Statement of Accounts

2013-2014

Council of the ISLES OF SCILLY

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An Introduction from the Chairman

On behalf of the Council of the Isles of Scilly (CIOS), I hereby present the Statement of Accounts for 2013/2014.

The elected Members of the CIOS have a responsibility to the residents of the Isles of Scilly to provide an annual Statement of Accounts, demonstrating that the local authority follows proper accounting practices in the pursuit of greater efficiencies and economies whilst ensuring that all statutory functions are achieved.

This is a time of flux for the CIOS: in 2013 a new Council was elected. Significant achievements have been made during the past year: we have a new Chief Executive, Mr Theo Leijser, since January 2014; we have developed a new Senior Leadership Team, which was in place by April 2014; we have begun the process of restructuring the Local Authority workforce, to create an improved work environment where services are efficient, to save and generate financial resources and to ensure that our services are sustainable and can continue to benefit our community for years to come.

Members of the Council of the Isles of Scilly are committed to supporting the Local Authority in delivering the best services and outcomes for the people of these islands.

Cllr Amanda Martin

June 2014

Explanatory Foreword

This foreword is primarily to provide the reader of the accounts with a concise and understandable guide to the most significant aspects of the Authority's financial performance, year-end financial position and cash flows for the year 2013/14.

This is not formally part of the Statement of Accounts, or the 'True and Fair View'. It is not subject to the statutory requirements for an audit opinion or for certification by the Senior Manager: Finance & Resources.

An Introduction to the Council of the Isles of Scilly

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

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

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

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

Explanation of the Key Statements

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

- **The Movement in Reserves Statement (MiRS)** – Shows the changes in the Authority's financial resources over the year to help readers understand how the balances have changed over the year, whether the balances are still adequate, and what the balances mean in terms of future budgets and services. Information on the level of reserves can also be found in the Balance Sheet and related notes.
- **The Comprehensive Income and Expenditure Statement (CIES)** – Shows the gains and losses that contributed to these changes in resources. The CIES shows the economic cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation as shown in the MiRS above.
- **The Balance Sheet** – Shows how the resources available to the Authority are held in the form of assets and liabilities
- **The Cash Flow Statement** – Shows how the movement in resources has been reflected in cash flows generated and used during the year.

Key Highlights of 2013/14

The key highlights are:

- The General Fund Reserves have increased by £97,000 to £2.019 million.
- General Fund Earmarked Reserves have reduced by £754,000 to £3.814 million.
- General Fund Housing Reserves have increased by £212,000 to £1.621 million.
- Bank Balances have increased by £996,000 to £3.081 million.
- On the Revenue Account the Authority overspent against budget by £102,000. Although there were uncontrollable spend items relating to depreciation, impairment and capital financing and which when taken out leave the net cost of services underspent against budget by £258,000.
- £3.370 million was spent on capital items and added to non-current assets in the Balance Sheet.
- Asset revaluations in the year resulted in a reduction to asset values of £1.471 million, a decrease of £1.770 million impacted the CIES and an increase of £299,000 impacted the revaluation reserve.

General Fund Reserves

The Authority holds a General Fund to meet unexpected cost pressures. It has been determined that a General Fund Minimum Reserve level of £626,000 would enable the Council to cope with unforeseen matters that may arise.

The actual General Fund balance is £2.02 million as at 31 March 2014.

Revenue Outturn to Budget

Each year the Council sets its budget taking into account known, planned and estimated income and liabilities from various sources. As a result of this budget setting it sets its Council Tax and then monitors its performance to the budgets during the year. The year end is the one point in the year when we can review actual rather than anticipated outturn and consider performance to plans and budgets.

The Comprehensive Income and Expenditure Statement (CIES) shows the outturn on an accounting basis and that differs from how the Authority actually monitors its budgets during the year. Whilst the accounts contain a disclosure ‘Amounts Reported for Resource Allocation Decisions’, Note 25, this does not provide a comparison to budget and that is shown below.

Table 1: The revenue outturn by Committee against Budget:

Committee	2013/14 Approved Revised Budget £000's	Amount in CIES £000's	Adjust-ments £000's	Adjusted Compara-tives to CIOS Budgets £000's	Variance Under/ (Over) Spend £000's	Variance Controllable Under/ (Over) Spend £000's	Variance Un-Controllable Under/ (Over) Spend £000's
Health, Overview & Scrutiny Committee	39	44	(4)	40	(1)	0	(1)
General Purposes Committee	1,596	2,166	113	2,279	(683)	(195)	(488)
Community Services Committee	1,328	1,427	24	1,451	(123)	353	(476)
Transport Committee	311	249	0	249	62	(1)	63
Policy & Resources Committee	1,128	1,783	(26)	1,757	(629)	1	(630)
Children & Young People's Committee	1,114	1,154	(63)	1,091	23	89	(66)
Licensing Committee	13	10	0	10	3	3	0
Planning & Development Committee	370	413	(45)	368	2	0	2
Inshore Fisheries & Conservation Authority (IFCA)	116	70	45	115	1	5	(4)
Standards Committee	16	21	0	21	(5)	3	(8)
Net Cost of Services	**6,031**	**7,337**	**44**	**7,381**	**(1,350)**	**258**	**(1,608)**
Other Operating Income and Expenditure	(1,397)	508	(3,115)	(2,607)	1,210		
Other Income from Grants and Taxation	(4,834)	(7,210)	2,338	(4,872)	38		
Net drawing from / (contribution to) General Fund	**(200)**	**635**	**(733)**	**(98)**	**(102)**		

The variation of the Budget less the Outturn has been divided between 'controllable' and 'uncontrollable / indirect' (those areas of the budget such as depreciation, impairment and support costs where managers have no direct control) to help readers to understand the budget variations in more detail.

Impact of Revaluations

An overall decrease in asset value of £1,770,000 has been incurred on assets arising from revaluations in the year. The costs of these are charged to the services and then reversed through the Movement in Reserves Statement; they do not impact the bottom line drawing or contribution to the General Fund.

The key impairments arose on the following asset revaluations:

- £260,000 – Town Hall.

  Works over the last several years to extend the reception area and improve the internal space of the Town Hall have been included in the cost of the asset; the valuation has been carried out on a market value basis using rental value evidence in line with the required valuation practice.

- The valuer has commented that as the Town Hall is not ideally suited to use as offices and as many of the functions that are carried out in the Hall can now be performed in other venues on the Islands this has impacted the overall revaluation.

- £1,494,000 – Porthcressa.

  The completed Porthcressa works have now been valued by the district valuer and the overall valuation has come in at less than the cost incurred.

  The valuations have predominantly been carried out on a market value approach, with the Shelter & Public conveniences valued at depreciated replacement cost and the sea front regeneration infrastructure at cost, in line with the required valuation practice. The decrease in the valuation reflects the fact that many of the combined regeneration development costs cannot be recovered through open market sales prices of the individual assets, which is one reason why this project was grant funded.

- £24,000 – Children's Social Care Offices at Carn Thomas.

  This was revalued as part of our 5 year rolling revaluation programme on a market value basis.

The valuation increase arose on the following asset revaluations:

- £8,000 – Housing Stock Assets.

  A small valuation increase was seen on some of the housing stock reflecting changes in the housing market from the previous year.

In addition to the above revaluations the Carn Gwaval Community Hub Buildings were also revalued with an overall asset value increase amounting to £256,000. This increase does not impact the revenue outturn figures as it is charged directly to the Revaluation Reserve, which combines with other smaller asset revaluation increases to a total Revaluation Reserve adjustment of £299,000.

This valuation was carried out as the asset was brought into use during the year and the increase in asset value reflects the fact that no initial purchase cost for the building was incurred as this is being leased over a 35 year term.

Key Variances

The outturn for 2013/14 has resulted in a contribution to the General Fund reserves of £97,000. The revised budget indicated that the Authority would contribute £200,000 to its General Fund to balance the books.

However, the Authority's saw significant impairments in the year and excluding this and the other non-controllable costs the overall controllable Net Cost of Services position was one of £258,000 underspend. Efforts during 2013/14 to reduce and defer expenditure, through measures such as recruitment delay and non-essential repairs and maintenance deferral, have resulted in this position.

The main variances by spending committee are analysed below.

Health, Overview & Scrutiny Committee and Health and Well Being Board

There was no significant variation on these Committees, which overspent by £1,000 in total. This was a £1,000 overspend on uncontrollable or indirect costs arising from the non cash items for depreciation, impairment and capital financing shown for total cost purposes.

General Purposes Committee including Trading Services

The Committee overspent by £683,000. Of this sum an overspend of £488,000 relates to uncontrollable or indirect costs arising from the non cash items for depreciation, impairment and capital financing shown for total cost purposes.

The costs that are classified as controllable were overspent in total by £195,000. There is no budget for the vehicles and the Moorwell depot and their costs are recharged to services that use them in full. If their costs are excluded then the variation to budget reduces to a position of £111,000 overspend.

Services that overspent included:

- Direct Labour Force by £32,000. This was predominantly because predicted vacancy savings were not achieved due to overtime payments required to continue service provision.

- Recycling by £9,000 as a result of greater labour time being required to support the service in the year.

- Public Conveniences by £6,000 relating to greater than anticipated costs of cleaning.
- Off-Island Domestic Refuse Collection overspent by £6,000 predominantly as a result of greater transportation and contractor collection costs than anticipated.
- Fire & Rescue Operations overspent by £28,000. This was predominantly down to the vacancy saving not being achieved as overtime payments were required to ensure service continuation. There were also higher costs of equipment maintenance than had been anticipated.
- Open Spaces and Beaches overspent by £78,000. This was the result of one-off capital costs associated with the Porthcressa Regeneration that required recording through this revenue budget as a result of funding approved for use within the capital programme for 2013/14. Usual Open Spaces and Beaches services came in on budget.

Services that underspent included:

- Incinerator by £26,000. Cost pressures of £109,000 recognised in the budget earlier in the year were not as high as originally anticipated resulting in a year end underspend against the revised budget.
- Highways Routine Repairs by £23,000. Routine repairs to highways were deferred during the year in anticipation of the major works currently being undertaken to improve road surfaces on St Marys.

Water Trading Account

The Council is the only remaining public Water and Sewerage Authority left in England and Wales. It runs essential systems on St Mary's and Bryher.

The water account overspent during 2013/14 predominantly as a result of significantly higher costs in the year for the removal of iron concentrations from the desalination plant.

The trading account drew a net £78,000 from its reserves for 2013/14, which compares to a budgeted drawing of £74,000.

The balance on the Water reserve is £483,000 as at 31 March 2014.

Sewerage Trading Account

The trading account contributed a net £18,000 to its reserves for 2013/14.

The balance on the Sewerage reserve is £762,000 as at 31 March 2014.

Community Services Committee

The Committee overspent by a net £123,000. Of this £476,000 overspend relates to uncontrollable or indirect costs arising from the non cash items for depreciation and capital financing shown for total cost purposes.

The costs that are classified as Controllable were underspent in total by £353,000.

The key variations arose in the following services:

- The General Fund Housing Account underspent by £227,000. Overall the Housing Account made a contribution to its reserves amounting to £212,000. The earmarked reserve for General Fund Housing stands at £1.621 million as at 31 March 2014.

The balance of the £126,000 underspend is a result of the following underspends and overspends over the services.

Services that underspent included:

- Internal Residential Care underspent by a net £56,000. This is a result of client care income being greater than anticipated in the year because of one-off bridging loan settlements and greater overall client contributions than had been anticipated. This was off-set to a degree with overspend of £8,000 on premises costs, predominantly energy costs.
- Home Care and Personal Budgets were underspent by £9,000 as a result of higher than anticipated income from clients with personal budgets.
- £18,000 was underspent on Mental Health Services and Support Groups. This is predominantly due to vacancy savings where recruitment has been deferred as this service area is under review pending work with Health.
- Active Scilly is underspent by a combined total of £33,000. £18,000 of this relates to underspend on staffing costs at the Sports Hall and the Pool where staff hours have been successfully reduced against the anticipated levels through improved staff management and changes to opening times of the facilities.

  The remaining £15,000 saving has been made as non-essential repairs and maintenance works and equipment purchases have been deferred in the year.
- The Skills for Business Lifelong Learning project underspent by £8,000. This was because the final project funds received covered costs actually incurred during 2012/13 that did not become eligible for funding until course completions. This project has now ceased as the fund programme has now drawn to a close.
- Homelessness costs underspent by £32,000 as a result of improved homelessness property management and fewer than anticipated homelessness applications during the year.
- General Fund properties underspent by £9,000 due to deferral of non-essential works on repairs & maintenance.

Services that overspent included:

- Adult Social Care Strategy overspent by £25,000 as a result of the additional costs arising from staff secondment to the Adult Social Care team.
- There was an overspend of £15,000 on Integrated Health & Better Care, however this was due to an over budgeted position on income in the year.

Transport Committee

The Committee underspent by £62,000. Of this a £63,000 underspend relates to uncontrollable or indirect costs arising from the non cash items for depreciation and capital financing shown for total cost purposes.

The controllable budget for the Committee currently shows on budget.

The Airport Trading Account has overspent during the year, largely because of the requirement for agency staff to support the Air Traffic Control function and because of lower income from fees and charges than had been budgeted.

The Airport made a contribution of £51,000 to its reserves, compared to a budgeted contribution of £200,000. Reserves for the Airport Trading Account stand at £249,000 as at 31 March 2014.

Policy & Resources Committee

This Committee shows an overspend of £629,000. Of this £630,000 overspend relates to uncontrollable or indirect costs arising from the non cash items for depreciation and capital financing shown for total cost purposes.

The costs that are classified as controllable are underpent by £1,000.

Those services that overspent included:

- National Non-Domestic Rates income was lower than anticipated within the budget resulting in an overspend budget position of £39,000.
- Total audit fees incurred during the year were greater than budgeted, this resulted in an overspend on the Corporate Management – External Audit budget of £11,000.

Those services that underspent included:

- Democratic Representation and Management £8,000. The underspend relates to Members' allowances where costs were deferred and limited.
- Council Tax Support underspent by £15,000 as additional grant income was applied in the year.
- Support Services underspent by £20,000 in total mostly due to vacant posts. The costs of accountancy, human resources, revenues services, front desk, valuation fees and management support which are not directly attributable to any one service area. These costs are administered and controlled centrally in this budget area and are recharged to service budgets in full at the end of the financial year to reflect actual usage and enable each service budget to fully assess their costs for fee recovery purposes.
- Other minor underspends across the remaining departments within Policy & Resources made the difference to the total underspend position.

Children and Young People's Committee

The Committee underspent by £23,000. Of this a £66,000 overspend relates to uncontrollable or indirect costs arising from the non cash items for depreciation and capital financing shown for total cost purposes.

The costs that are classified as Controllable were underspent by £89,000. The key variations arose in the following services:

- The refurbishment of Mundesley has slipped into 2014/15 due to the impact of the timing of the building survey.
- Children's Social Care and other children's services are underspent due to a lower than anticipated demand for service. Services are budgeted for on the basis of 100% use of entitlement. There was also a vacancy in the Primary Health Worker service.
- The remaining balance is made up of small underspends across many of the remaining service budgets

Licensing Committee

The Committee underspent by £3,000, all of this underspend is classified as controllable cost.

