

---

# Statement of Accounts

2014-2015



Council of the  
ISLES OF SCILLY

---

---

The Council of the Isles of Scilly, Town Hall, St. Mary's, Isles of Scilly, TR21 0LW.  
Email: [enquiries@scilly.gov.uk](mailto:enquiries@scilly.gov.uk)  
Tel: 01720 424000

## CONTENTS

Explanatory Foreword.....	5
An Introduction to the Council of the Isles of Scilly.....	5
Financial Performance in 2014/15.....	6
Statement of Responsibilities .....	11
The Council’s responsibilities.....	11
Responsibilities of the Council’s Section 151 Officer.....	11
Certificate.....	11
Explanation of the Core Statements.....	12
Movement in Reserves Statement .....	13
Comprehensive Income and Expenditure Statement.....	15
Balance Sheet.....	16
Cash Flow Statement .....	17
Notes to the Accounts .....	18
Note 1 Accounting Policies .....	18
Note 2 Accounting Standards issued but not yet adopted.....	31
Note 3 Critical Judgements in Applying Accounting Policies.....	31
Note 4 Assumptions and Estimation Uncertainty about the Future .....	32
Note 5 Events after the Reporting Period.....	32
Note 6 Adjustments between Accounting/Funding Basis under Regulations.....	32
Note 7 Transfers to/from Earmarked Reserves.....	35
Note 8 Property, Plant & Equipment .....	36
Note 9 Heritage Assets.....	38
Note 10 Assets Held For Sale .....	39
Note 11 Investment Properties.....	39
Note 12 Financial Instruments.....	39
Note 13 Nature and Extent of Risks Arising from Financial Instruments .....	41
Note 14 Stock and Inventories.....	43
Note 15 Debtors.....	43
Note 16 Cash and Cash Equivalents.....	43
Note 17 Creditors.....	43
Note 18 Provisions .....	44
Note 19 Contingent Liabilities.....	44
Note 20 Usable Reserves .....	44
Note 21 Unusable Reserves .....	45

Note 22 Cash flow Statement – Operating Activities .....	49
Note 23 Cash Flow Statement Investing Activities .....	49
Note 24 Cash Flow Statement Financing Activities .....	49
Note 25 Amounts Reported for Resource Allocation Decisions .....	50
Note 26 Trading Operations .....	52
Note 27 Members’ Allowances.....	53
Note 28 Officers’ Remuneration.....	53
Note 29 Senior Officers’ Emoluments.....	54
Note 30 Employee Exit Packages .....	55
Note 31 External Audit Costs .....	55
Note 32 Dedicated Schools Grant – Deployment of the Isles of Scilly Education Grant .....	56
Note 33 Grant Income .....	57
Note 34 Related Parties .....	59
Note 35 Capital Expenditure and Capital Financing .....	61
Note 36 Leases.....	61
Note 37 Teachers’ Pensions.....	63
Note 38 Local Government Pension Scheme.....	64
Note 39 Isles of Scilly Fire-fighter’s Pension Fund .....	69
Note 40 Collection Fund .....	72
Auditor’s Report and Opinion .....	75
Glossary of Terms.....	79

## Explanatory Foreword

The Council of the Isles of Scilly, as all local authorities, is required by law to publish an Annual Statement of Accounts which sets out the Council's financial position for the year ended 31 March 2015.

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

This explanatory forward provides a guide to the most significant matters contained within the Accounts and focuses specifically on how the Council has spent its revenue and capital budgets in 2014/15. It reviews the financial position as at 31 March 2015 and looks forward over the next few years, which are expected to be financially challenging for all local authorities.

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

## An Introduction to the Council of the Isles of Scilly

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

## Financial Performance in 2014/15

The financial information referred to in the explanatory foreword uses the Council's management accounting information; this is the information which has been reported throughout the year following the agreement of the Annual Budget and Council Tax levels in March 2014. The Statement of Accounts incorporates a number of presentational and technical additions to the management accounts in order to comply with relevant legislation and make the format consistent with other local authorities. In this Foreword we will summarise the key notes in the Statement which highlight financial performance.

We will look at the following areas:

General Fund Revenue Account – this is our annual revenue budget. It is used to deliver our services and is funded primarily from Council Tax, Business Rates and Government Grants.

Capital Programme – capital expenditure generally creates fixed assets many of which are key elements of the infrastructure of the islands

Financial Position looking forward to 2015/16 – by reviewing some of the key assets, liabilities and reserves on the balance sheet, we look at the financial prospect for Council services and projects next year and beyond

### General Fund Revenue Account

The Council's Revenue Budget for 2014/15 was £4.7m. The outturn against this budget is analysed as follows:

Directorate	Original	Revised	Actual	Variance
<b><i>Infrastructure and Planning</i></b>				
Airport	0	0	71,253	71,253
Transport	378,133	342,820	356,294	13,474
Maintenance & Repair	137,184	188,032	98,732	-89,300
Waste & Recycling	696,280	697,795	849,991	152,196
Water & Sewerage	0	0	275,901	275,901
Fire & Rescue	431,613	416,969	459,265	42,296
Planning & Development	169,363	98,564	156,825	58,261
<b>Total</b>	<b>1,812,573</b>	<b>1,744,180</b>	<b>2,268,262</b>	<b>524,082</b>
<b><i>Strategic Development</i></b>				
Assets & Resources	464,235	373,197	356,393	-16,804
Capital Development & Procurement	88,833	203,151	331,638	128,487
Environmental Health	118,939	101,690	79,531	-22,159
Housing & Homelessness	55,480	39,534	-64,260	-103,794
Inshore Fisheries & Conservation Authorities	130,570	123,909	133,280	9,371
<b>Total</b>	<b>858,057</b>	<b>841,481</b>	<b>836,581</b>	<b>-4,900</b>

Directorate	Original	Revised	Actual	Variance
<b>Services to our Community</b>				
Health & Wellbeing	92,346	112,669	88,304	-24,365
Adult Social Care - Provision	88,602	10,983	47,420	36,437
Adult Social Care - Statutory Commissioning	753,917	891,790	703,793	-187,997
Adult Social Care - Non Statutory Commissioning	50,231	49,163	52,159	2,996
Healthy Living	286,205	277,007	177,187	-99,820
Learning & Library	-34,567	-39,881	125,941	165,822
Children's Education & Activities	908,446	791,006	561,359	-229,647
Children's Social Care	326,824	273,147	255,915	-17,232
<b>Total</b>	<b>2,472,004</b>	<b>2,365,884</b>	<b>2,012,076</b>	<b>-353,808</b>
<b>Democratic and Corporate Development</b>				
Communications	0	0	-287	-287
Corporate Governance & Scrutiny	114,818	104,232	101,374	-2,858
Democratic	354,624	317,424	322,610	5,186
Legal	13,655	0	-37	-37
Licensing	9,243	2,813	-6,516	-9,329
Registration	22,585	24,422	17,168	-7,254
<b>Total</b>	<b>514,925</b>	<b>448,891</b>	<b>434,312</b>	<b>-14,580</b>
<b>Finance and Resources</b>				
Finance - Corporate	473,523	861,634	653,013	-208,621
Finance - Benefits	45,415	78,667	57,723	-20,944
Shared Services	0	-350	-2,547	-2,197
Finance - Interest & Levies	4,000	4,000	-3,705	-7,705
Revenue Contributions to Capital Projects	0	900,000	1,126,787	226,787
Depreciation Reversal	-1,679,679	-1,679,679	-1,595,004	84,675
Minimum Revenue Provision	219,206	219,206	219,206	0
<b>Total</b>	<b>-937,535</b>	<b>383,478</b>	<b>455,473</b>	<b>71,995</b>
<b>Total Net Revenue Budget</b>	<b>4,720,024</b>	<b>5,783,914</b>	<b>6,006,704</b>	<b>222,790</b>
<b>Finance - Sources of Funding</b>	<b>-4,720,024</b>	<b>-4,811,161</b>	<b>-4,904,522</b>	<b>-93,361</b>
<b>Net Outturn Position</b>	<b>0</b>	<b>972,753</b>	<b>1,102,182</b>	<b>129,429</b>
<b>Trading Deficits funded from Earmarked Reserves:</b>				
Airport			-178,586	
Water and Sewerage			-44,598	
Other transfers to/(from) Earmarked Reserves			-8,446	
Depreciation credit to Earmarked Reserves			181,318	
Impairment credit to Earmarked Reserves			101,699	
<b>Change in General Fund Balance</b>			<b>1,153,570</b>	

<b>General Fund Balance at 1/4/14</b>	<b>2,020,252</b>
Change in General Fund Balance	1,153,570
<b>General Fund Balance at 31/3/15</b>	<b>866,682</b>

## Capital Programme

The 2014/15 capital programme has enabled investment in notable infrastructure improvements including the Airport Development and the resurfacing of the majority of the council maintained roads on St Mary's. As a small local authority with limited capacity to generate internal capital resources, it is important to attract external investment for key projects and the Council has been successful in attracting over £8m in funding during 2014/15.

Total Capital Expenditure in 2014/15 was £10.3m analysed as follows:

	2014/15 spend	Externally Funded
Airport Development Programme	£5.9m	91%
Highway Resurfacing	£3.0m	57%
Porthmellon Enterprise Centre	£1.0m	100%
Waste Infrastructure	£0.2m	100%
Other Capital Expenditure	£0.2m	60%
<b>Total Capital Expenditure 2014/15</b>	<b>£10.3m</b>	<b>80%</b>

## Key outcomes from the capital programme

	<p><b>Airport Development Programme</b></p> <p>The airport facilities at St Marys have been significantly upgraded as part of this programme. The project included development of the runway infrastructure, improved lighting and navigational aids and refurbishment of the terminal building.</p> <p>The council investment in this major transportation link for the islands has enabled the airport to be CAA compliant and able to operate in wet weather and poor visibility.</p>
	<p><b>Highway Resurfacing</b></p> <p>The Council used its own funding to resurface as many roads as possible. This commitment of our own resources attracted a further £1.8m from the Department for Transport.</p>
	<p><b>Porthmellon Enterprise Centre</b></p> <p>The project will create 470 m<sup>2</sup> of new managed workspace on the site of a former industrial building. Made up of eleven flexible units, an external storage area as well as meeting rooms and shared communal spaces. The project is expected to complete in the summer of 2015.</p>



## Financial Position of the Council

The Council has a General Fund balance of £0.85m. This is about one fifth of net revenue budget or put another way, is equivalent to just over two months expenditure.

The General Fund is included within Usable Reserves. A schedule of the resources held by the authority at 31 March 2015 and available for future expenditure is shown below. There is also a reference to identify these reserves in the Statement of Accounts.

<b>Available Resources</b>	<b>Description of the Resource and link to the Statement of Accounts</b>
General Fund Reserve	This is the Council's main non-earmarked reserve. It is the reserve that is generally used for unplanned and therefore non-budgeted expenditure. It should be maintained at a reasonable level. The year-end balance is shown on the Balance Sheet.
Earmarked Reserves	These are reserves that have been held for a specific purpose. The Council has a number of earmarked reserves and these are shown in Note 7.
Capital Grants Unapplied	These are capital grants which have been received by the Authority, but which have not yet been allocated /spent on capital projects. As there are no conditions attached to the grants, the authority can determine how to spend these grants.
Capital Grants with conditions not yet met	These are capital grants which have been received by the authority but not spent. As they were received, with conditions, for a specific purpose they are treated as a liability up to the point that the money is spent and the conditions are met. These are shown in Note 33.4.
Revenue Grants with conditions not yet met	These are revenue grants which have been received by the authority but not spent. As they were received, with conditions, for a specific purpose they are treated as a creditor up to the point that the money is spent and the conditions are met. These are shown in Note 33.5.

