
Statement of Accounts

2016-2017



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 2017. This Statement of Accounts has been prepared in accordance with the requirements of the Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 (The Code). The 2016/17 Code is based on International Financial Reporting Standards (IFRS) for public sector accounting in the UK. The Code specifies the principles and practices of accounting required to prepare a Statement of Accounts which gives a true and fair view of the financial position and transactions of a local authority.

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

This narrative 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 2016/17 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 2017 and looks forward over the next few years, which are expected to continue to be financially challenging for all local authorities.

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

An Introduction to the Council of the Isles of Scilly

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

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

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

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

Foreword by the Section 151 Officer

The production of the Statement of Accounts for the financial year 2016/17 has once again proved to be a challenging task. The External Auditors Audit Findings Report for 2015/16 and the 2015/16 accounts themselves contained numerous issues which have had to be addressed to provide a sound basis for the production of the 2016/17 Statement.

Following the departure of the previous Section 151 Officer the Council entered into a strategic collaboration agreement with Cornwall Council and I formally took the Section 151 officer role on 1 October 2016. Since that time it has become evidently clear to me that the Council is ill equipped in its current set up to be able to deal with the complex and technical accounting required of a unitary authority, particularly one with the breadth of services and legal standing as the Council has. However, the strategic agreement with Cornwall Council will bring additional capacity and experience to support the Council's financial management and particularly to the technical demands of producing a high quality statement of accounts.

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

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

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

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

General Fund Revenue Account

Going in to financial year 2016/17 the General Fund Reserve Balance had a balance of £0.531m which was approximately half of the recommended level. Following the production of the 2016/17 accounts the General Fund balance has increased to £1.123m which is a much healthier position and represents a prudent level of uncommitted funds. However, the net increase in the General Fund of £0.592m masks the underlying revenue financial performance. As previously reported, a number of earmarked reserve balances were taken in to the General Fund in 2016/17 in order to improve its position. These totalled £1.079m with the largest element (£0.926m) being moved from revenue grants. The underlying revenue outturn position was an overspend of £0.425m and had the other balances not been available for transfer to the General Fund then the opening balance of £0.531m would have been virtually wiped out. The issue of an underlying revenue deficit will clearly be an important element of future financial planning.

Capital Programme

As a small local authority with limited capacity to generate internal capital resources, it is important to attract external investment for key projects. The majority of the Council's programme in 2016/17 was funded from external grants.

Total capital expenditure in 2016/17 was £2.6m analysed as follows:

Schemes	2016/17 spend	Externally Funded
Waste Infrastructure	£1.7m	98%
Demolition of school	£0.4m	0%
Sewerage	£0.1m	100%
Mundesley heating system	£0.1m	100%
Other Capital Expenditure	£0.3m	28%
Total Capital Expenditure 2016/17	£2.6m	68%

Reserves

The Council has a General Fund balance of £1.123m. This is about one quarter of net revenue budget or put another way, is equivalent to about three month's expenditure.

The General Fund is included within Useable Reserves. A schedule of the resources held by the authority at 31 March 2017 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	31/3/17
General Fund Reserve	This is the Council's main non-earmarked reserve. It is the reserve that is generally used for unplanned and therefore non-budgeted expenditure. It should be maintained at a reasonable level. The year-end balance is shown on the Balance Sheet.	£1.123m
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.	£2.991m
Capital Grants Unapplied	These are capital grants which have been received by the Authority, but which have not yet been allocated /spent on capital projects. As there are no conditions attached to the grants, the authority can determine how to spend these grants.	£0.973m
Useable Capital Receipts	Proceeds from past asset sales held for recycling into future capital expenditure.	£0.296m

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

All local authorities face a difficult few years in terms of revenue budgets, uncertainty has increased following the result of the referendum on Brexit, and the Isles of Scilly Council is working to provide services against falling revenue support from Government. The Council will continue to carefully manage both its revenue budget and capital resources and will seek to align these against corporate priorities set out in its Corporate Plan.

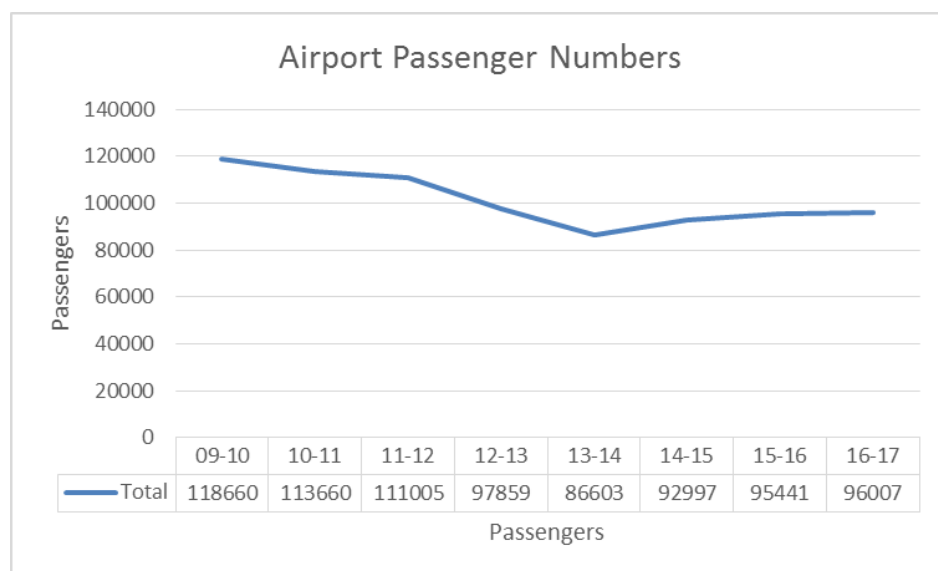
The Corporate Plan

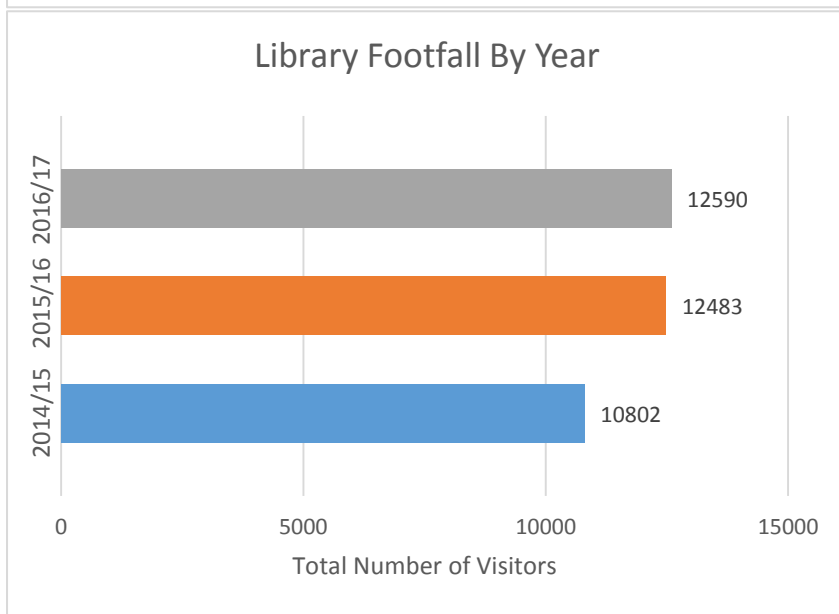
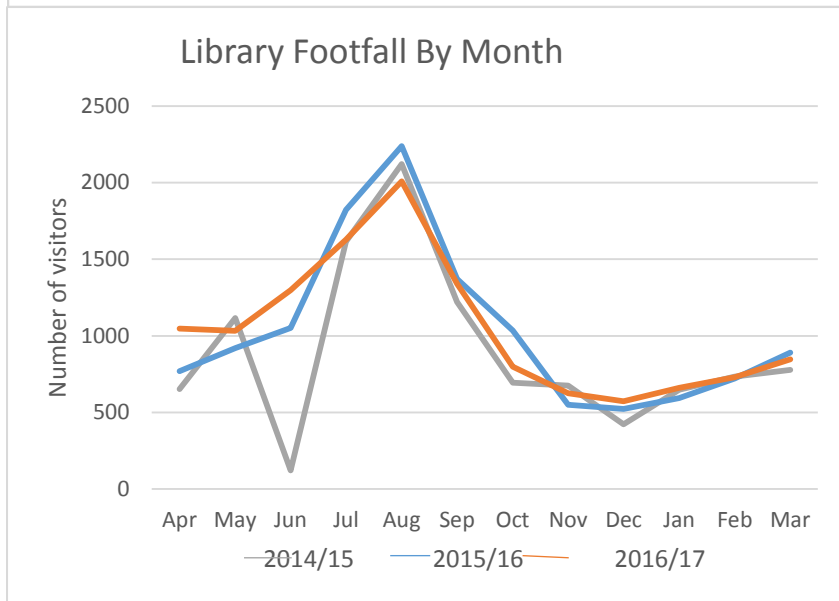
The vision within the Corporate Plan is to work in partnership to create opportunities for all, caring for our community and sustaining a diverse and skilled economy in harmony with our beautiful landscape. To achieve this goal the Council has published 4 overarching strategies:

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

Performance

The following charts provide the backdrop of performance against some of the Council's key performance indicators for 2016/17 compared to previous years.





Property Plant and Equipment

The Council maintains a significant property portfolio which it maintains and enhances through its capital programme. During 2016/17, the Council continued its significant investment in its waste infrastructure. Note 14 shows these and other capital projects as additions, but also shows the impact of the annual valuation of assets and the level of depreciation which is charged to the annual accounts. Valuations are generally based on the value of the asset in its existing economic condition and use, which tends to be for the provision of services. For this reason, valuations are often at levels lower than the building costs incurred.

Trading Accounts

Note 30 covers the Council's trading services which include Water and Sewage and the Airport. Whilst incorporated into the Council's accounts, these services are shown separately in order to demonstrate the Council's commitment to ensure that the services are self-supporting and not funded via council tax and ratepayers.

