	25	0	0	0	0	(61)
Revaluations to CIES	(252)	(3,114)	0	0	0	0	(3,367)
As at 31 March 2016	9,664	28,384	3,254	16,000	1	1,549	58,853
Depreciation and Impairments							
As at 1 April 2015	(340)	(2,245)	(1,654)	(3,999)	0	0	(8,238)
Charge for the Year	(128)	(651)	(239)	(763)	0	0	(1,781)
Depreciation on Disposals	0	0	0	0	0	0	0
Reclassifications	0	0	0	0	0	0	0
Revaluations to Revaluation Reserve	84	452	0	0	0	0	536
Revaluations to CIES	108	1,082	0	0	0	0	1,191
As at 31 March 2016	(276)	(1,361)	(1,893)	(4,762)	0	0	(8,292)
Net Book Value at 31 March 2016	9,388	27,023	1,361	11,238	1	1,549	50,560
Net Book Value at 31 March 2015	9,063	27,130	1,511	11,855	1	1,344	50,904

11.1 Depreciation

The following useful lives and depreciation rates have been used in the calculation of depreciation:

- Council Dwellings - 0 to 55 years
- Vehicles, Plant & Equipment - 0 to 20 years
- Other Land and Buildings - 0 to 80 years
- Infrastructure - 0 to 40 years

11.2 Capital Commitments

As at 31 March 2016, the Council had not entered into any significant capital commitments.

11.3 Effects of Changes in Estimates

In 2015/16 the Authority made no material changes to its accounting estimates for Property, Plant & Equipment.

11.4 Revaluation

The Authority carries out a rolling programme that ensures that all Property, Plant and Equipment required to be measured at fair value is re-valued at least every five years. All valuations were carried out by the District Valuation Office in accordance with the required practice, methodologies and bases for estimation. The valuer who completed the revaluations was Paul Scammell MRICS, the valuations were carried out as at the 31st March 2016.

The Property, Plant & Equipment revaluation resulted in a net decrease in net book value of £1.7 m. The revaluation reserve increased by £0.458m to reflect the part of the upward revaluation and a charge is made to the Comprehensive Income & Expenditure Statement of £0.575m.

The key valuation changes include a reduction in valuation of the Five Island School of £500k, Council housing properties of £117k. The Sports Hall increased in value by £454k.

11.5 Assets not previously recognised

The annual valuation process revealed a valuation for both land and buildings at Poltair. The Council's Fixed Asset register did not include a valuation for land and this has therefore been recognised in 2015/16. The land is valued at £116,575.

Note 12 Heritage Assets

31 March 2015 £000's		31 March 2016 £000's
117	Cost or Valuation as at 1 April	117
0	Reclassification	0
0	Revaluation	0
0	Assets not previously recognised	0
117	Net Book Value as at 31 March	117

The Authority's collection of historical assets is valued in the Balance Sheet at insurance valuation, which is based on market values. These insurance valuations are updated regularly. The collection of historical assets includes a pair of 18-inch library globes made by J. Cary, London, two antique chairs, a George I coat of arms, the Chairman's regalia, a collection of rifles, pistols and swords, a clock mechanism obtained from St Mary's Church, various framed and mounted Authority Emblems, a framed copy of the 335 year war cessation treaty with the Netherlands and a Bronze Bust of Mahatma Gandhi gifted by the Jamnalal Bajaj Foundation, India.

There have been no additions or disposals of heritage assets in year (2014/15 - £Nil).

Note 13 Assets Held For Sale

As at 31 March 2016 the Authority had no assets classified as held for sale. (2014/15 - £364,500).

Note 14 Investment Properties

31 March 2015		31 March 2016	
£000's		£000's	
68	Cost or Valuation as at 1 April	68	
0	Additions	4	
0	Reclassification	207	
0	Revaluation	(3)	
68	Net Book Value as at 31 March	276	

Note 15 Financial Instruments

A financial instrument is a contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Non-exchange transactions, such as those relating to taxes and government grants, do not give rise to financial instruments.

15.1 Fair Values of Assets & Liabilities

The financial liabilities and assets disclosed in the Balance Sheet are made up of the following categories of Financial Instruments.

31 March 2015		31 March 2016	
Carrying Amount	Fair Value	Carrying Amount	Fair Value
£000's	£000's	£000's	£000's
55		44	
122	193	74	131
4,043	4,043	2,412	1,259
1	1	3	3
4,220	4,237	2,533	1,393

The Council holds 3 loans with the PWLB as at 31 March 2016 with interest rates ranging from 5.125% and 5.375%. The fair value of these loans is higher than their carrying value to reflect penalties for early repayment. The fair value of all creditors is taken to be the invoiced amount.

31 March 2015		31 March 2016	
Carrying Amount	Fair Value	Carrying Amount	Fair Value
£000's	£000's	£000's	£000's
2,907	2,907	2,559	2,559
3,208	3,208	1,334	1,334
109	109	128	128
6,223	6,223	4,021	4,021

The fair value of all debtors is taken to be the invoiced amount. Note 16 considers the credit risk associated with debtors.

Income, Expenses, Gains and Losses

The income, expense, gains and losses recognised in the comprehensive income and expenditure statement in relation to financial instruments are made up as follows:

2014/15				2015/16		
Financial Liabilities at Amortised Costs	Financial Assets: Loans & Receivables	Total		Financial Liabilities at Amortised Costs	Financial Assets: Loans & Receivables	Total
£000's	£000's	£000's		£000's	£000's	£000's
17	0	17	Interest Expense	25	0	25
17	0	17	Total Expense in (surplus)/deficit on the provision of services	25	0	25
0	(50)	(50)	Interest Income	0	(12)	(12)
0	0	0	Impairment Losses	0	0	0
0	(50)	(50)	Total Income in (surplus)/deficit on the provision of services	0	(12)	(12)
17	(50)	(33)	Net (Gain)/Loss for the year	25	(12)	(13)

The valuation of Financial Instruments can be classified into three levels, according to the quality and reliability of information used to determine fair values:

Level 1: Quoted Prices -where fair values are derived from unadjusted quoted prices in active markets for identical assets or liabilities (quoted equities, quoted fixed securities, quoted index linked securities and unit trusts). Listed investments shown at bid prices. The bid value of the investment is based on the market quotation of the relevant stock exchange.

Level 2: Inputs other than Quoted prices -where market prices are not available, for example, where an instrument is traded in a market that is not considered to be active or where the valuation techniques are used to determine fair value and where these techniques use inputs that are based significantly on observable market data.

Level 3: Observable inputs - where at least one input could have a significant effect on the instrument's valuation is not based on observable market data. Such instruments would include unquoted equity investments and hedge fund of funds, neither of which Fund currently invests in.

The following table provides an analysis of the financial assets and liabilities grouped into the level at which fair value is observable:

Input level in Fair Value Hierarchy	As at 31 March 2016 £000's
Financial Assets and Liabilities Level 1	2,628
Financial Assets and Liabilities Level 2	0
Financial Assets and Liabilities Level 3	0

There were no transfers between input levels during the year and there has been no change in the valuation techniques used during the year.

Note 16 Nature and Extent of Risks Arising from Financial Instruments

The Authority's activities expose it to a variety of financial risks:

- Credit risk – the possibility that other parties might fail to pay amounts due to the Authority.
- Liquidity risk – the possibility that the Authority might not have funds available to meet its commitments to make payments.
- Market risk – the possibility that financial loss might arise for the Authority as a result of changes in such measures as interest rates.

The Authority's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services. Risk management is carried out by the Finance Team, under policies approved by the Authority in the annual treasury management strategy.

16.1 Credit Risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Authority's customers.

Customers for goods and services are generally not credit assessed as the Authority has no choice as to whom services are generally supplied. However, for small exchange transactions payment in advance is required.

The Authority's maximum exposure to credit risk in relation to its investments with Lloyds Bank has been assessed as minimal.

The following analysis summarises the Authority's potential maximum exposure to credit risk on other financial assets, based on experience of default and non-collectability.

The amounts due can be analysed by age as follows:

31 March 2015			31 March 2016		
Customers	Deposits with banks and financial Institutions*		Customers	Deposits with banks and financial Institutions*	
358	2,496	A: Amount (£000's)	479	2,191	
13.46%	0.00%	B: Historical Experience of Default – (%)	13.66%	0.00%	
14.10%	0.00%	C: Historical Experience adjusted for market conditions (%)	11.40%	0.00%	
50	0	AxC: Estimated maximum exposure to default and non-collectability (£000's)	65	0	

Analysis of debts unpaid over 30 days owed but not impaired:

31 March 2015 £000's		31 March 2016 £000's
322	Less than three months	345
20	Three to six months	19
13	Six months to one year	63
3	More than one year	52
358	Total	479

16.2 Liquidity Risk

The Authority manages its cash flow to ensure that cash is available as needed. If unexpected movements happen, the Authority has ready access to borrowings from the money markets and the Public Works Loans Board. There is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments. Instead the risk is that the Authority will be bound to replenish a significant proportion of its borrowings at a time of unfavourable interest rates. The Authority sets limits on the proportion of its fixed rate borrowing during specified periods. The strategy is to ensure that loans do not all mature within any rolling three-year period through a combination of careful planning of new loans taken out and, where it is economic to do so, making early repayments. The maturity analysis of financial liabilities is as follows:

31 March 2015 £000's		31 March 2016 £000's
54	Less than one year	44
54	Between one and two years	54
79	Between two and five years	24
0	More than five years	0
187	Total	122

All trade and other payables are due to be paid in less than one year.