Reserves are 'one-off' in nature and are not recurring funding sources. Whilst reserve balances are relatively healthy, it is important that the Council continues to use its resources to meet priorities and build on its track record of leveraging Government funding for key infrastructure improvements. The Council is currently working with Central Government Departments on key infrastructure improvements within waste and water and sewerage and is looking to negotiate increased Government funding to fund these vital projects.

All local authorities face a difficult few years in terms of revenue budgets and the Isles of Scilly Council is working to provide services against falling revenue support from Government. A re-organisation in 2014/15 has streamlined the running costs of the Council and this is reflected in the outturn and in Note 29 showing senior officer remuneration.

The Council will continue to carefully manage both its revenue budget and capital resources and will seek to align these against corporate priorities set out in its Corporate Plan which was agreed on 9<sup>th</sup> June 2015. Financial monitoring will continue to be reported to the Council's committees throughout 2015/16.

## Other Key Points arising from the Statement of Accounts

### Property Plant and Equipment

The Council's property portfolio increased **significantly** during 2014/15 as the Airport refurbishment and expansion and the Highways resurfacing on St Mary's were completed. Note 8 shows these increases, but also includes the downward revaluation for a number of assets. Valuations are generally based on the value of the asset in its existing economic condition and use, which tends to be for the provision of services. For this reason, valuations are often at levels lower than the building costs incurred.

### Trading Accounts

Note 26 covers the Council's trading services which include Water and Sewage, Trade Waste and the Airport. Whilst incorporated into the Council's accounts, these services are shown separately in order to demonstrate the Council's commitment to ensure that the services are self-supporting and not funded via council tax and ratepayers.

### Isles of Scilly Education Grant and the Five Islands School

Note 32 covers the deployment of the Isles of Scilly Education Grant which is received from the Government solely for the purposes of education on the islands. This is analysed into the amounts delegated to the Five Islands School and to Early Years Providers and Central Education Expenditure and any grant not spent must be retained by the authority exclusively for future education spending. At the year end, £345,000 was available for future education expenditure and this is shown in Note 32.

### Pension Liabilities

The Council's Pension Fund and Fire fighters' Pension Fund are administered by Cornwall County Council. The balance sheet shows a £9.546m liability (£0.407m for fire) which is effectively the Council's liability to the Local Government Pension Scheme. These liabilities have increased significantly in 2014/15 due to actuarial assessments on future returns, costs and demographic changes. Whilst the amounts have no impact on revenue balances as they are matched by a pension reserve the level of future contributions to be made by the Council are set by independent actuaries and are reviewed every three years.

### Collection Fund

The Council accounts for Council Tax and Business Rates within its Collection Fund. Income is paid into the Collection Fund and the Council and Devon and Cornwall Police precept on the fund. Any surplus or deficit at the year-end is then redistributed in future years. The Collection Fund is shown on page 70.

## Statement of Responsibilities

### The Council's responsibilities

The Council is required to:

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

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

### Responsibilities of the Council's Section 151 Officer

The Section 151 Officer is responsible for the preparation of the Council's Statement of Accounts, in accordance with proper practices as set out in The Chartered Institute of Public Finance and Accountancy (CIPFA)/Local Authority Scotland Accounts Advisory Committee (LASAAC) Code of Practice on Local Authority Accounting in the United Kingdom ('the Code of Practice'), and is required to give a true and fair view of the financial position of the Council at the accounting date and its income and expenditure for the year ending 31 March 2015.

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

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

The Section 151 Officer has also:

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

### Certificate

<p>By the Senior Manager: Finance &amp; Resources (Section 151 Officer).</p> <p>I hereby certify that the Statement of Accounts for the year ended 31 March 2015 has been prepared in accordance with the Accounts and Audit (England) Regulations 2011 and that it gives a true and fair view of the financial position of the Authority as at 31 March 2015, and its income and expenditure for the year then ended.</p> <p>The Accounts were authorised for issue to the Council on the dates below:</p> <p><b>Ben Barrett</b> Senior Manager: Finance and Resources (S151 Officer) From 13 July 2015 Date: 22 September 2015</p> <p><b>Laura Roberts</b> Senior Manager: Finance and Resources (S151 Officer) To 13 July 2015 Date: 30 June 2015.</p>	<p>By the Chairman of the Council</p> <p>I confirm that these accounts were approved by Full Council at its meeting on 22 September 2015.</p> <p><b>Amanda Martin</b> Chairman of the Council Date: 22 September 2015</p>
---	---

## Explanation of the Core Statements

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

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

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

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

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

## Movement in Reserves Statement

This Statement shows the movement in the year on the different reserves held by the Authority, analysed into usable reserves (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The surplus 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 2013/14

£'000s	General Fund Balance	General Fund – Earmarked	Capital Receipts Account	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
<b>Balance as at 31 March 2013</b>	1,922	5,977	0	474	8,373	33,496	41,869
<b>Surplus/(deficit) on the provision of services</b>	(635)	0	0	0	(635)	0	(635)
<b>Other Comprehensive Income and Expenditure:</b>							
(Surplus)/Deficit on the 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)
<b>Total Comprehensive Income and Expenditure</b>	(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
<b>Net Increase/(Decrease) before Transfers to Earmarked Reserves</b>	(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)
<b>Increase/(decrease) in 2013/14</b>	97	(542)	2	156	(287)	(1,705)	(1,992)
<b>Balance as at 31 March 2014</b>	2,019	5,435	2	630	8,086	31,791	39,877
<b>Add Prior Year Adjustment (see note 8.5)</b>	0	0	0	0	0	989	989
	<b>2,019</b>	<b>5,435</b>	<b>2</b>	<b>630</b>	<b>8,086</b>	<b>32,780</b>	<b>40,866</b>

## Movement in Reserves 2014/15

£'000s	General Fund Balance	General Fund – Earmarked	Capital Receipts Account	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Authority Reserves	Note
<b>Balance as at 31 March 2014</b>	2,019	5,435	2	630	8,086	32,780	40,866	B/S
<b>Surplus/(deficit) on the provision of services</b>	3,813	0	0	0	3,813	0	3,813	CIES
<b>Other Comprehensive Income and Expenditure:</b>								
(Surplus)/Deficit on the revaluation of Non-Current Assets	0	0	0	0	0	66	66	21.1
Actuarial (Gains) or Losses on Pension Assets and Liabilities	0	0	0	0	0	(2,903)	(2,903)	37,38 39
<b>Total Comprehensive Income and Expenditure</b>	<b>3,813</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>3,813</b>	<b>(2,837)</b>	<b>976</b>	CIES
Adjustments between Accounting Basis and Funding Basis under Regulations	(5,237)	44	0	27	(5,166)	5,166	0	6
<b>Net Increase/(Decrease) before Transfers to Earmarked Reserves</b>	<b>(1,426)</b>	<b>44</b>	<b>0</b>	<b>27</b>	<b>(1,353)</b>	<b>2,330</b>	<b>976</b>	
Transfers to/(from) Earmarked Reserves	270	(980)	0	0	(710)	710	0	35
Other Movements (School bank balance)	0	196	0	0	196	0	196	16
<b>Increase/(decrease) in 2014-15</b>	<b>(1,156)</b>	<b>(740)</b>	<b>0</b>	<b>27</b>	<b>(1,867)</b>	<b>3,040</b>	<b>1,173</b>	
<b>Balance as at 31 March 2015</b>	<b>865</b>	<b>4,695</b>	<b>2</b>	<b>657</b>	<b>6,219</b>	<b>35,819</b>	<b>42,038</b>	B/S

## 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.

2013/14			2014/15				
Gross Expenditure £'000s	Gross Income £'000s	Net Expenditure £'000s		Gross Expenditure £'000s	Gross Income £'000s	Net Expenditure £'000s	Note
563	(107)	456	Central Services	961	(170)	791	
1,062	(168)	894	Cultural Services	649	(223)	426	
2,818	(1,521)	1,297	Environmental Services	1,841	(616)	1,225	
1,257	(985)	272	Planning Services	757	(311)	446	
4,703	(3,483)	1,220	Children's & Education Services	4,700	(3,575)	1,125	
516	(22)	494	Fire & Rescue Services	504	(18)	486	
247	(48)	199	Highways, Roads & Transport Services	164	(32)	132	
1,410	(813)	597	Housing Services	931	(850)	81	
1,273	(524)	749	Adult Social Services	1,853	(919)	934	
65	(65)	0	Public Health	66	(78)	(12)	
1,226	(68)	1,158	Corporate & Democratic core	3,145	0	3,145	
1	0	1	Non Distributed Gain – Pension Credit Arising from change in indexation method used		(6)	(6)	
<b>15,141</b>	<b>(7,804)</b>	<b>7,337</b>	<b>Net Cost of Services</b>	<b>15,571</b>	<b>(6,798)</b>	<b>8,773</b>	25.1
			<b>Financing and Investment Income and Expenditure:</b>				
23	0	23	Interest payable and Similar Charges	17	0	17	12
771	0	771	Pensions Interest Costs and Expected Return on Pension assets	857	0	857	37,38 39
0	(589)	(589)	Interest and investment income	0	(573)	(573)	
125	(34)	91	Investment Properties	24	(45)	(21)	11
1,913	(1,701)	212	(Surplus)/Deficit on Trading Services	2,212	(1,861)	351	26
			<b>Taxation and Non-Specific Grant Income:</b>				
0	(1,389)	(1,389)	Council Tax Collection fund	0	(1,428)	(1,428)	
0	(2,149)	(2,149)	General Government Grants - Revenue	0	(2,117)	(2,117)	33.2
0	(2,341)	(2,341)	General Government Grants - Capital	0	(8,312)	(8,312)	33.1
0	(1,331)	(1,331)	Non Domestic Rates	0	(1,360)	(1,360)	
<b>17,973</b>	<b>(17,338)</b>	<b>635</b>	<b>(Surplus)/Deficit on the Provision of Services for the Year</b>	<b>18,681</b>	<b>(22,494)</b>	<b>(3,813)</b>	25.2
0	(389)	(389)	(Surplus)/Deficit on Revaluation of Non-Current Assets			(66)	21.1
1,586	0	1,586	Actuarial (Gains) or Losses on Pension Assets and Liabilities			2,903	37,38 39
<b>19,559</b>	<b>(17,727)</b>	<b>1,832</b>	<b>TOTAL Comprehensive (Income) and Expenditure</b>			<b>(976)</b>	

## 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 2014 £'000s	31 March 2014 £'000s as restated		Note	31 March 2015 £'000
43,788	* 44,777	Property, Plant & Equipment	8	50,904
117	117	Heritage Assets	9	117
68	68	Investment Properties	11	68
103	103	Long Term Debtor	12.1	109
<b>44,076</b>	<b>45,065</b>	<b>Long Term Assets</b>		<b>51,198</b>
365	365	Assets Held for Sale	10	365
145	145	Inventories	14	96
3,675	3,675	Debtors	15	3,538
3,296	3,296	Cash & Cash Equivalents	16	2,907
<b>7,481</b>	<b>7,481</b>	<b>Current Assets</b>		<b>6,906</b>
(55)	(55)	Short term Borrowing	12.1	(55)
(3,594)	(3,594)	Creditors	17	(4,205)
(21)	(21)	Provisions	18	0
<b>(3,670)</b>	<b>(3,670)</b>	<b>Current Liabilities</b>		<b>(4,260)</b>
(1)	(1)	Long Term Creditors	12.1	(1)
(176)	(176)	Long Term Borrowing	12.1	(122)
(6,687)	(6,687)	Liability Relating to Pension Schemes	37,38,39	(9,952)
(1,147)	(1,147)	Capital Grants Received in Advance	33.4	(1,731)
<b>(8,011)</b>	<b>(8,011)</b>	<b>Long Term Liabilities</b>		<b>(11,806)</b>
<b>39,876</b>	<b>40,865</b>	<b>Net Assets</b>		<b>42,038</b>
		<b>Usable Reserves</b>		
2,019	2,019	- General Fund Balance		865
6,066	6,066	- Other Usable Reserves	20	5,354
31,791	* 32,780	Unusable Reserves	21	35,819
<b>39,876</b>	<b>40,865</b>	<b>Total Reserves</b>		<b>42,038</b>

\* The Property, Plant and Equipment and Unusable Reserve balances have been restated for 2013/14 to reflect property assets which have been recognised in 2014/15 but which have in actual fact been assets for a longer time without being recognised on the balance sheet. Note 8.5 explains this in more detail.

