
Draft Statement of Accounts

2021-22



Council of the
ISLES OF SCILLY



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Narrative Report

The Council of the Isles of Scilly, as all local authorities, is required by law to publish an Annual Statement of Accounts which sets out the Council's financial position for the year ended 31 March 2022. This Statement of Accounts has been prepared in accordance with the requirements of the Code of Practice on Local Council Accounting in the United Kingdom 2021/22 (The Code). The 2021/22 Code is based on International Financial Reporting Standards (IFRS) for public sector accounting in the United Kingdom. The Code specifies the principles and practices of accounting required to prepare a Statement of Accounts which gives a true and fair view of the financial position and transactions of a local Council.

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

This narrative report provides a guide to the most significant matters contained within the Accounts. It focuses specifically on how the Council has spent its revenue and capital budgets in 2021/22 in delivering the objectives of the Council's Corporate Plan and in providing positive outcomes for the Isles of Scilly. It reviews the financial position as at 31 March 2022 and looks forward over the next few years.

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

An Introduction to the Council of the Isles of Scilly

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

The Council delivers one of the widest range of services of any Council in the country and was until March 2020 the water and sewerage authority. As well as the usual statutory services the Council has the challenge of operating St Mary's Airport, a lifeline transport link, and in addition has to provide comprehensive services, including a Fire Service, to five separate Islands with the impact of weather and tidal conditions adding to the challenge.

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 a significant additional cost and complexity to all service delivery that no other Local Authority in England has to face.

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

Forward by the Section 151 Officer

The Council has delivered another strong financial performance for the 2021-22 financial year keeping costs under control and managing its finances effectively. This is against the backdrop of a number of major global unforeseen events which were not planned for. The Council has managed to strengthen its reserves position which puts it in a good position to meet the challenges of the next couple of years which, currently, with the global events and the shock they have had on the global economy will be significant. Closer to home, the Council has declared a housing emergency as the supply of housing for residential living has reduced in recent years as the demand for holiday accommodation has increased.

The 2021/22 financial year was once again heavily influenced by the continuation of the global Covid pandemic which saw several different variants which led to further restrictions that impacted both the UK and many countries around the world. Additional Government funding for both the Council and businesses on the Islands continued to help mitigate the impact of the pandemic and certainly for the Council this helped protect its financial position.

With restrictions starting to lift in the second half of the financial year in the UK (although not necessarily globally) the UK and global economies are starting to experience inflationary increases as supply chains struggle to get back up to the optimum levels that they operated at pre-pandemic. With the global nature of the economy and the “just in time” approach to supply that had become the norm pre-pandemic, the result was significantly reduced supply of certain commodities including energy and building materials that started to fuel inflation. With inflation already increasing, there was another major global event when Russia invaded Ukraine which led to the first war in Europe for 80 years. The impact of the war and the sanctions imposed on Russia by the rest of the world led to energy and food prices starting to rise quite sharply. This caused increased inflation to a level not seen for 40 years, creating a cost of living crisis in the UK. As the war continues, the impact that this is having is significant, with inflation looking to hit double figures and central banks raising interest rates sharply to try and combat inflation. The Government have provided further funding to Councils to distribute to residents who are being impacted the most by the cost of living crisis.

The impact of the higher inflation in the second half of 2021-22 did not have a major impact on the Council's finances in 2021-22 and the Council delivered an underspend in its revenue budget. This was mainly in Adult Social Care Services due to a large proportion of the residents in the care home being self-funders and Government support for the Covid pandemic. This underspend has been transferred to reserves to help smooth any change in the mix of residents in the care home and to provide a buffer against the impact of inflation in 2022-23 and beyond which will create an unfunded pressure on the Council's budget. In addition, there is a strong likelihood of a recession (or even a period of stagflation) and the cost of living crisis that is impacting the public which will lead to an increase in demand for Council services at a time when the Council's cost base is increasing significantly. With allowances of 2% for pay and 3.4% for goods and services built into the 2022-23, real inflation is likely to be much higher. The Council's strong financial position and level of reserves will mean it will be able to meet the immediate impact without having to reduce service delivery. It will also mean it will be able to look how it can mitigate the impact and reduce its cost base in a controlled way over the next couple of years which will help reduce the impact on service delivery.

The Council has a very ambitious Capital Programme which aims to:

- Continue improving its housing stock;
- Provide a new Museum and Heritage centre;
- Install mitigation against flooding and higher sea levels;
- Replace the main ferry and freight vessels;

- Ensure it updates its own assets that are needed to deliver services;
- Keep the Airport operational.

This programme is far bigger and far riskier than a Council of the size of the Council of the Isles of Scilly would normally plan. However, this is required due to the Council’s unique position of being an island 28 miles off the mainland of England. The Council is investing in the project management that will be needed to deliver this programme, but there will still be a risk that cannot be totally mitigated and therefore there is a need to ensure reserves remain strong.

The 2021/22 Budget and Outturn

The Council’s budget for 2021/22 was set in February 2021 at £5.319m. This resulted in a council tax requirement of £1.738m leading to an increase of 4.99% equating to a band D charge of £1,394.28. The Council’s budget has now eliminated the previous structural deficit in the Council’s finances. The 2021/22 budget required savings of £0.130m, 50% of which are the full-year impact of previous years’ savings initiatives with only £0.060m of new savings required.

Going in to the 2021/22 financial year the General Fund Reserve had a balance of £2.484m which was well above the target level of £1.000m. Following the production of the 2021/22 accounts the General Fund balance has increased to £3.117m. This increase is due to a number of reasons which are set out below.

	£m Budget	£m Outturn	£m Variance
CEO Department	1.808	1.808	0.000
People & Communities	2.035	1.772	(0.263)
Place, Economy & Environment	1.476	1.410	(0.066)
Funding	(5.319)	(5.623)	(0.304)
	0.000	(0.633)	(0.633)

Therefore the General Fund Reserve continues to be in a healthy position.

The overall outturn position for the Council’s revenue budget for 2021/22 was a net underspend of £0.633m against the Council’s revised budget. The outturn position shows a considerable movement from the Quarter 3 position reported to the Council but also includes a movement from the Brexit reserve to the General Fund which has to be accounted for via the Council’s revenue accounts. The Quarter 3 forecast was a £0.509m underspend, the majority of which was within the Adult Social Care service with Park House being at full capacity with full payment by clients of top-up fees. The movements from the Quarter 3 position were as follows:

	£m
Quarter 3 reported position (underspend)	(0.509)
Movements in Quarter 4 excluding reserve movements:	
CEO Department	(0.040)
People and Communities	0.021
Place, Environment and Economy	(0.164)
Minor variances	(0.028)
Specific projects	(0.268)
Funding	<u>(0.106)</u>
Total Quarter 4 movements	<u>(0.585)</u>
Total variance before outturn reserve movements	(1.094)
Transfers to Specific Reserves	<u>0.668</u>
Year-end Transfer to General Fund	<u>0.426</u>
General Fund Balance Brought Forward 01/04/21	2.484
Year-end transfer to General Fund (as above)	0.426
In-year transfers between reserves and General Fund	(0.108)
Transfer of Brexit Reserve to General Fund	<u>0.315</u>
Movement in General Fund	<u>0.633</u>
General Fund Balance Carried Forward 31/03/22	3.117

Capital Programme

The outturn spend of the Council's capital programme was £2.571m. Approximately 45% of this was funded from grants and external contributions, 40% from borrowing, 2% from revenue contributions and 13% from capital receipts. The main areas of spend and the funding are set out below.

Total capital expenditure in 2021/22:

Schemes	2021/22 Expenditure
	£
Purchase of April Cottage	871,464
Go-EV	419,987
Housing Improvements	323,463
Voucher Scheme	244,988
Fire Appliance	131,310
Carn Thomas Land Release	122,018
Council Chamber Sound & Video Improve	75,610
Road Sweeper	65,547
Porthmellon Workshop Refurbishment	76,233
Ennor Farm Acquisition	49,060
Other	191,767
Total Capital Expenditure	2,571,447

Capital expenditure in 2021/22 of £2.571m was financed as follows:

Source of Funding	2021/22 Amount
	£
Grants and external contributions	1,152,545
Reserves	7,110
Borrowing	1,019,829
Capital Receipts	323,463
Revenue	68,500
Total Funding	2,571,447

The original capital programme agreed by the Council as part of the 2021/22 budget setting process totalled £4,353m. The outturn position of £2.571m represents an underspend against the original programme of £1.882m.

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

- £0.938m underspend in respect of Housing Repair and Maintenance due to engaging contractors and allowing them in houses due to Covid 19;
- £0.850m underspend in respect of Climate Adaption Scilly due to original tender costs coming in more than expected so main project delayed whilst additional funding is secured ;
- £0.388 underspend on Corporate Estate due to difficulties in engaging contractors and obtaining supplies to carry out the work;
- £0.335 underspend in respect of the GOEV Electric Vehicle Car Share Project due to delays in obtaining the Electric Vehicles;

- £0.116m underspend on Waste Management Vehicles due to difficulty procuring the correct vehicles for the Islands;
- £0.145m underspend in respect of the Education Basic Needs and School Condition Grant due to the school using this towards a large building project in the Summer of 2022;
- £0.871m increased spend in the programme due to expenditure purchasing and remodelling April Cottage which was not in the original programme;
- £0.122m increased spend in the programme due to expenditure on Carn Thomas Land Release Scheme which was not in the original programme.

Reserves

The Council has a General Fund balance of £3.117m. This is about 60% of the net revenue budget, or put another way, is equivalent to just over 7 month's net expenditure

The General Fund is included within Usable Reserves. A schedule of the resources held by the Council at 31 March 2022, and available for future expenditure is shown below. There is also a reference to identify these reserves in the Statement of Accounts.

Available Resources	Description of the Resource and link to the Statement of Accounts	31/3/22
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.	£3.117m
Earmarked Reserves	These are reserves that have been held for a specific purpose. The Council has a number of earmarked reserves and these are shown in Note 10.	£2.350m
Capital Receipts Reserve	Proceeds from past asset sales held for recycling into future capital expenditure	£0.727m
Capital Grants Reserve	These are capital grants which have been received by the Council, but which have not yet been allocated/spent on capital projects. As there are no conditions attached to the grants, the Council can determine how to spend them.	£1.459m

Reserves are 'one-off' in nature and are not recurring funding sources. Whilst reserve balances are relatively healthy, it is important that the Council continues to use its resources to meet priorities and build on its track record of leveraging Government funding for key infrastructure improvements. The Council continues to work with Central Government Departments on key infrastructure improvements 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. The Council will continue to carefully manage both its revenue budget and capital resources and will seek to align these against corporate priorities set out in its Corporate Plan.

Other Key Points arising from the Statement of Accounts

Property Plant and Equipment

The Council maintains a significant property portfolio which it maintains and enhances through its capital programme. Note 14 shows these capital projects as additions, but also shows the impact of the annual valuation of assets and the level of depreciation which is charged to the annual accounts. Valuations are generally based on the value of the asset in its existing economic condition and use, which tends to be for the provision of services. For this reason, valuations are often at levels lower than the building costs incurred.

Pension Liabilities

Note 37 covers the Council's Pension Fund and Firefighters' Pension Fund, which are administered by Cornwall Council. The balance sheet shows a £15.384m liability (£1.513m of this is for Fire) which is effectively the Council's liability to the Local Government Pension Scheme. These liabilities have decreased in 2021/22 due to actuarial assessments on future returns, costs and demographic changes. Whilst the amounts have no impact on revenue balances as they are matched by a pension reserve, the level of future contributions to be made by the Council are set by independent actuaries and are reviewed every three years.

Collection Fund

The Council accounts for Council Tax and Business Rates within its Collection Fund. Income is paid into the Collection Fund and the Council and Devon and Cornwall Police precept on the fund. Any surplus or deficit at the year-end is then redistributed in future years. The Collection Fund is shown in note 39.

2021/22 – Non-financial Performance

The Council's Scrutiny Committee received a report on non-financial performance at its meeting on 9th June 2022. This report included performance against national and local performance measures and is available on the Council's website.

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

The Council's Corporate Plan covers a period of four years (currently 2022-2025) and is refreshed annually. Councillors began the process of writing this Corporate Plan in June 2021. A period of public consultation was then undertaken in November and December 2021 which resulted in 268 survey responses and 1636 comments from residents. These responses were used to inform the final decisions on what to include in the Plan. The Plan sets the tone for the Council to work with its community over the next 4 years.

