
Unaudited Statement of Accounts

2018-19



Council of the
ISLES OF SCILLY



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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 2019. This Statement of Accounts has been prepared in accordance with the requirements of the Code of Practice on Local Council Accounting in the United Kingdom 2018/19 (The Code). The 2018/19 Code is based on International Financial Reporting Standards (IFRS) for public sector accounting in the United Kingdom. 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 Council.

As a unitary Council 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 report 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 2018/19 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 2019 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 Council 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 Council 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 Council 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.

Forward by the Section 151 Officer

The 2018/19 financial year has seen further progress in the improvement of the Council's financial control environment and its financial sustainability. The strategic collaboration agreement with Cornwall Council has further developed and financial performance information is now routinely reported to Council. The additional capacity within the finance function has assisted in embedding the improvements and has helped make significant improvements in the production of the Statement of Accounts for the financial year 2018/19. The statement of accounts was submitted to the Council's auditors within the May statutory deadline and approximately two months earlier than for 2017/18.

The Council's financial information is now fully managed through the Cornwall Council Enterprise Resource Planning (ERP) platform. This assisted in the earlier production of the 2018/19 accounts with a significant improvement to the supporting data quality.

The Council also now has a Medium Term Financial Plan (MTFP – more below) which identifies the resources available and the action required to ensure spending is delivered within these resources.

The Council partly addressed its underlying need to borrow long term at the end of the year, taking out borrowing of £1.250m against an underlying need to borrow of c£5m. Any further borrowing will be assessed against market conditions at the time and in line with the Council's approved treasury management strategy.

It is clear that the Council is moving in the right direction in terms of managing its finances although there is still work required to get the financial management to the level that is required and expected.

The 2018/19 Budget and Outturn

The Council's budget for 2018/19 was set in February 2018 at £4.971m. This resulted in a council tax requirement of £1.643m leading to an increase of 2.99% plus a further 3% ringfenced for Adult Social Care; an overall increase of 5.99% equating to a band D charge of £1,239.98 which remained the lowest of Councils in the South West. The 2018/19 budget represented a further step in improving the Council's financial position by continuing to address the structural deficit within the budget.

Going in to the 2018/19 financial year the General Fund Reserve had a balance of £0.802m which was beneath the target level of £1.000m. Following the production of the 2018/19 accounts the General Fund balance has increased to £1.970m. This increase has been achieved by a combination of transferring in usable reserves, the original purpose for which they were created no longer exists; - balances of grant-funding where the scheme has already been financed through other means; and an in-year underspend of £0.055m. Therefore whilst the General Fund Reserve is in a much healthier position than in previous years, the Council's outturn spend was close to budget.

The Council has highlighted the following material items in its accounts for 2019/20, which is shown separately on the face of the Comprehensive Income and Expenditure Statement (CIES) as follows:

- Exceptional Transfer of academy school assets £11.785
- Exceptional Revaluation of Porthmellon Waste Strategy Area £3.396m

The overall outturn position for the Council's revenue budget for 2018/19 was a net underspend of £0.055m against the Council's revised budget. The main reasons for the £0.055m underspend are as follows:

Chief Executive Officer's Office

Net overspend of £0.196m largely due to the costs of the exit package of the previous Chief Executive.

Services to Our Community

Net underspend of £0.124m with £0.055m due over-budgeted special educational needs grant payments along with £0.040m underspend on Early Year grants and £0.015m due to vacancy management.

Strategic Development and Finance

Net underspend of £0.256m due to £0.030m vacancy management in Environmental Health, an overspend of £0.039m in Housing and Homelessness (£0.026m additional spend on condition surveys and £0.013m maintenance costs). A £0.026m underspend on Learning and Library due to costs now included within the Cornwall Council agreement. A £0.030m overspend on Inshore Fisheries and Conservation Authority of which £0.15m was due to non-receipt of grant funding and the remainder on increased general costs. A £0.059m underspend on Capital and Procurement due to vacancy management. An underspend on Support Services of £0.063m mainly due to over-accrued expenditure in 2017/18. Active Scilly underspent by £0.147m due to staffing movements and additional grant funding.

Infrastructure and Planning

An overall net overspend of £0.430m due to an underspend on Fire and Rescue of £0.111m which was due to an underspend of £0.047m on staffing (vacancy management) and an over-accrual of £0.042m in the 2017/18 accounts. £0.325m is showing as an overspend on Water and Sewerage. However, this is as a result of changing how the budget is displayed and is effectively offset by overall movements in reserves and the overall General Fund outturn. Waste and Recycling overspent by £0.190m due to £0.066m legal costs associated with Porthmellon waste infrastructure, along with increased freight haulage and waste disposal costs of £0.117m.

Funding and Reserve Movements

The overall net variance was a £0.300m underspend due to increased grant funding and the change in the treatment of Water and Sewerage set out above.

Capital Programme

The outturn spend of the Council's capital programme was £1.235m. Approximately 44% of this was funded from borrowing 29% from external grants and 25% from reserves. The main areas of spend and the funding are set out below.

Total capital expenditure in 2018/19:

Schemes	2018/19 Expenditure £m
Fire Engine	0.248
Waste Transfer Station	0.200
Early Years Provision at Carn Gwarval	0.383
Housing Improvements/Energy Efficiency	0.195
Other Capital Expenditure	0.209
Total Capital Expenditure	1.235

Capital expenditure in 2018/19 of £1.235m was financed as follows:

Financing	2018/19 Financing £m
Revenue	0.011
Grant	0.355
Reserves	0.309
Capital Receipts	0.015
Borrowing	0.545
Total Capital Financing	1.235

The original capital programme agreed by the Council as part of the 2018/19 budget setting process totalled £2.217m. The outturn position of £1.235m represents an underspend against the original programme of £0.982m.

Within the capital programme schemes can underspend, change the profile of their expenditure between years or not go ahead. The main reasons for the overall “underspend” are:

- £0.468m of educational grants will be rolled forward in to future years
- £0.094m in respect of the Business Energy Efficiency Scheme will be rolled forward and will commence in 2019/20
- £0.120m in respect of refurbishing the Old Town Bio-bubble will be rolled forward to future years
- £0.200m in respect of Flood and Coastal Erosion Risk Management will be rolled forward in to future years

Reserves

The Council has a General Fund balance of £1.970m. This is about 40% of the net revenue budget, or put another way, is equivalent to just under 5 month’s net expenditure.

The General Fund is included within Useable Reserves. A schedule of the resources held by the Council at 31 March 2019, 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	31/3/19
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.	£1.970m
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 10.	£1.189m
Capital Receipts Reserve	Proceeds from past asset sales held for recycling into future capital expenditure	£0.792m
Capital Grants Reserve	These are capital grants which have been received by the Council, but which have not yet been allocated/ spent on capital projects. As there are no conditions attached to the grants, the Council can determine how to spend them.	£0.804m

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 continues to work 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 continues around Brexit, and the Isles of Scilly Council is working to provide services against falling revenue support from Government. 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.

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. Note 14 shows these 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

In previous years Water and Sewage and the Airport were treated as Trading Accounts, resulting in them being shown in the Comprehensive Income and Expenditure Statement under Financing and investment income and expenditure. However, following a review of the definition of Trading Accounts within the Code, these have been reclassified as normal services within Infrastructure and Planning under Cost of Services.

Isles of Scilly Education Grant and the Five Islands School

Note 33 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 Council exclusively for future education spending. At the year end, £0.082m was available for future education expenditure. The Five Islands School converted to Academy Status on the 31st December 2018.

Pension Liabilities

Note 39 covers the Council's Pension Fund and Firefighters' Pension Fund, which are administered by Cornwall Council. The balance sheet shows a £14.291m liability (£0.846m of this is for Fire) which is effectively the Council's liability to the Local Government Pension Scheme. These liabilities have increased in 2018/19 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 40.

Looking Ahead - The Council's Corporate Plan and Medium Term Financial Plan

The Council's Corporate Plan was refreshed in 2019 with the Council's aim:

"To work in partnership to create opportunities for all, care for our community and sustain a diverse and skilled economy in harmony with our beautiful landscape."

Productive	Delivering efficient, responsive high quality services that meet the needs of our community; showing initiative, drive and determination and taking accountability for our actions and decisions
Ambitious	Challenging ourselves to be the best we can, taking pride in our islands, our residents, our staff and our services and working as a team to secure the best future for the islands and generations to come.
Collaborative	Acting with integrity and transparency, providing local leadership, engaging and designing services with our community, working jointly with partners, fostering mutual respect, healthy debate and resolving issues together.
Enterprising	Making best use of resources, co-producing new and innovative services, enabling and supporting local businesses, developing confidence in making balanced and considered decisions and risks.

The Council's objectives in its Corporate Plan are focussed on:

- **PLACE:** Creating a vibrant and sustainable place for now and future generations
- **PEOPLE:** Building a strong living community
- **GROWTH:** Promoting a prosperous, inclusive and sustainable economy
- **OUR COUNCIL:** Organised to deliver

Beneath these objectives there are details of what the Council aims to do and how it will know whether it has achieved them. The Plan was approved by the Council at its meeting of 5th March and the Corporate Plan is published as part of that meeting's agenda.

The Council approved its Medium Term Financial Plan (MTFP) at the same time as its Corporate Plan. The MTFP sets out the Council's financial plan for the period 2019 – 2022 to support its Corporate Plan. The MTFP contains assumptions around the Council's potential resources over the period, its forecast spending requirements and how it will bridge the gap between the two.

The Council's forecast resources for the period of the MTFP are as follows:

	2018/19	2019/20	2020/21	2021/22
	£	£	£	£
Council Tax	1,643,345	1,681,888	1,736,511	1,792,909
Business Rates (Incl S31 grants & Top up)	1,501,000	1,530,361	1,560,968	1,592,188
Business Rates Collection fund Deficit	(170,000)	0	0	0
Revenue Support Grant	1,820,266	1,773,672	1,775,000	1,775,000
Other Minor Grants	2,647	3,447	3,400	3,400
Total Resources	4,797,258	4,989,368	5,075,879	5,163,497

The assumptions above include increases in council tax of 2.99% for the years 19/20 – 2021/22.

