Appendix 1

# Swindon Borough Council & Group Statement of Accounts

# 2014/15

29 September 2015

Swindon
BOROUGH COUNCIL

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# Introduction by the Board Director – Resources

Financial year 2014/15 continued to be a challenging period of balancing 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 one-off funds becoming available to help support earmarked reserves and provide additional resources for future financing of restructuring and strategic projects.

Work is being progressed through major change programmes that will help position the Council in a better place to respond to the challenges ahead. As a key part of our future strategy we are seeking to engage all residents in a very different way, to co-create services that meet their needs, recognising the funding constraints that exist across the public sector generally. This is a key strand of the 'Stronger Together' strategy that has been adopted by the Council.

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. 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.

Stuart McKellar

Board Director - Resources

June 2015

# Explanatory Foreword

These accounts relate to the financial year ended 31 March 2015 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, or any restatements for changes to accounting policy.

## 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. 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)

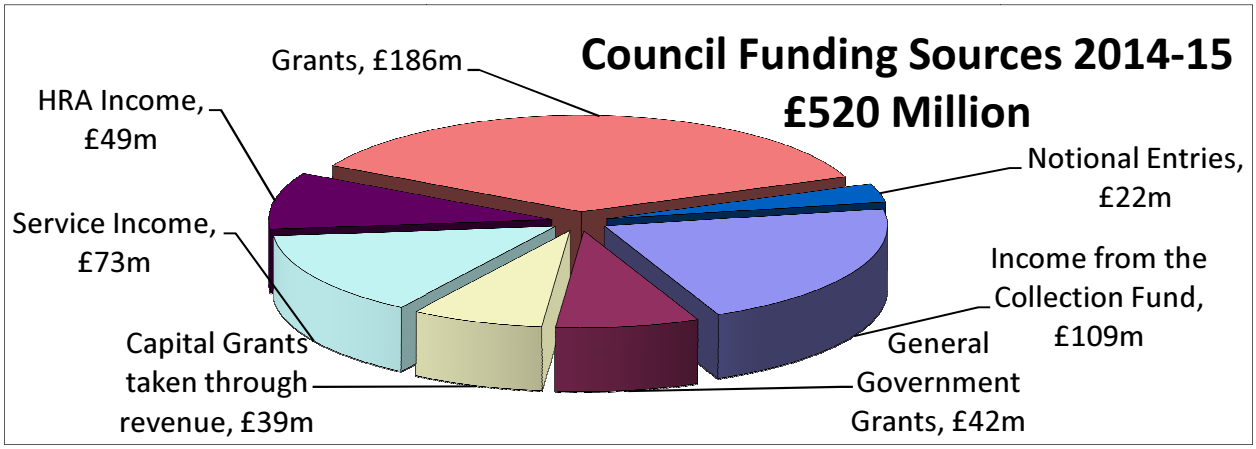
The net GF budget for the year was set at £142m. This excludes funding for schools, which is provided via the Dedicated Schools Grant (DSG).

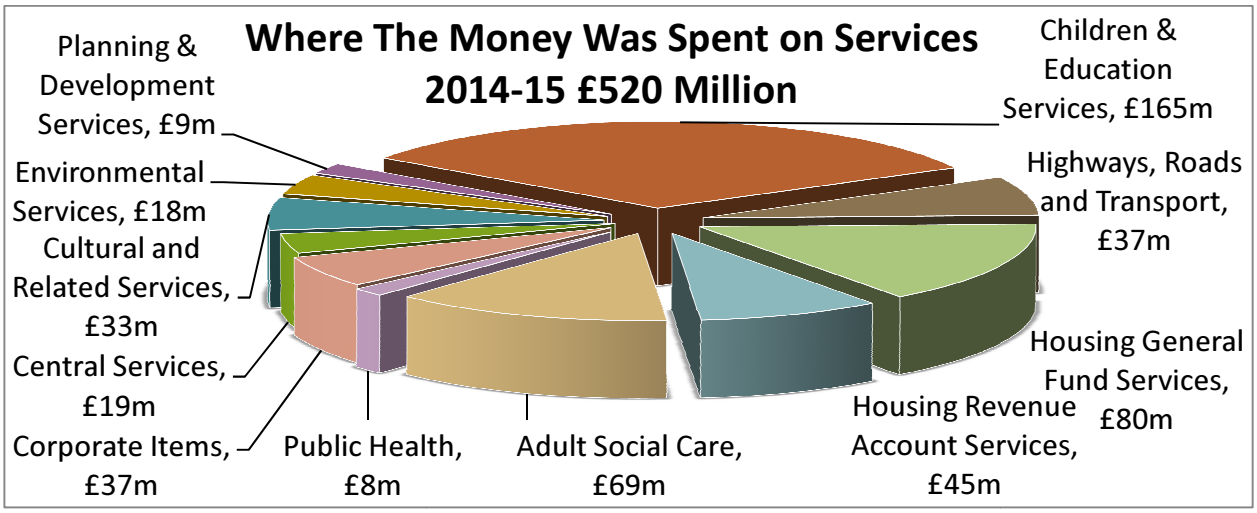
The overall budget was delivered with the achievement of savings in-year making funds available to transfer to reserves; there remain variations between Service Areas.

The following table provides more detail on the outturn position for each of the Council's service areas, reflecting the Council's local management structure. This presentation differs from the nationally prescribed format for the Comprehensive Income and Expenditure Statement (CIES), however, the total expenditure, and hence that amount to be funded from Council Taxpayers, is identical.

| | Budget £000's | Actual £000's | Variance £000's |
|---|---|---|---|
| Chief Executive | 1,188 | 738 | **(450)** |
| Resources | 12,728 | 12,699 | **(29)** |
| Corporate | (4,798) | (4,607) | **191** |
| Commissioning | 96,270 | 94,310 | **(1,960)** |
| Service Delivery | 37,280 | 38,220 | **940** |
| **Net Cost of General Fund Services (outturn)** | **142,668** | **141,360** | **(1,308)** |
| *Reconciliation to Comprehensive Income & Expenditure Statement* | | | |
| General Fund variance transferred to earmarked reserves | | 1,308 | |
| Parish Precepts | | 1,897 | |
| Net Corporate Income and Expenditure | | 35,283 | |
| Net HRA, Capital, Reserves and other Appropriations in Net Cost of Services | | 32,422 | |
| **Sub-total** | | **212,270** | |
| Taxation and Non-Specific Grant Income | | (190,126) | |
| **Net (Surplus)/Deficit For Year on Provision of services** | | **22,144** | |

The following charts analyse the main income flows to the Council in 2014/15, 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 had a net deficit of £3.6m at 31 March.

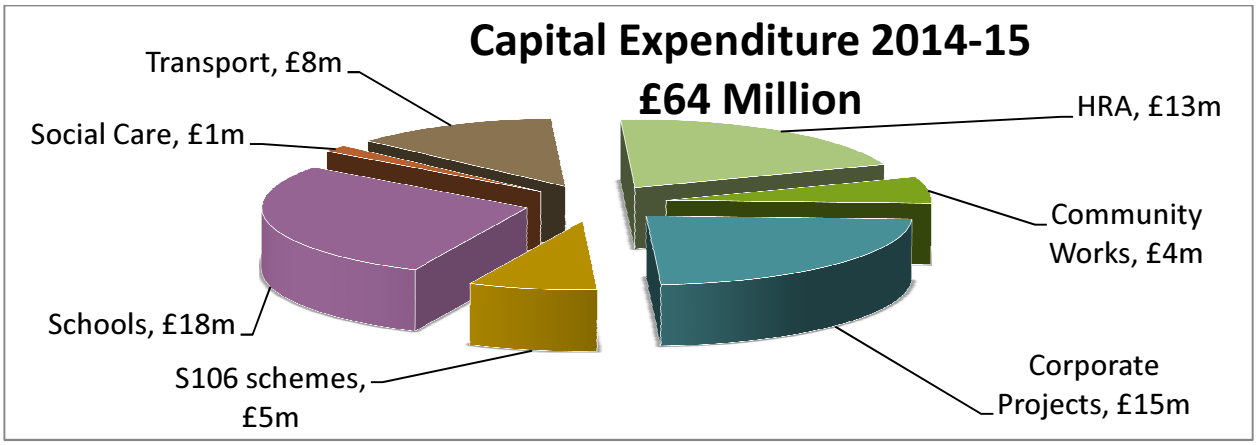
The accounting treatment for the Collection Fund means the Council shows only its own proportion of balances through the accounts on an agency basis. This does not change the Collection Fund itself, which is prescribed under statute, but does remove the overall Collection Fund balance from the Council's 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)**