The Corporate Plan sets out a number of objectives within key areas as follows:

- **Housing**
- **Climate Change and Waste Management**
- **Transport and Highways**
- **Community Wellbeing and Fairness**
- **Our Council**
- **Promises to Our Community**

Details of the Objectives within these key areas are set out in the Corporate Plan on the Council’s website.

The Council approved its Medium Term Financial Plan (MTFP) at the same time as its Corporate Plan. The MTFP sets out the Council’s financial plan for the period 2022 – 2025 to support its Corporate Plan. The MTFP contains assumptions around the Council’s potential resources over the period, its forecast spending requirements and how it will bridge the gap between the two.

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

	2022/23	2023/24	2024/25
	£	£	£
Service Budgets brought Forward	5,513,601	5,817,374	5,994,478
Inflation	228,176	157,378	110,158
Other Pressures and Growth	433,597	33,727	(3,898)
Service Savings Plan	(358,000)	(14,000)	0
Service Budget Requirements	5,817,374	5,994,478	6,100,738
Specific Projects Expenditure	644,317	51,392	0
Specific Projects Income	(482,376)	(51,392)	0
Transfer to/(from) General Fund Reserve	(87,867)	(51,473)	0
Transfer to/(from) Specific Reserves	(196,941)	(35,000)	(15,000)
Total Net Budget	5,694,507	5,908,005	6,085,738
Funded by:			
Council tax	1,784,911	1,893,744	1,950,368
Business Rates	1,760,569	1,784,121	1,808,144
Government Grants	2,727,550	2,323,550	2,327,227
Council Tax Collection fund Surplus/(Deficit)	(87,867)	(42,446)	0
Business Rates Collection fund Surplus/(Deficit)	(490,656)	(50,964)	0
Total Resources	5,694,507	5,908,005	6,085,738

The assumptions above include increases in council tax of 2.99% for 2022/23, 2023/24 and 2024/25.

The Council has recognised that it previously had a structural deficit within its revenue budget and it has addressed this over recent years. This has led to some significant in-year savings required with the aim of achieving a balanced position. Ongoing unfunded budget pressures would mean the Council would continue to need to identify savings in order to achieve a balance budget. Budget pressures and growth over the period are set out below:

	2022/23	2023/24	2024/25
	£	£	£
Inflation			
Pay	160,398	113,089	86,513
Supplies & Services	175,720	109,943	84,402
Income	(107,942)	(65,654)	(60,757)
Total Inflation	228,176	157,378	110,158
Other Pressures			
Previous year one-off budget pressures	(96,521)	0	0
Previous Year Capital Charges uplifts	45,000	14,000	0
Hardship fund built into base	10,000	0	0
Capital Charges for new Projects	19,625	20,000	60,000
National Insurance Increase	50,000	0	0
Healthwatch	9,000	0	0
Airport	250,273	0	0
SEN Placements	132,000	0	0
Contingency	14,220	(273)	(63,898)
Total Other Pressures	433,597	33,727	(3,898)
Total all Pressures & Growth	661,773	191,105	106,260

When these budget pressures are compared to the resources available there is a budget gap in the first of next three years as follows:

- 2022/23 £0.358m;
- 2023/24 £0.014m;
- 2024/25 £0.000m.

Therefore, in order to set a balanced budget and MTFP these gaps need to be addressed through a number of measures to reduce spending as follows:

Service Spending Savings	2022/23	2023/24	2024/25
	£	£	£
Capital Programme Slippage in previous years (reduction in Capital Financing budget)	(110,000)	(14,000)	0
Additional Educational Grant re SEN placements	(132,000)	0	0
Better Care Fund not in original base budget	(116,000)	0	0
Overall Total Proposed Savings	(358,000)	(14,000)	0

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

	2022/23	2023/24	2024/25
	£	£	£
Service Budgets brought Forward	5,513,601	5,817,374	5,994,478
Inflation	228,176	157,378	110,158
Other Pressures and Growth	433,597	33,727	(3,898)
Service Savings Plan	(358,000)	(14,000)	0
Service Budget Requirements	5,817,374	5,994,478	6,100,738
Specific Projects Expenditure	644,317	51,392	0
Specific Projects Income	(482,376)	(51,392)	0
Transfer to/(from) General Fund Reserve	(87,867)	(51,473)	0
Transfer to/(from) Specific Reserves	(196,941)	(35,000)	(15,000)
Total Net Budget	5,694,507	5,908,005	6,085,738
Funded by:			
Council tax	1,784,911	1,893,744	1,950,368
Business Rates	1,760,569	1,784,121	1,808,144
Government Grants	2,727,550	2,323,550	2,327,227
Council Tax Collection fund Surplus/(Deficit)	(87,867)	(42,446)	0
Business Rates Collection fund Surplus/(Deficit)	(490,656)	(50,964)	0
Total Resources	5,694,507	5,908,005	6,085,738

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) 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 2022.

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

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

The Section 151 Officer has also:

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

Certificate

<p>By the Section 151 Officer.</p> <p>I hereby certify that the Statement of Accounts for the year ended 31 March 2022 has been prepared in accordance with the Accounts and Audit (England) Regulations 2015 and that it gives a true and fair view of the financial position of the Council as at 31 March 2022, 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>Russell Ashman Section 151 Officer Date: 29th June 2022 Approved on</p>	<p>By the Chairman of the Council</p> <p>I confirm that these accounts were approved by Full Council at its meeting on</p> <p>Robert Francis Chairman of the Council Date:</p>
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Core Statements

Comprehensive Income and Expenditure Statement

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

	2021/22			Restated 2020/21			Notes
	Expenditure £m	Income £m	Net £m	Expenditure £m	Income £m	Net £m	
Chief Executives Department	4.146	(2.096)	2.050	4.356	(2.352)	2.004	
People & Communities	4.884	(2.480)	2.404	4.000	(2.142)	1.858	
Place, Economy & Environment	5.191	(2.481)	2.710	5.356	(2.248)	3.108	
Cost of services	14.221	(7.057)	7.164	13.712	(6.742)	6.970	
Exceptional Disposal of Water and Sewerage Assets						2.107	11
Other operating expenditure			0.035			(0.212)	11
Financing and investment income and expenditure			0.408			0.269	12
Taxation and non-specific grant income			(7.444)			(6.782)	13
(Surplus) or deficit on provision of services			0.163			2.352	
(Surplus) or deficit on revaluation of property, plant and equipment			(0.154)			(0.163)	
Remeasurements of the net defined benefit liability / (asset)			(4.213)			6.974	
Other comprehensive (income) and expenditure			(4.367)			6.811	
Total comprehensive (income) and expenditure			(4.204)			9.163	

Movement in Reserves Statement

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

Movement in Reserves Statement

Note	General Fund Balance £m	Earmarked General Fund Reserves £m	Total General Fund Reserves £m	Capital Receipts Reserve £m	Capital Grants Reserve £m	Total Usable Reserves £m	Restated Unusable Reserves £m	Total Council Reserves £m
Balance at 31 March 2020 carried forward	(1.829)	(1.533)	(3.362)	(1.035)	(0.632)	(5.029)	(18.389)	(23.418)
Movement in reserves during 2020								
Total Comprehensive Income and Expenditure	2.352	-	2.352	-	-	2.352	6.811	9.163
Adjustments between accounting basis and funding basis under regulations	9 (3.684)	-	(3.684)	0.056	(0.080)	(3.708)	3.708	-
Transfers (to)/from Earmarked Reserves	10 0.677	(0.677)	-	-	-	-	-	-
(Increase)/Decrease in 2020/21	(0.655)	(0.677)	(1.332)	0.056	(0.080)	(1.356)	10.519	9.163
Balance at 31 March 2021 carried forward	(2.484)	(2.210)	(4.694)	(0.979)	(0.712)	(6.385)	(7.870)	(14.255)
Movement in reserves during 2021/22								
Total Comprehensive Income and Expenditure	0.163	-	0.163	-	-	0.163	(4.367)	(4.204)
Adjustments between accounting basis and funding basis under regulations	9 (0.936)	-	(0.936)	0.252	(0.747)	(1.431)	1.431	-
Transfers (to)/from Earmarked Reserves	10 0.140	(0.140)	-	-	-	-	-	-
(Increase)/Decrease in Year	(0.633)	(0.140)	(0.773)	0.252	(0.747)	(1.268)	(2.936)	(4.204)
Balance at 31 March 2022 carried forward	(3.117)	(2.350)	(5.467)	(0.727)	(1.459)	(7.653)	(10.806)	(18.459)

Balance Sheet

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

Balance Sheet	Restated		Notes
	31 March 2022	31 March 2021	
	£m	£m	
Property, Plant and Equipment	33.540	32.704	14
Heritage Assets	0.117	0.117	15
Intangible Assets	-	0.014	
Long Term Debtors	0.062	0.071	19
Long Term Assets	33.719	32.906	
Cash and Cash Equivalents	5.099	2.789	20
Inventories	0.032	0.037	18
Short Term Debtors	2.905	3.466	19
Current Assets	8.036	6.292	
Short Term Creditors	(4.236)	(3.257)	21
Short Term Borrowing	(0.250)	-	16
Grants Receipts in Advance - Revenue	(0.076)	(0.126)	33
Current Liabilities	(4.562)	(3.383)	
Provisions	(0.219)	(0.233)	22
Long Term Borrowing	(1.750)	(2.000)	16
Pension Liability	(15.384)	(18.174)	37
Grants Receipts in Advance - Capital	(1.381)	(1.153)	33
Long Term Liabilities	(18.734)	(21.560)	
Net Assets	18.459	14.255	
Usable Reserves			
General Fund Balance	(3.117)	(2.484)	24
Other Usable Reserves	(4.536)	(3.901)	24
Unusable Reserves	(10.806)	(7.870)	25
Total Reserves	(18.459)	(14.255)	

Cash Flow Statement

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

	2021/22 £m	2020/21 £m	Notes
Net (surplus) or deficit on the provision of services	0.163	2.352	
Adjustments to net (surplus) or deficit on the provision of services for non-cash movements	(4.250)	(5.525)	26
Adjustments for items included in the net (surplus) or deficit on the provision of services that are investing and financing activities	1.971	2.014	26
Net cash flows from operating activities	(2.116)	(1.159)	
Investing activities	(0.243)	0.279	27
Financing activities	0.049	0.080	28
Net (increase) or decrease in cash and cash equivalents	(2.310)	(0.800)	
Cash and cash equivalents at the beginning of the reporting period	2.789	1.989	
Cash and cash equivalents at the end of the reporting period	5.099	2.789	

Notes to the Accounts

Note 1 Accounting Policies

1.1 General Principles

The Statement of Accounts summarises the Council's transactions for the 2021/22 financial year and its position at the year end of 31 March 2022. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015 which require them to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Council Accounting in the United Kingdom 2021/22 (The Code) and supported by International Financial Reporting Standards (IFRS). The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

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

1.2 Accruals of Income and Expenditure

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

- Revenue from contracts with service recipients, whether for service or the provision of goods, is recognised when (or as) the goods or services are transferred to the service recipient in accordance with the performance obligations in the contract;
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption they are carried as inventories on the Balance Sheet. Exceptions include school balances and utility bills that are recorded at the date of meter readings.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is provided for and a charge made to the service for the income that might not be collected.

1.3 Cash and Cash Equivalents

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

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

1.4 Exceptional Items

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

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

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

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

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

A change in Directorates reporting structure from four to three in the year 2021/22 has meant the 2020/21 comparatives have been restated.

There has also been an adjustment to Property, Plant and Equipment and Revaluation Reserve of £0.412m, due to Park House Flats being identified as being included in the accounts under Council Dwellings and also in Other Land and Buildings. In 2018/19 it appeared that the Park House Flats were not included within the accounts therefore they were brought into the accounts under Other Land and Buildings through the Revaluation Reserve, on reviewing the valuations this year we identified that they were known also as Parade Flats and included within the Council Dwellings valuations.

