

# **Audit Committee**

**Wednesday, 13 September 2017**

## **Additional Information**

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**2016/17**

**Swindon Borough Council & Group  
Statement of Accounts**

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## **Introduction by the Director of Finance**

The financial year 2016/17 continued to be challenging for the Council. As with all local authorities, Swindon needed to take some difficult decisions to balance the annual budget whilst looking to update the service foundations upon which the Authority is structured for the future. The outturn budget was balanced by the end of the year with social care costs and funding continuing to face significant service pressure.

Although the funding position will inevitably be tighter in the years ahead, the Council will continue to work to better the life chances of all its residents, albeit in different ways than it has been able to in the past. Work is being progressed through major change programmes that will help position the Council in a better place to respond to the challenges ahead. A key part of this will include actively promoting Swindon's economic growth to the benefit of local people and businesses, which will in turn help reduce reliance on local public services.

Mick Bowden

Director of Finance

May 2017

## **Narrative Report**

These accounts relate to the financial year ended 31 March 2017 and have been prepared in accordance with the Code of Practice on Local Authority Accounting in Great Britain (The Code). The Code is to be adopted by Local Authorities when publishing their accounts. The accounting convention adopted is historical cost, modified by the revaluation of certain categories of tangible property, plant and equipment (PPE) assets. Any diversion from the Code is stated where applicable.

## **Updates to the Accounts Required Under Changes to Accounting Practice**

There have been no changes to the accounts from changes to accounting practice, but the Comprehensive Income and Expenditure Statement has been restated to reflect changes in presentation. A new statement, showing Expenditure and Funding Analysis, has been added.

## **The Statements**

The financial statements follow recommended practice and are split between core statements of the authority and their notes, and supplementary statements.

## **Financial Overview**

Swindon Borough Council is a Unitary Council that, alongside its other core functions, also provides Council housing. It is required to account for its expenditure in three distinct categories:

- General Fund (GF) Revenue Account

This includes day-to-day expenditure on all services except those directly relating to council housing. Expenditure is financed mainly from government grant, (Formulae Grant, Dedicated Schools Grant (DSG)), other specific grants, fees & charges and Council Tax.

- Housing Revenue Account (HRA)

Included within this account is all expenditure on the day-to-day management of the Council's housing stock. Expenditure is principally funded from council house rents. HRA income cannot be used to fund GF services beyond the extent that it buys support from those services.

- Capital

All improvements and enhancements to the Council's long-term assets are included in this category. This expenditure is funded from the sale of capital assets, borrowing, Government grant support or contributions from developers/revenue. Capital funding cannot be used for revenue activities unless a capitalisation directive is authorised by the Secretary of State.

## **Financial Overview – The General Fund (GF)**

The net GF budget for the year was set at £135.2m. This excludes funding for schools, which is provided via the Dedicated Schools Grant (DSG).

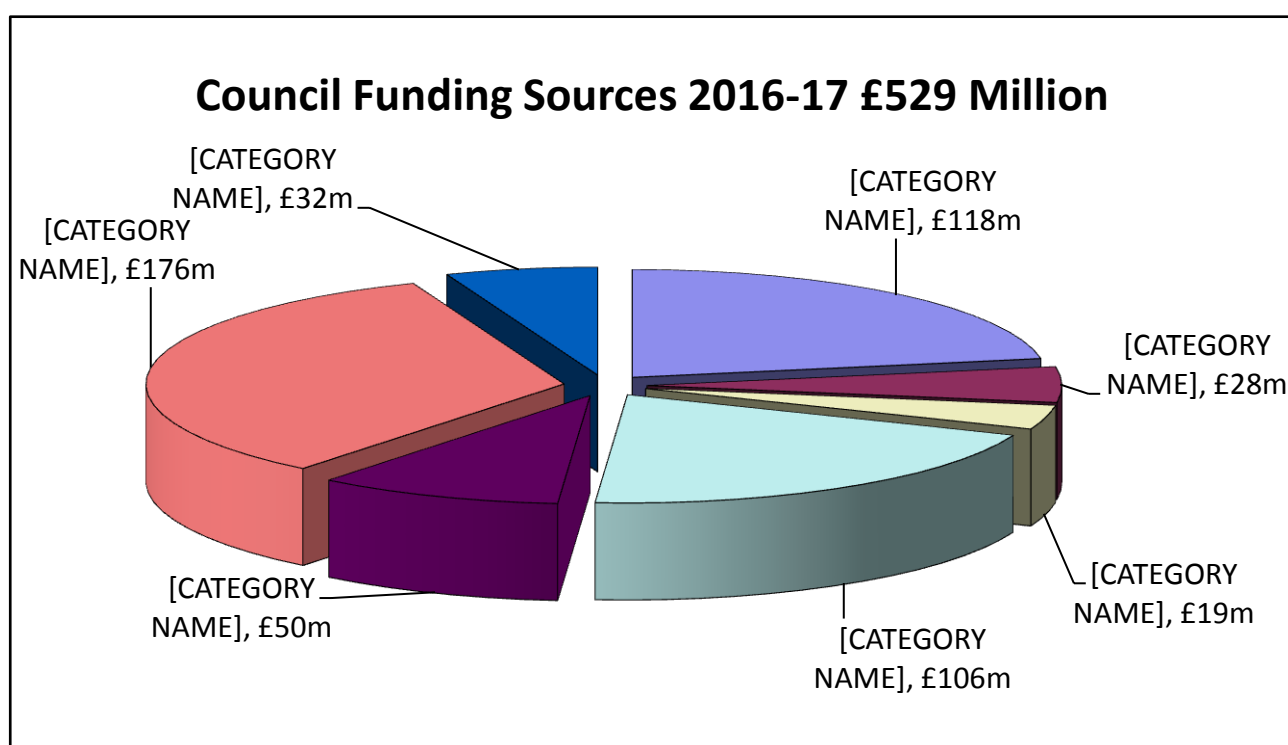
The overall budget was delivered but there remain variations within individual Service Areas.

The following table provides more detail on the outturn position for each of the Council's service areas.

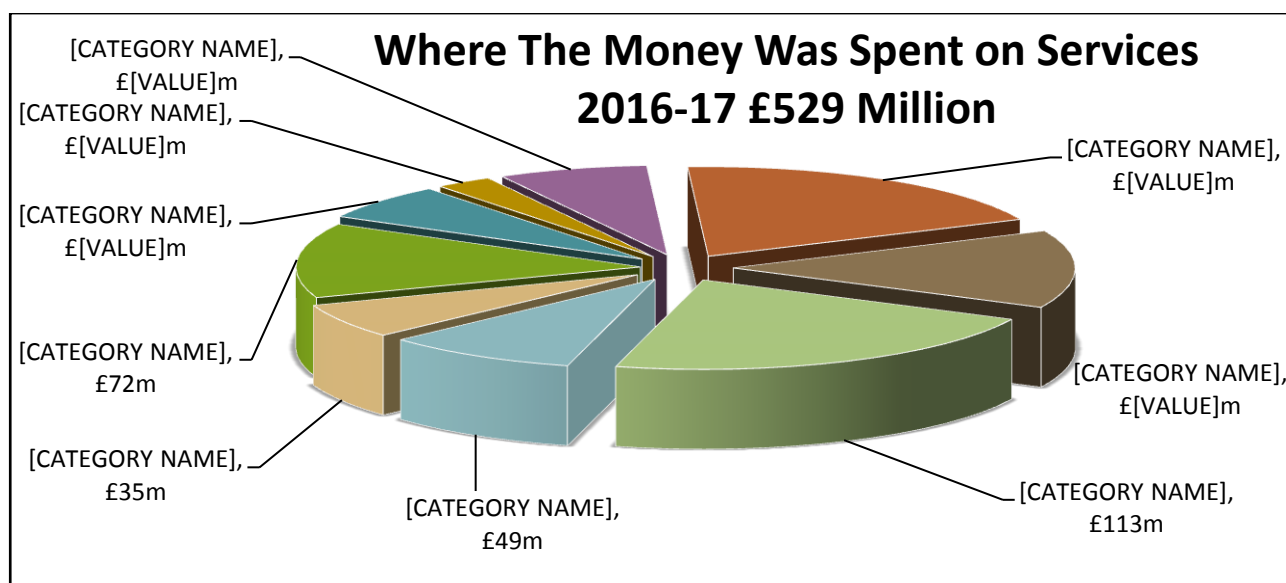


	Budget £000's	Actual £000's	Variance £000's
Chief Executive	4,226	3,946	(280)
Resources	20,037	18,750	(1,287)
Corporate	(15,289)	(24,226)	(8,937)
Economy	(871)	(658)	213
Children Services	26,391	28,132	1,741
Adult Services	72,595	77,563	4,968
Communities and Place	28,137	31,719	3,582
<b>Net Cost of General Fund Services (outturn)</b>	<b>135,226</b>	<b>135,226</b>	<b>0</b>
<i>Reconciliation to Comprehensive Income &amp; Expenditure Statement</i>			
Parish Precepts		2,224	
Net Corporate Income and Expenditure		33,221	
Net HRA, Capital, Reserves and other Appropriations in Net Cost of Services		26,959	
<b>Sub-total</b>		<b>197,630</b>	
Taxation and Non-Specific Grant Income		(165,004)	
<b>Net (Surplus)/Deficit For Year on Provision of services in CIES</b>		<b>32,626</b>	

The following charts analyse the main income flows to the Council in 2016/17, and the gross expenditure on services. Income includes grants funding revenue expenditure, HRA income,



service fees and charges, net corporate notional income streams and the transfer of capital grants.



### Financial Overview – The Collection Fund

The Council Tax Collection Fund is credited with Council Tax income and debited with Swindon Borough Council's budgeted call on the fund plus the precepts of the Fire and Police Authorities and Town and Parish Councils. The Fund is used to smooth the difference between the actual and budgeted amount of Council Tax collected each year. Any surplus or deficit on the Fund is reflected in the following year's Council Tax calculations.

A Business Rates Collection Fund account is also held within the overarching Collection Fund. In general terms this operates in the same way as the Council Tax Collection Fund account. The Collection Fund as a whole has a net surplus of £2m at 31 March 2017.

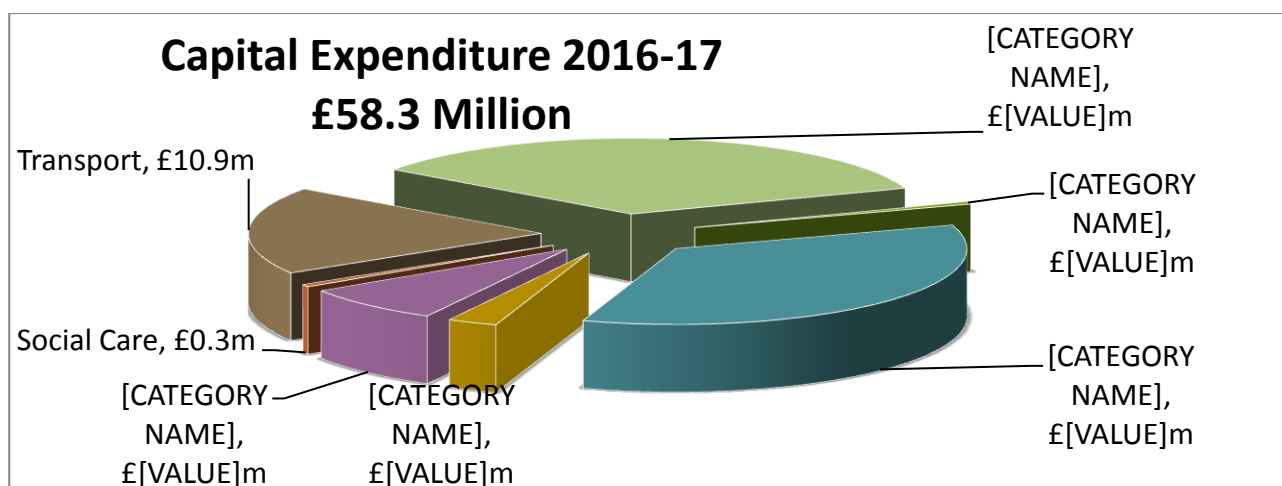
The accounting treatment for the Collection Fund means the Council shows only its own proportion of balances through the accounts on an agency basis. This does not change the Collection Fund itself, which is prescribed under statute, but does remove the overall Collection Fund balance from the Council's Balance Sheet. It is replaced by a Collection Fund Adjustment Account to account for the Authority's movement on the fund, and debtors or creditors for amounts owed to/from major preceptors.

### Financial Overview – The Housing Revenue Account (HRA)

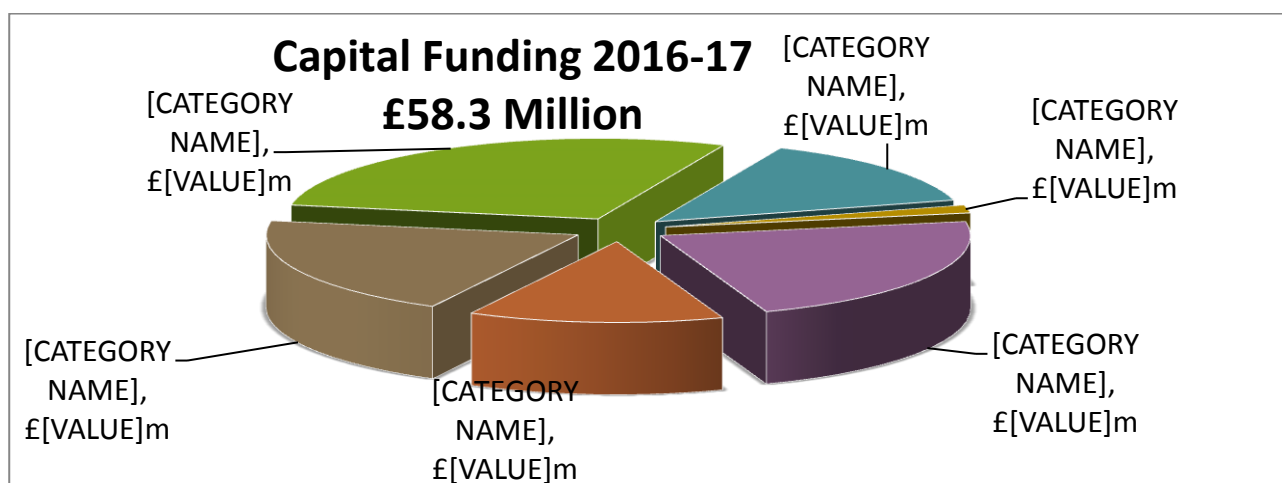
The HRA revenue budget overspent by £255k over the year. This was a combination of underspends including £472k in the area of Estate Management, £81k in Specialist Services (mainly service charge costs), £393k on Repairs and Maintenance, offset by an overspend of £1.201m on Capital Financing costs. Capital Reserves have increased from £21.1m to £23.0m, as reported in the outturn report to Cabinet. This sum comprises £4.0m of Right-to-Buy receipts held for new build which have increased by £1.8m in year. Council dwellings have increased on revaluation by almost £75m.

### Financial Overview – Capital Income & Expenditure

During the year, the Council incurred additional borrowing of £11.7m towards capital expenditure of £58.3m. This expenditure is analysed in the following chart into key service areas of the Council.



In-year borrowing contributes to total borrowing of £298m, inclusive of HRA debt, with a related capital finance requirement of £458m. This should be seen in the context of a non-current asset base of £1,182m.



## Financial Overview – Other Key Disclosures

### Pension Liability

The net pension liability as disclosed in the balance sheet, under International Accounting Standard 19 (IAS19) requirements, has decreased by £14m. The liability is reported as £292m (£306m for 2015/16). This decrease reflects the positive change within financial re-measurements.

As part of an arrangement for the group pension liability in 2011, the Authority held a financial asset on the Authority balance sheet, with a corresponding financial liability on that of the group company. After the disposal of the related company, this asset has been written out of the balance sheet.

### Major Asset Transfers

The Council continues to see transfer of schools into Academy status. Once transferred to Academy status the underlying assets are not classed as Council property but disposed of under long-term finance leasing at nil value. There was one such transfer in 2016/17.

## Business Combinations

The Authority is involved with three local developments which, although not having significant impact on the 2016/17 accounts, will affect the Borough more over future years. The main development is the planned joint venture for the Wichelstowe southern development area. This will see the creation of a joint venture company with a housing developer; the Authority contributing land and the developer funding the infrastructure and building the housing, which will then go for sale with split proceeds. This is expected to be combined as a joint venture in future accounts. The second development has been the creation of two energy production solar farm companies. The Authority owns the companies but limited trading in one means it is not currently a material concern for consolidation. The third development relates to the future establishment of a company for the construction of dwellings for sale or rent. It is expected that this company will be formed during the 2017/18 financial year.

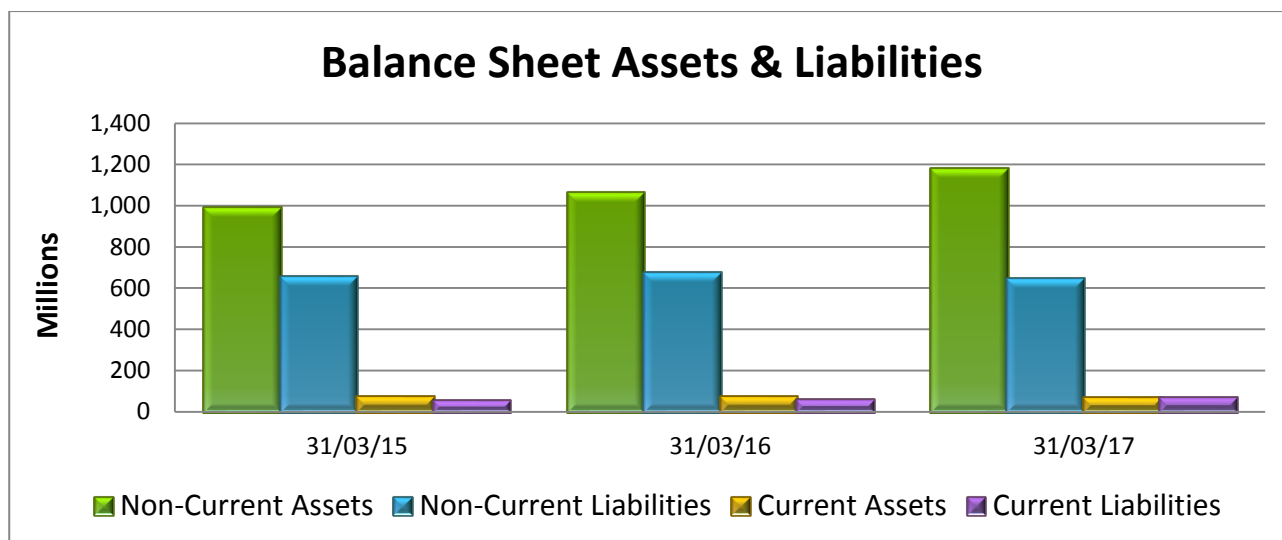
The Authority also disposed of Thamesdown Transport Limited, a previously long-term classified investment. The disposal has seen a number of related accounting transactions take place:

Transaction	Impact
Removal of the long-term investment	£1.489m asset written out of the balance sheet through profit or loss on disposal and reversed to the capital adjustment account.
Receipt of disposal proceeds	Disposal proceeds received as part of profit or loss on disposal and reversed to the useable capital receipts reserve.
Use of receipt	The receipt has been used to fund disposal costs of £510k and £1.2m of transformational project costs under flexible use of capital receipt regulations.
Pension asset reversal	The £6.981m pension asset relating to the subsidiary has been reversed to revenue, but has been negated by a similar transfer from the reserve created when the asset was set up.
Removal of the Passenger Transport Realisation Account	This £611k account has formed part of unusable reserves on the Authority balance sheet since the creation of the bus company, and now that the subsidiary has been sold has been transferred to the capital adjustment account.

## Financial Overview – Financial Outlook

At this point, the Council's balance sheet continues to be strong, with a relatively healthy level of reserves. These arose as a result of the Council accelerating its savings programme in prior financial years, from not fully utilising contingencies for in-year service provision, and having agreed underspends set aside for future use. General Fund reserves have fallen during 2016/17 and are expected to fall more quickly in future as the Council seeks to fund service transformation.

The non-current assets have increased due to a combination of the disposal of fewer material assets, noticeably schools to Academy status in recent years, and from the upward revaluation of other assets. The liabilities of the Council generally remain constant, with the pension liability being a specific and significant variable. The chart below shows the year-by-year values of main balance sheet categories.



Most Authorities also face challenging financial positions, and the changing relationship with Central Government may impact on future cash flows. At present much grant income received is from Central Government departments and future cashflows may be impacted if such income reduces, for example from Business Rate retention plans. This could be seen through removal of the greater certainty that such routine cashflows have provided this year. With the potential for future cashflow changes Treasury Management will continue to be important in ensuring that cash is available when needed.

### Use of Resources

The Council's vision is that, by 2030, Swindon will have all of the positive characteristics of a British city with one of the UK's most successful economies; a low-carbon environment with compelling cultural, retail and leisure opportunities and excellent infrastructure. It will be a model of well managed housing growth which supports and improves new and existing communities. Swindon will be physically transformed with existing heritage and landmarks complemented by new ones that people who live, work and visit here will recognise and admire. It will remain, at heart, a place of fairness and opportunity where people can aspire to and achieve prosperity, supported by strong civic and community leadership.

The Council has established the following priorities to ensure that it is using its limited resources to best effect in pursuit of delivering the vision for Swindon:

Priority 1 - Improve infrastructure and housing to support a growing, low-carbon economy

Priority 2 - Offer education opportunities that lead to the right skills and right jobs in the right places

Priority 3 - Ensure clean and safe streets and improve our public spaces and local culture

Priority 4 - Help people to help themselves while always protecting our most vulnerable children and adults

The Council has established an online performance dashboard, which sets out progress against the Council's priorities.

This can be accessed on the Council's website: <https://dashboard.swindon.gov.uk/>

## **Audit Report**

The draft accounts have to be approved by the 30 June by the Director of Finance; the Council's designated Section 151 Officer. They will be independently audited and published in their audited form by 30 September. The Council's auditors are Grant Thornton UK LLP.

## **Further Information**

If readers would like to know more about the accounts of the Council, please write to Mick Bowden, Director of Finance, Civic Offices, Swindon SN1 2JH, or email [mbowden@swindon.gov.uk](mailto:mbowden@swindon.gov.uk)

## Statement of Responsibilities for the Statement of Accounts

### The Council's Responsibilities

The Council is required:

To make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs (Section 151 of the Local Government Act 1972). During the financial year 2016/17, the designated officer was the Head of Finance.

To manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.

### The Officer's Responsibilities

The Director of Finance had the responsibility to ensure that these final accounts were prepared in accordance with best practice. The Code of Practice on Local Authority Accounting in Great Britain ("the Code") requires the Statement to give a true and fair view of the financial position of the authority at the accounting date and its income and expenditure for the year ended 31st March 2017.

In preparing this Statement of Accounts, the Director of Finance:

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

The Director of Finance also:

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

### Approval of the Accounts

I certify that the above responsibilities have been accounted for in the production of these statements and that they give a true and fair view of the financial position of the authority at 31 March 2017.