Planning & Development Committee

The Committee shows a £2,000 underspend, the whole of which relates to uncontrollable or indirect costs arising from the non cash items for depreciation and capital financing shown for total cost purposes

Within Planning there were some minor off-setting under and over spends. The key items were as follows:

- Tourism underspent by £12,000 through efficiencies and rationalisations of the service, particularly on publications and HR.
- Economic Development overspent by £7,000 relating to the additional cost of the Economic Strategy Plan. This is expected to be funded by the LEP in a future period however the income has not been recognised in the 2013/14 financial statements as no formal approval of this funding is yet in place.
- Building Control overspent by £7,000; a combination of greater costs for building control services and less income generated than budgeted for.

Inshore Fisheries and Conservation Authority (IFCA)

The Authority was underspent by £1,000, which was managed within the total funding for the service. This includes a transfer of £15,800 to its asset replacement earmarked reserve.

The Authority is funded by a general grant allocation of £110,000 and through a £21,000 levy on the Council.

Standards Committee

The Committee overspent by £5,000. Of this there is an £8,000 overspend relating to uncontrollable or indirect costs arising from the non cash items for depreciation and capital financing shown for total cost purposes and a £3,000 controllable underspend.

Costs for standards cases during the year were not as high as had been anticipated, resulting in this underspend.

Capital

The Authority has spent £3.37 million developing, building and enhancing its assets.

Table 2: Spend by Committee:

Committee	2013/14 £000's
Children & Young People	7
Planning & Development	0
General Purposes	1,020
Transport - Airport	1,175
IFCA	45
Fire & Rescue	40
Policy & Resources	596
Community Services	487
Total	3,370

The capital expenditure for 2013/14 was funded by a mixture of grant, reserves, revenue and borrowing requirement for capital financing. No actual borrowing took place to fund the capital as cash reserves have been sufficient to defer any such commitment.

Table 3: Sources of Funding:

Type of Funding Applied	2013/14 £000's	%
Grants	2,507	74.39%
Revenue	109	3.23%
Other Earmarked Reserves	379	11.25%
Prudential Borrowing Requirement	375	11.13%
Total	3,370	100.00%

Highlights

During 2013/14 the capital programme has included a wide variety of schemes.

Children and Young People's Committee

The expenditure related to the Five Islands School project. All expenditure for the project was expected to be finalised by the end of March 2013 but some minor works were still being completed during 2013/14 and some final snagging works are still to be completed in 2014/15.

General Purposes Committee

Planned capital expenditures on the waste management programme that were completed during 2013/14 included the purchase of a glass recycling machine.

Of the £3million grant funding for waste strategy management received in 2013/14 £2 million has been carried over into 2014/15 for works still to be completed on redeveloping and improving operations at the waste management site at Porthmellon. Works on waste strategy management in 2013/14 were both revenue and capital projects and included; the removal of 3,500 tonnes of waste to the mainland, works to bring the weighbridge into operation to enable charging of commercial waste disposal, which was implemented during June 2014, and works on the continuation of the waste strategy.

Capital expenditure on the water and sewerage infrastructure works during 2013/14 included work on the new desalination plant, the reservoir and improvements to the water infrastructure on Bryher.

Work was also completed on the road at the Porthmellon industrial estate as well as the Moorwell Footpath.

Transport Committee – Airport

A total of £1,176,000 was spent on the Airport Development plan, which included initial works on the resurfacing of the runway, this is wholly grant funded. This work will continue into 2014/15, when the majority of the project is anticipated to be completed. This compares to budgeted expenditure of £2,960,000. There were delays in the project start date that has pushed expenditure into 2014/15.

Inshore Fisheries & Conservation Authority

The capital expenditure for the IFCA was for an underwater camera & software and a towfish scanner. This expenditure was fully funded by additional grant received from the Association of IFCA's.

Fire

The majority of spend was on the purchase of thermal imaging camera equipment and upgrade to the Tresco fire service appliance refurbishment. Some expenditure was also incurred on fire pump upgrades.

Policy and Resources Committee

Works continued on the refurbishment to the Town Hall project. Spend amounted to £281,000 and this project has now been completed.

Capital spend amounting to £306,000, took place on the final completion works of the Porthcressa regeneration project, although there is still final retention outstanding which will be paid during 2014/15. This included the construction of a new library; register office; housing; and commercial units. The £3.8 million has been funded from a combination of £2.9 million of ERDF grant, reserves and borrowing, with actual borrowing commitment deferred with the use of cash balances. The project was officially opened on the 8 May 2013.

Further preliminary work was completed for the construction of a new Innovation and Enterprise Centre on the Porthmellon Industrial Estate. It is an economic development project that will provide flexible workspaces for rent funded by an ERDF grant of £1.8 million. This project is anticipated to be progressed during 2014/15.

Some small works on server replacement were also carried out.

Community Services Committee

A total of £29,000 was spent on the purchase of point of care testing kit funded by NHS Kernow CCG.

The programme of upgrades and improvements to the housing stock totalled £95,000.

The majority of the spend (£363,000) took place on the continuation of the redevelopment of the former Carn Gwaval School into a Health and Wellbeing Centre. The works are now completed for this project.

Capital - Looking Forward

The Airport Development programme is now underway, during the first half of 2014/15 both works at St Mary's and at Lands End are scheduled to be carried out.

Whilst the plant and equipment are on the Islands for the Airport runways resurfacing significant improvement works to the roads on St Mary's have been timetabled at a budgeted cost of £1.45 million.

The works on St Mary's Quay are expected to start in September 2014 and the Authority has been central in supporting the grant bids to move this work forward. These capital works do not show in the Council's Capital Programme because the asset belongs to the Duchy of Cornwall and the grant applicant is Cornwall Council.

The development of the Porthmellon Innovation & Enterprise Centre is now progressing and this is expected to be completed during 2014/15.

Works are continuing on the development of the Waste Management Strategy with funding secured from DEFRA and this will continue to be significant in the coming year. Specifically this will include the redevelopment and improved operations for both the Porthmellon and St Martin's waste management sites. During early 2014/15 the weigh bridge has been brought into active use at the waste management site, which means that the quantity of commercial waste can now be measured and billed for. The quantity measures taken can be used to inform strategy for managing the waste on the Islands going forward.

Funding has been received from DEFRA to support initial scoping and improvements to sewerage infrastructure, although any significant improvements will not be achievable without significant additional financing.

The New School Build project is now being drawn to a close. The final project board meeting has been held during the early part of 2014/15 and final project sign-off is anticipated shortly. This will be followed by formal hand-over of the School to the Diocese during 2014/15; this will mean during the coming year that a significant part of the School asset will be removed from the Authority's balance sheet as ownership is transferred.

Grant funding continues to be the biggest enabling factor in progressing these capital works, with many of the significant projects being dependent on the grants secured to finance them.

Untaken Staff Leave and TOIL

This relates to the costs of untaken annual leave and Time Off in Lieu (TOIL - time worked in excess of contracted hours) balances carried over from one year to the next. The disclosure – known as Accumulated Absences - is useful in that it highlights the levels of untaken leave and TOIL balances built up by staff and costs if it was paid as at the balance sheet date. The Council's leave policy states that a maximum of 5 days untaken leave can be carried over each year unless there are valid and exceptional reasons why a greater balance arose. Examples may include maternity leave or medical absence where annual leave cannot be taken. There was no policy restriction on the amount of TOIL that could be carried over during 2013/14.

The liability for untaken leave has fallen against the previous year's balance by £3,700.

Table 4: Accumulated Absences Analysis by Type (cost in £):

	Change 2012/13 to 2013/14	**2013/14**	**2012/13**	**2011/12**	**2010/11**
CIOS Staff Leave	(15,186)	43,563	58,749	158,366	170,256
Teachers	10,158	37,127	26,969	51,138	40,608
School Non-Teaching	604	604	0	844	0
CIOS Staff (TOIL)	721	25,911	25,190	18,652	13,896
Net Change	(3,703)	107,205	110,908	229,000	224,760

Table 5: Council staff Leave and TOIL balances in days:

CIOS Staff	**2013/14 Days**	2012/13 Days	Change Days	Change %
Leave	365	446	(81)	(18%)
TOIL	183	194	(11)	(6%)
Total	548	**640**	**(92)**	**(14%)**

Pensions Reserve

As an Authority we are required to maintain a pensions reserve within our Balance Sheet. The reserve is termed 'unusable' as it is not cash backed but contains book entries to recognise the potential liability over the full life of the pension fund. The fund is valued using an actuarial valuation and can fluctuate dependent on external factors.

Borrowing Facilities and Capital Borrowing

The Authority continues to repay existing debts to the Public Works Loans Board (PWLB). The profile of the loans shows that we will repay our existing debts by 2019/20.

Planned borrowing for the Porthcressa Redevelopment project has to date not been required as the project has been cash flowed from existing cash balances. Borrowing approval is in place for this project and it may be required to take out a loan in the future when other projects, to which the cash balances relate, come on-line.

Significant Write Offs, Provisions and Contingent Liabilities

Debts

We account for income when it is due and not when it is paid, so from time to time we need to consider, following debt recovery action, whether certain unpaid debts will be settled. There are a variety of reasons why debts may not be settled, for example, where businesses cease to trade and liquidation is insufficient to clear debts or in cases of bankruptcy.

During the year unpaid debts to the value of £40,000 were identified as doubtful and were written down in the accounts (impaired) to reflect that they would not or could not be expected to be received.

Provisions

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

One provision has been made in these accounts amounting to £21,000.

This provision has been made as the Authority has been notified of the intention by former employees to put forward claims for untaken leave. It has been suggested by a legal expert that costs of up to £21,000 might be payable. This is not 100% certain, which is why a provision has been established rather than a confirmed liability for the value.

Contingents

A contingent asset or liability is defined as a possible receipt (asset) or obligation to pay out (liability) based on a past event, but for which confirmation of the receipt / payment is uncertain as it depends on a future event. For example: pending legal claims. Unlike provisions, contingents do not result in an accounting entry as they are uncertain and cannot be reliably estimated, however a disclosure is made in the statements.

Disclosure has been made in these statements regarding one contingent liability.

The Authority is facing the threat of legal action for which it is considered likely that action will be taken. No proceedings are underway at the current time and it is not possible to estimate the cost that these proceedings may have on the Authority as the detail of the claim has not yet been made available.

Other Issues and Impacts in Future Years

Organisational Reshaping

The Authority is currently undergoing structural change to its staffing.

Specifically during the early part of 2014/15 the senior leadership team has been redefined, following this changes to the organisations remaining staffing structure are now underway.

The purpose of this reshaping exercise is to improve the alignment of staff skills to services and to make the Authority a better place to work, where more efficient and effective working practices can be developed in order that Officers and staff are able to provide the best services possible in the current financial climate.

Care Bill

Legislation in the form of the Care Bill is scheduled to come into force on 1^{st} April 2015.

This legislation has wide ranging impacts for the provision of social care services and a project is scheduled for 2014/15 to fully assess these impacts to the Authority and our community, as well as to ensure legal compliance under the new provisions of the legislation.

Balancing the Budgets

A significant budget shortfall has been highlighted, reflecting increasing costs and decreasing incomes.

The budget for 2014/15 has been balanced with interim measures, which have included deferral of costs on a temporary basis and the use of one-off grant funding to support service delivery. However, financial pressure will continue into the future with ever increasing costs to areas such as Adult Social Care where extending life expectations and changes to legislation will result in increased costs.

During 2014/15 the predicted budget deficit from 2015/16 onwards will need to be addressed. The organisational reshaping will enable improved working practices and service efficiencies; this will need to be combined with service assessment and delivery transformation to achieve the required financial sustainability for the Authority and the community it serves.

Laura Roberts

Senior Manager: Finance & Resources (s151)

September 2014

Sarah Chodkiewicz

Interim Financial Controller (s151)

June 2014

Statement of Responsibilities and Certification of the Statement of Accounts

The following statement describes the respective responsibilities of the Council of the Isles of Scilly and the Authority's Chief Finance Officer, the Senior Manager: Finance & Resources, for the accounts.

The Authority's Responsibilities

The Authority is required to:

- Make arrangements for the proper administration of its financial affairs and to secure that one of its Officers has the responsibility for the administration of those affairs. In this Authority that Officer is the Senior Manager: Finance & Resources.
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- Approve the Statement of Accounts.

The Senior Manager: Finance & Resources Responsibilities

The Senior Manager: Finance & Resources is responsible for the preparation of the Authority's Statement of Accounts in accordance with proper practices as set out in the Chartered Institute of Public Finance and Accountancy (CIPFA) / The Local Authority (Scotland) Accounts Advisory Committee (LASAAC) Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

In preparing this Statement of Accounts, the Senior Manager: Finance & Resources has:

- Selected suitable accounting policies and then applied them consistently.
- Made judgements and estimates that were reasonable and prudent.
- Complied with the Code.

The Senior Manager: Finance & Resources has also:

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

Certification

By the Senior Manager: Finance & Resources (s151) and Interim Financial Controller (s151)

We certify that in our opinion the Statement of Accounts presents a true and fair view of the financial position of the Council of the Isles of Scilly as at 31 March 2014, and its income and expenditure for the year then ended.

The Accounts were authorised for issue to the Council on the dates below.

Laura Roberts

Senior Manager: Finance & Resources (s151)

Date: 23/09/2014

Sarah Chodkiewicz

Interim Financial Controller (s151)

Date: 30/06/2014

By the Chairman of the Council

I confirm that these accounts were approved by the Full Council.

Amanda S. Martin

Amanda Martin

Chairman of the Council

Date: 23/09/2014

Further Information

Further information about these accounts is available from the Finance & Resources Department, Council of the Isles of Scilly, Town Hall, St. Mary's, Isles of Scilly, TR21 0LW. Interested members of the public have a statutory right to inspect the accounts before the audit is completed. The availability of the accounts for inspection is advertised at the appropriate time of year.

Auditor’s Report and Opinion

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

Opinion on the Authority financial statements

We have audited the financial statements of the Council of the Isles of Scilly for the year ended 31 March 2014 under the Audit Commission Act 1998. The financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, and Collection Fund and the related notes and include the firefighters' pension fund financial statements comprising the Fund Account, the Net Assets Statement and the related notes 45 to 45.4. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2013/14.

This report is made solely to the members of the Council of the Isles of Scilly in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's Members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Senior Manager: Finance & Resources and auditor

As explained more fully in the Statement of the Senior Manager: Finance & Resources's Responsibilities, the Senior Manager: Finance & Resources is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Authority's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Chief Finance Officer; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the explanatory foreword to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of the Council of the Isles of Scilly as at 31 March 2014 and of its expenditure and income for the year then ended; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2013/14 and applicable law.

Opinion on other matters

In our opinion, the information given in the explanatory foreword for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we report by exception

We report to you if :

- in our opinion the annual governance statement does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007;
- we issue a report in the public interest under section 8 of the Audit Commission Act 1998;
- we designate under section 11 of the Audit Commission Act 1998 any recommendation as one that requires the Authority to consider it at a public meeting and to decide what action to take in response; or
- we exercise any other special powers of the auditor under the Audit Commission Act 1998.

We have nothing to report in these respects.

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

We are required under Section 5 of the Audit Commission Act 1998 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are also required by the Audit Commission's Code of Audit Practice to report any matters that prevent us being satisfied that the audited body has put in place such arrangements.

We have undertaken our audit in accordance with the Code of Audit Practice and, having regard to the guidance issued by the Audit Commission in October 2013, we have considered the results of the following:

- our review of the annual governance statement;
- the work of other relevant regulatory bodies or inspectorates, to the extent the results of the work have an impact on our responsibilities: and
- our locally determined risk-based work on the Council of the Isles of Scilly's medium term financial strategy.