Comprehensive Income and Expenditure Statement	Restated 2021/22			2021/22			Notes
	Expenditure £m	Income £m	Net £m	Expenditure £m	Income £m	Net £m	
CEO Office	-	-	-	2.484	(0.691)	1.793	
Services to our Community	-	-	-	2.780	(1.889)	0.891	
Strategic Development	-	-	-	3.246	(1.935)	1.311	
Infrastructure and Planning	-	-	-	5.203	(2.228)	2.975	
Chief Executives Department	4.356	(2.352)	2.004	-	-	-	
People & Communities	4.000	(2.142)	1.858	-	-	-	
Place, Economy & Environment	5.356	(2.248)	3.108	-	-	-	
Cost of services	13.712	(6.742)	6.970	13.713	(6.743)	6.970	
Exceptional Disposal of Water and Sewerage Assets			2.107			2.107	11
Other operating expenditure			(0.212)			(0.212)	11
Financing and investment income and expenditure			0.269			0.269	12
Taxation and non-specific grant income			(6.782)			(6.782)	13
(Surplus) or deficit on provision of services			2.352			2.352	
(Surplus) or deficit on revaluation of Remeasurements of the net defined benefit liability / (asset)			(0.163) 6.974			(0.163) 6.974	
Other comprehensive (income) and expenditure			6.811			6.791	
Total comprehensive (income) and expenditure			9.163			9.143	

Balance Sheet	Restated 31 March 2022 £m	31 March 2021 £m
Property, Plant and Equipment	32.704	33.116
Heritage Assets	0.117	0.117
Investment Properties		
Intangible Assets	0.014	0.014
Long Term Debtors	0.071	0.071
Long Term Assets	32.906	33.318
Cash and Cash Equivalents	2.789	2.789
Inventories	0.037	0.037
Short Term Debtors	3.466	3.466
Current Assets	6.292	6.292
Short Term Creditors	(3.257)	(3.257)
Short Term Borrowing	-	-
Grants Receipts in Advance - Revenue	(0.126)	(0.126)
Current Liabilities	(3.383)	(3.383)
Provisions	(0.233)	(0.233)
Long Term Borrowing	(2.000)	(2.000)
Pension Liability	(18.174)	(18.174)
Grants Receipts in Advance - Capital	(1.153)	(1.153)
Long Term Liabilities	(21.560)	(21.560)
Net Assets	14.255	14.667
Usable Reserves		
General Fund Balance	(2.484)	(2.484)
Other Usable Reserves	(3.901)	(3.901)
Unusable Reserves	(7.870)	(8.282)
Total Reserves	(14.255)	(14.667)

Movement in Reserves Statement Restated

Note	General Fund Balance £m	Earmarked General Fund Reserves £m	Total General Fund Reserves £m	Capital Receipts Reserve £m	Capital Grants Reserve £m	Total Usable Reserves £m	Unusable Reserves £m	Total Council Reserves £m
Balance at 31 March 2020 carried forward	(1.829)	(1.533)	(3.362)	(1.035)	(0.632)	(5.029)	(18.389)	(23.418)
Movement in reserves during 2020								
Total Comprehensive Income and Expenditure	2.352	-	2.352	-	-	2.352	6.811	9.163
Adjustments between accounting basis and funding basis under regulations	9 (3.684)	-	(3.684)	0.056	(0.080)	(3.708)	3.708	-
Transfers (to)/from Earmarked Reserves	10 0.677	(0.677)	-	-	-	-	-	-
(Increase)/Decrease in 2020/21	(0.655)	(0.677)	(1.332)	0.056	(0.080)	(1.356)	10.519	9.163
Balance at 31 March 2021 carried forward	(2.484)	(2.210)	(4.694)	(0.979)	(0.712)	(6.385)	(7.870)	(14.255)

Movement in Reserves Statement

Note	General Fund Balance £m	Earmarked General Fund Reserves £m	Total General Fund Reserves £m	Capital Receipts Reserve £m	Capital Grants Reserve £m	Total Usable Reserves £m	Unusable Reserves £m	Total Council Reserves £m
Balance at 31 March 2020 carried forward	(1.829)	(1.533)	(3.362)	(1.035)	(0.632)	(5.029)	(18.781)	(23.810)
Movement in reserves during 2020								
Total Comprehensive Income and Expenditure	2.352	-	2.352	-	-	2.352	6.791	9.143
Adjustments between accounting basis and funding basis under regulations	9 (3.684)	-	(3.684)	0.056	(0.080)	(3.708)	3.708	-
Transfers (to)/from Earmarked Reserves	10 0.677	(0.677)	-	-	-	-	-	-
(Increase)/Decrease in 2020/21	(0.655)	(0.677)	(1.332)	0.056	(0.080)	(1.356)	10.499	9.143
Balance at 31 March 2021 carried forward	(2.484)	(2.210)	(4.694)	(0.979)	(0.712)	(6.385)	(8.282)	(14.667)

1.6 Charges to Revenue for Non-Current Assets

Services are debited with the following amounts to record the cost of holding fixed assets during the year:

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

1.7 Employee Benefits - Benefits Payable during Employment

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

1.8 Employee Benefits - Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Council to terminate an Officer's employment before the normal retirement date, or an Officer's decision to accept voluntary redundancy. The amounts are charged on an accruals basis to the relevant service line in the CIES when the Council is demonstrably committed to the termination of the employment of an Officer or group of Officers, or making an offer to encourage voluntary redundancy.

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

1.9 Employee Benefits - Post Employment Benefits

Employees of the Council are members of two separate pension schemes:

- The Local Government Pension Scheme, administered by Cornwall Council;
- Firefighters' Pension Scheme, administered by Cornwall Council.

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

1.10 The Local Government Pension Scheme

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

- The liabilities of the Cornwall Pension Fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates and projections of anticipated earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate of 2.05% as recommended by the Council's actuaries.

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

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

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

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

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

1.11 Discretionary Benefits

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

1.12 Firefighters' Pension Scheme

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

1.13 Events after the Balance Sheet Date (Reporting Period)

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

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

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

1.14 Financial Instruments - Financial Liabilities

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

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

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

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

1.15 Financial Instruments - Financial Assets

Financial assets are classified into three types:

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

Financial Assets Measured at Amortised Cost

Financial assets measured at amortised cost are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in

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

Interest is credited to the Financing and Investment Income and Expenditure line in the CIES, at a marginally higher effective rate of interest than the rate receivable from the voluntary organisations, with the difference serving to increase the amortised cost of the loan in the Balance Sheet. Statutory provisions require that the impact of soft loans on the General Fund Balance is the interest receivable for the financial year – the reconciliation of amounts debited and credited to the CIES to the net gain required against the General Fund Balance, is managed by a transfer to or from the Financial Instruments Adjustment Account in the MiRS.

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

Expected Credit Loss Model

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

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

Financial Assets Measured at Fair Value through Profit of Loss

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

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

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

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

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

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

1.16 Loans and Receivables

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

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

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

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

1.17 Government Grants and Contributions

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

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

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

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

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

1.18 General Grant

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

1.19 Heritage Assets

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

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

1.20 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.

1.21 Leases

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

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

1.22 The Council as Lessee

Finance Leases

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

Lease payments are apportioned between:

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

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

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

Operating Leases

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

1.23 The Council as Lessor

Finance Leases

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

Lease rentals receivable are apportioned between:

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

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

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

Operating Leases

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

1.24 Property, Plant and Equipment

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

Recognition

Expenditure on the acquisition, creation or enhancement of property, plant and equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with

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

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

Measurement

Assets are initially measured at cost, comprising:

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

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

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

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

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

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

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

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

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

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

- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains);

- Where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the CIES.

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

Impairment

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

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

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

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

Depreciation

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

Depreciation is calculated on the following basis:

- Council Dwellings - Straight-line allocation over the useful life of the property as estimated by the valuer currently between 1 to 55 years;
- Other Land and Buildings – Straight-line allocation over the useful life of the property as estimated by the valuer currently between 1 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 1 to 25 years;
- Infrastructure – Straight-line allocation of between 1 to 40 years.

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

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

1.25 Disposals and Non-current Assets Held for Sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction, rather than through its continuing use, it is reclassified as an asset held for sale. The asset is revalued

immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is accounted for in the Other Operating Expenditure line in the CIES. Gains in fair value are recognised only up to the amount of any previous losses recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on assets held for sale.

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

Assets that are to be abandoned or scrapped are not reclassified as assets held for sale.

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether property, plant and equipment or assets held for sale) is written off in the Other Operating Expenditure line in the CIES as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the CIES also as part of the gain or loss on disposal, i.e. offset against the carrying value of the asset at the time of disposal. Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

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

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

1.26 Provisions, Contingent Liabilities and Contingent Assets

Provisions

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

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

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

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

Contingent Liabilities

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

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

Contingent Assets

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

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

1.27 Reserves

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

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

1.28 Revenue Expenditure Funded from Capital under Statute (REFCUS)

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

1.29 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.

1.30 Accounting for the Collection Fund

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

Council Tax

In its capacity as a billing authority the Council acts as an agent, collecting and distributing council tax on behalf of the major preceptors of the Fund - Devon and Cornwall Police and itself. While council tax income credited to the Collection Fund is the accrued income for the year, regulations determine when it should be released from the Collection Fund and transferred to the Council's General Fund, or transferred to Devon and Cornwall Police. The amount credited to the Council's General Fund under statute is the Council's demand on the Fund for that year, plus the Council's share of surplus/deficit on the Collection Fund for the previous year. This amount may be more or less than the accrued income for the year, any difference is then transferred to the General Fund via the Collection Fund Adjustment Account and reversed out through the MiRS.

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

National Non-Domestic Rates (NNDR)

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

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

1.31 Going Concern

Going Concern - Council of the Isles of Scilly

The accounts are prepared on a going concern basis on the assumption that the authority's functions and services will continue in operational existence for the foreseeable future ie. there is no intention to significantly curtail the scale of the operation.

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

Where a new standard has been published but has not yet been adopted by the Code, the Council is required to disclose information relating to the impact of these accounting changes. This requirement applies to International Financial Reporting Standards (IFRS) that have not been applied in the 2021/22 Code and that came into effect on or before 1 January 2022.

For 2021/22 the following potentially relevant standards include:

- Paragraph 3.3.2.13 of the Code requires changes in accounting policy to be applied retrospectively unless alternative transitional arrangements are specified in the Code. Paragraph 3.3.4.3 requires an authority to disclose information relating to the impact of an accounting change that will be required by a new standard that has been issued but not yet adopted by the Code for the relevant financial year.
- Paragraph 3.3.4.3 and Appendix C of the Code adapts IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors on an annual basis to limit the impact of standards that have been issued but not yet adopted to those listed in Appendix C of the Code in the relevant year of account (in this case the 2022/23 Code). This means that only the standards listed in paragraph 15.3 below are included in the requirements for IAS 8 for standards that have been issued and not yet adopted.

Application of the standards is required from 1 April 2022. Therefore, these changes will be reflected in the Council's 2022/23 or future Statement of Accounts.

IFRS 16 Leases will require local authorities that are lessees, to recognise most leases on their balance sheets as right-of-use assets with corresponding lease liabilities (there is recognition for low-value and short-term leases). CIPFA/LASAAC have deferred implementation of IFRS 16 for local government to 1 April 2024. Local Authorities are not required to include IFRS 16 in their consideration of accounting standards that have been issued but not adopted in their 2021/22 accounts.

Note 3 Critical Judgements in Applying Accounting Policies

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

Future Funding

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

Note 4 Assumptions and Estimation Uncertainty about the Future

Revaluations of Property, Plant and Equipment

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

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

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

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

If the average useful life for each category of assets charged with depreciation in 2021/22 was increased by one year, it would result in a decrease in the depreciation charged to the net cost of services of £0.066m. If the average useful life was decreased by one year, it would result in an increase in the depreciation charged to the net cost of services of £0.083m.

Pension Liability Estimation

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

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

The effects on the net pension liability of changes in individual assumptions can be seen in Note 37.

Arrears

At 31 March 2022, the Council had a gross sundry debtors balance of £2.206m. A review of significant balances over 30 days suggested that an impairment allowance for doubtful debts of £0.115m was appropriate. Changes in the current economic climate could lead to either an increase or a reduction in this allowance.