16.3 Market Risk

The Council is exposed to market risk in terms of its exposure to fluctuation in the value of an instrument as a result of changes in:

- Interest rate risk;
- Price risk; and / or
- Foreign exchange rate risk.

16.3.1 Interest Rate Risk

The Authority is exposed to risk in terms of its exposure to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the Authority. For instance, a rise in interest rates could have the following effects:

- Borrowings at variable rates – the interest expense charged to the Surplus or Deficit on the Provision of Services will rise.
- Borrowings at fixed rates – the fair value of the liabilities will fall.
- Investments at variable rates – the interest income credited to the Surplus or Deficit on the Provision of Services will rise.
- Investments at fixed rates – the fair value of the assets will fall.

However, the Authority only has a small portfolio of PWLB loans and all are at fixed rates of 5.125% to 5.375%.

Borrowings are not carried at fair value, so nominal gains and losses on fixed rate borrowings would not impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure.

16.3.2 Price Risk

The Authority does not invest in equity shares and therefore is not exposed to the risk of investment prices rising or falling.

16.3.3 Foreign Exchange Risk

The Authority does not undertake any significant financial transactions nor has any financial assets or liabilities denominated in foreign currencies and thus has no exposure to loss arising from movements in exchange rates.

Note 17 Stock and Inventories

2014/15				Total	
Consumable Stores	Maintenance Materials	Client Services WIP			
£000's	£000's	£000's	£000's		
20	124	1	145	Opening Balance 1 April	
180	54	1	235	Purchases	
(190)	(94)	0	(284)	Recognised as an expense in the year	
10	84	2	96	Closing Balance 31 March	

2015/16				Total
Consumable Stores	Maintenance Materials	Client Services WIP		
£000's	£000's	£000's	£000's	
10	84	2	96	
33	200	1	234	
(33)	(186)	(1)	(220)	
10	98	2	110	

Note 18 Debtors

31 March 2015		31 March 2016
£000's		£000's
2,083	Central Government Bodies	525
14	Other Local Authorities	4
60	NHS Bodies	54
62	Public Corporations & Trading Funds	52
1,319	Other Entities & Individuals	969
3,538	Total Debtors	1,604

Note 19 Cash and Cash Equivalents

31 March 2015		Movement During the Year	31 March 2016
£000's		£000's	£000's
2,496	Cash Held at Bank	(305)	2,191
410	School's Local Bank Account	(43)	367
1	Petty Cash	0	1
2,907	Total	(348)	2,559

Note 20 Creditors

31 March 2015		31 March 2016
£000's		£000's
(2,669)	Central Government Bodies	(1,153)
(174)	Other Local Authorities	(69)
(30)	NHS Bodies	(15)
0	Public Corporations & Trading Funds	(13)
(126)	Staff including Accumulated Absences	(107)
(1,206)	Other Entities & Individuals	(1,055)
(4,205)	Total Creditors	(2,412)

Note 21 Provisions

	Employment £000's	Total £000's
Balance at 1 April 2014	(21)	(21)
Provisions made in 2014/15	0	0
Amounts used in 2014/15	21	21
Balance at 1 April 2015	0	0
Amounts used in 2015/16	0	0
Provisions made in 2015/16	0	0
Balance at 31 March 2016	0	0

Note 22 Contingent Liabilities

At 31 March 2016, the Authority had one contingent liability: Legal action was threatened against the Authority during the financial years 2013/14 -2014/15. The risk of such action proceeding against the Authority diminished during 2015/16. At the current time it is not possible to estimate the cost of any action against the Authority should it occur, as the detail of the claim has not yet been made available. No provision has therefore been made for this contingency.

Note 23 Usable Reserves

In addition to the General Fund balance, the Authority maintains the following other usable reserves within its Balance Sheet:

31 March 2015 £000's	Other Usable Reserves	Main Purpose	31 March 2016 £000's
657	Capital Grants Unapplied Reserve	Capital grant funding that has been received by the Authority, but has not yet been spent on capital projects.	1,520
2	Usable Capital Receipts	Proceeds from past asset sales held for recycling into future capital expenditure.	296
1,781	Earmarked: Housing Reserve	To fund major capital repairs to the Council's housing stock.	1,377
410	Earmarked: Schools Balances	The cash balances held by the School.	367
1,317	Earmarked: Service & Project Specific Reserves	Amounts held for types of expenditure or projects which the Authority wishes to specifically set aside.	1,215
1,187	Earmarked: Revenue Grants Unapplied Reserve	Revenue Grants that have been received by the Authority, but have not yet been applied against expenditure.	1,286
5,354	Total Other Usable Reserves		6,061

Movements in the Authority's usable reserves are detailed in the Movement in Reserves Statement

Note 24 Unusable Reserves

31 March 2015 £000's		31 March 2016 £000's
4,122	Revaluation Reserve	4,591
41,864	Capital Adjustment Account	41,009
(9,546)	Pension Reserve – Local Government Pension Scheme	(8,317)
(107)	Collection Fund Adjustment Account	(147)
(107)	Accumulated Absences Account	(107)
(407)	Pension Reserves – Fire Fighters' Pension	(417)
35,819	Total Unusable Reserves	36,612

24.1 Revaluation Reserve

The Revaluation Reserve contains the gains made by the Authority arising from increases in the value of its Property, Plant and Equipment. The balance is reduced when assets with accumulated gains are:

- Revalued downwards or impaired and the gains are lost; or
- used in the provision of services and the gains are consumed through depreciation; or
- disposed of and the gains are realised.

The Reserve contains only revaluation gains accumulated since 1 April 2007, the date that the Reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

31 March 2015 £000's		31 March 2016 £000's
4,204	Balance at 1 April	4,122
0	Revaluation reserve credited with previously not recognised assets	116
66	Upward revaluation of assets	458
0	Downward revaluation of assets and impairment losses not charged to the surplus or deficit on the provision of services	
0	Revaluation reserve movement on disposal of assets	
66	Surplus or deficit on revaluation of non-current assets not posted to the surplus or deficit on the provision of services	574
(148)	Difference between fair value of depreciation and historical depreciation	(105)
(148)	Amount written off to the Capital Adjustment Account	(105)
4,122	Balance at 31 March	4,591

24.2 Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The Account is credited with the amounts set aside by the Authority as finance for the costs of acquisition, construction and enhancement.

The Account contains accumulated gains and losses on Investment Properties and gains recognised on donated assets that have yet to be consumed by the Authority.

The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains.

The table below provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

2014/15 £000's		2015/16 £000's
35,436	Balance at 1 April	41,864
	Historic roundings	3
		41,867
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:	
(4,285)	Charges for depreciation and impairment of noncurrent assets	(3,955)
148	Adjustment for historic cost depreciation	105
(5)	Revenue expenditure funded from capital under statute	(23)
0	Amounts of noncurrent assets written off on disposal or sale as part of the gain/(loss) on disposal to the CIES	(365)
(4,142)	Net written out amount of the cost of noncurrent assets consumed in the year	(4,238)
	<i>Capital financing applied in the year:</i>	
8,190	Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	0
81	Application of grants to capital financing from the Capital Grants Unapplied Account	2,467
220	Statutory provision for the financing of capital investment charges against the General Fund and HRA balances	219
0	Use of Capital Receipts	80
2,079	Capital expenditure charged against the General Fund and HRA balances	614
10,570	Net written out amount of the cost of noncurrent assets consumed in the year	3,380
41,864	Balance as 31 March	41,009

24.3 Pensions Reserve – Local Government Pension Scheme (LGPS)

The Pensions Reserve and Fire-fighter's Pension Reserve (note 24.6) absorbs the timing differences arising from the different arrangements for accounting for post employment benefits and for funding benefits in accordance with statutory provisions. The Authority accounts for post employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Authority makes employer's contributions to pension funds, or eventually pay any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Authority has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

31 March 2015 £000's		31 March 2016 £000's
(6,403)	Balance as at 1 April	(9,546)
(2,827)	Actuarial gains or (losses) on pensions assets and liabilities	1,773
(1,018)	Reversal of items relating to retirement benefits debited or credited to the surplus or deficit on the provision of services in the Comprehensive Income and Expenditure Statement	(1,315)
702	Employer's pensions contributions and direct payments to the pensioners payable in the year	771
(9,546)	Balance as at 31 March	(8,317)

24.4 Collection Fund Adjustment Account

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

31 March 2015 £000's	31 March 2016 £000's
(66) Balance as at 1 April	(107)
Amount by which income credited to the Comprehensive Income and Expenditure Statement is different from council tax/business rates calculated for the year in accordance with statutory requirements for:	
(48) - Council Tax	38
7 - Business Rates	(78)
(107) Balance as at 31 March	(147)

24.5 Accumulated Absences Account

The Accumulated Absences Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

31 March 2015 £000's	31 March 2016 £000's
(107) Balance as at 1 April	(107)
107 Settlement or cancellation of accruals made at the end of the preceding year	107
(107) Amounts accrued at the end of the current year	(107)
0 Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accrual basis is different from remuneration chargeable in the year in accordance with statutory requirements	0
(107) Balance as at 31 March	(107)