The Council has recognised that it previously had a structural deficit within its revenue budget. This has led to some significant in-year savings required with the aim of achieving a balanced position. 2018/19 was the first year which saw the Council living within its means. However, ongoing unfunded budget pressures would mean the Council would continue to need to identify savings in order to achieve a balance budget. Budget pressures and growth over the period are set out below:

	2019/20	2020/21	2021/22
	£	£	£
Inflation			
Pay	106,903	109,141	111,084
Supplies & Services	185,679	115,267	136,369
Income	(198,856)	(128,405)	(150,619)
Total Inflation	93,726	96,003	96,833
Undelivered Savings from 2018/19			
Energy Contract Savings	20,000		
Reduce Opening Hours of Waste Sites	18,000		
Amalgamate Waste Management & Maint & Repairs	10,000		
Fire Crewing Savings	15,000		
Total Undelivered Savings	63,000	0	0
Other Pressures			
Capital Charges	37,791	26,460	25,205
Sport Hall Income Reduction	18,000		
Pension Lump Sum	24,000	24,000	24,000
Pay - Minimum Living Wage & Increments	75,000		
Member Allowance	15,000		
Additional costs of Air Traffic Control	50,000		
Waste Operatives - Enhanced skill recognition	10,000		
Waste Operatives - Increased Waste Training & Development	10,000		
Total Other Pressures	239,791	50,460	49,205
Total all Pressures & Growth	396,517	146,463	146,038

When the above growth and pressures are combined with the previous structural deficit the gap between resources and planned spending is as follows:

- 2019/20 £483,607
- 2020/21 £ 59,951
- 2021/22 £ 58,422

In order to bridge the gaps above the following savings have been incorporated in to the MTFP:

	2019/20	2020/21	2021/22
	£	£	£
Service Spending Savings			
Adult Services - Supplies & Services Park House	10,000		
Children Services - 3/4 year support (reduction in population) & reduction in school Improvement activity	70,000		
Children Services - Existing underspend continuing	40,000		
Childrens Services - Directly employ Local Cover resources	15,000		
Childrens Boating - Sports England Support for after school clubs	10,000		
Reduction in Staffing in Emergency Planning		12,000	
Capital Development - Minor reduction in budget	8,607		
Airport - Income above CPI	85,000		
Active Scilly - Current underspend of £130k - remove from budget but phase over 3 years	130,000		
Total Savings in Service Spending	368,607	12,000	0
Savings in Reserve Movements			
Childrens Services - Contribution from Childrens reserve for high value placement for 3 years	30,000		
Handy Person support - currently being provided but use Reserve funding to suppliment over next 3 years	5,000		
Water Services - Cease annual transfer to Reserves	30,000		
Housing Services - Reduce annual transfer to Housing Reserve by £100k phased in over 3 years	50,000	27,951	32,049
Airport - Reduce Annual Airport Reserve Transfer in year 3		20,000	26,373
Total Savings in Reserve Movement changes	115,000	47,951	58,422
Overall Total Proposed Savings	483,607	59,951	58,422

The summary budget position for the term of the MTFP is as follows:

	2019/20	2020/21	2021/22
	£	£	£
Service Budgets brought Forward	4,772,227	4,800,137	4,934,600
Inflation	93,726	96,003	96,833
Non Delivery of previous year savings	63,000	0	0
Other Pressures and Growth	239,791	50,460	49,205
Service Savings Plan	(368,607)	(12,000)	0
Service Budget Requirements	4,800,137	4,934,600	5,080,638
Specific Projects Expenditure	792,366	574,288	162,285
Specific Projects Income	(692,366)	(574,288)	(162,285)
Transfer to/(from) General Fund Reserve	0	0	0
Transfer to/(from) Specific Reserves	89,231	141,280	82,858
Total Net Budget	4,989,368	5,075,880	5,163,496
Funded by:			
Council tax	1,681,888	1,736,512	1,792,908
Business Rates	1,530,361	1,560,968	1,592,188
Government Grants	1,777,119	1,778,400	1,778,400
Total Resources	4,989,368	5,075,880	5,163,496

Brexit

The Council participates in the Cornwall and Isles of Scilly Futures Group which is formed of 50 leaders of key organisations across the County. The group is focussed on identifying the community priorities in the run up to Brexit and making the most of the opportunities that the UK's departure from the European Union (EU) holds. A Brexit summit held in April included a series of workshops looking at proposals to mitigate risks and grasp opportunities with a focus on three themes of "People", "Place" and "Prosperity". The Council recognises that, as a recipient of significant grant income including monies from the EU, there are risks associated with Brexit. These risks will feed into the Council's corporate and financial planning processes for 2019/20 and beyond.

Core Statements

Comprehensive Income and Expenditure Statement

The Comprehensive Income and Expenditure Statement (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. 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 (MiRS).

	2018/19			Restated 2017/18		
	Expenditure £m	Income £m	Net £m	Expenditure £m	Income £m	Net £m
CEO Office*	0.916	(0.057)	0.859	0.715	(0.096)	0.619
Services to our Community	5.686	(3.468)	2.218	5.121	(4.236)	0.885
Strategic Development and Finance*	3.614	(2.197)	1.417	3.430	(1.577)	1.853
Infrastructure and Planning^~	5.478	(2.778)	2.700	5.820	(2.676)	3.144
~Exceptional Revaluation Downward on Waste Site	3.396	-	3.396	-	-	-
Cost of services	19.090	(8.500)	10.590	15.086	(8.585)	6.501
Exceptional Transfer of academy school assets			10.111			-
Other operating expenditure			(0.102)			(0.013)
Financing and investment income and expenditure^			0.323			0.314
Exceptional grant receipt for Financial Management and Strategy			-			(1.156)
Taxation and non-specific grant income			(5.562)			(5.264)
(Surplus) or deficit on provision of services			15.360			0.382
(Surplus) or deficit on revaluation of property, plant and equipment			(0.167)			(1.526)
Remeasurements of the net defined benefit liability / (asset)			1.740			(0.720)
Other recognised (gains) and losses						-
Other comprehensive income and expenditure			1.573			(2.246)
Total comprehensive income and expenditure			16.933			(1.864)

* Active Scilly moved from CEO Office to Strategic Development and Finance

^ Airport & Water & Sewerage moved from Financing and investment income and expenditure to Infrastructure and Planning, due to change of accounting treatment from Trading Services to Cost of services.

Movement in Reserves Statement

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

Movement in Reserves Statement

	Note	General Fund Balance £m	Earmarked General Fund Reserves £m	Total General Fund Reserves £m	Capital Receipts Reserve £m	Capital Grants Reserve £m	Total Usable Reserves £m	Unusable Reserves £m	Total Council Reserves £m
Balance at 31 March 2017 carried forward		(0.999)	(2.991)	(3.990)	(0.296)	(0.973)	(5.259)	(32.729)	(37.988)
Movement in reserves during 2017/18									
Total Comprehensive Income and Expenditure		0.382	-	0.382	-	-	0.382	(2.246)	(1.864)
Adjustments between accounting basis and funding basis under regulations	9	(0.195)	-	(0.195)	(0.181)	(0.149)	(0.525)	0.525	-
Transfers (to)/from Earmarked Reserves	10	0.010	(0.010)	-	-	-	-	-	-
(Increase)/Decrease in 2017/18		0.197	(0.010)	0.187	(0.181)	(0.149)	(0.143)	(1.721)	(1.864)
Balance at 31 March 2018 carried forward		(0.802)	(3.001)	(3.803)	(0.477)	(1.122)	(5.402)	(34.450)	(39.852)
Movement in reserves during 2018/19									
Total Comprehensive Income and Expenditure		15.360	-	15.360	-	-	15.360	1.573	16.933
Adjustments between accounting basis and funding basis under regulations	9	(14.716)	-	(14.716)	(0.315)	0.318	(14.713)	14.713	-
Transfers (to)/from Earmarked Reserves	10	(1.812)	1.812	-	-	-	-	-	-
(Increase)/Decrease in Year		(1.168)	1.812	0.644	(0.315)	0.318	0.647	16.286	16.933
Balance at 31 March 2019 carried forward		(1.970)	(1.189)	(3.159)	(0.792)	(0.804)	(4.755)	(18.164)	(22.919)

Balance Sheet

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

Balance Sheet	31 March 2019	31 March 2018	Notes
	£m	£m	
Property, Plant and Equipment	37.992	51.800	14
Heritage Assets	0.117	0.117	15
Intangible Assets	0.042	0.056	
Long Term Debtors	0.114	0.123	19
Long Term Assets	38.265	52.096	
Cash and Cash Equivalents	1.604	2.377	20
Inventories	0.110	0.112	18
Short Term Debtors	1.898	1.491	19
Current Assets	3.612	3.980	
Short Term Borrowing	(0.136)	(0.031)	16
Short Term Creditors	(2.220)	(2.560)	21
Grants Receipts in Advance - Revenue	(0.165)	(0.203)	34
Current Liabilities	(2.521)	(2.794)	
Provisions	(0.189)	(0.172)	22
Long Term Borrowing	(1.129)	(0.015)	16
Pension Liability	(14.291)	(12.081)	39
Grants Receipts in Advance - Capital	(0.828)	(1.162)	34
Long Term Liabilities	(16.437)	(13.430)	
Net Assets	22.919	39.852	
Usable Reserves			
General Fund Balance	(1.970)	(0.802)	24
Other Usable Reserves	(2.785)	(4.600)	24
Unusable Reserves	(18.164)	(34.450)	25
Total Reserves	(22.919)	(39.852)	

Released to Auditors, 30th May 2019

Cash Flow Statement

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

	2018/19 £m	2017/18 £m	Notes
Net (surplus) or deficit on the provision of services	15.360	0.382	
Adjustments to net (surplus) or deficit on the provision of services for non-cash movements	(14.820)	(2.965)	26
Adjustments for items included in the net (surplus) or deficit on the provision of services that are investing and financing activities	0.664	0.262	26
Net cash flows from operating activities	1.204	(2.321)	
Investing activities	0.972	0.863	27
Financing activities	(1.403)	1.914	28
Net (increase) or decrease in cash and cash equivalents	0.773	0.456	
Cash and cash equivalents at the beginning of the reporting period	2.377	2.833	
Cash and cash equivalents at the end of the reporting period	1.604	2.377	

Notes to the Accounts

Note 1 Accounting Policies

1.1 General Principles

The Statement of Accounts summarises the Council's transactions for the 2018/19 financial year and its position at the year end of 31 March 2019. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015 which require them to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Council Accounting in the United Kingdom 2018/19 (The Code) and 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 Council 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 contracts with service recipients, whether for service or the provision of goods, is recognised when (or as) the goods or services are transferred to the service recipient in accordance with the performance obligations in the contract;
- 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 CIES or in the notes to the accounts, depending on how significant the items are to an understanding of the Council'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 Council'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 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 Council 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 Council is required to make an annual contribution from revenue Minimum Revenue Provision (MRP) towards the reduction in its overall borrowing requirement equal to an amount calculated on a prudent basis determined by the Council in accordance with statutory guidance. Depreciation, revaluation and impairment losses and amortisations are therefore replaced by the MRP contribution in the General Fund Balance by way of an adjusting transaction with the Capital Adjustment Account shown in the MiRS 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 Council. 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 MiRS 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 Council 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 relevant service line in the CIES when the Council 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 Council to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the MiRS, 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 Council are members of three separate pension schemes:

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

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

However, the arrangements for the teachers' scheme mean that liabilities for these benefits cannot ordinarily be identified specifically to the Council. 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 Services to Our Community line in the CIES 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, this ceased on 31st December 2018 when the school converted to Academy Status.

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 Council are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates and projections of anticipated earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate of 2.7% as recommended by the Council's actuaries.

The assets of Cornwall Pension Fund attributable to the Council 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 CIES 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 relevant service line in the costs of services in the CIES.
- 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 CIES.
- Expected return on assets – the annual investment return on the fund assets attributable to the Council, based on an average of the expected long-term return credited to the Financing and Investment Income and Expenditure line in the CIES.
- Gains or losses on settlements and curtailments – the result of actions to relieve the Council of liabilities or events that reduce the expected future service or accrual of benefits of employees – debited or credited to the relevant service line in the cost of services in the CIES.
- 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 Council to the Pension Fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the MiRS 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 Council 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 Firefighters’ Pension Scheme

The accounts for the scheme are prepared in accordance with the Code of Practice on Local Council 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 Council 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 CIES 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 CIES 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 CIES 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 CIES 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 CIES, regulations allow the impact on the General Fund Balance to be spread over future years. The reconciliation of amounts charged to the CIES 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 MiRS.