Signed:

Date:

Mick Bowden, Director of Finance

### Approval of the Final Accounts

The Council's Audit Committee, being the relevant body within the Authority for such purpose, approved the final accounts on the date below. The dates of approval are also taken as the dates that the accounts were authorised for issue.

Signed:

Date:

Chair of Audit Committee

## Main Statements

### Comprehensive Income and Expenditure Statement (CIES)

This statement summarises the income and expenditure on all functions of the Authority and shows the accounting 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.

		2015/16 Restated	2015/16 Gross Expenditure £000	2015/16 Gross Income £000	2015/16 Net Expenditure £000	2016/17 Gross Expenditure £000	2016/17 Gross Income £000	2016/17 Net Expenditure £000
Note	Continuing Operations:							
	Chief Executive		72,011	(69,642)	2,369	71,415	(66,437)	4,978
	Resources		30,537	(16,272)	14,265	35,556	(15,285)	20,271
	Economy		23,049	(12,520)	10,529	14,039	(12,083)	1,956
	Children Services		37,065	(8,407)	28,658	37,125	(8,206)	28,919
	Adult Services		132,982	(71,335)	61,647	101,054	(47,153)	53,901
	Communities and Place		81,918	(19,532)	62,386	73,918	(25,066)	48,852
9	DSG Commissioning		112,618	(109,356)	3,262	112,764	(108,072)	4,692
45	Housing Revenue Account		46,725	(49,585)	(2,860)	48,593	(49,977)	(1,384)
	<b>(Surplus) / Deficit on Continuing Operations</b>		<b>536,905</b>	<b>(356,649)</b>	<b>180,256</b>	<b>494,464</b>	<b>(332,279)</b>	<b>162,185</b>
7	Other operating expenditure				24,120			11,610
8	Financing & investment (income)/expenditure				16,571			23,835
10	Taxation and non-specific grant income				(157,821)			(165,004)
	<b>(Surplus) / Deficit on Provision of Services</b>				<b>63,126</b>			<b>32,626</b>
12	(Surplus) / Deficit on revaluation of PPE assets				(78,330)			(134,194)
25	Re-measurements on pension assets / liabilities				(34,884)			(24,979)
	<b>Other Comprehensive Income and Expenditure</b>				<b>(113,214)</b>			<b>(159,173)</b>
	<b>Total Comprehensive Income and Expenditure</b>				<b>(50,088)</b>			<b>(126,547)</b>



## Movement in Reserves Statement (MiRS)

This statement shows the movements between the CIES revenue account and balance sheet 'usable reserves' (i.e. revenue and capital reserves that can be applied to fund relevant 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. The 'General Fund Balance' column shows that after accounting adjustments and reserve transfer the General Fund remained unchanged at £6m.

	General Fund Balance £000	HRA £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000
<b>1 April 2016</b>	<b>(66,524)</b>	<b>(12,630)</b>	<b>(14,181)</b>	<b>(18,879)</b>	<b>(21,316)</b>	<b>(133,530)</b>	<b>(271,404)</b>	<b>(404,934)</b>
(Surplus) / Deficit on Service provision	23,560	9,066	-	-	-	32,626	0	32,626
Other (Income) / Exp.	-	-	-	-	-	0	(159,173)	(159,173)
Total Comprehensive (Income) / Exp.	23,560	9,066	0	0	0	32,626	(159,173)	(126,547)
Adjusts between accounting & funding basis (note 11)	(8,878)	(8,893)	(4,686)	(125)	1,409	(21,173)	21,173	0
Net (Increase)/ Decrease before Reserves	14,682	173	(4,686)	(125)	1,409	11,453	(138,000)	(126,547)
Transfers to / (from) Other Reserves	(1,279)	0	1,279	0	0	0	0	0
(Increase)/ Decrease in-year	13,403	173	(3,407)	(125)	1,409	11,453	(138,000)	(126,547)
<b>31 March 2017</b>	<b>(53,121)</b>	<b>(12,457)</b>	<b>(17,588)</b>	<b>(19,004)</b>	<b>(19,907)</b>	<b>(122,077)</b>	<b>(409,404)</b>	<b>(531,481)</b>

Restated	General Fund Balance £000	HRA £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000
Adjustment to b/f							(386)	(386)
<b>1 April 2015</b>	<b>(72,402)</b>	<b>(12,541)</b>	<b>(14,156)</b>	<b>(20,055)</b>	<b>(28,969)</b>	<b>(148,123)</b>	<b>(206,723)</b>	<b>(354,846)</b>
(Surplus) / Deficit on Service provision	60,137	2,989	-	-	-	63,126	0	63,126
Other (Income) / Exp.	-	-	-	-	-	0	(113,214)	(113,214)
Total Comprehensive (Income) /Exp.	60,137	2,989	-	-	-	63,126	(113,214)	(50,088)
Adjusts between accounting & funding basis (note 11)	(54,259)	(3,078)	(25)	1,176	7,653	(48,533)	48,533	0
Net (Increase)/ Decrease before Reserves	5,878	(89)	(25)	1,176	7,653	14,593	(64,681)	(50,088)
Transfers to / (from) Earmarked Reserves	-	-	-	-	-	0	0	0
(Increase)/Decrease in-year	5,878	(89)	(25)	1,176	7,653	14,593	(64,681)	(50,088)
<b>31 March 2016</b>	<b>(66,524)</b>	<b>(12,630)</b>	<b>(14,181)</b>	<b>(18,879)</b>	<b>(21,316)</b>	<b>(133,530)</b>	<b>(271,404)</b>	<b>(404,934)</b>

## Balance Sheet

This statement shows the balance sheet assets and liabilities of the Council at the 31 March. The net assets of the authority (assets less liabilities) are matched by the reserves held by the authority. Reserves are reported in two categories; those that are useable 'cash-backed' reserves and can be used in funding revenue or capital spend, and those that are unusable for funding and represent as yet unrealised gains and losses.

Note		31st March 2016 £000	31st March 2017 £000
12	Property, Plant & Equipment (non-dwellings)	655,139	710,565
12/46	Council dwellings	325,880	401,462
13	Heritage	28,942	29,000
14	Investment property	14,940	14,396
53	Long term investments	29,684	25,962
17	Long Term debtors	8,274	1,420
	<b>Total Non-Current Assets</b>	<b>1,062,859</b>	<b>1,182,805</b>
41	Short term investments	38,417	31,421
	Inventories & Work in Progress	1,239	1,192
18	Short term debtors	18,835	26,957
41	Cash & Cash equivalents	15,112	2,150
	Assets held for sale (current)	745	745
	<b>Current Assets</b>	<b>74,348</b>	<b>62,465</b>
41	Short term borrowing	(14,181)	(20,501)
19	Short term creditors	(42,214)	(41,246)
20	Provisions (short term)	(1,544)	(1,337)
	<b>Current Liabilities</b>	<b>(57,939)</b>	<b>(63,084)</b>
41	Long term borrowing	(279,256)	(277,755)
38	Long term creditors	(52,810)	(51,280)
20	Provisions (long term)	(9,693)	(9,075)
40	Pension Asset/Liability	(305,915)	(291,868)
10	Capital Grants receipts in advance	(26,660)	(20,727)
	<b>Non-Current Liabilities</b>	<b>(674,334)</b>	<b>(650,705)</b>
	<b>Net Assets</b>	<b>404,934</b>	<b>531,481</b>
MiRS*	Usable Reserves	(133,530)	(122,077)
22-26	Unusable Reserves	(271,404)	(409,404)
	<b>Total Reserves</b>	<b>(404,934)</b>	<b>(531,481)</b>

\*MiRS – Movement in Reserves Statement

The unaudited accounts were issued on 31 May 2017.

M Bowden

**Mick Bowden**

Head of Finance and S151 Officer

## 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. 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.

Note		2015/16 £'000	2016/17 £'000
	Net surplus or (deficit) on the provision of services	(63,126)	(32,626)
27	Adjustments to net surplus or deficit on the provision of services for non-cash movements	121,263	74,530
27	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	(20,563)	(30,947)
	<b>Net cash flows from Operating Activities</b>	<b>37,574</b>	<b>10,957</b>
28	Investing Activities	(77,941)	(27,232)
29	Financing Activities	36,540	3,313
	<b>Net increase or (decrease) in cash and cash equivalents</b>	<b>(3,827)</b>	<b>(12,962)</b>
	Cash and cash equivalents at the beginning of the reporting period	18,939	15,112
	<b>Cash and cash equivalents at the end of the reporting period</b>	<b>15,112</b>	<b>2,150</b>

## NOTES TO THE ACCOUNTS

### 1. Accounting Standards That Have Been Issued but Have Not Yet Been Applied

There are no changes to IFRSs that are expected to be adopted by the 2017/18 Code that will be reflected within these financial statements after 1<sup>st</sup> April 2017.

### 2. Critical Judgements in Applying Accounting Policies

Despite the publication of a four year funding settlement for local government in December 2015, there remains a degree of uncertainty about future levels of funding for individual local authorities. The Authority has determined that this uncertainty is not 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. The Authority continues to review service provision and whether all services currently provided should continue to be provided.

The Authority is deemed to control the services provided under the agreement for school provision in seven PFI schools and also to control the residual value of the buildings at the end of the agreement. The accounting policies for PFI schemes and similar contracts have been applied to the arrangement and the schools are recognised as Property, Plant and Equipment on the Authority's Balance Sheet. However, with on-going transfers of schools to Academy status, the authority is left with no relevant asset, but still holds the long-term liability. Schools are charged each year for their own contribution to the PFI costs, both before and after Academy transfer where relevant. As the schools continue to contribute their share of funding, there is no indicator that this change results in an onerous contract.

In its role as a local education authority the Council oversees a range of Voluntary Aided (three schools) and Voluntary Controlled (two schools) schools. The different form of school affects the make-up of their governing body, the admissions policy, funding arrangements and the legal ownership of assets. The conclusion of a national review on such schools' assets was the expectation that these assets would part of Local Authority balance sheets. From consideration of the information available it has been concluded that the limited involvement of the Authority in the schools' operations, and its lack of ownership of the school assets results in the local position being that such assets of such schools should be off balance sheet.

Academy schools within the borough operate under a long term lease of their assets and are funded independently of the Council. The Council has therefore continued to remove the value of Academy school assets from its carrying-value of property, plant and equipment. These schools have transferred out of local authority control and the assets that form part of the academy transfer are no longer accounted for as having ownership value, effectively a nil-value finance lease.

The annual revaluations programme for long-term assets ensures that the highest value assets are considered for change in valuation at a greater frequency than less material items. This position means that valuation changes to significant assets, which are more likely to have a material impact on the balance sheet, are captured at an earlier point. This may mean that some assets are revalued no more frequently than the maximum five-yearly period allowed, however, any change to their value would have less impact than to major assets. In constructing their valuations the Authority's in-house valuers base decisions on the latest information available at the time of calculation, however, there is an accepted tolerance to valuation changes at the balance sheet

date for material correctness. As part of the revaluation process valuers provide estimation on the valuation change of assets not formally revalued, and on the change in year of assets valued as at 1<sup>st</sup> April. These valuations provide for the balance sheet to be materially correct at the balance sheet date but do not apply to individual assets, and as such depreciation applied on this revaluation is a notional amount, but is not material.

The Authority transferred the operating of its leisure services to third party providers in 2014/15. Review of the status of the long-term assets connected with the transfer concluded that they should remain on the Local Authority balance sheet as operational assets. This is in line with requirements of the Code, where assets are leased for the provision of services.

The classification of investment assets under the Code is strict, relating only to items that are held solely for income generation or capital appreciation. For the Council, historic assets of the General Fund that have brought in income are not held solely for this purpose, but also for regeneration, community benefit, and employment benefits, amongst others, and have therefore not been classified as investments.

As part of the accounting for the Collection Fund the Authority is required to assess a relevant provision for successful business rate appeals. This provision is based upon known factors, such as the number of appeals made and estimates of what proportion of appeals could be successful. No provision has been made for appeals not yet lodged, as there is no awareness of what may be appealed in future, and these remain as contingent liabilities.

The calculation for assets and liabilities valued at fair value is based upon data provided to third party treasury specialists, but which give reference to the relevant redemption or new loan rate for PWLB borrowing.

The Authority is party to an aligned budget arrangement with the Swindon Clinical Commissioning Group (CCG). The agreement between the two bodies was reviewed and discussion had with stakeholders in agreeing that it was an aligned budget and not a pooled budget, meaning that the Authority accounts for the gross costs and income through its accounts.

The overriding concept of materiality has been applied in the production of these accounts. This involves both the judgement of materiality in the application of transactions for accruals, and in the presentation of disclosures that relate to the accounting statements. Statutory notes are not affected.

### **3. The Impact of Prior Period Adjustments**

There have been no prior period adjustments to these accounts for changes in accounting policy, but figures have been restated to comply with presentational changes to statements. The following tables show how balances have been merged for the new presentational formats.

The CIES has seen the previous service expenditure code of practice headings replaced with internal management reporting service headings. The movements are as below with new CIES service totals shown to the base of the table.

	2015/16								
	Net Expenditure	Chief Executive	Resources	Economy	Children Services	Adult Services	Communi- ties and Place	DSG Commis- sioning	Housing Revenue Account
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>SERCOP Services</b>									
Central Services to the public	1,748	2,362	(1,683)	(28)	0	168	929	0	0
Corporate and democratic core	4,833	0	4,833	0	0	0	0	0	0
Non Distributed costs	(1,690)	0	(1,690)	0	0	0	0	0	0
Cultural and Related Services	11,427	0	0	1,393	0	162	9,872	0	0
Environmental Services	20,711	(578)	0	76	0	4,972	16,241	0	0
Planning & Development	13,391	0	0	10,493	0	0	2,898	0	0
Children & Education Services	39,823	0	(4,524)	426	37,878	546	3,499	1,998	0
	0	0	0	0	0	0	0	0	0
Highways, Roads and Transport	30,377	0	0	0	0	0	30,377	0	0
Housing General Fund Services	5,969	794	0	0	0	3,111	2,064	0	0
Housing Revenue Account	(2,860)	0	0	0	0	0	0	0	(2,860)
Adult Social Care	57,407	266	235	35	660	56,211	0	0	0
Public Health	(1,002)	0	0	0	0	(1,002)	0	0	0
<b>Net Cost of Services</b>	<b>180,134</b>	<b>2,844</b>	<b>(2,829)</b>	<b>12,395</b>	<b>38,538</b>	<b>64,168</b>	<b>65,880</b>	<b>1,998</b>	<b>(2,860)</b>
Financing and Investment Income and Expenditure (Internal Trading Services)	16,693	0	0	20	0	0	102	0	0
Reallocate Support Service Recharges		(475)	17,094	(1,886)	(9,880)	(2,521)	(3,596)	1,264	0
<b>Total to New CIES Services</b>		<b>2,369</b>	<b>14,265</b>	<b>10,529</b>	<b>28,658</b>	<b>61,647</b>	<b>62,386</b>	<b>3,262</b>	<b>(2,860)</b>

The Movement in Reserves (MiRS) has seen the removal of specific reserves columns, and although the Code allows for the removal of provision of service and reserve transfer lines, they have been kept for clarity. The following table shows the original 2015/16 columns within the MiRS, and the revised totals included within the restatement.

	Original General Fund Balance £'000	Original Earmarked GF Reserves £'000	Restated General Fund Balance £'000	Original HRA £'000	Original Earmarked HRA Reserves £'000	Restated HRA Balance £'000
<b>Balance at 31 March 2015</b>	<b>(6,000)</b>	<b>(66,402)</b>	<b>(72,402)</b>	<b>(9,421)</b>	<b>(3,120)</b>	<b>(12,541)</b>
Surplus / (deficit) on provision of services	60,137	0	60,137	2,989	0	2,989
Other Comprehensive Income and Expenditure	0	0	0	0	0	0
<b>Total Comprehensive Income and Expenditure</b>	<b>60,137</b>	<b>0</b>	<b>60,137</b>	<b>2,989</b>	<b>0</b>	<b>2,989</b>
Adjustments between accounting basis & funding basis under regulations	(54,259)	0	(54,259)	(3,078)	0	(3,078)
Net Increase/Decrease before Transfers to Earmarked Reserves	5,878	0	5,878	(89)	0	(89)
Transfers to/from Earmarked Reserves	(5,878)	5,878	0	(1,788)	1,788	0
Increase/Decrease in year	0	5,878	5,878	(1,877)	1,788	(89)
<b>Balance at 31 March 2016</b>	<b>(6,000)</b>	<b>(60,524)</b>	<b>(66,524)</b>	<b>(11,298)</b>	<b>(1,332)</b>	<b>(12,630)</b>

#### 4. Assumptions Made About the Future & Other Major Sources of Estimation Uncertainty

The Statement of Accounts contains figures that are based on assumptions made by the Authority about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be different from the assumptions and estimates.

The items in the Authority's Balance Sheet at 31 March for which there is a significant risk of material adjustment in the forthcoming financial year are highlighted in the following table.



Item	Uncertainties	Effect if Results Differ from Assumptions
Property, Plant and Equipment	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. Assets are valued based on valuation estimates and assumptions at a point in time but market conditions can fluctuate.	If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls. Assets may be under or over-valued but should be within valuation tolerances acceptable to valuers.
Provisions	The Authority makes a provision to provide for self-insurance. This is calculated to cover the Council's costs should successful significant claims be made against the Authority. On past experience the value of claims paid requires less annual contribution to the provision. The level of provision which is classified as short-term (75%) is based upon the experience of claims of the insurance service.	An increase in the forthcoming year in the number of claims processed could see a need to increase the provision beyond that budgeted, which would impact on the general fund balance. The overall provision should provide the necessary cover for claims and there should be no impact to the general fund.
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements, advised by actuaries, 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.	Changes to the pension liability can be complex with a variety of items that may cause impact on the balance sheet or revenue statement with either a positive or negative change.
Private Finance Initiative (PFI)	The PFI scheme balances are based upon a series of modelled cash-flows. Variation to cash-flows and changes to the forecast percentage changes can have a material effect on the liability due to the length of time the scheme is in place for.	The balance sheet value of liabilities would be under or over-stated.

## 5. Material Items of Income and Expense

A number of material items are included within the Comprehensive Income and Expenditure Statement (CIES) surplus or deficit, that relate to the below:

Items	Explanation
<b>2016/17</b>	
Disposal of Thamesdown Transport Limited	At the start of February 2017 the Authority sold it's shareholding of Thamesdown Transport Limited – the bus company formed under the 1986 Transport Act. This has seen the receipt of disposal proceeds which have gone towards covering costs of disposal, with the balance taken to reserves. As part of the disposal various accounting adjustments have been made to write out balances, of which the most significant is the prior pension-related asset of £6.9m. The cost of the asset write-down has been matched by reserve transfer, meaning a net-nil impact to revenue outturn.
<b>2015/16</b>	
	There are considered to be no material items outside of typical service spend or capital recharges in 2015/16.

Within the net cost of services of the CIES there are variances between years on service expenditure and income. Some of these changes will be due to general higher costs of purchasing external goods and services and changes in the cost of employing Council staff, some of which is offset by changes in income from fees and charges. Other changes will be due to the year-on-year variation of asset charges, such as depreciation and impairments, whilst adult social care services are affected by new arrangements on how Health funding flows through the Council.

## 6. Events after the Balance Sheet Date

There remain a number of schools expected to transfer to Academy status in future financial years, together with implementation of new business combinations.

As at 1<sup>st</sup> April 2017 the garage stock contained within HRA non-dwellings will transfer to the General Fund.

## 7. Other Operating Expenditure

Breakdown of items included under Other Operating Expenditure.

	2015/16 £'000	2016/17 £'000
(Gains)/losses on the disposal of non-current assets	20,279	5,965
Parish council precepts	1,980	2,224
Payments to the Government Housing Capital Receipts Pool	1,861	3,421
<b>Total Other Operating Expenditure</b>	<b>24,120</b>	<b>11,610</b>

## 8. Financing and Investment Income and Expenditure

Breakdown of items included under Financing and Investment Income and Expenditure.

	2015/16 £'000	2016/17 £'000
Interest payable and similar charges	16,000	16,497
Interest receivable and similar income	(1,976)	(2,812)
Investment income	(1,367)	(1,321)
Movement on market value of investment property	(7,282)	544
(Gains)/losses on assets held for sale	705	224
Net interest on the net defined benefit liability	10,491	10,703
<b>Total Financing and Investment Income and Expenditure</b>	<b>16,571</b>	<b>23,835</b>

## 9. Dedicated Schools Grant

Schools' funding is provided through the Dedicated Schools Grant (DSG). DSG is ring-fenced and can only be applied to meet expenditure properly included in the Schools Budget. The Schools Budget includes elements for a restricted range of services provided on an authority-wide basis and for the Individual School Budget, which is divided into a budget share for each school. Over- and under-spends on the two elements are required to be accounted for separately. The Council is able to supplement the School Budget from its own resources if it wishes.

	Central Expenditure 2016/17 £'000	Schools Budgets 2016/17 £'000	Total 2016/17 £'000
Final DSG before Academy Recoupment			160,475
Academy figure recouped for 16/17			(80,086)
<b>DSG after Academy Recoupment for 16/17</b>			<b>80,390</b>
Brought Forward from prior year			209
Carry Forward agreed in advance			(209)
Agreed initial budgeted distribution	26,660	53,730	80,390
In year adjustments	(353)	0	(353)
<b>Final budgeted distribution for year</b>	<b>26,307</b>	<b>53,730</b>	<b>80,037</b>
Less actual central expenditure	29,061		
Less actual ISB deployed to schools		50,617	
<b>Carry forward to next year</b> (including carry forward agreed in advance)	<b>(2,754)</b>	<b>3,112</b>	<b>567</b>

## 10. Grant Income

The Authority credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement. The value of Business Rates received by the authority under taxation and grant income is lower than the Billing Authority share disclosed in the Collection Fund statement due to the application of a government tariff.

	2015/16 £'000	2016/17 £'000
<b>Credited to Taxation and Non Specific Grant Income</b>		
Collection Fund Income - Council Tax	(81,187)	(86,571)
Collection Fund Income - Business Rates	(27,308)	(30,055)
Collection Fund Adjustments	(2,837)	(933)
Non-ring-fenced government grants	(35,320)	(28,122)
S106 - used in funding	(1,872)	(7,733)
Capital grants and contributions - to CGUA*	(9,279)	(11,590)
<b>*Capital Grants Unapplied Account</b>	<b>(157,821)</b>	<b>(165,004)</b>

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 which are not reasonably assured to be met and may require the funds to be returned to the giver. The balances at the year-end are as follows:

	2015/16	2016/17
	£'000	£'000
<b>Capital Receipts in Advance</b>		
<b>Balance at 1 April</b>	<b>(25,047)</b>	<b>(26,660)</b>
New funds received with conditions not met	(13,095)	(13,514)
Funds written out where conditions have been met	11,482	19,385
Funds written out for repayment	0	62
<b>Balance at 31 March</b>	<b>(26,660)</b>	<b>(20,727)</b>

The below amounts were credited to Net Cost Services.