24.6 Fire-fighter's Pension Reserve

31 March 2015 £000's	31 March 2016 £000's
(284) Balance as at 1 April	(407)
(76) Actuarial gains or (losses) on pension fund liabilities	101
(39) Reversal of items relating to retirement benefits debited or credited to the surplus or deficit on the provision of services in the Comprehensive Income and Expenditure Statement	(115)
(8) Employer's pensions contributions and direct payments to the pensioners payable in the year	4
(407) Balance as at 31 March	(417)

Note 25 Cash flow Statement – Operating Activities

The cash flows for operating activities include the following items:

2014/15 £000's		2015/16 £000's
(3,813)	Net (Surplus) or Deficit on the Provision of Services	1,285
	Adjust net surplus or (deficit) on the provision of services for non cash movements	
(4,285)	Depreciation and impairment	(3,955)
0	Carrying Amount of Assets Disposed in Year	(365)
(363)	Actuarial charges for retirement benefits adjustment	(655)
(40)	Collection fund adjustment	0
(196)	Other movements including reserves movements	6
	Adjustment for items on an accruals basis	
(611)	(increase)/decrease in Total Creditors	1,793
21	(increase)/decrease in Total Provisions	0
(49)	(increase)/decrease in Total Inventories	14
(143)	(increase)/decrease in Total Debtors	(1,934)
0	(increase)/decrease in Interest Accruals	0
(5,666)	Total Non Cash Movements	(5,096)
	Adjustments to the net surplus or (deficit) on the provision of services that are investing or financing activities	
8,263	Capital grants credited to surplus or deficit on the provision of services	3,330
0		374
220	Provision for the repayment of debt	0
1,370	Capital expenditure charged to revenue	0
61	Other adjustments	0
(15)	Interest Received	0
14	Interest Paid	0
9,913	Total Investing and Financing Activities	3,704
434	Net Cash Flow from Operating Activities	107

The cash flows for operating activities included in the net deficit on the provision of services above (1,285) was as follows:

2014/15 £000's		2015/16 £000's
(5)	Interest received	(12)
17	Interest Charge	25

Note 26 Cash Flow Statement Investing Activities

2014/15 £000's		2015/16 £000's
10,346	Purchase of property, plant & equipment	3,229
0	Purchase of investment properties	4
0	Long Term Loans Granted	19
0	Proceeds from the sale of property, plant and equipment, investment property	(374)
(10,445)	Capital grants received	(2,482)
(99)	Net Cash Flows from Investing Activities	396

Note 27 Cash Flow Statement Financing Activities

2014/15 £000's		2015/16 £000's
54	Repayment of short and long term borrowings	59
54	Net Cash Flows from Financing Activities	59

Note 28 Amounts Reported for Resource Allocation Decisions

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the *Service Reporting Accounting Code of Practice*. However, decisions about resource allocation are taken by the Authority's Finance, Audit and Scrutiny Committee on the basis of budget reports analysed across Committees. These reports are prepared on a different basis from the accounting policies used in the financial statements. In particular:

- No charges are made in relation to impairment or revaluation losses in excess of those held in reserve of non-current assets, whereas these are charged to services in the Comprehensive Income and Expenditure Statement.
- The cost of retirement benefits is based on cash flows (payment of employer's pension contributions) rather than current service cost of benefits accrued in the year.
- Staff leave and the balance of time-off-in-lieu (TOIL) held by individual members of staff, which has not yet been taken are book entries which are charged to the CIES, but are not monitored during the year.

The income and expenditure of the Authority's principal Committees recorded in the budget reports for the year is as follows:

Committee Income and Expenditure 2014/15								Grand Total £000's
Children & Young People	Community Services	Transport, Economic Development & Infrastructure	Finance, Audit Scrutiny	Planning & Development	All Other Committees			
£000's	£000's	£000's	£000's	£000's	£000's	£000's		
Fees, Charges & Other Service Income	(15)	(961)	(46)	(97)	(20)	(44)	(1,183)	
Income – Government Grants	(3,489)	(348)	(622)	(448)	(205)	(8)	(5,120)	
Total Income	(3,504)	(1,309)	(668)	(545)	(225)	(52)	(6,303)	
Employee Expenses	362	1,091	873	1,212	320	187	4,045	
Other Service Expenses	3,460	745	1,631	1,284	354	127	7,601	
Support Services	63	258	(461)	(789)	94	41	(794)	
Charges for the Cost of Capital	440	299	309	82	0	364	1,494	
Total Expenditure	4,325	2,393	2,352	1,789	768	719	12,346	
Net Expenditure/(Income)	821	1,084	1,684	1,244	543	667	6,043	

Committee Income and Expenditure 2015/16								Grand Total £000's
Children & Young People	Community Services	Transport, Economic Development & Infrastructure	Finance Audit Scrutiny	Planning & Development	All Other Committees			
£000's	£000's	£000's	£000's	£000's	£000's	£000's		
Fees, Charges & Other Service Income	(133)	(269)	(649)	(82)	(53)	(351)	(1,537)	
Income – Government Grants	(3,434)	(294)	(432)	(339)	4	(183)	(4,678)	
Total Income	(3,567)	(563)	(1,081)	(421)	(49)	(534)	(6,215)	
Employee Expenses	360	476	1,230	1,227	128	814	4,235	
Other Service Expenses	3,389	512	2,071	1,167	21	437	7,597	
Support Services	68	(130)	102	(685)	8	77	(560)	
Charges for the Cost of Capital	412	233	882	85	0	33	1,645	
Total Expenditure	4,229	1,091	4,285	1,794	157	1,361	12,917	
Net Expenditure/(Income)	662	528	3,204	1,373	108	827	6,702	

28.1 Reconciliation of Committee Income and Expenditure to Cost of Services in the Comprehensive Income and Expenditure Statement

This reconciliation shows how the figures in the analysis of the Committee Income and Expenditure relate to the amounts included in the Comprehensive Income and Expenditure Statement.

2014/15 £000's		2015/16 £000's
6,044	Net Expenditure/(income) Entries reversed through the MiRS	6,702
37	Add back IAS19 Adjustments for Pensions	197
(2)	Add back untaken leave and TOIL	0
2,694	Add back Impairment	2,163
8,773	Net Cost of Services per CIES	9,062

28.2 Reconciliation to subjective analysis

This reconciliation shows how the figures in the analysis of Committee Income and Expenditure relate to a subjective analysis of the Surplus or Deficit on the Provision of Services included in the Comprehensive Income and Expenditure Statement.

Subjective analysis

2014/15

All figures in £000's

	Committee Analysis	Amounts not reported to management for decision making (book entries)	Net Cost of Services	Corporate amounts	(surplus)/deficit on the provision of services for the year
Fees, charges and Other Service Income	(1,183)	0	(1,183)		(1,183)
Interest & Investment Income	0	0	0	(573)	(573)
Income from Council Tax and NNDR		0	0	(2,788)	(2,788)
	0				
Income from Trading Service	0	0	0	(1,861)	(1,861)
Income from Investment Properties	0	0	0	(45)	(45)
Income – Government Grants	(5,120)	0	(5,120)	(10,429)	(15,549)
Total Income	(6,303)	0	(6,303)	(15,696)	(21,999)
Employee Expenses	4,045	35	4,080		4,080
Other Service Expenses	7,602	0	7,602		7,602
Support Services	(794)	0	(794)		(794)
Charges for the cost of Capital	1,494	2,694	4,188		4,188
Interest Payable	0	0	0	17	17
Pensions interest costs and expected return on pension assets (net)	0	0	0	857	857
Costs of trading Services	0	0	0	2,212	2,212
Costs re: Investment Properties	0	0	0	24	24
Total expenditure	12,347	2,729	15,076	3,110	18,186
(Surplus)/Deficit on the Provision of Services for the year	6,044	2,729	8,773	(12,586)	(3,813)

Subjective analysis
2015/16

All figures in £000's

	Committee Analysis	Amounts not reported to management for decision making (book entries)	Net Cost of Services	Corporate amounts	(surplus)/deficit on the provision of services for the year
Fees, charges and Other Service Income	(1,537)	0	(1,537)	0	(1,537)
Interest & Investment Income	0	0	0	(477)	(477)
Income from Council Tax and NNDR	0	0	0	(2,848)	(2,848)
Income from Trading Service	0	0	0	(1,929)	(1,929)
Income from Investment Properties	0	0	0	(38)	(38)
Surplus on Sale of Properties	0	0	0	(9)	(9)
Income – Government Grants	(4,678)	0	(4,678)	(5,382)	(10,060)
Total Income	(6,215)	0	(6,215)	(10,683)	(16,898)
Employee Expenses	4,235	197	4,432	0	4,432
Other Service Expenses	7,597	0	7,597	0	7,597
Support Services	(560)	0	(560)	0	(560)
Charges for the cost of Capital	1,645	2,163	3,808	0	3,808
Interest Payable	0	0	0	26	26
Pensions interest costs and expected return on pension assets (net)	0	0	0	788	788
Costs of trading Services	0	0	0	2,061	2,061
Costs re: Investment Properties	0	0	0	31	31
Total expenditure	12,917	2,360	15,277	2,906	18,183
(Surplus)/Deficit on the Provision of Services for the year	6,702	2,360	9,062	(7,777)	1,285

Note 29 Trading Operations

The reporting requirements for trading accounts are not based on any accounting standard. They instead reflect considerations of stewardship specific to local authorities. Where an Authority is trading and taking commercial risks, then there should be assurance that the Authority is not exposing itself unreasonably to loss.

This note to the accounts discloses the circumstances in which the Authority is exposed to commercial loss and the financial consequences for the year of account.