1.15 Financial Instruments - Financial Assets

Financial instrument assets are classified into two types:

Financial assets are classified into three types:

- Amortised cost
- Fair value through profit or loss (FVLP), and
- Fair value through other comprehensive income (FVOCI)

Financial Assets Measured at Amortised Cost

Financial assets measured at amortised cost are recognised on the Balance Sheet when the Council 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 CIES for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the financial assets held by the authority, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the CIES is the amount receivable for the year in the loan agreement.

Interest is credited to the Financing and Investment Income and Expenditure line in the CIES 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 CIES 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 MiRS.

Any gains and losses that arise on the derecognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the CIES.

Expected Credit Loss Model

The Council recognises expected credit losses on all of its financial assets held at amortised cost, either on a 12-month or lifetime basis. The expected credit loss model also applies to lease receivables and contract assets. Only lifetime losses are recognised for trade receivables (debtors) held by the authority.

Impairment losses are calculated to reflect the expectation that the future cash flows might not take place because the borrower could default on their obligations. Credit risk plays a crucial part in assessing losses. Where risk has increased significantly since an instrument was initially recognised, losses are assessed on a lifetime basis. Where risk has not increased significantly or remains low, losses are assessed on the basis of 12-month expected losses.

Financial Assets Measured at Fair Value through Profit of Loss

Financial assets that are measured at FVPL are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Fair value gains and losses are recognised as they arrive in the Surplus or Deficit on the Provision of Services.

The fair value measurements of the financial assets are based on the following techniques:

- instruments with quoted market prices – the market price
- other instruments with fixed and determinable payments – discounted cash flow analysis.

The inputs to the measurement techniques are categorised in accordance with the following three levels:

- Level 1 inputs – quoted prices (unadjusted) in active markets for identical assets that the authority can access at the measurement date.
- Level 2 inputs – inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly.
- Level 3 inputs – unobservable inputs for the asset.

Any gains and losses that arise on the derecognition of the asset are credited or debited to the Financing and Investment Income and Expenditure line in the CIES.

1.16 Loans and Receivables

Loans and receivables are recognised on the Balance Sheet when the Council 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 CIES for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. If the Council 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 CIES is the amount receivable for the year in the loan agreement.

If the Council makes any loans to organisations at less than market rates (soft loans) the loss is recorded in the CIES (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 CIES 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 CIES 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 MiRS.

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 CIES. 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 CIES.

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 Council when there is reasonable assurance that:

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

Amounts recognised as due to the Council are not credited to the CIES until 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 CIES.

Where capital grants are credited to the CIES, they are reversed out of the General Fund Balance in the MiRS. 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-ringfenced and are credited to Taxation and Non-Specific Grant Income in the CIES.

1.19 Heritage Assets

The Council 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 Council'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 Council's general policies on impairment.

1.20 Inventories

The Council holds inventories at its airport, highways, water, and leisure facilities. The Council 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 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 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.

1.23 The Council 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 Council 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 CIES).

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 Council at the end of the lease period).

The Council 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 MiRS for the difference between the two.

Operating Leases

Rentals paid under operating leases are charged to the CIES as an expense of the services benefitting from use of the leased property, plant or equipment. Charges are made 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).

1.24 The Council as Lessor

Finance Leases

Where the Council grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal. 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 CIES as part of the gain or loss on disposal. A gain, representing the Council's net investment in the lease, is credited to the same line in the CIES 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 CIES).

The gain credited to the CIES 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 MiRS. 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 MiRS. 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 MiRS.

Operating Leases

Where the Council grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the CIES. Credits are made 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.

1.25 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 Council and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential, i.e. repairs and maintenance, is charged as an expense when it is incurred.

The Council 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 Council 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 Council). 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 Council.

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 CIES, 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 CIES, they are reversed out of the General Fund Balance to the Capital Adjustment Account in the MiRS.

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

- Infrastructure, community assets and assets under construction – depreciated historical cost.
- Dwellings – current value, determined using the basis of existing use value for social housing (EUV-SH).
- All other assets – current 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 current value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of current value.

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

Assets included in the Balance Sheet at current value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their current value at the year end, 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 CIES 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 CIES.

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

Where an impairment loss is subsequently reversed, the reversal is credited to the relevant service line(s) in the CIES, 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 Council 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 25 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 Council, 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.

1.26 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 CIES. 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 CIES as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the CIES 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 Council's underlying need to borrow the capital financing requirement. Receipts are appropriated to the Reserve from the General Fund Balance in the MiRS.

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 MiRS.

1.27 Provisions, Contingent Liabilities and Contingent Assets

Provisions

Provisions are made where an event has taken place that gives the Council a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. For instance, the Council 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 CIES in the year that the Council 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 Council settles the obligation.

Contingent Liabilities

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

Contingent 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.

1.28 Reserves

The Council 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 MiRS. 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 CIES. The reserve is then appropriated back into the General Fund Balance in the MiRS 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 Council – these reserves are explained in the relevant policies.

1.29 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 CIES in that year. Where the Council has determined to meet the cost of this expenditure from existing capital resources, or by borrowing, a transfer in the MiRS 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.

1.30 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.

1.31 Accounting for the Collection Fund

Billing authorities are required by statute to maintain a separate fund (the Collection Fund) for the collection and distribution of amounts due in respect of council tax and national non-domestic rates.

Council Tax

In its capacity as a billing authority the Council acts as an agent, collecting and distributing council tax on behalf of the major preceptors of the Fund - Devon and Cornwall Police and itself. While council tax income credited to the

Collection Fund is the accrued income for the year, regulations determine when it should be released from the Collection Fund and transferred to the Council's General Fund or transferred to Devon and Cornwall Police. The amount credited to the Council's General Fund under statute is the Council's demand on the Fund for that year, plus the Council's share of surplus/deficit on the Collection Fund for the previous year. This amount may be more or less than the accrued income for the year, any difference is then transferred to the General Fund via the Collection Fund Adjustment Account and reversed out through the MiRS.

Since the collection of council tax is in substance an agency arrangement, the cash collected by the Council belongs proportionately to itself and Devon and Cornwall Police. Therefore, there will be a debtor/creditor relationship between the Council and the Police since the cash paid to the latter in the year will not be equal to their share of the cash collected.

National Non-Domestic Rates (NNDR)

The Council act as agent, collecting NNDR on behalf of central government and as principal collecting rates for itself. This means that the Council and central government share proportionately the risks and rewards that the amount of NNDR collected could be more or less than predicted. The effect of any bad debts written off or movements in the impairment allowance is also shared proportionately.

However, the cost of collection allowance is solely the Council's income and this appears in the Strategic Development and Finance Service line of the CIES.

1.32 Accounting for Schools

Local Authority Maintained Schools

Local Authority maintained schools form an integral part of the Council's accounts. The Code of practice on Local Authority Accounting in the United Kingdom confirms that the balance of control for local authority maintained schools (i.e those categories of school identified in the Schools Standards and Framework Act 1998, as amended) lies with the local authority. The code also stipulates that those schools' assets, liabilities, reserves and cash flows are recognised in the local authority financial statements. Their income and expenditure is included with the Schools line within the CIES and their assets and liabilities are included within the relevant headings on the Balance Sheet. Their reserves are included in the General Fund Schools balance, which forms part of the Council's Usable Reserves.

De-recognition of Academy School Assets

Academies are independently managed schools which operate outside the control of the Council, with funding provided directly by central government. Where the Council owns the freehold for these schools and issues a long lease (125 years) to the academy trust for the land and buildings, for accounting purposes due to the length of the lease, the transfers of buildings are treated as disposals.

Note 2 Accounting Standards That Have Been Issued, But Have Not Yet Been Adopted

Where a new standard has been published but has not yet been adopted by the Code, the Council is required to disclose information relating to the impact of these accounting changes. This requirement applies to International Financial Reporting Standards (IFRS) that have not been applied in the 2018/19 Code and that came into effect on or before 1 January 2019.

For 2018/19 the following potentially relevant standards include:

- Amendments to IAS 40 Investment Property: Transfers of Investment Property
- Annual Improvements to IFRS Standards 2014 - 2016 Cycle
- IFRIC 22 Foreign Currency Transactions and Advance Consideration

- IFRIC 23 Uncertainty over Income Tax Treatments
- Amendments to IFRS 9 Financial Instruments: Prepayment Features with Negative Compensation

Application of the above standards is required from 1 April 2019. Therefore, these changes will be reflected in the Council's 2019/20 or future Statement of Accounts.

Note 3 Critical Judgements in Applying Accounting Policies

In applying the accounting policies set out in Note 1, the Council 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 externally by Cornwall Council's Property Systems and Assurance Manager and NPS South West Ltd and Pension valuations supplied by Hymans Robertson LLP an actuary engaged by Cornwall Council for both LGPS and Firefighter 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. An updated Medium Term Financial Strategy (MTFS) was taken to Council on 5th March 2019 and set out the Council's financial plan to 2021/22, including levels of saving required. In year financial monitoring reports place a key focus on level of savings being delivered. The Budget Report was presented to the Council on 5th March 2019.

Future Funding

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

Note 4 Assumptions and Estimation Uncertainty about the Future

The Statement of Accounts contains estimated figures that are based on assumptions made by the Council 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 Council 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.

The impact of a change in valuation or useful life would be to affect the carrying value of the asset in the balance sheet and the charge for depreciation or impairment in the CIES.

If the average useful life for each category of assets charged with depreciation in 32018/19 was increased by one year it would result in a decrease in the the depreciation charged to the net cost of services of £0.146m. If the average useful life was decreased by one year it would result in an increase in the depreciation charged to the net cost of services of £.165m.

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 Council 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 39.

Arrears

At 31 March 2019, the Council had a gross sundry debtors balance of £2.063m. A review of significant balances suggested that a provision for doubtful debts of £0.165m was appropriate. Changes in the current economic climate could lead to either an increase or a reduction in this allowance.

Note 5 Material Items of Income and Expense

The Council's CIES includes the following item's which are deemed exceptional by virtue of the size and nature and which, to prevent distortion of other figures in the accounts, have there been separately reported.

- Loss on diposal of property assets transferred to academy school during the year of £11.785. This was made up of 1 secondary school, 3 primary schools and 2 residential properties.
- Downward Revaluation of Waste Site £3.396. This was due to a high proportion of costs involved in bringing the site into use.

Note 6 Events after the Reporting Period

The Statement of Accounts was authorised for issue by Russell Ashman, Section 151 Officer on 30th May 2019. 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 2019, 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 2019.

Note 7 Expenditure and Funding Analysis

The Expenditure and Funding Analysis (EFA) shows how annual expenditure is used and funded from resources (government grants, rents, council tax and business rates) by local authorities in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the council's directorates. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the CIES.