As a result, we have concluded that there are the following matters to report:

The following matters have come to our attention which highlight significant weaknesses in the Council of the Isles of Scilly's arrangements for promoting and demonstrating good governance and for planning its finances effectively:

- The Head of Internal Audit opinion, dated 1 May 2014, stated, under the heading Control Effectiveness and Risk Opinion at paragraph 1.4:

  "The review concluded that the control environment was poor in that weaknesses in control were identified that need to be addressed to ensure that internal control arrangements are effective. The current risk exposure to the organisation is considered high due to issues around the Corporate Governance within the Council as good governance ensures long term strategic objectives and plans are established."

  In particular Internal Audit reported that;

  - Although risk registers are in place they are only being reviewed and reported annually;
  - There is an absence of integrated reporting of performance, risk and finance;
  - The current Business Continuity Plan is out of date and not fit for purpose

- The Council does not have a robust Medium Term Financial Strategy that goes beyond 2014/15. Furthermore, the 2014/15 Financial Strategy was balanced only by the inclusion of a number of non-recurrent savings totalling approximately £400,000.

Certificate

The audit cannot be formally concluded and an audit certificate issued until we have completed our consideration of matters brought to our attention by local authority electors. We are satisfied that these matters do not have a material effect on the financial statements or a significant impact on our value for money conclusion.

Simon Garlick, Director
for and on behalf of Grant Thornton UK LLP, Appointed Auditor

Grant Thornton UK LLP
Hartwell House
55-61 Victoria Street
Bristol
BS1 6FT

24 September 2014

Movement in Reserves Statement

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

Movement in Reserves – 2012/13

£000's	General Fund Balance	General Fund - Earmarked	Housing Revenue Account	HRA - Earmarked	Capital Receipts Unapplied	Major Repairs Account	Capital Grants Unapplied	**Total Usable Reserves**	**Unusable Reserves**	**Total Authority Reserves**	*Note*
Balance as at 31 March 2012	2,164	4,933	598	104	274	447	292	**8,812**	**30,795**	**39,607**	
Surplus/ (deficit) on the provision of services	3,270	0	0	0	0	0	0	**3,270**	**0**	**3,270**	
Other Comprehensive Income and Expenditure:											
(Surplus) or Deficit on Revaluation of Non-Current Assets	0	0	0	0	0	0	0	**0**	**103**	**103**	
Actuarial (Gains) or Losses on Pension Assets and Liabilities	0	0	0	0	0	0	0	**0**	**(984)**	**(984)**	
Total Comprehensive Income and Expenditure	**3,270**	**0**	**0**	**0**	**0**	**0**	**0**	**3,270**	**(881)**	**2,389**	
Adjustments between Accounting Basis and Funding Basis under Regulations	(3,756)	520	0	0	(274)	0	182	**(3,328)**	**3,328**	**0**	*6*
Net Increase/(Decrease) before Transfers to Earmarked Reserves	**(486)**	**520**	**0**	**0**	**(274)**	**0**	**182**	**(58)**	**2,447**	**2,389**	
Transfers to/(from) Earmarked Reserves	244	651	(598)	(104)	0	(447)	0	**(254)**	**254**	**0**	
Other Movements (School bank balance)	0	(127)	0	0	0	0	0	**(127)**	**0**	**(127)**	
Increase/(Decrease) in 2012/13	(242)	1,044	(598)	(104)	(274)	(447)	182	**(439)**	**2,701**	**2,262**	
Balance as at 31 March 2013	**1,922**	**5,977**	**0**	**0**	**0**	**0**	**474**	**8,373**	**33,496**	**41,869**	

Movement in Reserves – 2013/14

£000's	General Fund Balance	General Fund - Earmarked	Capital Receipts Unapplied	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Authority Reserves	*Note*
Balance as at 31 March 2013	1,922	5,977	0	474	**8,373**	**33,496**	**41,869**	
Surplus/ (deficit) on the provision of services	(635)	0	0	0	**(635)**	**0**	**(635)**	
Other Comprehensive Income and Expenditure:								
(Surplus) or Deficit on Revaluation of Non-Current Assets	0	0	0	0	**0**	**389**	**389**	
Actuarial (Gains) or Losses on Pension Assets and Liabilities	0	0	0	0	**0**	**(1,586)**	**(1,586)**	
Total Comprehensive Income and Expenditure	**(635)**	**0**	**0**	**0**	**(635)**	**(1,197)**	**(1,832)**	
Adjustments between Accounting Basis and Funding Basis under Regulations	304	401	2	156	**863**	**(863)**	**0**	*6*
Net Increase/(Decrease) before Transfers to Earmarked Reserves	**(331)**	**401**	**2**	**156**	**228**	**(2,060)**	**(1,832)**	
Transfers to/(from) Earmarked Reserves	428	(781)	0	0	**(353)**	**355**	**2**	
Other Movements (School bank balance)	0	(162)	0	0	**(162)**	**0**	**(162)**	
Increase/(Decrease) in 2013/14	97	(542)	2	156	**(287)**	**(1,705)**	**(1,992)**	
Balance as at 31 March 2014	**2,019**	**5,435**	**2**	**630**	**8,086**	**31,791**	**39,877**	

Comprehensive Income and Expenditure Statement

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

2012/13				2013/14			
Gross Expenditure £000's	Gross Income £000's	Net Expenditure £000's		Gross Expenditure £000's	Gross Income £000's	Net Expenditure £000's	*Note*
426	(254)	172	Central Services	563	(107)	456	
606	(113)	493	Cultural Services	1,062	(168)	894	
1,481	(461)	1,020	Environmental Services	2,818	(1,521)	1,297	
1,586	(1,214)	372	Planning Services	1,257	(985)	272	
4,698	(3,665)	1,033	Children's & Education Services	4,703	(3,483)	1,220	
488	(25)	463	Fire & Rescue Services	516	(22)	494	
199	(65)	134	Highways, Roads & Transport Services	247	(48)	199	
704	(765)	(61)	Housing Services	1,410	(813)	597	
1,186	(447)	739	Adult Social Services	1,273	(524)	749	
0	0	0	Public Health	65	(65)	0	
1,192	(5)	1,187	Corporate & Democratic Core	1,226	(68)	1,158	
111	0	111	Non Distributed Gain - Pension credit arising from change in indexation method used	1	0	1	
12,677	**(7,014)**	**5,663**	**Net Cost of Services**	**15,141**	**(7,804)**	**7,337**	*25.1*
			Financing and Investment Income and Expenditure:				
22	0	22	Interest Payable and Similar Charges	23	0	23	
680	(578)	102	Pensions Interest Costs and Expected Return on Pension Assets	771	0	771	
0	(75)	(75)	Interest and Investment Income	0	(589)	(589)	
95	0	95	Investment Properties	125	(34)	91	
1,772	(1,730)	42	(Surplus)/Deficit on Trading Services	1,913	(1,701)	212	*26*
			Taxation and Non-Specific Grant Income:				
0	(1,384)	(1,384)	Council Tax Collection Fund	0	(1,389)	(1,389)	
0	(1,058)	(1,058)	General Government Grants - Revenue	0	(2,149)	(2,149)	*33.2*
0	(4,097)	(4,097)	General Government Grants - Capital	0	(2,341)	(2,341)	*33.1*
0	(2,580)	(2,580)	Non-Domestic Rates	0	(1,331)	(1,331)	
15,246	**(18,516)**	**(3,270)**	**(Surplus)/Deficit on the Provision of Services for the Year**	**17,973**	**(17,338)**	**635**	*25.2*
0	(103)	(103)	(Surplus) or Deficit on Revaluation of Non-Current Assets	0	(389)	(389)	
984	0	984	Actuarial (Gains) or Losses on Pension Assets and Liabilities	1,586	0	1,586	
16,230	**(18,619)**	**(2,389)**	**TOTAL Comprehensive (Income) and Expenditure**	**19,559**	**(17,727)**	**1,832**	

Balance Sheet

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

31 March 2013 £000's			31 March 2014 £000's	Note
43,687	Property, Plant & Equipment		43,788	8
116	Heritage Assets		117	9
68	Investment Properties		68	11
96	Long Term Debtors		103	12
43,967		**Long Term Assets**	**44,076**	
0	Assets Held for Sale		365	10
130	Inventories		145	14
4,406	Debtors		3,675	12, 15
2,463	Cash and Cash Equivalents		3,296	16
6,999		**Current Assets**	**7,481**	
(55)	Short Term Borrowing		(55)	12
(2,085)	Creditors		(3,594)	17
0	Provisions		(21)	18
(2,140)		**Current Liabilities**	**(3,670)**	
(1)	Long Term Creditors		(1)	12
(231)	Long Term Borrowing		(176)	12
(4,727)	Liability Related to Pension Schemes*		(6,687)	38.3*
(1,998)	Capital Grants Receipts in Advance		(1,147)	33.4
(6,957)		**Long Term Liabilities**	**(8,011)**	
41,869	**Net Assets**		**39,876**	
	Usable Reserves			
1,922	General Fund Balance		2,019	
6,451	Other Usable Reserves		6,066	20
33,496	**Unusable Reserves**		31,791	21
41,869	**Total Reserves**		**39,876**	

** Also includes the £284,000 (2012/13 £213,000) relating to the Firefighters' Pension Scheme (see page 95).*

Cash Flow Statement

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

2012/13 £000's		2013/14 £000's	Note
(3,270)	(Surplus) or Deficit on the Provision of Services (CIES)	635	
(414)	Adjustments to surplus or deficit on the provision of services for non-cash movements	(6,125)	22
4,654	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	3,168	22
970	**Net Cash Flows from Operating Activities**	**(2,322)**	
1,060	Investing activities	**1,434**	23
67	Financing activities	**54**	24
2,097	**Net (Increase) or Decrease in Cash and Cash Equivalents**	**(834)**	
(4,560)	Cash and Cash Equivalents at 1 April	(2,463)	
(2,463)	Cash and Cash Equivalents at 31 March	**(3,297)**	17

Notes to the Accounts

Note 1 Accounting Policies

1.1 General Principles

The Statement of Accounts summarises the Authority's transactions for the 2013/14 financial year and its position at the year end of 31 March 2014. The Authority is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2011 which require them to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2013/14 and the Service Reporting Code of Practice 2013/14 (SeRCOP), supported by International Financial Reporting Standards (IFRS). The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

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

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

1.2 Accruals of Income and Expenditure

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

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

1.3 Cash and Cash Equivalents

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

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

1.4 Exceptional Items

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

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

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

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

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

1.6 Charges to Revenue for Non-Current Assets

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

- Depreciation attributable to the assets used by the relevant service.
- Revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off.

The Authority is not required to raise Council Tax to fund depreciation, revaluation and impairment losses or amortisations although it may set aside sums for the replacement of assets. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement (equal to an amount calculated on a prudent basis determined by the Authority) in accordance with statutory guidance. Depreciation, revaluation and impairment losses and amortisations are therefore replaced by the contribution in the General Fund Balance [Minimum Revenue Provision (MRP)], by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

1.7 Employee Benefits - Benefits Payable During Employment

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

1.8 Employee Benefits - Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Authority to terminate an Officer's employment before the normal retirement date or an Officer's decision to accept voluntary redundancy and are charged on an accruals basis to the Non-Distributed Costs line in the Comprehensive Income and Expenditure Statement when the Authority is demonstrably committed to the termination of the employment of an Officer or group of Officers or making an offer to encourage voluntary redundancy.

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

1.9 Employee Benefits - Post Employment Benefits

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

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

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

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

1.10 The Local Government Pension Scheme

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

- The liabilities of the Cornwall Pension Fund attributable to the Authority are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates and projections of anticipated earnings for current employees.

- Liabilities are discounted to their value at current prices, using a discount rate of 4.8% (based on the single average gilt yield over 20 years plus the median credit spread on AA corporate bonds).

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

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

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

    - Current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees work.

    - Past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non-Distributed Costs.

    - Interest cost – the expected increase in the present value of liabilities during the year as they move one year closer to being paid – debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

    - Expected return on assets – the annual investment return on the fund assets attributable to the Authority, based on an average of the expected long-term return credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

    - Gains or losses on settlements and curtailments – the result of actions to relieve the Authority of liabilities or events that reduce the expected future service or accrual of benefits of employees – debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs.

    - Actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – debited to the Pensions Reserve.

    - Contributions paid to the Cornwall Pension Fund – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

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

1.11 Discretionary Benefits

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

1.12 Fire Fighters' Pension Scheme

The accounts for the scheme are prepared in accordance with the Code of Practice on Local Authority Accounting issued by the Chartered Institute of Public Finance and Accountancy (CIPFA), and with guidance notes issued by CIPFA on the application of accounting standards to Local Authorities. They do not take account of liabilities to pay pensions and other benefits in the future. Information on the Authority's long term pension's obligations can be found from page 97.

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

1.13 Events after the Balance Sheet Date (Reporting Period)

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

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

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

1.14 Financial Instruments - Financial Liabilities

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

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

Gains and losses on the repurchase or early settlement of borrowing are credited and debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and

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

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

1.15 Financial Instruments - Financial Assets

Financial assets are classified into two types:

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

Loans and Receivables

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

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

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

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

1.16 Government Grants and Contributions

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

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

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

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

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

General Grant

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

1.17 Heritage Assets

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

The carrying amounts of Heritage Assets are reviewed where there is evidence of impairment for heritage assets, e.g. where an item has suffered physical deterioration or breakage or where doubts arise as to its authenticity. Any impairment is recognised and measured in accordance with the Authority's general policies on impairment see page 53.

1.18 Inventories

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

1.19 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.

1.20 Investment Property

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

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

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

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

1.21 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.

1.22 The Authority as Lessee

Finance Leases

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

Lease payments are apportioned between:

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

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

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

Operating Leases

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

1.23 The Authority as Lessor

Finance Leases

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

Lease rentals receivable are apportioned between:

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

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

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

Operating Leases

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

1.24 Overheads and Support Services

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA Service Reporting Code of Practice 2013/14 (SeRCOP). The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

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

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

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

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

Measurement

Assets are initially measured at cost, comprising:

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

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

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

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

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

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

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

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

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

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

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

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

Impairment

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

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

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

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

Depreciation

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

Depreciation is calculated on the following bases:

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

- Infrastructure – Straight-line allocation of between 0 to 40 years.

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

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

1.26 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 Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previous losses recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.

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

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

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

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. A proportion of receipts relating to housing disposals (75% for dwellings, 50% for land and other assets, net of statutory deductions and allowances) is payable to the Government. The balance of receipts is required to be credited to the Capital Receipts Reserve, and can then only be used for new capital investment or set aside to reduce the Authority's underlying need to borrow the capital financing requirement. Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

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

1.27 Provisions, Contingent Liabilities and Contingent Assets

Provisions

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

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

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

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

Contingent Liabilities

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

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

Contingent Assets

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

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

1.28 Reserves

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

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

1.29 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 Comprehensive Income and Expenditure Statement in that year. Where the Authority has determined to meet the cost of this expenditure from existing capital resources, or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account is made. An adjustment to reverse out the amounts charged so that there is no impact on the level of Council Tax is then made.