Isles of Scilly Education Grant and the Five Islands School

Note 34 covers the deployment of the Isles of Scilly Education Grant which is received from the Government solely for the purposes of education on the islands. This is analysed into the amounts delegated to the Five Islands School and to Early Years Providers and Central Education Expenditure and any grant not spent must be retained by the authority exclusively for future education spending. At the year end, £0.038m was available for future education expenditure.

Pension Liabilities

Note 40 covers the Council's Pension Fund and Firefighters' Pension Fund, which are administered by Cornwall Council. The balance sheet shows a £11.871m liability (£0.913m of this is for Fire) which is effectively the Council's liability to the Local Government Pension Scheme. These liabilities have increased significantly in 2016/17 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 41.

Statement of Responsibilities

The Council's responsibilities

The Council is required to:

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

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

Responsibilities of the Council's Section 151 Officer

The Section 151 Officer is responsible for the preparation of the Council's Statement of Accounts, in accordance with proper practices as set out in The Chartered Institute of Public Finance and Accountancy (CIPFA)/Local Authority Scotland Accounts Advisory Committee (LASAAC) Code of Practice on Local Authority Accounting in the United Kingdom ('the Code of Practice'), and is required to give a true and fair view of the financial position of the Council at the accounting date and its income and expenditure for the year ending 31 March 2017.

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 2017 has been prepared in accordance with the Accounts and Audit (England) Regulations 2015 and that it gives a true and fair view of the financial position of the Authority as at 31 March 2017, and its income and expenditure for the year then ended.</p> <p>The Accounts were authorised for issue to the Council on the dates below:</p> <p>Andy Brown Section 151 Officer Date: Released to auditors 27th October 2017</p>	<p>By the Chairman of the Council</p> <p>I confirm that these accounts were approved by Full Council at its meeting on 14 December 2017.</p> <p>Ted Moulson Chairman of the Council Date: 14 December 2017</p>
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Core Statements

Comprehensive Income and Expenditure Statement

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

	2016/17			2015/16 Restated*			Notes
	Expenditure £m	Income £m	Net £m	Expenditure £m	Income £m	Net £m	
CEO Office	1.006	(0.183)	0.823	0.478	(0.165)	0.313	
Services to Our Community	8.429	(4.317)	4.112	7.840	(4.441)	3.399	
Strategic Development and Finance	4.352	(1.019)	3.333	4.157	(1.257)	2.900	
Infrastructure and planning	4.116	(2.106)	2.010	2.989	(0.539)	2.450	
Cost of services	17.903	(7.625)	10.278	15.464	(6.402)	9.062	
Other operating expenditure			0.883			(0.009)	11
Financing and investment income and expenditure			0.171			0.462	12
Taxation and non-specific grant income			(5.142)			(8.230)	13
(Surplus) or deficit on provision of services			6.190			1.285	
(Surplus) or deficit on revaluation of property, plant and equipment			(3.741)			(0.458)	
Remeasurements of the net defined benefit liability / (asset)			2.741			(1.874)	
Other recognised (gains) and losses			(0.098)			(0.119)	
Other comprehensive income and expenditure			(1.098)			(2.451)	
Total comprehensive income and expenditure			5.092			(1.166)	

* CIES is restated as a result of the Telling the Story review of the presentation of local authority financial statements. The 2016/17 Code changed the segmental reporting arrangements from the Service Reporting code of Practice to a structure which is reported to our Members, in our case the Directorate structure.

Movement in Reserves Statement

This Statement shows the movement in the year on the different reserves held by the Authority, analysed into usable reserves (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The surplus/(deficit) on the provision of services line shows the true economic cost of providing the Authority's services, more details of which are shown in the 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 Authority.

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 Authority Reserves £m
Balance at 31 March 2015 Restated*		(0.865)	(4.695)	(5.560)	(0.002)	(0.657)	(6.219)	(35.819)	(42.038)
Movement in reserves during 2015/16									
Total Comprehensive Income and Expenditure		1.285	-	1.285	-	-	1.285	(2.451)	(1.166)
Adjustments between accounting basis and funding basis under regulations	9	(0.501)	-	(0.501)	(0.294)	(0.863)	(1.658)	1.658	-
Transfers (to)/from Earmarked Reserves	10	(0.450)	0.450	-	-	-	-	-	-
(Increase)/Decrease in 2015/16		0.334	0.450	0.784	(0.294)	(0.863)	(0.373)	(0.793)	(1.166)
Balance at 31 March 2016 carried forward		(0.531)	(4.245)	(4.776)	(0.296)	(1.520)	(6.592)	(36.612)	(43.204)
Movement in reserves during 2016/17									
Total Comprehensive Income and Expenditure		6.190	-	6.190	-	-	6.190	(1.098)	5.092
Adjustments between accounting basis and funding basis under regulations	9	(5.528)	-	(5.528)	-	0.547	(4.981)	4.981	-
Transfers (to)/from Earmarked Reserves	10	(1.254)	1.254	-	-	-	-	-	-
(Increase)/Decrease in Year		(0.592)	1.254	0.662	-	0.547	1.209	3.883	5.092
Balance at 31 March 2017 carried forward		(1.123)	(2.991)	(4.114)	(0.296)	(0.973)	(5.383)	(32.729)	(38.112)

*Restated in new layout

Balance Sheet

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

Balance Sheet	31 March 2017 £m	31 March 2016 £m	Notes
Property, Plant and Equipment	49.932	50.560	14
Heritage Assets	0.117	0.117	15
Investment Properties	-	0.276	16
Intangible Assets	0.059	-	
Long Term Debtors	0.121	0.128	17
Long Term Assets	50.229	51.081	
Cash and Cash Equivalents	2.833	2.559	21
Inventories	0.108	0.110	19
Short Term Debtors	1.375	1.604	20
Current Assets	4.316	4.273	
Short Term Borrowing	(2.031)	(0.044)	17
Short Term Creditors	(1.099)	(1.354)	22
Grants Receipts in Advance - Revenue	(0.038)	(1.058)	35
Current Liabilities	(3.168)	(2.456)	
Long Term Creditors	-	(0.003)	
Provisions	(0.113)	-	23
Long Term Borrowing	(0.046)	(0.074)	17
Pension Liability	(11.871)	(8.734)	40
Grants Receipts in Advance - Capital	(1.235)	(0.883)	35
Long Term Liabilities	(13.265)	(9.694)	
Net Assets	38.112	43.204	
Usable Reserves			
General Fund Balance	(1.123)	(0.531)	25
Other Usable Reserves	(4.260)	(6.061)	25
Unusable Reserves	(32.729)	(36.612)	26
Total Reserves	(38.112)	(43.204)	

Andy Brown, Section 151 Officer, 27th October 2017

Cash Flow Statement

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

	2016/17 £m	2015/16 £m	Notes
Net (surplus) or deficit on the provision of services	6.190	1.285	
Adjustments to net (surplus) or deficit on the provision of services for non-cash movements	(6.732)	(5.096)	27
Adjustments for items included in the net (surplus) or deficit on the provision of services that are investing and financing activities	0.373	3.704	27
Net cash flows from operating activities	(0.169)	(0.107)	
Investing activities	1.637	0.396	28
Financing activities	(1.742)	0.059	29
Net (increase) or decrease in cash and cash equivalents	(0.274)	0.348	
Cash and cash equivalents at the beginning of the reporting period	2.559	2.907	
Cash and cash equivalents at the end of the reporting period	2.833	2.559	

Note 1 Accounting Policies

1.1 General Principles

The Statement of Accounts summarises the Authority's transactions for the 2016/17 financial year and its position at the year end of 31 March 2017. The Authority 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 Authority Accounting in the United Kingdom 2016/17 (The Code) and supported by International Financial Reporting Standards (IFRS). The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

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

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

1.2 Accruals of Income and Expenditure

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

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

1.3 Cash and Cash Equivalents

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

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

1.4 Exceptional Items

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

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

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

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

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

The Council made prior period adjustments in relation to the CIES and the headings used within this. Instead of being on a Service Reporting Code of Practice (SeRCOP) the headings are now aligned to our organisational structure. The effects of these prior period adjustments for 2016/17 are shown in the table below:

2015/16 Restated	Directorates				Total
	CEO Office	Services to Our Community	Strategic Development and Finance	Infrastructure and planning	
SERCOP	£m	£m	£m	£m	£m
Central services to the public	0.013	0.128	0.266	(0.013)	0.394
Cultural and related services	0.280	-	0.116	0.150	0.546
Education and children's services	-	1.818	0.100	-	1.918
Environmental and regulatory services	(0.004)	(0.008)	0.264	1.278	1.530
Highways and transport services	-	0.534	-	0.254	0.788
Other housing services	-	-	0.415	0.004	0.419
Adult social care	-	0.722	-	-	0.722
Fire and rescue services	-	-	-	0.483	0.483
Planning services	-	-	0.623	0.161	0.784
Public Health	-	(0.015)	-	-	(0.015)
Corporate and democratic core	0.260	0.351	0.877	0.001	1.489
Court Services	0.004	-	-	-	0.004
Sub Total	0.553	3.530	2.661	2.318	9.062
Adjustments (Support Service Charges)	(0.240)	(0.131)	0.239	0.132	-
Total Cost of Services	0.313	3.399	2.900	2.450	9.062

1.6 Charges to Revenue for Non-Current Assets

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

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

- The Authority is not required to raise Council Tax to fund depreciation, revaluation and impairment losses or amortisations, although it may set aside sums for the replacement of assets. However, the Authority is required to make an annual contribution from revenue (MRP) towards the reduction in its overall borrowing requirement equal to an amount calculated on a prudent basis determined by the Authority in accordance with statutory guidance. Depreciation, revaluation and impairment losses and amortisations are therefore replaced by the 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 Authority. An accrual is made for the cost of holiday entitlements (or any form of leave, e.g. time off in lieu) earned by employees but not taken before the year end which employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the 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 Authority to terminate an Officer's employment before the normal retirement date or an Officer's decision to accept voluntary redundancy. The amounts are charged on an accruals basis to the relevant service line in the CIES when the Authority is demonstrably committed to the termination of the employment of an Officer or group of Officers or making an offer to encourage voluntary redundancy.