	2015/16	2016/17
	£'000	£'000
<b>Funding Body</b>		
Arts Council - South West	(344)	(327)
Department For Children, Schools & Families (DCSF)	(90,376)	(88,881)
Department for Work & Pensions (DWP)	(65,357)	(62,245)
Department of Communities & Local Government (DCLG)	(10,110)	(8,251)
Department of Culture Media and Sport	0	(538)
Department of Health	(12,747)	(10,875)
Department of Transport	(1,239)	(744)
Forestry Commission	(77)	(16)
Heritage Lottery	(188)	(37)
Home Office	(327)	(603)
Learning Skills Council /Skills Funding Agency	(508)	(455)
Museums and Libraries Council	0	(2)
Natural England	0	(54)
South West Regional Development Agency	(109)	(40)
Sport England	0	(7)
Young Persons Learning Agency	(510)	(512)
Youth Justice board	(293)	(248)
	<b>(182,185)</b>	<b>(173,765)</b>

## 11.Expenditure and Funding Analysis

The objective of the Expenditure and Funding Analysis is to demonstrate to council tax and rent payers how the funding available to the authority (i.e. government grants, rents, council tax and business rates) for the year has been used in providing services in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices. The Expenditure and Funding Analysis also shows how this expenditure is allocated for decision making purposes between the council's service functions. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the following Comprehensive Income and Expenditure Statement.

	2016/17	2016/17	2016/17	2016/17	2016/17
	Net Exp. Report to Cabinet	Remove Not Chargeable to the GF or HRA	Net Exp. Chargeable to GF and HRA	Changes Between Funding & Accounting Basis	Net Expenditure In the CIES
	£000	£000	£000	£000	£000
Chief Executive	3,946	(53)	3,893	1,085	4,978
Resources	(5,478)	12,292	6,814	13,457	20,271
Economy	(658)	1,439	781	1,175	1,956
Children Services	28,132	580	28,712	207	28,919
Adult Services	77,563	135	77,698	(23,797)	53,901
Communities and Place	31,721	448	32,169	16,683	48,852
DSG Commissioning	0	(28)	(28)	4,720	4,692
Housing Revenue Account	255	(212)	43	(1,427)	(1,384)
<b>(Surplus) / Deficit on Continuing Operations</b>	<b>135,481</b>	<b>14,601</b>	<b>150,082</b>	<b>12,103</b>	<b>162,185</b>
Other income and expenditure	(135,226)	(1)	(135,227)	5,668	(129,559)
<b>(Surplus) / Deficit on Provision of Services</b>	<b>255</b>	<b>14,600</b>	<b>14,855</b>	<b>17,771</b>	<b>32,626</b>
<b>Reconciliation of Movement to Balances</b>			<b>Total</b>	<b>GF</b>	<b>HRA</b>
Opening GF and HRA balance at 1st April			(17,298)	(6,000)	(11,298)
(Surplus)/Deficit on Provision of Services			255	0	255
<b>Closing GF and HRA Balance at 31st March</b>			<b>(17,043)</b>	<b>(6,000)</b>	<b>(11,043)</b>

	2015/16	2015/16	2015/16	2015/16	2015/16
	Net Exp. Report to Cabinet	Remove Not Chargeable to the GF or HRA	Net Exp. Chargeable to GF and HRA	Changes Between Funding & Accounting Basis	Net Expenditure In the CIES
	£000	£000	£000	£000	£000
Chief Executive	3,792	43	3,835	(1,466)	2,369
Resources	3,995	3,686	7,682	6,584	14,265
Economy	(258)	(642)	(899)	11,429	10,530
Children Services	27,689	166	27,856	803	28,658
Adult Services	72,382	(672)	71,710	(10,062)	61,648
Communities and Place	29,139	421	29,561	32,822	62,383
DSG Commissioning	0	875	875	2,387	3,262
Housing Revenue Account	(1,876.7)	1,788	(89)	(2,770)	(2,859)
<b>(Surplus) / Deficit on Continuing Operations</b>	<b>134,864</b>	<b>5,666</b>	<b>140,530</b>	<b>39,726</b>	<b>180,256</b>
Other income and expenditure	(136,740)	2,000	(134,740)	17,610	(117,130)
<b>(Surplus) / Deficit on Provision of Services</b>	<b>(1,876)</b>	<b>7,666</b>	<b>5,790</b>	<b>57,336</b>	<b>63,126</b>
<b>Reconciliation of Movement to Balances</b>			<b>Total</b>	<b>GF</b>	<b>HRA</b>
Opening GF and HRA balance at 1st April			(15,421)	(6,000)	(9,421)
(Surplus)/Deficit on Provision of Services			(1,877)	0	(1,877)
<b>Closing GF and HRA Balance at 31st March</b>			<b>(17,298)</b>	<b>(6,000)</b>	<b>(11,298)</b>

## 12. Subjective Analysis of Service Expenditure

	2015/16	2016/17
Expenditure and Income Type	£'000	£'000
Employee related expenses	156,581	164,366
Other service expenses	275,057	292,524
Support Service recharges	38,030	9,271
Depreciation, amortisation and impairment	74,117	39,721
Interest Payments	16,000	16,497
Precepts & Levies	1,980	2,223
Payments to Housing Capital Receipts Pool	1,861	3,421
Gain or Loss on Disposal of Fixed Assets	20,279	5,966
<b>Total operating expenses</b>	<b>583,905</b>	<b>533,989</b>
Fees, charges & other service income	(146,208)	(113,281)
Interest and investment income	(6,455)	(3,365)
Income from council tax	(111,332)	(117,559)
Government grants and contributions	(256,784)	(267,158)
<b>Total Income</b>	<b>(520,779)</b>	<b>(501,363)</b>
<b>Surplus or deficit on the provision of services</b>	<b>63,126</b>	<b>32,626</b>

### 13. Adjustments between Accounting Basis and Funding Basis under Regulations

This note details the adjustments that are made in the expenditure funding analysis and total comprehensive income and expenditure 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. 'Other' relates mainly to reserve and general grant adjustments.

Adjustments made within the expenditure and funding analysis statement relate to the following areas:

2016/17	Pensions £'000	Capital £'000	Treasury £'000	Other £'000	Total £'000
Chief Executive	68	793	0	224	1,085
Resources	17	427	(10,621)	23,634	13,457
Economy	7	1,168	0	0	1,175
Children Services	20	187	0	0	207
Adult Services	14	(8,190)	0	(15,621)	(23,797)
Communities and Place	20	16,663	0	0	16,683
DSG Commissioning	68	4,652	0	0	4,720
Housing Revenue Account	15	23,072	(25,835)	1,321	(1,427)
<b>Total Adjustments</b>	<b>229</b>	<b>38,772</b>	<b>(36,456)</b>	<b>9,558</b>	<b>12,103</b>

2015/16	Pensions £'000	Capital £'000	Treasury £'000	Other £'000	Total £'000
Chief Executive	78	144	0	(1,688)	(1,466)
Resources	(1,414)	639	(15,802)	23,161	6,584
Economy	123	11,307	0	(1)	11,429
Children Services	347	456	0	(0)	803
Adult Services	118	4,016	0	(14,196)	(10,062)
Communities and Place	378	32,444	0	0	32,822
DSG Commissioning	1,263	1,124	0	(0)	2,387
Housing Revenue Account	276	21,619	(26,543)	1,878	(2,770)
<b>Total Adjustments</b>	<b>1,169</b>	<b>71,749</b>	<b>(42,345)</b>	<b>9,153</b>	<b>39,726</b>



Adjustments shown within the Movement in Reserves statement:

2016/17	General Fund Balance £'000	Housing Revenue Account £'000	Capital Receipts Reserve £'000	Major Repairs Reserve £'000	Capital Grants Unapplied £'000	Total Usable Reserves £'000	Unusable Reserves £'000
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	(25,284)	(16,827)	-	-	-	(42,111)	42,111
Charges for impairment and revaluation losses of non-current assets	10,624	(7,111)	-	-	-	3,513	(3,513)
Movement in the market value of investment properties	-	(544)	-	-	-	(544)	544
Capital grants and contributions applied	7,733	-	-	-	-	7,733	(7,733)
Revenue expenditure funded from capital under statute	(1,124)	-	-	-	-	(1,124)	1,124
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	(11,764)	(11,457)	-	-	-	(23,221)	23,221
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:							
Statutory provision for the financing of capital investment	988	-	-	-	-	988	(988)
Voluntary provision for the financing of capital investment	-	5,000	-	-	-	5,000	(5,000)
Capital expenditure charged against the General Fund and HRA balances	82	865	-	-	-	947	(947)
Adjustments primarily involving the Capital Adjustment Account:							
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	11,652	-	-	-	(11,652)	-	-
Repaid reversal	(62)	-	-	-	62	-	-
Application of grants to capital financing transferred to the Capital Adjustment Account	-	-	-	-	12,999	12,999	(12,999)
Adjustments primarily involving the Capital Receipts Reserve:							
Transfer of cash sale proceeds credited as part of the	11,852	5,404	(17,256)	-	-	-	-

gain/loss on disposal to the Comprehensive Income and Expenditure Statement							
Use of the Capital Receipts Reserve to finance new capital expenditure	-	-	8,335	-	-	8,335	(8,335)
Flexible use of UCR to finance transformational projects	-	-	817	-	-	817	(817)
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool.	(3,421)	-	3,421	-	-	-	-
Adjustments primarily involving the Deferred Capital Receipts Reserve (England and Wales):							
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	-	-	(3)	-	-	(3)	3
Adjustment primarily involving the Major Repairs Reserve							
Reversal of Major Repairs Allowance credited to the HRA	-	16,783	-	(16,783)	-	-	-
Use of the Major Repairs Reserve to finance new capital expenditure	-	-	-	16,658	-	16,658	(16,658)
Adjustments primarily involving the Pensions Reserve:							
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(9,926)	(1,006)	-	-	-	(10,932)	10,932
Adjustments primarily involving the collection Fund Adjustment Account:							
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	(4)	-	-	-	-	(4)	4
Adjustments primarily involving the Asset Held for Sale Account:							
Reversal of the Gains or Losses on AHFS	(224)	-	-	-	-	(224)	224
<b>Total Adjustments</b>	<b>(8,878)</b>	<b>(8,893)</b>	<b>(4,686)</b>	<b>(125)</b>	<b>1,409</b>	<b>(21,173)</b>	<b>21,173</b>

2015/16	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves
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	£'000	£'000	£'000	£'000	£'000	£'000	£'000
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	(23,211)	(16,538)	-	-	-	(39,749)	39,749
Charges for impairment and revaluation losses of non-current assets	(22,269)	(7,334)	-	-	-	(29,603)	29,603
Movement in the market value of investment properties	-	7,282	-	-	-	7,282	(7,282)
Capital grants and contributions applied	7,855	-	-	-	-	7,855	(7,855)
Revenue expenditure funded from capital under statute	(4,765)	-	-	-	-	(4,765)	4,765
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	(17,868)	(12,116)	-	-	-	(29,984)	29,984
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:							
Statutory provision for the financing of capital investment	6,262	-	-	-	-	6,262	(6,262)
Voluntary provision for the financing of capital investment	-	5,000	-	-	-	5,000	(5,000)
Capital expenditure charged against the General Fund and HRA balances	116	2,253	-	-	-	2,369	(2,369)
Adjustments primarily involving the Capital Adjustment Account:							
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	3,315	-	-	-	(3,315)	-	-
Application of grants to capital financing transferred to the Capital Adjustment Account	-	-	-	-	10,968	10,968	(10,968)
Adjustments primarily involving the Capital Receipts Reserve:							
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	6,455	3,250	(9,705)	-	-	-	-
Use of the Capital Receipts Reserve to finance new capital expenditure	-	-	7,830	-	-	7,830	(7,830)
Voluntary set aside of capital receipts							
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool.	(1,861)	-	1,861	-	-	-	-
Adjustments primarily involving the Deferred Capital Receipts Reserve (England and Wales):							

Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	-	-	(11)	-	-	(11)	11
Adjustment primarily involving the Major Repairs Reserve							
Reversal of Major Repairs Allowance credited to the HRA	-	16,538	-	(16,538)	-	-	-
Use of the Major Repairs Reserve to finance new capital expenditure	-	-	-	17,714	-	17,714	(17,714)
Adjustment primarily involving the Financial Instruments Adjustment Account:							
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	10	-	-	-	-	10	(10)
Adjustments primarily involving the Pensions Reserve:							
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(10,247)	(1,413)	-	-	-	(11,660)	11,660
Adjustments primarily involving the collection Fund Adjustment Account:							
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	2,654	-	-	-	-	2,654	(2,654)
Adjustments primarily involving the Asset Held for Sale Account:							
Reversal of the Gains or Losses on AHFS	(705)	-	-	-	-	(705)	705
<b>Total Adjustments</b>	<b>(54,259)</b>	<b>(3,078)</b>	<b>(25)</b>	<b>1,176</b>	<b>7,653</b>	<b>(48,533)</b>	<b>48,533</b>

## 14. Property, Plant and Equipment

The revaluation decreases recognised in the surplus/deficit on provision of services relates to a general fall in prices across the relevant asset categories for General Fund assets. HRA council dwellings are also subject to specific impairment where the value of new build property is affected by social housing valuations. The effective date of revaluations is the 31 March, though valuations are undertaken throughout the financial year and assessment made at year end that valuations remain current at 31 March. There has been an improvement in the housing

market during the year which is reflected in the increase to HRA dwellings valuation, although such valuations are limited by application of a social housing discount factor.

<b>2016/17</b>	<b>Council Dwellings</b>	<b>Other Land and Buildings</b>	<b>Vehicles, Plant, &amp; Equipment</b>	<b>Infra-structure Assets</b>	<b>Communi-ty Assets</b>	<b>Surplus Assets</b>	<b>Assets Under Construction</b>	<b>Heritage Assets</b>	<b>Total PPE</b>	<b>PFI Assets in PPE</b>
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Cost or Valuation</b>										
<b>At 1 April 2016</b>	<b>352,494</b>	<b>464,119</b>	<b>35,925</b>	<b>198,755</b>	<b>16,183</b>	<b>25,588</b>	<b>19,753</b>	<b>28,942</b>	<b>1,141,759</b>	<b>55,347</b>
Additions	15,725	14,457	5,052	12,706	785	-	8,477	-	57,202	57
Revaluation + / (-) recognised in the Revaluation Reserve	86,028	29,813	-	-	-	3,324	-	58	119,223	523
Revaluation + / (-) recognised in the Surplus/Deficit on the Provision of Services	(7,111)	4,472	-	-	-	3,618	-	-	979	-
Derecognition – disposals	(12,234)	(10,452)	-	-	-	(614)	-	-	(23,300)	-
Other movements in cost or valuation	-	(352)	-	-	352	-	-	-	0	-
<b>At 31 March 2017</b>	<b>434,902</b>	<b>502,057</b>	<b>40,977</b>	<b>211,461</b>	<b>17,320</b>	<b>31,916</b>	<b>28,230</b>	<b>29,000</b>	<b>1,295,863</b>	<b>55,927</b>
<b>Accumulated Depreciation and Impairment</b>										
<b>At 1 April 2016</b>	<b>(26,614)</b>	<b>(13,673)</b>	<b>(31,487)</b>	<b>(59,797)</b>	<b>0</b>	<b>(227)</b>	<b>0</b>	<b>0</b>	<b>(131,798)</b>	<b>(973)</b>
Depreciation charge	(16,783)	(10,713)	(2,487)	(12,124)	-	(4)	-	-	(42,111)	(1,028)
Depreciation w/b on Revaluation	9,181	5,790	-	-	-	-	-	-	14,971	973
Depreciation written to/from the CIES	-	2,534	-	-	-	-	-	-	2,534	-
Depreciation written to/from the CIES - Reclassifications	-	-	-	-	-	-	-	-	0	-
Derecognition – disposals	776	792	-	-	-	-	-	-	1,568	-
<b>At 31 March 2017</b>	<b>(33,440)</b>	<b>(15,270)</b>	<b>(33,974)</b>	<b>(71,921)</b>	<b>0</b>	<b>(231)</b>	<b>0</b>	<b>0</b>	<b>(154,836)</b>	<b>(1,028)</b>
<b>Net Book Value</b>										
<b>At 1 April 2016</b>	<b>325,880</b>	<b>450,446</b>	<b>4,438</b>	<b>138,958</b>	<b>16,183</b>	<b>25,361</b>	<b>19,753</b>	<b>28,942</b>	<b>1,009,961</b>	<b>54,374</b>
<b>At 31 March 2017</b>	<b>401,462</b>	<b>486,787</b>	<b>7,003</b>	<b>139,540</b>	<b>17,320</b>	<b>31,685</b>	<b>28,230</b>	<b>29,000</b>	<b>1,141,027</b>	<b>54,899</b>

<b>2015/16</b>	<b>Council Dwellings</b>	<b>Other Land &amp; Buildings</b>	<b>Vehicles, Plant, &amp;</b>	<b>Infra-structure</b>	<b>Communi-ty Assets</b>	<b>Surplus Assets</b>	<b>Assets Under</b>	<b>Heritage Assets</b>	<b>Total PPE</b>	<b>PFI Assets in</b>
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	Equipment			Assets		Constructio n			PPE	
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or Valuation										
Adjustment to b/f balance	(140)	(526)	173	-	205	400	-	-	112	-
<b>At 1 April 2015</b>	<b>305,450</b>	<b>463,321</b>	<b>34,027</b>	<b>184,339</b>	<b>14,093</b>	<b>38,669</b>	<b>12,398</b>	<b>40,000</b>	<b>1,092,297</b>	<b>52,187</b>
Additions	17,261	10,080	1,898	14,416	2,090	3	7,420	-	53,168	101
Revaluation + / (-) recognised in the Revaluation Reserve	49,749	15,175	-	-	-	(1,141)	-	(6,000)	57,783	3,060
Revaluation + / (-) recognised in the Surplus/Deficit on the Provision of Services	(7,334)	(17,455)	-	-	-	(11,581)	-	-	(36,370)	-
Derecognition – disposals	(12,637)	(7,002)	-	-	-	(362)	-	(5,058)	(25,059)	-
Other movements in cost or valuation	5	-	-	-	-	-	(65)	-	(60)	-
<b>At 31 March 2016</b>	<b>352,494</b>	<b>464,119</b>	<b>35,925</b>	<b>198,755</b>	<b>16,183</b>	<b>25,588</b>	<b>19,753</b>	<b>28,942</b>	<b>1,141,759</b>	<b>55,348</b>
Accumulated Depreciation and Impairment										
Adjustment to b/f balance	-	164	-	-	-	110	-	-	274	-
<b>At 1 April 2015</b>	<b>(18,515)</b>	<b>(23,329)</b>	<b>(29,600)</b>	<b>(48,343)</b>	<b>-</b>	<b>(588)</b>	<b>-</b>	<b>-</b>	<b>(120,375)</b>	<b>(827)</b>
Depreciation charge	(16,528)	(10,355)	(1,887)	(11,454)	-	(7)	-	-	(40,231)	(973)
Depreciation w/b on Revaluation	7,908	12,634	-	-	-	5	-	-	20,547	827
Depreciation written to/from the CIES	-	6,334	-	-	-	358	-	-	6,692	-
Depreciation written to/from the CIES - Reclassifications	-	482	-	-	-	-	-	-	482	-
Derecognition – disposals	521	561	-	-	-	5	-	-	1,087	-
<b>At 31 March 2016</b>	<b>(26,614)</b>	<b>(13,673)</b>	<b>(31,487)</b>	<b>(59,797)</b>	<b>0</b>	<b>(227)</b>	<b>0</b>	<b>0</b>	<b>(131,798)</b>	<b>(973)</b>
Net Book Value										
<b>At 1 April 2015</b>	<b>286,935</b>	<b>439,992</b>	<b>4,427</b>	<b>135,996</b>	<b>14,093</b>	<b>38,081</b>	<b>12,398</b>	<b>40,000</b>	<b>971,922</b>	<b>51,360</b>
<b>At 31 March 2016</b>	<b>325,880</b>	<b>450,446</b>	<b>4,438</b>	<b>138,958</b>	<b>16,183</b>	<b>25,361</b>	<b>19,753</b>	<b>28,942</b>	<b>1,009,961</b>	<b>54,375</b>

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

In a departure from the Code, analysis of revalued assets is split between carrying value of those items revalued in 2016/17, and valuations undertaken in prior years. The revaluation programme is such that the top twenty assets by value are revalued annually, whilst the majority of

the remaining items of Other Land and Buildings are revalued bi-annually. This results in the majority of assets going no longer than a year without undergoing revaluation review. In consideration of the material correctness of asset valuations at the balance sheet date, the Valuer has applied an uplift to the HRA (£11.9m) and GF (£21.2m) on the formal 1 April 2016 valuation. £10.3m of the GF uplift relates to £206.7m of assets not formally valued during 2016/17.

	<b>Council Dwellings £'000</b>	<b>Other Land and Buildings £'000</b>	<b>Vehicles, Plant, &amp; Equipment £'000</b>	<b>Infrastructure Assets £'000</b>	<b>Community Assets £'000</b>	<b>Surplus Assets £'000</b>	<b>Assets Under Construction £'000</b>	<b>Total £'000</b>
Carried at historical cost			7,003	139,540	17,320		28,230	192,093
Value of assets revalued at fair value in year ending:								
31-Mar-17	401,462	313,218	0	0	0	0	0	714,680
31-Mar-16	325,880	392,374	0	0	0	25,361	0	743,615
Total Value of category on the balance sheet	<b>401,462</b>	<b>486,787</b>	<b>7,003</b>	<b>139,540</b>	<b>17,320</b>	<b>31,685</b>	<b>28,230</b>	<b>1,112,027</b>

## 15. Heritage Assets

The valuation rules are relaxed in relation to heritage assets and values have been taken by reference to insurance valuations of collections. The Council also insures £11m of items which are loaned for display. The Council's holdings can be broken down into the following sites, where change in balance is due to the reduction in estimated value of the Council holding:

	2015/16 £'000	2016/17 £'000
Steam Railway Heritage Centre	13,942	14,000
Bath Road Museum	11,800	11,800
Lydiard Park House	2,500	2,500
Richard Jefferies Museum	120	120
Agricultural Store Coate	120	120
Whitehall Farm Stores	60	60
Transport Depot Stores	60	60
Civic Regalia	340	340
<b>Total Valuation</b>	<b>28,942</b>	<b>29,000</b>

## 16. Investment Properties

The following table summarises the movement of the fair value investment properties over the year:

	2015/16 £'000	2016/17 £'000
<b>Balance at start of the year</b>	<b>7,598</b>	<b>14,940</b>
Additions:		
Subsequent expenditure	-	-
Disposals	-	-
Net gains/losses from fair value adjustments	7,282	(544)
Transfers:		
to/from Property, Plant and Equipment	60	-
Other changes	-	-
<b>Balance at end of the year</b>	<b>14,940</b>	<b>14,396</b>

The Council's investment property has been assessed as Level 3 for valuation purposes (unobservable earnings based); with the fair value of investment property measured using the Investment Method of Valuation. The valuers have used a desktop valuation with physical inspections, with valuations taking account of the following factors: existing lease terms and rentals taken from the tenancy schedule and independent research into market evidence including Market rentals and yields. There has been no change in the valuation techniques used during the year for investment properties. In estimating the fair value of the Authority's investment property, the highest and best use of the properties is deemed to be their current use. For the prior year increase in value, £6.6m relates to the Authority's stock of garages.