2018/19									
Adjustments between the Funding and Accounting basis									
	Directorate Total as reported for resource management	Adjustment to arrive at the net amount chargeable to the general fund	Net Expenditure chargeable to the General Fund	Adjustment for Capital Purposes	Net change for the Pensions Adjustment	Net change for the Collection Fund	Net Change for Accumulated Absences Adjustment	Adjustments between Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement
	£m	£m	£m	£m	£m	£m	£m	£m	£m
CEO Office	0.608	0.181	0.789	0.013	0.057	-	-	0.070	0.859
Services to Our Community	1.224	0.676	1.900	0.284	0.071	-	(0.037)	0.318	2.218
Strategic Development and Finance	1.183	0.286	1.469	0.132	(0.182)	-	(0.002)	(0.052)	1.417
Infrastructure and planning	1.755	(0.091)	1.664	0.839	0.193	-	0.004	1.036	2.700
-Exceptional Revaluation Downward on Waste Site	-	-	-	3.396	-	-	-	3.396	3.396
Net Cost of Services	4.770	1.052	5.822	4.664	0.139	-	(0.035)	4.768	10.590
Other income and expenditure	(4.825)	9.416	4.591		0.331	(0.152)	-	0.179	4.770
(Surplus) or deficit on provision of services	(0.055)	10.468	10.413	4.664	0.470	(0.152)	(0.035)	4.947	15.360
Transfer to/from Reserves for Statutory Movements			0.342						
(Surplus) or deficit			10.755						
Opening General Fund and Earmarked Balances at 31 March 2018			(3.803)						
Add Deficit on General Fund and Earmarked Balance in Year			0.644						
Closing General Fund and Earmarked Reserve Balance at 31 March 2019			(3.159)						

Restated 2017/18									
Adjustments between the Funding and Accounting basis									
	Directorate Total as reported for resource management	Adjustment to arrive at the net amount chargeable to the general fund	Net Expenditure chargeable to the General Fund	Adjustment for Capital Purposes	Net change for the Pensions Adjustment	Net change for the Collection Fund	Net Change for Accumulated Absences Adjustment	Adjustments between Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement
	£m	£m	£m	£m	£m	£m	£m	£m	£m
CEO Office*	0.574	(0.052)	0.522	0.055	0.042	-	-	0.097	0.619
Services to Our Community	1.305	(0.155)	1.150	(0.395)	0.132	-	(0.002)	(0.265)	0.885
Strategic Development and Finance*	1.513	(0.045)	1.468	0.282	0.104	-	(0.001)	0.385	1.853
Infrastructure and planning^	2.001	(0.042)	1.959	0.855	0.335	-	(0.005)	1.185	3.144
Net Cost of Services	5.393	(0.294)	5.099	0.797	0.613	-	(0.008)	1.402	6.501
Other income and expenditure^		(6.332)	(6.332)	-	0.317	(0.104)	-	0.213	(6.119)
(Surplus) or deficit on provision of services	5.393	(6.626)	(1.233)	0.797	0.930	(0.104)	(0.008)	1.615	0.382
Transfer to/from Reserves for Statutory Movements			1.420						
(Surplus) or deficit			0.187						
Opening General Fund and Earmarked Balances at 31 March 2016			(3.990)						
Add Deficit on General Fund and Earmarked Balance in Year			0.187						
Closing General Fund and Earmarked Reserve Balance at 31 March 2018			(3.803)						

Adjustments for Capital Purposes

Adjustments for capital purposes – this column adds in depreciation and impairment and revaluation gains and losses in the services lines.

Net Change for the Pensions Adjustments

Net change for the removal of pension contributions and the addition of IAS19 Employee Benefits pension related expenditure and income.

- For net cost of services this represents the removal of the employer pension contributions made by the Council as allowed by statute and the replacement with current service costs and past service costs.
- For other income and expenditure the net interest on the defined benefit liability is charged to the CIES.

Note 8 Expenditure and Income Analysed by Nature

The Council's expenditure and income is analysed as follows:

Reconciliation to Subjective Analysis

	31 March 2019 £m	Restated 31 March 2018 £m
Fees, charges and other service income	(3.735)	(3.835)
Interest and investment income	(0.010)	(0.007)
Income from council tax and NNDR	(2.369)	(2.800)
Income from trading accounts*	-	-
Surplus on sale of properties	-	(0.013)
Government grants and contributions	(7.958)	(8.368)
Total Income	(14.072)	(15.023)
Employee expenses	5.620	5.833
Other service expenses	8.915	8.708
Capital Charges	4.784	0.860
Interest payments	0.002	0.004
Costs of trading services*	-	-
Loss on disposal of fixed assets	10.111	-
Total Expenditure	29.432	15.405
(Surplus) or deficit on the provision of services	15.360	0.382

*Airport & Water & Sewerage now included in Net Cost of Services

Note 9 Adjustments between Accounting/Funding Basis under Regulations

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

2018/19	Movement in Usable Reserves			Movement in in Unusable Reserves £m	
	General Fund Balance £m	Capital Receipts Reserve £m	Capital Grants Reserve £m		
	£m	£m	£m		
Adjustments primarily involving the Capital Adjustment Account:					
Reversal of items debited or credited to the Comprehensive					
Income and Expenditure Statement :					
Charges for depreciation of non current assets	(1.652)	-	-	1.652	
Revaluation losses on property, plant and equipment	(2.896)	-	-	2.896	
Amortisation of intangible assets	(0.014)	-	-	0.014	
Capital grants and contributions applied	0.050	-	0.311	(0.361)	
Revenue expenditure funded from capital under statute	(0.217)	-	-	0.217	
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(10.111)	(0.330)	-	10.441	
Insertion of items not debited or credited to the Comprehensive					
Income and Expenditure Statement:					
Statutory provision for the financing of capital investment	0.105	-	-	(0.105)	
Capital expenditure charged against the General Fund	0.302	-	0.007	(0.309)	
Adjustments primarily involving the Capital Receipts Reserve:					
Use of Capital Receipts to finance new capital expenditure	-	0.015	-	(0.015)	
Adjustments primarily involving the Pensions Reserve:					
Reversal of items relating to retirement benefits debited/credited to the Comprehensive Income and Expenditure Statement	(1.435)	-	-	1.435	
Employer's pensions contributions and direct payments to pensioners payable in the year	0.965	-	-	(0.965)	
Adjustments primarily involving the Collection Fund Adjustment					
Account:					
Amount by which council tax and non-domestic rating income credited to Comprehensive Income and Expenditure Statement is different from council tax and non-domestic rating income calculated for the year in accordance with statutory requirements	0.152	-	-	(0.152)	
Adjustments primarily involving the Accumulated Absences					
Account:					
Amount by which officer remuneration charged to Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	0.035	-	-	(0.035)	
Total Adjustments	(14.716)	(0.315)	0.318	14.713	

2017/18

2017/18	Movement in Usable Reserves			Movement in in Unusable Reserves £m
	General	Capital	Capital	
	Fund Balance £m	Receipts Reserve £m	Grants Reserve £m	
Adjustments primarily involving the Capital Adjustment Account:				
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement :				
Charges for depreciation of non current assets	(1.924)	-	-	1.924
Revaluation losses on property, plant and equipment	1.140	-	-	(1.140)
Amortisation of intangible assets	(0.014)	-	-	0.014
Capital grants and contributions applied	0.688	-	(0.275)	(0.413)
Revenue expenditure funded from capital under statute	(0.055)	-	-	0.055
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	0.012	(0.189)	-	0.177
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:				
Statutory provision for the financing of capital investment	0.105	-	-	(0.105)
Capital expenditure charged against the General Fund	0.669	-	-	(0.669)
Other	0.002	-	-	(0.002)
Adjustments primarily involving the Capital Grants Unapplied Account:				
Application of grants to capital financing transferred to the Capital Adjustment Account	-	-	0.126	(0.126)
Adjustments primarily involving the Capital Receipts Reserve:				
Use of Capital Receipts to finance new capital expenditure	-	0.008	-	(0.008)
Adjustments primarily involving the Pensions Reserve:				
Reversal of items relating to retirement benefits debited/credited to the Comprehensive Income and Expenditure Statement	(1.765)	-	-	1.765
Employer's pensions contributions and direct payments to pensioners payable in the year	0.835	-	-	(0.835)
Adjustments primarily involving the Collection Fund Adjustment Account:				
Amount by which council tax and non-domestic rating income credited to Comprehensive Income and Expenditure Statement is different from council tax and non-domestic rating income calculated for the year in accordance with statutory requirements	0.104	-	-	(0.104)
Adjustments primarily involving the Accumulated Absences Account:				
Amount by which officer remuneration charged to Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	0.008	-	-	(0.008)
Total Adjustments	(0.195)	(0.181)	(0.149)	0.525

Note 10 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 2018/19.

	Balance at 1 April 2017 £m	Transfers Out 2017/18 £m	Transfers In 2017/18 £m	Balance at 31 March 2018 £m	Transfers Out 2018/19 £m	Transfers In 2018/19 £m	Balance at 31 March 2019 £m
Five Island School Fund	(0.359)	-	(0.093)	(0.452)	0.452	-	-
Revenue earmarked reserves:-							
Water Reserve	(0.376)	0.065	-	(0.311)	0.311	-	-
Sewerage Fund	(0.699)	-	-	(0.699)	0.699	-	-
Airport	0.017	0.055	-	0.072	-	(0.117)	(0.045)
Children's Services	(0.028)	-	(0.082)	(0.110)	-	-	(0.110)
IFCA	(0.074)	-	-	(0.074)	0.047	-	(0.027)
Public Health	(0.021)	-	(0.015)	(0.036)	-	-	(0.036)
Housing Reserve	(0.921)	0.131	-	(0.790)	0.094	-	(0.696)
Development Reserve	-	-	(0.012)	(0.012)	0.012	-	-
Local Plan Reserve	-	-	(0.050)	(0.050)	-	-	(0.050)
Community Safety Reserve	-	-	(0.007)	(0.007)	0.007	-	-
Community Chest Reserve	-	-	-	-	-	(0.004)	(0.004)
Revenue Grants Unapplied	(0.530)	-	(0.002)	(0.532)	0.311	-	(0.221)
Total	(2.991)	0.251	(0.261)	(3.001)	1.933	(0.121)	(1.189)

Note 11 Other Operating Expenditure

	31 March 2019 £m	31 March 2018 £m
(Gains)/losses on the disposal of non-current assets	10.111	(0.013)
Total	10.111	(0.013)

Note 12 Financing and Investment Income and Expenditure

	31 March 2019 £m	Restated 31 March 2018 £m
Interest payable and similar charges	0.002	0.004
Net interest on the net defined benefit liability (asset)	0.331	0.317
Interest receivable and similar income	(0.010)	(0.007)
(Surplus)/Deficit on Trading Services*	-	-
Total	0.323	0.314

Previously Airport & Water & Sewerage Services were included in Financing and investment Income and Expenditure as they were treated as Trading Accounts. However, as they do not meet the definition of Trading Accounts they are now included within the relevant service of the Comprehensive Income and Expenditure Statement.