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

1.9 Employee Benefits - Post Employment Benefits

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

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

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

1.10 The Local Government Pension Scheme

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

- The liabilities of the Cornwall Pension Fund attributable to the Authority are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates and projections of anticipated earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate of 2.6% as recommended by the Council's actuaries.

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

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

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

- Current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the 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 Authority, 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 Authority 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 Authority 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 Authority has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

1.12 Firefighters' Pension Scheme

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

1.13 Events after the Balance Sheet Date (Reporting Period)

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

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

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

1.14 Financial Instruments - Financial Liabilities

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

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

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

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

1.15 Financial Instruments - Financial Assets

Financial instrument assets are classified into two types:

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

1.16 Loans and Receivables

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

If the Authority makes any loans to organisations at less than market rates (soft loans) the loss is recorded in the 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 Authority when there is reasonable assurance that:

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

Amounts recognised as due to the Authority are not credited to the 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 Authority has a small number of assets that it holds for the purposes of increasing the knowledge, understanding and appreciation of its history and local area. For the purposes of this statement they are known as Heritage Assets. They are recognised and measured (including the treatment of revaluation gains and losses) in accordance with the Authority's accounting policies on property, plant and equipment.

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

1.20 Inventories

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

1.21 Long-term Contracts

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

1.22 Investment Property

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

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

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

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

1.23 Leases

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

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

1.24 The Authority as Lessee

Finance Leases

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

Lease payments are apportioned between:

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

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

1.25 The Authority as Lessor

Finance Leases

Where the Authority grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the CIES as part of the gain or loss on disposal. A gain, representing the Authority's net investment in the lease, is credited to the same line in the 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 Authority grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the 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.

1.26 Property, Plant and Equipment

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

Recognition

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

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

Measurement

Assets are initially measured at cost, comprising:

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

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

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

Donated assets are measured initially at fair value. The difference between fair value and any consideration paid is credited to the Taxation and Non-Specific Grant Income line of the 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 – fair value, determined using the basis of existing use value for social housing (EUV-SH).
- All other assets – fair value, determined as the amount that would be paid for the asset in its existing use value (EUV).

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

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

Assets included in the Balance Sheet at fair value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their fair value at the year end, and as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. (Exceptionally, gains might be credited to the 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 Authority are land assets which have an unlimited useful life and therefore depreciation is not charged) and assets that are not yet available for use i.e. assets under construction.

Depreciation is calculated on the following basis:

- Council Dwellings - Straight-line allocation over the useful life of the property as estimated by the valuer currently between 0 to 55 years.
- Other Land and Buildings – Straight-line allocation over the useful life of the property as estimated by the valuer currently between 0 to 80 years.
- Vehicles, Plant, Furniture and Equipment – Straight-line allocation over the useful life of the asset class, as advised by a suitably qualified Officer between 0 to 25 years.
- Infrastructure – Straight-line allocation of between 0 to 40 years.

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

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

1.27 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 Authority'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.

1.28 Provisions, Contingent Liabilities and Contingent Assets

Provisions

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

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

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

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

Contingent Liabilities

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

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

Contingent Assets

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

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

1.29 Reserves

The Authority sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance in the 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 Authority – these reserves are explained in the relevant policies.

1.30 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 Authority 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.

1.31 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.

1.32 Acquired Operations

Acquired operations are the operations that the Council has acquired during the accounting period or the transfer of services acquired as a consequence of legislation. The service expenditure and income is included within the income and expenditure and shown on the face of the CIES as an acquired operation. (No operations were acquired in the year to 31 March 2017).

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 2016/17 Code and that came into effect on or before 1 January 2017.

For 2016/17 the following accounting policy changes have been issued but not yet adopted:

- IFRS 9 Financial Instruments, includes single classification approach for financial assets driven by cash flow characteristics, and forward looking 'expected loss' model
- IFRS 15 Revenue from Contracts with Customers, standard for revenue recognition
- IFRS 16 Leases, new accounting model for lessees
- National Non-Domestic Rates, 100% Retention
- The Housing and Planning Act 2016, contains a number of housing reforms
- Going Concern Basis of Reporting, changes to the assumptions
- Timetable for Closure of Accounts, audited statement of accounts by the end of July
- Cities and Local Government Devolution Act 2016, support government's policy to 'devolve powers and budgets to boost local growth in England'

Application of the above standards is required from 1 April 2017. Therefore, these changes will be reflected in the Council's 2017/18 or future Statement of Accounts. It is not expected that the above amendments will have a material impact on the information provided in the Council's financial statements.

Note 3 Critical Judgements in Applying Accounting Policies

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

Valuation

The Council has placed reliance on technical estimates supplied by third parties for the following. Property valuations prepared externally by Cornwall Council's Asset Valuation Manager and NPS South West Ltd and Pension valuations supplied by Hymans Robertson LLP an actuary engaged by Cornwall Council for both LGPS and Firefighter pension schemes.

Going Concern

The accounts have been prepared on a going-concern basis. The concept of going concern assumes that the Council, its provision of services and statutory functions will continue in operational existence for the foreseeable future. Full Council approved a balanced budget for the 2017/18 financial year on the 8th March 2017. The Medium Term projections contained within the Full Council report of the 8th March 2017 do require the implementation of a significant savings plan for the coming four year period, however assessment of available resources were deemed to be sufficient to continue services over that period.

Future Funding

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

Note 4 Assumptions and Estimation Uncertainty about the Future

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

Revaluations of Property, Plant and Equipment

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

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

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

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

Pension Liability Estimation

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

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

The effects on the net pension liability of changes in individual assumptions can be seen in Note 40.

Arrears

At 31 March 2017, the Council had a gross sundry debtors balance of £1.375m. A review of significant balances suggested that a provision for doubtful debts of £0.062m was appropriate. Changes in the current economic climate could lead to either an increase or a reduction in this allowance.

Note 5 Material Items of Income and Expense

There were no material items of income or expense to disclose for 2016/17.

Note 6 Events after the Reporting Period

The Statement of Accounts was authorised for issue by Andy Brown, Section 151 Officer on 27 October 2017. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2017, 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 2017.

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.

2016/17

	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 between Funding and Accounting Basis	Net Expenditure in the Comprehensive income and Expenditure Statement
	£m	£m	£m	£m	£m
CEO Office	0.422	0.015	0.437	0.386	0.823
Services to Our Community	1.543	0.026	1.569	2.543	4.112
Strategic Development and Finance	1.814	(0.398)	1.416	1.917	3.333
Infrastructure and planning	1.453	0.006	1.459	0.551	2.010
Net Cost of Services	5.232	(0.351)	4.881	5.397	10.278
Other income and expenditure	-	(5.084)	(5.084)	0.996	(4.088)
(Surplus) or deficit on provision of services	5.232	(5.435)	(0.203)	6.393	6.190
Transfer to/from Reserves for Statutory Movements			0.865		
(Surplus) or deficit			0.662		
Opening General Fund and Earmarked Balances at 31 March 2016			(4.776)		
Add Surplus on General Fund and Earmarked Balance in Year			0.662		
Closing General Fund and Earmarked Reserve Balance at 31 March 2017			(4.114)		

2015/16 Restated*

	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 between Funding and Accounting Basis	Net Expenditure in the Comprehensive income and Expenditure Statement
	£m	£m	£m	£m	£m
CEO Office	0.226	-	0.226	0.087	0.313
Services to Our Community	0.960	-	0.960	2.439	3.399
Strategic Development and Finance	1.922	-	1.922	0.978	2.900
Infrastructure and planning	1.861	-	1.861	0.589	2.450
Net Cost of Services	4.969	-	4.969	4.093	9.062
Other income and expenditure	-	(4.985)	(4.985)	(2.792)	(7.777)
(Surplus) or deficit on provision of services	4.969	(4.985)	(0.016)	1.301	1.285
Transfer to/from Reserves for Statutory Movements			0.800		
(Surplus) or deficit			0.784		
Opening General Fund and Earmarked Balances at 31 March 2015			(5.560)		
Add Surplus on General Fund and Earmarked Balance in Year			0.784		
Closing General Fund and Earmarked Reserve Balance at 31 March 2016			(4.776)		

* Restated as a new note

^ Removed the cost of capital as within column 'Adjustment between Funding and Accounting Basis'

Note 7a Note to the Expenditure and Funding Analysis

2016/17	Adjustment to arrive at the net amount chargeable to the general fund £m	Adjustment for Capital Purposes £m	Net change for the Pensions Adjustment £m	Net change for the Collection Fund £m	Net change for Accumulated Absences Adjustment £m	Total Adjustment Between funding and accounting basis £m
CEO Office	0.015	0.388	-	-	(0.002)	0.386
Services to Our Community	0.026	2.519	0.007	-	0.017	2.543
Strategic Development and Finance	(0.398)	1.915	0.008	-	(0.006)	1.917
Infrastructure and planning	0.006	0.507	0.053	-	(0.009)	0.551
Net Cost of Services	(0.351)	5.329	0.068	-	-	5.397
Other income and expenditure	(5.084)	0.556	0.326	0.125	(0.011)	0.996
(Surplus) or deficit on provision of services	(5.435)	5.885	0.394	0.125	(0.011)	6.393

2015/16 Restated*	Adjustment to arrive at the net amount chargeable to the general fund £m	Adjustment for Capital Purposes £m	Net change for the Pensions Adjustment £m	Net change for the Collection Fund £m	Net change for Accumulated Absences Adjustment £m	Total Adjustment Between funding and accounting basis £m
CEO Office	-	0.079	0.008	-	-	0.087
Services to Our Community	-	2.375	0.064	-	-	2.439
Strategic Development and Finance	-	0.903	0.075	-	-	0.978
Infrastructure and planning	-	0.451	0.138	-	-	0.589
Net Cost of Services	-	3.808	0.285	-	-	4.093
Other income and expenditure	(4.985)	(3.202)	0.370	0.040	-	(2.792)
(Surplus) or deficit on provision of services	(4.985)	0.606	0.655	0.040	-	1.301

Adjustments for Capital Purposes

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

- Other operating expenditure – adjusts for capital disposals with a transfer of income on disposal of assets and the amounts written off for those assets.
- Financing and Investment Income and Expenditure – the statutory charges for capital financing i.e. MRP and other revenue contributions are deducted from other income and expenditure as these are not chargeable under generally accepted accounting practices.
- Taxation and Non-Specific Grant Income and Expenditure – capital grants are adjusted for income not chargeable under generally accepted accounting practices. Revenue grants are adjusted from those receivable in the year to those receivable without conditions or for which conditions were satisfied throughout the year. The Taxation and Non Specific Grant Income and Expenditure line is credited with capital grants receivable in the year without conditions or for which conditions were satisfied in the year.