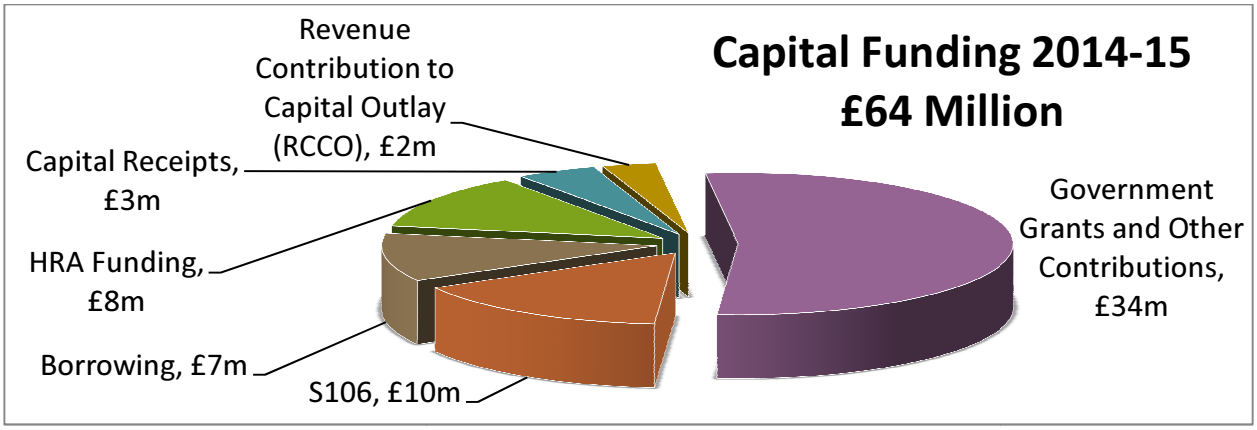
The HRA revenue budget underspent by £1m during 2014/15. This was a combination of underspends totalling £2.5m in the areas of Estate Management and ICT (£1.2m), Specialist Services (mainly service charge costs) (£0.3m), and financing costs (£1.0m) (relating to Discretionary Housing Payments, Bad Debts and Interest on HRA balances), offset by an overspend of £1.5m on Repairs. HRA revenue reserves at year end increased from £9.5m to £10.5m, whilst capital balances increased from £18.2m to £22.2m.

**Financial Overview – Capital Income & Expenditure**

During the year, the Council incurred borrowing of £7m towards capital expenditure of £64m. This expenditure is analysed in the chart below into key service areas of the Council.




In-year borrowing contributes to total borrowing of £253m, inclusive of HRA debt, with a related capital finance requirement of £452m. This should be seen in the context of a non-current asset base of £985m.




**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 increased by £65m. The liability is reported as £329m (£264m for 2013/14). This increase reflects the relatively poor performance of the underlying pension asset.

As part of an arrangement for the group pension liability in 2011, the Authority previously entered into agreements with Thamesdown Transport Limited to pay off the company liability. One of these agreements included reference to the company paying the Authority an annual interest charge for the related debt. The position has now been reviewed with the result of a financial asset adjusted for on the Authority balance sheet, with a financial liability on that of the group company.

**Leisure Services Transfers**

The Council's Leisure centres and most of the Borough's golf facilities were transferred to a private provider on 1st November 2014. The revenue impact of this transfer will see reduced costs as the Authority will no longer be responsible for the responsive maintenance or cost of subsidising the centres. The assets included in the transfer have been leased for a period of twenty five years and do not constitute finance leases from the expectation that the assets will continue to be used for leisure service provision and will revert back to the Council at the end of the twenty five term. They therefore remain on the Authority's balance sheet.

**Support Staff Transfers**

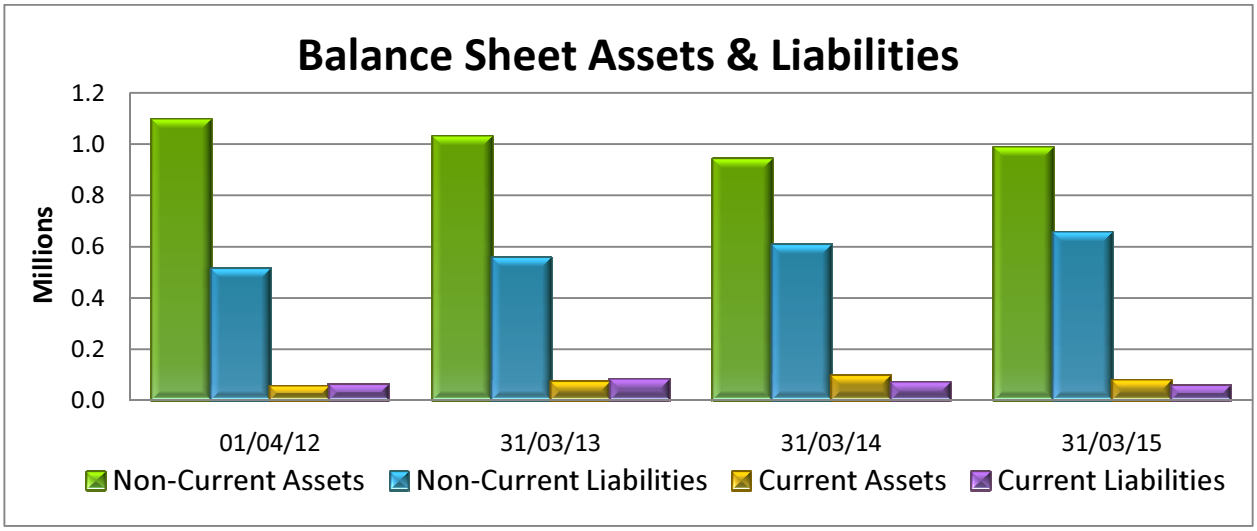
October 2014 saw the re-integration of many of the Council's support functions back in to direct Authority management. Previously these services had been operated under contract from Capita but are now re-established services of the Council. The balance sheet effect of this transfer being potential for increases in general debtors and creditors due to greater number of services

**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.

**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 for the 2015/16 budget, from not fully utilising contingencies for in-year service provision, and having agreed underspends set aside for future use. General Fund reserves have fallen slightly during 2014/15 and are expected to fall more quickly in future as the Council seeks to fund service reconfiguration.

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.




Cabinet and Council annually approve a one-year capital programme and signal priority schemes for future years. With continued cuts to Local Government funding, it is anticipated that new approvals will be kept to a minimum depending on confirmation of funding source, with school place planning pressures accounting for a significant element of any future capital programme.

## Audit Report

The draft accounts have to be approved by the 30 June by the Board Director - Resources, the Council's designated Section 151 Officer. They will be independently audited as required by the Audit Commission Act 1998 and published in their audited form by 30 September. The Council's auditors are Grant Thornton.

## Further Information

If readers would like to know more about the accounts of the Council, please write to Stuart McKellar, Board Director - Resources, Civic Offices, Swindon SN1 2JH, or email smckellar@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 2014/15, the designated officer was the Board Director: Resources.

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

**The Officer's Responsibilities**
The Board Director: Resources 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 2015.

In preparing this Statement of Accounts, the Board Director:

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

The Board Director 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 2015.

Signed: Date:

Stuart McKellar, Board Director: Resources

**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

## Internal Service Reporting

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

- No charges are made in relation to capital expenditure (whereas depreciation, revaluation and impairment losses in excess of the balance on the Revaluation Reserve are charged to services in the CIES).
- The cost of retirement benefits is based on employer pension contributions rather than current service cost.
- Expenditure on support services is budgeted for centrally and not charged to Directorates as controllable budget.

The income and expenditure of the Authority's principal Group Directorates recorded in the budget reports for the year is included in the table below, together with the subsequent adjustments needed for accounting transactions to balance to the Net Cost of Services in the Comprehensive Income and Expenditure Statement:

| Service Information 2014/15 | Chief Executive | Resources | Commissioning | Service Delivery | General Fund | DSG | HRA | Total |
|---|---|---|---|---|---|---|---|---|
| **For the year ended 31 March 2015** | **£'000** | **£'000** | **£'000** | **£'000** | **£'000** | **£'000** | **£'000** | **£'000** |
| Government grants* | (617) | (106,674) | (11,146) | (1,267) | (119,704) | (100,768) | (3) | (220,475) |
| Fees, charges & other service income | (7,046) | (16,631) | (17,139) | (26,803) | (67,619) | (10,401) | (54,359) | (132,379) |
| **Total Income** | **(7,663)** | **(123,305)** | **(28,285)** | **(28,070)** | **(187,323)** | **(111,169)** | **(54,362)** | **(352,854)** |
| Employee expenses | 5,561 | 12,465 | 24,037 | 29,528 | 71,591 | 54,976 | 9,355 | 135,922 |
| Other operating expenses | 3,438 | 127,653 | 96,664 | 42,577 | 270,332 | 53,209 | 41,114 | 364,655 |
| Support Service Recharges | (598) | (7,413) | 1,894 | (5,815) | (11,932) | 2,984 | 3,893 | (5,055) |
| **Total operating expenses** | **8,401** | **132,705** | **122,595** | **66,290** | **329,991** | **111,169** | **54,362** | **495,522** |
| **Net Cost of Services** | **738** | **9,400** | **94,310** | **38,220** | **142,668** | **0** | **0** | **142,668** |

* The analysis of government grants is based upon a system extracted figure of the main grant receiving codes and whilst expected to be materially correct, may not solely be receipts from government.