St Mary's Airport - The Authority owns and manages the Airport on St Mary's. Income is generated primarily from landing fees. The trading objective is to generate a surplus after having covered the cost of capital employed for future reinvestment to ensure continuity of the service, which is held in the Airport Earmarked Reserve. The airport has made a loss this year due to an increase in capital costs, impairment of debts outstanding and variations in certain costs. Depreciation is not charged to the airport reserve.

Water & Sewerage Services - The Authority operates water and sewerage undertakings on St Mary's and Bryher. The infrastructure includes five reservoirs that are operated and all the water is treated using ultra violet light and residual chlorination at the Higher Moors Water Pumping Station. Water is also produced in the Authority owned desalination plant. The trading objective of the service is to cover costs and generate surpluses to allow for future reinvestment to ensure the continuity, reliability and safety of the service. Surpluses are accumulated in and drawn from two reserves held: The Water Reserve and the Sewerage Earmarked Reserve. The water service has achieved a small surplus which will be taken to the water reserve. The sewerage reserve will be charged with a deficit due to high maintenance costs in year. Depreciation is not charged to these reserves.

	Airport	Water/ Sewerage	Total
Reserve balance brought forward	171	(1,256)	
2015/16 Expenditure	1,214	847	2,061
2015/16 Turnover	(1,272)	(657)	(1,929)
2015/16 Net (Surplus) / Deficit	(58)	190	133
Reserve balance carried forward	112	(1,066)	
2014/15 Net (Surplus) / Deficit	168	1	

Balances held in Trading Account reserves

2014/15 £000's		2015/16 £000's
	Balances on Trading Account Reserves	
(171)	Airport Reserves	(112)
537	Water Reserves	370
719	Sewerage Reserves	696
1,085		954

Note 30 Members' Allowances

The total amount of allowances and expenses paid to Members during the year was £114,348 (2014/15: £107,823).

Note 31 Officers' Remuneration

The number of employees whose emoluments (excluding pension contributions) were £50,000 or more were:

2014/15	Remuneration Bandings	2015/16
0	£50,000-£54,999	1
4	£55,000-£59,999	4
0	£60,000-£64,999	1
1	£65,000-£69,999	0
0	£70,000-£74,999	1
1	£75,000-£79,999	0
1	£95,000-£99,999	1
0	£100,000-£159,999	0
7	Total	8

Five of the staff in this note are included in the Senior Officers' Emoluments disclosure.

Note 32 Senior Officers' Emoluments

The Authority has classified the following posts as Senior Posts in place during the year in line with the disclosure requirements:

Post Holder Information

	Salary (including fees & allowances)	Election Duties	Total Remuneration excluding pension contributions	Pension Contributions	Total Remuneration including pension contributions
	£	£	£	£	£
2014/15					
Chief Executive	100,000	0	100,000	16,100	116,100
Senior Manager: Strategic Development	58,074	0	58,074	9,350	67,424
Senior Manager: Finance and Resources from 11/8/14	37,170	0	37,170	5,984	43,154
Senior Manager: Democratic & Corporate Development	57,273	0	57,273	9,221	66,494
Senior Manager: Infrastructure and Planning (b)	73,749	0	73,749	10,830	84,579
Senior Manager: Services to Our Community	57,416	0	57,416	9,244	66,660
Chief Fire Officer (a)	28,777	0	28,777	4,633	33,410
Director of Public Health (c)	2,000	0	2,000	0	2,000
Total 2014/15	414,459	0	414,459	65,362	479,821
2015/16					
Chief Executive	100,000	0	100,000	16,600	116,600
Senior Manager: Strategic Development	59,450	0	59,450	9,869	69,319
Senior Manager: Finance and Resources to 12/7/15	20,272	0	20,272	3,365	23,637
Senior Manager: Finance and Resources from 13/7/15	42,844	0	42,844	7,112	49,956
Senior Manager: Democratic & Corporate Development	59,450	0	59,450	9,869	69,319
Senior Manager: Infrastructure and Planning (b)	71,763	0	71,763	11,913	83,676
Senior Manager: Services to Our Community	59,450	0	59,450	9,869	69,319
Chief Fire Officer (a)	19,607	0	19,607	3,255	22,862
Director of Public Health (c)	2,000	0	2,000	0	2,000
Total 2015/16	434,836	0	434,836	71,852	506,688

- (a) The Chief Fire Officer works 7.4 hours per week as Chief Fire Officer (annualised salary £95,646).
- (b) The Senior Manager: Infrastructure and Planning for 2014/15 and 2015/16 includes the responsibility of Air Operator Certificate: Accountable Manager
- (c) The Director of Public Health Senior Officer is based in Cornwall and the Council contributes the disclosed sum toward their salary. The total annual salary for this post is £97,000.

Note 33 Employee Exit Packages

The authority incurred costs during 2015/16 relating to employee exit packages as shown below:

Exit Package Cost Band '000s	Number of Compulsory Redundancies		Number of other departures agreed		Total Number of Exit Packages by Cost Band		Total cost of exit packages in each band	
	2014/15	2015/16	2014/15	2015/16	2014/15	2015/16	2014/15 £000's	2015/16 £000's
0-20	0	1	5	0	5	1	26	3
20-40	0	0	2	0	2	0	50	0
40-60	1	0	0	0	1	0	43	0
60+	0	0	0	0	0	0	0	0
Total	1	1	7	0	8	1	119	3

The Authority had one exit package in 2015/16 (2014/15 – eight), these incurred liabilities of £3,000 (2014/15 - £119,000) and are made up of the following elements:

2014/15 £000's		2015/16 £000's
27	Pension Strain	0
8	Salary in Lieu of Notice	0
0	Untaken Annual Leave	1
84	Redundancy Payment	2
119	Total	3

Note 34 External Audit Costs

2014/15 £000's		2015/16 £000's
36	External Audit Services	24
6	Grants Claims	8
9	Other Audit Fees	6
(8)	Rebate on Prior Year(s) Audit Fees	0
43	Total	38

Contained within other audit fees is a payment in respect of audit services following an objection to the 2013-14 Statement of Accounts. This was investigated by the external auditors, Grant Thornton with the objection being withdrawn in 2015 after considerable investigations were made by Grant Thornton with the support of council officers. No irregularity was identified and the appropriate audit certificate was granted.

The external cost of this objection was £2,800 invoiced in August 2015, plus the relevant officer's time, which was considerable.

Note 35 Dedicated Schools Grant – Deployment of the Isles of Scilly Education Grant

The Council's expenditure on schools is funded by the Isles of Scilly Education Grant received from the Department for Education.

The Accounting Code of Practice states that Education Authorities should disclose their deployment of Dedicated Schools Grant (DSG). The Council of the Isles of Scilly does not receive a DSG, instead it receives the Isles of Scilly Education Grant which is classified as a separate grant in its own right. The main difference is that the Isles of Scilly Education Grant can be utilised for all Education services, not just Schools Budget items.

Details of the deployment of the Isles of Scilly Education Grant receivable for 2015/16 are as follows:

	Central Education Expenditure £000's	Individual Schools Budget (ISB) £000's	Reserves £000's	Total £000's
Brought forward as at 1 April 2014				112
Other Reserves reclassified				333
Isles of Scilly Education Grant for 2014/15				3,139
Budgeted application of grant in 2014/15	640	2,614	330	3,584
Less: Actual application of grant in 2014/15	(618)	(2,621)	0	(3,239)
Variations	(22)	7	15	0
Balance as at 31 March 2015	0	0	345	345
Brought forward as at 1 April 2015				345
Isles of Scilly Education Grant for 2015/16				3,139
Budgeted application of grant in 2015/16	516	2,623	345	3,484
Less: Actual application of grant in 2015/16	(621)	(2,661)	0	(3,282)
Variations	105	38	(143)	0
Balance as at 31 March 2016	0	0	202	202

Included in the Central Education Expenditure column is the Central Expenditure within the Schools Budget plus Other Education and Community Budget Expenditure. These terms are as defined in the 'Schools and Early Years Finance (England) Regulations 2013'.

Included in the Individual Schools Budget column are the funds delegated to the Five Island School through the Mainstream Formula and to the nursery settings through the Early Years Formula.

The Council of the Isles of Scilly planned to utilise £345,000 of brought forward reserves to support expenditure on Education. Total actual expenditure however was £202,000 lower than planned, restricting the reduction in reserves to £143,000.

Note 36 Grant Income

36.1 General Capital Grants

General grants credited as Taxation and Non-Specific Grants Income in the Comprehensive Income and Expenditure Account:

2014/15 £000's		2015/16 £000's
	Grants & Contributions Used for Capital Expenditure	
6,344	ERDF – European Regional Development Fund Grant and Regional Growth Fund	1,136
0	Waste Strategy	1,179
1,821	Dept. for Transport Highways Grant	0
6	DEFRA – Water & Sewerage Grants	112
0	Education	145
14	Department of Health	0
	Other Capital Grants No Conditions Received in Year	
75	Fire Capital Grant	57
0	Defra Waste Capital Grant	590
40	DfE Capital Maintenance Grants	94
0	Social Care Grants	3
12	Disabled Facilities Grant	14
8,312	Total Government – Capital recognised in the CIES	3,330

36.2 General Revenue Grants

2014/15 £000's		2015/16 £000's
1,973	Revenue Support Grant	1,882
48	New Homes Grant	57
96	Local Services Support Grant	113
2,117	Total	2,052

36.3 General Revenue Grants Credited within the Net Cost of Services

The Authority credited the following grants, contributions and donations within the Net Cost of Services section of the Comprehensive Income and Expenditure Statement in 2015/16.