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 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 Financing and Investment 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 2017 £m	Restated* 31 March 2016 £m
Fees, charges and other service income	(1.573)	(1.724)
Interest and investment income	(0.019)	(0.019)
Income from council tax and NNDR	(2.868)	(2.848)
Income from trading accounts	(2.091)	(1.929)
Surplus on sale of properties	-	(0.009)
Government grants and contributions	(8.326)	(10.060)
Total Income	(14.877)	(16.589)
Employee expenses	4.484	4.933
Other service expenses	7.512	7.046
Capital Charges	6.225	3.808
Interest payments	0.015	0.025
Costs of trading services	1.948	2.062
Loss on disposal of fixed assets	0.883	-
Total Expenditure	21.067	17.874
(Surplus) or deficit on the provision of services	6.190	1.285

* Restated as in a new format

Note 9 Adjustments between Accounting/Funding Basis under Regulations

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

2016/17 adjustments	Movement in Usable Reserves			Movement in Unusable Reserves
	General Fund Balance £m	Capital Receipts Reserve £m	Capital Grants Unapplied £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	(2.279)	-	-	2.279
Revaluation losses on Property, Plant and Equipment	(3.900)	-	-	3.900
Capital grants and contributions applied	0.373	-	(0.184)	(0.189)
Revenue expenditure funded from capital under statute	(0.046)	-	-	0.046
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	(0.883)	-	-	0.883
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:				
Statutory provision for the financing of capital investment	0.108	-	-	(0.108)
Capital expenditure charged against the General Fund	1.607	-	-	(1.607)
Adjustments primarily involving the Capital Grants Unapplied Account:				
Application of grants to capital financing transferred to the Capital Adjustment Account	-	-	0.731	(0.731)
Adjustments primarily involving the Pensions Reserve:				
Reversal of items relating to retirement benefits debited/credited to the Comprehensive Income and Expenditure Statement	(1.175)	-	-	1.175
Employer's pensions contributions and direct payments to pensioners payable in the year	0.781	-	-	(0.781)
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	(0.125)	-	-	0.125
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	0.011	-	-	(0.011)
Total Adjustments	(5.528)	-	0.547	4.981

2015/16 adjustments Restated

2015/16 adjustments Restated	Movement in Usable Reserves			Movement in in Unusable Reserves £m	
	General Fund Balance £m	Capital Receipts Reserve £m	Capital Grants Unapplied £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*	(1.781)	-	-	1.781	
Revaluation losses on Property, Plant and Equipment*	(2.174)	-	-	2.174	
Revenue expenditure funded from capital under statute	(0.023)	-	-	0.023	
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:					
Statutory provision for the financing of capital investment	0.219	-	-	(0.219)	
Capital expenditure charged against the General Fund	0.614	-	-	(0.614)	
Adjustments primarily involving the Capital Grants Unapplied Account:					
Application of grants to capital financing transferred to the Capital Adjustment Account	-	-	2.467	(2.467)	
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	3.330		(3.330)	-	
Adjustments primarily involving the Capital Receipts Reserve:					
Use of Capital Receipts to finance new capital expenditure	-	0.080	-	(0.080)	
Transfer of sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	0.009	(0.374)	-	0.365	
Adjustments primarily involving the Pensions Reserve:					
Reversal of items relating to retirement benefits debited/credited to the Comprehensive Income and Expenditure Statement^	(1.430)	-	-	1.430	
Employer's pensions contributions and direct payments to pensioners payable in the year^	0.775	-	-	(0.775)	
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	(0.040)	-	-	0.040	
Total Adjustments	(0.501)	(0.294)	(0.863)	1.658	

* Depreciation and revaluations have been allocated to their own line

^ Pensions movements have been split across correct lines

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 2016/17.

	Balance at 1 April 2015 £m	Transfers Out 2015/16 £m	Transfers In 2015/16 £m	Balance at 31 March 2016 £m	Transfers Out 2016/17 £m	Transfers In 2016/17 £m	Balance at 31 March 2017 £m
Five Island School Fund	(0.410)	0.043	-	(0.367)	0.008	-	(0.359)
Revenue earmarked reserves:-							
Water Reserve	(0.537)	0.167	-	(0.370)	-	(0.006)	(0.376)
Sewerage Fund	(0.719)	0.041	(0.018)	(0.696)	-	(0.003)	(0.699)
Airport	0.171	-	(0.059)	0.112	-	(0.095)	0.017
Repair Funds	(0.062)	-	-	(0.062)	0.062	-	-
Plant Fund	(0.001)	-	-	(0.001)	0.001	-	-
Equipment Fund	(0.009)	-	-	(0.009)	0.009	-	-
Pollution Fund	(0.011)	-	-	(0.011)	0.011	-	-
Children's Services	(0.028)	-	-	(0.028)	-	-	(0.028)
One-Stop Shop	(0.020)	-	-	(0.020)	0.020	-	-
Buzza Bus	(0.050)	-	-	(0.050)	0.050	-	-
IFCA	(0.045)	-	(0.014)	(0.059)	-	(0.015)	(0.074)
Public Health	(0.006)	-	(0.015)	(0.021)	-	-	(0.021)
Housing Reserve	(1.781)	0.404	-	(1.377)	0.456	-	(0.921)
Revenue Grants Unapplied	(1.187)	0.174	(0.273)	(1.286)	0.926	(0.170)	(0.530)
Total	(4.695)	0.829	(0.379)	(4.245)	1.543	(0.289)	(2.991)

Note 11 Other Operating Expenditure

	31 March 2017 £m	31 March 2016 £m
(Gains)/losses on the disposal of non-current assets	0.883	(0.009)
Total	0.883	(0.009)

Note 12 Financing and Investment Income and Expenditure

	31 March 2017 £m	31 March 2016 £m
Interest payable and similar charges	0.015	0.025
Net interest on the net defined benefit liability (asset)	0.318	0.323
Interest receivable and similar income	(0.019)	(0.012)
Other investment income	-	(0.007)
(Surplus)/Deficit on Trading Services	(0.143)	0.133
Total	0.171	0.462

Note 13 Total Taxation and Total Specific Grant Income

	31 March 2017 £m	Restated* 31 March 2016 £m
Council tax income*	(1.534)	(1.492)
Non-domestic rates income and expenditure*	(1.329)	(1.316)
Non ringfenced government grants	(2.078)	(2.052)
Capital grants and contributions	(0.326)	(3.330)
Collection Fund (surplus)/deficit*	0.125	(0.040)
Total	(5.142)	(8.230)

*Restated to show the collection fund surplus or deficit for the comparator year

Note 14 Property, Plant & Equipment

Movements on Balances 2016/17	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 2016	9.665	28.384	3.254	16.000	0.001	1.549	58.853
Additions	0.047	0.501	0.035	0.188	-	1.702	2.473
Accumulated Depreciation and Impairment written out to Gross Carrying Amount after Revaluation	(0.419)	(1.989)	-	-	-	-	(2.408)
Revaluation increases/(decreases) recognised in the Revaluation Reserve	0.079	3.662	-	-	-	-	3.741
Revaluation increases/(decreases) recognised in the surplus/deficit on the Provision of Services	0.333	(4.233)	-	-	-	-	(3.900)
Derecognition - disposals	-	(1.190)	(0.102)	(0.164)	-	-	(1.456)
Assets reclassified (to)/from Other Categories	(0.360)	0.537	0.046	0.113	0.053	(0.164)	0.225
At 31 March 2017	9.345	25.672	3.233	16.137	0.054	3.087	57.528
Accumulated Depreciation and Impairment							
At 1 April 2016	(0.276)	(1.362)	(1.893)	(4.762)	-	-	(8.293)
Depreciation charge	(0.213)	(1.082)	(0.215)	(0.769)	-	-	(2.279)
Accumulated Depreciation written out to Gross Carrying Amount	0.419	1.989	-	-	-	-	2.408
Derecognition - disposals	-	0.473	0.097	-	-	-	0.570
Assets reclassified to/(from) Other Categories	0.072	(0.065)	(0.007)	-	-	-	-
Other movements in depreciation and impairment	(0.002)	-	-	-	-	-	(0.002)
At 31 March 2017	(0.000)	(0.047)	(2.018)	(5.531)	-	-	(7.596)
Net Book Value							
at 31 March 2017	9.345	25.625	1.215	10.606	0.054	3.087	49.932
at 1 April 2016	9.389	27.022	1.361	11.238	0.001	1.549	50.560

Comparative Movements 2015/16

	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 2015	9.403	29.375	3.165	15.854	0.001	1.344	59.142
Additions	0.484	0.370	0.089	0.146	-	2.140	3.229
Revaluation increases/(decreases) recognised in the Revaluation Reserve	(0.086)	0.025	-	-	-	-	(0.061)
Revaluation increases/(decreases) recognised in the surplus/deficit on the Provision of Services	(0.252)	(3.114)	-	-	-	-	(3.366)
Assets reclassified (to)/from Other Categories	-	1.935	-	-	-	(1.935)	-
Other movements in cost or valuation	0.116	(0.207)	-	-	-	-	(0.091)
At 31 March 2016	9.665	28.384	3.254	16.000	0.001	1.549	58.853
Accumulated Depreciation and Impairment							
At 1 April 2015	(0.340)	(2.245)	(1.654)	(3.999)	-	-	(8.238)
Depreciation charge	(0.128)	(0.651)	(0.239)	(0.763)	-	-	(1.781)
Impairment (losses)/reversal recognised in the Revaluation Reserve	0.084	0.452	-	-	-	-	0.536
Impairment (losses)/reversal recognised in the surplus/deficit on the Provision of Services	0.108	1.082	-	-	-	-	1.190
At 31 March 2016	(0.276)	(1.362)	(1.893)	(4.762)	-	-	(8.293)
Net Book Value							
at 31 March 2016	9.389	27.022	1.361	11.238	0.001	1.549	50.560
at 1 April 2015	9.063	27.130	1.511	11.855	0.001	1.344	50.904

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 2017 the following capital schemes had signed contracts in excess of £0.060m each.