These financial statements replace the unaudited financial statements certified by L Roberts on the 30 June 2015.

B J Barrett CPFA, Senior Manager: Finance & Resources (Section 151 Officer), 22 September 2015



## Cash Flow Statement

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

2013/14 £'000s		2014/15 £'000s	Note
635	(Surplus) or Deficit on the Provision of Services (CIES)	(3,813)	<i>CIES</i>
(6,125)	Adjustments to surplus or deficit on the provision of services for non-cash movement	(5,666)	<i>22</i>
3,168	Adjustments to surplus or deficit on the provision of services that are investing and financing activities	9,913	<i>22</i>
<b>(2,322)</b>	<b>Net Cash Flows from Operating Activities</b>	<b>434</b>	
1,434	Investing Activities	(99)	<i>23</i>
54	Financing Activities	54	<i>24</i>
<b>(834)</b>	<b>Net (Increase) or Decrease in Cash and Cash Equivalents</b>	<b>389</b>	
<b>(2,463)</b>	<b>Cash and Cash Equivalents at 1 April</b>	<b>(3,296)</b>	
<b>(3,297)</b>	<b>Cash and Cash Equivalents at 31 March</b>	<b>(2,907)</b>	

## Notes to the Accounts

### Note 1 Accounting Policies

#### 1.1 General Principles

The Statement of Accounts summarises the Authority's transactions for the 2014/15 financial year and its position at the year end of 31 March 2015. 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 2014/15 (The Code) and the Service Reporting Code of Practice 2014/15 (SeRCOP), supported by International Financial Reporting Standards (IFRS). The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

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

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

#### 1.2 Accruals of Income and Expenditure

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

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

#### 1.3 Cash and Cash Equivalents

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

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

#### **1.4 Exceptional Items**

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

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

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

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

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

#### **1.6 Charges to Revenue for Non-Current Assets**

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

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

#### **1.7 Employee Benefits - Benefits Payable during Employment**

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

#### **1.8 Employee Benefits - Termination Benefits**

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

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

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

### 1.9 Employee Benefits - Post Employment Benefits

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

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

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

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

### 1.10 The Local Government Pension Scheme

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

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

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

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

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

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

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

### **1.11 Discretionary Benefits**

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

### **1.12 Fire Fighters' Pension Scheme**

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

### **1.13 Events after the Balance Sheet Date (Reporting Period)**

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

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

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

#### **1.14 Financial Instruments - Financial Liabilities**

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

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

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

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

#### **1.15 Financial Instruments - Financial Assets**

Financial instrument assets are classified into two types:

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

#### **1.16 Loans and Receivables**

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

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

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

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

### **1.17 Government Grants and Contributions**

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

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

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

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

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

### **1.18 General Grant**

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



### **1.19 Heritage Assets**

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

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

### **1.20 Inventories**

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

### **1.21 Long-term Contracts**

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

### **1.22 Investment Property**

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

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

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

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

### **1.23 Leases**

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

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



## **1.24 The Authority as Lessee –**

### **Finance Leases**

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

Lease payments are apportioned between:

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

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

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

### **Operating Leases**

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

## **1.25 The Authority as Lessor**

### **Finance Leases**

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

Lease rentals receivable are apportioned between:

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

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

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

### **Operating Leases**

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

#### **1.26 Overheads and Support Services**

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

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

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

#### **1.27 Property, Plant and Equipment**

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

##### **Recognition**

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

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

## Measurement

Assets are initially measured at cost, comprising:

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

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

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

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

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

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

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

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

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

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

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

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

## Impairment

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

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

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

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

## Depreciation

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

Depreciation is calculated on the following basis:

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

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

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

### 1.28 Disposals and Non-current Assets Held for Sale

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

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

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

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

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. 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.

## **1.29 Provisions, Contingent Liabilities and Contingent Assets**

### **Provisions**

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

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

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

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

### **Contingent Liabilities**

A contingent liability arises where an event has taken place that gives the Authority a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Authority. Contingent liabilities also arise in circumstances where a provision would otherwise be

made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

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

### **Contingent Assets**

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

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

### **1.30 Reserves**

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

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

### **1.31 Revenue Expenditure Funded from Capital under Statute (ReFCUS)**

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

### **1.32 VAT**

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

### **1.33 Acquired Operations**

Acquired operations are the operations that the Council has acquired during the accounting period or the transfer of services acquired as a consequence of legislation. The Council acquired the responsibility for statutory Public Health Services from the National Health Service on 1st April 2013. The service expenditure and income has been included within our income and expenditure and shown on the face of the Comprehensive Income and Expenditure Statement as an acquired operation. (No operations were acquired in the year to 31 March 2015).

## 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:

IFRS13 Fair Value Measurement – changes to this standard cover the valuation of surplus assets. Overall this standard is not expected to have a material impact on the Statement of Accounts.

IFRIC21 provides guidance on the treatment of levies imposed by the Government. This standard 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. In the past the main school site on St Mary's was an asset which was fully owned by the Authority and is therefore included on the Balance Sheet. However, for 2014/15 clarification on accounting for voluntary controlled schools has been received and this has resulted in the recognition of the three off-island school bases in the Balance Sheet. The property, plant and equipment and revaluation balances for 2013/14 has been restated to reflect these changes. The effects of the recognition of the off island school bases are shown in note 8 to the accounts.

## Note 4 Assumptions and Estimation Uncertainty about the Future

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

### Revaluations of Property, Plant and Equipment

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

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

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

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

### Pension Liability Estimation

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

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

The effects on the net pension liability of changes in individual assumptions can be seen in Note 38.

## Note 5 Events after the Reporting Period

The Council adopted the Corporate Plan on the 9<sup>th</sup> June 2015. This plan forms the basis on how the council acts, directs its resources and the level of service that contributors and users of the council services can expect.

## 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.



2013/14

£'000s	Usable Reserves					Movement in Unusable Reserves
	General Fund Balance	Earmarked Reserves	Capital Receipts Unapplied	Capital Grants Unapplied		
<b>Adjustment primarily involving the Capital Adjustment Account</b>						
<b>Reversal of items debited or credited to the Comprehensive Income &amp; Expenditure Account</b>						
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	
Revenue Expenditure Funded from Capital Under Statute	9	0	0	0	(9)	
Amounts of non-current assets written off on disposal of sale as part of the gain/loss on disposal to the Comprehensive Income & Expenditure Statement	(12)	0	2	0	10	
<b>Insertion of items debited or credited to the Comprehensive Income &amp; Expenditure Account</b>						
Statutory provision for the financing of capital investment	(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	
<b>Adjustment primarily involving the Capital Grants Unapplied Account</b>						
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	
<b>Adjustments primarily involving the Pension Reserve</b>						
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)	
<b>Adjustments primarily involving the Collection Fund Adjustment Account</b>						
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)	
<b>Adjustments primarily involving the Accumulated Absences Account</b>						
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	
<b>TOTAL ADJUSTMENTS</b>	<b>304</b>	<b>401</b>	<b>2</b>	<b>156</b>	<b>(863)</b>	

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

## 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 2013/14 and 2014/15.

	31 March 2013 £000's	Transfers (Out) £000's	Transfers In £000's	31 March 2014 £000's	Transfers (Out) £000's	Transfers In £000's	31 March 2015 £000's
Five Island School Fund	377	(163)	0	214	0	196	410
<b>Other Project &amp; Specific Earmarked Reserves</b>							
Water Reserve	561	(120)	42	483	0	54	537
Sewerage Fund	744	(45)	63	762	(83)	40	719
Airport	199	0	50	249	(420)	0	(171)
Capital	168	0	0	168	(168)	0	0
Repairs Funds	488	(255)	0	233	(170)	0	63
Plant Fund	8	(7)	0	1	0	0	1
Equipment Fund	10	0	0	10	0	0	10
Pollution Fund	11	0	0	11	0	0	11
Children's Services	100	0	0	100	(72)	0	28
One-Stop Shop	20	0	0	20	0	0	20
Buzza Bus	14	0	36	50	0	0	50
IFCA	8	0	22	30	0	15	45
Public Health	0	0	0	0	0	6	6
Housing Reserve	1,409	(103)	314	1,620	(30)	190	1,780
Revenue Grants Unapplied	1,860	(610)	233	1,483	(360)	64	1,186
<b>All Earmarked Reserves</b>	<b>5,977</b>	<b>(1,303)</b>	<b>760</b>	<b>5,434</b>	<b>(1,303)</b>	<b>565</b>	<b>4,695</b>

## Note 8 Property, Plant & Equipment

	Council Dwellings	Other Land & Buildings	Vehicles, Plant & Equipment	Infrastructure	Community Assets	Assets under Construction	Total
<b>Comparative Movements 2013/14</b>	<b>£000's</b>	<b>£000's</b>	<b>£000's</b>	<b>£000's</b>	<b>£000's</b>	<b>£000's</b>	<b>£000's</b>
<b>Cost or Valuation</b>							
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	235	0	0	0	0	265
Revaluations to CIES	(151)	(2,004)	0	0	0	0	(2,155)
<b>As at 31 March 2014</b>	<b>9,537</b>	<b>27,648</b>	<b>2,503</b>	<b>8,312</b>	<b>1</b>	<b>2,987</b>	<b>50,988</b>
Not Recognised until after the year end		989					989
<b>Restated Balance as at 31 March 2014</b>	<b>9,537</b>	<b>28,637</b>	<b>2,503</b>	<b>8,312</b>	<b>1</b>	<b>2,987</b>	<b>51,977</b>
<b>Depreciation and Impairments</b>							
As 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
<b>As at 31 March 2014</b>	<b>(296)</b>	<b>(2,359)</b>	<b>(1,327)</b>	<b>(3,218)</b>	<b>0</b>	<b>0</b>	<b>(7,200)</b>
<b>Net Book Value at 31 March 2014 (n8.5)</b>	<b>9,241</b>	<b>26,278</b>	<b>1,176</b>	<b>5,094</b>	<b>1</b>	<b>2,987</b>	<b>44,777</b>
<b>Net Book Value at 31 March 2013</b>	<b>9,601</b>	<b>23,538</b>	<b>1,159</b>	<b>3,711</b>	<b>1</b>	<b>5,677</b>	<b>43,687</b>
<b>Comparative Movements 2014/15</b>	<b>£000's</b>	<b>£000's</b>	<b>£000's</b>	<b>£000's</b>	<b>£000's</b>	<b>£000's</b>	<b>£000's</b>
<b>Cost or Valuation</b>							
At 1 April 2014 (restated – note 8.5)	9,537	28,637	2,503	8,312	1	2,987	51,977
Additions	30	38	51	3,030	0	7,197	10,346
Not Previously Recognised	0	0	0	0	0	0	0
Disposals	0	0	0	0	0	0	0
Reclassifications	0	3,717	611	4,512	0	(8,840)	0
Revaluations to Revaluation Reserve	22	(295)	0	0	0	0	(273)
Revaluations to CIES	(186)	(2,722)	0	0	0	0	(2,908)
<b>As at 31 March 2015</b>	<b>9,403</b>	<b>29,375</b>	<b>3,165</b>	<b>15,854</b>	<b>1</b>	<b>1,344</b>	<b>59,142</b>
<b>Depreciation and Impairments</b>							
As at 1 April 2014	(296)	(2,359)	(1,327)	(3,218)	0	0	(7,200)
Charge for the Year	(128)	(632)	(327)	(781)	0	0	(1,868)
Depreciation on Disposals	0	0	0	0	0	0	0
Reclassifications	0	0	0	0	0	0	0
Revaluations to Revaluation Reserve	0	339	0	0	0	0	339
Revaluations to CIES	84	407	0	0	0	0	491
<b>As at 31 March 2015</b>	<b>(340)</b>	<b>(2,245)</b>	<b>(1,654)</b>	<b>(3,999)</b>	<b>0</b>	<b>0</b>	<b>(8,238)</b>
<b>Net Book Value at 31 March 2015</b>	<b>9,063</b>	<b>27,130</b>	<b>1,511</b>	<b>11,855</b>	<b>1</b>	<b>1,344</b>	<b>50,904</b>
<b>Net Book Value at 31 March 2014</b>	<b>9,241</b>	<b>26,278</b>	<b>1,176</b>	<b>5,094</b>	<b>1</b>	<b>2,987</b>	<b>44,777</b>