Note 13 Total Taxation and Non-specific Grant Income

	31 March 2019 £m	31 March 2018 £m
Council tax income	(1.643)	(1.546)
Non-domestic rates income and expenditure	(1.126)	(1.150)
Non ringfenced government grants*	(2.250)	(2.989)
Capital grants and contributions	(0.391)	(0.631)
Collection Fund (surplus)/deficit	(0.152)	(0.104)
Total	(5.562)	(6.420)

Note 14 Property, Plant and Equipment

Movements on Balances 2018/19							
	Council Dwellings £m	Other Land and Buildings £m	Vehicles, Plant, Furniture, Equipment £m	Infra- structure Assets £m	Comm- unity Assets £m	Assets Under Con- struction £m	Total Property, Plant and Equipment £m
Cost or Valuation							
At 1 April 2018	9.240	27.475	3.391	16.201	0.054	3.469	59.830
Additions	0.054	0.200	0.096	-	-	0.664	1.014
Donations							
Accumulated Depreciation and Impairment written out to Gross Carrying Amount after Revaluation	(0.200)	(0.667)	-	-	-	-	(0.867)
Revaluation increases/(decreases) recognised in the Revaluation Reserve	0.083	0.084	-	-	-	-	0.167
Revaluation increases/(decreases) recognised in the surplus/deficit on the Provision of Services	0.384	1.689	-	-	-	-	2.073
Derecognition - disposals	(0.329)	(11.652)	(0.052)	-	-	-	(12.033)
Derecognition - other							
Other movements in cost or valuation	-	-	-	-	-	(3.397)	(3.397)
At 31 March 2019	9.232	17.129	3.435	16.201	0.054	0.736	46.787
Accumulated Depreciation and Impairment							
At 1 April 2018	-	-	(2.011)	(6.019)	-	-	(8.030)
Depreciation charge	(0.201)	(0.667)	(0.296)	(0.488)	-	-	(1.652)
Accumulated Depreciation written out to Gross Carrying Amount after Revaluation	0.200	0.667		-	-	-	0.867
Derecognition - disposals	0.001		0.019	-	-	-	0.020
At 31 March 2019	-	-	(2.288)	(6.507)	-	-	(8.795)
Net Book Value							
at 31 March 2019	9.232	17.129	1.147	9.694	0.054	0.736	37.992
at 1 April 2018	9.240	27.475	1.380	10.182	0.054	3.469	51.800

Comparative Movements 2017/18

	Council Dwellings £m	Other Land and Buildings £m	Vehicles, Plant, Furniture, Equipment £m	Infra- structure Assets £m	Comm- unity Assets £m	Assets Under Con- struction £m	Total Property, Plant and Equipment £m
Cost or Valuation							
At 1 April 2017	9.345	25.672	3.233	16.137	0.054	3.087	57.528
Additions	0.217	0.159	0.479	0.064	-	0.382	1.301
Accumulated Depreciation and Impairment written out to Gross Carrying Amount after Revaluation	(0.215)	(0.950)	-	-	-	-	(1.165)
Revaluation increases/(decreases) recognised in the Revaluation Reserve	-	1.526	-	-	-	-	1.526
Revaluation increases/(decreases) recognised in the surplus/deficit on the Provision of Services	(0.002)	1.142	-	-	-	-	1.140
Derecognition - disposals	(0.105)	(0.074)	(0.321)	-	-	-	(0.500)
							-
At 31 March 2018	9.240	27.475	3.391	16.201	0.054	3.469	59.830
Accumulated Depreciation and Impairment							
At 1 April 2017	-	(0.047)	(2.018)	(5.531)	-	-	(7.596)
Depreciation charge	(0.215)	(0.923)	(0.298)	(0.488)	-	-	(1.924)
Accumulated Depreciation written out to Gross Carrying Amount after Revaluation	0.215	0.950	-	-	-	-	1.165
Derecognition - disposals	-	-	-	-	-	-	-
Assets reclassified to/(from) Other Categories	-	0.020	0.304	-	-	-	0.324
Other movements in depreciation and impairment	-	-	0.001	-	-	-	0.001
At 31 March 2018	-	-	(2.011)	(6.019)	-	-	(8.030)
Net Book Value							
at 31 March 2018	9.240	27.475	1.380	10.182	0.054	3.469	51.800
at 1 April 2017	9.345	25.625	1.215	10.606	0.054	3.087	49.932

14.1 Depreciation

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

- Council Dwellings - 0 to 55 years.
- Other Land and Buildings - 0 to 80 years.
- Vehicles, Plant & Equipment - 0 to 25 years.
- Infrastructure - 0 to 40 years.

14.2 Capital Commitments

As at 31 March 2019 there were no capital schemes that had signed contracts in excess of £0.060m.

14.3 Effects of Changes in Estimates

In 2018/19 the Council made no material changes to its accounting estimates for property, plant & equipment.

14.4 Revaluation

During 2018/19 all council dwellings were revalued and all required land and building assets were revalued. Other assets are carried at carrying value. All valuations were carried out by External Valuers, Cornwall Council's Property Systems and Assurance Manager and NPS South West Ltd, in accordance with the required practice, methodologies

and bases for estimation set out in the professional standards of the Royal Institute of Chartered Surveyors. They were all completed as at the 31st March 2019.

The property, plant & equipment revaluation resulted in a net increase in net book value of £0.358m. The revaluation reserve decreased by £0.037m to reflect the part of the downward revaluation and a charge was made to the Comprehensive Income & Expenditure Statement of £0.191m to reverse previous charges for upward revaluations. 94% of the portfolio was revalued during the year there. The material change in value was due to valuing the Porthmellon Waste Strategy Area now that the asset is no longer an asset under construction.

Note 15 Heritage Assets

	Total Assets £m
Cost or Valuation	
1 April 2017	0.117
Additions	-
31 March 2018	0.117
Cost or Valuation	
1 April 2018	0.117
Additions	-
31 March 2019	0.117

The Council'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 Council 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 (2017/18 - £Nil).

Note 16 Financial Instruments

16.1 Categories of Financial Instrument

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.

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

	Long-term		Current		Total	
	31 March 2019 £m	Restated* 1 April 2018 £m	31 March 2019 £m	Restated* 1 April 2018 £m	31 March 2019 £m	Restated* 1 April 2018 £m
Financial Assets						
Debtors						
Amortised cost						
Loans and receivables - debtors	0.114	0.123	-	-	0.114	0.123
Financial assets carried at contract amounts	-	-	1.833	1.125	1.833	1.125
Statutory debtors~	-	-	0.065	0.366	0.065	0.366
Total included in Debtors	0.114	0.123	1.898	1.491	2.012	1.614
Cash and cash equivalents						
Amortised cost						
Other bank balances	-	-	1.604	2.377	1.604	2.377
Total Cash and cash equivalents	-	-	1.604	2.377	1.604	2.377
Financial Liabilities						
Borrowings						
Amortised cost						
Financial liabilities at amortised cost - treasury	(1.129)	(0.015)	(0.136)	(0.031)	(1.265)	(0.046)
Total included in borrowings	(1.129)	(0.015)	(0.136)	(0.031)	(1.265)	(0.046)
Creditors						
Amortised cost						
Financial liabilities carried at contract amounts	-	-	(2.042)	(2.437)	(2.042)	(2.437)
Statutory creditors~	-	-	(0.178)	(0.123)	(0.178)	(0.123)
Total Creditors	-	-	(2.220)	(2.560)	(2.220)	(2.560)

~ the statutory debtors and creditors amounts are not financial instruments but are included to enable to match back to the balance sheet for completeness .

*Restated to reflect the implementation of IFRS9 Financial Instruments.

16.2 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 2019		Restated* 1 April 2018	
	Carrying Amount £m	Fair Value £m	Carrying Amount £m	Fair Value £m
Financial Assets				
Loans and receivables held at amortised cost - debtors	0.114	0.114	0.123	0.123

*Restated to reflect the implementation of IFRS9 Financial Instruments.

The fair value of assets is greater than the carrying amount which reflects the fact that the rate of interest on the loans is higher than the prevailing rates for similar instruments as at the balance sheet date.

	31 March 2019		Restated* 1 April 2018	
	Carrying Amount £m	Fair Value £m	Carrying Amount £m	Fair Value £m
Financial Liabilities				
Financial liabilities held at amortised cost - treasury	(1.265)	(1.457)	(0.046)	(0.048)

*Restated to reflect the implementation of IFRS9 Financial Instruments.

The fair value of borrowing is greater than the carrying amount which reflects the fact that the rate of interest on the loans is higher than the prevailing rates for similar instruments as at the balance sheet date.

As at 31st March 2019 the Council holds five loans with the PWLB at various interest rates ranging from 1.800% to 5.357%.

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.

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:

Income, Expense, Gains and Losses	2018/19	Restated* 2017/18
	Surplus or Deficit on the Provision of Services £m	Surplus or Deficit on the Provision of Services £m
Interest revenue:		
Financial assets measured at amortised cost	(0.010)	(0.007)
Total interest revenue	(0.010)	(0.007)
Interest Expense	0.002	0.004

*Restated to reflect the implementation of IFRS9 Financial Instruments.

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 there is at least one input that could have a significant effect on the instrument's valuation and where that input is not based on observable market data. Such instruments would include unquoted equity investments and hedge funds, neither of which the Council 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:

Financial assets and liabilities measured at fair value				
	Input Level in Fair Value hierarchy	Valuation Technique	As at 31/03/2019 £m	As at 1/04/2018 £m
Fair Value through Profit or Loss				
Borrowings				
PWLB	Level 2	Premature Redemption rate	(1.457)	(0.048)

*Restated to reflect the implementation of IFRS9 Financial Instruments

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 17 Nature and Extent of Risks Arising from Financial Instruments

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

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

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

17.1 Credit Risk

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

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

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

17.2 Amounts Arising from Expected Credit Losses

The changes in the loss allowance for amortised cost trade receivables during the year are as follows:

Asset class (amortised cost)	Lifetime expected credit losses - simplified approach £m	Total £m £m
Opening balance as at 1st April 2018	(1.614)	(1.614)
Transfers		
Individual financial assets transferred to 12 month expected credit losses		-
Individual financial assets transferred to lifetime expected credit losses		-
Individual financial assets transferred to lifetime expected credit losses credit impaired		-
New Financial assets originated or purchased		-
Amounts written off	0.008	0.008
Financial assets that have been derecognised		-
Changes due to modifications that did not result in derecognition		-
Changes in models/risks parameters		-
Other changes	(0.406)	(0.406)
As at 31 March 2019	(2.012)	(2.012)

17.3 Liquidity Risk

The Council manages its cash flow to ensure that cash is available as needed. If unexpected movements happen, the Council 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 Council will be bound to replenish a significant proportion of its borrowings at a time of unfavourable interest rates. The Council 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 2019 £m	31 March 2018 £m
Less than one year	(0.015)	(0.031)
Between one and two years	-	(0.015)
Between two and five years	(0.250)	-
Between five and ten years	(0.500)	-
Between ten and twenty years	-	-
Between twenty and fifty years	(0.500)	-
	(1.265)	(0.046)

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

17.4 Market Risk

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

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

17.4.1 Interest Rate Risk

The Council 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 Council. 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 Council only has a small portfolio of PWLB loans and all are at fixed rates. 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.