The Council cannot be certain that this impairment allowance is sufficient to offset any losses through non-payment of debts. The COVID-19 pandemic has made the assessment of which debts may become uncollectable much more uncertain. This is due to the uncertainty around which organisations and individuals may become economically unviable due to the impact of the pandemic

The Council will monitor its collection rates of debt and will undertake a quarterly review of those that are significant and which do not fall within the remit of its credit control team. If there are indications the current assumptions used in calculating the impairment allowance are significantly wrong, then they will be reviewed and the impairment allowance adjusted accordingly with the corresponding potential impact for the Council's revenue account.

Note 5 Material Items of Income and Expense

The Council's CIES has no items which are deemed exceptional by virtue of the size and nature and which, to prevent distortion of other figures in the accounts, have been separately reported.

Note 6 Events after the Reporting Period

The Statement of Accounts was authorised for issue by Russell Ashman, Section 151 Officer on 29th June 2022. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2022, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information. The financial statements and notes have not been adjusted for any events which took place after 31 March 2022.

Note 7 Expenditure and Funding Analysis

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

	Adjustments between the Funding and Accounting basis									
	Directorate Total as reported for resource management	Adjustment to arrive at the net amount chargeable to the general fund	Net Expenditure chargeable to the General Fund	Adjustment for Capital Purposes	Net change for the Pensions Adjustment	Net change for the Collection Fund	Net Change for Accumulated Absences Adjustment	Adjustments between Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement	
	£m	£m		£m	£m	£m	£m			£m
Chief Executives Department	1.865	(0.328)	1.537	0.287	0.244	-	(0.018)	0.513	2.050	
People & Communities	1.506	0.207	1.713	0.174	0.531	-	(0.014)	0.691	2.404	
Place, Economy & Environment	1.158	0.215	1.373	1.091	0.265	-	(0.019)	1.337	2.710	
Net Cost of Services	4.529	0.094	4.623	1.552	1.040	-	(0.051)	2.541	7.164	
Other income and expenditure	(5.623)	(1.624)	(7.247)	-	0.383	(0.137)	-	0.246	(7.001)	
(Surplus) or deficit on provision of services	(1.094)	(1.530)	(2.624)	1.552	1.423	(0.137)	(0.051)	2.787	0.163	
Transfer to/from Reserves for Statutory Movements			1.850							
(Surplus) or deficit			(0.774)							
Opening General Fund and Earmarked Balances at 31 March 2021			(4.693)							
Add Deficit on General Fund and Earmarked Balance in Year			(0.774)							
Closing General Fund and Earmarked Reserve Balance at 31 March 2022			(5.467)							

Restated 2020/21

	Adjustments between the Funding and Accounting basis									
	Directorate Total as reported for resource management	Adjustment to arrive at the net amount chargeable to the general fund	Net Expenditure chargeable to the General Fund	Adjustment for Capital Purposes	Net change for the Pensions Adjustment	Net change for the Collection Fund	Net Change for Accumulated Absences Adjustment	Adjustments between Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement	
	£m	£m		£m	£m	£m	£m			£m
Chief Executives Department	1.668	(0.290)	1.378	0.469	0.135	-	0.022	0.626	2.004	
People & Communities	1.675	(0.070)	1.605	0.110	0.123	-	0.020	0.253	1.858	
Place, Economy & Environment	1.791	(0.019)	1.772	1.277	0.041	-	0.018	1.336	3.108	
Net Cost of Services	5.134	(0.379)	4.755	1.856	0.299	-	0.060	2.215	6.970	
Other income and expenditure	(5.789)	0.051	(5.738)	-	0.248	0.872	-	1.120	(4.618)	
(Surplus) or deficit on provision of services	(0.655)	(0.328)	(0.983)	1.856	0.547	0.872	0.060	3.335	2.352	
Transfer to/from Reserves for Statutory Movements			(0.348)							
(Surplus) or deficit			(1.331)							
Opening General Fund and Earmarked Balances at 31 March 2020			(3.362)							
Add Deficit on General Fund and Earmarked Balance in Year			(1.331)							
Closing General Fund and Earmarked Reserve Balance at 31 March 2021			(4.693)							

Adjustments for Capital Purposes

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

Net Change for the Pensions Adjustments

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

- For net cost of services this represents the removal of the employer pension contributions made by the Council as allowed by statute and the replacement with current service costs and past service costs;

- For other income and expenditure the net interest on the defined benefit liability is charged to the CIES.

Note 8 Expenditure and Income Analysed by Nature

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

Reconciliation to Subjective Analysis

	31 March 2022 £m	31 March 2021 £m
Fees, charges and other service income	(3.535)	(2.326)
Interest and investment income	(0.012)	(0.016)
Income from council tax and NNDR	(2.661)	(2.219)
Surplus on sale of properties	-	(0.300)
Government grants and contributions	(8.305)	(8.980)
Total Income	(14.513)	(13.841)
Employee expenses	6.994	6.000
Other service expenses	5.813	5.637
Capital Charges	1.797	2.324
Interest payments	0.037	0.037
Loss on disposal of fixed assets	0.035	2.195
Total Expenditure	14.676	16.193
(Surplus) or deficit on the provision of services	0.163	2.352

Note 9 Adjustments between Accounting/Funding Basis under Regulations

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

	Movement in Usable Reserves			Movement in in Unusable Reserves £m
	General Fund Balance £m	Capital Receipts Reserve £m	Capital Grants Reserve £m	
Adjustments primarily involving the Capital Adjustment Account:				
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement :				
Charges for depreciation of non current assets	(1.114)			1.114
Revaluation losses on property, plant and equipment	(0.428)			0.428
Amortisation of intangible assets	(0.010)			0.010
Capital grants and contributions applied	0.992		(0.747)	(0.245)
Revenue expenditure funded from capital under statute	(0.245)			0.245
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(0.036)	(0.071)		0.107
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:				
Statutory provision for the financing of capital investment	0.165			(0.165)
Capital expenditure charged against the General Fund	0.076			(0.076)
Adjustments primarily involving the Capital Grants Unapplied Account:				
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Account	0.908			(0.908)
Adjustments primarily involving the Capital Receipts Reserve:				
Use of Capital Receipts to finance new capital expenditure		0.323		(0.323)
Adjustments primarily involving the Deferred Capital Receipts Reserve:				
Lease receipts for leases that became finance leases on transition to IFRS (transferred to(or from) the Deferred Capital Receipts Reserve)	(0.009)			0.009
Adjustments primarily involving the Pensions Reserve:				
Reversal of items relating to retirement benefits debited/credited to the Comprehensive Income and Expenditure Statement	(0.505)			0.505
Employer's pensions contributions and direct payments to pensioners payable in the year	(0.918)			0.918
Adjustments primarily involving the Collection Fund Adjustment Account:				
Amount by which council tax and non-domestic rating income credited to Comprehensive Income and Expenditure Statement is different from council tax and non-domestic rating income calculated for the year in accordance with statutory requirements	0.137			(0.137)
Adjustments primarily involving the Accumulated Absences Account:				
Amount by which officer remuneration charged to Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	0.051			(0.051)
Total Adjustments	(0.936)	0.252	(0.747)	1.431

	Movement in Usable Reserves			Movement in in Unusable Reserves £m
	General Fund Balance £m	Capital Receipts Reserve £m	Capital Grants Reserve £m	
Adjustments primarily involving the Capital Adjustment Account:				
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement :				
Charges for depreciation of non current assets	(1.404)			1.404
Revaluation losses on property, plant and equipment	(0.439)			0.439
Amortisation of intangible assets	(0.014)			0.014
Capital grants and contributions applied	0.548		(0.080)	(0.468)
Revenue expenditure funded from capital under statute	(0.468)			0.468
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(1.895)	(0.530)		2.425
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:				
Statutory provision for the financing of capital investment	0.153			(0.153)
Capital expenditure charged against the General Fund	0.386			(0.386)
Adjustments primarily involving the Capital Grants Unapplied Account:				
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Account	0.936			(0.936)
Adjustments primarily involving the Capital Receipts Reserve:				
Use of Capital Receipts to finance new capital expenditure		0.586		(0.586)
Adjustments primarily involving the Deferred Capital Receipts Reserve:				
Lease receipts for leases that became finance leases on transition to IFRS (transferred to(or from) the Deferred Capital Receipts Reserve)	(0.008)			0.008
Adjustments primarily involving the Pensions Reserve:				
Reversal of items relating to retirement benefits debited/credited to the Comprehensive Income and Expenditure Statement	(1.479)			1.479
Employer's pensions contributions and direct payments to pensioners payable in the year	0.932			(0.932)
Adjustments primarily involving the Collection Fund Adjustment Account:				
Amount by which council tax and non-domestic rating income credited to Comprehensive Income and Expenditure Statement is different from council tax and non-domestic rating income calculated for the year in accordance with statutory requirements	(0.872)			0.872
Adjustments primarily involving the Accumulated Absences Account:				
Amount by which officer remuneration charged to Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(0.060)			0.060
Total Adjustments	(3.684)	0.056	(0.080)	3.708

Note 10 Transfers to/from Earmarked Reserves

This note sets out the amounts set aside from the General Fund into earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund expenditure in 2021/22.

	Balance at 1 April 2020 £m	Transfers Out 2020/21 £m	Transfers In 2020/21 £m	Balance at 31 March 2021 £m	Transfers Out 2021/22 £m	Transfers In 2021/22 £m	Balance at 31 March 2022 £m
Revenue earmarked reserves:-							
Airport	(0.043)	-	(0.064)	(0.107)	-	(0.066)	(0.173)
Brexit Reserve	(0.315)	-	-	(0.315)	0.315	-	-
Children's Services	(0.080)	0.030	-	(0.050)	-	(0.020)	(0.070)
Economic Initiative Reserve	(0.023)	0.016	-	(0.007)	-	(0.025)	(0.032)
IFCA	(0.032)	-	-	(0.032)	-	(0.028)	(0.060)
Public Health	(0.036)	-	-	(0.036)	-	(0.016)	(0.052)
Housing Reserve	(0.458)	0.173	-	(0.285)	-	(0.057)	(0.342)
Local Plan Reserve	(0.050)	-	-	(0.050)	-	(0.053)	(0.103)
Collection Fund Volatility Reserve	-	-	(0.661)	(0.661)	0.110	-	(0.551)
Park House Equalisation Reserve	-	-	(0.200)	(0.200)	-	(0.200)	(0.400)
Community Chest Reserve	(0.004)	-	-	(0.004)	-	-	(0.004)
Investment & Infrastructure Reserve	-	-	-	-	-	(0.200)	(0.200)
Revenue Grants Unapplied	(0.492)	0.029	-	(0.463)	0.100	-	(0.363)
Total	(1.533)	0.248	(0.925)	(2.210)	0.525	(0.665)	(2.350)

Note 11 Other Operating Expenditure

	31 March 2022 £m	31 March 2021 £m
(Gains)/losses on the disposal of non-current assets	0.035	1.895
Total	0.035	1.895

Note 12 Financing and Investment Income and Expenditure

	31 March 2022 £m	31 March 2021 £m
Interest payable and similar charges	0.037	0.037
Net interest on the net defined benefit liability (asset)	0.383	0.248
Interest receivable and similar income	(0.012)	(0.016)
Total	0.408	0.269

Note 13 Total Taxation and Non-specific Grant Income

	31 March 2022 £m	31 March 2021 £m
Council tax income	(1.687)	(1.691)
Non-domestic rates income and expenditure	(0.837)	(1.400)
Non ringfenced government grants	(3.129)	(3.547)
Capital grants and contributions	(1.655)	(1.016)
Collection Fund (surplus)/deficit	(0.136)	0.872
Total	(7.444)	(6.782)