## 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 2015, the Authority has entered into one major contract for capital development for which the works are to continue into 2015/16. This is shown below:

31 March 2014 £000's		Project Value £000's	31 March 2015 £000's
17	<b>Project:</b> Porthmellon Enterprise Centre	1,569	1,031

## 8.3 Effects of Changes in Estimates

In 2014/15 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 is re-valued at least every five years. All valuations were carried out by the District Valuation Office in accordance with the required practice, methodologies and bases for estimation. The valuer who completed the revaluations was Andrew Doak BSc MRICS, the valuations were carried out on the 1st April 2014. Additionally, a valuation of the Airport was completed as at the completion of the project.

The Property, Plant & Equipment revaluation resulted in a net decrease in net book value of £2.351m. The revaluation reserve increased by £0.065m to reflect the part of the upward revaluation and a charge is made to the Comprehensive Income & Expenditure Statement of £2,417m.

The key valuation changes are set out below:

- The building on the old secondary school Carn Thomas site has decreased on valuation by £0.497m, though the land has increased in value by £0.175m
- Park House has decreased in value by £0.262m but the valuation recognised the value of the land (previously not recorded by the Authority – see note 8.5).
- The Wesleyan Chapel decreased in value by £0.155m
- The Airport Development Project area decreased on valuation by £1.585m. 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.

## 8.5 Assets not previously recognised

In 2014/15 clarification was received in respect of the proper accounting practice for Voluntary Controlled Schools in Local Authorities. Previously, whilst the council accounted for the Five Islands School base on St Mary's within Property, Plant and Equipment, the off island bases were not recognised, as these are owned by the Truro Diocesan Board of Finance Limited. However, as the Authority effectively maintains these bases and receives the benefits accruing from their operation (i.e. Provision of education services) it is required to account for the assets as if owned. The school bases at Tresco (valued at £0.232m), St Agnes (valued £0.139m) and St Martins (valued at £0.148m) have therefore been recognised as assets on the balance sheet.

Additionally, this year's valuation also recognised land at Park House (valued at £0.315m), Mundesley Hostel (valued at £0.315m) and Hamewith (valued at £0.05m) that has not previously been included on the Council's register of Property Plant and Equipment. As these assets, as well as the school bases, have been in existence for some time, the balances brought forward from last year have also been restated to recognise these at that date.

## Note 9 Heritage Assets

31 March 2014 £000's		31 March 2015 £000's
116	Cost or Valuation as at 1 April	117
0	Reclassification	0
0	Revaluation	0
1	Assets not previously recognised	0
117	Net Book Value as at 31 March	117

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

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

There have been no additions or disposals of heritage assets in year (2013/14 - £Nil).

### 9.1 Five Year Summary of Transactions

	2010/11 £000's	2011/12 £000's	2012/13 £000's	2013/14 £000's	2014/15 £000's
<b>Reclassification to the Heritage Assets in the Period</b>					
Historical Assets	0	30	0	0	0
<b>Previously Unrecognised Assets in the Period</b>					
Historical Assets	0	0	10	1	0
<b>Revaluation of Heritage Assets in the Period</b>					
Historical Assets	0	76	0	0	0

## Note 10 Assets Held For Sale

As at 31 March 2015 the Authority had 1 asset classified as held for sale with a current book value totalling £364,500. This was the same asset held for sale in 2013/14 and the asset was sold early in the 2015/16 financial year.

## 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

2013/14 £000's		2014/15 £000's
28	Rental Income from Investment Property	39
(7)	Direct Operating Expenses Arising from Investment Property	(7)
<b>21</b>	<b>Net Gain/(Loss)</b>	<b>32</b>

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 at 31 March 2015 was £68,000 (31 March 2014 - £68,000).

## Note 12 Financial Instruments

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

### 12.1 Fair Values of Assets & Liabilities

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

31 March 2014			31 March 2015	
Carrying Amount £000's	Fair Value £000's		Carrying Amount £000's	Fair Value £000's
55		Short Term PWLB Borrowing	54	
176	254	Long Term PWLB Borrowing	122	193
3,555	3,555	Short Term Creditors	4,043	4,043
1	1	Long Term Creditors	1	1
<b>3,787</b>	<b>3,810</b>		<b>4,220</b>	<b>4,237</b>

The Council holds 4 loans with the PWLB as at 31 March 2015 with interest rates ranging from 5.125% and 5.375%. The fair value of these loans is higher than their carrying value to reflect penalties for early repayment. The fair value of all creditors is taken to be the invoiced amount.

31 March 2014			31 March 2015	
Carrying Amount	Fair Value		Carrying Amount	Fair Value
£000's	£000's		£000's	£000's
3,297	3,297	Cash at bank	2,906	2,906
3,369	3,369	Short Term Debtors	3,208	3,208
103	103	Long Term Debtors	109	109
<b>6,769</b>	<b>6,769</b>		<b>6,223</b>	<b>6,223</b>

The fair value of all debtors is taken to be the invoiced amount. Note 13 considers the credit risk associated with debtors.

### Income, Expenses, Gains and Losses

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

2013/14				2014/15		
Financial Liabilities at Amortised Costs	Financial Assets: Loans & Receivables	Total		Financial Liabilities at Amortised Costs	Financial Assets: Loans & Receivables	Total
£000's	£000's	£000's		£000's	£000's	£000's
23	0	23	Interest Expense	17	0	17
<b>23</b>	<b>0</b>	<b>23</b>	Total Expense in (surplus)/deficit on the provision of services	<b>17</b>	<b>0</b>	<b>17</b>
0	(48)	(48)	Interest Income	0	(50)	(50)
0	2	2	Impairment Losses	0	0	0
0	(46)	(46)	Total Income in (surplus)/deficit on the provision of services	<b>0</b>	<b>(50)</b>	<b>(50)</b>
23	(46)	(23)	Net (Gain)/Loss for the year	<b>17</b>	<b>(50)</b>	<b>(33)</b>



## 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 whom services are generally supplied. However, for small exchange transactions payment in advance is required.

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

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

The amounts due can be analysed by age as follows:

31 March 2014			31 March 2015	
Customers	Deposits with banks and financial Institutions*		Customers	Deposits with banks and financial Institutions*
418	3,297	A: Amount (£000's)	358	2,496
13.14%	0.00%	B: Historical Experience of Default – (%)	13.46%	0.00%
9.51%	0.00%	C: Historical Experience adjusted for market conditions (%)	14.10%	0.00%
55	0	AxC: Estimated maximum exposure to default and non-collectability (£000's)	50	0

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

31 March 2014 £000's			31 March 2015 £000's
234	Less than three months		322
140	Three to six months		20
2	Six months to one year		13
4	More than one year		3
<b>380</b>	<b>Total</b>		<b>358</b>

## 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 2014 £000's		31 March 2015 £000's
55	Less than one year	54
54	Between one and two years	54
107	Between two and five years	79
15	More than five years	0
<b>231</b>	<b>Total</b>	<b>187</b>

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.

### 13.3.1 Interest Rate Risk

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

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

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

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

### 13.3.2 Price Risk

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

### 13.3.3 Foreign Exchange Risk

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

## Note 14 Stock and Inventories

2013/14				Total	
Consumable Stores	Maintenance Materials	Client Services WIP	£000's	£000's	
23	105	0	128		<b>Opening Balance 1 April</b>
37	155	0	192		Purchases
(40)	(135)	0	(175)		Recognised as an expense in the year
<b>20</b>	<b>125</b>	<b>0</b>	<b>145</b>		<b>Closing Balance 31 March</b>

2014/15				Total	
Consumable Stores	Maintenance Materials	Client Services WIP	£000's	£000's	
20	124	1	145		
180	54	1	235		
(190)	(94)	0	(284)		
<b>10</b>	<b>84</b>	<b>2</b>	<b>96</b>		

## Note 15 Debtors

31 March 2014		31 March 2015
£000's		£000's
2,780	Central Government Bodies	2,083
48	Other Local Authorities	14
0	NHS Bodies	60
(12)	Public Corporations & Trading Funds	62
859	Other Entities & Individuals	1,319
<b>3,675</b>	<b>Total Debtors</b>	<b>3,538</b>

## Note 16 Cash and Cash Equivalents

31 March 2014		Movement During the Year	31 March 2015
£000's		£000's	£000's
3,081	Cash Held at Bank	(585)	2,496
214	School's Local Bank Account	196	410
1	Petty Cash	0	1
<b>3,296</b>	<b>Total</b>	<b>(389)</b>	<b>2,907</b>

## Note 17 Creditors

31 March 2014		31 March 2015
£000's		£000's
(2,565)	Central Government Bodies	(2,669)
(202)	Other Local Authorities	(174)
(17)	NHS Bodies	(30)
0	Public Corporations & Trading Funds	0
(108)	Staff including Accumulated Absences	(126)
(702)	Other Entities & Individuals	(1,206)
<b>(3,594)</b>	<b>Total Creditors</b>	<b>(4,205)</b>

## Note 18 Provisions

	Employment £000's	Total £000's
Balance at 1 April 2013	0	0
Provisions made in 2013/14	21	21
Amounts used in 2013/14	0	0
Balance at 1 April 2014	21	21
Amounts used in 2014/15	21	21
Provisions made in 2014/15	0	0
<b>Balance at 31 March 2015</b>	<b>0</b>	<b>0</b>

In 2013/14 the Authority was notified of the intention by former employees to put forward claims for untaken leave. The provision was drawn down against during 2014/15.