- Housing Refurbishment – Strand.
- Phase 2 of Porthmellon Waste Management.
- Sea Defence and Dune Management.

14.3 Effects of Changes in Estimates

In 2016/17 the Authority made no material changes to its accounting estimates for Property, Plant & Equipment.

14.4 Revaluation

During 2016/17 the Authority revalued 98% of the Property, Plant and Equipment asset that are required to be measured at fair value. All valuations were carried out by External Valuers, Cornwall Council's Asset Valuation Manager and NPS South West Ltd, in accordance with the required practice, methodologies and bases for estimation set out in the professional standards of the Royal Institute of Chartered Surveyors. They were all completed as at the 31st March 2017.

The Property, Plant & Equipment revaluation resulted in a net decrease in net book value of £0.159m. The revaluation reserve increased by £3.741m to reflect the part of the upward revaluation and a charge was made to the Comprehensive Income & Expenditure Statement of £3.900m. As 98% of the portfolio was revalued during the year there were material changes in value to a number of key assets including the Five Island's School, Sport's Hall and Airport.

Note 15 Heritage Assets

	Total Assets £m
Cost or Valuation	
1 April 2015	0.117
Additions	-
31 March 2016	0.117
Cost or Valuation	
1 April 2016	0.117
Additions	-
31 March 2017	0.117

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

There have been no additions or disposals of heritage assets in year (2015/16 - £Nil).

Note 16 Investment Properties

	2016/17 £m	2015/16 £m
Balance at start of the year	0.276	0.068
Additions	-	0.004
Reclassification	(0.276)	0.207
Revaluation	-	(0.003)
Balance at end of the year	-	0.276

During 2016/17 the Authority's investment assets were reclassified to Property, Plant and Equipment, other land and buildings assets, as they form part of an economic regeneration programme and are not held solely to earn rentals or for capital appreciation.

Note 17 Financial Instruments

17.1 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	
	31 March 2017 £m	31 March 2016 £m	31 March 2017 £m	31 March 2016 £m
Debtors				
Financial assets carried at contract amounts (excludes statutory debtors)	0.121	0.128	1.052	1.334
Total included in Debtors	0.121	0.128	1.052	1.334
Borrowings				
Financial liabilities at amortised cost	(0.046)	(0.074)	(2.031)	(0.044)
Total included in borrowings	(0.046)	(0.074)	(2.031)	(0.044)
Cash and Cash Equivalents				
Cash and cash equivalents	-	-	(2.833)	2.559
Total cash and cash equivalents	-	-	(2.833)	2.559
Creditors*				
Financial liabilities carried at contract amounts (excludes statutory creditors)	-	(0.003)	(0.947)	(1.354)
Total Creditors	-	(0.003)	(0.947)	(1.354)

17.2 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 2017		31 March 2016	
	Carrying Amount £m	Fair Value £m	Carrying Amount £m	Fair Value £m
Borrowing				
Financial liabilities - treasury	2.077	2.083	0.118	0.131

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

As at 31st March 2017 the Council holds two loans with the PWLB at interest rates of 5.375% and one with another Local Authority with an interest rate of 0.28%. 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.

The fair value of all debtors is taken to be the invoiced amount. Note 18 considers the credit risk associated with debtors.

Income, Expenses, Gains and Losses

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

Income, Expense, Gains and Losses	2016/17			2015/16		
	Financial liabilities measured at amortised cost £m	Financial assets: loans and receivables £m	Total £m	Financial liabilities measured at amortised cost £m	Financial assets: loans and receivables £m	Total £m
Interest expense	0.015	-	0.015	0.025	-	0.025
Total expense in surplus or deficit on the Provision of Services	0.015	-	0.015	0.025	-	0.025
Interest income	-	(0.019)	(0.019)	-	(0.012)	(0.012)
Total income in surplus or deficit on the Provision of Services	-	(0.019)	(0.019)	-	(0.012)	(0.012)
Net (gain)/loss for the year	0.015	(0.019)	(0.004)	0.025	(0.012)	0.013

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

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

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

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

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

	Input Level in Fair Value hierarchy	As at 31/03/2017 £m	As at 31/03/2016 £m
Financial Assets and Liabilities	Level 1	-	-
Financial Assets and Liabilities	Level 2	(0.809)	1.737
Financial Assets and Liabilities	Level 3	-	-

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 18 Nature and Extent of Risks Arising from Financial Instruments

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

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

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

18.1 Credit Risk

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

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

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

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

	Amount at 31 March 2017 £m A	Historical experience of default % B	Historical experience adjusted for market conditions at 31 March 2017 % C	Estimated maximum exposure to default and uncollect- ability £m (AxC)	Estimated maximum exposure at 31 March 2016 £m
Customers	0.299	14.20%	18.56%	0.055	0.065
Deposits with banks and financial institutions	2.833	0.00%	0.00%	-	-
				0.055	0.065

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

	31 March 2017 £m	31 March 2016 £m
Less than three months	0.236	0.345
Three to six months	0.011	0.019
Six months to one year	0.006	0.063
More than one year	0.046	0.052
	0.299	0.479

18.2 Liquidity Risk

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

Financial Liabilities	31 March 2017 £m	31 March 2016 £m
Less than one year	(2.031)	(0.044)
Between one and two years	(0.031)	(0.054)
Between two and five years	(0.015)	(0.024)
	(2.077)	(0.122)

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

18.3 Market Risk

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

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

18.3.1 Interest Rate Risk

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

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

However, the Authority only has a small portfolio of PWLB loans and all are at fixed rates of 5.375% and one short term loan with another local authority on a fixed rate of 0.28%.

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.

18.3.2 Price Risk

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

18.3.3 Foreign Exchange Risk

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

Note 19 Stock and Inventories

	Consumable Stores		Maintenance Materials		Client Services WIP		Total	
	2016/17 £m	2015/16 £m	2016/17 £m	2015/16 £m	2016/17 £m	2015/16 £m	2016/17 £m	2015/16 £m
Balance outstanding at start of year	0.010	0.010	0.098	0.084	0.002	0.002	0.110	0.096
Purchases	0.058	0.033	0.151	0.200	0.002	0.001	0.211	0.234
Recognised as an expense in the year	(0.061)	(0.033)	(0.149)	(0.186)	(0.003)	(0.001)	(0.213)	(0.220)
Balance outstanding at year end	0.007	0.010	0.100	0.098	0.001	0.002	0.108	0.110

Note 20 Debtors

	31 March 2017 £m	31 March 2016 £m
Central government bodies	0.663	0.525
Other local authorities	0.001	0.004
NHS bodies	0.046	0.054
Public corporations and trading funds	-	0.052
Other entities and individuals	0.665	0.969
Total	1.375	1.604

Note 21 Cash and Cash Equivalents

	31 March 2017 £m	Restated* 31 March 2016 £m
Cash/(Overdraft) held by the Council*	2.474	2.192
School's Local Bank Account	0.359	0.367
Total Cash and Cash Equivalents	2.833	2.559

*Restated to include petty cash

Note 22 Creditors

	31 March 2017 £m	31 March 2016 £m
Central government bodies	(0.096)	(0.095)
Other local authorities	(0.184)	(0.069)
NHS bodies	-	(0.015)
Public corporations and trading funds	-	(0.013)
Other entities and individuals	(0.819)	(1.162)
Total	(1.099)	(1.354)

Note 23 Provisions

	National Non Domestic Rates Appeals £m	Total Long Term Provisions £m
Balance as at 1 April 2016	-	-
Opening balance adjustment	(0.110)	(0.110)
Additional provisions made in year	(0.003)	(0.003)
Balance as at 31 March 2017	(0.113)	(0.113)

Note 24 Contingent Liabilities

The Council is currently the subject of a compensation claim in respect of capital works undertaken at the Porthmellon waste site between 2015/16 and 2017/18. The Council is currently considering its position and which costs may be attributable to 2017/18 and which would relate to previous years.