The 'Net Cost of Services'' total in the boxed area above is the service total reported to Cabinet at outturn. The below tables show the accounting adjustments required that take the above outturn figures to the CIES totals.

| Reconciliation to Net Cost of Services in Comprehensive Income and Expenditure Statement | £'000 |
|---|---|
| Cost of Services in Service Analysis | 142,668 |
| Add amounts not reported to management (e.g. capital charges) | 69,662 |
| Remove amounts reported to management not included in Net Cost of Services of CIES (e.g. reserves) | (37,240) |
| **Net Cost of Services in Comprehensive Income and Expenditure Statement** | **175,090** |

The 'Net Cost of Services' column in the below table relates to the '(Surplus) / Deficit on Continuing Operations' row of the CIES, whilst the final total figure equals the '(Surplus) / Deficit on Provision of Services' total of the CIES.

| Reconciliation to Subjective Analysis (Single Entity) | Service Analysis £'000 | Not reported to Mgmt £'000 | Not included in CIES NCS £'000 | Allocation of Recharges £'000 | Net Cost of Services £'000 | Corporate Amounts £'000 | Total £'000 |
|---|---|---|---|---|---|---|---|
| Fees, charges & other service income | (132,379) | - | 22,131 | 14,082 | (96,166) | - | (96,166) |
| Surplus or deficit on associates and joint ventures | - | - | - | - | 0 | - | 0 |
| Interest and investment income | - | - | 2,732 | - | 2,732 | (2,384) | 348 |
| Income from council tax | - | - | - | - | 0 | (108,564) | (108,564) |
| Government grants and contributions | (220,475) | - | 6,077 | - | (214,398) | (81,562) | (295,960) |
| **Total Income** | **(352,854)** | **0** | **30,940** | **14,082** | **(307,832)** | **(192,510)** | **(500,342)** |
| Employee expenses | 135,922 | (1,021) | - | - | 134,901 | 11,336 | 146,237 |
| Other service expenses | 364,655 | - | (52,064) | - | 312,591 | - | 312,591 |
| Support Service recharges | (5,055) | - | - | (14,082) | (19,137) | - | (19,137) |
| Depreciation, amortisation and impairment | - | 70,683 | - | - | 70,683 | - | 70,683 |
| Interest Payments | - | - | (16,116) | - | (16,116) | 16,116 | 0 |
| Precepts & Levies | - | - | - | - | 0 | 1,897 | 1,897 |
| Payments to Housing Capital Receipts Pool | - | - | - | - | 0 | 1,180 | 1,180 |
| Gain or Loss on Disposal of PPE | - | - | - | - | 0 | 9,035 | 9,035 |
| **Total operating expenses** | **495,522** | **69,662** | **(68,180)** | **(14,082)** | **482,922** | **39,564** | **522,486** |
| **Surplus or deficit on the provision of services** | **142,668** | **69,662** | **(37,240)** | **0** | **175,090** | **(152,946)** | **22,144** |

## 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.

| Note | Continuing Operations: | 2013/14 Gross Expenditure £000 | 2013/14 Gross Income £000 | 2013/14 Net Expenditure £000 | 2014/15 Gross Expenditure £000 | 2014/15 Gross Income £000 | 2014/15 Net Expenditure £000 |
|---|---|---|---|---|---|---|---|
| 5 | Central Services | 2,421 | (2,659) | (238) | 6,844 | (3,295) | 3,549 |
| | Corporate and Democratic Core | 11,400 | (3,836) | 7,564 | 11,721 | (4,518) | 7,203 |
| 5 | Non Distributed costs | 4,260 | 0 | 4,260 | 0 | (707) | (707) |
| 5 | Cultural and Related Services | 31,137 | (4,643) | 26,494 | 23,685 | (4,899) | 18,786 |
| 5 | Environmental and Regulatory Services | 25,908 | (3,652) | 22,256 | 18,428 | (3,827) | 14,601 |
| 5 | Planning Services | 8,853 | (4,976) | 3,877 | 8,592 | (7,818) | 774 |
| 5 | Children's and Education Services | 163,706 | (123,175) | 40,531 | 165,076 | (122,391) | 42,685 |
| 5 | Highways and Transport Services | 31,116 | (8,983) | 22,133 | 37,184 | (11,151) | 26,033 |
| 5 | Other Housing Services | 78,632 | (72,662) | 5,970 | 80,110 | (71,489) | 8,621 |
| 5 | Local authority housing (HRA) | 40,181 | (47,565) | (7,384) | 45,296 | (49,080) | (3,784) |
| 5 | Adult Social Care | 65,036 | (12,074) | 52,962 | 69,267 | (16,633) | 52,634 |
| 5 | Public Health | 7,238 | (7,918) | (680) | 7,809 | (8,797) | (988) |
| 5 | Discontinued Leisure Services | 9,425 | (5,322) | 4,103 | 8,910 | (3,227) | 5,683 |
| | **(Surplus) / Deficit on Continuing Operations** | **479,313** | **(297,465)** | **181,848** | **482,922** | **(307,832)** | **175,090** |
| 7 | Other operating expenditure | | | 62,951 | | | 12,112 |
| 8 | Financing & investment (income)/expenditure | | | 26,958 | | | 25,068 |
| 10 | Taxation and non-specific grant income | | | (171,923) | | | (190,126) |
| | **(Surplus) / Deficit on Provision of Services** | | | **99,834** | | | **22,144** |
| 12 | (Surplus) / Deficit on revaluation of PPE assets | | | (8,837) | | | (61,760) |
| 25 | Re-measurements on pension assets / liabilities | | | 11,532 | | | 54,059 |
| | **Other Comprehensive Income and Expenditure** | | | **2,695** | | | **(7,701)** |
| | **Total Comprehensive Income and Expenditure** | | | **102,529** | | | **14,443** |

## 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 | GF Reserves £000 | HRA £000 | HRA Reserves £000 | Capital Receipts Reserve £000 | Major Repairs Reserve £000 | Capital Grants Unapplied £000 | Total Usable Reserves £000 | Unusable Reserves £000 | Total Authority Reserves £000 |
|---|---|---|---|---|---|---|---|---|---|---|
| **1 April 2014** | **(6,000)** | **(68,197)** | **(7,156)** | **(5,689)** | **(11,114)** | **(13,623)** | **(33,776)** | **(145,555)** | **(223,348)** | **(368,903)** |
| (Surplus) / Deficit on Service provision | 14,647 | - | 7,497 | - | - | - | - | 22,144 | - | 22,144 |
| Other (Income) / Exp. | - | - | - | - | - | - | - | 0 | (7,701) | (7,701) |
| Total Comprehensive (Income) /Exp. | 14,647 | 0 | 7,497 | 0 | 0 | 0 | 0 | 22,144 | (7,701) | 14,443 |
| Adjusts between accounting & funding basis (note 11) | (16,495) | - | (7,193) | - | 101 | (6,425) | 4,807 | (25,212) | 25,212 | 0 |
| Net (Increase)/ Decrease before Reserves | (1,848) | 0 | 304 | 0 | 101 | (6,425) | 4,807 | (3,068) | 17,511 | 14,443 |
| Transfers to / (from) Earmarked Reserves | 1,848 | 1,795 | (2,569) | 2,569 | (3,143) | - | - | 500 | (500) | 0 |
| (Increase)/Decrease in-year | - | 1,795 | (2,265) | 2,569 | (3,042) | (6,425) | 4,807 | (2,568) | 17,011 | 14,443 |
| **31 March 2015** | **(6,000)** | **(66,402)** | **(9,421)** | **(3,120)** | **(14,156)** | **(20,048)** | **(28,969)** | **(148,123)** | **(206,337)** | **(354,460)** |