2014/15 £000's		2015/16 £000's
	Credited to Services – Summary by Service Expenditure Area	
3,588	Children's & Education Services	3,651
198	Social Services	170
2	Cultural & Related Services	0
249	Planning Services	222
70	Central Services	46
17	Highways & Transport Services	0
592	Environmental Services	150
313	Housing Services	296
11	Fire & Rescue Services	22
79	Public Health Grant	121
1	Association of IFCA's	0
5,120	Total Grants Credited to Net Cost of Services	4,678

36.4 Capital Grant Creditors and Grants Received in Advance

The Authority has received a number of grants, contributions and donations that have yet to be recognised as income as they have conditions attached to them that may require the monies or property to be returned to the giver. The balances at the year-end relating to capital grants are as follows:

2014/15 £000's		2015/16 £000's
	Capital Grants Creditors/Receipts in Advance	
	Children's & Education Services	
81	New School Build Project	0
	Adult Social Services	
16	Housing – Private Sector Decent Homes	0
4	Other Grants	0
	Fire & Rescue Services	
46	Operations – Equality & Diversity Training	0
	Planning Services	
12	ERDF – Navigational Overlay Service Funding	12
	Environmental Services	
982	Water/Sewerage Grant	870
590	Waste Capital Grant	0
1,731	Total Capital Grants Creditors/Receipts in Advance	883

36.5 Revenue Grant Creditors and Grants received in Advance

The balances at the year-end relating to revenue grants are as follows:

2014/15 £000's		2015/16 £000's
	Revenue Grants Creditors/Receipts in Advance	
	Children's & Education Services	
345	Isles of Scilly Education Grant	202
15	D for E – SEND Pathfinder	0
	Adult Social Services	
38	Handy Person Funding	0
6	Dementia Care	0
15	Carers Short Breaks	0
	Fire & Rescue Services	
22	Fire Brigade – New Dimensions	0
	Environmental Services	
2,034	Waste Strategy Management	856
68	Environment Agency Repair Grant	0
2,542	Total Revenue Grants Creditors/Receipts in Advance	1,088

Note 37 Related Parties

The Authority is required to disclose material transactions with related parties – bodies or individuals that have the potential to control or influence the Council or to be controlled or influenced by the Council. Disclosure of these transactions allows the reader to assess the extent to which the Council might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Authority.

37.1 Central Government

Central government has significant influence over the general operations of the Authority and is responsible for providing the statutory framework within which the Authority operates. Central Government provides the majority of our funding in the form of grants and they prescribe the terms of many of the transactions that our Authority has with other parties (e.g. council tax bills, housing benefits). Grants received from government departments are set out in the subjective analysis in Note 28 on reporting for resources allocation decisions. Grant receipts outstanding at 31st March 2016 are shown in Note 36.

37.2 Members

Members of the Council have direct control over the Council's financial and operating policies. The Council's constitution requires Members to declare their interests in related parties in a register of interests and they are asked to declare their interests during Committee meetings. These Declarations are maintained by the Authority's Administration team, and can also be found online on the Council's website in minutes of Committee Meetings. During 2015/16, payments for works and services to the value of £416,922 (2014/15 - £554,093) were commissioned from companies, organisations or individuals in which 17 declarations of interest were made by Members. These payments were made in compliance with the Council's Financial Regulations.

The outstanding payments at the end of the year on accounts for which declarations of interest have been made by Members totalled £38,550 (2014/15 - £413,152) for which 17 declarations of interest were made by Members.

During 2015/16, sales for works and services to the value of £271,704 (2014/15 - £1,331,602) were commissioned from companies, organisations or individuals in which 15 declarations of interest were made by Members. These sales were made in compliance with the Council's Financial Regulations.

In addition grants totalling £157,835 were paid to organisations in which 8 declarations of interest were made by Members. The grants were made with proper consideration of declarations of interest.

Members' allowances are detailed in Note 30 to the accounts.

37.3 Officers

Officers are required to declare their interests in the register of interests and during committee meetings when in attendance. During 2015/16 payments of £16,504 (2014/15 - £117) were made to companies, organisations or individuals in which 3 declaration of interest was made by an Officer. These payments were made in compliance with the Council's Financial Regulations.

On accounts for which Officers have declared an interest the outstanding payments at the end of the year totalled £7,357 (2014/15 - £nil) of which 3 declarations of interest were made by Officers.

During 2015/16 sales of £7,357 (2014/15 - £854) were made to companies, organisations or individuals in which 3 declarations of interest were made by Officers. These sales were made in compliance with the Council's Financial Regulations.

The outstanding debtor balances at the end of the year on accounts for which Officers have declared an interest in totalled £7,357 (2014/15 - £nil) for which one declarations of interest were made by Officers.

In addition grants totalling £2,180 (2014/15 - £45,396) were paid to organisations in which 2 declaration of interest was made by Officers. The grants were made with proper consideration of declarations of interest. The relevant Officer did not take part in any discussion or decision relating to the grant.

Senior Officers' remuneration is contained in Note 32 to the accounts.

Declarations of Interest made during the year at Committee meetings by Members and Officers is available to view on the Council's website in the minutes for each meeting.

37.4 Other Public Bodies [subject to common control by central government]

Devon and Cornwall Police Authority raise a precept upon the Council for sums collected by the Council Tax. This precept is shown within the Collection Fund Statement on page 70.

As a member of the Local Government Pension Scheme, the Council paid employer's contributions to Cornwall County Council during the year. This contribution is shown within Note 41 - Local Government Pension Scheme.

The Council administers the Core Grant which is managed by the Area of Outstanding Natural Beauty team (AONB) and is designed to deliver the AONB management plan which includes funding locally based projects and initiatives. This involves providing grants to both external bodies and projects working in partnership with the Council of the Isles of Scilly. The Funding for the Core Grant Payment is from several awarding bodies and includes; DEFRA totalling £85,351.42, Council of the Isles of Scilly totalling £25,687, Duchy of Cornwall totalling £4,444, Isles of Scilly Wildlife Trust totalling £741 and Tresco Estate totalling £2,963.

The Council administers travel and accommodation grants for children aged over 16 to enable them to pursue higher education on the mainland. During 2015/16 travel and accommodation grants totalling £181,768 (2014/15 - £173,090) were issued to a total of 39 individuals. There are no outstanding balances at year end.

The Council works with the Kernow CCG on integrating health care and social care. In 2015/16, the Council received £54,000 in Better Care Funding from Kernow CCG to assist towards integration of health and social care.

Note 38 Capital Expenditure and Capital Financing

The total amount of capital expenditure incurred in the year is shown in the table below (including the value of assets acquired under finance leases), together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the Authority, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Authority that has yet to be financed.

2014/15 £000's		2015/16 £000's
5,684	Opening Capital Financing Requirement	5,464
	Capital Investment	
10,345	Property, Plant & Equipment	3,229
0	Investment Property	4
5	Revenue Expenditure Funded from Capital under Statute	23
	Sources of Finance	
(8,270)	Government Grants & Contributions	(2,467)
(1,370)	Revenue Contribution – General Fund & Reserves	0
(710)	Use Earmarked Reserves	(614)
0	Use of Capital Receipts	(80)
(220)	Minimum Revenue Provision	(219)
5,464	Closing Capital Financing Requirement	5,340
	Explanation of Movements in year	
0	Increase/(Decrease) in underlying need to borrow (unsupported by Government financial assistance)	95
(220)	Repayment of Debt	(219)
(220)	Increase/(Decrease) in Capital Financing Requirement	(124)

Note 39 Leases

39.1 Authority as Lessee

Finance Leases

The Authority has a number of sites acquired under finance leases. The assets acquired under these leases are carried within Property, Plant and Equipment in the Balance Sheet at the following net amounts:

2014/15 £000's		2015/16 £000's
470	General Fund Properties	470
468	Other Land & Buildings	468
938	Total	938

The Authority is committed to making minimum payments under these leases comprising settlement of the long-term liability for the interest in the property acquired by the Authority and finance costs that will be payable in future years while the liability remains outstanding. The minimum lease payments are made up as follows:

2014/15 £000's		2015/16 £000's
	Finance lease Liabilities	
5	Current	5
5	Non-current	3
0	Finance Costs Payable in Future Years	0
10	Minimum Lease Payments	8

The minimum lease payments will be payable over the following periods:

2014/15			2015/16	
Minimum Lease Payments £000's	Finance Lease Liabilities £000's		Minimum Lease Payments £000's	Finance Lease Liabilities £000's
5	5	Not later than one year	3	3
3	3	Later than one year and not later than five years	0	1
2	2	Later than five years	2	2
10	10	Totals	5	6

The minimum lease payments do not include rent that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews.

Operating Leases

The Authority has acquired land and buildings for use by entering into operating leases. The future minimum lease payments due under non-cancellable leases in future years are:

2014/15 £000's		2015/16 £000's
7	Not later than one year	23
7	Total	23

The minimum lease payments charged in the Comprehensive Income and Expenditure Account Statement during the year in relation to the assets was £23,199 (£23,199 in 2014/15).

39.2 Authority as a Lessor

The Authority has a number of sites leased out under finance leases including the museum site and the industrial estate sites.