1.30 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 Acquired Operations

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

Note 2 Accounting Standards Issued but not yet Adopted

The adoption of amendments by the Code of Practice on Local Council Accounting in the United Kingdom 2014/15 (the Code) may require changes of accounting policy from 01 April 2014. Those amendments that may impact the Council include:

- IAS 32 Financial Instruments Presentation – The Code references to amended application guidance when offsetting a financial asset and a financial liability. The gains and losses are separately identified on the Comprehensive Income and Expenditure Statement and therefore no further disclosure is required.
- IAS 1 Presentation of the Financial Statements – The change clarifies the disclosure requirements in respect of comparative information of the preceding period. The Statement of Accounts fully discloses comparative information for the preceding period therefore these changes will not have a material impact on the Statement of Accounts.

Note 3 Critical Judgements in Applying Accounting Policies

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

Future Funding

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

School Buildings

The Authority is an Education Authority and provides services from a number of fixed sites over the five islands. The main school site on St Mary's is an asset which is fully owned by the Authority and is therefore included on the Balance Sheet. However, the other school sites are of mixed ownership. No finalised guidance has been issued with regard to the inclusion of these assets on Local Authority Balance Sheets.

The Duchy of Cornwall leases land to the Truro Diocesan Board of Finance Limited and the Truro Diocesan Board of Finance Limited own the buildings. In some cases the Authority may carry out capital works to improve some of the Truro Diocesan Board of Finance Limited's premises where grant funding has been provided specifically for schools but this has been treated as Revenue Funded by Capital Under Statute (ReFCUS) and therefore not included on the Authority's Balance Sheet.

The Authority has continued to adopt the same criteria in assessing the voluntary controlled school assets for inclusion in this Statement of Accounts, as it has since 2010/11. The assessment carried out supports a decision not to recognise these assets on the Balance Sheet of the Authority.

Note 4 Assumptions and Estimation Uncertainty about the Future

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

Revaluations of Property, Plant and Equipment

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

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

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

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

Pension Liability Estimation

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

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

The effects on the net pension liability of changes in individual assumptions can be seen below and in Note 38.8.

31 March 2013 Impact on the Defined Benefit Obligation in the Scheme: Approximate % increase to Employer Liability	31 March 2013: Approximate monetary amount £000		31 March 2014 Impact on the Defined Benefit Obligation in the Scheme: Approximate % increase to Employer Liability	31 March 2014: Approximate monetary amount £000
10%	1,756	0.5% decrease in Real Discount Rate	10%	2,026
3%	502	1 Year increase in member life expectancy	3%	583
3%	547	0.5% increase in the Salary Increase Rate	4%	746
7%	1,181	0.5% Increase in the Pension Increase Rate	6%	1,242

Note 5 Events after the Reporting Period

The Council agreed on 15th April 2014 to restructure the senior leadership positions within the authority.

Further reshaping is underway for the whole of the Authority. Employees impacted by the first stage of this restructure were put at risk on the 7th May 2014 and employees impacted by the second stage are due to be put at risk on the 1st July.

As both these events and their impacts will occur after the balance sheet date no adjustment has been made.

Note 6 Adjustments between Accounting/Funding Basis under Regulations

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

Continued overleaf...

2012/13 £000's	General Fund Balance	Earmarked Reserves	Capital Receipts Unapplied	Major Repairs Account (HRA)	Capital Grants Unapplied	**Movement in Unusable Reserves**
	Usable					
Adjustment primarily involving the Capital Adjustment Account						
Reversal of items debited or credited to the Comprehensive Income and Expenditure Account						
Charges for Depreciation and Impairment of Non-Current Assets	1,442	0	0	0	0	(1,442)
Capital Grants and Contributions Applied	(3,875)	0	0	0	0	3,875
Revenue Expenditure Funded from Capital Under Statute	29	0	0	0	0	(29)
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	80	0	0	0	0	(80)
Insertion of items debited or credited to the Comprehensive Income and Expenditure Account						
Statutory provision for the financing of capital investment (MRP)	(208)	0	0	0	0	208
Capital Expenditure charged against the General Fund	(604)	0	0	0	0	604
Net transfer to/from earmarked reserves required by legislation (earmarking of revenue grants with no conditions)	(520)	520	0	0	0	0
Adjustment primarily involving the Capital Grants Unapplied Account						
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	(203)	0	0	0	203	0
Application of grants to capital financing transferred to the Capital Adjustment Account	0	0	0	0	(21)	21
Adjustment primarily involving the Capital Receipts Reserve						
Use of the Capital Receipts Reserve to finance new capital expenditure	0	0	(274)	0	0	274
Adjustments primarily involving the Pensions Reserve						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement net of Employer's pension contributions and direct payments to pensioners payable in the year	111	0	0	0	0	(111)
Adjustments primarily involving the Collection Fund Adjustment Account						
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	110	0	0	0	0	(110)
Adjustment primarily involving the Accumulated Absences Account						
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(118)	0	0	0	0	118
Total Adjustments	**(3,756)**	**520**	**(274)**	**0**	**182**	**3,328**

Continued overleaf...

2013/14 £000's	Usable General Fund Balance	 Earmarked Reserves	 Capital Receipts Unapplied	 Capital Grants Unapplied	Movement in Unusable Reserves
Adjustment primarily involving the Capital Adjustment Account					
Reversal of items debited or credited to the Comprehensive Income and Expenditure Account					
Charges for Depreciation and Impairment of Non-Current Assets	3,136	168	0	0	(3,304)
Capital Grants and Contributions Applied	(2,154)	0	0	0	2,154
Movement in the Donated Assets Account	0		0	0	0
Revenue Expenditure Funded from Capital Under Statute	9	0	0	0	(9)
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	(12)	0	2	0	10
Insertion of items debited or credited to the Comprehensive Income and Expenditure Account					
Statutory provision for the financing of capital investment (MRP)	(221)	0	0	0	221
Capital Expenditure charged against the General Fund	(431)	0	0	0	431
Net transfer to/from earmarked reserves required by legislation (earmarking of revenue grants with no conditions)	(233)	233	0	0	0
Adjustment primarily involving the Capital Grants Unapplied Account					
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	(196)	0	0	196	0
Application of grants to capital financing transferred to the Capital Adjustment Account	0	0	0	(40)	40
Adjustments primarily involving the Pensions Reserve					
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement net of Employer's pension contributions and direct payments to pensioners payable in the year	350	0	0	0	(350)
Adjustments primarily involving the Collection Fund Adjustment Account					
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	60	0	0	0	(60)
Adjustment primarily involving the Accumulated Absences Account					
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(4)	0	0	0	4
Total Adjustments	**304**	**401**	**2**	**156**	**(863)**

Note 7 Transfers to/from Earmarked Reserves

This note sets out the amounts set aside from the General Fund into earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund expenditure in 2012/13 and 2013/14.

	31 March 2012 £000's	Transfers (Out) £000's	Transfers In £000's	**31 March 2013 £000's**	Transfers (Out) £000's	Transfers In £000's	**31 March 2014 £000's**
Five Island School Fund	504	(127)	0	377	(163)	0	214
Other Project & Specific Earmarked Reserves							
Water reserve	546	(1)	16	561	(120)	42	483
Sewerage Fund	701	(13)	56	744	(45)	63	762
Airport	183	(7)	23	199	0	50	249
Capital	168	0	0	168	0	0	168
Repairs Funds	565	(77)	0	488	(255)	0	233
Plant fund	25	(17)	0	8	(7)	0	1
Equipment fund	10	0	0	10	0	0	10
Pollution Control	11	0	0	11	0	0	11
Children's Services	100	0	0	100	0	0	100
Porthcressa Project	180	(180)	0	0	0	0	0
One-Stop Shop	20	0	0	20	0	0	20
Buzza Bus	0	0	14	14	0	36	50
IFCA	5	0	3	8	0	22	30
Housing Reserve	104	(37)	1,342	1,409	(103)	314	1,620
Revenue Grants Unapplied	1,915	(575)	520	1,860	(610)	233	1,483
All Earmarked Reserves	**5,037**	**(1,034)**	**1,974**	**5,977**	**(1,303)**	**760**	**5,434**

Note 8 Property, Plant and Equipment

Comparative Movements 2012/13	Council Dwellings £000's	Other Land & Buildings £000's	Vehicles, Plant & Equipment £000's	Infrastructure £000's	Community Assets £000's	Assets Under Construction £000's	Total £000's
Cost or Valuation							
At 1 April 2012	9,953	25,176	2,054	6,457	14	668	44,322
Additions	37	228	139	106	0	5,030	5,540
Not Previously Recognised	0	0	0	0	1	0	1
Disposals	0	(25)	(7)	0	0	0	(32)
Reclassifications	0	0	21	14	(14)	(21)	0
Revaluations to Revaluation Reserve	0	34	0	0	0	0	34
Revaluations to CIES	(22)	(11)	0	0	0	0	(33)
As at 31 March 2013	**9,968**	**25,402**	**2,207**	**6,577**	**1**	**5,677**	**49,832**
Depreciation and Impairments							
At 1 April 2012	(237)	(1,130)	(852)	(2,568)	(14)	0	(4,801)
Charge for the Year	(140)	(805)	(202)	(284)	0	0	(1,431)
Depreciation on Disposals	0	1	6	0	0	0	7
Reclassifications	0	0	0	(14)	14	0	0
Revaluations to Revaluation Reserve	0	58	0	0	0	0	58
Revaluations to CIES	10	12	0	0	0	0	22
As at 31 March 2013	**(367)**	**(1,864)**	**(1,048)**	**(2,866)**	**0**	**0**	**(6,145)**
Net Book Value at 31 March 2013	**9,601**	**23,538**	**1,159**	**3,711**	**1**	**5,677**	**43,687**
Net Book Value at 31 March 2012	**9,716**	**24,046**	**1,202**	**3,889**	**0**	**668**	**39,521**

Movements 2013/14	Council Dwellings £000's	Other Land & Buildings £000's	Vehicles, Plant & Equipment £000's	Infrastructure £000's	Community Assets £000's	Assets Under Construction £000's	Total £000's
Cost or Valuation							
At 1 April 2013	9,968	25,402	2,207	6,577	1	5,677	49,832
Additions	95	787	215	206	0	2,067	3,370
Not Previously Recognised	0	0	90	0	0	0	90
Disposals	0	0	(9)	0	0	0	(9)
Reclassifications	(405)	3,228	0	1,529	0	(4,757)	(405)
Revaluations to Revaluation Reserve	30	234	0	0	0	0	264
Revaluations to CIES	(151)	(2,003)	0	0	0	0	(2,154)
As at 31 March 2014	**9,537**	**27,648**	**2,503**	**8,312**	**1**	**2,987**	**50,988**
Depreciation and Impairments							
At 1 April 2013	(367)	(1,864)	(1,048)	(2,866)	0	0	(6,145)
Charge for the Year	(129)	(766)	(287)	(352)	0	0	(1,534)
Depreciation on Disposals	0	11	8	0	0	0	19
Reclassifications	41	0	0	0	0	0	41
Revaluations to Revaluation Reserve	0	35	0	0	0	0	35
Revaluations to CIES	159	225	0	0	0	0	384
As at 31 March 2014	**(296)**	**(2,359)**	**(1,327)**	**(3,218)**	**0**	**0**	**(7,200)**
Net Book Value at 31 March 2014	**9,241**	**25,289**	**1,176**	**5,094**	**1**	**2,987**	**43,788**
Net Book Value at 31 March 2013	**9,601**	**23,538**	**1,159**	**3,711**	**1**	**5,677**	**43,687**

8.1 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 20 years
- Infrastructure - 0 to 40 years

8.2 Capital Commitments

As at 31 March 2014, the Authority has entered into several contracts for capital development for which the works are to continue into 2014/15. These include:

31 March 2013 £000's		Project Value £000's	31 March 2014 £000's
	Project:		
0	Airport Development Programme	**2,160**	**128**
538	Porthcressa Redevelopment	**4,943**	**140**
419	Carn Gwaval Health & Wellbeing Centre	**632**	**0**
253	Town Hall Improvements	**279**	**0**
17	Innovation & Enterprise Centre - initial phase	**2,400**	**17**
256	Desalination plant & reservoir	**1,127**	**0**
1,483	**Total**	**11,541**	**285**

8.3 Effects of Changes in Estimates

In 2013/14 the Authority made no material changes to its accounting estimates for Property, Plant & Equipment.

8.4 Revaluation

The Authority carries out a rolling programme that ensures that all Property, Plant and Equipment required to be measured at fair value are revalued at least every five years. All valuations were carried out by the District Valuation Office in accordance with the required practice, methodologies and bases for estimation. The valuer who completed the revaluations was Andrew Doak BSc MRICS, the valuations were carried out on the 1st April 2013.

The Property, Plant & Equipment revaluation resulted in a net decrease of £1,061,416. This resulted in an increase to the revaluation reserve of £62,503 and a charge to the Comprehensive Income & Expenditure Statement of £1,123,919.

There were several revaluations in the year; the key valuations are detailed below:

- Normandy Swimming Pool increased in value by £12,300.
- The Town Hall decreased in value by £259,700. Although there have been significant improvements, the overall condition of the building and its use as offices, to which it is not ideally suited, are reflected in the valuation.
- The Children's Social Care Office decreased in value by £24,200.
- The Carn Gwaval Health & Wellbeing Hub increased in value by £257,000. The valuation reflects the value of the leased building asset as well as the works undertaken to improve the site.
- The Whole of the Porthcressa Redeveloped area decreased on valuation by £1,494,000. The values of the Library and Registry office, the works units and flats are all on the basis of a market value approach. The Shelter and Public Conveniences are on a depreciated replacement cost basis. The landscaping and pathways have remained at historic cost. The key differences have arisen between the costs of construction and the value of the completed assets on the open market, which is one reason why this project was grant funded.
- The Social Housing Properties increased in value by £38,000.

8.5 Valuation Schedule

	Council Dwellings	Other Land & Buildings	Vehicles, Plant, Furniture & Equipment	Total
		£000's	£000's	£000's
Valued at historical cost	0	99	1,176	1,275
Valued at current value in:				
2013/14	7,649	2,729	0	10,378
2012/13	(1)	318	0	317
2011/12	231	19,054	0	19,285
2010/11	0	0	0	0
2009/10	1,362	3,089	0	4,451
Total Cost or Valuation	**9,241**	**25,289**	**1,176**	**35,706**

Note 9 Heritage Assets

31 March 2013 £000's		31 March 2014 £000's
106	**Cost or Valuation as at 1 April**	**116**
0	Reclassifications	**0**
0	Revaluations	**0**
10	Assets not previously recognised	**1**
116	**Net Book Value as at 31 March**	**117**

The Authority's collection of historical assets is valued in the Balance Sheet at insurance valuation, which is based on market values. These insurance valuations are updated regularly.

The collection of historical assets includes a pair of 18-inch library globes made by J. Cary, London, two antique chairs, a George I coat of arms, the Chairman's regalia, a collection of rifles, pistols and swords, a clock mechanism obtained from St Mary's Church, various framed and mounted Authority Emblems, a framed copy of the 335 year war cessation treaty with the Netherlands and a Bronze Bust of Mahatma Ghandi gifted by the Jamnalal Bajaj Foundation, India.

There have been no additions of heritage assets in the year (2012/13 - £Nil). The Authority Emblems, Framed Treaty and Bronze Bust were previously unrecognised assets which have been included in the year ended 31 March 2014.

There have been no disposals of heritage assets in the year (2012/13 - £Nil).