## 17.Capital Commitment

At 31 March 2017, Council has approved a Capital Programme of £229.7m for the construction or enhancement of Property, Plant and Equipment in 2017/18 and future years. Whilst not contractually committed, there is reasonable expectation that the work will be undertaken. External grants and borrowing will primarily fund this programme of works. Further expenditure depends on borrowing, grants and other contributions, some of which have already been received or promised. Similar commitments at 31 March 2016 were £138.6m.

## 18.Capital Expenditure and Capital Financing

The total amount of capital expenditure incurred in the year is shown in the table below 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. The CFR at the 01/04/16 was £459.4m it has decreased by £1.1m to £458.3m as at 31/03/17.

	2015/16	2016/17
	£'000	£'000
Property, Plant & Equipment	31,772	37,076
HRA Dwellings & AUC	21,396	20,126
Investment Properties	0	0
<b>Total Additions to Balance Sheet</b>	<b>53,168</b>	<b>57,202</b>
Revenue Expenditure Funded from Capital Under Statute	4,765	1,124
<b>Total Expenditure to be Financed</b>	<b>57,933</b>	<b>58,326</b>
HRA Funding	(17,714)	(16,658)
Capital Receipts	(7,830)	(8,335)
Revenue Contribution to Capital Outlay (RCCO)	(2,369)	(947)
Government Grants and Other Contributions	(16,951)	(12,999)
S106	(1,872)	(7,733)
Borrowing	(11,197)	(11,654)
<b>Total Financing</b>	<b>(57,933)</b>	<b>(58,326)</b>

## 19.Long-term Debtors

The balance of long-term debtors consists of the following elements:

Balance at 31 March	2016	2017
	£'000	£'000
Mortgage Advances	1,293	1,420
Financial Asset against Group Company	6,981	0
<b>Total</b>	<b>8,274</b>	<b>1,420</b>

## 20. Short-term Debtors

The balances of short-term debtors are summarised in the following table:

	Balance at 31 March	2016 £'000	2017 £'000
Central government bodies		5,235	8,917
Other local authorities		104	18
NHS bodies		798	920
Collection Fund		9,666	10,284
Other entities and individuals		13,110	11,343
Payments in Advance		3,212	8,557
<b>Sub-total</b>		<b>32,125</b>	<b>40,039</b>
Provision for bad debts		(13,290)	(13,082)
<b>Net Debtors</b>		<b>18,835</b>	<b>26,957</b>

## 21. Short-Term Creditors

	Balance at 31 March	2016 £'000	2017 £'000
Central government bodies		(9,055)	(9,338)
Other local authorities		(2,082)	(2,267)
NHS bodies		(919)	(427)
Bonds		(772)	(2,746)
Other entities and individuals		(23,150)	(18,258)
Receipts in advance		(6,236)	(8,210)
<b>Total</b>		<b>(42,214)</b>	<b>(41,246)</b>

## 22. Provisions

### Insurance

The provision is in respect of employers and public liability claims where incidents have already taken place but the claims have yet to be settled. The provision is based on the total of the individual claim “reserves” estimated by the Council’s loss adjusters. It includes a provision for outstanding Municipal Mutual Insurance (MMI – relating to old Mesothelioma claims) claims that are now becoming certain that payment will be necessary in future.

### Capitalised Landfill

This provision represents the sixty year liability for the reclamation of the Shaw landfill site. The cost of the provision represents a capital cost as part of the decommissioning of the asset.

### Rates Appeals

This provision is required under the revised business rate accounting of the collection fund and is based upon estimates of valuations appeals.

### Other

The other provisions mainly relate to Housing, where housing review costs are known to be payable every fourth year, or where the Authority is required to underwrite accommodation costs and may need be charged if amounts are not paid.

Expenditure relating to these provisions occurs when the Insurers close claims, when confirmation of NDR balances can be used is received, or as temporary housing needs require. This occurs during the course of any year and is not fixed to specific dates. The provisions are reviewed annually to ensure they cover prudently estimated liabilities.

2016/17	Insurance £'000	Landfill £'000	Rates Appeals £'000	Other £'000	Total £'000
<b>Balance Outstanding at start of year</b>	(2,503)	(3,099)	(4,972)	(663)	(11,237)
Additional provisions made	(525)	0	(16)	(152)	(693)
Amounts used	1,088	94	0	336	1,518
<b>Balance outstanding at year end</b>	<b>(1,940)</b>	<b>(3,005)</b>	<b>(4,988)</b>	<b>(479)</b>	<b>(10,412)</b>
Relating to short-term	(981)	0	0	(356)	(1,337)
Relating to long-term	(959)	(3,005)	(4,988)	(123)	(9,075)

### 23. Transfers to/from Earmarked Reserves

This note sets out the amounts set aside from the General Fund and HRA balances in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund and HRA expenditure. Transfers out are generally used to support specific projects, or budgeted contributions to the general fund.

	Balance 31/3/15 £'000	Transfers In £'000	Transfers Out £'000	Balance 31/3/16 £'000	Transfers In £'000	Transfers Out £'000	Balance 31/3/17 £'000
GF Reserves	(61,039)	(6,247)	11,250	(56,036)	(3,677)	16,703	(43,010)
HRA	(3,120)	(313)	2,101	(1,332)	(337)	255	(1,414)
Schools	(5,363)	0	875	(4,488)	0	377	(4,111)
<b>Total</b>							
<b>Earmarked Reserves</b>	<b>(69,522)</b>	<b>(6,560)</b>	<b>14,226</b>	<b>(61,856)</b>	<b>(4,014)</b>	<b>17,335</b>	<b>(48,535)</b>

### 24. Revaluation Reserve

The Revaluation Reserve contains gains made by the Authority arising from increases in the value of its non-current assets. The balance is reduced when assets with accumulated gains are:

- Revalued downwards or impaired and the gains are lost
- Used in the provision of services and the gains are consumed through depreciation
- 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.

	2015/16 £'000	2016/17 £'000
Adjustment to b/f balance	(91)	
<b>Balance at 1 April</b>	<b>(164,300)</b>	<b>(229,432)</b>
Revaluation of assets in asset table note	(57,783)	(119,223)
Revaluation of held for sale assets	0	0
Depreciation added back on revaluation	(20,547)	(14,971)
<b>Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services</b>	<b>(78,330)</b>	<b>(134,194)</b>
Adjustments against historic cost	3,514	3,794
Accumulated gains on assets sold or scrapped	9,684	1,641
<b>Balance at 31 March</b>	<b>(229,432)</b>	<b>(358,191)</b>

## 25.Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions.

The Account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The Account is credited with the amounts set aside by the Authority as finance for the costs of acquisition, construction and enhancement. The Account contains accumulated gains and losses on Investment Properties.

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 movement in reserves statement provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

	2015/16 £'000	2016/17 £'000
Adjustment to b/f balance	(295)	
<b>Balance at 1 April</b>	<b>(370,703)</b>	<b>(345,080)</b>
Reversal of capital related items debited or credited to the CIES:		
Charges for depreciation of noncurrent assets	40,231	42,111
Charges for impairment of noncurrent assets	36,295	(980)
Depreciation written back On Reclassification	(482)	0
Depreciation written back on disposals	(1,087)	(1,568)
Depreciation written back on general gain/loss	(6,692)	(2,533)
Revenue expenditure funded from capital under statute	4,765	1,124
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	31,071	24,789
Application of the HRA debt	(5,000)	(5,000)
	<b>99,101</b>	<b>57,943</b>

Adjusting amounts written out of the Revaluation Reserve	(13,198)	(5,435)
Deferred Receipts	0	3
Use of the Capital Receipts Reserve to finance new capital expenditure	(7,830)	(8,335)
Use of the Major Repairs Reserve to finance new capital expenditure	(17,714)	(16,658)
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(7,855)	(7,733)
Application of grants to capital financing from the Capital Grants Unapplied Account	(10,968)	(12,999)
Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	(4,877)	(988)
PFI Finance Lease Liability MRP	(1,385)	(817)
Voluntary provision for financing of capital expenditure	0	0
Capital expenditure charged against the General Fund and HRA balances	(2,369)	(947)
Movement in the market value of investments	(7,282)	544
Other Movements - Subsidiary disposal	0	(611)
	<b>(73,478)</b>	<b>(53,976)</b>
<b>Balance at 31 March</b>	<b>(345,080)</b>	<b>(341,113)</b>

## 26.Collection Fund Adjustment Account

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

	2015/16	2016/17
	£'000	£'000
<b>Balance at 1 April</b>	<b>1,003</b>	<b>(1,651)</b>
Amount by which council tax income credited to the CIES is different from council tax income calculated under statute	78	(116)
Amount by which business rates income credited to the CIES is different from business rates income calculated under statute	(2,732)	121
<b>Balance at 31 March</b>	<b>(1,651)</b>	<b>(1,646)</b>

## 27.Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions. The Authority accounts for post-employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs.

	2015/16	2016/17
	£'000	£'000
<b>Balance at 1 April</b>	<b>329,139</b>	<b>305,915</b>
Remeasurement of the net defined benefit liability	(34,884)	(24,979)
Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the CIES	11,660	10,932
<b>Balance at 31 March</b>	<b>305,915</b>	<b>291,868</b>

Statutory arrangements, however, require a benefit earned to be financed as the Authority makes employer's contributions to pension funds or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Authority has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

## 28. Balances of Other Unusable Reserves

	2015/16	2016/17
	£'000	£'000
Deferred Capital Receipts	(1,250)	(1,250)
Passenger Transport Realisation	(611)	0
Asset For Sale Reserve	705	928
<b>Sub Total</b>	<b>(1,156)</b>	<b>(322)</b>

## 29. Cash Flow Statement – Operating Activities

	2015/16	2016/17
	£'000	£'000
The cash flows for operating activities include the following items:		
Interest received	1,726	2,916
Interest paid	13,321	(19,672)
<b>Total</b>	<b>15,047</b>	<b>(16,756)</b>
The surplus or deficit on the provision of services has been adjusted for the following non-cash movements:		
Depreciation	39,749	42,111
Impairment and downward valuations	29,603	(3,513)
Increase/(decrease) in creditors	10,662	500
(Increase)/decrease in debtors	5,672	(5,019)
Increase/(decrease) in inventories	(115)	47
Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	29,984	21,732
Other non-cash items charged to the net surplus or deficit on the provision of services, mainly relating to pension adjustments	5,708	18,672
<b>Total</b>	<b>121,263</b>	<b>74,530</b>
The surplus or deficit on the provision of services has been adjusted for the following items that are investing and financing activities:		
Proceeds from the sale of property, plant and equipment, intangible assets and investment assets	(9,705)	(11,686)
Any other items for which the cash effects are investing or financing cash flows, mainly relating to capital grants	(10,858)	(19,261)
<b>Total</b>	<b>(20,563)</b>	<b>(30,947)</b>

### 30.Cash Flow Statement – Investing Activities

	2015/16 £'000	2016/17 £'000
Purchase of property, plant and equipment, investment property and intangible assets	(54,121)	(58,694)
Purchase of short-term and long-term investments	(97,287)	(54,061)
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	9,716	17,867
Proceeds from short-term and long-term investments	50,881	57,496
Other payments/ receipts from investing activities	12,870	10,160
<b>Net cash flow from Investing Activities</b>	<b>(77,941)</b>	<b>(27,232)</b>

### 31.Cash Flow Statement – Financing Activities

	2015/16 £'000	2016/17 £'000
Cash receipts of short- and long-term borrowing	(70,004)	41,500
Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	(1,507)	(1,382)
Repayments of short- and long-term borrowing	109,683	(36,681)
Collection Fund & Other receipts / (payments) for financing activities	(1,632)	(124)
<b>Net cash flow from Financing Activities</b>	<b>36,540</b>	<b>3,313</b>

### 32.Members' Allowances

The Authority paid the following amounts to members of the council during the year.

	2015/16 £'000	2016/17 £'000
Basic Allowances	448	461
Special Responsibility Allowances	177	176
Expenses	5	4
<b>Total</b>	<b>630</b>	<b>641</b>

### 33.Officers' Remuneration

The below shows payments to senior officers for the year.

Position	Salary & Allowances £	Expenses £	Remuneration £	Emp. Pension Contributions £	Total Remuneration £
<b>2016/17</b>					
Chief Executive – John Gilbert	162,613	370	162,983	29,921	192,904
Corporate Director Communities & Place	139,380	347	139,727	25,646	165,373
Corporate Director Resources incl. S151 Duties – left Oct 16	69,573	0	69,573	12,801	82,374
Interim Corporate Director of Resources incl. S151 Duties - Aug 16 to Mar 17 – Penna PLC	109,230	0	109,230	0	109,230
Corporate Director of Resources & Transformation – Started Feb 2017	14,756	0	14,756	0	14,756
Director of Finance (S151 Officer) – Started March 2017	3,575	0	3,575	658	4,233
Director of Law & Democratic Services	101,493	52	101,545	18,675	120,220
Director of Public Health	94,263	533	94,796	13,480	108,276
Corporate Director, Economy, Regeneration & Skills – Started Nov 16	44,000	0	44,000	8,096	52,096
Interim Corporate Director, Economy, Regeneration & Skills –Appointed in post Nov 16 – Penna PLC	83,520	0	83,520	0	83,520
Director of Adult Services	109,210	397	109,607	20,094	129,701
Director of Children Services	109,235	468	109,703	20,099	129,802



Position	Salary & Allowances £	Expenses £	Remuneration £	Emp. Pension Contributions £	Total Remuneration £
<b>2015/16</b>					
Chief Executive – Gavin Jones - *	128,976	364	129,340	22,442	151,782
Chief Executive – John Gilbert - *	145,668	558	146,226	25,056	171,282
Board Director Service Delivery	138,000	241	138,241	24,012	162,253
Board Director Resources	125,000	0	125,000	21,750	146,750
Director of Law & Democratic Services	102,488	395	102,883	19,492	122,375
Head of Localities, Community Involvement & Volunteering	86,190	0	86,190	14,997	101,187
Director of Public Health - **	95,817	768	96,585	13,702	110,287

\* The Board Director for Commissioning was appointed to the role of Chief Executive in February 2016.

\*\* Includes pay relating to prior years.

Following the appointment of the new Chief Executive in February 2016 there have been a number of changes to the Senior Management Team. The vacant post for the Board Director for Commissioning has been replaced by two posts, the Director of Adults and the Director of Childrens. Both Directors acted in an interim capacity until appointed permanently to the posts during the year. The Corporate Director for Resources, who also had S151 responsibilities, left in October 2016. The role was covered by an interim until a permanent appointment was made. The Corporate Director Economy, Regeneration and Skills was covered by an interim who was appointed permanently to the post in November 2016.

The Authority's other employees receiving more than £50,000 remuneration for the year (excluding employer's pension contributions) were paid the following amounts:

Remuneration Band			Number of Employees	
£		£	2015/16	2016/17
50,000	to	54,999	51	45
55,000	to	59,999	27	28
60,000	to	64,999	25	22
65,000	to	69,999	20	24
70,000	to	74,999	9	9
75,000	to	79,999	1	3
80,000	to	84,999	2	3
85,000	to	89,999	2	3
90,000	to	94,999	4	3
95,000	to	99,999	2	1

### 34.Exit Packages

The Council incurred costs relating to the following number of exit packages. Costs of £759k (£725k in 15/16) include redundancy payments and pension costs and relate to redundancies through restructure.

Exit Package Band			Number of Employees	
£		£	2015/16	2016/17
0	to	19,999	51	60
20,000	to	39,999	3	6
40,000	to	179,999	3*	4*

\* Under the Code, ranges can be grouped if it could otherwise identify individual staff. In 16/17 all four staff fell into the £40,000 to £59,999 range.

### 35.External Audit Costs

The Authority has incurred the following costs in relation to the audit of the Statement of Accounts and certification of grant claims provided by the Authority's external auditors:

	2015/16	2016/17
	£'000	£'000
Statutory Audit of the Accounts	128	128
Audit of Grant Claims	17	14
Other services	28	8
<b>Total Fees Paid</b>	<b>173</b>	<b>150</b>

### 36.Contingent Liability

The Council has made provision for Business Rates appeals using its best estimates of the actual liability at the year-end. At the end of the 31st March 2017 there were 730 outstanding appeals, including multiple appeals by multiple rate payers, relating to cross-Borough activity with variable direct rationale for the claim. It is not possible to quantify appeals that may not yet have been

logged by the Valuation Office so there remains a risk that such appeals may impact on the accounts once a claim is made. A wider confirmation also remains awaited where NHS charitable trusts may apply for charitable status.

### 37.Pooled/Aligned Budgets – Better Care Fund

The government created the Better Care Fund in 2015 with the aim of developing and improving joint health and social care planning. The Better Care Fund is a pooling of existing Health and Social Care budgets.

The Care Act 2014 amended the NHS Act 2006 to provide the legislative basis for the Better Care Fund. It allows for the NHS Mandate to include specific requirements relating to the establishment and use of an integration fund.

The Council entered into an arrangement in 2015, with Swindon Clinical Commissioning Group (CCG), to comply with the requirements of the Better Care Fund. The S75 agreement covers aligned budgets as well as the Better Care Fund and runs for 5 years.

Swindon's Better Care Fund was presented to and approved by Swindon's Health & Wellbeing Board and NHS England. The funding provided by each partner and the risk share is incorporated within the Better Care Fund plan for Swindon. Section 5a lists the risks and how these will be shared between the two partners.

The budget is hosted by the Council on behalf of the two partners to the agreement and is accounted for as an aligned budget.

	2015/16 £'000	2016/17 £'000
Funding provided by:		
Swindon Borough Council	(1,588)	(1,412)
CCG	(11,752)	(12,150)
<b>Total</b>	<b>(13,340)</b>	<b>(13,562)</b>
Expenditure met from the budget:		
Swindon Borough Council	1,678	1,412
CCG	11,758	12,030
<b>Total</b>	<b>13,436</b>	<b>13,442</b>
Net deficit arising on the budget during the year	96	(120)
<b>Authority share of the net deficit arising on the budget</b>	<b>90</b>	<b>0</b>

### 38.Related Parties

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

#### Central Government

The UK government has effective control over the general operations of the Authority – it is responsible for providing the statutory framework, within which the Authority operates, provides

funding in the form of grants and prescribes the terms of many of the transactions that the Authority has with other parties (e.g. council tax bills, housing benefits). Grants received from government departments are shown elsewhere in the accounts.

#### Members

Members of the Council have direct control over the Council's financial and operating policies. The total of members' allowances paid is shown in Note 30. Members have completed an annual declaration of any possible related party situation and transactions with them. There are no significant transactions identified.

#### Officers

Officers of the Council have also made an annual declaration involving related parties. There are no significant transactions identified.

#### Controlled Companies

The Council is parent company to Public Power Solutions Limited (PPSL), Forward Swindon Ltd (FSL), Common and Chapel Solar Farms and for part of the year Thamesdown Transport Limited (TTL). The net value of transactions with main trading subsidiaries was £8.1m against PPS (£3.8m 15/16) and £1.9m against TTL (£1.7m in 15/16) during 16/17. Further details on these companies are contained within the group section of these accounts.

#### Entities Controlled or Significantly Influenced by the Authority

The Council makes several grants and contributions to third party organisations each year, which follow individual process before award. This includes the Highworth Recreation Centre which the Council has assisted in the maintaining of local services.

The Council is responsible as Trustee for a range of small charitable funds, totalling £410k over eighteen Funds. Internal interest is applied to the balances held by the Council's Treasury service, whilst the direction of Trust Fund support is agreed by Council.

Members of the Council also sit on boards of other groups or organisations, such as the Group Companies of the Council, and the Fire Authority. These are not necessarily material related parties but show the range of bodies that Members are involved with. A listing of outside bodies that Members are represented on can be found on the Committee and Member Information Site pages of the Council website.

### **39. Leases**

#### **Authority as Lessee**

##### Finance Leases

Under reporting standards the Council has finance lease arrangements for its PFI scheme and a small number of vehicles. The value of the PFI school operational assets and accumulated depreciation are shown in Note 12 for Property, Plant & Equipment.

The Authority is committed to making minimum payments under these leases comprising settlement of the long-term liability for the interest in the assets acquired by the Authority and

finance costs that will be payable by the Authority in future years while the liability remains outstanding. The minimum lease payments are made up of the following amounts:

	2015/16	2016/17
	£'000	£'000
<b>Finance Lease Liabilities</b>		
- Current	(1,382)	(1,530)
- Non-current	(52,810)	(51,280)
Finance Cost Payable in Future Years	(139,644)	(129,958)
<b>Minimum lease payments</b>	<b>(193,836)</b>	<b>(182,768)</b>

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

	Minimum Lease Payments		Finance Lease Liabilities	
	2015/16	2016/17	2015/16	2016/17
	£'000	£'000	£'000	£'000
Not later than one year	11,068	11,141	(1,382)	(1,530)
Later than 1 not later than 5	56,464	56,917	(9,758)	(10,846)
Later than 5	126,304	114,710	(43,052)	(40,434)
	<b>193,836</b>	<b>182,768</b>	<b>(54,192)</b>	<b>(52,810)</b>

The minimum lease payments do not include rents that are contingent on events taking place after the lease was entered into.

#### Operating Leases

The Council leases and then sub-lets a range of private sector accommodation for its Housing services.

	2015/16	2016/17
	£'000	£'000
Not later than one year	2,750	2,762
Later than one year not later than five	4,954	5,469
<b>Total</b>	<b>7,704</b>	<b>8,231</b>
The charge to services is:		
Minimum lease payments (total above)	7,704	8,231
Sublease payments receivable	(9,759)	(7,949)
<b>Charge to services</b>	<b>(2,055)</b>	<b>282</b>

The Council has no other known finance lease arrangements, either as a direct leasing process or from service arrangements.

#### Authority as Lessor

##### Finance Leases

The Authority has leased out a range of property across the Borough where it holds assets on commercial estates, farms and office space. Most of these are classified as operating leases, but one lease for a recreational site is a finance lease.

##### Operating Leases

The Authority leases out property under operating leases for the following purposes:

- For the provision of community services, such as sports facilities, tourism services and community centres
- For economic development purposes to provide suitable affordable accommodation for local businesses.

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

	2015/16	2016/17
	£'000	£'000
Not later than one year	4,524	4,787
Later than one year and not later than five	9,253	12,287
Later than five years	2,070	2,745
<b>Total Payments Due</b>	<b>15,847</b>	<b>19,819</b>

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

#### 40.Private Finance Initiatives and Similar Contracts

##### Schools PFI Scheme

In 2004/05 the Council entered into a PFI contract with Equion plc. to provide seven schools in the northern sector of Swindon. The Department for Education & Skills sponsored the project and has issued the Council with a Notional Credit Approval of £62.8m. The Council is committed to making payments estimated at £269.5m under the contract although the actual level of payments will depend on contract performance by the provider. Periodic contract reviews may also increase or decrease payments depending on inflation and utility costs. This payment covers a range of on-going services in the management of the schools, with the expectation that the schools will be available for educational use throughout the school term and day. The contract expires in 2032.

As the Council is deemed to control the services that are provided under its PFI scheme and as ownership of the schools will pass to the council at the end of the contracts, the council carries the PPE used under the contracts on the Balance Sheet. Assets are transferred out if a PFI schools changes to academy status, as per any other school. There are no known implications to the accounting model, or impact of onerous contracts, from agreed transfers.