The Authority has a gross investment in these leases, made up of the minimum lease payments expected to be received over the remaining term and the residual value anticipated for the sites when the leases come to an end. The minimum lease payments comprise settlement of the long-term debtor for the interest in the sites acquired by the lessees and finance income that will be earned by the Authority in future years whilst the debtor remains outstanding. The gross investment is made up of the following amounts:

2014/15 £000's		2015/16 £000's
	Finance Lease Debtor (Net Present Value of Minimum Lease Payments)	
27	Current	33
109	Non-Current	117
525	Unearned finance income	510
230	Unguaranteed residual value of property	230
891	Gross investment in the lease	890

The gross investment in the lease and the minimum lease payments will be received over the following periods:

2014/15			2015/16	
Gross Investment in the Lease £000's	Minimum Lease Payments £000's		Gross Investment in the Lease £000's	Minimum Lease Payments £000's
43	27	Not later than one year	44	33
170	108	Later than one year and not later than five years	177	110
449	297	Later than five years	438	287
662	432	Total	659	430

The minimum lease payments do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews.

The Authority leases out property and equipment under operating leases for the following purposes: housing, office and other spaces, dial-a-ride bus service for the elderly and concessions at the Airport. The future minimum lease payments receivable under non-cancellable leases in future years are:

Operating Leases

2014/15 £000's		2015/16 £000's
58	Not later than one year	56
0	Later than one year and not later than five years	35
58	Total	91

The minimum lease payments receivable do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews.

Note 40 Teachers' Pensions

Teachers employed by the Authority are members of the Teachers' Pension Scheme, administered by Capita Teachers' Pensions on behalf of the Department for Education. The Scheme provides teachers with specified benefits upon their retirement, and the Authority contributes towards the costs by making contributions based on a percentage of the members' pensionable salaries.

The scheme is technically a defined benefit scheme. However, the scheme is unfunded and the Department for Education uses a notional fund as the basis for calculating the employers' contribution rate paid by local authorities. Valuations of the notional fund are undertaken every four years.

The scheme has in excess of 3,700 participating employers and consequently the Authority is not able to identify its share of the underlying financial position and performance of the scheme with sufficient reliability for accounting purposes. For the purposes of this Statement of Accounts, it is therefore accounted for on the same basis as a defined contribution scheme. As a proportion of the total contributions into the Teachers' Pension Scheme during the year ending 31 March 2016, the Authority's own contributions equate to approximately 62% (2014/15 – 59%).

In 2015/16, the Authority paid £170,200 (2014/15 - £147,000) to Capita Teachers' Pensions in respect of teachers' retirement benefits, representing 16% of pensionable pay (2014/15 – 14%). There were no contributions remaining payable at the year end. The contributions due to be paid in the next financial year are estimated to be £175,000.

The Authority is responsible for the costs of any additional benefits awarded upon early retirement outside of the terms of the teachers' scheme. These costs are accounted for on a defined benefit basis and detailed in Note 38.

The Authority is not liable to the scheme for any other entities obligations under the plan.

Note 41 Local Government Pension Scheme

41.1 Participation in Pension Schemes

As part of the terms and conditions of employment of its Officers, the Authority makes contributions towards the cost of post employment benefits. Although these benefits will not actually be payable until employees retire, the Authority has a commitment to make the payments that need to be disclosed at the time that employees earn their future entitlement.

The Authority participates in the Local Government Pension Scheme, administered by Cornwall Council – this is a funded defined benefit final salary scheme, meaning that the Authority and employees pay contributions into a fund, calculated at a level intended to balance the pension's liabilities with investment assets.

41.2 Transactions Relating to Post Employment Benefits

The Authority recognises the cost of retirement benefits in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge the Authority is required to make against Council Tax is based on the cash payable in the year, so the real cost of post employment/retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement.

The following transactions have been made in the Comprehensive Income and Expenditure Statement (CIES) and the General Fund Balance via the Movement in Reserves Statement (MiRS) during the year:

2014/15 £000's		2015/16 £000's
	Within Cost of Services	
721	Current Service Cost	1,006
21	Past Service Gain (Non Distributed Costs)	0
0	(gain)/loss from settlements	0
	Financing and investment Income & Expenditure	
276	Net interest Expense	309
1,018	Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	1,315
	Other Post Employment Benefit Charged to the CIES	
(394)	Expected Return on Assets in the scheme (excluding the amount included in the net interest expense)	859
0	Actuarial (Gains) or Losses arising on changes in demographic assumptions	0
3,370	Actuarial (Gains) or Losses arising on changes in financial assumptions	(2,391)
(149)	Other Actuarial (Gains) or Losses	(241)
2,827	Total Post Employment Benefit Charged to the Surplus of Deficit in the CIES	(1,773)

2014/15 £000's		2015/16 £000's
	Movement in Reserves Statement	
(1,018)	Reversal of Net Charges made to the Surplus of Deficit for the Provision Services for post employment benefits in accordance with the code	(1,315)
	Actual amounts charged against the General Fund Balance for Pensions in the Year:	
702	Employer's Contributions Payable	771
(316)		(544)

41.3 Pensions Assets & Liabilities Recognised in the Balance Sheet

2014/15 £000's		2015/16 £000's
(23,887)	Present Value of the Defined Benefit Obligation	(22,619)
14,341	Fair Value of Plan Assets	14,302
(9,546)	Net Liability Arising from Defined Benefit Obligation	(8,317)

41.4 Reconciliation of the Movements in the Fair Value of Scheme Assets

2014/15 £000's		2015/16 £000's
13,045	Opening Fair Value of Scheme Assets	14,341
568	Interest Income	465
	Remeasurement gain/(loss):	
394	Return on Plan Assets, the amount included in the Net Interest Expense	(859)
702	Contributions from Employer	771
212	Contributions from Employee into the Scheme	237
(580)	Benefits Paid	(653)
14,341	Closing Fair Value of Scheme Assets	14,302

41.5 Reconciliation of Present Value of the scheme Liabilities

2014/15 £000's		2015/16 £000's
19,448	Opening Balance at 1 April	23,887
721	Current Service Cost	1,006
844	Interest Cost	774
212	Contributions from Scheme Participants	237
	Remeasurement (gains) and losses:	
0	Actuarial (Gains) or Losses arising on changes in demographic assumptions	0
3,370	Actuarial (Gains) or Losses arising on changes in financial assumptions	(2,391)
(149)	Other Actuarial (Gains) or Losses	(241)
21	Past Service Cost	0
(580)	Benefits Paid	(653)
0	Liabilities Extinguished on Settlements	0
23,887	Closing Balance at 31 March	22,619

41.6 Local Government Pension Scheme Assets Comprised

31 March 2015 £000's		31 March 2016 £000's
200	Cash & Cash Equivalents	199
0	Equity Instruments: Other	0
504	Private Equity:	503
0	Real Estate: UK Property	0
	Investment Fund & Unit Trusts:	
4,299	Equities	4,288
3,976	Bonds	3,965
1,129	Hedge Funds	1,126
0	Commodities	0
498	Infrastructure	496
966	Other	964
11,572	Total Investment Fund & Unit Trusts:	11,541
2,769	Derivatives: Inflation	2,761
14,341		14,302

41.7 Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc.

The Local Government Pension Scheme has been estimated by Hymans Robertson, an independent firm of actuaries. They are based on the latest full valuation of the scheme as at 31 March 2014.

The significant assumptions used by the actuary have been:

31 March 2015		31 March 2016
Investment Returns		
7.3%	Investment Returns	(2.7%)
Mortality Assumptions:		
Longevity at 65 for Current Pensioners:		
22.2	Men	22.2
24.4	Women	24.4
Longevity at 65 for Future Pensioners:		
24.4	Men	24.4
26.8	Women	26.8
Rates:		
4.3%	Rate of Increase in Salaries	4.2%
2.4%	Rate of Increase in Pensions	2.2%
3.2%	Rate for Discounting Scheme Liabilities	3.5%

41.8 Sensitivity Analysis

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in note 38.7 above. The sensitivity analyses below have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all the other assumptions remain constant. The assumptions in longevity, for example, assume that life expectancy increases or decreases for men and women. In practice, this is unlikely to occur, and changes in some of the assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies for the scheme, i.e. on an actuarial basis using the projected unit credit method. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in the previous period.

31 March 2015			31 March 2016	
Impact on the Defined Benefit Obligation in the Scheme			Impact on the Defined Benefit Obligation in the Scheme	
Approximate % Increase to Employer Liability	Approximate Monetary Amount £000's		Approximate % Increase to Employer Liability	Approximate Monetary Amount £000's
11%	2,662	0.5% decrease in the Real Discount Rate	11%	2,564
3%	717	1 Year increase in member life expectancy	3%	679
4%	1,018	0.5% increase in the Salary Increase Rate	4%	853
7%	1,571	0.5% increase in the Pension Increase Rate	7%	1,663

41.9 Impact on the Authority's Cash Flows

The objectives of the scheme are to keep employers' contributions at as constant a rate as possible. The Council has agreed a strategy with the scheme's actuary to achieve a funding level of 100% over the next 20 years. Funding levels are monitored on an annual basis. The next triennial valuation is due to be completed on the 31 March 2016.

The scheme will need to take account of the national changes to the scheme under the Public Pensions Services Act 2013. Under the act, the Local Government Pension Scheme in England and Wales and other main existing public service schemes may not provide benefits in relation to service after 31 March 2014 (or service after 31 March 2015 for other main existing public service pension schemes in England and Wales). The Act provides for scheme regulations to be made within a common framework, to establish new career average revalued earnings schemes to pay pensions and other benefits.