9.1 Five Year Summary of transactions

	2009/10 £000's	2010/11 £000's	2011/12 £000's	2012/13 £000's	2013/14 £000's
Reclassification to Heritage Assets in the Period					
Historical Assets	0	0	30	0	0
Previously Unrecognised Assets in the Period					
Historical Assets	0	0	0	10	1
Revaluation of Heritage Assets in the Period					
Historical Assets	0	0	76	0	0

Note 10 Assets Held For Sale

As at 31 March 2014 the Authority had 1 (2012/13 - 0) asset classified as held for sale with a current book value totalling £364,500 (2012/13 £Nil).

Note 11 Investment Properties

The following items of income and expense have been accounted for in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement:

2012/13 £000's		2013/14 £000's
38	Rental Income from Investment Property	28
(7)	Direct Operating Expenses Arising from Investment Property	(7)
31	**Net Gain/(Loss)**	**21**

There are no restrictions on the Authority's ability to realise the value inherent in its investment properties or on the Authority's right to the remittance of income and the proceeds of disposal. The Authority has no ongoing contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancement.

The value of investment properties was £68,000 (31 March 2013 - £68,000).

Note 12 Financial Instruments

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

31 March 2013 Long term £000's	31 March 2013 Current £000's		31 March 2014 Long term £000's	31 March 2014 Current £000's
		Debtors		
95	3,758	Debtors	103	3,369
95	3,758	**Total Debtors**	103	3,369
0	2,463	Cash & Bank	0	3,297
0	2,463	**Total Cash & Bank**	0	3,297
		Borrowings		
(227)	(54)	Financial Liabilities at Amortised Costs	173	54
(4)	(1)	Accrued Interest	3	1
(231)	(55)	**Total Borrowings**	176	55
		Creditors		
(1)	(2,041)	Financial Liabilities at Amortised Cost	(1)	(3,555)
(1)	(2,041)	**Total Creditors**	(1)	(3,555)

Income, Expense, Gains and Losses

2012/13 Financial Liabilities at Amortised Costs £000's	2012/13 Financial Assets: Loans and Receivables £000's	2012/13 **Total** **£000's**		2013/14 Financial Liabilities at Amortised Costs £000's	2013/14 Financial Assets: Loans and Receivables £000's	2013/14 **Total** **£000's**
22	0	**22**	Interest Expense	23	0	**23**
22	**0**	**22**	**Total Expense in (Surplus) or Deficit on the provision of services**	23	0	**23**
0	(77)	**(77)**	Interest Income	0	(48)	**(48)**
	2	**2**	Impairment Losses		2	**2**
0	**(75)**	**(75)**	**Total Income in (Surplus) or Deficit on the provision of services**	0	(46)	**(46)**
22	**(75)**	**(53)**	**Net (Gain)/Loss for the year**	**23**	(46)	**(23)**

12.1 Fair Values of Assets and Liabilities

Financial liabilities, financial assets represented by loans and receivables and long-term debtors and creditors are carried in the Balance Sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments, using the following assumptions:

- The range of interest rates as at 31 March 2014 was between 5.125% and 5.375%. All loans are held with Public Works Loans Board (PWLB).
- No early repayment or impairment is recognised.
- Where an instrument will mature in the next 12 months, the carrying amount is assumed to approximate to fair value.
- The fair value of trade and other receivables is taken to be the invoiced or billed amount.

The fair values calculated are as follows:

31 March 2013			31 March 2014	
Carrying Amount £000's	Fair Value £000's		Carrying Amount £000's	Fair Value £000's
286	324	Financial Liabilities	231	254
2,041	2,041	Short-Term Creditors	3,555	3,555
1	1	Long-Term Creditors	1	1
2,328	**2,366**		3,787	3,810

The fair value of the liabilities is higher than the carrying amount because the figures reflect early repayment penalties that would be applied by PWLB should the loans be repaid early.

31 March 2013			31 March 2014	
Carrying Amount £000's	Fair Value £000's		Carrying Amount £000's	Fair Value £000's
3,758	3,758	Short-Term Debtors	3,369	3,369
96	96	Long-Term Debtors	103	103
3,854	**3,854**		3,472	3,472

Short term debtors and creditors are carried at cost as this is a fair approximation of their value.

Note 13 Nature and Extent of Risks Arising from Financial Instruments

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

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

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

13.1 Credit Risk

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

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

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

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

The amounts due can be analysed by age as follows:

31 March 2013			31 March 2013	
Customers	Deposits with Banks and Financial Institutions *		Customers	Deposits with Banks and Financial Institutions *
271	2,395	A: Amount (£000's)	418	3,297
13.87%	0.00%	B: Historical experience of default - (%)	13.14%	0.00%
12.39%	0.00%	C: Historical experience adjusted for market conditions (%)	9.51%	0.00%
34	0	AxC: Estimated maximum exposure to default and uncollectability (£000's)	55	0

** Current account balance, excludes petty cash*

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

31 March 2013 £000'S		31 March 2014 £000's
213	Less than three months	234
30	Three to six months	140
1	Six months to one year	2
27	More than one year	4
271	**Total**	380

13.2 Liquidity Risk

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

31 March 2013 £000'S		31 March 2014 £000's
55	Less than one year	55
55	Between one and two years	54
130	Between two and five years	107
46	More than five years	15
286	**Total**	231

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

13.3 Market Risk

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

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

Interest Rate Risk

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

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

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

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

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

Price Risk

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

Foreign Exchange Risk

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

Note 14 Stock and Inventories

2012/13					2013/14			
Consumable Stores	Maintenance Materials	Client Services WIP	**Total**		Consumable Stores	Maintenance Materials	Client Services WIP	**Total**
£000's					£000's			
24	117	2	143	**Opening Balance 1 April**	23	105	0	128
28	46	2	76	Purchases	37	155	0	192
(29)	(58)	(2)	(89)	Recognised as an expense in the year	(40)	(135)	0	(175)
23	**105**	**2**	**130**	**Closing Balance 31 March**	**20**	**125**	**0**	**145**

Note 15 Debtors

31 March 2013 £000's		**31 March 2014 £000's**
2,186	Central Government Bodies	2,780
71	Other Local Authorities	48
120	NHS Bodies	0
107	Public Corporations & Trading Funds	(12)
1,922	Other Entities & Individuals	859
4,406	**Total Debtors**	**3,675**

Note 16 Cash and Cash Equivalents

31 March 2013 £000's		Movement during the year £000's	31 March 2014 £000's
2,085	Cash Held at Bank	996	3,081
377	School's Local Bank Accounts	(163)	214
1	Petty Cash	0	1
2,463	**Total**	833	3,296

Note 17 Creditors

31 March 2013 £000's		31 March 2014 £000's
(775)	Central Government Bodies	(2,565)
(267)	Other Local Authorities	(202)
(12)	NHS Bodies	(17)
(6)	Public Corporations & Trading Funds	0
(111)	Staff - Accumulated Absences	(108)
(914)	Other Entities & Individuals	(702)
(2,085)	**Total Creditors**	**(3,594)**

Note 18 Provisions

	Fire Equal Pay £000's	Childrens Services £000's	Employment £000's	**Total £000's**
Balance at 1 April 2012	(24)	(108)	0	**(132)**
Amounts used in 2012/13	24	0	0	**24**
Unused amounts reversed in 2012/13	0	108	0	**108**
Balance at 1 April 2013	0	0	0	**0**
Provisions made in 2013/14	0	0	21	**21**
Balance at 31 March 2014	**0**	**0**	**21**	**21**

Employment Related

The Authority has been notified of the intention by former employees to put forward claims for untaken leave. A provision for an estimated £21,000 has been set aside based on the assessment that this value will be the likely cost of claims, where payment is probable.

Note 19 Contingent Liabilities

At 31 March 2014, the Authority had one contingent liability:

Legal action has been threatened against the Authority, it is considered probable that action will be taken. At the current time it is not possible to estimate the cost that these proceedings are likely to have on the Authority in the event that they are commenced, as the detail of the claim has not yet been made available. No provision has therefore been made for this contingency.

Note 20 Usable Reserves

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

31 March 2013 £000's	Other Usable Reserves	31 March 2014 £000's
474	Capital Grants Unapplied Reserve	630
0	Usable Capital Receipts	2
1,409	Earmarked: (HRA) Housing Reserve	1,620
377	Earmarked: Schools Balances	214
2,331	Earmarked: Service & Project Specific Reserves	2,117
1,860	Earmarked: Revenue Grants Unapplied Reserve	1,483
6,451	**Total Other Usable Reserves**	**6,066**

The purpose of these reserves are:

RESERVE	MAIN PURPOSE
Capital Grants Unapplied Reserve	The Reserve holds the accumulated Capital grant funding that has been received by the Authority, but has not yet been allocated against capital expenditure.
Usable Capital Receipts	When an asset is sold a proportion (depending on the asset and the prevailing legislation) can be held for recycling into future capital expenditure. This reserve holds the amount that the Authority has available for that purpose.
Earmarked: Housing Reserve	To fund major capital repairs to the Council's Housing Stock.
Earmarked: Schools Balances	This reflects the cash balances held by the School.
Earmarked: Service and Project Specific	Amounts held in these Earmarked reserves, are held for types of expenditure or projects which the Authority wishes to specifically set aside.
Earmarked: Revenue Grants Unapplied Reserve	This reserve holds the Revenue Grants that have been received by the Authority but have not been applied against expenditure as at the Balance Sheet date.

Movements in the Authority's usable reserves are detailed in the Movement in Reserves Statement starting on page 24 and Note 7 on page 49.

Note 21 Unusable Reserves

31 March 2013 £000's		31 March 2014 £000's
2,938	Revaluation Reserve	3,215
35,402	Capital Adjustment Account	35,436
(4,514)	Pension Reserve - LGPS	(6,403)
(6)	Collection Fund Adjustment Account	(66)
(111)	Accumulated Absences Account	(107)
(213)	Pension Reserve - Fire Fighters' Pension	(284)
33,496	**Total Unusable Reserves**	**31,791**

21.1 Revaluation Reserve

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

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

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

2012/13 £000's		2013/14 £000's
3,000	**Balance at 1 April**	2,938
104	Upward revaluation of assets	389
0	Downward revaluation of assets and impairment losses not charged to the surplus or deficit on the provision of services	0
(32)	Revaluation reserve movement on disposal of assets	0
72	**Surplus or deficit on revaluation of non-current assets not posted to the surplus or deficit on the provision of services**	**389**
(134)	Difference between fair value of depreciation and historial cost depreciation	(112)
(134)	**Amount written off to the Capital Adjustment Account**	**(112)**
2,938	**Balance at 31 March**	**3,215**

21.2 Capital Adjustment Account

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

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

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

Note 6 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

2012/13 £000's		2013/14 £000's
31,552	**Balance at 1 April**	35,402
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:	
(1,442)	Charges for depreciation and impairment of noncurrent assets	(3,304)
134	Adjustment for historic cost depreciation	112
(29)	Revenue expenditure funded from capital under statute	(9)
(80)	Amounts of non-current assets written off on disposal or sale as part of the gain/(loss) on disposal to the CIES	10
32	Removal of revaluation reserve balance relating to assets written off on disposal or sale	0
(1,385)	**Net written out amount of the cost of non-current assets consumed in the year**	**(3,191)**
	Capital financing applied in the year:	
274	Use of the Capital Receipts Reserve to finance new capital expenditure	0
3,875	Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	2,154
21	Application of grants to capital financing from the Capital Grants Unapplied Account	40
208	Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	221
857	Capital expenditure charged against the General Fund and HRA balances	810
5,235		3,225
35,402	**Balance at 31 March**	**35,436**

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

31 March 2013 £000's		31 March 2014 £000's
(3,497)	**Balance as at 1 April**	(4,514)
(945)	Actuarial gains or (losses) on pensions assets and liabilities	(1,577)
(777)	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	(979)
705	Employer's pensions contributions and direct payments to pensioners payable in the year	667
(4,514)	**Balance as at 31 March**	**(6,403)**

21.4 Collection Fund Adjustment Account

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

2012/13 £000's		2013/14 £000's
104	**Balance at 1 April**	(6)
(110)	Amount by which Council Tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	66
0	Share of Business Rates income	(126)
(6)	**Balance at 31 March**	**(66)**

21.5 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, e.g. annual leave entitlement carried forward at 31 March. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

2012/13 £000's		2013/14 £000's
(229)	**Balance at 1 April**	(111)
229	Settlement or cancellation of accruals made at the end of the preceeding year	111
(111)	Amounts accrued at the end of the current year	(107)
118	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	4
(111)	**Balance at 31 March**	**(107)**

21.6 Fire-fighter's Pension Reserve

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

2012/13 £000's		2013/14 £000's
(135)	**Balance as at 1 April**	(213)
(39)	Actuarial gains or (losses) on pension fund liabilities	(34)
(31)	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	(29)
(8)	Employer's pensions contributions and direct payments to pensioners payable in the year	(7)
(213)	**Balance as at 31 March**	**(283)**

Note 22 Cash Flow Statement – Operating Activities

The cash flows for operating activities include the following items:

2012/13 £000's		2013/14 £000's
	Adjustments to the net surplus or (deficit) on the provision of services for non cash movements	
(1,442)	Depreciation and Impairment	(3,304)
(80)	Gain (Loss) on disposal of assets	(2)
(111)	Actuarial charges for retirement benefits adjustment	(350)
(110)	Collection Fund Adjustment	(60)
(127)	Other movements including reserves movements	(163)
	Adjustments for Items on an Accruals Basis	
(148)	(Increase)/Decrease in Total Creditors	(1,509)
132	(Increase)/Decrease in Total Provisions	(21)
(13)	Increase/(Decrease) in Total Inventories	15
1,489	Increase/(Decrease) in Total Debtors	(731)
(4)	Increase/(Decrease) in Interest Accruals	0
(414)	**Total Non Cash Movements**	**(6,125)**
	Adjustments to the net surplus or (deficit) on the provision of services that are investing or financing activities	
3,875	Capital Grants credited to surplus or deficit on the provision of services	2,524
208	Provision for repayment of debt	221
604	Capital expenditure charged to revenue	431
(29)	Other adjustments	(9)
(21)	Interest Received	(13)
17	Interest Paid	14
4,654	**Total Investing and Financing Activities**	3,168
4,240	**Total Adjustments**	**(2,957)**

Note 23 Cash Flow Statement – Investing Activities

2012/13 £000's		2013/14 £000's
5,568	Purchase of property, plant & equipment	3,370
(4,508)	Capital grants received	(1,936)
1,060	**Net Cash Flows from Investing Activities**	**1,434**

Note 24 Cash Flow Statement – Financing Activities

2012/13 £000's		2012/13 £000's
67	Repayment of short and long term borrowings	54
67	**Net Cash Flows from Financing Activities**	**54**

Note 25 Amounts Reported for Resource Allocation Decisions

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

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

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

Committee Income and Expenditure 2012/13	Children & Young People's Committee	Community Services Committee	General Purposes Committee	Policy & Resources Committee	Planning & Development Committee	All Other Committees	**Grand Total**
	£000's	£000's	£000's	£000's	£000's	£000's	**£000's**
Fees, Charges and Other Service Income	(12)	(922)	(51)	(35)	(45)	(41)	**(1,106)**
Income - Government Grants	(3,465)	(362)	(425)	(487)	(1,169)	0	**(5,908)**
Total Income	**(3,477)**	**(1,284)**	**(476)**	**(522)**	**(1,214)**	**(41)**	**(7,014)**
Employee Expenses	459	1,049	812	1,498	436	209	**4,463**
Other Service Expenses	3,398	749	1,298	1,072	1,057	141	**7,715**
Support Services	172	106	(419)	(729)	97	62	**(711)**
Charges for the cost of Capital	488	292	297	61	0	213	**1,351**
Total Expenditure	**4,517**	**2,196**	**1,988**	**1,902**	**1,590**	**625**	**12,818**
Net Expenditure/(Income)	**1,040**	**912**	**1,512**	**1,380**	**376**	**584**	**5,804**