Note 14 Property, Plant and Equipment

Movements on Balances 2021/22

	Council Dwellings £m	Other Land and Buildings £m	Vehicles, Plant, Furniture, Equipment £m	Infra- structure Assets £m	Comm- unity Assets £m	Assets Under Con- struction £m	Total Property, Plant and Equipment £m
Cost or Valuation							
At 1 April 2021	9.823	13.885	3.283	12.913	0.054	0.729	40.687
Additions	1.177	0.216	0.812	0.009	-	0.112	2.326
Accumulated Depreciation written out to Gross Carrying Amount after Revaluation	(0.001)	(0.418)	-	-	-	-	(0.419)
Revaluation increases/(decreases) recognised in the Revaluation Reserve	0.175	(0.021)	-	-	-	-	0.154
Revaluation increases/(decreases) recognised in the surplus/deficit on the Provision of Services	(0.625)	0.197	-	-	-	-	(0.428)
Derecognition - disposals	(0.084)	-	(0.201)	-	-	-	(0.285)
Derecognition - other	-	(0.422)	0.650	-	-	(0.228)	-
At 31 March 2022	10.465	13.437	4.544	12.922	0.054	0.613	42.035
Accumulated Depreciation and Impairment							
At 1 April 2021	-	-	(2.250)	(5.733)	-	-	(7.983)
Depreciation charge	(0.001)	(0.418)	(0.357)	(0.338)	-	-	(1.114)
Accumulated Depreciation written out to Gross Carrying Amount after Revaluation	0.001	0.418	-	-	-	-	0.419
Derecognition - disposals	-	-	0.183	-	-	-	0.183
At 31 March 2022	-	-	(2.424)	(6.071)	-	-	(8.495)
Net Book Value							
at 31 March 2022	10.465	13.437	2.120	6.851	0.054	0.613	33.540
at 1 April 2021	9.823	13.885	1.033	7.180	0.054	0.729	32.704

Movements on Balances 2020/21	Council Dwellings £m	Restated Other Land and Buildings £m	Vehicles, Plant, Furniture, Equipment £m	Infra-structure Assets £m	Comm-unity Assets £m	Assets Under Con-struction £m	Restated Total Property, Plant and Equipment £m
Cost or Valuation							
At 1 April 2020	9.471	14.149	3.624	16.374	0.054	-	43.672
Additions	1.236	0.128	0.076	0.159	-	0.729	2.328
Accumulated Depreciation written out to Gross Carrying Amount after Revaluation	(0.236)	(0.534)	-	-	-	-	(0.770)
Revaluation increases/(decreases) recognised in the Revaluation Reserve	0.098	0.065	-	-	-	-	0.163
Revaluation increases/(decreases) recognised in the surplus/deficit on the Provision of Services	(0.516)	0.077	-	-	-	-	(0.439)
Derecognition - disposals	(0.230)	-	(0.417)	(3.620)	-	-	(4.267)
Derecognition - other	-	-	-	-	-	-	-
At 31 March 2021	9.823	13.885	3.283	12.913	0.054	0.729	40.687
Accumulated Depreciation and Impairment							
At 1 April 2020	-	-	(2.285)	(6.907)	-	-	(9.192)
Depreciation charge	(0.239)	(0.534)	(0.291)	(0.340)	-	-	(1.404)
Accumulated Depreciation written out to Gross Carrying Amount after Revaluation	0.236	0.534	-	-	-	-	0.770
Derecognition - disposals	0.003	-	0.326	1.514	-	-	1.843
At 31 March 2021	-	-	(2.250)	(5.733)	-	-	(7.983)
Net Book Value							
at 31 March 2021	9.823	13.885	1.033	7.180	0.054	0.729	32.704
at 1 April 2020	9.471	14.149	1.339	9.467	0.054	-	34.480

14.1 Depreciation

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

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

14.2 Capital Commitments

As at 31 March 2022 there were no capital scheme contracts in place over £0.050m.

14.3 Effects of Changes in Estimates

In 2021/22 the Council made no material changes to its accounting estimates for property, plant & equipment.

14.4 Revaluation

During 2021/22 all council dwellings were revalued and all required land and building assets were revalued. Other assets are carried at carrying value. All valuations were carried out by External Valuers, Cornwall Council's Property Systems and Assurance Manager in accordance with the required practice, methodologies and bases for estimation set out in the professional standards of the Royal Institute of Chartered Surveyors. They were all completed as at the 31st March 2022.

The property, plant & equipment revaluation resulted in a net decrease in net book value of £0.274m. The revaluation reserve increased by £0.154m to reflect the part of the upward revaluation and a charge was made to the Comprehensive Income & Expenditure Statement of £0.428m to reverse previous charges for upward revaluations. 96% of the portfolio was revalued during the year.

Note 15 Heritage Assets

	Total Assets £m
Cost or Valuation	
1 April 2020	0.117
Additions	-
31 March 2021	0.117
Cost or Valuation	
1 April 2021	0.117
Additions	-
31 March 2022	0.117

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

There have been no additions or disposals of heritage assets in year (2020/21- £Nil).

Note 16 Financial Instruments

16.1 Categories of Financial Instrument

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

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

	Long-term		Current		Total	
	31 March 2022 £m	1 April 2021 £m	31 March 2022 £m	1 April 2021 £m	31 March 2022 £m	1 April 2021 £m
Financial Assets						
Debtors						
Amortised cost						
Loans and receivables - debtors	0.062	0.071	-	-	0.062	0.071
Financial assets carried at contract amounts	-	-	2.837	3.378	2.837	3.378
Statutory debtors~	-	-	0.068	0.088	0.068	0.088
Total included in Debtors	0.062	0.071	2.905	3.466	2.967	3.537
Cash and cash equivalents						
Amortised cost						
Other bank balances	-	-	5.099	2.789	5.099	2.789
Total Cash and cash equivalents	-	-	5.099	2.789	5.099	2.789
Financial Liabilities						
Borrowings						
Amortised cost						
Financial liabilities at amortised cost - treasury	(1.750)	(2.000)	(0.250)	-	(2.000)	(2.000)
Total included in borrowings	(1.750)	(2.000)	(0.250)	-	(2.000)	(2.000)
Creditors						
Amortised cost						
Financial liabilities carried at contract amounts	-	-	(4.045)	(3.048)	(4.045)	(3.048)
Statutory creditors~	-	-	(0.191)	(0.209)	(0.191)	(0.209)
Total Creditors	-	-	(4.236)	(3.257)	(4.236)	(3.257)

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

16.2 Fair Values of Assets & Liabilities

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

	31 March 2022		1 April 2021	
	Carrying Amount £m	Fair Value £m	Carrying Amount £m	Fair Value £m
Financial Assets				
Loans and receivables held at amortised cost - debtors	0.071	0.071	0.071	0.071

	31 March 2022		1 April 2021	
	Carrying Amount £m	Fair Value £m	Carrying Amount £m	Fair Value £m
Financial Liabilities				
Financial liabilities held at amortised cost - treasury	(2.000)	(1.852)	(2.000)	(1.987)

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

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

As at 31st March 2022 the Council holds five loans with the PWLB at various interest rates ranging from 1.80% to 2.22%.

The fair value of these loans is higher than their carrying value to reflect penalties for early repayment. The fair value of all creditors is taken to be the invoiced amount.

Income, Expenses, Gains and Losses

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

Income, Expense, Gains and Losses	2021/22		2020/21	
	Surplus or Deficit on the Provision of Services £m	Other Comprehensive Income and Expenditure £m	Surplus or Deficit on the Provision of Services £m	Other Comprehensive Income and Expenditure £m
Interest revenue:				
Financial assets measured at amortised cost	0.004	-	0.008	-
Total interest revenue	0.004	-	0.008	-
Interest Expense	0.037	-	0.037	-

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

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

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

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

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

Financial assets and liabilities measured at fair value				
	Input Level in Fair Value hierarchy	Valuation Technique	As at 31/03/2022 £m	As at 1/04/2021 £m
Borrowings PWLB	Level 2	New borrowing discount rates	(1.852)	(1.987)

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

Note 17 Nature and Extent of Risks Arising from Financial Instruments

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

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

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

17.1 Credit Risk

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

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

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

17.2 Amounts Arising from Expected Credit Losses

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

2021/22

Asset class (amortised cost)

	Lifetime expected credit losses - simplified approach £m	Total £m
Opening balance as at 1st April 2021	(3.537)	(3.537)
Transfers		
Individual financial assets transferred to 12 month expected credit losses	-	-
Individual financial assets transferred to lifetime expected credit losses	-	-
Individual financial assets transferred to lifetime expected credit losses credit impaired	-	-
New Financial assets originated or purchased	-	-
Amounts written off	(0.008)	(0.008)
Financial assets that have been derecognised	-	-
Changes due to modifications that did not result in derecognition	-	-
Changes in models/risks parameters	-	-
Other changes*	0.578	0.578
As at 31 March 2022	(2.967)	(2.967)

*Debtors included in this figure

2020/21

Asset class (amortised cost)

	Lifetime expected credit losses - simplified approach £m	Total £m
Opening balance as at 1st April 2020	(1.928)	(1.928)
Transfers		
Individual financial assets transferred to 12 month expected credit losses	-	-
Individual financial assets transferred to lifetime expected credit losses	-	-
Individual financial assets transferred to lifetime expected credit losses credit impaired	-	-
New Financial assets originated or purchased	-	-
Amounts written off	0.041	0.041
Financial assets that have been derecognised	-	-
Changes due to modifications that did not result in derecognition	-	-
Changes in models/risks parameters	-	-
Other changes*	(1.650)	(1.650)
As at 31 March 2021	(3.537)	(3.537)

*Debtors included in this figure

17.3 Credit Risk Exposure

The authority has the following exposure to credit risk at 31 March 2022.

	Credit risk rating £m	Gross carrying amount £m
Simplified approach		
Loans and receivables - debtors	n/a	0.062
Short term debtors	n/a	2.905
Other bank balances	n/a	5.099

The Authority has no Investments, and a simplified approach was used for the debtor financial assets, with each asset class being reviewed, short term debtors contains a bad debt provision, which amounts to £0.241m.

17.4 Liquidity Risk

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

The maturity analysis of financial liabilities is as follows:

	31 March 2022 £m	31 March 2021 £m
Less than one year	(0.250)	-
Between two and five years	-	(0.250)
Between five and ten years	(0.500)	(0.500)
Between ten and twenty years	(0.500)	(0.250)
Between twenty and fifty years	(0.750)	(1.000)
	(2.000)	(2.000)

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

17.5 Market Risk

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

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

17.5.1 Interest Rate Risk

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

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

However, the Council only has a small portfolio of PWLB loans and all are at fixed rates. Borrowings are not carried at fair value, so nominal gains and losses on fixed rate borrowings would not impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure.

17.5.2 Price Risk

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

17.5.3 Foreign Exchange Risk

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

Note 18 Inventories

	Consumable		Maintenance		Total	
	Stores		Materials			
	2021/22 £m	2020/21 £m	2021/22 £m	2020/21 £m	2021/22 £m	2020/21 £m
Balance outstanding at start of year	0.022	0.013	0.015	0.128	0.037	0.141
Purchases	0.045	0.040	0.045	0.021	0.090	0.061
Recognised as an expense in the year	(0.061)	(0.031)	(0.034)	(0.134)	(0.095)	(0.165)
Balance outstanding at year end	0.006	0.022	0.026	0.015	0.032	0.037

Note 19 Debtors

	Current		Long Term	
	31 March 2022 £m	31 March 2021 £m	31 March 2022 £m	31 March 2021 £m
	Trade Receivables	2.092	2.379	-
Prepayments	0.162	0.301	-	-
Debtors for Local Taxation	0.159	0.129	-	-
Other Receivable Amounts	0.492	0.657	0.062	0.071
Total	2.905	3.466	0.062	0.071

Debtors for Local Taxation

	Council Tax		NNDR	
	31 March 2022 £m	31 March 2021 £m	31 March 2022 £m	31 March 2021 £m
Less than three months	0.034	0.029	0.008	0.010
Three to six months	-	-	-	-
Six months to one year	-	-	-	-
More than one year	0.052	0.043	0.047	0.045
Total	0.086	0.072	0.055	0.055

To offset the debt a bad debt provision of £0.040m for Council Tax and £0.040m for NNDR has been provided for.

Note 20 Cash and Cash Equivalents

	31 March 2022 £m	31 March 2021 £m
Cash/(Overdraft) held by the Council	5.099	2.789
Total Cash and Cash Equivalents	5.099	2.789

Note 21 Creditors

	Current		Long Term	
	31 March 2022 £m	31 March 2021 £m	31 March 2022 £m	31 March 2021 £m
Trade Payables	(0.602)	(0.238)	-	-
Receipts in Advance	(0.725)	(0.930)	-	-
Other Payables	(2.909)	(2.089)	-	-
Total	(4.236)	(3.257)	-	-

Note 22 Provisions

	National Non Domestic Rates Appeals £m	Total Long Term Provisions £m
Balance as at 1 April 2021	0.233	0.233
Additional provisions made in year	(0.014)	(0.014)
Balance as at 31 March 2022	0.219	0.219

Note 23 Contingent Liabilities

The Council has no Contingent Liabilities.