## Note 19 Contingent Liabilities

At 31 March 2015, 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 2014 £000's	Other Usable Reserves	Main Purpose	31 March 2015 £000's
630	Capital Grants Unapplied Reserve	Capital grant funding that has been received by the Authority, but has not yet been spent on capital projects.	657
2	Usable Capital Receipts	Proceeds from past asset sales held for recycling into future capital expenditure.	2
1,620	Earmarked: Housing Reserve	To fund major capital repairs to the Council's housing stock.	1,781
214	Earmarked: Schools Balances	The cash balances held by the School.	410
2,117	Earmarked: Service & Project Specific Reserves	Amounts held for types of expenditure or projects which the Authority wishes to specifically set aside.	1,317
1,483	Earmarked: Revenue Grants Unapplied Reserve	Revenue Grants that have been received by the Authority, but have not been yet been applied against expenditure.	1,187
<b>6,066</b>	<b>Total Other Usable Reserves</b>		<b>5,354</b>

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

## Note 21 Unusable Reserves

31 March 2014 £000's	31 March 2014 £000's Restated		31 March 2015 £000's
3,215	4,204	Revaluation Reserve	4,122
35,436	35,436	Capital Adjustment Account	41,864
(6,403)	(6,403)	Pension Reserve – Local Government Pension Scheme	(9,546)
(66)	(66)	Collection Fund Adjustment Account	(107)
(107)	(107)	Accumulated Absences Account	(107)
(284)	(284)	Pension Reserves – Fire Fighters' Pension	(407)
<b>31,791</b>	<b>32,780</b>	<b>Total Unusable Reserves</b>	<b>35,819</b>

### 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.

31 March 2014 £000's	31 March 2014 £000's restated		31 March 2015 £000's
2,938	2,938	Balance at 1 April	4,204
0	989	Revaluation reserve credited with previously not recognised assets (see note 8.5)	0
389	389	Upward revaluation of assets	66
0	0	Downward revaluation of assets and impairment losses not charged to the surplus or deficit on the provision of services	0
0	0	Revaluation reserve movement on disposal of assets	0
<b>389</b>	<b>1,378</b>	<b>Surplus or deficit on revaluation of non-current assets not posted to the surplus or deficit on the provision of services</b>	<b>66</b>
(112)	(112)	Difference between fair value of depreciation and historical depreciation	(148)
<b>(112)</b>	<b>(112)</b>	<b>Amount written off to the Capital Adjustment Account</b>	<b>(148)</b>
<b>3,215</b>	<b>4,204</b>	<b>Balance at 31 March</b>	<b>4,122</b>

### 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.

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

2013/14 £000's		2014/15 £000's
35,402	<b>Balance at 1 April</b>	35,436
	<b>Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:</b>	
(3,304)	Charges for depreciation and impairment of noncurrent assets	(4,285)
112	Adjustment for historic cost depreciation	148
(9)	Revenue expenditure funded from capital under statute	(5)
10	Amounts of noncurrent assets written off on disposal or sale as part of the gain/(loss) on disposal to the CIES	0
<b>(3,191)</b>	<b>Net written out amount of the cost of noncurrent assets consumed in the year</b>	<b>(4,142)</b>
	<b>Capital financing applied in the year:</b>	
2,154	Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	8,190
40	Application of grants to capital financing from the Capital Grants Unapplied Account	81
221	Statutory provision for the financing of capital investment charges against the General Fund and HRA balances	220
810	Capital expenditure charged against the General Fund and HRA balances	2,079
3,225		10,570
<b>35,436</b>	<b>Balance as 31 March</b>	<b>41,864</b>

### 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.

<b>31 March 2014 £000's</b>		<b>31 March 2015 £000's</b>
(4,514)	Balance as at 1 April	(6,403)
(1,577)	Actuarial gains or (losses) on pensions assets and liabilities	(2,827)
(979)	Reversal of items relating to retirement benefits debited or credited to the surplus or deficit on the provision of services in the Comprehensive Income and Expenditure Statement	(1,018)
667	Employer's pensions contributions and direct payments to the pensioners payable in the year	702
<b>(6,403)</b>	<b>Balance as at 31 March</b>	<b>(9,546)</b>

#### 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.

<b>31 March 2014 £000's</b>		<b>31 March 2015 £000's</b>
(6)	Balance as at 1 April	(66)
(66)	Amount by which income credited to the Comprehensive Income and Expenditure Statement is different from council tax/business rates calculated for the year in accordance with statutory requirements for:	
	- Council Tax	(48)
	- Business Rates	7
<b>(66)</b>	<b>Balance as at 31 March</b>	<b>(107)</b>

#### 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. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

<b>31 March 2014 £000's</b>		<b>31 March 2015 £000's</b>
(111)	<b>Balance as at 1 April</b>	(107)
111	Settlement or cancellation of accruals made at the end of the preceding year	107
107	Amounts accrued at the end of the current year	(107)
4	Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accrual basis is different from remuneration chargeable in the year in accordance with statutory requirements	0
<b>(107)</b>	<b>Balance as at 31 March</b>	<b>(107)</b>

## 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.

<b>31 March 2014 £000's</b>		<b>31 March 2015 £000's</b>
(213)	Balance as at 1 April	(284)
(34)	Actuarial gains or (losses) on pension fund liabilities	(76)
(29)	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	(39)
(7)	Employer's pensions contributions and direct payments to the pensioners payable in the year	(8)
<b>(283)</b>	<b>Balance as at 31 March</b>	<b>(407)</b>



## Note 22 Cash flow Statement – Operating Activities

The cash flows for operating activities include the following items:

2013/14 £000's		2014/15 £000's
	<b>Adjustments to the net surplus or (deficit) on the provision of services for non cash movements</b>	
(3,304)	Depreciation and impairment	(4,285)
(2)	Gain (loss) on disposal of assets	0
(350)	Actuarial charges for retirement benefits adjustment	(363)
(60)	Collection fund adjustment	(40)
(163)	Other movements including reserves movements	(196)
	<b>Adjustment for items on an accruals basis</b>	
(1,509)	(increase)/decrease in Total Creditors	(611)
(21)	(increase)/decrease in Total Provisions	21
15	(increase)/decrease in Total Inventories	(49)
(731)	(increase)/decrease in Total Debtors	(143)
0	(increase)/decrease in Interest Accruals	0
<b>(6,125)</b>	<b>Total Non Cash Movements</b>	<b>(5,666)</b>
	<b>Adjustments to the net surplus or (deficit) on the provision of services that are investing or financing activities</b>	
2,524	Capital grants credited to surplus or deficit on the provision of services	8,263
221	Provision for the repayment of debt	220
431	Capital expenditure charged to revenue	1,370
(9)	Other adjustments	61
(13)	Interest Received	(15)
14	Interest Paid	14
<b>3,168</b>	<b>Total Investing and Financing Activities</b>	<b>9,913</b>
<b>(2,957)</b>	<b>Total Adjustments</b>	<b>4,247</b>

## Note 23 Cash Flow Statement Investing Activities

2013/14 £000's		2014/15 £000's
3,370	Purchase of property, plant & equipment	10,346
(1,936)	Capital grants received	(10,445)
<b>1,434</b>	<b>Net Cash Flows from Investing Activities</b>	<b>(99)</b>

## Note 24 Cash Flow Statement Financing Activities

2013/14 £000's		2014/15 £000's
54	Repayment of short and long term borrowings	54
<b>54</b>	<b>Net Cash Flows from Financing Activities</b>	<b>54</b>

## 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, which has not yet been taken are book entries which are charged to the CIES, but are not monitored during the year.

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

Committee Income and Expenditure 2013/14							
	Children & Young People	Community Services	General Purpose	Policy Resources	Planning & Development	All Other Committees	Grand Total
	£000's	£000's	£000's	£000's	£000's	£000's	£000's
Fees, Charges & 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)
<b>Total Income</b>	<b>(3,339)</b>	<b>(1,347)</b>	<b>(1,501)</b>	<b>(510)</b>	<b>(1,006)</b>	<b>(101)</b>	<b>(7,804)</b>
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
<b>Total Expenditure</b>	<b>4,439</b>	<b>1,948</b>	<b>3,142</b>	<b>1,950</b>	<b>1,412</b>	<b>499</b>	<b>13,390</b>
<b>Net Expenditure/(Income)</b>	<b>1,100</b>	<b>601</b>	<b>1,641</b>	<b>1,440</b>	<b>406</b>	<b>398</b>	<b>5,586</b>

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

## 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.

2013/14 £000's		2014/15 £000's
5,587	<b>Net Expenditure/(income) Entries reversed through the MiRS</b>	6,044
88	Add back IAS19 Adjustments for Pensions	37
1	Add back untaken leave and TOIL	(2)
1,662	Add back Impairment	2,694
<b>7,338</b>	<b>Net Cost of Services per CIES</b>	<b>8,773</b>

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

Subjective analysis  
2014/15

All figures in £000's

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

## 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. The airport has made a loss this year due to an increase in capital costs, impairment of debts outstanding and variations in certain costs. Depreciation is not charged to the airport reserve.

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

**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.

2013/14 Net (Surplus) / Deficit £000'S		2014/15 Expenditure £000's	2014/15 Turnover £000's	2014/15 Net (Surplus)/ Deficit – per CIES £000's	Items later reversed out through MiRS*	2014/15 Net (Surplus)/ Deficit £000's
(51)	Airport	1,284	(1,106)	178	(10)	168
88	Water & Sewerage	713	(639)	74	(73)	1
104	Trade Refuse	215	(116)	99	(1)	98
<b>141</b>	<b>Total</b>	<b>2,212</b>	<b>(1,861)</b>	<b>351</b>	<b>(84)</b>	<b>267</b>

#### Balances held in Trading Account reserves

2013/14 £000's		2014/15 £000's
<b>Balances on Trading Account Reserves</b>		
249	Airport Reserves	(171)
483	Water Reserves	537
762	Sewerage Reserves	719
<b>1,494</b>		<b>1,085</b>

#### Note 27 Members' Allowances

The total amount of allowances and expenses paid to Members during the year was £107,823 (2013/14: £114,046).

#### Note 28 Officers' Remuneration

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

2013/14	Remuneration Bandings	2014/15
2	£50,000-£54,999	0
1	£55,000-£59,999	4
1	£60,000-£64,999	0
3	£65,000-£69,999	1
0	£70,000-£74,999	0
0	£75,000-£79,999	1
1	£95,000-£99,999	1
0	£155,000-£159,999	0
<b>8</b>	<b>Total</b>	<b>7</b>

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

## 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 Contributions	Total Remuneration including pension contributions
	£	£	£	£	£
<b>2014/15</b>					
Chief Executive	100,000	0	100,000	16,100	116,100
Senior Manager: Strategic Development	58,074	0	58,074	9,350	67,424
Senior Manager: Finance and Resources	37,170	0	37,170	5,984	43,154
Senior Manager: Democratic & Corporate Development	57,273	0	57,273	9,221	66,494
Senior Manager: Infrastructure and Planning (b)	73,749	0	73,749	10,830	84,579
Senior Manager: Services to Our Community	57,416	0	57,416	9,244	66,660
Chief Fire Officer (a)	28,777	0	28,777	4,633	33,410
Director of Public Health (d)	2,000	0	2,000	0	2,000
<b>Total 2014/15</b>	<b>414,459</b>	<b>0</b>	<b>414,459</b>	<b>65,362</b>	<b>479,821</b>
<b>2013/14</b>					
Interim Chief Executive (c)	73,544	0	73,544	0	73,544
Chief Executive	21,987	0	21,987	3,430	25,417
Chief Technical Officer (e)	97,923	616	98,539	8,892	107,431
Director of Finance & Resources (e)	65,701	0	65,701	7,280	72,981
Head of Finance & Reporting	51,751	0	51,751	8,073	59,824
Director of Place	40,833	0	40,833	6,370	47,203
Chief Planning & Development Officer	29,167	0	29,167	4,550	33,717
Director of Adult, Children & Community Services	70,000	0	70,000	10,920	80,920
Chief Fire Officer (a)	31,740	0	31,740	4,951	36,691
Director of Public Health (d)	2,000	0	2,000	0	2,000
<b>Total 2013/14</b>	<b>484,646</b>	<b>616</b>	<b>485,262</b>	<b>54,466</b>	<b>539,728</b>

(a) The Chief Fire Officer works 7.4 hours per week as Chief Fire Officer (annualised salary £94,699) and, from March to December 2014, 7.4 hours per week as Air Operator Certificate Accountable Manager (annualised salary £64,000)

(b) The Senior Manager: Infrastructure and Planning for 2014/15 includes the responsibility of Air Operator Certificate Accountable Manager

(c) The 2013/14 Interim Chief Executive position was covered on an interim basis by a consultant at a cost to the authority of £73,544 between April 2013 and December 2013.