The original recognition of this PPE was balanced by the recognition of a finance lease liability for amounts due to the scheme operator to pay for the assets. In a departure from the Code, lifecycle costs are recorded through revenue as modelled, rather than carried forward as a payment in advance if renewal works have not been undertaken. This ensures a consistent flow through revenue and limits the impact of significant prepayment balances building up over the duration of the contract.

The amounts payable to the PFI operators each year are analysed into five elements:

- Fair value of the services received during the year – debited to the relevant service in the Income and Expenditure Account
- Finance cost – an interest charge of 13% on the outstanding Balance Sheet liability, debited to Interest Payable and Similar Charges in the Income and Expenditure Account

- Contingent rent – increases in the amount to be paid for the property arising during the contract, debited to Interest Payable and Similar Charges in the Income and Expenditure Account
- Payment towards liability – applied to write down the Balance Sheet liability towards the PFI operator
- Lifecycle replacement costs – recognised as PPE on the Balance Sheet.

PFI assets are accounted for on the Council's balance sheet at fair value with a related finance lease liability. Movements in their value over the year are detailed in the analysis of the movement on the Property, Plant and Equipment balance in Note 12. The income and expenditure account now has the unitary charge payment split between service costs, lease costs and MRP (minimum revenue provision) payments. Revised MRP policy allows for PFI MRP to be funded from capital receipts, permissible under regulations.

Although the payments made to the contractor are described as unitary payments, they have been calculated to compensate the contractor for the fair value of the services they provide, the capital expenditure incurred and interest payable whilst the capital expenditure remains to be reimbursed.

	2015/16 £'000	2016/17 £'000
Opening Balance	(55,700)	(54,192)
Unitary Charge Paid	11,227	11,275
Expenditure / Financing Cost	(9,719)	(9,893)
<b>Closing Balance</b>	<b>(54,192)</b>	<b>(52,810)</b>

The payments due, as calculated under the finance lease methodology, which relate to service charges, interest and lease liability are shown in the following table.

Balance at 31 March	2016			2017		
	Service Charges	Interest	Liability	Service Charges	Interest	Liability
	£'000	£'000	£'000	£'000	£'000	£'000
Within 1 Year	3,680	6,248	(1,382)	3,702	6,092	(1,530)
Within 2 - 5 Years	15,101	23,221	(7,305)	15,248	22,378	(8,227)
Within 6 - 10 Years	20,427	23,148	(14,852)	21,190	21,434	(16,153)
Within 11 - 15 Years	24,439	12,889	(23,021)	24,954	10,233	(25,600)
Within 16 - 20 Years	6,811	1,030	(7,632)	1,684	150	(1,300)
	<b>70,458</b>	<b>66,536</b>	<b>(54,192)</b>	<b>66,778</b>	<b>60,287</b>	<b>(52,810)</b>

#### 41. Pensions Schemes Accounted for as Defined Contribution Schemes

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

The Scheme is technically a defined benefit scheme. However, the Scheme is unfunded and the Department for Education uses a notional fund as the basis for calculating the employers' contribution rate paid by local authorities. The Authority is not able to identify its share of

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.

In 2016/17, the council paid £608k to Teachers' Pensions in respect of teachers' retirement benefits, representing 16.5% of pensionable pay. The figures for 2015/16 were £549k and 16.1%.

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.

Health staff transferred to the Council in 2013/14 and many maintained their membership in the NHS Pension Scheme. The Scheme provides these staff with specified benefits upon their retirement and the Council contributes towards the costs by making contributions based on a percentage of members' pensionable salaries.

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.

## **42. Defined Benefit Pension Schemes**

### **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 needs to be disclosed at the time that employees earn their future entitlement.

The authority participates in two post-employment schemes:

- The Local Government Pension Scheme, administered locally by Wiltshire County 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 pensions liabilities with investment assets.
- Arrangements for the award of discretionary post-retirement benefits upon early retirement – this is an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made. However, there is no investment assets built up to meet these pension liabilities, and cash has to be generated to meet actual pension payments as they eventually fall due.

The Council paid an employer's contribution of £10.9m (£10.2m in 2015/16) into Wiltshire County Council's Pension Fund. Wiltshire County Council manages the fund, which provides participants with defined benefits relating to pay and service. This represented 19 % of employees' pensionable pay including some lump sum payments. The basic contribution rate to cover the cost of on-going pensions was 18.4 % for General Fund staff, with the additional lump sum payments being paid to reduce the deficit on the Pension Fund.

The Fund's Actuary, based on triennial actuarial valuations, determines the contribution rate. The last review was as at 31 March 2016. Future contribution rates are set so that fund assets should



be sufficient to meet 100% of the overall liabilities of the fund over time; however, the current position of the pension fund is that it is not fully funded. Though a significant liability, the Council can meet the proportion applicable.

#### Transactions Relating to Post-employment Benefits

We recognise 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 we are required to make against council tax is based on the cash payable in the year, so the real cost of post-employment/retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year:

<b>IAS19 Summary Disclosures Through The CIES</b>	<b>2015/16 £'000</b>	<b>2016/17 £'000</b>
<b>Within Net Cost of Service:</b>		
Current service cost	20,162	18,473
Non-Distributed cost	(1,690)	64
<b>Within Net operating Expenditure:</b>		
Interest cost	10,491	10,703
<b>Within Reserves Movement:</b>		
Movement on Pensions Reserve	(11,660)	(10,932)
<b>Actual Amount Charged Against Council tax for the Year:</b>		
Employer's contributions payable to the scheme	(17,303)	(18,308)
Net effect on Council Tax of IAS19 adjustments	0	0

The principal assumptions used by the actuary have been:

<b>Assumptions as at 31 March</b>	<b>2016</b>	<b>2017</b>
Pension Increase Rate (CPI)	2.2%	2.4%
Salary Increase Rate	4.2%	2.7%
Discount Rate	3.5%	2.5%
<b>Change in Assumptions at 31 March</b>	<b>Approximate % Increase to Employer</b>	<b>Approximate Monetary Amount £</b>
0.5% decrease in Real Discount Rate	9%	82,255
1 year increase in member life expectancy	3%	26,305
0.5% increase in the salary increase rate	1%	8,824
0.5% increase in the pension increase rate	8%	72,459

#### 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 assessed by Hymans Robertson LLP, an independent firm of actuaries, estimates for the County Council Fund being based on the latest full valuation of the scheme.

There are risks associated with the pension liability around scheme membership, where the life expectancy of members may be longer than estimated, resulting in benefits being payable for a longer period.

Reconciliation of present value of the scheme liabilities (defined benefit obligation):

	2016			2017		
	Asset £'000	Obligation £'000	Net £'000	Asset £'000	Obligation £'000	Net £'000
Fair Value of Employer Assets	522,981	(831,613)	(308,632)	482,436	(769,786)	(287,350)
Present Value of Liabilities	-	(20,507)	(20,507)	-	(18,565)	(18,565)
<b>Opening Position 1 April</b>	<b>522,981</b>	<b>(852,120)</b>	<b>(329,139)</b>	<b>482,436</b>	<b>(788,351)</b>	<b>(305,915)</b>
Current Service Cost	-	(20,162)	(20,162)	-	(18,473)	(18,473)
Past Service (Costs) / Gains	-	(192)	(192)	-	(64)	(64)
Effect of Settlements	(5,084)	7,053	1,969	-	-	0
<b>Total Service Cost</b>	<b>(5,084)</b>	<b>(13,301)</b>	<b>(18,385)</b>	<b>-</b>	<b>(18,537)</b>	<b>(18,537)</b>
Interest Income on plan assets	16,516	-	16,516	16,830	-	16,830
Interest cost on obligation	-	(27,007)	(27,007)	-	(27,533)	(27,533)
<b>Total Net Interest</b>	<b>16,516</b>	<b>(27,007)</b>	<b>(10,491)</b>	<b>16,830</b>	<b>(27,533)</b>	<b>(10,703)</b>
<b>Total Cost Recognised in Profit/(Loss)</b>	<b>11,432</b>	<b>(40,308)</b>	<b>(28,876)</b>	<b>16,830</b>	<b>(46,070)</b>	<b>(29,240)</b>
Plan participant contributions	4,559	(4,559)	0	4,779	(4,779)	0
Employer contributions	16,061	-	16,061	17,101	-	17,101
Contributions for Unfunded Benefits	1,242	-	1,242	1,207	-	1,207
Benefits Paid	(21,426)	21,426	0	(24,407)	24,407	0
Unfunded Benefits Paid	(1,242)	1,242	0	(1,207)	1,207	0
<b>Expected Closing Position</b>	<b>533,607</b>	<b>(874,319)</b>	<b>(340,712)</b>	<b>496,739</b>	<b>(813,586)</b>	<b>(316,847)</b>
Change in demographic assumptions	-	-	0	-	9,073	9,073
Change in financial assumptions	-	75,107	75,107	-	(141,197)	(141,197)
Other experience	-	11,419	11,419	-	68,862	68,862
Return on assets excluding interest	(51,642)	--	(51,642)	88,241	-	88,241
<b>Total Re-measurements in Other Income</b>	<b>(51,642)</b>	<b>86,526</b>	<b>34,884</b>	<b>88,241</b>	<b>(63,262)</b>	<b>24,979</b>
Effect of business combinations	471	(558)	(87)	-	-	0
<b>Sub-Total</b>	<b>482,436</b>	<b>(788,351)</b>	<b>(305,915)</b>	<b>584,980</b>	<b>(878,848)</b>	<b>(291,868)</b>
Fair Value of Employer Assets	482,436	-	482,436	584,980	-	584,980
Present Value of Funded Liabilities	-	(769,786)	(769,786)	-	(857,239)	(857,239)
Present Value of Unfunded Liabilities	-	(18,565)	(18,565)	-	(19,609)	(19,609)
<b>Closing Position 31 March</b>	<b>482,436</b>	<b>(788,351)</b>	<b>(305,915)</b>	<b>584,980</b>	<b>(876,848)</b>	<b>(291,868)</b>

The liabilities show the underlying commitments that the authority has in the long run to pay retirement benefits. The total liability of £876.8m has a substantial impact on the net worth of the authority as recorded in the Balance Sheet, resulting in a negative overall balance of £291.9m.

However, statutory arrangements for funding the deficit mean that the financial position of the Authority remains healthy:

- The deficit on the local government scheme will be made good by increased contributions over the remaining working life of employees (i.e. before payments fall due)
- Finance is only required to be raised to cover discretionary benefits when pensions are paid
- The total contributions expected to be made to the Local Government Pension Scheme by the council in the year to 31 March 2018 is £17.6m.

#### Fair Value of Employer Assets

Asset Category	Quoted Prices	Non- Quoted Prices	Total 2016		Quoted Prices	Non- Quoted Prices	Total 2017	
	£'000	£'000	£'000	%	£'000	£'000	£'000	%
<b>Equity Securities:</b>								
Consumer	12,976	-	12,976	3%	12,144	-	12,144	2%
Manufacturing	7,610	-	7,610	2%	9,042	-	9,042	2%
Financial Institutions	2,721	-	2,721	1%	1,653	-	1,653	0%
Health Care	3,340	2	3,342	1%	2,616	-	2,616	1%
Information Technology	59,646	-	59,646	12%	60,069	-	60,069	10%
Other	2,002	-	2,002	0%	4,890	-	4,890	1%
<b>Real estate:</b>								
UK Property	-	59,348	59,348	12%	-	61,352	61,352	10%
Overseas Property	-	1,593	1,593	0%	-	13,366	13,366	2%
<b>Investment Funds &amp; Unit Trusts:</b>								
Equities	-	207,196	207,196	43%	-	307,780	307,780	53%
Bonds	-	78,576	78,576	16%	-	95,763	95,763	16%
Hedge Funds	-	-	-	0%	-	-	-	0%
Commodities	-	4,072	4,072	1%	-	0	-	0%
Infrastructure	-	38,691	38,691	8%	-	10,330	10,330	2%
Other	-	2,893	2,893	1%	-	1,629	1,629	0%
<b>Derivatives:</b>								
Foreign Exchange	-	-	-	0%	-	-	-	0%
Other	-	-	-	0%	-	-	-	0%
Cash / Cash Equivalents	1,770	-	1,770	0%	4,346	-	4,346	1%
<b>Total</b>	<b>90,065</b>	<b>392,371</b>	<b>482,436</b>	<b>100%</b>	<b>94,760</b>	<b>490,220</b>	<b>584,980</b>	<b>100%</b>

#### Commutation Adjustment

An allowance is included for future retirements to elect to take a percentage of the maximum additional tax-free cash up to HMRC limits. There are different rates for pre- (50%) and post (75%) - April 2008 service.

### 43. Financial Instruments

#### Categories of Financial Instruments

The following categories of financial instrument are carried in the Balance Sheet, debtors and creditors relate only to trade activities:

Balance at 31 March	Long- term 2016 £'000	2017 £'000	Current 2016 £'000	2017 £'000
<b>Assets:</b>				
Cash	-	-	11,112	2,150
Cash Equivalents Investments			4,000	-
Loans and receivables	-	-	38,394	31,398
Available-for-sale financial assets	-	-	23	23
Financial Asset against Group Company	6,981	-	-	-
<b>Total assets</b>	<b>6,981</b>	<b>0</b>	<b>53,529</b>	<b>33,571</b>
<b>Borrowings:</b>				
Financial liabilities PWLB	(239,256)	(237,755)	-	(1,501)
Financial liabilities LOBO	(30,000)	(30,000)	-	-
Financial liabilities Other Borrowing	(10,000)	(10,000)	(14,181)	(19,000)
<b>Total borrowings</b>	<b>(279,256)</b>	<b>(277,755)</b>	<b>(14,181)</b>	<b>(20,501)</b>
<b>Other Financial Instruments:</b>				
Debtors	-	-	8	3,943
Creditors	-	-	(13,935)	(20,613)
Other Long Term Liabilities	-	-	(35)	(39)
PFI	(52,810)	(51,280)	(1,346)	(1,530)
<b>Total other financial instruments</b>	<b>(52,810)</b>	<b>(51,280)</b>	<b>(15,308)</b>	<b>(18,239)</b>

#### Income, Expense, Gains and Losses

The gains and losses recognised in the Comprehensive Income and Expenditure Statement in relation to interest and investing financial instruments are shown in note 8.

#### Fair Values of Assets and Liabilities

One of the authority's financial assets is measured at fair value on a recurring basis and is described in the following table, including the valuation technique used to measure them.

Recurring fair value measurements	Input level in fair value hierarchy	Valuation technique used to measure fair value	As at 31/3/16 £'000	As at 31/3/17 £'000
Available for Sale				
Property Fund Investment	Level 2	Observable inputs for the sales value of the asset	14,295	14,071
<b>Total</b>			<b>14,295</b>	<b>14,071</b>

Gains and losses included in Other Comprehensive Income and Expenditure for the current year relate to the Property Fund Investment and are taken to the Available for Sale Reserve.

	2015/16 £'000	2016/17 £'000
Opening Balance	0	14,295
Transfer In	15,000	0

Gain/(Loss) to Other Operating Income (reversed to Asset Held for Sale Reserve)	(705)	(224)
<b>Closing Balance</b>	<b>14,295</b>	<b>14,071</b>

Except for the financial asset carried at fair value described in the table above, all other financial liabilities and financial assets represented by loans and receivables and long term debtors and creditors are carried on the balance sheet at amortised cost. Their comparative fair value can be assessed by calculating the present value of the cash flows that take place over the remaining life of the instruments, using the following assumptions:

- For PWLB, and non-PWLB loans payable, new borrowing rates from the PWLB have been applied to provide the fair value
- Where an instrument has a maturity of less than 12 months or is a trade or other receivable the fair value is taken to be the carrying or billed amount;

These, and the PFI liability, are carried at amortised cost on the balance sheet, but for fair value comparison are estimated as Level 2 Inputs – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, and the fair values calculated by third party Treasury specialist are as follows:

Balance at 31 March	2016		2017	
	Carrying Amount £'000	Fair Value £'000	Carrying Amount £'000	Fair Value £'000
PWLB Long Term Creditors	(239,256)	(265,480)	(237,755)	(271,361)
PWLB Short Term Creditors	-	-	(1,501)	(7,265)
Non-PWLB Long Term Creditors	(40,000)	(48,791)	(40,000)	(54,776)
Non-PWLB Short Term Creditors	(14,181)	(12,766)	(19,000)	(19,005)
PFI Liability	(54,156)	(110,772)	(52,810)	(108,163)
Loans and Receivables	47,294	44,223	31,398	31,556

The fair value of Public Works Loan Board (PWLB) loans of £271.361m measures the economic effect of the terms agreed with the PWLB compared with estimates of the terms that would be offered for market transactions undertaken at the Balance Sheet date, which has been assumed as the new borrowing rates available from the PWLB. The difference between the carrying amount and the fair value measures the additional interest that the authority will pay over the remaining terms of the loans under the agreements with the PWLB, against what would be paid if the loans were at prevailing market rates. However, the authority has a continuing ability to borrow at concessionary rates from the PWLB rather than from the markets, termed the PWLB Certainty interest rates.

A supplementary measure of the fair value as a result of its PWLB commitments for fixed rate loans is to compare the terms of these loans with the PWLB redemption interest rates. If a value is calculated on this basis, the carrying amount of £239.256m would be valued at £314.030m. But, if the authority were to seek to avoid the projected loss by repaying the loans to the PWLB, the PWLB would raise a penalty charge, based on the redemption interest rates, for early redemption of £74.774m for the additional interest that will not now be paid. The exit price for the PWLB loans including the penalty charge would be £314.030m.

The fair values of assets or liabilities shown above are higher or lower than the carrying amount because the Authority's portfolio includes a number of fixed rate loans where the interest rate

varies over the prevailing rates at the Balance Sheet date. This shows notional future gains/losses (based on economic conditions at 31 March) arising from a commitment to pay or receive interest at market rates that differ from the current market at the balance sheet date. This includes the PFI liability which has a higher internal rate of return than current market conditions. Premature repayment rate has been used in estimating the PFI fair value, which is expected to be similar to new loan value.

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

#### 44. 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 and stock market movements.

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 a central treasury team, under policies approved by the council in the annual treasury management strategy. The council provides written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk and the investment of surplus cash.

##### Credit Risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the authority's customers. This risk is minimised through the Annual Investment Strategy, which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria. The Council uses Sectors Credit worthiness service to inform its investment decisions; this service uses ratings from all three major agencies as well as other data

The Authority's maximum exposure to credit risk at 31 March, in relation to its investments in banks and building societies of £47m, cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of not being able to recover funds applies to all of the Authority's deposits, but there was no evidence at the 31 March that this was likely to crystallise.

The Authority does not generally allow credit for customers, such that all of the balance is past its due date for payment. The past due but not impaired amount can be analysed by age as follows

	2015/16	2016/17
	£'000	£'000
Less than three months	12,874	3,397
Three to six months	232	355
Six months to one year	495	1,246
More than one year	891	2,780
<b>Total</b>	<b>14,492</b>	<b>7,778</b>

## Liquidity Risk

The authority has a comprehensive cash flow management system that seeks 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 not more than 45% of loans are due to 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:

	2015/16 £'000	2016/17 £'000
Less than one year	14,181	20,501
Between one and two years	-	-
Between two and five years	20,000	26,750
More than five years	67,726	54,379
Over ten years	191,530	196,626
<b>Total</b>	<b>293,437</b>	<b>298,256</b>

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

## 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 would have the following effects:

- Borrowings at variable rates – interest charged to the Surplus / Deficit on the Provision of Services will rise
- Borrowings / Investments at fixed rates – the fair value of the liability/asset will fall
- Investments at variable rates – the interest income credited to the Surplus or Deficit on the Provision of Services will rise



## Supplementary Statements

The following statements are not core statements of the authority but do constitute a significant element in understanding the wider services and position the authority holds.

## The Collection Fund

Shows the Council Tax and National Non-Domestic rates income collected and paid during the year.

	2015/16 Business Rates £000	Council Tax £000	Total £000	2016/17 Business Rates £000	Council Tax £000	Total £000
<b>INCOME</b>						
Council Tax Receivable	-	(97,605)	(97,605)	-	(103,965)	(103,965)
Business Rates Receivable	(110,208)	-	(110,208)	(109,205)	-	(109,205)
	<b>(110,208)</b>	<b>(97,605)</b>	<b>(207,813)</b>	<b>(109,205)</b>	<b>(103,965)</b>	<b>(213,170)</b>
<b>EXPENDITURE</b>						
<b>Apportionment of Previous Year Surplus</b>						
Billing Authority	-	1,662	1,662	-	1,462	1,462
Fire Authority	-	90	90	-	80	80
Police Authority	-	228	228	-	204	204
	<b>0</b>	<b>1,980</b>	<b>1,980</b>	<b>0</b>	<b>1,746</b>	<b>1,746</b>
<b>Precepts, Demands and Shares</b>						
Central Government	50,358	-	50,358	53,348	-	53,348
Billing Authority	49,534	79,525	129,059	52,658	85,109	137,767
Fire Authority	1,007	4,390	5,397	1,067	4,813	5,880
Police Authority	-	11,095	11,095	-	11,621	11,621
	<b>100,899</b>	<b>95,010</b>	<b>195,909</b>	<b>107,073</b>	<b>101,543</b>	<b>208,616</b>
<b>Charges to Collection Fund</b>						
Less write offs of uncollectable amounts	1,087	535	1,622	1,078	283	1,361
Less : Increase / (Decrease) in Bad Debt Provision	(2)	168	166	133	246	379
Less : Increase / (Decrease) in Provision for Appeals	2,577	-	2,577	34	-	34
Less : Renewables	-	-	-	561	-	561
Less : Cost of Collection	271	-	271	278	-	278
	<b>3,933</b>	<b>703</b>	<b>4,636</b>	<b>2,084</b>	<b>529</b>	<b>2,613</b>
(Surplus) / Deficit arising during the year	(5,376)	88	(5,288)	(48)	(147)	(195)
(Surplus) / deficit brought forward 1st April	5,092	(1,664)	3,429	(284)	(1,576)	(1,860)
<b>(Surplus) / deficit carried forward 31st March</b>	<b>(284)</b>	<b>(1,576)</b>	<b>(1,860)</b>	<b>(332)</b>	<b>(1,723)</b>	<b>(2,055)</b>
Reconciliation to Collection Fund Adjustment Account:						
Less Balance Attributable to Major Preceptors	(48)	257	209	124	285	409
<b>Balance Remaining Attributable to SBC</b>	<b>(332)</b>	<b>(1,319)</b>	<b>(1,651)</b>	<b>(208)</b>	<b>(1,438)</b>	<b>(1,646)</b>



## Notes to the Collection Fund

### 45. Rateable Value

The total rateable value in the Local Rating List at 31 March 2017 was £260,637,520 (£260,653,211 at 31 March 2016). The multiplier for 2016/17 was 49.7 pence for the majority of properties and 48.4 pence for small businesses, (49.3 pence and 48.0 pence respectively for 2015/16).

### 46. Council Tax Base

The Council Tax Base for the year, i.e. the number of chargeable dwellings in each band (adjusted for dwellings where discounts apply in band A) converted to an equivalent number of Band D dwellings, was as shown in the table below.