| Restated | General Fund Balance £000 | GF Reserves £000 | HRA £000 | HRA Reserves £000 | Capital Receipts Reserve £000 | Major Repairs Reserve £000 | Capital Grants Unapplied £000 | Total Usable Reserves £000 | Unusable Reserves £000 | Total Authority Reserves £000 |
|---|---|---|---|---|---|---|---|---|---|---|
| **1 April 2013** | **(6,000)** | **(55,683)** | **(5,470)** | **(6,348)** | **(11,067)** | **(14,445)** | **(25,656)** | **(124,669)** | **(346,763)** | **(471,432)** |
| (Surplus) / Deficit on Service provision | 91,401 | - | 8,433 | - | - | - | - | 99,834 | 0 | 99,834 |
| Other (Income) / Exp. | - | - | - | - | - | - | - | 0 | 2,695 | 2,695 |
| **Total Comprehensive (Income) /Exp.** | **91,401** | **0** | **8,433** | **0** | **0** | **0** | **0** | **99,834** | **2,695** | **102,529** |
| Adjusts between accounting & funding basis (note 11) | (104,417) | - | (9,460) | - | 455 | 822 | (8,120) | (120,720) | 120,720 | 0 |
| **Net (Increase)/ Decrease before Reserves** | (13,016) | **0** | **(1,027)** | **0** | **455** | **822** | **(8,120)** | **(20,886)** | **123,415** | **102,529** |
| Transfers to / (from) Earmarked Reserves | 13,016 | (12,514) | (659) | 659 | (502) | - | - | 0 | 0 | 0 |
| (Increase)/Decrease in-year | 0 | (12,514) | (1,686) | 659 | (47) | 822 | (8,120) | (20,886) | 123,415 | 102,529 |
| **31 March 2014** | **(6,000)** | **(68,197)** | **(7,156)** | **(5,689)** | **(11,114)** | **(13,623)** | **(33,776)** | **(145,555)** | **(223,348)** | **(368,903)** |

## 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 | | Restated **31st March 2014 £000** | **31st March 2015 £000** |
|---|---|---|---|
| 12 | Property, Plant& Equipment (non-dwellings) | 579,583 | 644,461 |
| 12/45 | Council dwellings | 265,601 | 287,075 |
| 14 | Heritage | 40,000 | 40,000 |
| 13 | Investment property | 52,412 | 7,598 |
| 54 | Long term investments | 1,489 | 1,489 |
| | Long Term debtors | 8,383 | 8,372 |
| | **Total Non-Current Assets** | **947,468** | **989,995** |
| 41 | Short term investments | 49,107 | 20,911 |
| | Inventories & Work in Progress | 1,220 | 1,124 |
| 17 | Short term debtors | 17,361 | 26,317 |
| 41 | Cash & Cash equivalents | 21,665 | 18,939 |
| | Assets held for sale (current) | 6,246 | 6,680 |
| | **Current Assets** | **95,599** | **73,971** |
| 41 | Short term borrowing | (25,440) | (18,001) |
| 18 | Short term creditors | (41,948) | (35,635) |
| 19 | Provisions (short term) | (1,486) | (1,435) |
| | **Current Liabilities** | **(68,874)** | **(55,071)** |
| 41 | Long term borrowing | (242,259) | (235,757) |
| 38 | Long term creditors | (55,815) | (54,315) |
| 19 | Provisions (long term) | (8,414) | (9,177) |
| 40 | Pension Asset/Liability | (264,763) | (329,139) |
| 10 | Capital Grants receipts in advance | (34,039) | (25,047) |
| | **Non-Current Liabilities** | **(605,290)** | **(653,435)** |
| | **Net Assets** | **368,903** | **354,460** |
| MiRS* | Usable Reserves | (145,555) | (148,123) |
| 21-26 | Unusable Reserves | (223,348) | (206,337) |
| | **Total Reserves** | **(368,903)** | **(354,460)** |

*MiRS – Movement in Reserves Statement

The unaudited accounts were issued on 30 June 2015, and the final statements on the 29 September 2015.

**Stuart McKellar**

Board Director for Resources 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 | | Restated 2013/14 £'000 | 2014/15 £'000 |
|---|---|---|---|
| | Net surplus or (deficit) on the provision of services | (99,834) | (22,144) |
| | Adjustments to net surplus or deficit on the provision of services for non-cash movements | 173,246 | 104,602 |
| | Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities | (34,420) | (43,456) |
| 27 | **Net cash flows from Operating Activities** | **38,992** | **39,002** |
| 28 | Investing Activities | (37,531) | (24,068) |
| 29 | Financing Activities | (732) | (17,660) |
| | **Net increase or (decrease) in cash and cash equivalents** | **729** | **(2,726)** |
| | Cash and cash equivalents at the beginning of the reporting period | 20,936 | 21,665 |
| | **Cash and cash equivalents at the end of the reporting period** | **21,665** | **18,939** |

# NOTES TO THE ACCOUNTS

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

There are changes to IFRSs that are adopted by the 2015/16 Code that will be adopted within these financial statements after 1st April 2015; IFRS 13 - Fair Value Measurement, Annual Improvements to IFRSs 2011–2013 Cycle, IFRIC 21 – Levies; the impact on the accounts is not yet known.

## 2. Critical Judgements in Applying Accounting Policies

There is a high degree of uncertainty about future levels of funding for local government. However, the Authority has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Authority might be impaired as a result of a need to close facilities and reduce levels of service provision. 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 not be 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 also results in the local position being the same, and as such assets of such schools remain 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 Council is required to partake in the Carbon Reduction Commitment Scheme programme. This involves the purchase of annual allowances to pay for carbon usage. Allowances carried forward from one year to the next are deemed to be intangible assets; however the Authority's balance of allowances is not material and has not been classified.

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.

The Authority transferred the operating of its leisure services to third party providers during 2014/15. On review of the status of the long-term assets connected with the transfer, it has been 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.

From further reflection of the Code, it has been concluded that the nature of assets held by the General Fund that bring in income are not investments. 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, General Fund assets that have brought in income are not held solely for this purpose, but also for regeneration, community benefit, and employment benefits, amongst others. These assets are shown as mainly being reclassified to operational assets.

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, and these remain as contingent liabilities.

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. A new balance for financial assets has been created within long term debtors for the recognition of future receipts due to the Authority from Thamesdown Transport Limited. This increases both long term assets and reserves by £7m. A third balance sheet has not been included as it is not material.

The Cashflow statement has been restated to correct for cash equivalent investments which were incorrectly included as investing activities, with a net impact of £9.9m to the Cashflow statement. This has no impact on the balance sheet or CIES.

## 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 as follows:

| 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.<br>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.<br>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.<br>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 | Value | Explanation |
|---|---|---|
| **2014/15** | | |
| Revenue expenditure funded from capital under statute (REFCUS) | £12m | Under statute, capital expenditure on assets that are not the Authority's is shown through revenue as REFCUS. In 2014/15 this was higher than normal due to completion of the local University Technical College. |

| 2013/14 | | |
|---|---|---|
| Disposal of School Assets on Academy Transfers | £48m | The converting of a number of schools to Academy status has required the writing out of the assets for those sites. This has resulted in a high level of loss on disposal showing through Other Operating Expenditure. |

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. The following table highlights the main reason for some of the non-routine annual changes to expenditure and income:

| CIES Service | Change between years in: Gross Expenditure £'000 | Gross Income £'000 | Main areas impacting change year-on-year |
|---|---|---|---|
| Central Services | 4,423 | (636) | 2014/15 saw provision requirement, election preparation costs and Localities increases |
| Non Distributed costs | (4,260) | (707) | These are annually variable and relate to pension liability movements |
| Cultural and Related Services | (7,452) | (256) | 2013/14 saw the one-off writing out of earlier year's capital spend from the balance sheet that was not allocated to specific assets |
| Environmental and Regulatory Services | (7,480) | (175) | 2013/14 included impairment of assets |
| Planning Services | (261) | (2,842) | 2013/14 excludes income that were investments |
| Children's and Education Services | 1,370 | 784 | 2014/15 has REFCUS charges for majority of the UTC build |
| Highways and Transport Services | 6,068 | (2,168) | 2014/15 saw increase in dpcn/imp and has income from services reintegrated from a group company |
| Other Housing Services | 1,478 | 1,173 | Variability of housing benefit payments/grant |
| Local authority housing (HRA) | 5,115 | (1,515) | Increase in cost of repairs and services as per HRA statement |
| Adult Social Care | 4,231 | (4,559) | Change in health funding sources in 2014/15 |
| Public Health | 571 | (879) | Higher grant level in 2014/15 |
| Discontinued Leisure Services | (515) | 2,095 | Part year impact of service transfer |

## 6. Events after the Balance Sheet Date

There remain a number of schools that plan to transfer to Academy status, however, the expected 2014/15 transfers did not complete before year end and should take place in 2015/16.