(d) The Director of Public Health Senior Officer is based in Cornwall and the Council contributes the disclosed sum toward their salary. The total annual salary for this post is £97,000.

(e) The Chief Technical Officer and Director of Finance and Resources were made redundant during 2013/14.

## Note 30 Employee Exit Packages

The authority incurred costs during 2014/15 relating to employee exit packages as shown below:

Exit Package Cost Band '000s	Number of Compulsory Redundancies		Number of other departures agreed		Total Number of Exit Packages by Cost Band		Total cost of exit packages in each band	
	2013/14	2014/15	2013/14	2014/15	2013/14	2014/15	2013/14 £000's	2014/15 £000's
0-20	0	0	0	5	0	5	0	26
20-40	0	0	0	2	0	2	0	50
40-60	0	1	0	0	0	1	0	43
60+	0	0	2	0	2	0	129	0
<b>Total</b>	<b>0</b>	<b>1</b>	<b>2</b>	<b>7</b>	<b>2</b>	<b>8</b>	<b>129</b>	<b>119</b>

The Authority had eight exit packages in 2014/15 (2013/14 – two), these incurred liabilities of £119,000 (2013/14 - £129,000) and are made up of the following elements:

2013/14 £000's		2014/15 £000's
58	Pension Strain	27
17	Salary in Lieu of Notice	8
2	Untaken Annual Leave	0
52	Redundancy Payment	84
<b>129</b>	<b>Total</b>	<b>119</b>

## Note 31 External Audit Costs

2013/14 £000's		2014/15 £000's
35	External Audit Services	36
7	Grants Claims	6
8	Other Audit Fees	6
(3)	Rebate on Prior Year(s) Audit Fees	(8)
<b>47</b>	<b>Total</b>	<b>40</b>

During the year there was one objection to the 2013-14 Statement of Accounts which was investigated by the external auditors, Grant Thornton. The objection was withdrawn in 2015, after considerable investigations were made by Grant Thornton with the support of council officers. No irregularity was identified and the appropriate audit certificate was granted.

The external cost of this objection was £2800, plus the relevant officer's time, which was considerable.

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

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

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

Details of the deployment of the Isles of Scilly Education Grant receivable for 2014/15 are as follows:

	Central Education Expenditure £000's	Individual Schools Budget (ISB) £000's	Reserves £000's	Total £000's
Brought forward as at 1 April 2013				36
Isles of Scilly Education Grant for 2013/14				3,126
Budgeted application of grant in 2013/14	519	2,643	0	3,162
Less: Actual application of grant in 2013/14	(407)	(2,643)	0	(3,050)
Variations	(112)	0	112	0
Balance as at 31 March 2014	0	0	112	112
Brought forward as at 1 April 2014				112
Other Reserves reclassified				333
Isles of Scilly Education Grant for 2014/15				3,139
Budgeted application of grant in 2014/15	640	2,614	330	3,584
Less: Actual application of grant in 2014/15	(618)	(2,621)	0	(3,239)
Variations	(22)	7	15	0
Balance as at 31 March 2015	0	0	345	345

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

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

The Council of the Isles of Scilly planned to utilise £115,000 of brought forward reserves to support expenditure on Education. Total actual expenditure however was £15,000 lower than planned, restricting the reduction in reserves to £100,000.



## 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:

2013/14 £000's		2014/15 £000's
	<b>Grants &amp; Contributions Used for Capital Expenditure</b>	
968	ERDF – European Regional Development Fund Grant and Regional Growth Fund	6,344
0	Dept. for Transport Highways Grant	1,821
818	DEFRA – Water & Sewerage Grants	6
276	Big Lottery	0
23	Local Action Group Funding	0
7	Community Capacity Grant	0
6	New School Build	0
26	Community Safety Grant	0
29	Department of Health	14
81	DCLG - Severe Weather Grant	0
	<b>Other Capital Grants No Conditions Received in Year</b>	
75	Fire Capital Grant	75
20	DfE Capital Maintenance Grants	40
12	Disabled Facilities Grant	12
<b>2,341</b>	<b>Total Government – Capital recognised in the CIES</b>	<b>8,312</b>

### 33.2 General Revenue Grants

2013/14 £000's		2014/15 £000's
2,002	Revenue Support Grant	1,973
31	New Homes Grant	48
1	Other Revenue Grants Applied	0
115	Local Services Support Grant	96
<b>2,149</b>	<b>Total</b>	<b>2,117</b>

### 33.3 General Revenue Grants Credited within the Net Cost of Services

The Authority credited the following grants, contributions and donations within the Net Cost of Services section of the Comprehensive Income and Expenditure Statement in 2014/15.

2013/14 £000's		2014/15 £000's
	<b>Credited to Services – Summary by Service Expenditure Area</b>	
3,457	Children's & Education Services	3,588
165	Social Services	198
0	Cultural & Related Services	2
658	Planning Services	249
161	Central Services	70
24	Highways & Transport Services	17
1,423	Environmental Services	592
313	Housing Services	313
11	Fire & Rescue Services	11
65	Public Health Grant	79
62	Association of IFCA's	1
<b>6,339</b>	<b>Total Grants Credited to Net Cost of Services</b>	<b>5,120</b>

### 33.4 Capital Grant Creditors and Grants Received in Advance

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

2013/14 £000's		2014/15 £000's
	<b>Capital Grants Creditors/Receipts in Advance</b>	
	<b>Children's &amp; Education Services</b>	
81	New School Build Project	81
	<b>Adult Social Services</b>	
16	Housing – Private Sector Decent Homes	16
4	Other Grants	4
	<b>Fire &amp; Rescue Services</b>	
46	Operations – Equality & Diversity Training	46
	<b>Planning Services</b>	
12	ERDF – Navigational Overlay Service Funding	12
	<b>Environmental Services</b>	
988	Water/Sewerage Grant	982
0	Waste Capital Grant	590
<b>1,147</b>	<b>Total Capital Grants Creditors/Receipts in Advance</b>	<b>1,731</b>

### 33.5 Revenue Grant Creditors and Grants received in Advance

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

2013/14 £000's		2014/15 £000's
	<b>Revenue Grants Creditors/Receipts in Advance</b>	
	<b>Children's &amp; Education Services</b>	
111	Isles of Scilly Education Grant	345
15	D for E – SEND Pathfinder	15
	<b>Adult Social Services</b>	
43	Handy Person Funding	38
6	Dementia Care	6
15	Carers Short Breaks	15
2	Healthy Workplace Grant	0
	<b>Fire &amp; Rescue Services</b>	
22	Fire Brigade – New Dimensions	22
	<b>Public Health</b>	
6	Public Health Grant	0
	<b>Environmental Services</b>	
2,240	Waste Strategy Management	2,034
0	Environment Agency Repair Grant	68
<b>2,460</b>	<b>Total Revenue Grants Creditors/Receipts in Advance</b>	<b>2,542</b>

### 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 the reader to assess the extent to which the Council might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Authority.

#### 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 2015 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 online on the Council's website in minutes of Committee Meetings. During 2014/15, payments for works and services to the value of £554,093 (2013/14 - £486,779) were commissioned from companies, organisations or individuals in which 56 declarations of interest were made by Members. These payments were made in compliance with the Council's Financial Regulations.

The outstanding payments at the end of the year on accounts for which declarations of interest have been made by Members totalled £413,152 (2013/14 - £17,952) for which 54 declarations of interest were made by Members.

During 2014/15, sales for works and services to the value of £1,331,602 (2013/14 - £116,584) were commissioned from companies, organisations or individuals in which 50 declarations of interest were made by Members. 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 £413,152 (2013/14 - £115,969) for which 54 declarations of interest were made by Members.

Members' allowances are 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 2014/15 payments of £117 (2013/14 - £427,730) were made to companies, organisations or individuals in which 1 declaration of interest was made by an Officer. This payment was 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 £nil (2013/14 - £11,052) of which 1 declaration of interest was made by an Officer.

During 2014/15 sales of £854 (2013/14 - £115,738) were made to companies, organisations or individuals in which 1 declaration of interest was made by an Officer. 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 £nil for which no declarations of interest were made by Officers.

In addition grants totalling £45,396 (2013/14 - £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 Officers' 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 70.

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

The Council administers the Strategic Investment Framework (SIF) on behalf of the European Regional Development Fund (ERDF). During 2014/15 no grants have been issued by SIF, the funds have been used for in-house projects in particular the Airport and Porthmellon Innovation and Enterprise Centre.

The Council also administers the Core Grant which is managed by the Area of Outstanding Natural Beauty team (AONB) and is designed to deliver the AONB management plan which includes funding locally based projects and initiatives. This involves providing grants to both external bodies and projects working in partnership with the Council of the Isles of Scilly. The Funding for the Core Grant Payment is from several awarding bodies and includes; DEFRA totalling £85,351.42, Council of the Isles of Scilly totalling £22,739, Duchy of Cornwall totalling £4,444, Isles of Scilly Wildlife Trust totalling £741 and Tresco Estate totalling £2,963.

The Council administers travel and accommodation grants for children aged over 16 to enable them to pursue higher education on the mainland. During 2014/15 travel and accommodation grants totalling £173,090 (2013/14 - £163,713) were issued to a total of 36 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.

2013/14 £000's		2014/15 £000's
5,531	<b>Opening Capital Financing Requirement</b>	5,684
	<b>Capital Investment</b>	
3,370	Property, Plant & Equipment	10,345
9	Revenue Expenditure Funded from Capital under Statute	5
	<b>Sources of Finance</b>	
(2,195)	Government Grants & Contributions	(8,270)
(431)	Revenue Contribution – General Fund & Reserves	(1,370)
(379)	Use of Capital Receipts and Earmarked Reserves	(710)
(221)	Minimum Revenue Provision	(220)
<b>5,684</b>	<b>Closing Capital Financing Requirement</b>	<b>5,464</b>
	<b>Explanation of Movements in year</b>	
374	Increase/(Decrease) in underlying need to borrow (unsupported by Government financial assistance)	0
(221)	Repayment of Debt	(220)
<b>153</b>	<b>Increase/(Decrease) in Capital Financing Requirement</b>	<b>(220)</b>

## 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:

2013/14 £000's		2014/15 £000's
0	Housing Revenue Account	0
454	General Fund Properties	470
847	Other Land & Buildings	468
<b>1,301</b>	<b>Total</b>	<b>938</b>

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:

2013/14 £000's		2014/15 £000's
	Finance lease Liabilities	
4	Current	5
2	Non-current	5
1	Finance Costs Payable in Future Years	0
<b>7</b>	<b>Minimum Lease Payments</b>	<b>10</b>

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

2013/14			2014/15	
Minimum Lease Payments £000's	Finance Lease Liabilities £000's		Minimum Lease Payments £000's	Finance Lease Liabilities £000's
5	5	Not later than one year	5	5
0	0	Later than one year and not later than five years	3	3
2	1	Later than five years	2	2
<b>7</b>	<b>6</b>	<b>Totals</b>	<b>10</b>	<b>10</b>

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

### Operating Leases

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

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

2013/14 £000's		2014/15 £000's
8	Not later than one year	7
<b>8</b>	<b>Total</b>	<b>7</b>

The minimum lease payments charged in the Comprehensive Income and Expenditure Account Statement during the year in relation to the assets was £23,199 (£23,199 in 2013/14).