Note 24 Usable Reserves

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

	31 March 2022		31 March 2021	
	£m	£m	£m	£m
General Fund Balance		(3.117)		(2.484)
Other usable reserves				
Earmarked General Fund Reserves	(1.648)		(1.462)	
Earmarked Revenue Grants Unapplied Reserve	(0.361)		(0.463)	
Earmarked Housing Reserves	(0.341)		(0.285)	
Capital Receipts Reserve	(0.727)		(0.979)	
Capital Grants Reserve	(1.459)		(0.712)	
Total other usable reserves		(4.536)		(3.901)
Total Usable Reserves		(7.653)		(6.385)

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

Note 25 Unusable Reserves

	31 March 2022 £m	31 March 2021 £m
Revaluation Reserve	(6.405)	(6.838)
Capital Adjustment Account	(20.438)	(20.450)
Deferred Capital Receipts Reserve	(0.083)	(0.092)
Pensions Reserve	15.384	18.174
Collection Fund Adjustment Account	0.673	0.810
Accumulated Absences Account	0.063	0.114
Total Unusable Reserves	(10.806)	(8.282)

25.1 Revaluation Reserve

The Revaluation Reserve contains the gains made by the Council arising from increases in the value of its property, plant and equipment. The balance is reduced when assets with accumulated gains are:

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

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

Revaluation Reserve	2021/22 £m	*Restated 2020/21 £m
Balance at 1 April		(6.426)
Upward revaluation of assets	(0.588)	(0.499)
Downward revaluation of assets and impairment losses not charged to the (Surplus) or deficit on the provision of services	0.434	0.336
(Surplus) or deficit on revaluation of non-current assets not posted to the (Surplus) or deficit on the provision of services		(0.163)
Difference between fair value depreciation and historical cost depreciation	0.170	0.219
Accumulated gains on assets sold or scrapped	0.005	0.049
Amount written off to the Capital Adjustment Account		0.268
Balance at 31 March		(6.405)

*Restated for removal of Park House Flats

25.2 Capital Adjustment Account

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

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

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

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

Capital Adjustment Account	2021/22		2020/21
	£m	£m	£m
Balance at 1 April		(20.450)	(22.403)
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:			
Charges for depreciation and impairment of non-current assets	1.124		1.418
Revaluation losses on property, plant and equipment	0.428		0.439
Revenue expenditure funded from capital under statute	0.245		0.468
Amounts of non-current assets written off on disposal or sale as part of the (gain)/loss on disposal to the Comprehensive Income and Expenditure Statement	0.107		2.425
		1.904	4.750
Adjusting amounts written out of the Revaluation Reserve		(0.175)	(0.268)
Net written out amount of the cost of non-current assets consumed in the year		1.729	4.482
Capital financing applied in the year:			
Use of the Capital Receipts Reserve to finance new capital expenditure	(0.323)		(0.586)
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(0.245)		(0.468)
Application of grants to capital financing from the Capital Grants Unapplied Account	(0.908)		(0.936)
Statutory provision for the financing of capital investment charged against the General Fund	(0.165)		(0.153)
Capital expenditure charged against the General Fund	(0.076)		(0.386)
		(1.717)	(2.529)
Balance at 31 March		(20.438)	(20.450)

25.3 Deferred Capital Receipts Reserve

The deferred capital receipts reserve holds the gains recognised on the disposal of non-current assets but for which cash settlement has yet to take place. Under statutory arrangements, the authority does not treat these gains as usable for financing new capital expenditure until they are backed by cash receipts. When the deferred cash settlement eventually takes place amounts are transferred to the capital receipts reserve.

Deferred Capital Receipts Account	2021/22		2020/21
	£m	£m	£m
Balance at 1 April		0.092	0.100
Lease receipts for leases that became finance leases on transition to IFRS	(0.009)		(0.008)
Balance at 31 March		0.083	0.092

25.4 Pensions Reserve – Local Government Pension Scheme (LGPS)

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

Pensions Reserve	2021/22		2020/21
	£m	£m	£m
Balance at 1 April		18.174	10.653
Remeasurements of the net defined benefit liability/(asset)	(4.213)		6.974
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	2.285		1.479
Employer's pensions contributions and direct payments to pensioners payable in the year	(0.862)		(0.932)
Balance at 31 March		15.384	18.174

25.5 Collection Fund Adjustment Account

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

Collection Fund Adjustment Account	2021/22	2020/21
	£m	£m
Balance at 1 April	0.810	(0.062)
Amount by which council tax and national non domestic rates income credited to the Comprehensive Income and Expenditure Statement is different from council tax and non domestic rates income calculated for the year in accordance with statutory requirements	(0.137)	0.872
Balance at 31 March	0.673	0.810

25.6 Accumulated Absences Account

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

Accumulated Absences Account	2021/22		2020/21
	£m	£m	£m
Balance at 1 April		0.114	0.054
Settlement or cancellation of accrual made at the end of the preceding year	(0.114)		(0.054)
Amounts accrued at the end of the current year	0.063		0.114
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements		(0.051)	0.060
Balance at 31 March		0.063	0.114

Note 26 Cash flow Statement - Operating Activities

The cash flows for operating activities include the following items:

	2021/22	2020/21
	£m	£m
Interest received	(0.004)	(0.008)
Interest paid	0.037	0.037
Net cash flows from operating activities	0.033	0.029

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

	2021/22 £m	2020/21 £m
Depreciation and impairment	(1.114)	(1.404)
Upward/(downward) valuations	(0.429)	(0.439)
Amortisation	(0.010)	(0.014)
Increase/(decrease) in creditors	(1.008)	(1.454)
Increase/(decrease) in debtors	(0.161)	1.028
Increase/(decrease) in inventories	(0.005)	(0.104)
Movement in pension liability	(1.423)	(0.547)
Contributions to/(from) provisions	(0.014)	(0.161)
Carrying amount of non-current assets and non-current assets held for sale, sold or de-recognised	(0.106)	(2.425)
Other non-cash items charged to the net surplus or deficit on the provision of services	0.020	(0.005)
Adjustment to net cash flows from operating activities	(4.250)	(5.525)

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

	2021/22 £m	2020/21 £m
Capital grants credited to (surplus)/deficit on the provision of services	1.900	1.484
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	0.071	0.530
Adjustment to net cash flows from operating activities	1.971	2.014

Note 27 Cash Flow Statement - Investing Activities

	2021/22 £m	2020/21 £m
Purchase of property, plant and equipment, investment property and intangible assets	2.365	2.328
Other receipts from investing activities	(2.537)	(1.519)
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(0.071)	(0.530)
Net cash flows from investing activities	(0.243)	0.279

Note 28 Cash Flow Statement - Financing Activities

	2021/22 £m	2020/21 £m
Cash receipts of short and long-term borrowing	-	-
Other (receipts)/payments from financing activities	(0.049)	0.080
Repayments of short and long-term borrowing	-	-
Net cash flows from financing activities	(0.049)	0.080

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

	2020/21 31st March £m	Financing cash flows £m	Non-cash changes		2021/22 31st March £m
			Acquisition £m	Other non- cash changes £m	
Long-term borrowings	(2.000)	-	-	0.250	(1.750)
Short-term borrowings		-	-	(0.250)	(0.250)
Total liabilities from financing activities	(2.000)	-	-	-	(2.000)

	2019/20 31st March £m	Financing cash flows £m	Non-cash changes		2020/21 31st March £m
			Acquisition £m	Other non- cash changes £m	
Long-term borrowings	(2.000)	-	-	-	(2.000)
Short-term borrowings		-	-	-	-
Total liabilities from financing activities	(2.000)	-	-	-	(2.000)

Note 30 Members' Allowances

The total amount of allowances and expenses paid to Members during the year was £0.143m (2020/21- £0.143m).

Note 31 Officers' Remuneration

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

Remuneration Bands (£):		Number of Employees	
From	To	2021/22	2020/21
50,000	54,999	2	1
55,000	59,999	3	6
60,000	64,999	3	1
65,000	69,999	1	1
70,000	74,999	-	1
75,000	79,999	2	1
80,000	84,999	-	1
85,000	89,999	1	-
90,000	94,999	-	-
95,000	99,999	-	-
100,000	104,999	-	-
110,000	114,999	-	-
145,000	149,999	-	-
		12	12

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

		Salary, Fees and Allowances £	Pension Contribution £	Total £
Chief Executive	2021/22	89,247	15,707	104,954
	2020/21	83,249	14,652	97,901
Interim Chief Executive ¹	2021/22	-	-	-
	2020/21	12,000	-	12,000
Senior Manager: Place, Economy & Environment ²	2021/22	77,662	13,669	91,331
	2020/21	72,459	12,753	85,212
Senior Manager: People & Communities ³	2021/22	77,662	13,669	91,331
	2020/21	78,959	13,897	92,856

Notes

¹ Interim Chief Executive left on the 14th May 2020.

² Senior Manager for Place, Economy & Environment was previously named Senior Manager Strategic Development.

³ Senior Manager for People & Communities was previously named Senior Manager Services to Our Community.

Chief Fire Officer - A collaborative agreement commenced 01/07/2016 which saw the Chief Fire Officer of Cornwall Council appointed as the Chief Fire Officer for both Cornwall and the Isles of Scilly Rescue Services. The Council of IOS contribute towards the Chief Fire Officer's salary based on services provided. Remuneration for this role is reported in the Cornwall Council Statement of Accounts 2021/22.

Director of Public Health - the Officer is based in Cornwall and employed by Cornwall Council. The Council of the IOS contribute towards the Director of Public Health's salary based on services provided. The remuneration for the Director of Public Health is published in the Cornwall Council Statement of Accounts 2021/22.

Chief Finance Officer - the Officer is based in Cornwall and employed by Cornwall Council. The Council of the IOS contribute towards the Chief Finance Officer's salary within the Service Level Agreement for Financial Support.

The Council incurred costs during 2021/22 relating to employee exit packages as shown below:

Exit package cost band (including special payments)	(c) Number of other departures agreed		Total number of exit packages by cost band		Total cost of exit packages in each band £m	
	2021/22	2020/21	2021/22	2020/21	2021/22	2020/21
	£0- £20,000	-	3	-	3	-
£60,000- £80,000	-	1	-	1	-	75,825
Total cost included in bandings and CIES	-	4	-	4	-	82,967

Note 32 External Audit Costs

	2021/22 £m	2020/21 £m
Fees payable with regard to external audit services carried out by the appointed auditor for the year	0.054	0.040
Fees payable for the certification of grant claims and returns for the year	0.011	0.010
Additional Fees for 2019/20	0.010	
Additional Fees for 2020/21	0.005	
Total	0.080	0.050

Note 33 Grant Income

33.1 General Capital Grants

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

	2021/22 £m	2020/21 £m
Grants & Contributions Used for Capital Expenditure		
Department for Environment, Food & Rural Affairs - Water & Sewerage Grants	(0.128)	(0.146)
Go EV Grant	(0.420)	(0.790)
Homes England Grant	(0.150)	-
Housing Land Release Grants	(0.171)	-
Waste Vehicle Grant	(0.020)	-
Waste Bin Renewal Grant	(0.019)	-
Other Capital Grants Received in Year		
Disabled Facilities Grant	(0.029)	(0.029)
Pothole Grant	-	(0.089)
Basic Needs Grant	(0.218)	-
High Needs Grant	(0.500)	-
Other	-	0.038
Total	(1.655)	(1.016)

33.2 General Revenue Grants

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

	2021/22 £m	2020/21 £m
Credited to Taxation and Non-specific Grant Income		
Revenue Support Grant	(1.880)	(1.870)
Small Business Rates Relief	(0.283)	(0.230)
Council Tax Support Admin Subsidy	-	(0.001)
Business Rate Reconciliation Grant	(0.468)	(0.667)
Better Care Fund	(0.079)	(0.079)
Covid 19 Grants	(0.418)	(0.696)
Other	(0.001)	(0.004)
Total	(3.129)	(3.547)