## 7. Other Operating Expenditure

Breakdown of items included under Other Operating Expenditure.

| | 2013/14 £'000 | 2014/15 £'000 |
|---|---|---|
| (Gains)/losses on the disposal of non-current assets | 59,635 | 9,035 |
| Parish council precepts | 1,855 | 1,897 |
| Payments to the Government Housing Capital Receipts Pool | 1,461 | 1,180 |
| **Total Other Operating Expenditure** | **62,951** | **12,112** |

## 8. Financing and Investment Income and Expenditure

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

| | 2013/14 £'000 | 2014/15 £'000 |
|---|---|---|
| Interest payable and similar charges | 16,363 | 16,116 |
| Interest receivable and similar income | (1,505) | (1,450) |
| Investment income | (3,941) | (1,281) |
| Movement on market value of investment property | (840) | 6 |
| Investment Asset Disposals | 1,911 | 0 |
| Internal Trading Services | 0 | 339 |
| Net interest on the net defined benefit liability | 14,970 | 11,338 |
| **Total Financing and Investment Income and Expenditure** | **26,958** | **25,068** |

## 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 2014/15 £'000 | Schools Budgets 2014/15 £'000 | Total 2014/15 £'000 |
|---|---|---|---|
| Final DSG for before Academy Recoupment | | | 151,326 |
| Additional DSG EYR's expected from Jan census | | | 361 |
| Academy figure recouped for | | | (72,961) |
| Total DSG after Academy Recoupment for | | | 78,726 |
| Brought Forward from prior year | | | **2,470** |
| Carry Forward to next year agreed in advance | | | 707 |
| Agreed initial budgeted distribution | 29,789 | 52,114 | **81,903** |
| In year adjustments | | (410) | **(410)** |
| **Final budgeted distribution for year** | **29,789** | **51,704** | **81,493** |
| Less actual central expenditure | 29,898 | | |
| Less actual ISB deployed to schools | | 51,704 | |
| Plus local authority contribution | | | **500** |
| **Carry forward to next year** | **(109)** | **0** | **1,098** |

## 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.

| Credited to Taxation and Non Specific Grant Income | 2013/14 £'000 | 2014/15 £'000 |
|---|---|---|
| Collection Fund Income - Council Tax | (78,832) | (79,666) |
| Collection Fund Income - Business Rates | (29,038) | (28,758) |
| Collection Fund Adjustments | 3,059 | (140) |
| Non-ring-fenced government grants | (47,638) | (42,217) |
| Capital grants - used in funding | (4,870) | (21,004) |
| S106 - used in funding | (2,820) | (10,259) |
| Capital grants and contributions - to CGUA* | (11,784) | (8,082) |
| | **(171,923)** | **(190,126)** |

*Capital Grants Unapplied Account

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:

| Capital Receipts in Advance | 2013/14 £'000 | 2014/15 £'000 |
|---|---|---|
| **Balance at 1 April** | **(34,816)** | **(34,039)** |
| New funds received with conditions not met | (18,697) | (32,065) |
| Funds written out where conditions have been met | 19,474 | 39,345 |
| Funds written out for repayment | 0 | 1,712 |
| **Balance at 31 March** | **(34,039)** | **(25,047)** |

The below amounts were credited to Net Cost Services.

| Funding Body | 2013/14 £'000 | 2014/15 £'000 |
|---|---|---|
| Arts Council - South West | (297) | (281) |
| Children's Workforce Development Council | (55) | 0 |
| Department For Children, Schools & Families (DCSF) | (92,327) | (87,883) |
| Department for Work & Pensions (DWP) | (69,857) | (68,312) |
| Department of Communities & Local Government (DCLG) | (7,325) | (7,785) |
| Department of Health | (12,029) | (15,671) |
| Department of Transport | (728) | (727) |
| Forestry Commission | (66) | (10) |
| Home Office | (401) | (273) |
| Learning Skills Council /Skills Funding Agency | (486) | (630) |
| NHS | (2,753) | (3,526) |
| South West Regional Development Agency | (22) | 0 |
| Young Persons Learning Agency | (381) | (522) |
| Youth Justice board | (325) | (339) |
| Sport England | (58) | (40) |
| | **(187,110)** | **(185,999)** |

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

This note details the adjustments that are made to the 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.

| 2014/15 | 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 | (22,214) | (14,878) | - | - | - | (37,092) | 37,092 |
| Charges for impairment and revaluation losses of non-current assets | (15,271) | (6,028) | - | - | - | (21,299) | 21,299 |
| Movement in the market value of investment properties | - | (6) | - | - | - | (6) | 6 |
| Capital grants and contributions applied | 31,263 | - | - | - | - | 31,263 | (31,263) |
| Revenue expenditure funded from capital under statute | (12,302) | - | - | - | - | (12,302) | 12,302 |
| 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 | (5,918) | (7,229) | - | - | - | (13,147) | 13,147 |
| Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement: | | | | | | | |
| Statutory provision for the financing of capital investment | 5,870 | - | - | - | - | 5,870 | (5,870) |
| Voluntary provision for the financing of capital investment | - | 5,000 | - | - | - | 5,000 | (5,000) |
| Capital expenditure charged against the General Fund and HRA balances | 386 | 1,700 | - | - | - | 2,086 | (2,086) |
| Adjustments primarily involving the Capital Adjustment | | | | | | | |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Account: | | | | | | | |
| Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement | 8,082 | - | - | - | (8,082) | 0 | 0 |
| Application of grants to capital financing transferred to the Capital Adjustment Account | - | - | - | - | 12,889 | 12,889 | (12,889) |
| 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 | 1,674 | 2,437 | (4,111) | - | - | 0 | 0 |
| Use of the Capital Receipts Reserve to finance new capital expenditure | - | - | 2,773 | - | - | 2,773 | (2,773) |
| Voluntary set aside of capital receipts | - | - | 270 | - | - | 270 | (270) |
| Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool. | (1,180) | - | 1,180 | - | - | 0 | 0 |
| 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 | - | 14,878 | - | (14,878) | - | 0 | 0 |
| Use of the Major Repairs Reserve to finance new capital expenditure | - | - | - | 8,446 | - | 8,446 | (8,446) |
| 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 | 42 | - | - | - | - | 42 | (42) |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| accordance with statutory requirements | | | | | | | |
| Adjustments primarily involving the Pensions Reserve: | | | | | | | |
| Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement | (7,250) | (3,067) | - | - | - | (10,317) | 10,317 |
| 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 | 323 | - | - | - | - | 323 | (323) |
| **Total Adjustments** | **(16,495)** | **(7,193)** | **101** | **(6,432)** | **4,807** | **(25,212)** | **25,212** |

| **2013/14** | **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 | (24,655) | (12,421) | - | - | - | (37,076) | 37,076 |
| Charges for impairment and revaluation losses of non-current assets | (26,714) | (6,713) | - | - | - | (33,427) | 33,427 |
| Movement in the market value of investment properties | 775 | 65 | - | - | - | 840 | (840) |
| Capital grants and contributions applied | 7,689 | - | - | - | - | 7,689 | (7,689) |
| Revenue expenditure funded from capital under statute | (5,335) | - | - | - | - | (5,335) | 5,335 |
| 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 | (59,201) | (13,190) | - | - | - | (72,391) | 72,391 |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement: | | | | | | | |
| Statutory provision for the financing of capital investment | 5,228 | - | - | - | - | 5,228 | (5,228) |
| Voluntary provision for the financing of capital investment | - | 5,000 | - | - | - | 5,000 | (5,000) |
| Capital expenditure charged against the General Fund and HRA balances | 124 | 4,256 | - | - | - | 4,380 | (4,380) |
| Adjustments primarily involving the Capital Adjustment Account: | | | | | | | |
| Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement | 11,784 | - | - | - | (11,784) | 0 | 0 |
| Application of grants to capital financing transferred to the Capital Adjustment Account | - | - | - | - | 3,664 | 3,664 | (3,664) |
| 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 | 7,922 | 2,942 | (10,864) | - | - | 0 | 0 |
| Use of the Capital Receipts Reserve to finance new capital expenditure | - | - | 9,851 | - | - | 9,851 | (9,851) |
| Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool. | (1,481) | - | 1,481 | - | - | 0 | 0 |
| 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 | - | - | (13) | - | - | (13) | 13 |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Adjustment primarily involving the Major Repairs Reserve | | | | | | | |
| Reversal of Major Repairs Allowance credited to the HRA | - | 12,419 | - | (12,419) | - | 0 | 0 |
| Use of the Major Repairs Reserve to finance new capital expenditure | - | - | - | 13,241 | - | 13,241 | (13,241) |
| 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 | 40 | 88 | - | - | - | 128 | (128) |
| Adjustments primarily involving the Pensions Reserve: | | | | | | | |
| Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement | (17,534) | (1,906) | - | - | - | (19,440) | 19,440 |
| 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 | (3,059) | - | - | - | - | (3,059) | 3,059 |
| **Total Adjustments** | **(104,417)** | **(9,460)** | **455** | **822** | **(8,120)** | **(120,720)** | **120,720** |