Committee Income and Expenditure 2013/14	Children & Young People's Committee	Community Services Committee	General Purposes Committee	Policy & Resources Committee	Planning & Development Committee	All Other Committees	Grand Total
	£000's	£000's	£000's	£000's	£000's	£000's	**£000's**
Fees, Charges and Other Service Income	(14)	(1,057)	(43)	18	(347)	(18)	**(1,461)**
Income - Government Grants	(3,325)	(290)	(1,458)	(528)	(659)	(83)	**(6,343)**
Total Income	**(3,339)**	**(1,347)**	**(1,501)**	**(510)**	**(1,006)**	**(101)**	**(7,804)**
Employee Expenses	510	1,048	813	1,326	471	157	**4,325**
Other Service Expenses	3,332	791	2,355	1,009	820	63	**8,370**
Support Services	109	(181)	(367)	(485)	121	65	**(738)**
Charges for the cost of Capital	488	290	341	100	0	214	**1,433**
Total Expenditure	**4,439**	**1,948**	**3,142**	**1,950**	**1,412**	**499**	**13,390**
Net Expenditure/(Income)	**1,100**	**601**	**1,641**	**1,440**	**406**	**398**	**5,586**

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

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

2012/13 £000's		2013/14 £000's
5,804	**Net Expenditure/(Income)**	**5,587**
	Entries reversed through the MiRS	
(32)	Add back IAS19 Adjustment for Pensions	88
(120)	Add back untaken leave and TOIL	1
11	Add back Impairment	1,662
5,663	**Net Cost of Service per CIES**	**7,338**

25.2 Reconciliation to Subjective Analysis

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

Subjective Analysis 2012/13	Committee Analysis £000's	**Amounts not reported to management for decision making (book entries) £000's**	**Net Cost of Services £000's**	Corporate amounts £000's	**(Surplus)/Deficit on the provision of services for the year £000's**
Fees, Charges and Other Service Income	(1,106)	**0**	**(1,106)**	0	**(1,106)**
Interest & Investment Income	0	**0**	**0**	(75)	**(75)**
Income from Council Tax & NNDR	0	**0**	**0**	(3,963)	**(3,963)**
Income from Trading Services	0	**0**	**0**	(1,730)	**(1,730)**
Income - Government Grants	(5,908)	**0**	**(5,908)**	(5,156)	**(11,064)**
Total Income	**(7,014)**	**0**	**(7,014)**	**(10,924)**	**(17,938)**
Employee Expenses	4,463	**(152)**	**4,311**	0	**4,311**
Other Service Expenses	7,715	**0**	**7,715**	0	**7,715**
Support Services	(711)	**0**	**(711)**	0	**(711)**
Charges for the cost of Capital	1,351	**11**	**1,362**	0	**1,362**
Interest Payable			**0**	22	**22**
Pensions interest costs and expected return on pension assets (net)	0	**0**	**0**	102	**102**
Costs of Trading Services	0	**0**	**0**	1,772	**1,772**
Costs re: Investment Properties	0	**0**	**0**	95	**95**
Total Expenditure	**12,818**	**(141)**	**12,677**	**1,991**	**14,668**
(Surplus)/Deficit on the Provision of Services for the Year	**5,804**	**(141)**	**5,663**	(8,933)	**(3,270)**

Subjective Analysis 2013/14	Committee Analysis £000's	Amounts not reported to management for decision making (book entries) £000's	Net Cost of Services £000's	Corporate amounts £000's	(Surplus)/Deficit on the provision of services for the year £000's
Fees, Charges and Other Service Income	(1,461)	0	(1,461)	0	(1,461)
Interest & Investment Income	0	0	0	(589)	(589)
Income from Council Tax & NNDR	0	0	0	(2,720)	(2,720)
Income from Trading Services	0	0	0	(1,701)	(1,701)
Income from Investment Properties	0	0	0	(34)	(34)
Income - Government Grants	(6,343)	0	(6,343)	(4,490)	(10,833)
Total Income	**(7,804)**	**0**	**(7,804)**	**(9,534)**	**(17,338)**
Employee Expenses	4,325	89	4,414	0	4,414
Other Service Expenses	8,372	0	8,372	0	8,372
Support Services	(738)	0	(738)	0	(738)
Charges for the cost of Capital	1,433	1,662	3,095	0	3,095
Interest Payable			0	23	23
Pensions interest costs and expected return on pension assets (net)	0	0	0	771	771
Costs of Trading Services	0	0	0	1,912	1,912
Costs re: Investment Properties	0	0	0	124	124
Total Expenditure	**13,392**	**1,751**	**15,143**	**2,830**	**17,973**
(Surplus)/Deficit on the Provision of Services for the Year	**5,588**	**1,751**	**7,339**	(6,704)	**635**

Note 26 Trading Operations

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

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

St Mary's Airport - The Authority owns and manages the Airport on St Mary's. Income is generated primarily from landing fees. The trading objective is to generate a surplus after having covered the cost of capital employed for future reinvestment to ensure continuity of the service, which is held in the Airport Earmarked Reserve.

Water & Sewerage Services - The Authority operates water and sewerage undertakings on St Mary's and Bryher. The infrastructure includes five reservoirs that are operated and all the water is treated using ultra violet light and residual chlorination at the Higher Moors Water Pumping Station. Water is also produced in the Authority owned desalination plant. The trading objective of the service is to cover costs and generate surpluses to allow for future reinvestment to ensure the continuity, reliability and safety of the service. Surpluses are accumulated in and drawn from two reserves held: The Water Reserve and the Sewerage Earmarked Reserve.

Trade Refuse Collection and Disposal - The Authority operates the collection and disposal of refuse from commercial operations where no local provision is available. The trading objective is to break-even after having covered the cost of capital employed. The Authority is seeking to address the deficit in future years as part of a new waste strategy.

2012/13 Net (Surplus) /Deficit £000's		2013/14 Expenditure £000's	2013/14 Turnover £000's	2013/14 Net (Surplus) / Deficit - per CIES £000's	Items later reversed out through MiRS*	Net (Surplus) / Deficit £000's
(23)	Airport	1,007	(1,057)	(50)	(1)	(51)
(73)	Water & Sewerage	718	(563)	155	(67)	88
87	Trade Refuse	188	(81)	107	(3)	104
(9)	**Total**	**1,913**	**(1,701)**	**212**	**(71)**	**141**

(MiRS – Movement in Reserves Statement see page 24)*

Balances held in Trading Account Reserves

2012/3 £000's	Balances on Trading Account Reserves	2013/14 £000's
199	Airport Reserves	249
561	Water Reserve	483
744	Sewerage Reserve	762
1,504		**1,494**

Note 27 Members' Allowances

The total amount of allowances and expenses paid to Members during the year was £114,046 (2012/13: £118,451).

Note 28 Officers' Remuneration

The number of employees, including those employed at the Five Islands School, whose emoluments (excluding pension contributions) was £50,000 or more were:

2012/13	Remuneration Bandings	2013/14
1	£50,000 - £54,999	**2**
1	£55,000 - £59,999	**1**
1	£60,000 - £64,999	**1**
2	£65,000 - £69,999	**3**
2	£70,000 - £74,999	**0**
1	£74,999 - £79,999	**0**
0	£85,000 - £89,999	**0**
0	£155,000 - £159,999	**1**
1	£180,000 - £184,999	**0**
9	**Total**	**8**

Five of the staff in this note are included in the Senior Officers Emoluments disclosure Note 29.

Note 29 Senior Officers' Emoluments

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

Post holder information		Salary (including fees & allowances) £	Election Duties £	Total remuneration excluding pension contributions £	Pension contrib-utions £	Total remuneration including pension contribution £	notes below:
Interim Chief Executive	2013/14	73,544	0	73,544	0	73,544	a
	2012/13	0	0	0	0	0	
Chief Executive	2013/14	21,987	0	21,987	4,274	26,260	
	2012/13	69,033	197	69,230	13,418	82,648	
Chief Technical Officer	2013/14	97,923	616	98,539	4,104	102,643	d
	2012/13	76,002	2,500	78,502	14,773	93,275	
Director of Finance & Resources	2013/14	65,701	0	65,701	0	65,701	d
	2012/13	70,328	0	70,328	13,670	83,998	
Head of Finance & Reporting	2013/14	51,751	0	51,751	10,059	61,810	f
	2012/13	0	0	0	0	0	
Director of Place	2013/14	40,833	0	40,833	3,318	44,151	
	2012/13	0	0	0	0	0	
Chief Planning & Development Officer	2013/14	29,167	0	29,167	2,370	31,537	
	2012/13	69,690	0	69,690	13,546	83,236	
Director of Adult, Childrens` & Community Services	2013/14	70,000	0	70,000	5,040	75,040	
	2012/13	70,164	0	70,164	13,638	83,802	
Chief Fire Officer	2013/14	31,740	0	31,740	2,615	34,355	b & c
	2012/13	31,740	0	31,740	6,170	37,910	
Director of Public Health	2013/14	2,000	0	2,000	0	2,000	e
	2012/13	0	0	0	0	0	
Total 2012/13	2013/14	484,645	616	485,262	31,780	517,042	
Total	**2012/13**	**386,957**	**2,697**	**389,654**	**75,215**	**464,869**	

a. The Interim Chief Executive was employed between April 2013 and December 2013.
b. The Chief Fire Officer works 7.4 hours per week as Chief Fire Officer. The annualised salary is £94,699.
c. The Chief Fire Officer works 7.4 hours per week as Air Operator Certificate Accountable Manager (AOC). The annualised salary is £64,000
d. The Chief Technical Officer and the Director of Finance & Resources were made redundant during the year, see also Note 30.
e. The Director of Public Health Senior Officer is based in Cornwall and we contribute the disclosed amount toward their salary. The total annual salary for this post is £97,000.
f. The Head of Finance & Reporting post was acting up as a senior office for Finance and Resources throughout the year, this included absence cover during the earlier part of the year as well as formal recognition as Section 151 Officer from the time that the Director of Finance & Resources was made redundant.

Note 30 Employee Exit Packages

The authority incurred costs during 2013/14 relating to employee exit packages as shown below:

Exit Package Cost Band	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band		Total cost of exit packages in each band	
	2012/13	2013/14	2012/13	2013/14	2012/13	2013/14	2012/13	2013/14
							£'000's	£'000's
60-250	0	0	1	2	1	2	204	129
Total	**0**	**0**	**1**	**2**	**1**	**2**	**204**	**129**

The Authority had two exit packages in 2013/14 (2012/13 – one), these incurred liabilities of £129,000 (2012/13 - £204,000) and are made up of the following elements:

2012/13		2013/14
£'000's		£'000's
91	Pension Strain	58
89	Salary in Lieu of Notice	17
10	Outplacement/retraining	0
14	Removal Costs	0
0	Untaken Annual Leave	2
0	Redundancy Payment	52
204	**Total**	**129**

Note 31 External Audit Costs

2012/13		**2013/14**
£000's		**£000's**
35	External Audit Services	**35**
12	Grants Claims	**7**
0	Other Audit Fees	**8**
(3)	Rebate on Prior Year Audit Fees	**(3)**
44	**Total**	**47**

Note 32 Dedicated Schools Grant – Deployment of the Isles of Scilly Education Grant

The Authority's expenditure on schools is funded primarily 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 are as follows:

	Central Expenditure £000's	Individual Schools Budget (ISB) £000's	Total £000's
Brought forward as at 1 April 2013			36
Isles of Scilly Education Grant for 2013/14			3,126
Agreed budgeted distribution of grant in 2013/14	519	2,643	3,162
less Actual central expenditure	(1,187)	0	(1,187)
less Actual ISB deployed to schools	0	(2,643)	(2,643)
plus Local Authority contribution for 2013/14	780	0	780
Balance as at 31 March 2014	**112**	**0**	**112**

Included in the Central Expenditure column is the central expenditure of the Schools Budget plus other Children's Services budgets, excluding Children's Social Care.

Note 33 Grant Income

33.1 General Capital Grants

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

2012/13 £000's		2013/14 £000's
	Grants & Contributions Used for Capital Expenditure	
2,577	ERDF - European Regional Development Fund grant	968
675	DEFRA - Water & Sewerage Grants	818
241	HCA - Homes and Communites Agency Capital Grant	0
175	Big lottery	276
80	Play Builder (DCSF - Dept for Children, Schools and Families)	0
54	Defra Waste Equipment Grant	0
38	Local Action Group Funding	23
7	Community Capacity Grant	7
4	Fire Services Equality & Diversity	0
2	Private Donation for Benches	0
0	New School Build	6
0	Community Safety Grant	26
0	Department of Health	29
0	DLG - Severe Weather Grant	81
	Other Capital Grants No Conditions Received in Year	
132	Basic Need Grant	0
75	Fire Capital Grant	75
21	Capital Maintenance Grant	20
8	Disabled Facilities Grant	12
8	Community Capacity Grant	0
4,097	**Total Government Grants - Capital Recognised in the CIES**	**2,341**

33.2 General Revenue Grants

2012/13 £000's		2013/14 £000's
50	Revenue Support Grant	2,002
31	Council Tax Freeze Grant	0
662	Early Intervention Grant	0
21	New Homes Grant	31
0	Other Revenue Grants Applied	1
294	Local Services Support Grant	115
1,058		**2,149**

33.3 General Revenue Grants credited within the Net Cost of Services (CIES)

The Authority credited the following grants, contributions and donations within the Net Cost of Services section of the Comprehensive Income and Expenditure Statement in 2013/14.