Note 25 Usable Reserves

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

	31 March 2017 £m	31 March 2016 £m
General Fund Balance	(1.123)	(0.531)
General Fund Schools Balance	(0.359)	(0.367)
Earmarked General Fund Reserves	(1.181)	(1.215)
Earmarked Revenue Grants Unapplied Reserve	(0.530)	(1.286)
Earmarked HRA Reserves	(0.921)	(1.377)
Capital Receipts Reserve	(0.296)	(0.296)
Capital Grants Reserve	(0.973)	(1.520)
Total Usable Reserves	(5.383)	(6.592)

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

Note 26 Unusable Reserves

	31 March 2017 £m	31 March 2016 £m
Revaluation Reserve	(7.544)	(4.591)
Capital Adjustment Account	(37.424)	(41.009)
Pensions Reserve	11.871	8.734
Collection Fund Adjustment Account	0.272	0.147
Accumulated Absences Account	0.096	0.107
Total Unusable Reserves	(32.729)	(36.612)

26.1 Revaluation Reserve

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

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

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

Revaluation Reserve	2016/17 £m	2015/16 £m
Balance at 1 April	(4.591)	(4.122)
Opening balance adjustment in year	-	(0.116)
Upward revaluation of assets	(4.981)	(0.458)
Downward revaluation of assets and impairment losses not charged to the (Surplus) or deficit on the provision of services	1.240	-
(Surplus) or deficit on revaluation of non-current assets not posted to the (Surplus) or deficit on the provision of services	(3.741)	(0.574)
Opening balance adjustment in year	0.197	-
Difference between fair value depreciation and historical cost depreciation	0.226	0.105
Accumulated gains on assets sold or scrapped	0.365	-
Amount written off to the Capital Adjustment Account	0.788	0.105
Balance at 31 March	(7.544)	(4.591)

26.2 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 Authority as finance for the costs of acquisition, construction and enhancement.

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

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

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

Capital Adjustment Account	2016/17		*Restated
	£m	£m	2015/16
			£m
Balance at 1 April		(41.009)	(41.864)
Opening balance adjustment in year	(0.100)		(0.003)
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*	2.279		1.781
Revaluation losses on Property, Plant and Equipment*	3.900		2.174
Revenue expenditure funded from capital under statute	0.046		0.023
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	0.883		0.365
		7.008	4.340
Adjusting amounts written out of the Revaluation Reserve		(0.788)	(0.105)
Net written out amount of the cost of non-current assets consumed in the year		6.220	4.235
Capital financing applied in the year:			
Use of the Capital Receipts Reserve to finance new capital expenditure	-		(0.080)
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(0.189)		-
Application of grants to capital financing from the Capital Grants Unapplied Account	(0.731)		(2.467)
Statutory provision for the financing of capital investment charged against the General Fund	(0.108)		(0.219)
Capital expenditure charged against the General Fund and HRA balances	(1.607)		(0.614)
		(2.635)	(3.380)
Balance at 31 March		(37.424)	(41.009)

* Depreciation and revaluations have been allocated to their own lines

26.3 Pensions Reserve – Local Government Pension Scheme (LGPS)

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions. The Authority accounts for post-employment benefits in the 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 Authority makes employer's contributions to pension funds, or eventually pay any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Authority has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

Pensions Reserve	2016/17 £m	*Restated 2015/16 £m
Balance at 1 April	8.734	9.953
Opening balance adjustment in year	0.002	-
Remeasurements of the net defined benefit liability/(asset)	2.741	(1.874)
Reversal of items relating to retirement benefits debited or credited to the (Surplus) or deficit on the provision of services in the Comprehensive Income and Expenditure Statement*	1.175	1.430
Employer's pensions contributions and direct payments to pensioners payable in the year*	(0.781)	(0.775)
Balance at 31 March	11.871	8.734

* Items allocated to their own lines

26.4 Collection Fund Adjustment Account

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

Collection Fund Adjustment Account	2016/17 £m	2015/16 £m
Balance at 1 April	0.147	0.107
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	0.125	0.040
Balance at 31 March	0.272	0.147

26.5 Accumulated Absences Account

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

Accumulated Absences Account	2016/17		2015/16
	£m	£m	£m
Balance at 1 April		0.107	0.107
Settlement or cancellation of accrual made at the end of the preceding year	(0.107)		(0.107)
Amounts accrued at the end of the current year	0.096		0.107
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		(0.011)	-
Balance at 31 March		0.096	0.107

Note 27 Cash flow Statement - Operating Activities

The cash flows for operating activities include the following items:

	2016/17 £m	2015/16 £m
Interest received	(0.019)	(0.012)
Interest paid	0.015	0.025
Net cash flows from operating activities	(0.004)	0.013

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

	2016/17 £m	*Restated 2015/16 £m
Depreciation and impairment*	(2.279)	(1.781)
Downward valuations*	(3.900)	(2.174)
Increase/(decrease) in creditors	1.398	1.793
Increase/(decrease) in debtors	(0.457)	(1.934)
Increase/(decrease) in inventories	(0.002)	0.014
Movement in pension liability	(0.394)	(0.655)
Carrying amount of non-current assets and non-current assets held for sale, sold or de-recognised	(0.883)	(0.365)
Other non-cash items charged to the net surplus or deficit on the provision of services	(0.215)	0.006
Adjustment to net cash flows from operating activities	(6.732)	(5.096)

*Depreciation and revaluations have been allocated to their own lines

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

	2016/17 £m	2015/16 £m
Capital grants credited to (surplus)/deficit on the provision of services	0.373	3.330
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	-	0.374
Adjustment to net cash flows from operating activities	0.373	3.704

Note 28 Cash Flow Statement - Investing Activities

	2016/17 £m	2015/16 £m
Purchase of property, plant and equipment, investment property and intangible assets	2.369	3.233
Purchase of short-term and long-term investments	-	0.019
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	-	(0.374)
Capital grants received	(0.732)	(2.482)
Net cash flows from investing activities	1.637	0.396

Note 29 Cash Flow Statement - Financing Activities

	2016/17 £m	2015/16 £m
Cash receipts of short and long-term borrowing	(2.000)	-
Other (receipts)/payments from financing activities	0.217	-
Repayments of short and long-term borrowing	0.041	0.059
Net cash flows from financing activities	(1.742)	0.059

Note 30 Trading Operations

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

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

St Mary's Airport - The Authority owns and manages the Airport on St Mary's. Income is generated primarily from landing fees. The trading objective is to generate a surplus after having covered the cost of capital employed for future reinvestment to ensure continuity of the service, which is held in the Airport Earmarked Reserve. The airport has made a surplus this year largely due to an increase in landing and handling fee income offset in part by an increase in transport expenditure. Depreciation is not charged to the airport reserve.

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

	2016/17 £m	2015/16 £m
Airport		
Reserve balance brought forward 1 April	0.112	0.171
Turnover	(1.361)	(1.273)
Expenditure	1.266	1.214
Net (Surplus)/Deficit	(0.095)	(0.059)
Reserve balance carry forward 31 March	0.017	0.112

Water/Sewerage

Reserve balance brought forward 1 April	(1.066)	(1.256)
Turnover	(0.730)	(0.657)
Expenditure	0.721	0.847
Net (Surplus)/Deficit	(0.009)	0.190
Reserve balance carry forward 31 March	(1.075)	(1.066)

Balances held in reserves

	2016/17 £m	2015/16 £m
Airport Reserves	0.017	0.112
Water Reserves	(0.376)	(0.370)
Sewerage Reserves	(0.699)	(0.696)
Net cash flows from Trading Services	(1.058)	(0.954)

Note 31 Members' Allowances

The total amount of allowances and expenses paid to Members during the year was £0.111m (2015/16 - £0.114m).

Note 32 Officers' Remuneration

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

Remuneration Bands (£):		Number of Employees	
From	To	2016/17	2015/16
50,000	54,999	-	1
55,000	59,999	3	4
60,000	64,999	2	1
65,000	69,999	-	-
70,000	74,999	2	1
75,000	79,999	-	-
80,000	84,999	-	-
85,000	89,999	-	-
90,000	94,999	-	-
95,000	99,999	-	1
100,000	104,999	1	-
		8	8

The Authority 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	2016/17	101,000	17,271	118,271
	2015/16	100,000	16,600	116,600
Senior Manager: Strategic Development	2016/17	59,752	-	59,752
	2015/16	59,450	9,869	69,319
Senior Manager: Finance and Resources ¹	2016/17	30,216	5,109	35,325
	2015/16	63,116	10,477	73,593
Senior Manager: Democratic and Corporate Development ²	2016/17	17,759	2,838	20,597
	2015/16	59,450	9,869	69,319
Senior Manager: Infrastructure and Planning	2016/17	72,196	12,345	84,541
	2015/16	71,763	11,913	83,676
Senior Manager: Services to Our Community	2016/17	60,023	10,264	70,287
	2015/16	59,450	9,869	69,319
Chief Fire Officer ³	2016/17	7,005	977	7,982
	2015/16	19,607	3,255	22,862
Director of Public Health ⁴	2016/17	-	-	-
	2015/16	-	-	-

Notes

¹ Senior Manager: Finance and Resources - Left the authority 30/09/2016. Role defunct from this date and incorporated into Chief Executive and Strategic Development roles

² Senior Manager: Democratic and Corporate Development - Left the authority 17/07/2016. Role defunct from this date and incorporated into Chief Executive and Strategic Development roles

³ Chief Fire Officer - Worked 7.4 hours per week as Chief fire Officer and left 30/06/2016. 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 2016/17

⁴ 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 2016/17

The authority incurred costs during 2016/17 relating to employee exit packages as shown below:

(a) Exit package cost band (including special payments)	(b) Number of compulsory redundancies		(d) Total number of exit packages by cost band (b) + (c)		(e) Total cost of exit packages in each band £m	
	2016/17	2015/16	2016/17	2015/16	2016/17	2015/16
£0 - £20,000	-	1	-	1	-	0.003
Total cost included in bandings and CIES	-	1	-	1	-	0.003

Note 33 External Audit Costs

	2016/17 £m	Restated* 2015/16 £m
Fees payable with regard to external audit services carried out by the appointed auditor for the year*	0.027	0.027
Fees payable for the certification of grant claims and returns for the year	0.007	0.008
Fees/rebates in respect of other services provided during the year^*	0.060	0.003
Total	0.094	0.038

^The £0.060m relates to 2015/16 overruns, and is still subject to Public Sector Audit Appointments approval

* Restated to reflect the actual numbers, the other services £0.003m relates to an objection

Note 34 Dedicated Schools Grant – Deployment of the Isles of Scilly Education Grant

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

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

Details of the deployment of the Isles of Scilly Education Grant receivable for 2016/17 are as follows:

	2016/17 Central Expenditure £m	Individual Schools Budgets (ISB) £m	Total £m
Final Education Grant for 2016/17	(0.606)	(2.531)	(3.137)
Total Education Grant 2016/17	(0.606)	(2.531)	(3.137)
Plus: Brought forward from 2015/16	(0.202)	-	(0.202)
Agreed initial budgeted distribution in 2016/17	(0.808)	(2.531)	(3.339)
In-year adjustments	-	-	-
Final budget distribution for 2016/17	(0.808)	(2.531)	(3.339)
Less: Actual central expenditure	0.770	-	0.770
Less Actual ISB deployed to schools	-	2.531	2.531
Carry- forward to 2017/18	(0.038)	-	(0.038)

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

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

Note 35 Grant Income

35.1 General Capital Grants

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

	2016/17 £m	2015/16 £m
Grants & Contributions Used for Capital Expenditure		
ERDF - European Regional Development Fund Grant and Regional Growth Fund	-	1.136
Waste Strategy	-	1.179
DEFRA - Water & Sewerage Grants	0.152	0.112
Education	0.038	0.145
Other Capital Grants No Contributions Received in Year		
Fire Capital Grant	-	0.057
DEFRA Waste Capital Grant	-	0.590
DfE Capital Maintenance Grants	0.139	0.094
Social Care Grants	-	0.003
Disabled Facilities Grant	0.021	0.014
Other	(0.024)	-
Total	0.326	3.330

35.2 General Revenue Grants

General revenue grants credited as Taxation and Non-Specific Grants Income in the CIES:

	2016/17 £m	2015/16 £m
Credited to Taxation and Non Specific Grant Income		
Revenue Support Grant	(1.891)	(1.882)
New Homes Grant	(0.057)	(0.057)
Local Services Support Grant	-	(0.113)
Business Rates Multiplier Cap	(0.020)	-
Small Business Rates Relief	(0.086)	-
Council Tax Support Admin Subsidy	(0.001)	-
Flood Relief Grant	(0.007)	-
Business Rate Reconciliation Grant	(0.010)	-
Other	(0.006)	-
Total	(2.078)	(2.052)

35.3 General Revenue Grants Credited within the Net Cost of Services

The Authority credited the following grants, contributions and donations within the Net Cost of Services section of the CIES in 2016/17:

	2016/17 £m	Restated* 2015/16 £m
Credited to Services		
CEO Office	(0.025)	-
Services to Our Community	(3.847)	(3.942)
Strategic Development and Finance	(0.479)	(0.492)
Infrastructure and planning	(1.701)	(0.244)
Total	(6.052)	(4.678)

*Restated to reflect new CIES structure

35.4 Capital Grant Creditors and Grants Received in Advance

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

	2016/17 31 March £m	2015/16 31 March £m
Grants Receipts in Advance - Capital Grants		
Infrastructure and planning		
ERDF - Navigational Overlay Service Funding	(0.012)	(0.012)
Trading Accounts		
Water/Sewerage Grant	(0.719)	(0.871)
Services to Our Community		
Education Grants	(0.409)	-
Strategic Development and Finance		
Dune Management	(0.095)	-
Total	(1.235)	(0.883)

35.5 Revenue Grant Creditors and Grants Received in Advance

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

	2016/17 31 March £m	2015/16 31 March £m
Grants Receipts in Advance - Revenue Grants		
Services to Our Community		
Isles of Scilly Education Grant	(0.038)	(0.202)
Infrastructure and planning		
Waste Strategy Management	-	(0.856)
Total	(0.038)	(1.058)

Note 36 Related Parties

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

36.1 Central Government

Central government has significant influence over the general operations of the Authority and is responsible for providing the statutory framework within which the Authority operates. Central Government provides the majority of our funding in the form of grants and they prescribe the terms of many of the transactions that our Authority has with other parties (e.g. council tax bills, housing benefits). Grants received from government departments are set out in the subjective analysis in Note 8. Grant receipts outstanding at 31st March 2017 are shown in Note 35.

36.2 Members

Members of the Council have direct control over the Council's financial and operating policies. The Council's constitution requires Members to declare their interests in related parties in a register of interests and they are asked to declare their interests during Committee meetings. These Declarations are maintained by the Authority's Administration team, and can also be found online on the Council's website in minutes of Committee Meetings. During 2016/17, payments for works and services to the value of £0.436m (2015/16 - £0.417m) were commissioned from companies, organisations or individuals in which 13 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 31 to the accounts.

36.3 Officers

Officers are required to declare their interests in the register of interests and during committee meetings when in attendance. During 2016/17 payments of £0.010m (2015/16 - £0.017m) were made to companies, organisations or individuals in which four declaration of interests were made by Officers. These payments were made in compliance with the Council's Financial Regulations.

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

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

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

Devon and Cornwall Police Authority raise a precept upon the Council for sums collected by the Council Tax. This precept is shown within the Collection Fund Statement in Note 41.

As a member of the Local Government Pension Scheme, the Council paid employer's contributions to Cornwall Council during the year. This contribution is shown within Note 40 - 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 £0.147m (2015/16 - £0.119m) is comprised of £0.116m DEFRA grant (2015/16 - £0.085m) and £0.031m contributions from members of the AONB Partnership (2015/16 - £0.034m).

The Council administers travel and accommodation grants for children aged over 16 to enable them to pursue higher education on the mainland. During 2016/17 travel and accommodation grants totalled £0.159m (2015/16 - £0.182m).

The Council works with the Kernow CCG on integrating health care and social care. In 2016/17, the Council received £0.065m (2015/16 - £0.054m) in Better Care Funding from Kernow CCG to assist towards integration of health and social care.

Note 37 Capital Expenditure and Capital Financing

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

	2016/17 £m	2015/16 £m
Opening capital financing requirement	5.340	5.464
Capital investment		
Property, Plant and Equipment	2.473	3.229
Intangible Assets	0.008	-
Investment Property	-	0.004
De-minimis Capital Expenditure Written Out to Revenue	0.068	-
Revenue Expenditure Funded from Capital under Statute	0.046	0.023
Sources of finance		
Capital receipts	-	(0.080)
Government grants and contributions	(0.920)	(2.467)
Sums set aside from revenue:		
Direct revenue contributions/specific reserves	(1.675)	(0.614)
MRP/loans fund principal	(0.108)	(0.219)
Disposal of assets previously acquired under finance leases	(0.003)	-
Other adjustments	(0.089)	-
Closing capital financing requirement	5.140	5.340
Explanation of movements in year		
Increase in underlying need to borrow (unsupported by government financial assistance)	-	0.095
Disposal of assets previously acquired under finance leases	(0.003)	-
Other adjustments	(0.089)	-
Less MRP payments (see above)	(0.108)	(0.219)
Increase/(decrease) in capital financing requirement	(0.200)	(0.124)

Note 38 Leases

38.1 Authority as Lessee

Finance Leases

During 2016/17 the Authority's finance leases were reviewed and found to relate to land leased in, these have now been reclassified as operating leases and included under the operating lease note below. This has resulted in the balance sheet values being written out as shown in the following table:

	31 March 2017 £m	31 March 2016 £m
General Fund Properties	-	0.470
Other Land & Buildings	-	0.468
	-	0.938

Operating Leases

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

	31 March 2017 £m	31 March 2016 £m
Not later than one year	0.035	0.023
Later than one year and not later than five years	0.025	-
	0.060	0.023

The minimum lease payments charged in the CIES during the year in relation to the assets was £0.041m (2015/16 - £0.023m).

38.2 Authority as a Lessor

Finance leases

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

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

	31 March 2017 £m	31 March 2016 £m
Finance lease debtor		
(net present value of minimum lease payments):		
current	0.033	0.033
non-current	0.121	0.117
Unearned finance income	0.484	0.510
Unguaranteed residual value of property	0.230	0.230
Gross investment in the lease	0.868	0.890

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

	Gross Investment in the Lease		Minimum Lease Payments	
	31 March 2017 £m	31 March 2016 £m	31 March 2017 £m	31 March 2016 £m
Not later than one year	0.045	0.044	0.033	0.033
Later than one year and not later than five years	0.181	0.177	0.110	0.110
Later than five years	0.411	0.438	0.266	0.287
	0.637	0.659	0.409	0.430

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

Operating Leases

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

	31 March 2017 £m	31 March 2016 £m
Not later than one year	0.065	0.056
Later than one year and not later than five years	0.023	0.035
	0.088	0.091

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 39 Teachers' Pensions

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

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

The scheme has in excess of 3,700 participating employers and consequently the Authority is not able to identify its share of the underlying financial position and performance of the scheme with sufficient reliability for accounting purposes. For the purposes of this Statement of Accounts, it is therefore accounted for on the same basis as a defined contribution scheme. As a proportion of the total contributions into the Teachers' Pension Scheme during the year ending 31 March 2017, the Authority's own contributions equate to approximately 63% (2015/16 – 62%).

In 2016/17, the Authority paid £0.181m (2015/16 - £0.170m) to Capita Teachers' Pensions in respect of teachers' retirement benefits, representing 16% of pensionable pay (2015/16 – 16%). There were no contributions remaining payable at the year end. The contributions due to be paid in the next financial year are estimated to be £0.247m.

The Authority is responsible for the costs of any additional benefits awarded upon early retirement outside of the terms of the teachers' scheme. These costs are accounted for on a defined benefit basis and detailed in Note 40.