## 12. 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. In a departure from the Code, analysis of revalued assets is split between carrying value of those items revalued in 2014/15, and all prior years.

| 2014/15 | Council Dwellings | Other Land and Buildings | Vehicles, Plant, & Equipment | Infra-structure Assets | Community Assets | Surplus Assets | Assets Under Construction | Heritage Assets | Total PPE | PFI Assets in PPE |
|---|---|---|---|---|---|---|---|---|---|---|
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Cost or Valuation | | | | | | | | | | |
| **At 1 April 2014** | **281,828** | **423,291** | **31,976** | **171,947** | **10,895** | **39,981** | **3,635** | **40,000** | **1,003,553** | **41,740** |
| Additions | 11,265 | 13,446 | 1,878 | 12,392 | 2,993 | - | 8,763 | - | 50,737 | 2,806 |
| Revaluation + / (-) recognised in the Revaluation Reserve | 25,820 | 7,936 | - | - | - | (652) | - | - | 33,104 | 7,641 |
| Revaluation + / (-) recognised in the Surplus/Deficit on the Provision of Services | (6,028) | (20,483) | - | - | - | (1,045) | - | - | (27,556) | - |
| Derecognition – disposals | (7,295) | (6,168) | - | - | - | (15) | - | - | (13,478) | - |
| Other movements in cost or valuation | - | 45,825 | - | - | - | - | - | - | 45,825 | - |
| **At 31 March 2015** | **305,590** | **463,847** | **33,854** | **184,339** | **13,888** | **38,269** | **12,398** | **40,000** | **1,092,185** | **52,187** |
| Accumulated Depreciation and Impairment | | | | | | | | | | |
| **At 1 April 2014** | **(16,227)** | **(35,824)** | **(28,037)** | **(37,688)** | **0** | **(593)** | **0** | **0** | **(118,369)** | **(2,077)** |
| Depreciation charge | (14,868) | (9,899) | (1,563) | (10,655) | - | (107) | - | - | (37,092) | (827) |
| Depreciation w/b on Revaluation | 12,514 | 15,710 | - | - | - | - | - | - | 28,224 | 2,077 |
| Depreciation written to/from the CIES | - | 6,257 | - | - | - | - | - | - | 6,257 | - |
| Derecognition – disposals | 66 | 263 | - | - | - | 2 | - | - | 331 | - |
| **At 31 March 2015** | **(18,515)** | **(23,493)** | **(29,600)** | **(48,343)** | **0** | **(698)** | **0** | **0** | **(120,649)** | **(827)** |
| Net Book Value | | | | | | | | | | |
| **At 1 April 2014** | **265,601** | **387,467** | **3,939** | **134,259** | **10,895** | **39,388** | **3,635** | **40,000** | **885,184** | **39,663** |
| **At 31 March 2015** | **287,075** | **440,354** | **4,254** | **135,996** | **13,888** | **37,571** | **12,398** | **40,000** | **971,536** | **51,360** |

| 2013/14 | Council Dwellings | Other Land & Buildings | Vehicles, Plant, & Equipment | Infra-structure Assets | Commun-ity Assets | Surplus Assets | Assets Under Construction | Heritage Assets | Total PPE | PFI Assets in PPE |
|---|---|---|---|---|---|---|---|---|---|---|
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Cost or Valuation | | | | | | | | | | |
| **At 1 April 2013** | **281,105** | **459,777** | **30,030** | **110,360** | **25,866** | **41,355** | **72,757** | **39,700** | **1,060,950** | **71,682** |
| Additions | 17,964 | 9,566 | 1,946 | 7,174 | 781 | 44 | 9,773 | - | 47,248 | 959 |
| Revaluation + / (-) recognised in the Revaluation Reserve | 93 | 6,656 | - | - | - | (1,228) | - | 300 | 5,821 | - |
| Revaluation + / (-) recognised in the Surplus/Deficit on the Provision of Services | (6,713) | (4,441) | - | (6,713) | (15,954) | - | - | - | (33,821) | - |
| Derecognition – disposals | (13,295) | (53,280) | - | - | - | (6,650) | - | - | (73,225) | (30,901) |
| Other movements in cost or valuation | 2,674 | 5,013 | - | 61,126 | 202 | 6,460 | (78,895) | - | (3,420) | - |
| **At 31 March 2014** | **281,828** | **423,291** | **31,976** | **171,947** | **10,895** | **39,981** | **3,635** | **40,000** | **1,003,553** | **41,740** |
| Accumulated Depreciation and Impairment | | | | | | | | | | |
| **At 1 April 2013** | **(3,809)** | **(28,420)** | **(25,330)** | **(27,709)** | **0** | **(204)** | **0** | **0** | **(85,472)** | **(1,853)** |
| Depreciation charge | (12,523) | (11,478) | (2,707) | (9,979) | - | (389) | - | - | (37,076) | (1,152) |
| Depreciation w/b on Revaluation | - | 1,039 | - | - | - | - | - | - | 1,039 | - |
| Depreciation written to/from the CIES | - | 394 | - | - | - | - | - | - | 394 | - |
| Derecognition – disposals | 105 | 2,641 | - | - | - | - | - | - | 2,746 | 928 |
| **At 31 March 2014** | **(16,227)** | **(35,824)** | **(28,037)** | **(37,688)** | **0** | **(593)** | **0** | **0** | **(118,369)** | **(2,077)** |
| Net Book Value | | | | | | | | | | |
| **At 1 April 2013** | **277,296** | **431,357** | **4,700** | **82,651** | **25,866** | **41,151** | **72,757** | **39,700** | **975,478** | **69,829** |
| **At 31 March 2014** | **265,601** | **387,467** | **3,939** | **134,259** | **10,895** | **39,388** | **3,635** | **40,000** | **885,184** | **39,663** |

| | Council Dwellings | Other Land and Buildings | Vehicles, Plant, & Equipment | Infrastructure Assets | Community Assets | Surplus Assets | Assets Under Construction | Total |
|---|---|---|---|---|---|---|---|---|
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Carried at historical cost | 0 | 0 | 4,254 | 135,996 | 13,888 | 0 | 12,398 | **166,536** |
| Value of assets carried at fair value: | | | | | | | | |
| Revalued 31-March 2015 | 287,075 | 235,916 | 0 | 0 | 0 | 316 | 0 | **523,307** |
| Revalued 31-March over prior four years | 0 | 204,438 | 0 | 0 | 0 | 37,255 | 0 | **241,693** |
| **Total** | **287,075** | **440,354** | **4,254** | **135,996** | **13,888** | **37,571** | **12,398** | **931,536** |

In 2014/15 the Council made no material changes to its accounting estimates for Property, Plant and Equipment.

## 13.Heritage Assets

The valuation of collections can be broken down into the following sites:

| | 2013/14 £'000 | 2014/15 £'000 |
|---|---|---|
| Steam Railway Heritage Centre | 25,000 | 25,000 |
| 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 |
| **Total Valuation** | **40,000** | **40,000** |

Further information on the Council's heritage strategy is available in the formal policy document.

## 14.Investment Properties

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

| | 2013/14 £'000 | 2014/15 £'000 |
|---|---|---|
| **Balance at start of the year** | **50,432** | **52,412** |
| Additions: | | |
| Subsequent expenditure | 301 | 1,017 |
| Disposals | (1,912) | - |
| Net gains/losses from fair value adjustments | 840 | (6) |
| Transfers: | | |
| to/from Property, Plant and Equipment | 2,750 | (45,825) |
| Other changes | 1 | - |
| **Balance at end of the year** | **52,412** | **7,598** |

## 15.Capital Commitment

At 31 March 2015, Council has approved a Capital Programme of £141.0m for the construction or enhancement of Property, Plant and Equipment in 2015/16 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 2013 were £133.2m.