17.4.2 Price Risk

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

17.4.3 Foreign Exchange Risk

The Council 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 18 Inventories

	Client							
	Consumable		Maintenance		Services Work In		Total	
	Stores		Materials		Progress			
	2018/19 £m	2017/18 £m	2018/19 £m	2017/18 £m	2018/19 £m	2017/18 £m	2018/19 £m	2017/18 £m
Balance outstanding at start of year	0.006	0.007	0.105	0.100	0.001	0.001	0.112	0.108
Purchases	0.008	0.009	0.103	0.139	-	-	0.111	0.148
Recognised as an expense in the year	(0.004)	(0.010)	(0.108)	(0.134)	(0.001)	-	(0.113)	(0.144)
Balance outstanding at year end	0.010	0.006	0.100	0.105	-	0.001	0.110	0.112

Note 19 Debtors

	Current		Long Term	
	Restated*		Restated*	
	31 March 2019 £m	31 March 2018 £m	31 March 2019 £m	31 March 2018 £m
Trade Receivables	1.009	0.484	-	-
Prepayments	0.084	0.156	-	-
Debtors for Local Taxation	0.099	0.167	-	-
Other Receivable Amounts	0.706	0.684	0.114	0.123
Total	1.898	1.491	0.114	0.123

*Restated to reflect the new structure of the note

Debtors for Local Taxation

	Council Tax		NNDR	
	Restated*		Restated*	
	31 March 2019 £m	31 March 2018 £m	31 March 2019 £m	31 March 2018 £m
Less than three months	0.035	0.073	0.029	0.027
Three to six months	-	-	-	-
Six months to one year	-	-	-	-
More than one year	0.013	0.043	0.022	0.024
Total	0.048	0.116	0.051	0.051

*Restated to reflect the new structure of the note

To offset the debt a bad debt provision of £0.035 for Council Tax and £0.023 for NNDR has been provided for.

Note 20 Cash and Cash Equivalents

	31 March 2019 £m	31 March 2018 £m
Cash/(Overdraft) held by the Council School's local bank account	1.604 -	1.925 0.452
Total Cash and Cash Equivalents	1.604	2.377

Note 21 Creditors

	Current		Long Term	
	31 March 2019 £m	Restated* 31 March 2018 £m	31 March 2019 £m	Restated* 31 March 2018 £m
Trade Payables	(0.398)	(0.252)	-	-
Receipts in Advance	(0.741)	(0.014)	-	-
Other Payables	(1.081)	(2.294)	-	-
Total	(2.220)	(2.560)	-	-

*Restated to reflect the new structure of the note

Note 22 Provisions

	National Non Domestic Rates Appeals £m	Total Long Term Provisions £m
Balance as at 1 April 2018	0.172	0.172
Additional provisions made in year	0.017	0.017
Balance as at 31 March 2019	0.189	0.189

Note 23 Contingent Liabilities

The Council has no Contingent Liabilities.

Note 24 Usable Reserves

The Council maintains the following usable reserves within its Balance Sheet:

	31 March 2019		31 March 2018	
	£m	£m	£m	£m
General Fund Balance		(1.970)		(0.802)
Other usable reserves				
General Fund Schools Balance	-		(0.452)	
Earmarked General Fund Reserves	(0.272)		(1.227)	
Earmarked Revenue Grants Unapplied Reserve	(0.221)		(0.532)	
Earmarked Housing Reserves	(0.696)		(0.790)	
Capital Receipts Reserve	(0.792)		(0.477)	
Capital Grants Reserve	(0.804)		(1.122)	
Total other usable reserves		(2.785)		(4.600)
Total Usable Reserves		(4.755)		(5.402)

Movements in the Council's usable reserves are detailed in the MiRS.

Note 25 Unusable Reserves

	31 March 2019	31 March 2018
	£m	£m
Revaluation Reserve	(8.803)	(8.840)
Capital Adjustment Account	(23.721)	(37.947)
Pensions Reserve	14.291	12.081
Collection Fund Adjustment Account	0.016	0.168
Accumulated Absences Account	0.053	0.088
Total Unusable Reserves	(18.164)	(34.450)

25.1 Revaluation Reserve

The Revaluation Reserve contains the gains made by the Council 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.

Revaluation Reserve	2018/19 £m	2017/18 £m
Balance at 1 April		(7.544)
Upward revaluation of assets	(1.648)	(1.586)
Downward revaluation of assets and impairment losses not charged to the (Surplus) or deficit on the provision of services	1.481	0.060
(Surplus) or deficit on revaluation of non-current assets not posted to the (Surplus) or deficit on the provision of services		(1.526)
Difference between fair value depreciation and historical cost depreciation	0.200	0.230
Accumulated gains on assets sold or scrapped	0.004	-
Amount written off to the Capital Adjustment Account		0.230
Balance at 31 March		(8.840)

25.2 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 CIES (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The Account is credited with the amounts set aside by the Council as finance for the costs of acquisition, construction and enhancement.

The Account contains accumulated gains and losses on investment properties and gains recognised on donated assets that have yet to be consumed by the Council.

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.

Capital Adjustment Account	2018/19	2017/18
	£m	£m
Balance at 1 April	(37.947)	(37.424)
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
Charges for depreciation and impairment of non-current assets	1.666	1.938
Revaluation losses on property, plant and equipment	2.896	(1.140)
Revenue expenditure funded from capital under statute	0.217	0.055
Amounts of non-current assets written off on disposal or sale as part of the (gain)/loss on disposal to the Comprehensive Income and Expenditure Statement	10.437	0.177
	15.216	1.030
Adjusting amounts written out of the Revaluation Reserve	(0.200)	(0.230)
Net written out amount of the cost of non-current assets consumed in the year	15.016	0.800
Capital financing applied in the year:		
Use of the Capital Receipts Reserve to finance new capital expenditure	(0.015)	(0.008)
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	-	(0.413)
Application of grants to capital financing from the Capital Grants Unapplied Account	(0.361)	(0.126)
Statutory provision for the financing of capital investment charged against the General Fund	(0.105)	(0.105)
Capital expenditure charged against the General Fund	(0.309)	(0.669)
Other		(0.002)
	(0.790)	(1.323)
Balance at 31 March	(23.721)	(37.947)

25.3 Pensions Reserve – Local Government Pension Scheme (LGPS)

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions. The Council accounts for post-employment benefits in the CIES as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Council makes employer's contributions to pension funds, or 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 Council 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.

Pensions Reserve	2018/19 £m	2017/18 £m
Balance at 1 April	12.081	11.871
Remeasurements of the net defined benefit liability/(asset)	1.740	(0.720)
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	1.435	1.765
Employer's pensions contributions and direct payments to pensioners payable in the year	(0.965)	(0.835)
Balance at 31 March	14.291	12.081

25.4 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 CIES 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.

Collection Fund Adjustment Account	2018/19 £m	2017/18 £m
Balance at 1 April	0.168	0.272
Amount by which council tax and national non domestic rates income credited to the Comprehensive Income and Expenditure Statement is different from council tax and non domestic rates income calculated for the year in accordance with statutory requirements	(0.152)	(0.104)
Balance at 31 March	0.016	0.168

25.5 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.

Accumulated Absences Account	2018/19 £m	2017/18 £m
Balance at 1 April	0.088	0.096
Settlement or cancellation of accrual made at the end of the preceding year	(0.088)	(0.096)
Amounts accrued at the end of the current year	0.053	0.088
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	(0.035)	(0.008)
Balance at 31 March	0.053	0.088

Note 26 Cash flow Statement - Operating Activities

The cash flows for operating activities include the following items:

	2018/19 £m	2017/18 £m
Interest received	(0.010)	(0.007)
Interest paid	0.002	0.004
Net cash flows from operating activities	(0.008)	(0.003)

The surplus or deficit on the provision of services has been adjusted for the following non-cash movements:

	2018/19 £m	Restated* 2017/18 £m
Depreciation and impairment	(1.652)	(1.924)
Upward/(downward) valuations	(3.210)	1.140
Amortisation*	(0.014)	(0.014)
Increase/(decrease) in creditors	0.163	(1.249)
Increase/(decrease) in debtors	0.508	0.243
Increase/(decrease) in inventories	(0.002)	0.004
Movement in pension liability	(0.470)	(0.930)
Contributions to/(from) provisions	(0.016)	(0.059)
Carrying amount of non-current assets and non-current assets held for sale, sold or de-recognised	(10.127)	(0.176)
Adjustment to net cash flows from operating activities	(14.820)	(2.965)

* Amortisation shown separately, previously included with depreciation

The surplus or deficit on the provision of services has been adjusted for the following items that are investing and financing activities:

	2018/19 £m	2017/18 £m
Capital grants credited to (surplus)/deficit on the provision of services	0.334	0.073
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	0.330	0.189
Adjustment to net cash flows from operating activities	0.664	0.262

Note 27 Cash Flow Statement - Investing Activities

	2018/19 £m	2017/18 £m
Purchase of property, plant and equipment, investment property and intangible assets	1.311	1.050
Other payments for investing activities	(0.009)	0.002
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(0.330)	(0.189)
Net cash flows from investing activities	0.972	0.863

Note 28 Cash Flow Statement - Financing Activities

	2018/19 £m	2017/18 £m
Cash receipts of short and long-term borrowing	(1.250)	-
Other (receipts)/payments from financing activities	(0.183)	(0.116)
Repayments of short and long-term borrowing	0.030	2.030
Net cash flows from financing activities	(1.403)	1.914

Note 29 Cash Flow Statement – Reconciliation of liabilities arising from Financing Activities

	2017/18 1 April	Financing cash flows	2018/19 31 March
	£m	£m	£m
Long-term borrowings	(0.015)	(1.114)	(1.129)
Short-term borrowings	(0.031)	(0.105)	(0.136)
Total liabilities from financing activities	(0.046)	(1.219)	(1.265)

Note 30 Members' Allowances

The total amount of allowances and expenses paid to Members during the year was £0.109m (2017/18 - £0.109m).

Note 31 Officers' Remuneration

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

Remuneration Bands (£):		Number of Employees	
From	To	2018/19	2017/18
50,000	54,999	-	1
55,000	59,999	-	1
60,000	64,999	2	1
65,000	69,999	2	-
70,000	74,999	1	1
75,000	79,999	-	-
80,000	84,999	-	-
85,000	89,999	-	-
90,000	94,999	-	-
95,000	99,999	-	-
100,000	104,999	-	1
110,000	114,999	1	-
		6	5

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

		Salary, Fees and Allowances £	Pension Contribution £	Total £
Chief Executive ¹	2018/19	112,721	15,261	127,982
	2017/18	102,010	17,954	119,964
Interim Chief Executive ²	2018/19	14,000	2,464	16,464
	2017/18	-	-	-
Senior Manager: Strategic Development	2018/19	61,556	10,833	72,389
	2017/18	45,338	5,311	50,649
Senior Manager: Infrastructure and Planning	2018/19	73,556	12,945	86,501
	2017/18	72,409	12,733	85,142
Senior Manager: Services to Our Community	2018/19	61,556	10,834	72,390
	2017/18	60,349	10,621	70,970

Notes

¹Chief Executive left the Council 31/01/2019.