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

Note 40 Local Government Pension Scheme

40.1 Participation in Pension Schemes

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

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

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

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

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

40.3 Transactions Relating to Post-Employment Benefits

The Authority recognises the cost of retirement benefits in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge the Authority is required to make against Council Tax is based on the cash payable in the year, so the real cost of post-employment/retirement benefits is reversed out of the General Fund via the 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 Restated*		Firefighters Pension Arrangements Restated*	
	31 March 2017 £m	31 March 2016 £m	31 March 2017 £m	31 March 2016 £m
Comprehensive Income and Expenditure Statement				
Cost of Services:				
Current Service Cost	0.823	1.006	0.034	0.046
Past Service Costs	-	-	-	0.055
Financing and Investment Income and Expenditure				
Net interest on the net defined benefit liability (asset)	0.291	0.309	0.027	0.014
Total Post-employment Benefits charged to the Surplus or Deficit on the Provision of Services	1.114	1.315	0.061	0.115
Other Post-employment Benefits Charged to the Comprehensive Income and Expenditure Statement				
Remeasurement of the net defined benefit liability comprising:				
Return on plan assets (excluding the amount included in the net interest expense)	(1.591)	0.859	-	-
Actuarial gains and losses arising on changes in demographic assumptions	(0.159)	-	0.007	(0.002)
Actuarial gains and losses arising on changes in financial assumptions	3.893	(2.391)	0.335	(0.088)
Other experience	0.178	(0.241)	0.078	(0.011)
Total Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement	3.435	(0.458)	0.481	0.014
Movement in Reserves Statement				
Reversal of net charges made to the Surplus or Deficit on the Provision of Services for post-employment benefits in accordance with the Code	(1.114)	(1.315)	(0.061)	(0.115)
Actual amount charged against the General Fund Balance for pensions in the year:				
Employers' contributions payable to scheme	0.794	0.771	(0.013)	0.004

*Balances restated in new note format

40.4 Pensions Assets and Liabilities Recognised in the Balance Sheet

	Local Government Pension Scheme		Firefighters Pension Arrangements	
	2016/17 £m	2015/16 £m	2016/17 £m	2015/16 £m
Present value of the defined benefit obligation	(27.607)	(22.619)	(0.913)	(0.419)
Fair value of plan assets	16.649	14.302	-	-
Sub-total	(10.958)	(8.317)	(0.913)	(0.419)
Net liability arising from defined benefit obligation	(10.958)	(8.317)	(0.913)	(0.419)

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

	Local Government Pension Scheme		Firefighters Pension Arrangements	
	2016/17 £m	2015/16 £m	2016/17 £m	Restated* 2015/16 £m
Opening fair value of scheme assets	14.302	14.341	-	-
Interest Income	0.505	0.465	-	-
Remeasurement gain/(loss):				
The return on plan assets, excluding the amount included in the net interest expense	1.591	(0.859)	-	-
Contributions from employer	0.794	0.771	(0.013)	0.004
Contributions from employees into the scheme	0.237	0.237	0.016	0.014
Benefits paid	(0.780)	(0.653)	(0.003)	(0.018)
Closing fair value of scheme assets	16.649	14.302	-	-

* to reflect the actuary report

40.6 Reconciliation of Present Value of the scheme Liabilities

	Funded Liabilities Local Government Pension Scheme		Unfunded Liabilities Firefighters Pension Arrangements	
	2016/17 £m	2015/16 £m	2016/17 £m	Restated* 2015/16 £m
Opening balance at 1 April	(22.619)	(23.887)	(0.419)	(0.409)
Current service cost	(0.823)	(1.006)	(0.034)	(0.046)
Interest income	(0.796)	(0.774)	(0.027)	(0.014)
Contributions from scheme participants	(0.237)	(0.237)	(0.016)	(0.014)
Remeasurement (gains) and losses:				
Actuarial gains/losses arising from changes in financial assumptions	(3.893)	2.391	(0.335)	0.088
Actuarial gains/losses arising from changes in demographic assumptions	0.159	-	(0.007)	0.002
Other Experience	(0.178)	0.241	(0.078)	0.011
Past service cost	-	-	-	(0.055)
Benefits paid	0.780	0.653	0.003	0.018
Closing balance at 31 March	(27.607)	(22.619)	(0.913)	(0.419)

* to reflect the actuary report

40.7 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 2017 £m	Restated* 31 March 2016 £m	31 March 2017 £m	Restated* 31 March 2016 £m
Cash and cash equivalents	0.299	0.199	-	-
Private Equity:				
All	-	-	0.606	0.503
Sub total private equity	-	-	0.606	0.503
Other Investment funds:				
Infrastructure	-	-	0.684	0.496
Equities	4.825	3.952	0.409	0.336
Bonds	1.641	3.965	-	-
Hedge Funds	-	1.126	1.119	-
Other	2.713	-	1.348	0.964
Sub total other investment funds	9.179	9.043	3.560	1.796
Derivatives:				
Inflation	-	-	3.005	2.761
Sub total derivatives	-	-	3.005	2.761
Total assets	9.478	9.242	7.171	5.060

* to reflect the actuary report

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

The significant assumptions used by the actuary have been:

	Local Government Pension Scheme		Firefighters Pension Arrangements	
	31 March 2017	31 March 2016	31 March 2017	31 March 2016
Long-term expected rate of return on assets in the scheme:				
Equity investments	14.7%	-2.7%		
Bonds	14.7%	-2.7%		
Other	14.7%	-2.7%		
Mortality Assumptions:				
Longevity at 65 for current pensioners:				
Men	22.1 years	22.2 years	30.2 years	29.7 years
Women	24.5 years	24.4 years	31.7 years	31.6 years
Longevity at 65 for future pensioners:				
Men	24.0 years	24.4 years	31.6 years	31.2 years
Women	26.4 years	26.8 years	33.2 years	33.2 years
Rate of inflation	2.4%	2.2%	3.4%	3.2%
Rate of increase in salaries	2.5%	4.2%	3.4%	3.2%
Rate of increase in pensions	2.4%	2.2%	2.4%	2.2%
Rate for discounting scheme liabilities	2.6%	3.5%	2.7%	3.6%

The Firefighters arrangement has no assets to cover its liabilities.

40.9 Sensitivity Analysis

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in note 40.8 above. The sensitivity analyses below have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all the other assumptions remain constant. The assumptions in longevity, for example, assume that life expectancy increases or decreases for men and women. In practice, this is unlikely to occur, and changes in some of the assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies for the scheme, i.e. on an actuarial basis using the projected unit credit method. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in the previous period.

	Local Government Impact on the Defined Benefit Obligation in the Scheme		Firefighters Impact on the Defined Benefit Obligation in the Scheme	
	Increase in Assumption £m	Decrease in Assumption £m	Increase in Assumption £m	Decrease in Assumption £m
Longevity (increase or decrease in 1 year)	-	-	0.017	(0.017)
Rate of inflation (increase or decrease by 0.5%)	2.450	(2.450)	0.054	(0.054)
Rate of increase in salaries (increase or decrease by 0.5%)	0.497	(0.497)	0.053	(0.053)
Rate of increase in pensions (increase or decrease by 0.5%)	2.450	(2.450)	0.054	(0.054)
Rate for discounting scheme liabilities (increase or decrease by 0.5%)	2.990	(2.990)	0.111	(0.111)

40.10 Impact on the Authority's Cash Flows

The objectives of the scheme are to keep employers' contributions at as constant a rate as possible. The Council has agreed a strategy with the scheme's actuary to achieve a funding level of 100% over the next 20 years. Funding levels are monitored on an annual basis. The next triennial valuation is due to be completed on the 31 March 2019.

The Council anticipated paying £0.812m in expected contributions to the scheme in 2016/17.

The weighted average duration of the defined benefit obligation for scheme members during 2016/17 is 19.5 years.

Note 41 Collection Fund

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

41.1 Collection Fund Income and Expenditure Statement

	2016/17 NNDR £m	2016/17 Council Tax £m	2016/17 Total £m	2015/16 NNDR £m	2015/16 Council Tax £m	2015/16 Total £m
Income						
Council tax receivable	-	(1.674)	(1.674)	-	(1.691)	(1.691)
Business rates receivable	(1.493)	-	(1.493)	(1.561)	-	(1.561)
Previous year deficit funded						
Central Government	(0.026)	-	(0.026)	-	-	-
Isles of Scilly	(0.026)	-	(0.026)	-	-	-
Total Income	(1.545)	(1.674)	(3.219)	(1.561)	(1.691)	(3.252)
Expenditure						
Apportionment of previous years surplus						
Isles of Scilly	-	-	-	0.010	-	0.010
Central Government	-	-	-	0.010	-	0.010
Precepts, demands and shares						
Central Government	0.839	-	0.839	0.797	-	0.797
Isles of Scilly	0.839	1.472	2.311	0.797	1.416	2.213
Devon and Cornwall Police Authority	-	0.233	0.233	-	0.224	0.224
Charges to Collection Fund						
Less: increase/(decrease) in impairment allowance for doubtful debts	0.003	0.005	0.008	0.010	0.007	0.017
Less: cost of collection	0.025	-	0.025	0.025	-	0.025
Less: provision for backdated appeals	0.026	-	0.026	0.067	-	0.067
Total Expenditure	1.732	1.710	3.442	1.716	1.647	3.363
(Surplus)/deficit for the year	0.187	0.036	0.223	0.155	(0.044)	0.111
Collection Fund balance brought forward	0.396	(0.058)	0.338	0.241	(0.014)	0.227
Collection Fund Balance carried forward	0.583	(0.022)	0.561	0.396	(0.058)	0.338

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

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

The Government specifies an amount to be collected, the multiplier, which for 2016/17 was 49.7p, reducing to 48.4p for properties in receipt of Small Business Rate Relief with a rateable value of £17,999 or less. The total rateable value for all non-domestic properties as at 31 March 2017 was £4.152m (2015/16 - £4.225m).

41.3 The Council Tax Base

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

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

Valuation Band	Dwellings on Valuation List	Adjusted Number of Dwellings per Band	Weighting Factor	Band D Equivalent Dwellings 2016/17
A	15	14	6/9	9
B	35	33	7/9	25
C	92	83	8/9	74
D	260	236	9/9	236
E	340	318	11/9	389
F	302	281	13/9	406
G	148	141	15/9	235
H	10	10	18/9	20
Total	1202	1116		1394
Less: Allowance for non-collection and Council Tax Support				74
Council Tax Base				1,320

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

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Glossary of Terms

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

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

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

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