## 16.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 01/04/14 was £464.1m; it has decreased by £4.5m to £459.6m as at 31/03/15.

| | 2013/14 £'000 | 2014/15 £'000 |
|---|---|---|
| Property, Plant & Equipment | 28,285 | 39,097 |
| HRA Dwellings & AUC | 18,963 | 12,657 |
| Investment Properties | 301 | 0 |
| **Total Additions to Balance Sheet** | **47,549** | **51,754** |
| Revenue Expenditure Funded from Capital Under Statute | 5,335 | 12,302 |
| **Total Expenditure to be Financed** | **52,884** | **64,056** |
| HRA Funding | (13,241) | (8,446) |
| Capital Receipts | (9,851) | (2,773) |
| Revenue Contribution to Capital Outlay (RCCO) | (4,380) | (2,086) |
| Government Grants and Other Contributions | (8,534) | (33,893) |
| S106 | (2,820) | (10,259) |
| Borrowing | (14,058) | (6,599) |
| **Total Financing** | **(52,884)** | **(64,056)** |

## 17.Long-term Debtors

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

| Balance at 31 March | 2014 £'000 | 2015 £'000 |
|---|---|---|
| Mortgage Advances | 1,402 | 1,391 |
| Financial Asset against Group Company | 6,981 | 6,981 |
| **Total** | **8,383** | **8,372** |

## 18.Short-term Debtors

The balances of short-term debtors are summarised below:

| Balance at 31 March | 2014 | 2015 |
|---|---|---|
| | £'000 | £'000 |
| Central government bodies | 1,068 | 13,031 |
| Other local authorities | 62 | 59 |
| NHS bodies | 119 | 178 |
| Public corporations and trading funds | 0 | 25 |
| Collection Fund | 14,040 | 12,223 |
| Other entities and individuals | 11,856 | 11,900 |
| Payments in Advance | 3,183 | 2,404 |
| **Sub-total** | **30,328** | **39,820** |
| Provision for bad debts | (12,967) | (13,503) |
| **Net Debtors** | **17,361** | **26,317** |

## 19. Short-Term Creditors

| Balance at 31 March | 2014 | 2015 |
|---|---|---|
| | £'000 | £'000 |
| Central government bodies | (125) | (3,120) |
| Other local authorities | (1,274) | (5,604) |
| NHS bodies | (248) | (175) |
| Bonds | (560) | (555) |
| Other entities and individuals | (32,166) | (18,735) |
| Receipts in advance | (7,575) | (7,446) |
| **Total** | **(41,948)** | **(35,635)** |

## 20.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.

Aged NDR

The provision was in respect of aged non-domestic rate balances that remained with the Council and for which agreement on repayment or use remained outstanding.

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.

Equal Pay

This represented the estimated liability of the Council for outstanding equal pay claims that it expected to pay out.

Rates Appeals

This is a new provision that 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.

| 2014/15 | Insurance £'000 | Aged NDR £'000 | Landfill £'000 | Equal Pay £'000 | Rates Appeals £'000 | Other £'000 | Total £'000 |
|---|---|---|---|---|---|---|---|
| **Balance Outstanding at start of year** | (2,647) | (994) | (3,536) | (500) | (1,871) | (352) | (9,900) |
| Additional provisions made | (215) | 0 | 0 | 0 | (1,838) | (791) | (2,844) |
| Amounts used | 388 | 994 | 250 | 500 | 0 | 0 | 2,132 |
| **Balance outstanding at year end** | **(2,474)** | **0** | **(3,286)** | **0** | **(3,709)** | **(1,143)** | **(10,612)** |
| Relating to short-term | (951) | 0 | 0 | 0 | 0 | (483) | (1,434) |
| Relating to long-term | (1,523) | 0 | (3,286) | 0 | (3,709) | (660) | (9,178) |

## 21.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.

| | Balance 31/3/13 £'000 | Transfers In £'000 | Transfers Out £'000 | Balance 31/3/14 £'000 | Transfers In £'000 | Transfers Out £'000 | Balance 31/3/15 £'000 |
|---|---|---|---|---|---|---|---|
| GF Reserves | (49,420) | (19,413) | 6,854 | (61,979) | (14,686) | 15,626 | (61,039) |
| HRA | (6,348) | (258) | 917 | (5,689) | (291) | 2,860 | (3,120) |
| Schools | (6,263) | 0 | 45 | (6,218) | 0 | 855 | (5,363) |
| **Total Earmarked Reserves** | **(62,031)** | **(19,671)** | **7,816** | **(73,886)** | **(14,977)** | **19,341** | **(69,522)** |

## 22. 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.

| | 2013/14<br>£'000 | 2014/15<br>£'000 |
|---|---|---|
| **Balance at 1 April** | **(119,752)** | **(119,042)** |
| Revaluation of assets in asset table note | (5,821) | (33,104) |
| Revaluation of held for sale assets | (1,977) | (432) |
| Depreciation added back on revaluation | (1,039) | (15,710) |
| **Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services** | **(8,837)** | **(49,246)** |
| Adjustments against historic cost | 3,334 | 2,864 |
| Accumulated gains on assets sold or scrapped | 6,311 | 1,215 |
| Amount written off to the Capital Adjustment Account | (98) | 0 |
| **Balance at 31 March** | **(119,042)** | **(164,209)** |

## 23. 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.

| | 2013/14<br>£'000 | 2014/15<br>£'000 |
|---|---|---|
| **Balance at 1 April** | **(457,860)** | **(369,064)** |
| Reversal of capital related items debited or credited to the CIES: | | |
| Charges for depreciation of noncurrent assets | 37,076 | 37,730 |
| Charges for impairment of noncurrent assets | 33,821 | 27,716 |
| Depreciation written back On Reclassification | 0 | (638) |
| Depreciation written back on disposals | (2,745) | (261) |
| Depreciation written back on revaluations | 0 | (12,514) |
| Depreciation written back on general gain/loss | (394) | (6,417) |
| Revenue expenditure funded from capital under statute | 5,335 | 12,302 |
| 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 | 75,136 | 13,408 |
| Application of the HRA debt | (5,000) | (5,000) |
| | **143,229** | **66,326** |
| Adjusting amounts written out of the Revaluation Reserve | (9,547) | (4,079) |
| Deferred Receipts | 7 | 0 |
| Use of the Capital Receipts Reserve to finance new capital expenditure | (9,851) | (2,773) |
| Use of the Major Repairs Reserve to finance new capital expenditure | (13,240) | (8,446) |
| Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing | (7,690) | (31,263) |
| Application of grants to capital financing from the Capital Grants Unapplied Account | (3,664) | (12,889) |
| Statutory provision for the financing of capital investment charged against the General Fund and HRA balances | (3,983) | (4,659) |
| PFI Finance Lease Liability included in CIES MRP | (1,245) | (1,211) |
| Voluntary provision for financing of capital expenditure | 0 | (270) |
| Capital expenditure charged against the General Fund and HRA balances | (4,380) | (2,086) |
| Movement in the market value of investments | (840) | 6 |
| | **(54,433)** | **(67,670)** |
| **Balance at 31 March** | **(369,064)** | **(370,408)** |

## 24. Financial Instruments Adjustment Account

The Financial Instruments Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefiting from gains per statutory provisions.

The Authority uses the Account to manage premiums paid on the early redemption of loans. Premiums are debited to the Comprehensive Income and Expenditure Statement when they are incurred, but reversed out of the General Fund Balance to the Account in the Movement in Reserves Statement. Over time, the expense is posted back to the General Fund Balance in accordance with statutory arrangements for spreading the burden on council tax. In the Authority's case, this period is the unexpired term that was outstanding on the loans when they were redeemed. As a result, the balance on the Account will be charged to the General Fund until depleted.

| | 2013/14<br>£'000 | 2014/15<br>£'000 |
|---|---|---|
| **Balance at 1 April** | 180 | 52 |
| Proportion of premiums incurred in previous financial years to be charged against the HRA | (88) | 0 |
| Proportion of premiums incurred in previous financial years to be charged against the General Fund Balance | (40) | (42) |
| Amount by which finance costs charged to the CIES vary to those chargeable in the year in accordance with statutory requirements | **(128)** | **(42)** |
| **Balance at 31 March** | **52** | **10** |

## 25. 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.

| | 2013/14<br>£'000 | 2014/15<br>£'000 |
|---|---|---|
| **Balance at 1 April** | (1,732) | 1,327 |
| Amount by which council tax income credited to the CIES is different from council tax income calculated under statute | 332 | 3 |
| Amount by which business rates income credited to the CIES is different from business rates income calculated under statute | 2,727 | (327) |
| **Balance at 31 March** | **1,327** | **1,003** |

## 26. 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.

| | 2013/14 £'000 | 2014/15 £'000 |
|---|---|---|
| **Balance at 1 April** | 233,791 | 264,763 |
| Remeasurement of the net defined benefit liability | 11,532 | 54,059 |
| Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the CIES | 19,440 | 10,317 |
| **Balance at 31 March** | **264,763** | **329,139** |

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.