In Summary:

2012/13 £000's	Credited to Services - Summary by Service Expenditure Area	2013/14 £000's
3,627	Children's & Education Services	3,457
139	Social Services	165
3	Cultural & Related Services	0
1,168	Planning Services	658
205	Central Services	161
5	Corporate and Democratic Core	0
44	Highways & Transport Services	24
414	Environmental Services	1,423
292	Housing Services	313
11	Fire & Rescue Services	11
0	Public Health Grant	65
0	Association of IFCA's	62
5,908	**Total Grants Credited to Net Cost of Services**	**6,339**
0	Other Grants - DEFRA Water/Sewerage Improvement credited to Surplus/Deficit of Trading Services	0
5,908	**Total Grants Credited to CIES**	**6,339**

These grants are analysed by service in more detail over the page:

2012/13 £000's	Credited to Children's & Education Services (incl LLL)	2013/14 £000's
3,144	Isles of Scilly Education	3,050
247	Education Funding Agency (Post 16 Accommodation & Travel)	187
91	Skills Funding Agency	88
41	European Social Fund (ESF Convergance Progressive Isles)	0
30	D for E: SEND Pathfinder	23
0	Training & Development Agency	28
20	Adoption Grant	0
17	Skills Funding Agency (Family Learning)	24
11	Local Action Group	18
7	Pupil Premium	12
7	Devolved Formula Capital	9
4	Tackling Troubled Families	4
4	Additional Grant for Schools	3
2	D for E: Year 7 Attainment Grant	2
0	D for E: PE Grant	9
1	Federation of Music Services	0
1	Other Grants	0
3,627	**Children's & Education Services Total**	**3,457**

2012/13 £000's	Credited to Social Services	2013/14 £000's
76	PCT Reablement Funding	46
36	PCT Grant	76
21	Department of Health - Social Care Reform	11
5	Peninsula Health: Social Care Worker Grant	5
1	Other Grants	6
0	Total Place Funding	21
139	**Adult Social Services Total**	**165**

2012/13 £000's	Cultural & Related Services	2013/14 £000's
3	Safer Communities	0
3	**Cultural & Related Services Total**	**0**

2012/13 £000's	Credited to Planning Services	2013/14 £000's
530	SWERDA/DEFRA - LAG Admin & reclaim of Grant's awarded	620
238	Quay Project	(20)
184	Strategic Investment Framework	124
95	South West Regional Development Agency (SWERDA)	(94)
85	Natural England	(3)
49	Sustainable Development Fund	26
8	Other Grants	0
5	Local Action Group (LAG) Grant	0
(26)	English Heritage	5
1,168	**Planning and Economic Development Services Total**	**658**

2012/13 £000's	Credited to Central Services	2013/14 £000's
84	Localisation of Council Tax Benefits Grant	0
80	Council Tax Benefits	17
25	NNDR Admin Grant	0
12	Health Watch Funding	16
2	NNDR Deferral Scheme	0
0	DEFRA Inspire Grant	8
0	Gypsy Grant	8
0	DCLG Grant - New Burdens	8
0	DCLG Grant - Severe Weather	6
0	DCLG Grant - Business Support	28
0	DCLG Grant - New Homes Bonus	30
0	DCLG Grant - Capitalisation	11
0	DEFRA - Flood Risk Assessment	24
2	Other Grants	5
205	**Central Services Total**	**161**

2012/13 £000's	Corporate and Democratic Core	2013/14 £000's
5	Community Right to Bid	0
5	**Corporate and Democratic Core**	**0**

2012/13 £000's	Highways & Transport Services	2013/14 £000's
0	Severe Weather Grant	24
44	Concessionary Travel Grants	0
44	**Highways & Transport Services Total**	**24**

2012/13 £000's	Credited to Environmental Services	2013/14 £000's
327	DEFRA - Waste Performance & Efficiency	1,423
86	Environment Agency Coastal Protection	0
1	Safer Communities	0
414	**Environmental Services Total**	**1,423**

2012/13 £000's	Credited to Housing Services	2013/14 £000's
202	Rent Allowances	217
68	Rent Rebates	74
16	Handy Person Funding	17
6	Housing Benefit Administration Grant	5
292	**Housing Services Total**	**313**

2012/13 £000's	Credited to Fire & Rescue Services	2013/14 £000's
11	Fire and Rescue Grant	11
11	**Fire & Rescue Services Total**	**11**

2012/13 £000's	Credited to Public Health	2013/14 £000's
0	Public Health Grant	65
0	**Public Health Services Total**	65

2012/13 £000's	Credited to Inshore Fisheries & Conservation Authorities	2013/14 £000's
0	Association of IFCA's	62
0	**IFCA Total**	62
5,908	**Grand Total**	**6,339**

33.4 Capital Grant Creditors and Grants Receipted in Advance

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

2012/13 £000's	Capital Grants Creditors/Receipts In Advance	2013/14 £000's
	Children's & Education Services	
113	New School Build Project	81
1	Other Grants	0
	Adult Social Services	
16	Housing - Private Sector Decent Homes	16
3	Other Grants	4
	Fire & Rescue Services	
46	Operations - Equality & Diversity Training	46
	Planning Services	
13	ERDF - Navigational Overlay Service Funding	12
	Environmental Services	
1,806	Water/Sewerage Grant	988
1,998	**Total Capital Grants Creditors/Receipts In Advance**	**1,147**

33.5 Revenue Grant Creditors and Grants Receipted in Advance

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

2012/13 £000's	Revenue Grants Creditors/Receipts in Advance	2013/14 £000's
	Children's & Education Services	
36	Isles of Scilly Education Grant	111
28	Teacher Training Development Agency	0
8	D for E - SEND Pathfinder	15
	Adult Social Services	
60	Handy Person Funding	43
21	Total Place Funding	0
19	Dementia Care	6
11	Social Care Reform - Extra Care Housing Fund	0
11	Carers' Short Breaks	15
8	Gypsy site improvements (housing)	0
5	Winter Access 11/12 Reablement	0
5	Healthwatch Pathfinder	0
2	Healthy Workplace Grant	2
	Fire & Rescue Services	
22	Fire Brigade - New Dimensions	22
	Public Health	
0	Public Health Grant	6
	Environmental Services	
364	Waste Strategy Management	2,240
24	Severe Weather Grant - Road Repairs	0
624	**Total Revenue Grants Creditors/Receipts in Advance**	**2,460**

Note 34 Related Parties

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

34.1 Central Government

Central government has significant influence over the general operations of the Authority and is responsible for providing the statutory framework within which the Authority operates. Central Government provides the majority of our funding in the form of grants and they prescribe the terms of many of the transactions that our Authority has with other parties (e.g. council tax bills, housing benefits). Grants received from government departments are set out in the subjective analysis in Note 25 on reporting for resources allocation decisions. Grant receipts outstanding at 31st March 2014 are shown in Note 33.

34.2 Members

Members of the Council have direct control over the Council's financial and operating policies. The Council's constitution requires Members to declare their interests in related parties in a register of interests and they are asked to declare their interests during Committee meetings. These Declarations are maintained by the Authority's Administration team, and can also be found on-line on the Councils website in minutes of Committee Meetings. During 2013/14, payments for works and services to the value of £486,779 were commissioned from companies, organisations or individuals in which 48 declarations of interest were made by Members. There were no payments made to companies, organisations or individuals in which Co-opted Members have declared an interest. These payments were made in compliance with the Council's Financial Regulations.

The outstanding payments at the end of the year on accounts for which declarations of interest have been made by Members totalled £17,952 for which 41 declarations of interest were made by Members. There were no outstanding balances at the end of the year for accounts for which Co-opted Members have declared an interest

During 2013/14, sales for works and services to the value of £116,584 were commissioned from companies, organisations or individuals in which 46 declarations of interest were made by Members. There were no sales made to companies, organisations or individuals in which Co-opted Members had declared an interest. These sales were made in compliance with the Council's Financial Regulations.

The outstanding debtor balances at the end of the year on accounts for which Members have declared an interest totalled £115,969 for which 46 declarations of interest were made by Members. There were no outstanding debtors balances at the end of the year for accounts for which Co-opted Members have declared an interest.

Members' remuneration is detailed in Note 27 to the accounts.

34.3 Officers

Officers are required to declare their interests in the register of interests and during committee meetings when in attendance. During 2013/14 payments of £427,730 were made to companies, organisations or individuals in which 7 declarations of interest were made by Officers. These payments were made in compliance with the Council's Financial Regulations.

On accounts for which Officers have declared an interest the outstanding payments at the end of the year totalled £11,052. Of which 3 declarations of interest were made by Officers.

During 2013/14 sales of £115,709 were made to companies, organisations or individuals in which 3 declarations of interest were made by Officers. These sales were made in compliance with the Council's Financial Regulations.

The outstanding debtor balances at the end of the year on accounts for which Officers have declared an interest in totalled £115,738 for which 3 declarations of interest were made by Officers.

In addition grants totalling £21,996 were paid to organisations in which 1 declaration of interest was made by an Officer. The grant was made with proper consideration of declarations of interest. The relevant Officer did not take part in any discussion or decision relating to the grant.

Senior Officer Remuneration is contained in Note 29 to the accounts.

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

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

Devon and Cornwall Police Authority raise a precept upon the Council for sums collected by the Council Tax. This precept is shown within the Collection Fund Statement on page 93.

As a member of the Local Government Pension Scheme, the Council paid employer's contributions to Cornwall County Council during the year. This contribution is shown within Note 38 - Local Government Pension Scheme.

The Council administers the Local Action Group (LAG) on behalf of the Department for Environment, Food and Rural Affairs (DEFRA). During 2013/14 the LAG has issued grants with conditions to 48 bodies with a total value of £556,579, of this total value the LAG have awarded 4 grant payments with conditions, for amounts totalling £21,042 to the Council of the Isles of Scilly. The Council has received payments totalling £65,948 for the management and administration of this project from DEFRA. The outstanding balance at year end is £23,712.

The Council also administers the Strategic Investment Framework (SIF) on behalf of the European Regional Development Fund (ERDF). During 2013/14 no grants have been issued by SIF, the funds have been used for in-house projects in particular the Porthcressa Regeneration Project.

The Council also administers the Sustainable Development Fund (SDF) on behalf of Natural England. During 2013/14 SDF awarded grants with conditions to 8 bodies totalling £41,775. The Core Grant is managed by the Area of Outstanding Natural Beauty team (AONB) and is designed to deliver the AONB management plan which includes funding locally based projects and initiatives. This involves providing grants to both external bodies and projects working in partnership with the Council of the Isles of Scilly. The Funding for the Core Grant Payment is from several awarding bodies and includes; Natural England totalling £92,580, Council of the Isles of Scilly totalling £22,713, Duchy of Cornwall totalling £4,444, Isles of Scilly Wildlife Trust totalling £741 and Tresco Estate totalling £2,963. There is an outstanding balance in total for SDF, core and grant elements at year end of £100,727.

The Council administers travel and accommodation grants for children aged over 16 to enable them to pursue higher education on the mainland. During 2013/14 travel and accommodation grants totalling £163,713 were issued to a total of 58 individuals. There are no outstanding balances at year end.

Note 35 Capital Expenditure and Capital Financing

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

2012/13 £000's		2013/14 £000's
5,198	**Opening Capital Financing Requirement**	5,531
	Capital Investment	
5,540	Property, Plant and Equipment	3,370
29	Revenue Expenditure Funded from Capital under Statute	9
	Sources of Finance	
(3,896)	Government grants and contributions	(2,195)
(878)	Revenue Contribution - General Fund and Reserves	(431)
(254)	Use of Capital Receipts Reserve	(379)
(208)	Minimum Revenue Provision	(221)
5,531	**Closing Capital Financing Requirement**	**5,684**
	Explanation of Movements in Year	
542	Increase/(Decrease) in underlying need to borrow (unsupported by Government financial assistance)	374
(208)	Repayment of debt	(221)
334	**Increase/(Decrease) in Capital Financing Requirement**	**153**

Note 36 Leases

36.1 Authority as Lessee

Finance Leases

The Authority has a number of sites acquired under finance leases.

The assets acquired under these leases are carried within Property, Plant and Equipment in the Balance Sheet at the following net amounts:

2012/13 £000's		2013/14 £000's
0	Housing Revenue Account	0
466	General Fund Properties	454
862	Other Land & Buildings	847
1,328	**Total**	**1,301**

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

2012/13 £000's		2013/14 £000's
	Finance Lease Liabilities	
4	Current	4
2	Non-current	2
1	Finance Costs Payable in Future Years	1
7	**Minimum lease payments**	**7**

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

2012/13 Minimum Lease Payments £000's	2012/13 Finance Lease Liabilities £000's		2013/14 Minimum Lease Payments £000's	2013/14 Finance Lease Liabilities £000's
5	5	Not later than one year	5	5
0	0	Later than one year and not later than five years	0	0
2	1	Later than five years	2	1
7	**6**	**Totals**	**7**	**6**

The minimum lease payments do not include rent that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. In 2013/14 £7,954 contingent rents were payable by the Authority (2012/13 £1,130).

The Authority has sub-let some of the assets held under these finance leases. At 31 March 2014 the minimum payments expected to be received under non-cancellable sub-leases was £6,454 (£4,189 at 31 March 2013).

Operating Leases

The Authority has acquired land and buildings for use by entering into operating leases.

The future minimum lease payments due under non-cancellable leases in future years are:

2012/13 £000's		2013/14 £000's
15	Not later than one year	8
0	Later than one year and not later than five years	0
15	**Total**	**8**

Some of these leases are sub-let by the Authority, the future minimum sublease payments expected to be received by the Authority are:

2012/13 £000's		2013/14 £000's
1	Not later than one year	0
1	**Total**	**0**

The expenditure charged to the Comprehensive Income and Expenditure Statement during the year in relation to these leases was:

2012/13 £'000		2013/14 £000's
41	Minimum lease payments	23
(1)	Sublease payments receivable	0
40	**Total**	**23**

36.2 Authority as Lessor

Finance Leases

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

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

The gross investment is made up of the following amounts:

2012/13 £000's		2013/14 £000's
	Finance Lease Debtor	
	(Net Present Value of Minimum Lease Payments):	
27	Current	27
97	Non-current	103
592	Unearned finance income	559
230	Unguaranteed residual value of property	230
946	**Gross investment in the lease**	**919**

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

2012/13			2013/14	
Gross Investment in the Lease £000's	Minimum Lease Payments £000's		**Gross Investment in the Lease £000's**	**Minimum Lease Payments £000's**
46	27	Not later than one year	42	27
162	108	Later than one year & not later than five years	166	108
508	351	Later than five years	482	324
716	**486**	**Total**	**690**	**459**

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. In 2013/14 £9,754 contingent rents were receivable by the Authority (2012/13 £9,750).

Operating Leases

The Authority leases out property and equipment under operating leases for the following purposes: housing, office and other spaces, dial-a-ride bus service for the elderly and concessions at the Airport.

The future minimum lease payments receivable under non-cancellable leases in future years are:

2012/13 £000's		2013/14 £000's
53	Not later than one year	60
0	Later than one year and not later than five years	0
53	**Total**	**60**

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. In 2013/14 £65,705 of contingent rents were receivable by the Authority (2012/13 £63,300).

Note 37 Teachers' Pensions

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

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

The scheme has in excess of 3,700 participating employers and consequently the Authority is not able to identify its share of the underlying financial position and performance of the Scheme with sufficient reliability for accounting purposes. For the purposes of this Statement of Accounts, it is therefore accounted for on the same basis as a defined contribution scheme. As a proportion of the total contributions into the Teachers' Pension Scheme during the year ending 31 March 2014, the Authority's own contributions equate to approximately 61% (2012/13 – 64%).

In 2013/14, the Authority paid £148,000 (2012/13 - £154,000) to Capita Teachers' Pensions in respect of teachers' retirement benefits, representing 14% of pensionable pay (2012/13 – 14%). There were no contributions remaining payable at the year end. The contributions due to be paid in the next financial year are estimated to be £145,700.