The Council anticipates paying £812,000 contributions to the scheme in 2016/17.

The weighted average duration of the defined benefit obligation for scheme members is 19.5 years.

Note 42 Isles of Scilly Fire-fighter's Pension Fund

The operation of the Fire-fighter's Pension Scheme in England is controlled by the Fire-fighter's Pension Scheme (Amendment) (England) order 2006.

The Authority, acting as a Fire and Rescue Authority, administers and pays pensions. The fund itself is administered by Cornwall Council. Employee contributions and a new employer's contribution are paid into the pension fund from which pension payments are then made. The fund is topped up by Government grant if the contributions are insufficient to meet the cost of pension payments, while any surplus in the fund is recouped by the Government.

No payments to members of the pension scheme are yet due.

Employees' and employer's contribution levels are based on percentages of pensionable pay which is set nationally by the Department of Communities and Local Government (DCLG) and subject to triennial revaluation by the Government Actuary's Department.

As the scheme is unfunded, the Fire-fighter's Pension Scheme has no investment assets. The net assets statement does not include liabilities to pay pensions and other benefits after the Balance Sheet date.

Accounting Policies

1. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting issued by the Chartered Institute of Public Finance and Accountancy (CIPFA), and with guidance notes issued by CIPFA on the application of accounting standards to Local Authorities. They do not take account of liabilities to pay pensions and other benefits in the future.

2. Income and expenditure have been accounted for on an accruals basis for contributions and benefits payable.

2014/2015 £000's		2015/ 2016 £000's
	Within Cost of Services:	
26	Current Service Cost	46
	Past Service Cost (including curtailments)	55
	Financing and Investment Income and Expenditure:	
13	Interest Costs	14
39	Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	115
	Other Post Employment Benefits Charged to the CIES:	
76	Actuarial (Gains) or Losses	(101)
115	Total Post Employment Benefit Charged to the Surplus or Deficit on the CIES	14

2014/2015 £000's		2015/ 2016 £000's
	Movement In Reserves Statement	
(39)	Reversal of Net Changes made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the code	(115)
	Actual amounts charged against the General Fund Balance for Pensions in the Year:	
(8)	Employer's Contributions Payable	4
(47)		(111)

The cumulative amount of actuarial gains and losses recognised in the Comprehensive Income and Expenditure Statement is a loss of £10,000 (2014/15 Loss of £123,000).

42.1 Liabilities in Relation to Post employment benefits

The underlying liabilities for retirement benefits attributable to the Authority as at 31 March are as follows:

2014/2015 £000's		2015/ 2016 £000's
(409)	Estimated Liabilities in the Scheme	(419)
(409)	Net Liabilities	(419)

Reconciliation of present value of the scheme (plan) liabilities and assets:

2014/2015 £000's	2015/ 2016 £000's
285 Liabilities as at 1 April	409
26 Current Service Costs	46
0 Past Service Cost (including curtailments)	55
13 Interest Costs	14
8 Contributions by Scheme Members	(4)
76 Actuarial Losses/(Gains)	(101)
409 Liabilities as at 31 March	419

2014/2015 £000's	2015/ 2016 £000's
0 Assets as at 1 April	0
8 Contribution by Scheme Members	(4)
(8) Contribution by Employers	4
0 Actuarial Gains/(Losses)	0
0 Assets as at 31 March	0

42.2 Basis for Estimation Liabilities

Liabilities have been assessed on an actuarial basis using the unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels etc. The liabilities have been assessed by Hymans Robertson, an independent firm of actuaries. They are based on the latest full valuation of the scheme as at 31 March 2014.

The principal assumptions used by the actuary have been:

31 March 2015 % pa	31 March 2016 % pa
3.4 Price Increases (inflation)	3.2
3.5 Salary Increases	3.2
2.5 Pensions Increases	2.2
3.3 Discount Rate for Scheme Liabilities	3.6
Mortality Assumptions Years	
29.5 Current Pensioners: Male	29.7
31.7 Current Pensioners: Female	31.6
31.1 Future Pensioners: Male	31.2
33.2 Future Pensioners: Female	33.2

It is assumed that 90% of future retirees elect to exchange pension for additional tax free cash up to HMRC limits.

42.3 Scheme History

	31 March 2016 £000's	31 March 2015 £000's	31 March 2014 £000's	31 March 2013 £000's	31 March 2012 £000's
Present Value of Liabilities	(419)	(409)	(284)	(213)	(135)
Actuarial Gain/(Loss) in Pension Fund	(419)	(409)	(284)	(213)	(135)

The liabilities show the underlying commitments that the authority has in the long term to pay retirement benefits.

The total contributions expected to be made to the Scheme by the Authority in the year to 31 March 2016 is £51,000.

42.4 Sensitivity of Estimates

The costs of pension arrangements require estimates regarding future experience. The financial assumptions used for reporting under Accounting Standards are the responsibility of the Directors of the Employer. These assumptions are largely prescribed at any point and reflect market conditions at the reporting date. Changes in market conditions that result in changes in the net discount rate (essentially the difference between the discount rate and the assumed rates of increase of salaries, deferred pension revaluation or pensions in payment) can have a significant effect on the value of the liabilities reported.

A reduction in the net discount rate will increase the assessed value of liabilities as a higher value is placed on benefits paid in the future. A rise in the net discount rate will have the opposite effect of similar magnitude.

There is also uncertainty around life expectancy of the UK population. The value of current and future pension benefits will depend on how long they are assumed to be in payment. The disclosures have been prepared using longevity assumptions resulting in average life expectancies at age 65 as shown in paragraph 42.2 above.

The sensitivities regarding the principal assumptions used to measure the scheme liabilities are set out below:

31 March 2015		Change in Assumptions at Year ended	31 March 2016	
Approximate % Increase to Employer Liability	Approximate Monetary Amount £000's		Approximate % Increase to Employer Liability	Approximate Monetary Amount £000's
20%	60	0.5% decrease in the Real Discount Rate	17%	70
3%	12	1 Year increase in member life expectancy	3%	13
10%	40	0.5% increase in the Salary Increase Rate	7%	28
9%	37	0.5% increase in the Pension Increase Rate (CPI)	9%	39

The sensitivities regarding the principal assumptions used to determine the impact on current service costs are set out below:

31 March 2015		Change in Assumptions at Year ended	31 March 2016	
Approximate % Increase to Employer Liability	Approximate Monetary Amount £000's		Approximate % Increase to Employer Liability	Approximate Monetary Amount £000's
25%	10	0.5% decrease in the Real Discount Rate	25%	9
3%	1	1 Year increase in member life expectancy	3%	1
12%	4	0.5% increase in the Salary Increase Rate	13%	5
11%	4	0.5% increase in the Pension Increase Rate (CPI)	11%	4

Note 43 Collection Fund

2014/15			2015/16		
NDR £000's	Council Tax £000's	Total £000's	NDR £000's	Council Tax £000's	Total £000's
Income					
0	(1,677)	(1,677)		(1,691)	(1,691)
(1,548)	0	(1,548)	(1,561)	-	(1,561)
(1,548)	(1,677)	(3,225)	(1,561)	(1,691)	(3,252)
Expenditure					
Distribution of previous year's surplus/(deficit)					
(86)	90	4	10	0	10
0	13	13	0	0	0
(86)	0	(86)	10	0	10
Council Tax Preceptors					
0	1,386	1,386	0	1,416	1,416
0	219	219	0	224	224
Business Rates Preceptors					
792	0	792	797	0	797
Charges to Collection Fund					
792	0	792	797	0	797
25	0	25	25	0	25
110	24	134	10	7	17
(12)	0	(12)	67	0	67
1,535	1,732	3,267	1,716	1,647	3,363
(13)	55	42	155	(44)	111
Share of Collection Fund (Surplus)/ Deficit					
(6)	48	42	78	(38)	40
-	7	7	-	(6)	(6)
(6)	-	(6)	78	-	78
(66) CIOS – Collection Fund Balance 1 April					(107)
(107) CIOS – Collection Fund Balance 31 March					(147)

43.1 Calculation of Net Council Tax

2014/2015 £000's		2015/ 2016 £000's
(1,824)	Council Tax – Gross Due	(1,856)
	Less	
107	Discounts	108
26	Exemptions	23
	Benefits	
14	Adj re Previous Years' Council Tax Due	34
(1,677)	Net Council Tax	(1,691)

43.2 Council Tax Base Relationship

Council Tax income derives from charges raised according to the value of residential properties which have been classified into eight valuation bands (based on 1 April 2003 values for this specific purpose). Charges are calculated by taking the amount of income required for the Authority and the Police Authority for the forthcoming year and dividing this amount by the Council Tax Base. The Council Tax Base is the number of properties in each band adjusted by a proportion to convert the number to a Band D equivalent, totalled across all bands and adjusted for discounts. See the table below.

All bands are linked proportionately to the Basic Band D. The amount for a Band D property in 2015/16 was £1,241.02 (£1,216.80 in 2014/15). This is multiplied by the proportion specified for the particular band to give the individual amount due.