² Interim Chief Executive was appointed on 25/02/2019

Chief Fire Officer - A collaborative agreement commenced 01/07/2016 which saw the Chief Fire Officer of Cornwall Council appointed as the Chief Fire Officer for both Cornwall and the Isles of Scilly Rescue Services. The Council of IOS contribute towards the Chief Fire Officer's salary based on services provided. Remuneration for this role is reported in the Cornwall Council Statement of Accounts 2018/19.

Director of Public Health - the Officer is based in Cornwall and employed by Cornwall Council. The Council of the IOS contribute towards the Director of Public Health's salary based on services provided. The remuneration for the Director of Public Health is published in the Cornwall Council Statement of Accounts 2018/19.

The Council incurred costs during 2018/19 relating to employee exit packages as shown below:

(a) Exit package cost band (including special payments)	(b) Number of compulsory redundancies		(d) Total number of exit packages by cost band (b) + (c)		(e) Total cost of exit packages in each band £m	
	2018/19	2017/18	2018/19	2017/18	2018/19	2017/18
£100,000- £150,000	-	-	1	-	140,970	-
Total cost included in bandings and CIES	-	-	1	-	140,970	-

Note 32 External Audit Costs

	2018/19 £m	2017/18 £m
Fees payable with regard to external audit services carried out by the appointed auditor for the year	0.034	0.027
Fees payable for the certification of grant claims and returns for the year	0.013	0.008
Fees in respect of other services provided during the year [^]	0.010	0.026
Rebate received during the year for prior year audits from PSAA	-	(0.004)
Total	0.057	0.057

[^]The £0.010m relates to 2017/18 overruns and is still subject to Public Sector Audit appointments approval (PSAA)

Note 33 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 2018/19 are as follows:

Included in the Central 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.

	2018/19 Central Expenditure £m	Individual Schools Budgets (ISB) £m	Total £m
Final Education Grant for 2018/19	(0.695)	(1.923)	(2.618)
Total Education Grant 2018/19	(0.695)	(1.923)	(2.618)
Plus: Brought forward from 2017/18	(0.082)	-	(0.082)
Final budget distribution for 2018/19	(0.777)	(1.923)	(2.700)
Less: Actual central expenditure	0.695	-	0.695
Less Actual ISB deployed to schools	-	1.923	1.923
Carry- forward to 2019/20	(0.082)	-	(0.082)

Note 34 Grant Income

34.1 General Capital Grants

General capital grants credited as Taxation and Non-specific Grants Income in the CIES:

	2018/19 £m	2017/18 £m
Grants & Contributions Used for Capital Expenditure		
Department for Environment, Food & Rural Affairs - Water & Sewerage Grants	-	(0.034)
Education	(0.339)	(0.070)
Management and Strategy Grant	-	(0.377)
Other Capital Grants Received in Year		
Department for Education - Capital Maintenance Grants	(0.025)	(0.122)
Disabled Facilities Grant	(0.027)	(0.028)
Other		
Total	(0.391)	(0.631)

34.2 General Revenue Grants

General revenue grants credited as Taxation and Non-specific Grant Income in the CIES:

	2018/19 £m	2017/18 £m
Credited to Taxation and Non-specific Grant Income		
Revenue Support Grant	(1.820)	(1.862)
New Homes Grant	(0.003)	(0.035)
Business Rates Multiplier Cap	(0.554)	-
Small Business Rates Relief	(0.194)	(0.177)
Council Tax Support Admin Subsidy	(0.001)	(0.001)
Flood Relief Grant	-	(0.002)
Business Rate Reconciliation Grant	(0.035)	(0.009)
Better Care Fund	(0.127)	(0.044)
Management and Strategy Grant	-	(0.779)
Other	(0.070)	(0.080)
Total	(2.804)	(2.989)

34.3 General Revenue Grants Credited within the Net Cost of Services

The Council credited the following grants, contributions and donations within the Net Cost of Services section of the CIES:

	2018/19 £m	2017/18 £m
Credited to Services		
Chief executives office	(0.028)	(0.033)
Services to our community	(3.145)	(3.688)
Strategic development and finance	(1.434)	(0.909)
Infrastructure and planning	(0.158)	(0.118)
Total	(4.765)	(4.748)

34.4 Capital Grants Received in Advance

The Council 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:

	2018/19 31 March £m	2017/18 31 March £m
Capital Grants Receipts in Advance		
Infrastructure and Planning		
European Regional Development Fund - Navigational Overlay Service Funding	(0.012)	(0.012)
Water/Sewerage Grant	(0.669)	(0.685)
Services to Our Community		
Education Grants	(0.096)	(0.414)
Strategic Development and Finance		
Dune Management	(0.051)	(0.051)
Total	(0.828)	(1.162)

34.5 Revenue Grants Received in Advance

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

	2018/19 31 March £m	2017/18 31 March £m
Revenue Grant Receipts in Advance		
Services to Our Community		
Isles of Scilly Education Grant	(0.041)	(0.068)
Infrastructure and Planning		
New Dimensions - Fire	-	(0.011)
Heat Network Development	(0.124)	(0.124)
Total	(0.165)	(0.203)

Note 35 Related Parties

The Council is required to disclose material transactions with related parties – bodies or individuals that have the potential to control or influence the Council or to be controlled or influenced by the Council. Disclosure of these transactions allows 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 Council.

35.1 Central Government

Central government has significant influence over the general operations of the Council and is responsible for providing the statutory framework within which the Council 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 Council 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 8. Grant receipts outstanding at 31st March 2019 are shown in Note 34.

35.2 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 Council's Administration team, and can also be found online on the Council's website in minutes of Committee Meetings. During 2018/19, payments for works and services to the value of £0.746m (2017/18 - £0.269m) were commissioned from companies, organisations or individuals in which sixteen declarations of interest were made by Members. These payments were made in compliance with the Council's Financial Regulations. Members' allowances are detailed in Note 30 to the accounts.

During 2018/19, sales for works and services to the value of £0.030m (2017/18 - £0.187m) were commissioned from companies, organisations or individuals in which sixteen declarations of interest were made by Members. These sales were made in compliance with the Council's Financial Regulations.

35.3 Officers

Officers are required to declare their interests in the register of interests and during committee meetings when in attendance. During 2018/19 no payments were made to companies, organisations or individuals in which three declaration of interests were made by Officers (2017/18 - £0.000m).

Senior Officers' remuneration is contained in Note 31 to the accounts.

During 2018/19 no sales were made to companies, organisations or individuals in which three declarations of interest were made by Officers (2017/18 – £0.013m). These sales were made in compliance with the Council's Financial Regulations.

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.

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

Devon and Cornwall Police Council raise a precept upon the Council for sums collected by the Council Tax. This precept is shown within the Collection Fund Statement in Note 40.

As a member of the Local Government Pension Scheme, the Council paid employer's contributions to Cornwall Council Pension Fund during the year. This contribution is shown within Note 39 - 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 of £0.128m (2017/18 - £0.125m) is comprised of £0.120m Department for Environment, Food and Rural Affairs grant (2017/18 - £0.117m) and £0.008m contributions from members of the AONB Partnership (2017/18 - £0.008m).

The Council has entered into an arrangement with Cornwall Council for the provision of a number of support services. In addition the Council's monitoring officer and S151 officer responsibilities will be undertaken by Officers of Cornwall Council.

Note 36 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 Council, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Council that has yet to be financed.

	2018/19 £m	2017/18 £m
Opening capital financing requirement	5.186	5.140
Capital investment		
Property, plant and equipment	1.014	1.301
Intangible assets	-	0.011
De-minimis capital expenditure written out to revenue	0.004	0.008
Revenue expenditure funded from capital under statute	0.217	0.055
Sources of finance		
Capital receipts	(0.015)	(0.008)
Government grants and contributions	(0.361)	(0.539)
Sums set aside from revenue:	(0.011)	-
Direct revenue contributions/specific reserves	(0.303)	(0.677)
MRP	(0.105)	(0.105)
Closing capital financing requirement	5.626	5.186
Explanation of movements in year		
Increase in underlying need to borrow (unsupported by government financial assistance)	0.545	0.151
Less MRP payments (see above)	(0.105)	(0.105)
Increase/(decrease) in capital financing requirement	0.440	0.046

Note 37 Leases

37.1 Council as a Lessor

Finance leases

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

The Council has a gross investment in these leases, made up of the minimum lease payments expected to be received over the remaining term and the residual value anticipated for the 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 Council in future years whilst the debtor remains outstanding. The gross investment is made up of the following amounts:

	31 March 2019 £m	31 March 2018 £m
Finance lease debtor		
(net present value of minimum lease payments):		
current	0.025	0.027
non-current	0.114	0.128
Unearned finance income	0.370	0.450
Unguaranteed residual value of property	0.200	0.230
Gross investment in the lease	0.709	0.835

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

	Gross Investment in the Lease		Minimum Lease Payments	
	31 March 2019 £m	31 March 2018 £m	31 March 2019 £m	31 March 2018 £m
Not later than one year	0.042	0.047	0.025	0.027
Later than one year and not later than five years	0.167	0.184	0.103	0.108
Later than five years	0.300	0.374	0.167	0.240
	0.509	0.605	0.295	0.375

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.

Operating Leases

The Council 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:

	31 March 2019 £m	31 March 2018 £m
Not later than one year	0.115	0.056
Later than one year and not later than five years	0.042	0.015
	0.157	0.071

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 38 Teachers' Pensions

Teachers employed by the Council 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 Council 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 Council 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 2019, the Council's own contributions equate to approximately 63% (2017/18 – 63%).

In 2018/19, the Council paid £0.190m (2018/19 - £0.163m) to Capita Teachers' Pensions in respect of teachers' retirement benefits, representing 16% of pensionable pay (2017/18 – 16%). There were no contributions remaining payable at the year end. There are no contributions due in 2019/20 as the School went to Academy Status on the 31st December 2018.

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

Note 39 Local Government Pension Scheme

39.1 Participation in Pension Schemes

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

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

39.2 Firefighters Pension Scheme

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

The Council, acting as a Fire and Rescue Council, 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.

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

As the scheme is unfunded, the Firefighter's Pension Scheme has no investment assets.

39.3 Transactions Relating to Post-Employment Benefits

The Council 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 Council 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 MiRS.