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

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

Note 38 Local Government Pension Scheme

38.1 Participation in Pension Schemes

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

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

38.2 Transactions Relating to Post Employment Benefits

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

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

31 March 2013 £000's		31 March 2014 £000's
	Within Cost of Services:	
574	Current Service Cost	713
0	Past Service Gain (Non Distributed Costs)	61
109	(gain)/loss from settlements	0
	Financing and Investment Income and Expenditure:	
168	Net Interest Expense	205
851	**Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services**	**979**
	Other Post Employement Benefit Charged to the CIES:	
(963)	Expected Return on Assets in the scheme (excluding the amount included in the net interest expense)	24
0	Actuarial (Gains) or Losses arising on changes in demographic assumptions	434
1,852	Actuarial (Gains) or Losses arising on changes in financial assumptions	399
(18)	Other Actuarial (Gains) or Losses	720
871	**Total Post Employment Benefit Charged to the Surplus or Deficit on the CIES**	**1,577**

31 March 2013 £000's	Movement in Reserves Statement	31 March 2014 £000's
(777)	Reversal of Net Charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the code	(979)
	Actual amounts charged against the General Fund Balance for Pensions in the Year:	
705	Employer's Contributions Payable	667
(72)		**(312)**

38.3 Pensions Assets and Liabilities Recognised in the Balance Sheet

The amounts included in the Balance Sheet arising from the Authority's obligation in respect of its defined benefit plans are as follows:

31 March 2013 £000's		31 March 2014 £000's
(16,727)	Present Value of the Defined Benefit Obligation	(19,448)
12,213	Fair Value of Plan Assets	13,045
(4,514)	**Net Liability Arising From Defined Benefit Obligation**	**(6,403)**

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

31 March 2013 £000's		31 March 2014 £000's
10,269	Opening Fair Value of Scheme Assets	12,213
504	Interest Income	556
	Remeasurement gain/(loss):	
963	Return on Plan Assets, Excluding the Amount Included in the Net Interest Expense	(24)
0	Other	0
0	The Effect of Changes in Foreign Exchange Rates	0
705	Contributions from Employer	667
196	Contributions from Employees into the Scheme	195
(424)	Benefits Paid	(562)
0	Other	0
12,213	**Closing Fair Value of Scheme Assets**	**13,045**

38.5 Reconciliation of Present Value of the Scheme Liabilities (Defined Benefit Obligation)

31 March 2013 £000's		31 March 2014 £000's
13,766	Opening Balance at 1 April	16,727
574	Current Service Cost	713
672	Interest Cost	761
196	Contributions from Scheme Participants	195
	Remeasurement (gains) and losses:	
0	Actuarial (Gains) or Losses arising on changes in demographic assumptions	434
1,852	Actuarial (Gains) or Losses arising on changes in financial assumptions	399
(18)	Other Actuarial (Gains) or Losses	720
109	Past Service Cost	61
(424)	Benefits Paid	(562)
0	Liabilities Extinguished on Settlements	0
16,727	**Closing Balance at 31 March**	**19,448**

38.6 Local Government Pension Scheme Assets Comprised:

31 March 2013 £000's		31 March 2014 £000's
	Cash & Cash Equivalents	
	Equity Instruments:	
805	All	186
805		**186**
1,390	Consumer	0
927	Manufacturing	0
789	Energy & Utilities	0
1,011	Financial Institutions	0
870	Health & Care	0
970	Information Technology	0
92	Other	85
6,049		**85**
	Bonds:	
0	Corporate	0
0	Government	0
46	Other	0
46		**0**
	Private Equity:	
500	All	452
500		**452**
	Real Estate:	
665	UK Property	744
0	Overseas Property	0
665		**744**
	Investment Fund and Unit Trusts:	
1,479	Equities	8,404
2,080	Bonds	1,887
145	Hedge Funds	175
0	Commodities	0
84	Infrastructure	185
0	Other	0
3,788		**10,651**
	Derivatives:	
403	Inflation	927
0	Interest Rate	0
(43)	Foreign Exchange	0
0	Other	0
360		**927**
12,213		**13,045**

38.7 Basis for Estimating Assets and Liabilities

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

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

The significant assumptions used by the actuary have been:

31 March 2013 £000's		31 March 2014 £000's
	Investment Returns	
4.5%	Investment Returns	4.7%
	Mortality Assumptions:	
	Longevity at 65 for Current Pensioners:	
21.3	Men	22.2
23.4	Women	24.4
	Longevity at 65 for Future Pensioners:	
23.2	Men	24.4
25.6	Women	26.8
	Rates:	
5.1%	Rate of Increase in Salaries	4.6%
2.8%	Rate of Increase in Pensions	2.8%
4.5%	Rate for Discounting Scheme Liabilities	4.3%

38.8 Sensitivity Analysis

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in note 38.6 above. The sensitivity analyses below have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all the other assumptions remain constant. The assumptions in longevity, for example, assume that life expectancy increases or decreases for men and women. In practice, this is unlikely to occur, and changes in some of the assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies for the scheme, i.e. on an actuarial basis using the projected unit credit method. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in the previous period.

31 March 2013 Impact on the Defined Benefit Obligation in the Scheme			31 March 2014 Impact on the Defined Benefit Obligation in the Scheme	
Approximate % increase to Employer Liability	Approximate monetary amount £000		Approximate % increase to Employer Liability	Approximate monetary amount £000
10%	1,756	0.5% decrease in Real Discount Rate	10%	2,026
3%	502	1 Year increase in member life expectancy	3%	583
3%	547	0.5% increase in the Salary Increase Rate	4%	746
7%	1,181	0.5% Increase in the Pension Increase Rate	6%	1,242

38.9 Impact on the Authority's Cash Flows

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

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

The Council anticipates paying £615,000 contributions to the scheme in 2014/15.

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

Note 39 Trust Funds

The Authority acts as one of several trustees of three trusts.

2012/13	Income £000's	Expenditure £000's	Assets £000's
Richard Addison Charitable Trust	2	0	133
Pilots' Widows Fund	0	0	10
Edward MacDonald Trust	4	1	139
Total	**6**	**1**	**282**

2013/14	Income £000's	Expenditure £000's	Assets £000's
Richard Addison Charitable Trust	2	2	138
Pilots' Widows Fund	0	0	10
Edward MacDonald Trust	4	2	153
Total	**6**	**4**	**301**

The Richard Addison Charitable Trust (Registered charity number 1014632)

Established for the welfare of people on the Islands, in particular, for the benefit of the older people. For such purposes as are, in law, charitable.

The figures are prepared on a cash basis. The assets disclosed include deposits held at the bank and investments.

The Pilots' Widows Fund

This trust was first established on 17 December 1931 to support the widows of Pilots. The fund has had no expenditure during the two years and its income is derived from earned interest and dividends on the funds invested.

The figures are prepared on a cash basis.

The Edward MacDonald Trust

This trust was established to make contributions to the elderly of the islands and distributes small cash sums each Christmas. The assets disclosed include deposits held at the bank and shares held in unit trusts and in the Isles of Scilly Steamship Company.

The figures are prepared on a cash basis.

The funds do not represent the assets of the Authority and therefore they have not been included in the Balance Sheet.

Collection Fund

The Collection Fund reflects the statutory obligation for billing authorities such as the Council of the Isles of Scilly to maintain a separate Collection Fund. The statement shows the transactions of the billing Authority in relation to the collection from taxpayers and distribution to local authorities and the Government of Council Tax and Non-Domestic Rates.

2012/13 NNDR £000's	2012/13 COUNCIL TAX £000's	2012/13 TOTAL £000's		2013/14 NNDR £000's	2013/14 COUNCIL TAX £000's	2013/14 TOTAL £000's	Note
			Income				
0	(1,493)	(1,493)	Council Tax	0	(1,628)	(1,628)	41
0	(77)	(77)	Council Tax Benefits	0	0	0	
(1,293)	0	(1,293)	Income collectable from business ratepayers	(1,523)	0	(1,523)	42
(1,293)	**(1,570)**	**(2,863)**	**Total Income**	**(1,523)**	**(1,628)**	**(3,151)**	
			Expenditure				
			Distribution of previous year's surplus				
0	243	243	General Fund	0	(24)	(24)	
0	33	33	Police	0	(4)	(4)	
			Council Tax Preceptors				
0	1,250	1,250	General Fund	0	1,346	1,346	
0	194	194	Police	0	222	222	44
			Business Rates Preceptors				
1,271	0	1,271	Payments to National Pool	0	0	0	
0	0	0	Retained Share	827	0	827	
			Charges to Collection Fund				
0	0	0	Central Government Share	827	0	827	
25	0	25	Costs of collection	25	0	25	
(26)	0	(26)	Change in Provisions for Bad/Doubtful Debts	41	11	52	
0	0	0	Change in Provisions for Appeals	55	0	55	
1,270	**1,720**	**2,990**	**Total Expenditure**	**1,775**	**1,551**	**3,326**	
(23)	**150**	**127**	**(Surplus)/Deficit on Collection Fund**	**252**	**(77)**	**175**	
		104	**CIOS - Collection Fund Balance 1 April**			**(6)**	
		(6)	**CIOS - Collection Fund Balance 31 March**			**(66)**	

2012/13 £000's		2013/14 £000's
(110)	Billing Authority - Council of the Isles of Scilly	(61)
(17)	Precepting Authority - Devon & Cornwall Police Authority	11
-	Government	(125)
(127)	**Surplus/(Deficit) for the year on the Collection Fund**	**(175)**

Notes to the Collection Fund

Note 40 Business Rates

2012/13 £000's		2013/14 £000's
4,200	Total Non-Domestic Rateable Value as at 31 March	4,244
	Multiplier Rates	
45.8p	Non - Domestic	47.1p
45.0p	Small Business	46.2p

Note 41 Calculation of Net Council Tax

2012/13 £000's		2013/14 £000's
(1,764)	Council Tax - Gross Due	(1,781)
	Less	
127	Discounts	103
40	Exemptions	31
77	Benefits	0
27	Adj re Previous Years' Council Tax Due	19
(1,493)	**Net Council Tax**	**(1,628)**

Note 42 Calculation of Net Business Rates

2012/13 £000's		2013/14 £000's
(1,298)	Non-Domestic Rates - Gross Due	(1,610)
	Less	
5	Mandatory Reliefs	30
1	Discretionary Reliefs	16
0	Transitional Protection Payments	41
(1,292)	**Net Business Rate**	**(1,523)**

Note 43 Council Tax Base Relationship

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

All bands are linked proportionately to the Basic Band D. The amount for a Band D property in 2013/14 was £1,193.06 (£1,189.87 in 2012/13). This is multiplied by the proportion specified for the particular band to give the individual amount due.

Valuation Band	Range of Values	Link to band D	Dwellings on valuation List	Adjusted for Discounted Dwellings	Band D Equivalents
A	Up to £40,000	6/9	14	12	15
B	£40,001 to £52,000	7/9	34	29	34
C	£52,001 to £68,000	8/9	85	73	91
D	£68,001 to £88,000	9/9	250	211	259
E	£88,001 to £120,000	11/9	333	292	343
F	£120,001 to £160,000	13/9	297	253	303
G	£160,001 to £320,000	15/9	144	123	148
H	Over £320,000	18/9	9	8	9
			1,166	**1,001**	**1,202**

Note 44 Precepting Bodies

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

This Authority made precept payments to Devon and Cornwall Police Authority for 2013/14 of £222,000 (2012/13 - £194,000).

Isles of Scilly Fire-fighter’s Pension Fund

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

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

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

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

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

Accounting Policies

1. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting issued by the Chartered Institute of Public Finance and Accountancy (CIPFA), and with guidance notes issued by CIPFA on the application of accounting standards to Local Authorities. They do not take account of liabilities to pay pensions and other benefits in the future. Information on the Authority's long term pension’s obligations can be found from page 86.

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

Isles of Scilly Fire-fighter’s Pension Fund Accounts

2012/13 £000's		2013/14 £000's
	Contributions Receivable	
	Fire Authority:	
(8)	- contributions in relation to pensionable pay	(8)
(10)	Firefighters' Contributions	(10)
(18)	Net amount payable for the year	**(18)**
18	Top-up grant payable to / (from) the Government	18
0		**0**

Note 45 Isles of Scilly Fire-fighter’s Pension Disclosures

2012/13 £000's	Net Assets Statement as at 31 March	2013/14 £000's
6	Top-up receivable from the Government	0
(6)	Amounts payable to Government	0
0	**Total Net Assets**	**0**

2012/13 £000's		2013/14 £000's
	Within Cost of Services:	
23	Current Service Cost	20
	Financing and Investment Income and Expenditure:	
8	Interest Costs	10
31	**Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services**	**30**
	Other Post Employment Benefit Charged to the CIES:	
39	Actuarial (Gains) or Losses	**34**
39	**Total Post Employment Benefit Charged to the Surplus or Deficit on the CIES**	**34**

2012/13 £000's	Movement in Reserves Statement	2013/14 £000's
(31)	Reversal of Net Charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the code	(30)
	Actual amounts charged against the General Fund Balance for Pensions in the Year:	
(8)	Employer's Contributions Payable	(7)
(39)		**(37)**

The cumulative amount of actuarial gains and losses recognised in the Comprehensive Income and Expenditure Statement is a loss of £72,000 (2012/13 - £39,000).

45.1 Liabilities in Relation to Post-employment Benefits

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

2012/13 £000's		2013/14 £000's
(213)	Estimated **liabilities** in the scheme	(284)
(213)	**Net Liabilities**	**(284)**

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

2012/13 £000's		2013/14 £000's
135	Liabilities as at 1 April	213
23	Current Service Costs	20
8	Interest Costs	10
8	Contributions by Scheme Members	7
39	Actuarial Losses / (Gains)	34
213	**Liabilities as at 31 March**	**284**

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

2012/13 £000's		2013/14 £000's
0	Assets as at 1 April	0
8	Contribution by Scheme Members	7
(8)	Contributions by Employer	(7)
0	Actuarial Gains / (Losses)	0
0	**Assets as at 31 March**	**0**

45.2 Basis for Estimating Liabilities

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

The principal assumptions used by the actuary have been:

31 March 2013 % p.a.		31 March 2014 % p.a.
3.6	Price Increases (inflation)	3.7
3.8	Salary Increases	3.9
2.8	Pensions Increases	2.9
4.5	Discount Rate for scheme liabilities	4.3

Mortality Assumptions

Years		Years
28.1	Current pensioners: Male	29.3
31.0	Current pensioners: Female	31.5
29.7	Future Pensioners: Male	30.9
32.5	Future Pensioners: Female	33.0

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

45.3 Scheme History

	31 March 2014 £000's	31 March 2013 £000's	31 March 2012 £000's	31 March 2011 £000's
Present Value of Liabilities	(284)	(213)	(135)	(93)
Actuarial Gain/(Loss) in Pension Fund	**(284)**	**(213)**	**(135)**	**(93)**

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

The total contributions expected to be made to the Scheme by the Authority in the year to 31 March 2015 is £37,000.

45.4 Sensitivity of Estimates

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

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

There is also uncertainty around life expectancy of the UK population. The value of current and future pension benefits will depend on how long they are assumed to be in payment.

The disclosures have been prepared using longevity assumptions resulting in average life expectancies at age 65 as shown in paragraph 45.2 above.

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

31 March 2013		Change in assumptions at year ended	31 March 2014	
Approx % increase to Employer Liability	**Approx monetary amount £000's**		**Approx % increase to Employer Liability**	**Approx monetary amount £000's**
4%	8	0.1% decrease in Real Discount Rate	4%	10
3%	6	1 year increase in member life expectancy	3%	9
10%	20	0.5% increase in the Salary Increase Rate	10%	28
9%	19	0.5% increase in the Pension Increase Rate (CPI)	9%	26

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

31 March 2013		Change in assumptions at year ended	31 March 2014	
Approx % increase to Employer Liability	**Approx monetary amount £000's**		**Approx % increase to projected current service Costs**	**Approx monetary amount £000's**
5%	1	0.1% decrease in Real Discount Rate	5%	1
3%	1	1 year increase in member life expectancy	3%	1
12%	4	0.5% increase in the Salary Increase Rate	13%	3
11%	3	0.5% increase in the Pension Increase Rate (CPI)	11%	3

Glossary of Terms

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

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

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

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

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