### 36.2 Authority as a Lessor

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

The Authority has a gross investment in these leases, made up of the minimum lease payments expected to be received over the remaining term and the residual value anticipated for the sites when the leases come to an end. The minimum lease payments comprise settlement of the long-term debtor for the interest in the sites acquired by

the lessees and finance income that will be earned by the Authority in future years whilst the debtor remains outstanding. The gross investment is made up of the following amounts:

<b>2013/14</b> <b>£000's</b>		<b>2014/15</b> <b>£000's</b>
	Finance Lease Debtor (Net Present Value of Minimum Lease Payments)	
27	Current	27
103	Non-Current	109
559	Unearned finance income	525
230	Unguaranteed residual value of property	230
<b>919</b>	<b>Gross investment in the lease</b>	<b>891</b>

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

<b>2013/14</b>			<b>2014/15</b>	
Gross Investment in the Lease £000's	Minimum Lease Payments £000's		Gross Investment in the Lease £000's	Minimum Lease Payments £000's
42	27	Not later than one year	43	27
166	108	Later than one year and not later than five years	170	108
482	324	Later than five years	449	297
<b>690</b>	<b>459</b>	<b>Total</b>	<b>662</b>	<b>432</b>

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

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

#### Operating Leases

<b>2013/14</b> <b>£000's</b>		<b>2014/15</b> <b>£000's</b>
60	Not later than one year	58
0	Later than one year and not later than five years	0
<b>60</b>	<b>Total</b>	<b>58</b>

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

#### Note 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 the members' pensionable salaries.

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

The scheme has in excess of 3,700 participating employers and consequently the Authority is not able to identify its share of the underlying financial position and performance of the scheme with sufficient reliability for accounting purposes. For the purposes of this Statement of Accounts, it is therefore accounted for on the same basis as a defined contribution scheme. As a proportion of the total contributions into the Teachers' Pension Scheme during the year ending 31 March 2015, the Authority's own contributions equate to approximately 59% (2013/14 – 61%).

In 2014/15, the Authority paid £147,000 (2013/14 - £148,000) to Capita Teachers' Pensions in respect of teachers' retirement benefits, representing 14% of pensionable pay (2013/14 – 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 £152,600.

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:

2013/14 £000's		2014/15 £000's
	<b>Within Cost of Services</b>	
713	Current Service Cost	721
61	Past Service Gain (Non Distributed Costs)	21
0	(gain)/loss from settlements	0
	<b>Financing and investment Income &amp; Expenditure</b>	
205	Net interest Expense	276
<b>979</b>	<b>Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services</b>	<b>1,018</b>
	<b>Other Post Employment Benefit Charged to the CIES</b>	
24	Expected Return on Assets in the scheme (excluding the amount included in the net interest expense)	(394)
434	Actuarial (Gains) or Losses arising on changes in demographic assumptions	0
399	Actuarial (Gains) or Losses arising on changes in financial assumptions	3,370
720	Other Actuarial (Gains) or Losses	(149)
<b>1,577</b>	<b>Total Post Employment Benefit Charged to the Surplus of Deficit in the CIES</b>	<b>2,827</b>
	<b>Movement in Reserves Statement</b>	
(979)	Reversal of Net Charges made to the Surplus of Deficit for the Provision Services for post employment benefits in accordance with the code	(1,018)
	<b>Actual amounts charged against the General Fund Balance for Pensions in the Year:</b>	
667	Employer's Contributions Payable	702
<b>(312)</b>		<b>(316)</b>

### 38.3 Pensions Assets & Liabilities Recognised in the Balance Sheet

2013/14 £000's		2014/15 £000's
(19,448)	Present Value of the Defined Benefit Obligation	(23,887)
13,045	Fair Value of Plan Assets	14,341
<b>(6,403)</b>	<b>Net Liability Arising from Defined Benefit Obligation</b>	<b>(9,546)</b>

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

2013/14 £000's		2014/15 £000's
12,213	Opening Fair Value of Scheme Assets	13,045
556	Interest Income	568
	<b>Remeasurement gain/(loss):</b>	
(24)	Return on Plan Assets, the amount included in the Net Interest Expense	394
667	Contributions from Employer	702
195	Contributions from Employee into the Scheme	212
(562)	Benefits Paid	(580)
<b>13,045</b>	<b>Closing Fair Value of Scheme Assets</b>	<b>14,341</b>

### 38.5 Reconciliation of Present Value of the scheme Liabilities

2013/14 £000's		2014/15 £000's
16,727	Opening Balance at 1 April	19,448
713	Current Service Cost	721
761	Interest Cost	844
195	Contributions from Scheme Participants	212
	<b>Remeasurement (gains) and losses:</b>	
434	Actuarial (Gains) or Losses arising on changes in demographic assumptions	0
399	Actuarial (Gains) or Losses arising on changes in financial assumptions	3,370
720	Other Actuarial (Gains) or Losses	(149)
61	Past Service Cost	21
(562)	Benefits Paid	(580)
0	Liabilities Extinguished on Settlements	0
<b>19,448</b>	<b>Closing Balance at 31 March</b>	<b>23,887</b>

### 38.6 Local Government Pension Scheme Assets Comprised

31 March 2014 £000's		31 March 2015 £000's
186	Cash & Cash Equivalents	200
85	Equity Instruments: Other	0
452	Private Equity:	504
744	Real Estate: UK Property	0
	<b>Investment Fund &amp; Unit Trusts:</b>	
8,404	Equities	4,299
1,887	Bonds	3,976
175	Hedge Funds	1,129
0	Commodities	0
185	Infrastructure	498
0	Other	966
<b>10,651</b>	<b>Total Investment Fund &amp; Unit Trusts:</b>	<b>10,868</b>
927	Derivatives: Inflation	2,769
<b>13,045</b>		<b>14,341</b>

### 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 2014		31 March 2015
	<b>Investment Returns</b>	
4.7%	Investment Returns	7.3%
	<b>Mortality Assumptions:</b>	
	<b>Longevity at 65 for Current Pensioners:</b>	
22.2	Men	22.2
24.4	Women	24.4
	<b>Longevity at 65 for Future Pensioners:</b>	
24.4	Men	24.4
26.8	Women	26.8
	<b>Rates:</b>	
4.6%	Rate of Increase in Salaries	4.3%
2.8%	Rate of Increase in Pensions	2.4%
4.3%	Rate for Discounting Scheme Liabilities	3.2%

### 38.8 Sensitivity Analysis

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

31 March 2014			31 March 2015	
Impact on the Defined Benefit Obligation in the Scheme			Impact on the Defined Benefit Obligation in the Scheme	
Approximate % Increase to Employer Liability	Approximate Monetary Amount £000's		Approximate % Increase to Employer Liability	Approximate Monetary Amount £000's
10%	2,026	0.5% decrease in the Real Discount Rate	11%	2,662
3%	583	1 Year increase in member life expectancy	3%	717
4%	746	0.5% increase in the Salary Increase Rate	4%	1,018
6%	1,242	0.5% increase in the Pension Increase Rate	7%	1,571

### **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 £775,000 contributions to the scheme in 2015/16.

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

## Note 39 Isles of Scilly Fire-fighter's Pension Fund

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

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

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

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

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

### Accounting Policies

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

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

2013/2014 £000's		2014/ 2015 £000's
	<b>Within Cost of Services:</b>	
23	Current Service Cost	26
	<b>Financing and Investment Income and Expenditure:</b>	
8	Interest Costs	13
<b>31</b>	<b>Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services</b>	<b>39</b>
	<b>Other Post Employment Benefits Charged to the CIES:</b>	
39	Actuarial (Gains) or Losses	76
<b>39</b>	<b>Total Post Employment Benefit Charged to the Surplus or Deficit on the CIES</b>	<b>76</b>

2013/2014 £000's		2014/ 2015 £000's
	<b>Movement In Reserves Statement</b>	
(31)	Reversal of Net Changes made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the code	(39)
	<b>Actual amounts charged against the General Fund Balance for Pensions in the Year:</b>	
(8)	Employer's Contributions Payable	(8)
<b>(39)</b>		<b>(47)</b>

The cumulative amount of actuarial gains and losses recognised in the Comprehensive Income and Expenditure Statement is a loss of £123,000 (2013/14 - £72,000).

### 39.1 Liabilities in Relation to Post employment benefits

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

2013/2014 £000's	2014/ 2015 £000's
(284) Estimated Liabilities in the Scheme	(409)
<b>(284) Net Liabilities</b>	<b>(409)</b>

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

2013/2014 £000's	2014/ 2015 £000's
213 Liabilities as at 1 April	284
20 Current Service Costs	26
10 Interest Costs	13
7 Contributions by Scheme Members	8
34 Actuarial Losses/(Gains)	76
<b>284 Liabilities as at 31 March</b>	<b>407</b>

2013/2014 £000's	2014/ 2015 £000's
0 Assets as at 1 April	0
7 Contribution by Scheme Members	8
(7) Contribution by Employers	(8)
0 Actuarial Gains/(Losses)	0
<b>0 Assets as at 31 March</b>	<b>0</b>

### 39.2 Basis for Estimation Liabilities

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

The principal assumptions used by the actuary have been:

31 March 2014 % pa	31 March 2015 % pa
3.7 Price Increases (inflation)	3.4
3.9 Salary Increases	3.5
2.9 Pensions Increases	2.5
4.3 Discount Rate for Scheme Liabilities	3.3
<b>Mortality Assumptions Years</b>	
29.3 Current Pensioners: Male	29.5
31.5 Current Pensioners: Female	31.7
30.9 Future Pensioners: Male	31.1
33.0 Future Pensioners: Female	33.2

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

### 39.3 Scheme History

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

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

The total contributions expected to be made to the Scheme by the Authority in the year to 31 March 2016 is £49,000.

### 39.4 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 39.2 above.

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

31 March 2014		Change in Assumptions at Year ended	31 March 2015	
Approximate % Increase to Employer Liability	Approximate Monetary Amount £000's		Approximate % Increase to Employer Liability	Approximate Monetary Amount £000's
4%	10	0.1% decrease in the Real Discount Rate	4%	15
3%	9	1 Year increase in member life expectancy	3%	12
10%	28	0.5% increase in the Salary Increase Rate	10%	40
9%	26	0.5% increase in the Pension Increase Rate (CPI)	9%	37

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

31 March 2014		Change in Assumptions at Year ended	31 March 2015	
Approximate % Increase to Employer Liability	Approximate Monetary Amount £000's		Approximate % Increase to Employer Liability	Approximate Monetary Amount £000's
5%	1	0.1% decrease in the Real Discount Rate	5%	2
3%	1	1 Year increase in member life expectancy	3%	1
13%	3	0.5% increase in the Salary Increase Rate	12%	4
11%	3	0.5% increase in the Pension Increase Rate (CPI)	115	4