33.3 General Revenue Grants Credited within the Net Cost of Services

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

	2021/22	Restated*
	£m	2020/21
		£m
Credited to Services		
Chief Executive Department	(0.470)	(1.516)
People & Communities	(1.549)	(1.418)
Place, Economy & Environment	(1.502)	(1.480)
Total	(3.521)	(4.414)

*Restructure of Directorates

33.4 Capital Grants Received in Advance

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

	2021/22	Restated*
	31 March	31 March
	£m	£m
Capital Grants Receipts in Advance		
Place, Economy & Environment		
European Regional Development Fund - Navigational Overlay Service Funding	(0.012)	(0.012)
Water/Sewerage Grant	(0.187)	(0.315)
Home Office Fire Grant	(0.006)	(0.006)
Waste Grant	(0.006)	(0.020)
Go EV Grant	(0.059)	(0.228)
Housing Grants	(0.990)	(0.497)
Voucher Scheme Grant	(0.046)	-
People & Communities		
Education Grants	(0.075)	(0.075)
Total	(1.381)	(1.153)

*Restructure of Directorates

33.5 Revenue Grants Received in Advance

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

	2021/22 31 March £m	Restated* 2020/21 31 March £m
Revenue Grant Receipts in Advance		
Place, Economy & Environment		
Domestic Abuse Grant	-	(0.050)
Heat Network Development	(0.076)	(0.076)
Total	(0.076)	(0.126)

*Restructure of Directorates

33.6 Covid 19 Grants

Council of the Isles of Scilly acted as an agent on behalf of the Government to distribute Business Grants. The amounts are as follows:

	2021/22 £m	2020/21 £m
Grants received from Government	(0.391)	(7.310)
Grants distributed to Businesses	0.260	6.505
Net amount distributed for the year	(0.131)	-
Payable to the Government	0.131	0.805
Total	-	-

Note 34 Related Parties

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

34.1 Central Government

Central government has significant influence over the general operations of the Council and is responsible for providing the statutory framework within which the Council operates. Central Government provides the majority of our funding in the form of grants and they prescribe the terms of many of the transactions that our Council has with other parties (e.g. council tax bills, housing benefits). Grants received from government departments are set out in the Expenditure and Income Analysed by Nature in Note 8. Grant receipts outstanding at 31st March 2022 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 Council's Administration team, and can also be found online on the Council's website in minutes of Committee Meetings. During 2021/22, payments for works and services to the value of £0.292m (2020/21 - £0.270m) were commissioned from companies, organisations or individuals in which sixteen declarations of interest were made by Members. These payments were made in compliance with the Council's Financial Regulations. Members' allowances are detailed in Note 30 to the accounts.

During 2021/22 sales for works and services to the value of £0.015m (2020/21 - £0.078m) were commissioned from companies, organisations or individuals in which sixteen declarations of interest were made by Members. These sales were made in compliance with the Council's Financial Regulations.

34.3 Officers

Officers are required to declare their interests in the register of interests and during committee meetings when in attendance. During 2021/22 no declaration of interests were made by Officers.

Senior Officers' remuneration is contained in Note 31 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 Council raise a precept upon the Council for sums collected by the Council Tax. This precept is shown within the Collection Fund Statement in Note 38.

As a member of the Local Government Pension Scheme, the Council paid employer's contributions to Cornwall Council Pension Fund during the year. This contribution is shown within Note 37 - Local Government Pension Scheme.

The Council administers the Core Grant which is managed by the Area of Outstanding Natural Beauty team (AONB), and is designed to deliver the AONB management plan which includes funding locally based projects and initiatives. This involves providing grants to both external bodies and projects working in partnership with the Council of the Isles of Scilly. The funding for the core grant payment of £0.139m (2020/21 - £0.120m) is comprised of £0.141m Department for Environment, Food and Rural Affairs grants (2020/21- £0.128m) and £0.008m contributions from members of the AONB Partnership (2020/21 - £0.008m).

The Council has entered into an arrangement with Cornwall Council for the provision of a number of support services, spend in this financial year £1.215m (2020/21 - £1.056m). In addition the Council's monitoring officer and S151 officer responsibilities will be undertaken by Officers of Cornwall Council.

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

	2021/22 £m	2020/21 £m
Opening capital financing requirement	5.824	5.557
Capital investment		
Property, plant and equipment	2.326	2.328
Revenue expenditure funded from capital under statute	0.245	0.468
Sources of finance		
Capital receipts	(0.323)	(0.586)
Government grants and contributions	(1.153)	(1.404)
Sums set aside from revenue:	(0.069)	(0.188)
Direct revenue contributions/specific reserves	(0.007)	(0.198)
MRP	(0.165)	(0.153)
Closing capital financing requirement	6.678	5.824
Explanation of movements in year		
Increase in underlying need to borrow (unsupported by government financial assistance)	1.019	0.420
Less MRP payments (see above)	(0.165)	(0.153)
Increase/(decrease) in capital financing requirement	0.854	0.267

Note 36 Leases

Council as a Lessor

Finance leases

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

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

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

	31 March 2022 £m	31 March 2021 £m
Finance lease debtor (net present value of minimum lease payments):		
current	0.021	0.021
non-current	0.062	0.071
Unearned finance income	0.353	0.374
Unguaranteed residual value of property	0.210	0.210
Gross investment in the lease	0.646	0.676

	Gross Investment in the Lease		Minimum Lease Payments	
	31 March 2022 £m	31 March 2021 £m	31 March 2022 £m	31 March 2021 £m
Not later than one year	0.046	0.043	0.021	0.021
Later than one year and not later than five years	0.158	0.156	0.061	0.067
Later than five years	0.149	0.175	0.060	0.075
	0.353	0.374	0.142	0.163

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

Operating Leases

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

	31 March 2022 £m	31 March 2021 £m
Not later than one year	0.047	0.036
Later than one year and not later than five years	0.066	0.037
	0.113	0.073

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 Local Government Pension Scheme

37.1 Participation in Pension Schemes

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

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

37.2 Firefighters Pension Scheme

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

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

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

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

37.3 Transactions Relating to Post-Employment Benefits

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

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

	Local Government Pension Scheme		Firefighters Pension Arrangements	
	31 March 2022 £m	31 March 2021 £m	31 March 2022 £m	31 March 2021 £m
Comprehensive Income and Expenditure Statement				
Cost of Services:				
Current service cost	1.764	1.124	0.138	0.058
Past Service Costs	-	0.049	-	-
Financing and Investment Income and Expenditure				
Net interest on the net defined benefit liability/(asset)	0.351	0.227	0.032	0.021
Total Post-employment Benefits charged to the Surplus or Deficit on the Provision of Services	2.115	1.400	0.170	0.079
Other post-employment benefits charged to the Comprehensive Income and Expenditure Statement				
Opening Balance Adjustment	-	(0.016)	-	-
Remeasurement of the net defined benefit liability comprising:				
Return on plan assets (excluding the amount included in the net interest expense)	(0.915)	(2.546)	-	-
Actuarial gains and losses arising on changes in demographic assumptions	(0.203)	0.457	(0.015)	0.017
Actuarial gains and losses arising on changes in financial assumptions	(3.036)	8.871	(0.151)	0.360
Other experience	0.097	(0.308)	0.010	0.139
Total Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement	(1.942)	7.858	0.014	0.595
Movement in Reserves Statement				
Reversal of net charges made to the Surplus or Deficit on the	(2.115)	(1.400)	(0.170)	(0.079)
Actual amount charged against the General Fund Balance for pensions in the year:				
Employers' contributions payable to scheme	0.890	0.939	(0.028)	(0.007)

37.4 Pensions Assets and Liabilities Recognised in the Balance Sheet

	Local Government Pension Scheme		Firefighters Pension Arrangements	
	2021/22 £m	2020/21 £m	2021/22 £m	2020/21 £m
Present value of the defined benefit obligation	(38.390)	(39.423)	(1.513)	(1.471)
Fair value of plan assets	24.519	22.720	-	-
Net liability arising from defined benefit obligation	(13.871)	(16.703)	(1.513)	(1.471)

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

	Local Government Pension Scheme		Firefighters Pension Arrangements	
	2021/22 £m	2020/21 £m	2021/22 £m	2020/21 £m
Opening fair value of scheme assets	22.720	19.235	-	-
Interest income	0.470	0.448	-	-
Remeasurement gain/(loss):				
The return on plan assets, excluding the amount included in the net interest expense	0.915	2.546	-	-
Contributions from employer	0.878	0.927	(0.028)	(0.007)
Contributions from employees into the scheme	0.226	0.237	0.033	0.025
Benefits paid	(0.690)	(0.673)	(0.005)	(0.018)
Closing fair value of scheme assets	24.519	22.720	-	-

37.6 Reconciliation of Present Value of the scheme Liabilities

	Funded Liabilities Local Government Pension Scheme		Unfunded Liabilities Firefighters Pension Arrangements	
	2021/22 £m	2020/21 £m	2021/22 £m	2020/21 £m
Opening balance at 1 April	(39.423)	(29.019)	(1.471)	(0.869)
Opening Balance Adjustment	-	0.016	-	-
Current service cost	(1.764)	(1.173)	(0.138)	(0.058)
Interest income	(0.821)	(0.675)	(0.032)	(0.021)
Contributions from scheme participants~	(0.226)	(0.237)	(0.033)	(0.025)
Remeasurement gains and (losses):				
Actuarial gains/(losses) arising from changes in financial assumptions	3.036	(8.871)	0.151	(0.360)
Actuarial gains/(losses) arising from changes in demographic assumptions	0.203	(0.457)	0.015	(0.017)
Other Experience	(0.097)	0.308	(0.010)	(0.139)
Benefits paid~	0.702	0.685	0.005	0.018
Closing balance at 31 March	(38.390)	(39.423)	(1.513)	(1.471)

37.7 Local Government Pension Scheme Assets Comprised

	Local Government Fair Value of Scheme Assets Quoted prices in active markets		Local Government Fair Value of Scheme Assets Quoted prices not in active markets	
	31 March 2022 £m	31 March 2021 £m	31 March 2022 £m	31 March 2021 £m
Cash and cash equivalents	0.570	0.286	-	-
Other Investment funds:				
Infrastructure	-	-	1.768	1.363
Equities	11.033	9.810	-	-
Bonds	-	0.942	-	-
Hedge Funds	-	-	-	1.268
Other	4.352	2.578	6.796	6.473
Sub total other investment funds	15.385	13.330	8.564	9.104
Total assets	15.955	13.616	8.564	9.104

37.8 Basis for Estimating Assets and Liabilities

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

The Local Government Pension Scheme has been estimated by Hymans Robertson LLP, an independent firm of actuaries. They are based on the latest full valuation of the scheme as at 1 April 2022.

The significant assumptions used by the actuary have been:

	Local Government Pension Scheme		Firefighters Pension Arrangements	
	31 March 2022	31 March 2021	31 March 2022	31 March 2021
Long-term expected rate of return on assets in the scheme:				
Equity investments	6.0%	15.4%	-	-
Bonds	6.0%	15.4%	-	-
Other	6.0%	15.4%	-	-
Mortality Assumptions:				
Longevity at 60 for current pensioners:				
Men	21.3 years	21.5 years	26.3 years	26.6 years
Women	23.9 years	24.1 years	28.7 years	28.9 years
Longevity at 60 for future pensioners:				
Men	22.5 years	22.8 years	27.7 years	27.9 years
Women	25.6 years	25.8 years	30.1 years	30.3 years
Rate of inflation	3.2%	2.8%	3.2%	2.8%
Rate of increase in salaries	3.2%	2.8%	3.6%	3.2%
Rate of increase in pensions	3.2%	2.8%	3.2%	2.8%
Rate for discounting scheme liabilities	2.8%	2.1%	2.8%	2.1%

The Firefighters arrangement has no assets to cover its liabilities.

37.9 Sensitivity Analysis

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in note 37.8 above. The sensitivity analyses below have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period, and assumes for each change that the assumption analysed changes while all the other assumptions remain constant. The assumptions in longevity, for example, assume that life expectancy increases or decreases for men and women. In practice, this is unlikely to occur, and changes in some of the assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies for the scheme, i.e. on an actuarial basis using the projected unit credit method. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in the previous period.