Band	No of Taxable Properties *	Ratio to Band D	Band D Equivalents
A	12,124.00	6/9	8,078.40
B	24,083.75	7/9	18,731.81
C	21,287.00	8/9	18,921.78
D	15,152.82	9/9	15,152.82
E	7,742.75	11/9	9,463.36
F	2,987.00	13/9	4,314.56
G	1,205.50	15/9	2,009.17
H	54.00	18/9	108.00
<b>Total</b>	<b>Band D equivalents</b>		<b>76,779.90</b>
Contributions in lieu	(MOD properties)		94.10
Add:	Anticipated changes in year		(5,909.00)
Less:	Provision for non-collection (2.0%)		(1,419.20)
	<b>Tax Base</b>		<b>69,545.80</b>

\* After adjustment for discounts and relief.

## The Housing Revenue Account (HRA)

This statement consolidates the income and expenditure in respect of the provision of local authority housing.

<b>HRA Income and Expenditure Statement</b>	<b>2015/16</b>	<b>2016/17</b>
	<b>£'000</b>	<b>£'000</b>
Expenditure		
Repairs and maintenance	10,602	11,107
Supervision and management	6,622	6,776
Special Services	5,606	5,831
Rents, rates, taxes and other charges	124	87
Depreciation and impairment of non-current assets	23,872	23,938
Debt management costs	60	60
Movement in the allowance for bad debts	(161)	794
<b>Total Expenditure</b>	<b>46,725</b>	<b>48,593</b>
Income		
Dwelling rents	(43,293)	(42,976)
Non-dwelling rents	(121)	(150)
Charges for services and facilities	(5,522)	(5,460)
Contributions towards expenditure	(561)	(1,301)
Leaseholders' charges for services and facilities	(88)	(90)
<b>Total Income</b>	<b>(49,585)</b>	<b>(49,977)</b>
<b>Net Cost of HRA Services as included in the Comprehensive Income and Expenditure Statement</b>	<b>(2,860)</b>	<b>(1,384)</b>
HRA services' share of Corporate and Democratic Core	244	122
HRA share of other amounts included in the whole authority Cost of Services but not allocated to specific services	8	8
<b>Net (Income)/Expense for HRA Services</b>	<b>(2,608)</b>	<b>(1,254)</b>
<b>HRA share of the operating income and expenditure included in the Comprehensive Income and Expenditure Statement:</b>		
(Gain) / loss on sale of HRA non-current assets	8,866	6,053
Interest payable and similar charges	4,497	4,332
Interest and investment income	(227)	(279)
Investment Properties Income	(1,367)	(1,321)
Revaluation on investments	(7,282)	544
Net Pensions Interest Cost / Return on Asset	1,110	991
<b>(Surplus) / deficit for the year on HRA services</b>	<b>2,989</b>	<b>9,066</b>

## Statement of Movement in the Housing Revenue Account

	<b>2015/16</b>	<b>2016/17</b>
	<b>£000</b>	<b>£000</b>
<b>1 April</b>	<b>(9,421)</b>	<b>(11,298)</b>
(Surplus) / Deficit on Service provision	2,989	9,066
Adjustments between accounting & funding basis	(3,078)	(8,893)
Transfers to / (from) Earmarked Reserves	(1,788)	82
<b>(Increase)/Decrease in-year</b>	<b>(1,877)</b>	<b>255</b>
<b>31 March</b>	<b>(11,298)</b>	<b>(11,043)</b>

<b>HRA Movement in Reserves Adjustments</b>	<b>2015/16 £'000</b>	<b>2016/17 £'000</b>
Adjustments between accounting & funding basis in reconciling the HRA balance for the year		
Charges for depreciation of non-current assets	(16,538)	(16,827)
Charges for impairment of non-current assets	(7,334)	(7,111)
Movement in the market value of investment properties	7,282	(544)
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(12,116)	(11,457)
Voluntary provision for the financing of capital investment	5,000	5,000
Capital expenditure charged against the General Fund and HRA balances	2,253	865
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	3,250	5,404
Reversal of Major Repairs Allowance credited to the HRA	16,538	16,783
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(1,413)	(1,006)
<b>Total Adjustments</b>	<b>(3,078)</b>	<b>(8,893)</b>

## Notes to the HRA

### 47.Housing Stock

The stock of Council dwellings at 31st March was:

<b>Type</b>	<b>31<sup>st</sup> March 16</b>	<b>Movement</b>	<b>31<sup>st</sup> March 17</b>
Low Rise Flats:			
1 Bedroom	1,734	10	1,744
2 Bedrooms	711	1	712
3 or more Bedrooms	10	0	10
Medium Rise Flats:			
1 Bedroom	875	0	875
2 Bedrooms	477	(1)	476
3 or more Bedrooms	51	0	51
High Rise Flats:			
1 Bedroom	26	0	26
2 Bedrooms	234	2	236
Houses and Bungalows:			
1 Bedroom	889	7	896
2 Bedrooms	1,394	5	1,399
3 Bedrooms	3,704	(43)	3,661
4 or more Bedrooms	193	(2)	191
<b>Total</b>	<b>10,298</b>	<b>(21)</b>	<b>10,277</b>

The Balance Sheet value of land, houses and other property relating to the Housing Revenue Account as at 31 March is summarised below.

	2015/16 £'000	2016/17 £'000
<b>Assets:</b>		
Dwellings	325,781	401,363
Land	99	99
Plant and Equipment	30	157
Investment properties	14,940	14,396
<b>Total Balance Sheet Value</b>	<b>340,850</b>	<b>416,015</b>

There is a statutory requirement for the Council's assets to be revalued at least every 5 years. The tenanted dwellings were revalued as at 1st April 2016.

#### 48.Vacant Possession Valuation

In addition to the balance sheet valuation it is a requirement of the HRA (Accounting Practices) Direction 2007 that the vacant possession value of dwellings as at 1st April is disclosed as a note to the accounts. The inclusion of both the balance sheet valuation and the vacant possession valuation ensures that the economic cost to the Government of providing council housing at less than open market rents is shown in the accounts. The vacant possession valuation as at 31 March 2017 was £1,242,582,370. It was £1,137,079,619, at 31<sup>st</sup> March 2016.

#### 49.Major Repairs Reserve

The Major Repairs Allowance (MRA) was introduced by Government to assist Councils in bringing the stock up to the Decent Homes Standard by 2010. Swindon Borough Council Achieved this in March 2008.

	Balance at 31 March 2016 £'000	2017 £'000
Capital expenditure for HRA purposes financed by MRA Resources:		
Houses	17,714	16,658
<b>Total Expenditure</b>	<b>17,714</b>	<b>16,658</b>
Amount equivalent to total depreciation charges for all HRA assets	(16,538)	(16,783)
Transfer from HRA	-	-
<b>Total Income</b>	<b>(16,538)</b>	<b>(16,783)</b>
<b>Deficit / (Surplus) for the Year</b>	<b>1,176</b>	<b>(125)</b>
Deficit / (Surplus) brought forward	(20,055)	(18,879)
<b>Deficit / (Surplus) Carried Forward</b>	<b>(18,879)</b>	<b>(19,004)</b>

#### 50.HRA Capital Expenditure

The capital expenditure on the HRA was:

	2015/16 £'000	2016/17 £'000
Dwellings	16,812	15,387
Buildings	4,584	4,739
<b>Total to Finance</b>	<b>21,396</b>	<b>20,126</b>

This expenditure was financed by:

	2015/16 £'000	2016/17 £'000
Major Repairs Reserve	17,714	16,658
Usable Capital Receipts	1,374	2,013
Revenue Contributions	2,057	865
Other contributions	55	60
HCA Grant for New Build	196	530
<b>Total Finance</b>	<b>21,396</b>	<b>20,126</b>

### 51.Housing Repairs Account

	Balance at 31 March 2016 £'000	2017 £'000
Repairs & Maintenance	10,318	10,790
<b>Total Expenditure</b>	<b>10,318</b>	<b>10,790</b>
Contribution from HRA	(9,526)	(9,980)
Service charges	(792)	(810)
<b>Total Income</b>	<b>(10,318)</b>	<b>(10,790)</b>
<b>Deficit / (Surplus) for the Year</b>	<b>0</b>	<b>0</b>
Deficit / (Surplus) brought forward	(50)	(50)
<b>Deficit / (Surplus) Carried Forward</b>	<b>(50)</b>	<b>(50)</b>

### 52.HRA Capital Receipts

In 2016/17, the Council paid £0.735m to the Secretary of State for pooling of capital receipts arising from the disposal of housing assets as required in the Local Government Act 2003 (£0.746m in 2015/16). A notional £674k was also payable under Pooling Payment requirement (£799k in 2015/16); however, under relevant conditions is allowed to be kept as a receipt in advance.

	2015/16 £'000	2016/17 £'000
Sale of Council Houses	4,049	5,942
Sales of Non-Dwelling Assets	0	154
Council Mortgage Repayments	10	3
Capital receipt retained for new property acquisitions	(799)	(674)
<b>Total</b>	<b>3,260</b>	<b>5,425</b>

### 53.HRA Cost of Capital Charge

Depreciation is the cost of capital charge on the HRA that pays for the wearing out, using up or other reduction in the remaining life of the asset through use, passage of time or obsolescence. The majority of council dwellings are being depreciated over 70 years.

	2015/16 £'000	2016/17 £'000
Depreciation on dwellings	16,528	16,783
Depreciation on plant & equipment	10	44
Impairment and revaluation losses of dwellings	7,334	7,111
<b>Total</b>	<b>23,872</b>	<b>23,938</b>

The Item 8 credit is credited to the HRA from the General Fund; it is the HRA's share of the interest earned on Council balances through the year. It is calculated by applying the Council's average investment return rate for the year to the average balances attributable to the HRA.

The Item 8 debit is the charge made to the HRA by the general fund for the cost of debt management. This is calculated by applying a consolidated rate of interest to the HRA's average Capital Financing Requirement CFR (the amount of debt the council carries that is attributable to the HRA).

#### 54.HRA Arrears & Provisions for Bad Debt

Arrears of rent and other housing related charges due to the Council at 31st March were:

	2015/16 £'000	2016/17 £'000
Current tenants	1,564	1,958
Former tenants	515	420
<b>Total Arrears</b>	<b>2,079</b>	<b>2,378</b>
Less: provision for bad debts	(2,079)	(2,378)
<b>Total Arrears After Provisions</b>	<b>0</b>	<b>0</b>

Arrears represent 0% of rent income and service charges due to the Council.

## **ACCOUNTING POLICIES**

### **a) General Principles**

The Statement of Accounts summarises the Authority's transactions for this financial year and its position at the year-end of 31 March. The Authority is required to prepare Annual Statement of Accounts by the Accounts and Audit Regulations 2003, which those Regulations require 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 and the Service Reporting Code of Practice, supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under section 12 of the 2003 Regulations.

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.

There are also qualitative aspects to financial information and the areas of relevance, reliability, comparability, how understandable they are and materiality are considered in the accounting treatment of transactions, along with the going concern concept that the authority has prepared its accounts on the assumption that it will continue in operational existence for the foreseeable future.

The figures in the accounts are subject to rounding to thousands (£000's) but should not be rounded excessively, allowing for consistency and balancing between different statements and disclosure notes.

### **b) Revenue recognition and Accruals of Income and Expenditure**

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

Revenue from the sale of goods is recognised in the period that 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 in the period when the Authority provides the service 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 that material supplies are received and their consumption, material balances are carried as inventories on the Balance Sheet.

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.

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 remain unpaid beyond a month, the income is automatically reversed from the Comprehensive Income and Expenditure Statement and a bad debt provision created.

As part of the annual accrual process a requested de minimis level is set for year-end service accruals to reflect materiality thresholds. For cyclical periodic payments, such as utility bills, the accounts aim to reflect a full twelve months in the accounting year, which may not necessarily be April to March, but will reflect 12 months' worth of costs.

#### **c) Acquisitions and Discontinued Operations**

Acquisition or discontinuation of services are shown on the face of the comprehensive income and expenditure statement in the year that they were acquired/discontinued.

#### **d) 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 one month 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 that are repayable on demand and form an integral part of the Authority's cash management.

#### **e) Prior Period Adjustments, Changes in Accounting Policies 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.

#### **f) 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 PPE 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. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement equal to an amount calculated on a prudent basis determined by the authority in accordance with statutory guidance. This is called the Minimum Revenue Provision (MRP).



Depreciation, revaluation and impairment losses and amortisations are therefore replaced by the contribution in the General Fund Balance to MRP, by way of adjusting transactions with the Capital Adjustment Account in the Movement in Reserves Statement.

### **g) 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, salaries and paid annual leave for current employees and are recognised as an expense for services in the year in which employees render service to the Authority. Where the value of untaken leave is calculated as being material, defined as greater than 1% of the gross cost of services, an accrual is made for the estimated cost of holiday entitlements earned by employees but not taken before the year-end. The accrual is made at the wage and salary rates applicable to the period in which the employee earned the benefit. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement, as allowed under regulations.

#### **Post-Employment Benefits**

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

The Teachers' Pension Scheme, administered by Teachers' Pensions Agency on behalf of the Department for Education (DfE).

The Local Government Pension Scheme, administered by Wiltshire County Council.

Both schemes provide defined benefits to members (retirement lump sums and pensions), earned as employees worked 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 was a defined contribution scheme and no liability for future payments of benefits is recognised in the Balance Sheet. The Children's and Education Services line in the Comprehensive Income and Expenditure Statement is charged with the employer's contributions payable to Teachers' Pensions in the year.

#### **The Local Government Pension Scheme**

The Local Government Scheme is accounted for as a defined benefits scheme. The liabilities of the Wiltshire 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, etc., and projections of projected earnings for current employees. Liabilities are discounted to their value at current prices, using a discount rate of 4.5% (based on the indicative rate of return on the iBoxx Sterling Corporates AA over 15 years Index at the IAS19 valuation date with one adjustment – the removal of recently re-rated bonds from the index).

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

- Current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked
- Past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs
- Interest cost – the expected increase in the present value of liabilities during the year as they move one year closer to being paid – debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
- Net interest on the net defined benefit liability– the annual investment return on the fund assets attributable to the Authority, based on an average of the expected long-term return – credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
- Gains or losses on settlements and curtailments – the result of actions to relieve the Authority of liabilities or events that reduce the expected future service or accrual of benefits of employees – debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs
- Remeasurement of the net defined benefit liability – 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 Wiltshire pension fund – cash paid as employer’s contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

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

#### Discretionary Benefits

The Authority also 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 (including teachers) 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.

#### **h) Events after the Balance Sheet Date**

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 is 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.

### **i) Financial Instruments**

#### **Financial Liabilities**

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

For most of the borrowings that the Authority has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable; and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

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

Where premiums and discounts have been charged to the Comprehensive Income and Expenditure Statement, regulations allow the impact on the General Fund Balance to be spread over future years. The Authority has a policy of spreading the gain or loss over the term that was remaining on the loan against which the premium was payable or discount receivable when it was repaid. The reconciliation of amounts charged to the Comprehensive Income and Expenditure Statement to the net charge required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

#### **Guarantees**

The Authority views requests for parent company guarantees on a case-by-case basis. It is assessed whether there is any significant risk in the arrangement and the subsequent extent that any provision would be required.

#### Financial Assets

Financial assets are classified into two types:

Loans and receivables: assets that have fixed or determinable payments but are not quoted in an active market

Available-for-sale assets: assets that have a quoted market price and/or do not have fixed or determinable payments.

#### Loans and Receivables

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

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the relevant service (for receivables specific to that service) or the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

Any gains and losses that arise on the de-recognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

The Council measures some of its assets and liabilities at fair value at the end of the reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability at the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

- a) in the principal market for the asset or liability, or
- b) in the absence of a principal market, in the most advantageous market for the asset or liability.

The Council measures the fair value of an asset or liability on the same basis that market participants would use when pricing the asset or liability (assuming those market participants were acting in their economic best interest).

Inputs to the valuation techniques in respect of the Council's fair value measurement of its assets and liabilities are categorised within the fair value hierarchy as follows:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities that the authority can access at the measurement date.

Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 – unobservable inputs for the asset or liability.

#### **j) 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 Council are not credited to the Comprehensive Income and Expenditure Statement until there is reasonable assurance that any conditions attached to the grant or contribution will be satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset acquired using the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

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

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied reserve. Where it has been applied, it is posted to 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.

#### **Business Improvement Districts**

A Business Improvement District (BID) scheme applies across the town centre. The scheme is funded by a BID levy paid by non-domestic ratepayers. The Authority acts as principal under the scheme, and accounts for income received and expenditure incurred (including contributions to the BID project) within the relevant services within the Comprehensive Income and Expenditure Statement.

#### **k) Intangible Assets**

Expenditure on non-monetary assets that do not have physical substance but are controlled by the Authority as a result of past events (e.g. software licences) is classified as intangible assets. The Authority considers intangible assets against materiality of the expenditure incurred. There are currently no identified intangible assets of the Authority.

## **l) Inventories and Long Term Contracts**

Inventories are included in the Balance Sheet at the lower of cost and net realisable value. 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 chargeable under the contract during the financial year.

## **m) 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, production of goods, is a surplus asset held for sale or held for any regeneration or other community benefit.

Investment properties are measured initially at cost and subsequently at fair value, the price that would be received to sell an asset in an orderly transaction between market participants for its highest and best use. Properties are not depreciated but are revalued according to market conditions at the year-end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

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

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

## **n) Leases**

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental 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.

The Authority as Lessee

Finance Leases

Property, plant and equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception (or the present

value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor. Initial direct costs of the Authority are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability. Contingent rents are charged as expenses in the periods in which they are incurred.

Lease payments are apportioned between:

A charge for the acquisition of the interest in the property, plant or equipment – applied to write down the lease liability, and

A finance charge (debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

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

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

#### Operating Leases

An operating lease is any lease other than a finance lease. Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefitting from use of the leased property, plant or equipment.

#### The Authority as Lessor

##### Finance Leases

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

Lease rentals receivable are apportioned between:

A charge for the acquisition of the interest in the property – applied to write down the lease debtor (together with any premiums received), and

Finance income (credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

The gain credited to the Comprehensive Income and Expenditure Statement on disposal is not permitted by statute to increase the General Fund Balance and is required to be treated as a capital receipt. Where a premium has been received, this is posted out of the General Fund Balance to the Capital Receipts Reserve in the Movement in Reserves Statement. Where the amount due in relation to the leased asset is to be settled by the payment of rentals in future financial years, this is posted out of the General Fund Balance to the Deferred Capital Receipts Reserve in the Movement in Reserves Statement.

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

#### Operating Leases

Where the Authority grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

### **p) 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.

#### 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 Authority has not capitalised borrowing costs incurred whilst assets are under construction during the year.

The cost of assets acquired other than by purchase is deemed to be its current 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 current value. The difference between current value and any consideration paid is credited to the Taxation and Non-Specific Grant Income line of the Comprehensive Income and Expenditure Statement, unless the donation has been made conditionally. Until conditions are satisfied, the gain is held in the Donated Assets Account. Where gains are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance to the Capital Adjustment Account in the Movement in Reserves Statement.

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

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

Where there is no market-based evidence of current value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of current value. Where non-property assets that have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for current 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 current value at the year-end, but as a minimum every five years. Valuations are carried out by internal valuers. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains.

Where decreases in value are identified, they are accounted for by:

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

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

The Authority carries out a rolling programme that ensures that all operational property is revalued at least every five years, with more frequent reviews for market valued assets and assessment of carrying value. The valuers consider the impact of market changes to valuations and will revalue assets annually where evidence suggests carrying value is materially misstated. The de minimis level applied is £10,000. Valuations of land and buildings were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. All valuations have been carried out by the Council's internal valuers, who are RICS qualified.

Impairment

Assets categories are assessed at each year-end for any indication that an asset may be impaired. 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 by:

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

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

### Depreciation

The Council uses the straight-line method of calculating depreciation on all its PPE, with the exception of non-depreciable land, community assets, investment properties and assets under construction. Straight-line depreciation is the method in which the cost of an asset is split equally over the period of its estimated useful life.

Depreciation is charged in the year of acquisition and disposal.

Due to the Right-to-Buy scheme where the stock is reducing each year, it is more appropriate for the Council to use the average value of the stock to calculate depreciation on Council Dwellings.

Depreciation is calculated on the following bases:

- Dwellings and other buildings – straight-line allocation over the useful life of the property, 20 years for dwellings, or 20-70 years as estimated by the valuer for other operational assets
- Vehicles, plant, furniture and equipment – generally straight-line over five years (dependent on the assessed expected useful life)
- Infrastructure – straight-line allocation over twenty years.

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.

### Components

Each asset on the balance sheet is made up of possible components, some of which may have different life spans to others and which might be accounted for distinctly for depreciation purposes. To enable a structured approach to component accounting the following principles are applied:

To be considered for componentisation an individual asset must:

- Have a carrying value of at least £5m, and
- Have undergone enhancement works over £100k, or
- Have been acquired, or
- Have undergone revaluation, or
- Undergo a change of category classification

A component must:

- Have a cost of at least £2m or,
- Cost at least 20% of the overall asset (whichever is higher) and
- Have a useful life which is at least plus or minus five years from other components/overall asset.

#### 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 posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previously 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 back to 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 amount 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 to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Associated costs of disposal are contained within the net cost of services analysis, as part of apportioned central support costs. Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

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

capital financing requirement). Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

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

#### Assets under Construction

These assets are in the process of being built and are not operational for use.

#### Heritage Assets

The Authority's Heritage Assets are mainly held in the Authority's Museums. The Museums contain a range of artistic, porcelain, locomotive and archaeological collections which are held for local knowledge, details of which can be found online:

<http://swindonmuseumandartgallery.org.uk/home/collections/>

<http://www.steam-museum.org.uk/Collections/Pages/donations-bequests.aspx>

Heritage Assets 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. However, the measurement rules are relaxed in relation to heritage assets and for all heritage classified collections values have been taken by reference to insurance valuations.

#### **q) Private Finance Initiative (PFI) and Similar Contracts**

PFI and similar contracts are agreements to receive services, where the responsibility for making available the property, plant and equipment needed to provide the services passes to the PFI contractor. As the Authority is deemed to control the services that are provided under its PFI schemes, and as ownership of the property, plant and equipment will pass to the Authority at the end of the contracts for no additional charge, the Authority carries the assets used under the contracts on its Balance Sheet as part of Property, Plant and Equipment.

The original recognition of these assets at fair value (based on the cost to purchase the property, plant and equipment) was balanced by the recognition of a liability for amounts due to the scheme operator to pay for the capital investment. For the PFI schools, the liability was written down by an initial capital contribution of £10m.

Non-current assets recognised on the Balance Sheet are revalued and depreciated in the same way as property, plant and equipment owned by the Authority.

The amounts payable to the PFI operators each year are analysed into five elements:

Fair value of the services received during the year – debited to the relevant service in the Comprehensive Income and Expenditure Statement.

Finance cost – an interest charge on the outstanding Balance Sheet liability, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

Contingent rent – increases in the amount to be paid for the property arising during the contract, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

Payment towards liability – applied to write down the Balance Sheet liability towards the PFI operator (the profile of write-downs is calculated using the same principles as for a finance lease).

Lifecycle replacement costs – proportion of the amounts payable is posted to the Balance Sheet as a prepayment and then recognised as additions to Property, Plant and Equipment when the relevant works are eventually carried out.