## Note 40 Collection Fund

2013/14				2014/15		
NDR	Council Tax	Total		NDR	Council Tax	Total
£000's	£000's	£000's		£000's	£000's	£000's
<b>Income</b>						
0	(1,628)	(1,628)	Council Tax	0	(1,677)	(1,677)
(1,523)	0	(1,523)	Income Collectable from Business Ratepayers	(1,548)	0	(1,548)
<b>(1,523)</b>	<b>(1,628)</b>	<b>(3,151)</b>	<b>Total Income</b>	<b>(1,548)</b>	<b>(1,677)</b>	<b>(3,225)</b>
<b>Expenditure</b>						
Distribution of previous year's surplus/(deficit)						
0	(24)	(24)	General Fund	(86)	90	4
0	(4)	(4)	Police	0	13	13
0	0	0	Government	(86)	0	(86)
<b>Council Tax Preceptors</b>						
0	1,346	1,346	General Fund	0	1,386	1,386
0	222	222	Police	0	219	219
Business Rates Preceptors						
827	0	827	Retained Share	792	0	792
<b>Charges to Collection Fund</b>						
827	0	827	Central Government Share	792	0	792
25	0	25	Costs of collection	25		25
41	11	52	Change in Provisions for Bad/Doubtful Debts and Write Offs	110	24	134
55	0	55	Change in Provision for Appeals	(12)		(12)
<b>1,775</b>	<b>1,551</b>	<b>3,326</b>	<b>Total Expenditure</b>	<b>1,535</b>	<b>1,732</b>	<b>3,267</b>
<b>252</b>	<b>(77)</b>	<b>175</b>	<b>(Surplus)/Deficit on Collection Fund</b>	<b>(13)</b>	<b>55</b>	<b>42</b>
<b>(6) CIOS – Collection Fund Balance 1 April</b>						<b>(66)</b>
<b>(66) CIOS – Collection Fund Balance 31 March</b>						<b>(107)</b>
<b>2013/2014</b>						<b>2014/2015</b>
<b>£000's</b>						<b>£000's</b>
61	Billing Authority – Council of the Isles of Scilly					42
(11)	Precepting Authority – Devon & Cornwall Police Authority					7
125	Government					(7)
<b>175</b>	<b>(Surplus)/Deficit for the year on the Collection Fund</b>					<b>42</b>



## 40.1 Calculation of Net Council Tax

2013/2014 £000's		2014/ 2015 £000's
(1,781)	Council Tax – Gross Due	(1,824)
	Less	
103	Discounts	107
31	Exemptions	26
0	Benefits	
19	Adj re Previous Years' Council Tax Due	14
<b>(1,628)</b>	<b>Net Council Tax</b>	<b>(1,677)</b>

## 40.2 Council Tax Base Relationship

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

All bands are linked proportionately to the Basic Band D. The amount for a Band D property in 2014/15 was £1216.80 (£1,193.06 in 2013/14). This is multiplied by the proportion specified for the particular band to give the individual amount due.

Valuation Band	Range of Values	Link to Band D	Dwellings on Valuation List	Adjusted for Discounted Dwellings	Band D Equivalents
A	Up to £40,000	6/9	15	14	9.3
B	£40,001 to £52,000	7/9	34	32	24.9
C	£52,001 to £68,000	8/9	89	76.75	68.2
D	£68,001 to £88,000	9/9	260	238.75	238.8
E	£88,001 to £120,000	11/9	341	319	389.9
F	£120,001 to £160,000	13/9	303	284	410.2
G	£160,001 to £320,000	15/9	148	142.25	237.1
H	Over £320,000	18/9	8	8	16.0
	Total Band D Equivalents				1,394.4
	Adjustments for Collection Rate and Council Tax Support				(75.3)
					1,319.1

## 40.3 Precepting Bodies

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

This Authority made precept payments to Devon and Cornwall Police Authority for 2014/15 of £219,182 (2013/14 - £222,000).

#### 40.4 Business Rates

2013/2014 £000's		2014/ 2015 £000's
4,244	Total Non Domestic Rateable Value as at 31 March	4,215
	<b>Multiplier Rates</b>	
47.1p	Non Domestic	48.2p
46.2p	Small Business	47.1p

#### 40.5 Calculation of Net Business Rates

2013/2014 £000's		2014/ 2015 £000's
(1,610)	Business Rates – Gross Due	(1,954)
	Less	
30	Mandatory Reliefs	327
16	Discretionary Reliefs	68
41	Transitional Protection Payments	11
<b>(1,523)</b>	<b>Net Business Rate</b>	<b>(1,548)</b>

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

We have audited the financial statements of The Council of the Isles of Scilly for the year ended 31 March 2015 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, the 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 39 to 39.4. 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 2014/15.

This report is made solely to the members of The Council of the Isles of Scilly, as a body, in accordance with Part II of the Audit Commission Act 1998 and as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010. Our audit work has been undertaken so that we might state to the members those matters we are required to state to them in an auditor's report and for no other purpose. 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 Council's Section 151 Officer and auditor**

As explained more fully in the Statement of the Council's Section 151 Officer's Responsibilities, the Council's Section 151 Officer 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 2014/15, 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 also 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 Council's Section 151 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 2015 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 2014/15 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 are required to 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; or
- we issue a report in the public interest under section 8 of the Audit Commission Act 1998; or
- we designate under section 11 of the Audit Commission Act 1998 a 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 the 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 review in accordance with the Code of Audit Practice and, having regard to the guidance issued by the Audit Commission in October 2014, 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: following up on the matters we reported in 2013/14 concerning the Head of Internal Audit's opinion for 2013/14 and the Authority's lack of a robust and sustainable Medium Term Financial Strategy that went beyond 2014/15; review of the Authority's medium term financial plan and the robustness of any savings plans needed to keep the Authority in financial balance; and review of the Authority's risk management arrangements and the extent to which risk registers are kept up to date.

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

1. The Head of Internal Audit's opinion for 2014/15 was that, overall, the Authority's systems of governance, risk management and control in operation in 2014/15 were generally weak, with considerable room for improvement in many areas. In particular, risk management was assessed as being poor with the written procedures not being complied with.

2. The Authority does not have a robust and sustainable Medium Term Financial Strategy that goes beyond 2015/16, as the assumptions underpinning it regarding central government support are, in our view, unrealistic.

### **Certificate**

We certify that we have completed the audit of the financial statements of The Council of the Isles of Scilly in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

Geraldine Daly  
for and on behalf of Grant Thornton UK LLP, Appointed Auditor

Hartwell House  
55-61 Victoria Street  
Bristol  
BS1 6FT

28 September 2015

**This page is intentionally blank**

## Glossary of Terms

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

TERM	DEFINITION
<b>Accounting Policies</b>	These are the policies and codes of practice adopted when preparing the Statement of Accounts.
<b>Accrual</b>	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.
<b>Actuarial Gain or Loss</b>	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.
<b>Actuarial Valuation</b>	A valuation of assets within the pension fund carried out by an actuary (an independent pension valuation specialist).
<b>Asset</b>	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.
<b>Balance Sheet</b>	This statement shows the financial position of the Authority as at the end of the financial year.
<b>Budget</b>	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.
<b>Capital Adjustment Account</b>	The Account accumulates (on the debit side) the write-down of the historical cost of fixed assets as they are consumed by depreciation and impairments or written off on disposal. It accumulates (on the credit side) the resources that have been set aside to finance capital expenditure. The balance on the account represents timing differences between the amount of the historical cost of fixed assets that have been consumed and the amount that has been financed in accordance with statutory requirements.
<b>Capital Expenditure</b>	Expenditure on new assets or on the enhancement of existing assets which extends their useful life or increases their market value.
<b>Capital Financing Requirement (CFR)</b>	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.
<b>Capital Grant</b>	Grant received for the purpose of funding Capital Expenditure.
<b>Capital Grants Unapplied</b>	Capital Grants that have not been spent during the financial year.
<b>Capital Receipts</b>	Proceeds exceeding £10,000 from the sale of an asset for which the use is restricted to either funding new Capital Expenditure or to repaying loan debt.

TERM	DEFINITION
<b>Chartered Institute of Public Finance and Accountancy (CIPFA)</b>	The professional body for accountancy within the public sector.
<b>Code of Practice (Code)</b>	This is the guidance issued by CIPFA on the application of the International Financial Reporting Standards (IFRS) for the public sector.
<b>Collection Fund</b>	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.
<b>Comprehensive Income and Expenditure Statement (CIES)</b>	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.
<b>Corporate &amp; Democratic Core</b>	The costs associated with corporate policy making and Member based activities, together with costs relating to corporate management, public accountability and treasury management.
<b>Creditor</b>	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.
<b>Current Service Cost (Pensions)</b>	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.
<b>Debtor</b>	An amount owed to the Authority at the Balance Sheet date for goods or services provided prior to the year end.
<b>Deficit</b>	Where the balance of expenditure exceeds the balance of income.
<b>Depreciation</b>	The measure of the consumption or other reduction in the useful economic life of a non-current asset.
<b>Earmarked Reserves</b>	Reserves representing monies set aside that can only be used for their stated specific "earmarked" services.
<b>Emoluments</b>	All taxable sums paid to or received by an employee including the value of any non cash benefits received.
<b>External Audit</b>	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.
<b>Expenditure</b>	Amounts paid by the Authority for goods or services received of either a capital or revenue nature.
<b>Fair Value</b>	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.
<b>Finance Lease</b>	A lease whereby the risks and rewards of ownership are transferred to the lessee.
<b>Financial Reporting Standard (FRS)</b>	The standards by which the preparation and presentation of the Statement of Accounts has historically been governed within the UK.



TERM	DEFINITION
<b>Financial Year</b>	The year covered by the financial statements. The Authority's financial year commences 1 April and finishes 31 March the following year.
<b>Financial Instruments</b>	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.
<b>General Fund (GF)</b>	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.
<b>Heritage Asset</b>	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.
<b>Housing Revenue Account (HRA)</b>	This is a statutory account recording the revenue expenditure and income relating to the Authority's housing stock.
<b>Impairment</b>	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.
<b>Income</b>	Amounts due to the Authority for goods or services supplied of either a capital or a revenue nature.
<b>IAS</b>	International Accounting Standards.
<b>International Financial Reporting Standard (IFRS)</b>	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).
<b>Liability</b>	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.
<b>Medium Term Financial Strategy (MTFS)</b>	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.
<b>Minimum Revenue Provision (MRP)</b>	The amount which the Authority charges to revenue on an annual basis as a provision for the redemption of debt.
<b>Movement in Reserves Statement (MiRS)</b>	This statement details the movements in the reserve balances.
<b>Net Book Value</b>	The value at which non-current assets are included in the balance sheet after the consideration of impairment, revaluation, enhancements, depreciation etc.
<b>Non-Current Assets</b>	Assets which are of a physical nature owned by the Authority such as land, buildings, vehicles etc.
<b>Operating Lease</b>	A lease which is not a Finance Lease.
<b>Operational Assets</b>	Non-current assets held/used by the Authority in the direct delivery of services for which it has a statutory responsibility.
<b>Past Service Cost (Pensions)</b>	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.

<b>TERM</b>	<b>DEFINITION</b>
<b>Present Value</b>	The discounted value of future payments or receipts to show their value if they were to be received as at the balance sheet date.
<b>Professional, Technical and Administration (PT&amp;A)</b>	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.
<b>Public Works Loan Board (PWLB)</b>	A Government Agency that provides loans to Local Authorities.
<b>Remuneration</b>	Reward for employment in the form of pay, salary or wage, including allowances, benefits, bonuses, cash incentives and monetary value of non-cash incentives.
<b>Revaluation Reserve</b>	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).
<b>Revenue Expenditure</b>	The day to day running costs incurred by the Authority in providing services.
<b>Revenue Financing</b>	Resources provided from the Authority's revenue budget to finance the cost of Capital Expenditure.
<b>Statement of Recommended Practice (SORP)</b>	This is the guidance issued by CIPFA on the application of the FRS for the public sector.
<b>Surplus</b>	Where the balance of income exceeds the balance of expenditure.
<b>Trust</b>	A savings account established under a trust agreement whereby a trustee administers the funds for the benefit of one or more beneficiaries.
<b>Unusable Reserves</b>	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.
<b>Usable Reserves</b>	These are held as a working balance for a specific future purpose.
<b>Yield</b>	Income earned from an investment.