	Local Government Impact on the Defined Benefit Obligation in the Scheme		Firefighters Impact on the Defined Benefit Obligation in the Scheme	
	Increase in Assumption £m	Decrease in Assumption £m	Increase in Assumption £m	Decrease in Assumption £m
Longevity (increase or decrease in 1 year)	1.536	(1.536)	0.045	(0.045)
Rate of inflation (increase or decrease by 0.5%)	0.752	(0.752)	0.094	(0.094)
Rate of increase in salaries (increase or decrease by 0.5%)	0.072	(0.072)	0.025	(0.025)
Rate of increase in pensions (increase or decrease by 0.5%)	0.752	(0.752)	0.094	(0.094)
Rate for discounting scheme liabilities (increase or decrease by 0.5%)	0.829	(0.829)	0.226	(0.225)

Asset and Liability Matching (ALM) Strategy

The Pensions Committee of Cornwall Council has agreed to an asset and liability matching strategy (ALM) that matches, to the extent possible, the types of assets invested to the liabilities in the defined benefit obligation. The Fund has matched assets to the pensions' obligations by investing in long-term fixed interest securities and also by employing a liability driven investment, which hedges an element of the Fund's interest rate and inflation risk. This is balanced with a need to maintain the liquidity of the Fund to ensure that it is able to make current payments. As is required by the pensions and (where relevant) investment regulations the suitability of various types of investment have been considered, as has the need to diversify investments to reduce the risk of being invested in too narrow a range. A large proportion of the assets relate to equities (43% of scheme assets in March 2021; 30% in March 2020). The scheme also invests in alternative asset classes (e.g. property unit trusts and diversified growth funds) as a part of the diversification of the scheme's investments. The ALM strategy is monitored annually or more frequently if necessary.

37.10 Impact on the Council's Cash Flows

The objectives of the scheme are to keep employers' contributions at as constant a rate as possible. The Council has agreed a strategy with the scheme's actuary to achieve a funding level of 100% over the next 20 years. Funding levels are monitored on an annual basis. The next triennial valuation is due to be completed in 2022.

The Council anticipated paying £0.877m in expected contributions to the scheme in 2021/22.

The weighted average duration of the defined benefit obligation for scheme members during 2019/20 is 23.0 years.

Note 38 Collection Fund

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

38.1 Collection Fund Income and Expenditure Statement

	2021/22	2021/22	2021/22	2020/21	Restated	Restated
	NDR	Council Tax	Total	NDR	Council Tax	Total
	£m	£m	£m	£m	£m	£m
Income						
Council tax receivable*	-	(1.982)	(1.982)	-	(1.856)	(1.856)
Previous year deficit funded:						
Devon and Cornwall Police Authority	-	(0.008)	(0.008)	-	(0.004)	(0.004)
Isles of Scilly	-	(0.051)	(0.051)	-	(0.026)	(0.026)
Transfers from the General Fund:						
Council tax benefits	-	(0.005)	(0.005)	-	(0.004)	(0.004)
Business rates receivable	(0.730)	-	(0.730)	(0.260)	-	(0.260)
Previous year deficit funded:						
Central Government	(0.559)	-	(0.559)	-	-	-
Isles of Scilly	(0.559)	-	(0.559)	-	-	-
Business rates transitional protection	(0.003)	-	(0.003)	0.002	-	0.002
Total Income	(1.851)	(2.046)	(3.897)	(0.258)	(1.890)	(2.148)
Expenditure						
Apportionment of previous years surplus						
Central Government	-	-	-	0.030	-	0.030
Isles of Scilly	-	-	-	0.030	-	0.030
Precepts, demands and shares						
Central Government	0.783	-	0.783	0.763	-	0.763
Isles of Scilly	0.783	1.738	2.521	0.763	1.717	2.480
Devon and Cornwall Police Authority	-	0.295	0.295	-	0.286	0.286
Charges to Collection Fund						
Less: write offs of uncollectable amounts	-	-	-	-	-	-
Less: increase/(decrease) in impairment allowance for doubtful debts	0.004	0.012	0.016	0.020	0.009	0.029
Less: cost of collection	0.026	-	0.026	0.024	-	0.024
Less: provision for backdated appeals	(0.014)	-	(0.014)	0.161	-	0.161
Total Expenditure	1.582	2.045	3.627	1.791	2.012	3.803
(Surplus)/deficit for the year*	(0.269)	(0.001)	(0.270)	1.533	0.122	1.655
Collection Fund balance brought forward	1.346	0.158	1.504	(0.187)	0.036	(0.151)
Collection Fund Balance carried forward*	1.077	0.157	1.234	1.346	0.158	1.504

* Council Tax Benefits were also included in the Council Tax receivable in previous year note in error, therefore, understated the deficit carried forward by £4k.

38.2 The Total National Non-Domestic Rateable (NNDR) Value and the NNDR Multiplier

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

The Government specifies an amount to be collected, the multiplier, which for 2021/22 was 51.2p, reducing to 49.9p for properties in receipt of Small Business Rate Relief with a rateable value of £51,000 or less. The total rateable value for all non-domestic properties as at 31 March 2022 was £4.751m (2020/2021- £4.699m).

38.3 The Council Tax Base

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

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

Valuation Band	Dwellings on Valuation List	Adjusted Number of Dwellings per Band	Weighting Factor	Band D Equivalent Dwellings
A	14	10	6/9	7
B	33	26	7/9	20
C	87	75	8/9	67
D	260	218	9/9	218
E	333	294	11/9	359
F	286	260	13/9	376
G	139	129	15/9	215
H	9	9	18/9	18
Total	1,161	1,021		1,280
Less: Allowance for non-collection and Council Tax Support				(33)
Council Tax Base				1,247

Note 39 Fire Fighters' Pension Fund

The funding arrangements for the fire fighters' pension scheme changed on 1 April 2006. Before April 2006, the employer did not make contributions into a fund based upon a percentage of pay. The employer was responsible for its own fire fighters on a pay-as-you-go basis.

Under the new arrangements, Council of the Isles of Scilly no longer meets the cost of pensions directly, instead paying its contributions into a fund. The fund will also receive contributions from employees and transfers from other pension funds. It will also pay out pensions to retired fire fighters and to other pension funds if a scheme member transfers out. The fund has no investment assets and is balanced to zero each year either by the receipt of a top-up grant from the Ministry of Housing, Communities and Local Government, or by paying the surplus over to the government.

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

Fund Account	2021/22	2020/21
	£m	£m
Contributions receivable:		
Fire authority:		
Contributions in relation to pensionable pay	(0.069)	(0.056)
Firefighters contributions	(0.033)	(0.027)
Benefits payable:		
Pensions	0.005	0.005
Commutations and lump sum retirement benefits	-	0.012
Net amount payable for the year	(0.097)	(0.066)
Payable to the Government	0.097	0.066
Total	-	-

Net Liability Statement	31 March	31 March
	2022	2021
	£m	£m
Current Assets		
Amount Due from General Fund	0.058	0.014
Current Liabilities		
Payment to the Government	(0.058)	(0.014)
Total	-	-

The accounting policies followed are those set out in the main Statement of Accounting Policies.

This Net Assets Statement does not include liabilities to pay pensions and other benefits after the Balance Sheet date.

Further information on Pension Scheme Assets and Liabilities can be found in note 37 in the main financial statements.

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Glossary of Terms

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

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

TERM	DEFINITION
Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice (Code)	The professional body for accountancy within the public sector. This is the guidance issued by CIPFA on the application of the International Financial Reporting Standards (IFRS) for the public sector.
Collection Fund	A fund administered by the Council recording receipts from Council Tax and payments to the General Fund and other public authorities. It also records the retained share of non-domestic rates.
Comprehensive Income and Expenditure Statement (CIES)	This statement shows the financial performance of the Council during the financial year. It details the surplus or deficit on the provision of service and includes details of the unrealised gains and losses (e.g. revaluations) for the Council.
Creditor	An amount owed by the Council for goods or services received before the end of the financial year for which the payment had not been made at the date of the Balance Sheet.
Current Service Cost (Pensions)	This is a measure of the increase in the present value of pension liabilities generated in the financial year by employees. It is an estimate of the true economic cost of employing people in the financial year, earning service that will eventually entitle them to the receipt of a lump sum and/or pension when they retire.
Debtor	An amount owed to the Council at the Balance Sheet date for goods or services provided prior to the year end.
Deficit	Where the balance of expenditure exceeds the balance of income.
Depreciation	The measure of the consumption or other reduction in the useful economic life of a non-current asset.
Earmarked Reserves	Reserves representing monies set aside that can only be used for their stated specific "earmarked" services.
Emoluments	All taxable sums paid to or received by an employee including the value of any non-cash benefits received.
External Audit	An independent examination of the activities and accounts of the Council to ensure that the accounts have been prepared in accordance with legislative requirements and proper practices.
Expenditure	Amounts paid by the Council for goods or services received of either a capital or revenue nature.
Fair Value	Definition of fair value depends on the circumstances under which it has to be applied, but is broadly the amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties in an arm's length transaction.
Finance Lease	A lease whereby the risks and rewards of ownership are transferred to the lessee.
Financial Reporting Standard (FRS)	The standards by which the preparation and presentation of the Statement of Accounts has historically been governed within the UK.
Financial Year	The year covered by the financial statements. The Council's financial year commences 1 April and finishes 31 March the following year.
Financial Instruments	Any document with monetary value. Examples include cash and cash equivalents, but also securities such as bonds and stocks which have value and may be traded in exchange for money.

TERM	DEFINITION
General Fund (GF)	This reserve is to provide for unexpected expenditure that cannot be managed within existing budgets, it is not earmarked or restricted and can be used at the discretion of the Members.
Heritage Asset	A tangible asset with historical, artistic, scientific, technological, geophysical or environmental qualities that is held and maintained - principally for its contribution to knowledge and culture.
Impairment	A reduction in the value of a non-current asset arising from damage, obsolescence or a reduction to the useful economic life, but not arising as a result of a formal revaluation.
Income	Amounts due to the Council for goods or services supplied of either a capital or a revenue nature.
IAS	International Accounting Standards.
International Financial Reporting Standard (IFRS)	The international standards by which the preparation and presentation of the Statement of Accounts is now governed. These are developed by the International Accounting Standards Board (IASB).
Liability	A debt or obligation that the organisation must pay. Liabilities are recorded on the balance sheet and can include accounts payable, taxes, wages, accrued expenses, and deferred revenues.
Medium Term Financial Strategy (MTFS)	The MTFS sets out the overall shape of the Council's budget by establishing how the available resources will be allocated against the Strategic priorities established in the Sustainable Community Strategy over the coming three year period.
Minimum Revenue Provision (MRP)	The amount which the Council charges to revenue on an annual basis as a provision for the redemption of debt.
Movement in Reserves Statement (MiRS)	This statement details the movements in the reserve balances.
Net Book Value	The value at which non-current assets are included in the balance sheet after the consideration of impairment, revaluation, enhancements, depreciation etc.
Non-Current Assets	Assets which are of a physical nature owned by the Council such as land, buildings, vehicles etc.
Operating Lease	A lease which is not a Finance Lease.
Operational Assets	Non-current assets held/used by the Council in the direct delivery of services for which it has a statutory responsibility.
Past Service Cost (Pensions)	These costs represent the increase in liabilities arising in the current year on retirement benefits where the years of service were earned in earlier years.
Present Value	The discounted value of future payments or receipts to show their value if they were to be received as at the balance sheet date.
Public Works Loan Board (PWLb)	A Government Agency that provides loans to Local Authorities.
Remuneration	Reward for employment in the form of pay, salary or wage, including allowances, benefits, bonuses, cash incentives and monetary value of non-cash incentives.

TERM	DEFINITION
Revaluation Reserve	The Reserve records the accumulated gains on the fixed assets held by the Council arising from increases in value as a result of inflation or other factors (to the extent that these gains have not been consumed by subsequent downward movements in value).
Revenue Expenditure	The day to day running costs incurred by the Council in providing services.
Revenue Financing	Resources provided from the Council's revenue budget to finance the cost of Capital Expenditure.
Surplus	Where the balance of income exceeds the balance of expenditure.
Trust	A savings account established under a trust agreement whereby a trustee administers the funds for the benefit of one or more beneficiaries.
Unusable Reserves	These are reserves resulting from the interaction of legislation and proper accounting practices. These reserves are not resource backed and cannot be used for any other purpose.
Usable Reserves	These are held as a working balance for a specific future purpose.
Yield	Income earned from an investment.