The following transactions have been made in the CIES and the General Fund Balance via the MiRS during the year:

	Local Government Pension Scheme		Firefighters Pension Arrangements	
	31 March 2019 £m	31 March 2018 £m	31 March 2019 £m	31 March 2018 £m
Comprehensive Income and Expenditure Statement				
Cost of Services:				
Current service cost	1.373	1.383	0.057	0.065
Past Service Costs	0.123	-	-	-
(Gain)/loss from settlements	(0.449)	-	-	-
Financing and Investment Income and Expenditure				
Net interest on the net defined benefit liability/(asset)	0.304	0.291	0.027	0.026
Total Post-employment Benefits charged to the Surplus or Deficit on the Provision of Services	1.351	1.674	0.084	0.091
Other post-employment benefits charged to the Comprehensive Income and Expenditure Statement				
Remeasurement of the net defined benefit liability comprising:				
Return on plan assets (excluding the amount included in the net interest expense)	(0.664)	(0.228)	-	-
Actuarial gains and losses arising on changes in demographic assumptions	-	-	0.076	(0.012)
Actuarial gains and losses arising on changes in financial assumptions	2.663	(0.614)	(0.080)	(0.029)
Other experience	(0.027)	0.163	0.236	-
Total Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement	3.323	0.995	0.316	0.050
Movement in Reserves Statement				
Reversal of net charges made to the Surplus or Deficit on the Provision of Services for post-employment benefits in accordance with the Code	(1.351)	(1.674)	(0.084)	(0.091)
Actual amount charged against the General Fund Balance for pensions in the year:				
Employers' contributions payable to scheme	0.981	0.850	(0.016)	(0.015)

39.4 Pensions Assets and Liabilities Recognised in the Balance Sheet

	Local Government Pension Scheme		Firefighters Pension Arrangements	
	2018/19 £m	2017/18 £m	2018/19 £m	2017/18 £m
Present value of the defined benefit obligation	(32.412)	(28.887)	(0.846)	(0.978)
Fair value of plan assets	18.967	17.784	-	-
Net liability arising from defined benefit obligation	(13.445)	(11.103)	(0.846)	(0.978)

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

	Local Government Pension Scheme		Firefighters Pension Arrangements	
	2018/19 £m	2017/18 £m	2018/19 £m	2017/18 £m
Opening fair value of scheme assets	17.784	16.649	-	-
Current Service Cost	(0.564)	-	-	-
Interest income	0.484	0.439	-	-
Remeasurement gain/(loss):				
The return on plan assets, excluding the amount included in the net interest expense	0.664	0.228	-	-
Contributions from employer	0.981	0.850	(0.016)	(0.015)
Contributions from employees into the scheme	0.248	0.241	0.019	0.017
Benefits paid	(0.630)	(0.623)	(0.003)	(0.002)
Closing fair value of scheme assets	18.967	17.784	-	-

39.6 Reconciliation of Present Value of the scheme Liabilities

	Funded Liabilities Local Government Pension Scheme		Unfunded Liabilities Firefighters Pension Arrangements	
	2018/19 £m	2017/18 £m	2018/19 £m	2017/18 £m
Opening balance at 1 April	(28.887)	(27.607)	(0.978)	(0.913)
Current service cost	(0.483)	(1.383)	(0.057)	(0.065)
Interest income	(0.788)	(0.730)	(0.027)	(0.026)
Contributions from scheme participants	(0.248)	(0.241)	(0.016)	(0.017)
Remeasurement gains and (losses):				
Actuarial gains/(losses) arising from changes in financial assumptions	(2.663)	0.614	(0.080)	0.029
Actuarial gains/(losses) arising from changes in demographic assumptions	-	-	0.076	0.012
Other Experience	0.027	(0.163)	0.236	-
Benefits paid	0.630	0.623	-	0.002
Closing balance at 31 March	(32.412)	(28.887)	(0.846)	(0.978)

39.7 Local Government Pension Scheme Assets Comprised

	Local Government Fair Value of Scheme Assets Quoted prices in active markets		Local Government Fair Value of Scheme Assets Quoted prices not in active markets	
	31 March 2019 £m	31 March 2018 £m	31 March 2019 £m	31 March 2018 £m
Cash and cash equivalents	0.143	0.141	-	-
Private Equity:				
All	-	-	0.609	0.584
Sub total private equity	-	-	0.609	0.584
Other Investment funds:				
Infrastructure	-	-	0.624	0.556
Equities	6.916	5.401	0.413	0.455
Bonds	1.378	1.638	-	-
Hedge Funds	-	-	1.281	1.318
Other	2.144	3.258	1.892	1.408
Sub total other investment funds	10.438	10.297	4.210	3.737
Derivatives:				
Inflation	-	-	-	3.025
Other	-	-	3.567	-
Sub total derivatives	-	-	3.567	3.025
Total assets	10.581	10.438	8.386	7.346

39.8 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 LLP, an independent firm of actuaries. They are based on the latest full valuation of the scheme as at 1 April 2016.

The significant assumptions used by the actuary have been:

	Local Government Pension Scheme		Revised Firefighters Pension Arrangements	
	31 March 2019	31 March 2018	31 March 2019	31 March 2018
Long-term expected rate of return on assets in the scheme:				
Equity investments	7.0%	4.0%		
Bonds	7.0%	4.0%		
Other	7.0%	4.0%		
Mortality Assumptions:				
Longevity at 65 for current pensioners:				
Men	22.1 years	22.1 years	27.3 years	29.5 years
Women	24.5 years	24.5 years	29.4 years	31.5 years
Longevity at 65 for future pensioners:				
Men	24.0 years	24.0 years	28.4 years	30.8 years
Women	26.4 years	26.4 years	30.6 years	32.8 years
Rate of inflation*	2.5%	2.4%	2.5%	2.4%
Rate of increase in salaries	2.6%	2.5%	3.4%	3.3%
Rate of increase in pensions	2.5%	2.4%	2.4%	2.3%
Rate for discounting scheme liabilities	2.4%	2.7%	2.5%	2.7%

* Correct 31 March 2018 Rate of inflation on Fire Fighters from RPI to CPI

The Firefighters arrangement has no assets to cover its liabilities.

39.9 Sensitivity Analysis

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in note 39.8 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.

	Local Government Impact on the Defined Benefit Obligation in the Scheme		Firefighters Impact on the Defined Benefit Obligation in the Scheme	
	Increase in Assumption £m	Decrease in Assumption £m	Increase in Assumption £m	Decrease in Assumption £m
Longevity (increase or decrease in 1 year)	-	-	0.025	(0.025)
Rate of inflation (increase or decrease by 0.5%)	3.133	(3.133)	0.058	(0.058)
Rate of increase in salaries (increase or decrease by 0.5%)	0.532	(0.532)	0.021	(0.021)
Rate of increase in pensions (increase or decrease by 0.5%)	3.133	(3.133)	0.058	(0.058)
Rate for discounting scheme liabilities (increase or decrease by 0.5%)	3.724	(3.724)	0.130	(0.130)

39.10 Impact on the Council'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 in 2019.

The Council anticipated paying £0.904m in expected contributions to the scheme in 2019/20.

The weighted average duration of the defined benefit obligation for scheme members during 2018/19 is 19.6 years.

Note 40 Prior Year Adjustment

In previous years Water and Sewage and the Airport were treated as Trading Accounts, resulting in them being shown in the Comprehensive Income and Expenditure Statement under Financing and investment income and expenditure. However, following a review of the definition of Trading Accounts within the Code, these have been reclassified as normal services within Infrastructure and Planning under Cost of Services.

Note 41 Collection Fund

The Collection Fund is an agent's statement that reflects the statutory obligation for billing authorities to maintain a separate Collection Fund. The statement shows the transactions of the billing Council in relation to the collection from taxpayers and distribution to local authorities and the Government of council tax and non-domestic rates.

41.1 Collection Fund Income and Expenditure Statement

	2018/19 NNDR £m	2018/19 Council Tax £m	2018/19 Total £m	2017/18 NNDR £m	2017/18 Council Tax £m	2017/18 Total £m
Income						
Council tax receivable	-	(1.864)	(1.864)	-	(1.790)	(1.790)
Business rates receivable	(1.515)	-	(1.515)	(1.531)	-	(1.531)
Previous year deficit funded:						
Central Government	(0.170)	-	(0.170)	(0.120)	-	(0.120)
Isles of Scilly	(0.170)	-	(0.170)	(0.120)	-	(0.120)
Business rates transitional protection	(0.014)	-	(0.014)	(0.008)	-	(0.008)
Total Income	(1.869)	(1.864)	(3.733)	(1.779)	(1.790)	(3.569)
Expenditure						
Precepts, demands and shares						
Central Government	0.742	-	0.742	0.720	-	0.720
Isles of Scilly	0.742	1.643	2.385	0.720	1.546	2.266
Devon and Cornwall Police Authority	-	0.250	0.250	-	0.233	0.233
Charges to Collection Fund						
Less: increase/(decrease) in impairment allowance for doubtful debts	(0.006)	(0.002)	(0.008)	0.013	0.031	0.044
Less: cost of collection	0.024	-	0.024	0.024	-	0.024
Less: provision for backdated appeals	0.017	-	0.017	0.059	-	0.059
Total Expenditure	1.519	1.891	3.410	1.536	1.810	3.346
(Surplus)/deficit for the year	(0.350)	0.027	(0.323)	(0.243)	0.020	(0.223)
Collection Fund balance brought forward	0.340	(0.002)	0.338	0.583	(0.022)	0.561
Collection Fund Balance carried forward	(0.010)	0.025	0.015	0.340	(0.002)	0.338

41.2 The Total National Non-domestic Rateable (NNDR) Value and the NNDR Multiplier

The Council is responsible for the collection of non-domestic rates in its area. However, from 1 April 2013 accounting regulations for NNDR changed with the Council retaining 50% of the income collected and 50% passed to Central Government.

The Government specifies an amount to be collected, the multiplier, which for 2018/19 was 49.3p, reducing to 48.8p for properties in receipt of Small Business Rate Relief with a rateable value of £51,000 or less. The total rateable value for all non-domestic properties as at 31 March 2019 was £4.522 (2017/18 - £4.434m).

41.3 The Council Tax Base

To enable the Council to set the Council Tax each year, there is requirement to calculate the Council Taxbase.

This is derived from the number of domestic properties/dwellings in each Council Tax Band on the valuation list, applying discounts, exemptions and multiplying the result by a weighting factor applicable to each Band. Finally, the taxbase is adjusted to allow for an element of non-collection.

Valuation Band	Dwellings on Valuation List	Adjusted Number of Dwellings per Band	Weighting Factor	Band D Equivalent Dwellings 2018/19
A	15	13	6/9	9
B	32	29	7/9	23
C	91	82	8/9	73
D	263	237	9/9	237
E	339	319	11/9	390
F	292	274	13/9	395
G	141	137	15/9	228
H	10	10	18/9	20
Total	1183	1101		1375
Less: Allowance for non-collection and Council Tax Support				(50)
Council Tax Base				1,325

Auditor's Report and Opinion

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

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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.
Balance Sheet	This statement shows the financial position of the Council as at the end of the financial year.
Budget	A statement of the Council's financial plans for a specific period of time prepared in line with the approved service plans and Medium Term Financial Strategy for the Council 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 Council'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 to repaying loan debt.

TERM	DEFINITION
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 Council 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 Council.
Creditor	An amount owed by the Council 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 Council 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 Council 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 UK.
Financial Year	The year covered by the financial statements. The Council's financial year commences 1 April and finishes 31 March the following year.

TERM	DEFINITION
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.
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 Council 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 Council's budget by establishing how the available resources will be allocated against the Strategic priorities established in the Sustainable Community Strategy over the coming three year period.
Minimum Revenue Provision (MRP)	The amount which the Council 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 Council 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 Council 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.
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.
Public Works Loan Board (PWLb)	A Government Agency that provides loans to Local Authorities.

TERM	DEFINITION
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 Council 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 Council in providing services.
Revenue Financing	Resources provided from the Council's revenue budget to finance the cost of Capital Expenditure.
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.