Valuation Band	Range of Values	Link to Band D	Dwellings on Valuation List	Adjusted for Discounted Dwellings	Band D Equivalents
A	Up to £40,000	6/9	15	11.75	7.80
B	£40,001 to £52,000	7/9	35	32.00	24.90
C	£52,001 to £68,000	8/9	91	82.00	72.90
D	£68,001 to £88,000	9/9	260	234.25	234.30
E	£88,001 to £120,000	11/9	341	317.00	387.40
F	£120,001 to £160,000	13/9	304	282.25	407.70
G	£160,001 to £320,000	15/9	148	143.25	238.80
H	Over £320,000	18/9	10	9.75	19.50
	Total Band D Equivalents				1,393.3
	Adjustments for Collection Rate and Council Tax Support				(71.9)
					1,321.4

43.3 Precepting Bodies

The Collection Fund is required to meet, in full during the financial year, precepts and demands made on it by precepting Authorities and the billing Authority.

This Authority made precept payments to Devon and Cornwall Police Authority for 2015/16 of £223,938 (2014/15 - £219,182).

43.4 Business Rates

2014/2015 £000's		2015/ 2016 £000's
4,215	Total Non Domestic Rateable Value as at 31 March	4,225
	Multiplier Rates	
48.2p	Non Domestic	49.3p
47.1p	Small Business	48.0p

43.5 Calculation of Net Business Rates

2014/2015 £000's		2015/ 2016 £000's
(1,954)	Business Rates – Gross Due	(2,029)
	Less	
327	Mandatory Reliefs	391
68	Discretionary Reliefs	77
11	Transitional Protection Payments	0
(1,548)	Net Business Rate	(1,561)

Auditor's Report and Opinion

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE COUNCIL OF THE ISLES OF SCILLY

This page is intentionally blank

Glossary of Terms

The definitions within the glossary are designed to provide the user with an understanding of the technical terminology contained within the Statement of Accounts.

TERM	DEFINITION
Accounting Policies	These are the policies and codes of practice adopted when preparing the Statement of Accounts.
Accrual	A balance included to ensure that income or expenditure attributable to the financial year for goods or services supplied and received or work done in the year but for which payment was not made by the year end.
Actuarial Gain or Loss	The change in actuarial deficits or surpluses that arise because either the actual events during the year have not coincided with the actuarial assumptions made at the last valuation, or because the actuarial assumptions have changed.
Actuarial Valuation	A valuation of assets within the pension fund carried out by an actuary (an independent pension valuation specialist).
Asset	Any item of economic value, especially that which could be converted to cash. Examples are cash, accounts receivable, inventory, office equipment, property, plant and equipment. On the balance sheet, assets are equal to the sum of liabilities.
Balance Sheet	This statement shows the financial position of the Authority as at the end of the financial year.
Budget	A statement of the Authority's financial plans for a specific period of time prepared in line with the approved service plans and MTFs for the Authority in advance of the financial year.
Capital Adjustment Account	The Account accumulates (on the debit side) the write-down of the historical cost of fixed assets as they are consumed by depreciation and impairments or written off on disposal. It accumulates (on the credit side) the resources that have been set aside to finance capital expenditure. The balance on the account represents timing differences between the amount of the historical cost of fixed assets that have been consumed and the amount that has been financed in accordance with statutory requirements.
Capital Expenditure	Expenditure on new assets or on the enhancement of existing assets which extends their useful life or increases their market value.
Capital Financing Requirement (CFR)	This is the amount of Capital Expenditure financed by external debt and not by Capital Receipts, Revenue Contributions, Capital Grants or Third Party Contributions at the time of spending. It measures the Authority's underlying need to borrow for a capital purpose.
Capital Grant	Grant received for the purpose of funding Capital Expenditure.
Capital Grants Unapplied	Capital Grants that have not been spent during the financial year.
Capital Receipts	Proceeds exceeding £10,000 from the sale of an asset for which the use is restricted to either funding new Capital Expenditure or

TERM	DEFINITION
	to repaying loan debt.
Chartered Institute of Public Finance and Accountancy (CIPFA)	The professional body for accountancy within the public sector.
Code of Practice (Code)	This is the guidance issued by CIPFA on the application of the International Financial Reporting Standards (IFRS) for the public sector.
Collection Fund	A fund administered by the Council recording receipts from Council Tax and payments to the General Fund and other public authorities. It also records the retained share of non-domestic rates.
Comprehensive Income and Expenditure Statement (CIES)	This statement shows the financial performance of the Authority during the financial year. It details the surplus or deficit on the provision of service and includes details of the unrealised gains and losses (e.g. revaluations) for the Authority.
Corporate & Democratic Core	The costs associated with corporate policy making and Member based activities, together with costs relating to corporate management, public accountability and treasury management.
Creditor	An amount owed by the Authority for goods or services received before the end of the financial year for which the payment had not been made at the date of the Balance Sheet.
Current Service Cost (Pensions)	This is a measure of the increase in the present value of pension liabilities generated in the financial year by employees. It is an estimate of the true economic cost of employing people in the financial year, earning service that will eventually entitle them to the receipt of a lump sum and/or pension when they retire.
Debtor	An amount owed to the Authority at the Balance Sheet date for goods or services provided prior to the year end.
Deficit	Where the balance of expenditure exceeds the balance of income.
Depreciation	The measure of the consumption or other reduction in the useful economic life of a non-current asset.
Earmarked Reserves	Reserves representing monies set aside that can only be used for their stated specific "earmarked" services.
Emoluments	All taxable sums paid to or received by an employee including the value of any non cash benefits received.
External Audit	An independent examination of the activities and accounts of the Council to ensure that the accounts have been prepared in accordance with legislative requirements and proper practices.
Expenditure	Amounts paid by the Authority for goods or services received of either a capital or revenue nature.
Fair Value	Definition of fair value depends on the circumstances under which it has to be applied, but is broadly the amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties in an arm's length transaction.
Finance Lease	A lease whereby the risks and rewards of ownership are transferred to the lessee.
Financial Reporting Standard (FRS)	The standards by which the preparation and presentation of the Statement of Accounts has historically been governed within the

TERM	DEFINITION
	UK.
Financial Year	The year covered by the financial statements. The Authority's financial year commences 1 April and finishes 31 March the following year.
Financial Instruments	Any document with monetary value. Examples include cash and cash equivalents, but also securities such as bonds and stocks which have value and may be traded in exchange for money.
General Fund (GF)	This reserve is to provide for unexpected expenditure that cannot be managed within existing budgets, it is not earmarked or restricted and can be used at the discretion of the Members.
Heritage Asset	A tangible asset with historical, artistic, scientific, technological, geophysical or environmental qualities that is held and maintained -principally for its contribution to knowledge and culture.
Housing Revenue Account (HRA)	This is a statutory account recording the revenue expenditure and income relating to the Authority's housing stock.
Impairment	A reduction in the value of a non-current asset arising from damage, obsolescence or a reduction to the useful economic life, but not arising as a result of a formal revaluation.
Income	Amounts due to the Authority for goods or services supplied of either a capital or a revenue nature.
IAS	International Accounting Standards.
International Financial Reporting Standard (IFRS)	The international standards by which the preparation and presentation of the Statement of Accounts is now governed. These are developed by the International Accounting Standards Board (IASB).
Liability	A debt or obligation that the organisation must pay. Liabilities are recorded on the balance sheet and can include accounts payable, taxes, wages, accrued expenses, and deferred revenues.
Medium Term Financial Strategy (MTFS)	The MTFS sets out the overall shape of the Authority's budget by establishing how the available resources will be allocated against the Strategic priorities established in the Sustainable Community Strategy over the coming 3 year period.
Minimum Revenue Provision (MRP)	The amount which the Authority charges to revenue on an annual basis as a provision for the redemption of debt.
Movement in Reserves Statement (MiRS)	This statement details the movements in the reserve balances.
Net Book Value	The value at which non-current assets are included in the balance sheet after the consideration of impairment, revaluation, enhancements, depreciation etc.
Non-Current Assets	Assets which are of a physical nature owned by the Authority such as land, buildings, vehicles etc.
Operating Lease	A lease which is not a Finance Lease.
Operational Assets	Non-current assets held/used by the Authority in the direct delivery of services for which it has a statutory responsibility.
Past Service Cost (Pensions)	These costs represent the increase in liabilities arising in the current year on retirement benefits where the years of service were earned in earlier years.

TERM	DEFINITION
Present Value	The discounted value of future payments or receipts to show their value if they were to be received as at the balance sheet date.
Professional, Technical and Administration (PT&A)	These are the costs arising from the central administration, technical and professional services within the Authority which support all of the activities carried out and do not arise solely from the provision of one service area.
Public Works Loan Board (PWLB)	A Government Agency that provides loans to Local Authorities.
Remuneration	Reward for employment in the form of pay, salary or wage, including allowances, benefits, bonuses, cash incentives and monetary value of non-cash incentives.
Revaluation Reserve	The Reserve records the accumulated gains on the fixed assets held by the Authority arising from increases in value as a result of inflation or other factors (to the extent that these gains have not been consumed by subsequent downward movements in value).
Revenue Expenditure	The day to day running costs incurred by the Authority in providing services.
Revenue Financing	Resources provided from the Authority's revenue budget to finance the cost of Capital Expenditure.
Statement of Recommended Practice (SORP)	This is the guidance issued by CIPFA on the application of the FRS for the public sector.
Surplus	Where the balance of income exceeds the balance of expenditure.
Trust	A savings account established under a trust agreement whereby a trustee administers the funds for the benefit of one or more beneficiaries.
Unusable Reserves	These are reserves resulting from the interaction of legislation and proper accounting practices. These reserves are not resource backed and cannot be used for any other purpose.
Usable Reserves	These are held as a working balance for a specific future purpose.
Yield	Income earned from an investment.