PFI remains the significant arrangement of this type but similar arrangements would be accounted for along these lines if entered into.

## **r) Provisions, Contingent Liabilities and Contingent Assets**

### **Provisions**

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

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

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

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

### **Contingent Liabilities**

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

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

## Contingent Assets

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

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

## **s) Reserves**

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

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

## **t) Revenue Expenditure Funded from Capital under Statute**

Expenditure incurred during the year that may be capitalised under statutory provisions but that does not result in the creation of a non-current asset has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year.

Where the Authority has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the level of council tax.

## **u) VAT**

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

## **v) Collection Fund / Agency Arrangements**

The Collection Fund is a separate account required through statute by billing authorities. It presents the amounts collected as income and the amounts paid out as precepts to precepting authorities (e.g. the Fire Authority). After changes in the accounting guidance, the Council will be recording on an agency basis only the amounts that relate to its own balances. Debtors / Creditors and other balances relating to preceptors are no longer recorded on the Council's balance sheet.

Retained Business Rates, Top-up income and Council Tax included in the Comprehensive Income and Expenditure Statement for the year will be treated as accrued income. NDR and Council Tax income is recognised when it is probable that the economic benefits or service potential associated with the transaction will flow to the Council, and the amount of revenue can be measured reliably.

Revenue relating to Council Tax and general rates, is measured at the full amount receivable (net of any impairment losses) as they are non-contractual, non-exchange transactions and there can be no difference between the delivery and payment dates.

**w) Interests in Companies and Other Entities**

The Authority has interests in companies that are subsidiaries, and require it to prepare group accounts. In the Authority's own single-entity accounts, the interests in companies and other entities are recorded as financial assets at cost.

Swindon Borough Council, as sole shareholder and therefore parent organisation of Thamesdown Transport Limited (TTL) prior to disposal, Public Power Solutions Ltd (PPSL), and Forward Swindon Limited (FSL) is required to produce group financial statements for the combined entities where the impact on the accounts is material. On that basis Forward Swindon Limited is not included in consolidation.

The accounting policies that the group statements follow are those of the Authority. As an adaption to policy to recognise specific asset types, a new class of asset, namely buses, is disclosed for the group statements, using a ten to fifteen year life basis for depreciation purposes.

No other material policy adjustments are noted.

Accruals and transactions between the group entities have been removed from the group statements using information from the subsidiary and authority records.

As per the Code, consolidation and disclosure notes to the group accounts are only included where material amounts or details over the single entity accounts are witnessed.

Consolidation of Thamesdown Transport Limited and Swindon Commercial Services Limited figures in these statements is by the acquisition method, on a line-by-line basis, using the companies' final accounts, or completion statements for Thamesdown Transport, as the base detail for consolidation,.

The Authority also includes maintained schools within its single entity accounts as per the Code. For such schools their material assets are contained on the balance sheet, and their income and expenditure transferred onto the Council general ledger at end of year for inclusion in the CIES.

## Information Relating to Group Accounts

For a variety of legal and regulatory reasons, organisations are often required to conduct their activities through several undertakings, each under the control of the parent company. In such circumstances the financial reports of the parent organisation do not present the full picture by themselves. To understand the full picture, and therefore the full economic benefits and risks, group accounts are required.

The authority has considered its relationship with key partners and although no longer considered material, has produced Group Accounts for consolidation of part year impact of Thamesdown Transport Ltd (TTL) and full year impact of Public Power Solutions Ltd (PPSL), and Common Farm Community Interest Company Plc (Common Farm) only. Forward Swindon, and Chapel Farm Plc, though wholly owned companies, are excluded from consolidation as clearly immaterial.

### 55. Long Term Investments

#### Thamesdown Transport Limited (TTL)

Thamesdown Transport Limited is the company that was formed by the former Thamesdown Borough Council as required by the Transport Act 1985. The company's principal activity is the provision of local bus services in the Swindon urban area and surrounding districts. Private hire and contract services are also provided.

The Council sold its 100% shareholding in Thamesdown Transport Limited during 2016/17, which had been acquired at a cost of £1.489m. This figure represents the valuation arrived at by using formulae contained in Regulations relevant to the separation of this organisation in October 1986 when the company took over the transport undertaking previously operated by the Council.

#### Public Power Solutions Limited (PPSL)

The Council also wholly owns the PPSL Company at a notional shareholding value of £10. The company was created on 1st January 2010 (as Swindon Commercial Services), however, services providing waste, highways, catering, grounds, cleaning and buildings services reintegrated back to the Council in 2013. The accounts and annual report of the company are held at Public Power Solutions Limited, Waterside, Darby Close, Cheney Manor, Swindon, Wiltshire, from which the figures below are extracted.

Should the organisation face financial difficulties in the future, elected Members would state the degree of commitment of the Council and the Council's willingness to meet any accumulated losses would be established at that time.

#### Forward Swindon Limited

The Council also incorporated a company on 17 March 2011 to help promote and develop the Swindon area, called Forward Swindon Ltd. This organisation is wholly owned by the Council but due to clear immateriality is not consolidated within the group statements that follow.

#### Common Farm Community Interest Company Plc

The Council became owner of the above company during 2016/17. This company generates electricity from a solar array, part funded from a community bond issue. The activity of the



organisation is not considered material for consolidation, but is consolidated in the following statements in preparation for similar ventures becoming operational.

	TTL		PPSL	
	2015/16 £'000	2016/17 £'000	2015/16 £'000	2016/17 £'000
Profit / (Loss) before taxation	(287)	(548)	(3,558)	190
Tax Adjustment	(34)	0	331	108
<b>Profit / (Loss) after taxation</b>	<b>(321)</b>	<b>(548)</b>	<b>(3,227)</b>	<b>298</b>
<b>As at 31 March</b>	<b>2016 £'000</b>	<b>2017 £'000</b>	<b>2016 £'000</b>	<b>2017 £'000</b>
<b>Net Balance Sheet Asset/(Liability)</b>	6,116	0	(3,252)	(2,954)
	Forward Swindon		Common Farm CIC Plc	
	2015/16 £'000	2016/17 £'000	2015/16 £'000	2016/17 £'000
Profit / (Loss) before taxation	(576)	187	0	(19)
Tax Adjustment	4	0	0	25
<b>Profit / (Loss) after taxation</b>	<b>(572)</b>	<b>187</b>	<b>0</b>	<b>6</b>
<b>As at 31 March</b>	<b>2016 £'000</b>	<b>2017 £'000</b>	<b>2016 £'000</b>	<b>2017 £'000</b>
<b>Net Balance Sheet Asset/(Liability)</b>	420	393	0	56

The group statements that follow contain the accounts for Swindon Borough Council, Thamesdown Transport Limited, Public Power Solutions Ltd and Common Farm CIC Plc. They have been restated for presentational changes to statements and for transactions between the parent and subsidiary undertakings. For example, payments by the Council to Thamesdown Transport for bus contract payments are removed, to show lower spend paid out by the parent and lower income received by the subsidiary.

The statements are also adjusted for any accruals made by the organisations. This generally results in debtors and creditors figures reducing.

Disclosure notes are only included within the consolidated group accounts if they are materially different from those disclosed in the single entity accounts.



# 57. The Group Movement in Reserves Statement

	Restated 2015/16				2016/17			
	SBC Useable £'000	SBC Unusable £'000	Reserves of Group Entities £'000	GROUP Total £'000	SBC Useable £'000	SBC Unusable £'000	Reserves of Group Entities £'000	GROUP Total £'000
		(386)						
<b>Opening Balance</b>	<b>(148,123)</b>	<b>(206,723)</b>	<b>8,914</b>	<b>(345,932)</b>	<b>(133,530)</b>	<b>(271,404)</b>	<b>9,228</b>	<b>(395,706)</b>
(Surplus) / deficit on provision of services	63,126	0	(414)	62,712	32,626	0	(6,147)	26,479
Other Comprehensive Income and Expenditure	0	(113,214)	728	(112,486)	0	(159,173)	(133)	(159,306)
<b>Total Comprehensive Income and Expenditure</b>	<b>63,126</b>	<b>(113,214)</b>	<b>314</b>	<b>(49,774)</b>	<b>32,626</b>	<b>(159,173)</b>	<b>(6,280)</b>	<b>(132,827)</b>
Adjustments between accounting basis & funding basis under regulations	(48,533)	48,533	0	0	(21,173)	21,173	0	0
<b>Net (Increase)/Decrease before Transfers to Earmarked Reserves</b>	<b>14,593</b>	<b>(64,681)</b>	<b>314</b>	<b>(49,774)</b>	<b>11,453</b>	<b>(138,000)</b>	<b>(6,280)</b>	<b>(132,827)</b>
Transfers to/from Earmarked Reserves	0	0	0	0	0	0	0	0
<b>(Increase)/Decrease in year</b>	<b>14,593</b>	<b>(64,681)</b>	<b>314</b>	<b>(49,774)</b>	<b>11,453</b>	<b>(138,000)</b>	<b>(6,280)</b>	<b>(132,827)</b>
<b>Balance carried forward</b>	<b>(133,530)</b>	<b>(271,404)</b>	<b>9,228</b>	<b>(395,706)</b>	<b>(122,077)</b>	<b>(409,404)</b>	<b>2,948</b>	<b>(528,533)</b>

## 58.The Group Statement of Financial Position

Note	31 March 2016 £000	31 March 2017 £000
62 Property, Plant& Equipment	666,436	721,322
62 Council dwellings	325,880	401,462
Heritage	28,942	29,000
Investment property	14,940	14,396
Intangible Assets	13	21
Long term investments	19,295	14,062
Long Term debtors	1,293	1,433
Deferred Tax on Group Undertakings	240	0
<b>Total Non-Current Assets</b>	<b>1,057,039</b>	<b>1,181,696</b>
Short term investments	38,417	30,171
Inventories & Work in Progress	1,416	1,192
Short term debtors	21,784	28,324
58 Cash & Cash equivalents	18,016	4,263
Assets held for sale (current)	745	745
<b>Current Assets</b>	<b>80,378</b>	<b>64,695</b>
Short term borrowing	(14,900)	(20,501)
59 Short term creditors	(48,377)	(43,619)
Provisions (short term)	(1,619)	(1,337)
<b>Current Liabilities</b>	<b>(64,896)</b>	<b>(65,457)</b>
Long term borrowing	(280,383)	(277,755)
Long term creditors	(52,966)	(52,976)
Provisions (long term)	(9,693)	(9,075)
Pension Asset/Liability	(307,113)	(291,868)
Capital Grants receipts in advance	(26,660)	(20,727)
<b>Non-Current Liabilities</b>	<b>(676,815)</b>	<b>(652,401)</b>
<b>Net Assets</b>	<b>395,706</b>	<b>528,533</b>
Usable Reserves	(124,302)	(119,129)
Unusable Reserves	(271,404)	(409,404)
<b>Total Reserves</b>	<b>(395,706)</b>	<b>(528,533)</b>

## 59.The Group Cash flow Statement

	2015/16 £'000	2016/17 £'000
<b>Net cash flows from Operating Activities</b>	<b>37,060</b>	<b>13,290</b>
Investing Activities	(78,678)	(25,634)
Financing Activities	37,100	(17)
<b>Net increase or decrease in cash and cash equivalents</b>	<b>(4,518)</b>	<b>(12,361)</b>
Cash and cash equivalents at the beginning of the reporting period	22,534	16,624
<b>Cash and cash equivalents at the end of the reporting period</b>	<b>18,016</b>	<b>4,263</b>

## 60. Group Cash & Cash Equivalents

	Balance at 31 March	2016	2017
		£000	£000
Swindon Borough Council		15,112	2,150
Thamesdown Transport Limited		1,392	0
Public Power Solutions Limited		1,512	1,763
Common Solar Farm Plc		0	350
<b>Group Total</b>		<b>18,016</b>	<b>4,263</b>

## 61. Group Short term Creditors

	Balance at 31 March	2016	2017
		£000	£000
Swindon Borough Council		(41,739)	(40,944)
Thamesdown Transport Limited		(790)	0
Public Power Solutions Limited		(5,848)	(2,219)
Common Solar Farm Plc		0	(456)
<b>Group Total</b>		<b>(48,377)</b>	<b>(43,619)</b>

## 62. Group Cashflow Investing Activities

	Balance at 31 March	2016	2017
		£000	£000
Purchase of property, plant and equipment, investment property and intangible assets		(54,925)	(58,793)
Purchase of short-term and long-term investments		(97,287)	(54,061)
Proceeds from the sale of property, plant and equipment, investment property and intangible assets		9,771	17,867
Proceeds from short-term and long-term investments		50,893	59,258
Other payments / receipts from investing activities		12,870	10,095
<b>Group Total</b>		<b>(78,678)</b>	<b>(25,634)</b>

## 63. Group Financing and Investment Income and Expenditure

	2015/16				2016/17				
	SBC	TTL	PPS	Group	SBC	TTL	PPS	Common	Group
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Interest payable and similar charges	16,000	692	475	17,167	16,497	(6,147)	476	108	10,934
Interest receivable and similar income	(1,976)	(120)	(59)	(2,155)	(2,812)	(4)	(3)	(43)	(3,211)
Investment income	(1,367)	-	-	(1,367)	(1,321)	-	-	-	(1,321)
Movement on market value of investment property	(7,282)	-	-	(7,282)	544	-	-	-	544
(Gains)/losses on assets held for sale	705	-	-	705	224	-	-	-	224
Net interest on the net defined benefit liability	10,491	-	-	10,491	10,703	-	-	-	10,703
<b>Total Financing and Investment Income and Expenditure</b>	<b>16,571</b>	<b>572</b>	<b>416</b>	<b>17,559</b>	<b>23,835</b>	<b>6,151</b>	<b>473</b>	<b>65</b>	<b>18,222</b>

## 64. Group Property, Plant & Equipment

2016/17	SBC Dwellings £'000	SBC £'000	TTL £'000	PPS £'000	Common £'000	Total PPE £'000
<b>Cost or Valuation</b>						
<b>At 1 April 2016</b>	<b>352,494</b>	<b>789,265</b>	<b>10,573</b>	<b>9,667</b>	<b>0</b>	<b>1,161,999</b>
Additions	15,725	41,477	-	206	4,658	62,066
Revaluation increases / (decreases) recognised in the Revaluation Reserve	86,028	33,195	-	-	-	119,223
Revaluation increases / (decreases) recognised in the Surplus/Deficit on the Provision of Services	(7,111)	8,090	-	-	-	979
Derecognition – disposals	(12,234)	(11,066)	(10,573)	(122)	-	(33,995)
Other movements in cost or valuation	-	-	-	-	-	0
<b>At 31 March 2017</b>	<b>434,902</b>	<b>860,961</b>	<b>0</b>	<b>9,751</b>	<b>4,658</b>	<b>1,310,272</b>
<b>Accumulated Depreciation and Impairment</b>						
<b>At 1 April 2016</b>	<b>(26,614)</b>	<b>(105,184)</b>	<b>(6,322)</b>	<b>(2,621)</b>	<b>0</b>	<b>(140,741)</b>
Depreciation charge	(16,783)	(25,328)	-	(921)	(110)	(43,142)
Depreciation written out to the Revaluation Reserve	9,181	5,790	-	-	-	14,971
Depreciation written to/from the CIES	-	2,534	-	-	-	2,534
Depreciation written to/from the CIES - Reclassifications	-	-	-	-	-	0
Derecognition – disposals	776	792	6,322	-	-	7,890
<b>At 31 March 2017</b>	<b>(33,440)</b>	<b>(121,396)</b>	<b>0</b>	<b>(3,542)</b>	<b>(110)</b>	<b>(158,488)</b>
<b>Net Book Value</b>						
<b>At 1 April 2016</b>	<b>325,880</b>	<b>684,081</b>	<b>4,251</b>	<b>7,046</b>	<b>0</b>	<b>1,021,258</b>
<b>At 31 March 2017</b>	<b>401,462</b>	<b>739,565</b>	<b>0</b>	<b>6,209</b>	<b>4,548</b>	<b>1,151,784</b>

<b>2015/16</b>	<b>SBC Dwellings</b>	<b>SBC</b>	<b>TTL</b>	<b>PPS</b>	<b>Total PPE</b>
<b>Cost or Valuation</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>At 1 April 2015</b>	<b>305,450</b>	<b>786,847</b>	<b>10,126</b>	<b>9,328</b>	<b>1,111,751</b>
Additions	17,261	35,907	469	339	53,976
Revaluation increases / (decreases) recognised in the Revaluation Reserve	49,749	8,034	-	-	57,783
Revaluation increases / (decreases) recognised in the Surplus/Deficit on the Provision of Services	(7,334)	(29,036)	-	-	(36,370)
Derecognition – disposals	(12,637)	(12,422)	(22)	-	(25,081)
Other movements in cost or valuation	5	(65)	-	-	(60)
<b>At 31 March 2016</b>	<b>352,494</b>	<b>789,265</b>	<b>10,573</b>	<b>9,667</b>	<b>1,161,999</b>
<b>Accumulated Depreciation and Impairment</b>					
<b>At 1 April 2015</b>	<b>(18,515)</b>	<b>(101,860)</b>	<b>(5,623)</b>	<b>(1,356)</b>	<b>(127,354)</b>
Depreciation charge	(16,528)	(23,703)	(708)	(1,265)	(42,204)
Depreciation written out to the Revaluation Reserve	7,908	12,639	-	-	20,547
Depreciation written to/from the CIES	0	6,692	-	-	6,692
Depreciation written to/from the CIES - Reclassifications	0	482	-	-	482
Derecognition – disposals	521	566	9	-	1,096
Derecognition – other	-	-	-	-	0
<b>At 31 March 2016</b>	<b>(26,614)</b>	<b>(105,184)</b>	<b>(6,322)</b>	<b>(2,621)</b>	<b>(140,741)</b>
<b>Net Book Value</b>					
<b>At 1 April 2015</b>	<b>286,935</b>	<b>684,987</b>	<b>4,503</b>	<b>7,972</b>	<b>984,397</b>
<b>At 31 March 2016</b>	<b>325,880</b>	<b>684,081</b>	<b>4,251</b>	<b>7,046</b>	<b>1,021,258</b>

## **Annual Governance Statement 2016/17**

### **1. Scope of responsibility**

Swindon Borough Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having a regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, which includes arrangements for the management of risk.

The Council has approved and adopted a local code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE Framework for Delivering Good Governance in Local Government (2016). This statement explains how the Council has complied with the code and also meets the requirements of the Accounts and Audit Regulations 2015 in relation to the publication of a statement on internal control.

### **2. The purpose of the governance framework**

The governance framework comprises the systems, processes, culture and values, by which the authority is directed and controlled and its activities through which it accounts to engages with and leads the community. It enables the authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost effective services.

The system of internal control is a significant part of the framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not an absolute assurance of effectiveness. The system of internal control is based on an on-going process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and to manage them efficiently, effectively and economically.

### **3. The Council's framework for ensuring compliance with the core principles of effective governance:**

Good corporate governance requires local authorities to carry out their functions in a way that demonstrates accountability, transparency, effectiveness, integrity and inclusion. The Council's Local Code of Corporate Governance sets out the framework by which the Council will meet that commitment. The Code is based upon the following seven core principles:

- Behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of law
- Ensuring openness and comprehensive stakeholder engagement
- Defining outcomes in terms of sustainable economic, social and environmental benefits



- Determining the interventions necessary to optimise the achievement of the intended outcomes
- Developing the entity's capacity, including the capability of its leadership and the individuals within it
- Managing risks and performance through robust internal control and strong public financial management
- Implementing good practices in transparency, reporting and audit to deliver effective accountability

The Local Code of Corporate Governance forms part of the Council's Constitution and the full version can be found at:

<http://ww5.swindon.gov.uk/moderngov/ecCatDisplay.aspx?sch=doc&cat=13338&path=0>

#### **4. Review of effectiveness**

Swindon Borough Council annually reviews the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by executive managers within the Council who have responsibility for the development and maintenance of the governance environment, the Head of Internal Audit's annual report, and also by comments made by the external auditors and other review agencies and inspectorates.

Corporate Directors and relevant Heads of Service have completed an assurance questionnaire reviewing the control environment within their service and the results of the questionnaire have been used to help inform our assessment of significant control issues for the Council.

The following process has been applied in maintaining and reviewing the effectiveness of the system of internal control. Both in-year and year-end review processes have taken place.

In year review mechanisms include:

- The Executive is responsible for considering overall financial and performance management and receives comprehensive reports on a regular basis. It also receives reports relating to risk management and monitors the corporate risk register, as well as being responsible for key decisions and for initiating corrective action in relation to risk, performance and internal control issues.
- The terms of reference for the Audit Committee reflect CIPFA guidance best practice. The Committee is a full committee of the Council emphasising the commitment to ensuring that there are high standards of internal control within the Council. The Committee is responsible for reviewing the financial performance, risk management, has an oversight of Treasury Management and both, Internal and External Audit performance and their findings and recommendations.
- The Standards Committee has monitored standards of conduct of Members and advised the Council on probity issues.
- The role of the Director of Finance as Section 151 Officer has been assessed by Internal Audit against CIPFA's statement on the *Role of the Chief Financial Officer in Local Government*. It was found that the requirements of the CIPFA statement are being met.

- The Internal Audit section has been externally assessed against the Public Sector Internal Audit Standards during 2016/17. The assessment, carried out by Bristol City Council, concluded that the Council's Internal Audit section conforms to the requirements of the Standards. A self-assessment of the Head of Internal Audit's role has also been made against CIPFA's statement on the *Role of the Head of Internal Audit in Public Service organisations*. It was found that the requirements of the CIPFA statement are being met.
- The Senior Information Risk officer (SIRO) has assessed the Council's information governance and security arrangements and has stated that:

'Work has continued to develop and embed information governance policies and supporting processes in 2016/17. The Council has completely refreshed its information and technology policies. These policies have been out to consultation in 2016/17 and have now been approved, with a formal launch planned in early 2017/18. The launch will be supported by a programme of training.

There have been variable levels of take-up of mandatory information governance and security related training in the Authority in 2016/17. Work has been undertaken to address this and day one training for all new staff has been agreed as part of the Council's induction process, a new training platform has been procured to delivery mandatory ongoing training and Council has procured and is piloting a policy management solution to support the launch of new information policies.

Due to several changes in the holder of the SIRO role in 2016/17, some information governance practices have not developed to their full potential. The Information Governance Board has not met in 2016/17. However, the SIRO role has now been allocated and the Chief Information Officer role designated. The Information Governance Group's membership has been refreshed and is due to start meeting again in early 2017/18. Information Asset Managers roles have started to mature but more work is required to embed these roles and the role of the Information Asset Assistant in the organisation.

Work to develop Information Risk Management is continuing and the Council's Information Asset Register is being developed to provide a more comprehensive picture of the information the Council holds and the threats and risks to be managed. Information risk has been escalated to the Council's corporate risk register, for Corporate Management Team awareness and scrutiny.

Following the Council's change of IT provision from an external Outsourced provider to In-House provision in early 2016, the Council has undertaken a significant IT infrastructure modernisation and up-grade programme, which with full support, advice and guidance from the Cabinet Office PSN Team, is expected to lead to a new PSN Compliance certificate being awarded in mid-2017. Toolkit 13 and 14 publication can then take place immediately after the granting of compliance. Work continues to develop in-house Information and Technology capacity and capabilities and modernisation of the service following the in-sourcing of the service from Capita.

The Council's archive for paper records has been made largely fit for purpose and a long-term archiving solution has been identified and is in the process of procurement.'

Other in-year reviews included:

- Both Cabinet and the Audit Committee considered the External Auditor's Annual Audit letter in 2016/17. The Annual Audit letter gives an opinion on the Council's financial statements and provides a value for money conclusion. The External Auditor identified one material issue (£11m) in relation to the valuation of heritage assets during their audit of the financial statements. However, an unqualified audit opinion on the Council's financial statements and on its arrangements for securing value for money in 2015/16.
- A Corporate Governance Working Group, consisting of both Members and officers including the Monitoring Officer, reviews the effectiveness of the Council's corporate governance arrangements by reference to the CIPFA/SOLACE corporate governance standards and other best practice. The Group has streamlined the Council's decision-making process ensuring that agreed decisions could be implemented promptly and some decision making has been devolved locally. It has also looked at devolving some powers to localities and how this can be achieved.
- The Council has also revised its Local Code of Corporate Governance to reflect the updated guidance from CIPFA/SOLACE during 2016/17.
- Risk Management: the risk management strategy and the Corporate Risk Register is regularly updated in consultation with Corporate Management Team and presented to both Cabinet and Audit Committee.
- The Council's Performance Framework is led by the Head of Performance, People and Engagement. The framework includes a Performance and Corporate Health dashboards that enables the Council to better target resources and demonstrates the organisation's desire to be as transparent as possible.
- The Council's Change Manager: Equality and Diversity has stated that 'the Council is compliant with the Public Sector Equality Duty (Equality Act 2010) and has in place a consistent approach to equality analysis. All Cabinet reports include specific equality consideration showing 'due regard' to the duty. This information is quality assured prior to Cabinet meetings. The Council has clear 2017/18 Equality objectives in place and receives scrutiny of its work by the Equalities Advisory Forum.'

A year-end review of governance arrangements and the control environment has also been completed which included:

- Obtaining assurances from all Corporate Directors and Heads of Service that key elements of the control framework were in place during the year in their departments. They were also asked to identify areas where control weaknesses had resulted in a significant issue arising for the department.
- Reviewing the Head of Internal Audit's annual audit report presented to Audit Committee.
- Obtaining specific assurances from Heads of Service with regard to the governance arrangements in place for key partnerships.

The review has identified that the following area included in last year's statement have progressed sufficiently for them not to be included as areas of focus in this year's statement:

- IT service provision - this was included in the 2015/16 AGS as the IT service provided by Capita was deemed to be failing to deliver an appropriate level of service. The service was brought back in-house in early 2016. Since then the Council has undertaken a significant IT infrastructure modernisation and upgrade programme.

- Capability and capacity in the context of large scale change - significant additional resources have been allocated over the past few years to bring new transformational skills and capacity into the Council. The delivery of this change is now included as a risk in the corporate risk register.
- Financial relationships with wholly owned subsidiaries - the Director of Law and Democratic Services submitted a report to Audit Committee summarising the various governance arrangements in place in relation to Council-owned companies and, in the absence of any overall oversight to ensure that risks are minimised and services are delivered as intended, or summary record of how individual partner arrangements are managed, seeking the Committee's agreement to the establishment of a Cabinet Member Advisory Group (CMAG) to consider how the Council's role as shareholder can best be exercised and a more consistent approach adopted.

These areas will continue to be reviewed and relevant risks will be included and managed through the Council's Corporate Risk register.

However, further progress is still required in the following areas before they can be taken off the statement:

- Information Governance and Security
- GCSE attainment

More detail on these areas is provided below.

#### **5. Opinion on the Council's governance arrangements**

The review has found that the Council's governance arrangements continue to be regarded as fit for purpose in accordance with the governance framework.

#### **6. Governance and internal control issues**

The review process has highlighted a number of significant areas for enhanced focus regarding the governance and internal control environment and these are described briefly below. For each one, action plans have been determined by a responsible officer and are under implementation or are in the process of being prepared and a summary of the key elements of these are included below:

- **Information governance and security** – the Council has completely refreshed its information and technology policies. These have now been approved and will be launched in early 2017/18 supported by a programme of training. There have been variable levels of take-up of mandatory information governance training and work has been undertaken to address this.

Following the Council's change of IT provision from an external Outsourced provider to In-House provision in early 2016, the Council has undertaken a significant IT infrastructure modernisation and up-grade programme, which with full support, advice and guidance from the Cabinet Office PSN Team, is expected to lead to a new PSN Compliance certificate being awarded in mid-2017. Toolkit 13 and 14 publication can then take place immediately after the granting of compliance. Work continues to develop in-house Information and Technology capacity and capabilities and modernisation of the service following the in-sourcing of the service from Capita

- **GCSE Attainment** - Significant action was taken during 2016/17 to establish a robust governance structure that enables and challenges performance concerning school improvement in Swindon. This has included the establishment of the new Swindon Challenge Board. GCSE results are improving slowly but raising attainment across the Borough will not be a quick fix and time will be needed for the Board to have an impact on a rise in standards.

An on-going challenge for the Council will be ensuring the involvement of Academies in contributing to the improvement agenda. This has improved over the past twelve months with the Council and the Academies working closer together with national organisations and external academy trusts. All bar one of the Council's secondary schools is an academy and although the local authority has responsibility for school improvement there is a lack of direct power that the Council can use to influence the performance of academies and ultimately attainment.

- **Transfer of staff from SEQOL** – due to SEQOL ceasing to trade approximately 500 staff had to be brought back in-house over a very short time period. Services brought back in-house included: the front line social work team; two older people care homes; a learning disability care service; shared lives; building futures; Swindon Support team; the Hospital social work team; Enterprise Works etc. Work was also required to find new providers for four older people day services.

The transfer of staff and services required significant work regarding consultation with staff, sorting out accommodation requirements and the novation of contracts. On transfer budgets and cost centres needed to be rebuilt; staffing vacancies filled, TUPE arrangements agreed, as well as restructuring the staff as there was no management structure.

The staff transfers were carried out in a very short period and involved a significant amount of officer time, however there was no adverse effect on service users.

- **Housing contract management** - an Internal Audit review of the contract management arrangements within Housing was undertaken during 2016/17. The audit found a number of significant weaknesses including:
  - Management arrangements were not sufficiently robust to effectively monitor and manage the overall Housing capital programme of works. A number of contracts have overspent their contract award/contract extension values breaching the Council's Contract Standing Orders requirements i.e. section 28 relating to Contract Variations specifically relating to works contracts.
  - Emerging key risks and issues have not been identified within projects and the overall programme of work.
  - There have been delays in getting contracts mobilised due to difficulties encountered in clearing contract awards at Gateway three.

A subsequent follow-up audit carried out during 2016/17 found that procedures had improved but there was still a significant amount of work required to implement agreed audit recommendations.

- **Parishing** – a significant diversion of resources was required to:
  - Work with pilot parishes regarding the transfer of services
  - Establish new parishes including the election of new Councillors
  - Disaggregate budgets and service provision

- Consult regarding the proposed changes

All areas of the Council have now been successfully parished. The bedding in of the transition process will be closely monitored to ensure that this continues to happen smoothly.

## **7. Certification**

To the best of our knowledge, the governance arrangements, as defined above, have been effectively operating during the year although we recognise the areas for additional focus identified in section 6. We are satisfied that these enhancements will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

Signed:

Signed:

Councillor David Renard, Leader of the Council

John Gilbert, Chief Executive

## **Independent Auditors Report**

### **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SWINDON BOROUGH COUNCIL**

To follow after audit.

## **GLOSSARY**

### **ACCRUALS**

The concept that income and expenditure is recognised as earned or incurred, not as money is received or paid.

### **AMORTISATION**

The depreciation write-out of long-term assets to revenue on a systematic basis over its economic life.

### **ASSET**

An item having value in monetary terms. Assets are defined as current or long-term.

A current asset will be consumed or cease to have value within the next financial year, e.g. stock and debtors.

A long-current asset provides benefits to the Authority and to the services that it provides for a period of greater than one year.

### **BUDGET**

A forecast of revenue or capital expenditure over the accounting period.

### **CAPITAL EXPENDITURE**

Expenditure on the acquisition of a PPE that will be used in providing services beyond the current accounting period or expenditure that adds to an existing PPE.

### **CAPITAL RECEIPTS**

The proceeds from the disposal of land or other long-term assets.

### **CASH EQUIVALENTS**

Current asset investments that are readily disposable by the authority without disrupting its business and are either: readily convertible to known amounts of cash, at or close to, the carrying amount, or traded in an active market.

### **COMMUNITY ASSETS**

Assets that the local authority intends to hold in perpetuity, that have no determinable useful life, and that may have restrictions on their disposal. Examples of community assets are parks and historic buildings.

### **CONSISTENCY**

The concept that the accounting treatment of like items within an accounting period and from one period to the next is the same.

### **CONTINGENCY**



A condition that exists at the balance sheet date, where the outcome will be confirmed only on the occurrence or non-occurrence of one or more uncertain future events.

#### CORPORATE AND DEMOCRATIC CORE

The corporate and democratic core comprises all activities, which local authorities engage in specifically because they are elected, multi-purpose authorities. The cost of these activities are thus over and above those which would be incurred by a series of independent, single purpose, nominated bodies managing the same services. There is therefore no local basis for apportioning these costs to services.

#### CREDITOR

Amounts owed by the Authority for works done, goods received or services rendered before the end of the accounting period but for which payments have not been made by the end of that accounting period.

#### CURRENT SERVICE COST (PENSIONS)

The increase in the present value of defined benefit pension scheme liabilities expected to arise from employee service in the current period.

#### CURTAILMENT

For a defined benefit pension scheme, an event that reduces the expected years of future service of present employees or reduces for a number of employees the accrual of defined benefits for some or all of their future service. Curtailments include:

- Termination of employees' services earlier than expected, for example as a result of closing a factory or discontinuing a segment of a business, and
- Termination of, or amendment to the terms of, a defined benefit scheme so that some or all future service by current employees will no longer qualify for benefits or will qualify only for reduced benefits.

#### DEBTOR

Amounts owed to the Authority for works done, goods received or services rendered before the end of the accounting period but for which payments have not been received by the end of that accounting period.

#### DEFERRED ASSETS AND LIABILITIES

Expenditure or income that may properly be deferred but is recognised in the appropriate section of the balance sheet, e.g. mortgage repayments.

#### DEFINED BENEFIT SCHEME

A pension or other retirement benefit scheme other than a defined contribution scheme. Usually, the scheme rules define the benefits independently of the contributions payable, and the benefits are not directly related to the investments of the scheme. The scheme may be funded or unfunded (including notionally funded).

#### DEFINED CONTRIBUTION SCHEME

A pension or other retirement benefit scheme into which an employer pays regular contributions fixed as an amount or as a percentage of pay and will have no legal or constructive obligation to pay further contributions if the scheme does not have sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

#### DEPRECIATION

The theoretical loss in value of an asset due to age, wear and tear, deterioration or obsolescence.

#### DISCRETIONARY BENEFITS

Retirement benefits which the employer has no legal, contractual or constructive obligation to award and which are awarded under the authority's discretionary powers, such as The Local Government (Discretionary Payments) Regulations 1996, the Local Government (Discretionary Payments and Injury Benefits)(Scotland) Regulations 1998, or The Local Government (Discretionary Payments) Regulations (Northern Ireland) 2001.

#### EXPECTED RATE OF RETURN ON PENSIONS ASSETS

For a funded defined benefit pension scheme, the average rate of return, including both income and changes in fair value but net of scheme expenses, expected over the remaining life of the related obligation on the actual assets held by the scheme.

#### EXTRAORDINARY ITEMS

Material items, possessing a high degree of abnormality, which derive from events or transactions that fall outside the ordinary activities of the authority and which are not expected to recur. They do not include exceptional items nor do they include prior period items merely because they relate to a prior period.

#### FAIR VALUE

The amount for which an asset could be exchanged or a liability settled, assuming that the transaction was negotiated between parties knowledgeable about the market in which they are dealing and willing to buy / sell at an appropriate price, with no other motive in their negotiations other than to secure a fair price.

#### FINANCE LEASE

A lease that transfers substantially all of the risks and rewards of ownership of PPE to the lessee.

#### FINANCIAL INSTRUMENTS

Contracts that give rise to a financial asset of one entity and a financial liability or equity instrument of another entity. For local authorities, which do not issue equity instruments such as share capital, this means the following:

##### Financial asset

A right to future economic benefits controlled by the authority that is represented by:

- Cash
- An equity instrument of another entity
- A contractual right to receive cash (or another financial asset) from another entity
- A contractual right to exchange financial assets/liabilities with another entity under conditions that are potentially favourable to the authority.

#### Financial liability

An obligation to transfer economic benefits controlled by the authority that is represented by:

- A contractual obligation to deliver cash (or another financial asset) to another entity
- A contractual obligation to exchange financial assets/liabilities with another entity under conditions that are potentially unfavourable to the authority.

#### Equity instrument

A contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities (such as an equity share in a company) – will only apply to investments in other entities held by the authority.

#### GOVERNMENT GRANTS

Assistance by Government and inter-government agencies and similar bodies, whether local, national or international, in the form of cash or transfers of assets to an authority in return for past or future compliance with certain conditions relating to the activities of the authority.

#### IMPAIRMENT OF ASSETS

Impairment is caused by the consumption of economic benefits e.g. physical damage to be a general fall in process and requires the value of PPE to be adjusted.

#### INTANGIBLE NON-CURRENT ASSETS

Intangible assets are defined as non-financial assets that do not have physical substance but are identifiable and controlled by the entity through custody or legal right. Examples are: scientific or technical knowledge in order to produce new or improved materials, copyright, intellectual property rights and computer software licences. The Authority itself has no class of this asset.

#### INTEREST COST (PENSIONS)

For a defined benefit scheme, the expected increase during the period in the present value of the scheme liabilities because the benefits are one period closer to settlement.

#### INVENTORIES

The amount of unused or unconsumed stocks held in expectation of future use. When use will not arise until a later period, it is appropriate to carry forward the amount to be matched to the use of consumption when it arises. Stocks comprise the following categories:

- Goods or other assets purchased for resale;
- Consumable stores;
- Raw materials and components purchased for incorporation into products for sale;

- Products and services in intermediate stages of completion;
- Long-term contract balances; and
- Finished goods.

#### INVESTMENTS (NON-PENSIONS FUND)

A non-current investment is an investment that is intended to be held for use on a continuing basis in the activities of the authority. Investments should be so classified only where an intention to hold the investment for the long term can clearly be demonstrated or where there are restrictions as to the investor's ability to dispose of the investment.

Investments, other than those in relation to the pension fund, that do not meet the above criteria, should be classified as current assets.

#### INVESTMENTS (PENSIONS FUND)

The investments of the Pensions Fund will be accounted for in the statements of that Fund. However authorities (other than town parish and community councils and district councils in Northern Ireland) are also required to disclose the relevant share of pension scheme assets associated with their underlying obligations.

#### MAJOR REPAIRS ALLOWANCE (MRA)

The MRA represents the Government's estimate of the cost of maintaining the current condition of the housing stock and is based on the annual cost of replacing individual building components as they reach the end of their useful life. The MRA forms part of the overall subsidy paid to local authorities. The Major Repairs Allowance forms part of the overall subsidy paid to local authorities.

Negative subsidy authorities are able to use the MRA allocation as part of a transitional relief scheme to support the removal of the transfer from the HRA to the General Fund. From 2004/05 the Government will fund 2/3rds of this transitional scheme enabling a larger proportion of the MRA to be targeted at investment in the local housing stock.

#### MAJOR REPAIRS RESERVE (MRR)

A reserve to be created from MRA contributions, for investment in large-scale capital investment schemes to improve Council dwellings and estates in future years.

#### NET BOOK VALUE

The amount at which PPE is included in the balance sheet, i.e. their historical cost or current value less the cumulative amounts provided for depreciation.

#### NET CURRENT REPLACEMENT COST

The cost of replacing or recreating the particular asset in its existing condition and in its existing use, i.e. the cost of its replacement or of the nearest equivalent asset, adjusted to reflect the current condition of the existing asset.

#### NET REALISABLE VALUE

The open market value of the asset in its existing use (or open market value in the case of non-operational assets), less the expenses to be incurred in realising the asset.

#### NON-DISTRIBUTED COSTS

These are overheads for which no user now benefits and should not be apportioned to services.

#### NON-OPERATIONAL ASSETS

PPE held by a local authority but not directly occupied, used or consumed in the delivery of services. Examples of non-operational assets are investment properties, assets surplus to requirement awaiting disposal or redevelopment, assets in construction.

#### OPERATING LEASES

A lease where the ownership of PPE remains with the lessor.

#### OPERATIONAL ASSETS

Non-current assets held and occupied, used or consumed by the local authority in the direct delivery of those services for which it has either a statutory or discretionary responsibility.

#### PAST SERVICE COST

For a defined benefit scheme, the increase in the present value of the scheme liabilities related to employee service in prior periods arising in the current period as a result of the introduction of, or improvement to, retirement benefits.

#### PENSIONS / IAS 19

The requirements of the International Accounting Standard on retirement benefits is based on a simple principle – that an organisation should account for retirement benefits when it is committed to give them, even if the actual giving will be many years into the future. The important accounting distinction for pension schemes is whether they are “defined contribution” or “defined benefit”.

#### PFI (PRIVATE FINANCE INITIATIVE)

PFI allows the public sector to contract with the private sector to provide quality services on a long-term basis, typically 25-30 years, so as to take advantage of private sector infrastructure delivery and service management skills, incentivised by having private finance at risk.

The private sector takes on the responsibility for providing a public service against an agreed specification of required outputs prepared by the public sector.

The private sector carries the responsibility and risks for designing, financing, enhancing or constructing, maintaining and operating the infrastructure assets to deliver the public service in accordance with the public sector's output specification.

The public sector typically pays for the project through a series of performance or throughput related payments, which cover service delivery and return on investment. Central Government may provide payment support to the public sector through grants and other financial mechanisms.

## POST BALANCE SHEET EVENTS

Those events, both favourable and unfavourable, which occur between the balance sheet date and the date on which the Statement of Accounts is signed by the Chair of the Audit Committee.

## PRIOR PERIOD ADJUSTMENT

A prior period adjustment is the material adjustment applicable to prior year figures arising from changes in accounting policies or from the correction of fundamental errors. A fundamental error is one that is of such significance as to destroy the validity of the financial statements. They do not include normal recurring correction or adjustments to accounting estimates made in prior years.

## PROJECTED UNIT METHOD

An accrued benefits valuation method in which the scheme liabilities make allowance for projected earnings. An accrued benefits valuation method is a valuation method in which the scheme liabilities at the valuation date relate to:

- the benefits for pensioners and deferred pensioners (i.e. individuals who have ceased to be active members but are entitled to benefits payable at a later date) and their dependants, allowing where appropriate for future increases, and
- the accrued benefits for members in service on the valuation date.

The accrued benefits are the benefits for service up to a given point in time, whether vested rights or not. Guidance on the projected unit method is given in the Guidance Note GN26 issued by the Faculty and Institute of Actuaries.

## PROPERTY, PLANT & EQUIPMENT

The overarching classification for operational non-current assets.

## PRUDENCE

The concept that revenue is not anticipated but is recognised only when realised in the form either of cash or of other assets the ultimate cash realisation of which can be assessed with reasonable certainty.

## RELATED PARTIES

Two or more parties are related parties when at any time during the financial period:

- One party has direct or indirect control of the other party; or
- The parties are subject to common control from the same sources; or
- One party has influence over the financial and operational policies of the other party to an extent that the other party might be inhibited from pursuing at all times its own separate interest; or
- The parties, in entering a transaction, are subject to influence from the same source to such an extent that one of the parties to the transaction has subordinated its own separate interests.

Examples of related parties of an authority include:

- Central Government;
- Local authorities and other bodies precepting or levying demands on the Council Tax;
- Its subsidiary and associated companies;
- Its joint ventures and joint venture partners;
- Its members;
- Its chief officers; and
- Its pension fund.

Examples of related parties of a pension fund include its:

- Administering authority and its related parties;
- Scheduled bodies and their related parties; and
- Trustees and advisers.

These lists are not intended to be comprehensive.

For individuals identified as related parties, the following are also presumed to be related parties:

- Members of the close family, or the same household; and
- Partnerships, companies, trusts or other entities in which the individual, or a member of their close family or the same household, has a controlling interest.

#### RELATED PARTY TRANSACTION

A related party transaction is the transfer of assets or liabilities or the performance of services by, to or for a related party irrespective of whether a charge is made. Examples of related party transactions include:

- The purchase, sale, lease, rental or hire of assets between related parties;
- The provision by a pension fund to a related party of assets of loans, irrespective of any direct economic benefit to the pension fund;
- The provision of a guarantee to a third party in relation to a liability or obligation or a related party;
- The provision of services to a related party, including the provision of pension fund administration services;
- Transactions with individuals who are related parties of an authority or a pension fund, except those applicable to other members of the community or the pension fund, such as Council Tax, rents and payments of benefits.

This list is not intended to be comprehensive.

The materiality of related party transactions should be judged not only in terms of their significance to the authority, but also in relation to its related party.

#### REMEASUREMENT OF THE NET DEFINED BENEFIT LIABILITY

For a defined benefit pension scheme, the changes in actuarial deficits or surpluses that arise because:

- Events have not coincided with the actuarial assumptions made for the last valuation (experience gains and losses) or
- The actuarial assumptions have changed.

#### RETIREMENT BENEFITS

All forms of consideration given by an employer in exchange for services rendered by employees that are payable after the completion of employment. Retirement benefits do not include termination benefits payable as a result of either (i) an employer's decision to terminate an employee's employment before the normal retirement date or (ii) an employee's decision to accept voluntary redundancy in exchange for those benefits, because these are not given in exchange for services rendered by employees.

#### REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE

Expenditure which may properly be capitalised, but which does not result in, or remain matched with, tangible assets and is written out to revenue in the year it is incurred.

#### SCHEME LIABILITIES

The liabilities of a defined benefit pension scheme for outgoings due after the valuation date. Scheme liabilities measured using the projected unit method reflects the benefits that the employer is committed to provide for service up to the valuation date.

#### SECTION 106

Monies received from developers under section 106 of the Town & Country Planning Act 1990, as a contribution towards the cost of providing facilities and infrastructure which may be required as a result of their development.

#### TOTAL COST

The total cost of a service or activity includes all costs which relate to the provision of the service (directly or bought in) or to the undertaking of the activity. Gross total cost includes employee costs, expenditure relating to premises and transport, supplies and services, third party payments, transfer payments, support services and capital charges. This includes an appropriate share of all support services and overheads, which need to be apportioned.

#### USEFUL LIFE

The period over which the local authority will derive benefits from the use of a PPE.

#### VESTED RIGHTS

In relation to a defined benefit pension scheme, these are:

- For active members, benefits they would unconditionally be entitled on leaving the scheme;
- For deferred pensioners, their preserved benefits;
- For pensioners, pensions to which they are entitled.

Vested rights include where appropriate the related benefits for spouses or other dependants.



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