## 27. Balances of Other Unusable Reserves

| | 2013/14 £'000 | 2014/15 £'000 |
|---|---|---|
| Deferred Capital Receipts | (1,273) | (1,261) |
| Passenger Transport Realisation | (611) | (611) |
| Equal Pay Back-pay Reserve | 500 | 0 |
| **Sub Total** | **(1,384)** | **(1,872)** |

## 28. Cash Flow Statement – Operating Activities

| The cash flows for operating activities include the following items: | 2013/14 £'000 | 2014/15 £'000 |
|---|---|---|
| Interest received | 4,069 | 2,753 |
| Interest paid | (17,033) | (16,301) |
| **Total** | **(12,964)** | **(13,548)** |
| The surplus or deficit on the provision of services has been adjusted for the following non-cash movements: | | |
| Depreciation | 37,076 | 37,082 |
| Impairment and downward valuations | 29,827 | 21,299 |
| Increase/(decrease) in creditors | 5,738 | 1,245 |
| (Increase)/decrease in debtors | 5,477 | (11,374) |
| Increase/(decrease) in inventories | (737) | 96 |
| Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised | 75,991 | 13,147 |
| Other non-cash items charged to the net surplus or deficit on the provision of services, mainly relating to pension adjustments | 19,874 | 43,107 |
| **Total** | **173,246** | **104,602** |
| The surplus or deficit on the provision of services has been adjusted for the following items that are investing and financing activities: | | |
| Interest paid | (9,978) | (4,111) |
| Dividends received | (24,442) | (39,345) |
| **Net cash flow from Operating Activities** | **(34,420)** | **(43,456)** |

## 29.Cash Flow Statement – Investing Activities

| Restated | 2013/14 £'000 | 2014/15 £'000 |
|---|---|---|
| Purchase of property, plant and equipment, investment property and intangible assets | (46,231) | (54,675) |
| Purchase of short-term and long-term investments | (80,560) | (56,804) |
| Proceeds from the sale of property, plant and equipment, investment property and intangible assets | 9,999 | 4,123 |
| Proceeds from short-term and long-term investments | 60,032 | 85,000 |
| Other payments/ receipts from investing activities | 19,229 | (1,712) |
| **Net cash flow from Investing Activities** | **(37,531)** | **(24,068)** |

## 30.Cash Flow Statement – Financing Activities

| | 2013/14 £'000 | 2014/15 £'000 |
|---|---|---|
| Cash receipts of short- and long-term borrowing | 137,720 | 88,360 |
| Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts | (971) | (1,327) |
| Repayments of short- and long-term borrowing | (136,101) | (102,301) |
| Collection Fund & Other receipts / (payments) for financing activities | (1,380) | (2,392) |
| **Net cash flow from Financing Activities** | **(732)** | **(17,660)** |

## 31.Amounts Reported for Resource Allocation Decisions

The following table shows the prior year balances for the reconciliation of internally reported service costs to the CIES. The 2014/15 disclosure can be found as part of the main statements.

| Service Information 2013/14 | Chief Executive | Resources | Commissioning | Service Delivery | General Fund | DSG | HRA | Total |
|---|---|---|---|---|---|---|---|---|
| **For the year ended 31 March 2014** | **£'000** | **£'000** | **£'000** | **£'000** | **£'000** | **£'000** | **£'000** | **£'000** |
| Government grants* | (44) | (95,202) | (6,217) | (2,741) | (104,204) | (104,519) | (2) | (208,725) |
| Fees, charges & other service income | (136) | (19,065) | (10,368) | (29,918) | (59,487) | (10,509) | (50,385) | (120,381) |
| **Total Income** | **(180)** | **(114,267)** | **(16,585)** | **(32,659)** | **(163,691)** | **(115,028)** | **(50,387)** | **(329,106)** |
| Employee expenses | 1,708 | 9,145 | 18,702 | 22,946 | 52,501 | 58,722 | 5,871 | 117,094 |
| Other operating expenses | 206 | 101,002 | 82,529 | 75,163 | 258,900 | 54,103 | 42,403 | 355,406 |
| Support Service Recharges | (211) | (5,182) | 8,092 | (2,369) | 330 | 2,203 | 2,113 | 4,646 |
| **Total operating expenses** | **1,703** | **104,965** | **109,323** | **95,740** | **311,731** | **115,028** | **50,387** | **477,146** |
| **Net Cost of Services** | **1,523** | **(9,302)** | **92,738** | **63,081** | **148,040** | **0** | **0** | **148,040** |

* The analysis of government grants is based upon a system extracted figure of the main grant receiving codes and whilst expected to be materially correct, may not solely be receipts from government.

| **Reconciliation to Net Cost of Services in Comprehensive Income and Expenditure Statement** | **£'000** |
|---|---|
| Cost of Services in Service Analysis | 148,040 |
| Add amounts not reported to management (e.g. capital charges) | 80,203 |
| Remove amounts reported to management not included in Net Cost of Services of CIES (e.g. reserves) | (46,395) |
| **Net Cost of Services in Comprehensive Income and Expenditure Statement** | **181,848** |

| Reconciliation to Subjective Analysis (Single Entity) | Service Analysis | Not reported to mgmt | Not included in CIES NCS | Allocation of Recharges | Net Cost of Services | Corporate Amounts | Total |
|---|---|---|---|---|---|---|---|
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Fees, charges & other service income | (120,382) | - | 16,496 | 7,142 | (96,744) | - | (96,744) |
| Surplus or deficit on associates and joint ventures | - | - | - | - | 0 | - | 0 |
| Interest and investment income | - | - | 2,767 | - | 2,767 | (6,286) | (3,519) |
| Income from council tax | - | - | - | - | 0 | (104,812) | (104,812) |
| Government grants and contributions | (208,724) | - | 5,236 | - | (203,488) | (67,111) | (270,599) |
| **Total Income** | **(329,106)** | **0** | **24,499** | **7,142** | **(297,465)** | **(178,209)** | **(475,674)** |
| Employee expenses | 114,459 | 4,470 | - | - | 118,929 | 14,970 | 133,899 |
| Other service expenses | 358,042 | - | (54,531) | - | 303,511 | - | 303,511 |
| Support Service recharges | 4,645 | - | - | (7,142) | (2,497) | - | (2,497) |
| Depreciation, amortisation and impairment | - | 75,733 | - | - | 75,733 | - | 75,733 |
| Interest Payments | - | - | (16,363) | - | (16,363) | 16,363 | 0 |
| Precepts & Levies | - | - | - | - | 0 | 1,855 | 1,855 |
| Payments to Housing Capital Receipts Pool | - | - | - | - | 0 | 1,481 | 1,481 |
| Gain or Loss on Disposal of PPE | - | - | - | - | 0 | 61,526 | 61,526 |
| **Total operating expenses** | **477,146** | **80,203** | **(70,894)** | **(7,142)** | **479,313** | **96,195** | **575,508** |
| **Surplus or deficit on the provision of services** | **148,040** | **80,203** | **(46,395)** | **0** | **181,848** | **(82,014)** | **99,834** |

## 32.Members' Allowances

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

| | 2013/14 £'000 | 2014/15 £'000 |
|---|---|---|
| Basic Allowances | 438 | 439 |
| Special Responsibility Allowances | 182 | 182 |
| Expenses | 6 | 6 |
| **Total** | **626** | **627** |

## 33.Officers' Remuneration

The below shows payments to senior officers for the year.

| Position | Salary & Allowances | Expenses | Remuneration | Emp. Pension Contributions | Total Remuneration |
|---|---|---|---|---|---|
| | £ | £ | £ | £ | £ |
| **2014/15** | | | | | |
| Chief Executive – Gavin Jones | 161,003 | 544 | 161,547 | 26,404 | 187,951 |
| Board Director Commissioning | 138,000 | 866 | 138,866 | 22,632 | 161,498 |
| Board Director Service Delivery | 138,000 | 0 | 138,000 | 22,632 | 160,632 |
| Board Director Resources | 117,650 | 0 | 117,650 | 19,295 | 136,945 |
| Director of Law & Democratic Services* | 112,378 | 331 | 112,709 | 17,201 | 129,910 |
| Head of Localities, Community Involvement & Volunteering | 84,923 | 0 | 84,923 | 13,927 | 98,850 |
| Director of Public Health (Acting) | 81,618 | 672 | 82,290 | 11,427 | 93,717 |
| **2013/14** | | | | | |
| Chief Executive – Gavin Jones | 161,003 | 287 | 161,290 | 24,795 | 186,085 |
| Board Director Commissioning | 143,000 | 601 | 143,601 | 21,252 | 164,853 |
| Board Director Service Delivery | 138,000 | 74 | 138,074 | 21,252 | 159,326 |
| Board Director Resources | 115,200 | 0 | 115,200 | 17,741 | 132,941 |
| Director of Law & Democratic Services | 96,567 | 189 | 96,756 | 14,871 | 111,627 |
| Head of Localities, Community Involvement & Volunteering | 84,500 | 0 | 84,500 | 13,013 | 97,513 |
| Director of Public Health (Acting) | 77,890 | 714 | 78,604 | 10,905 | 89,509 |

*Includes returning officer duties in election year

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 | |
|---|---|---|---|---|
| £ | | £ | 2013/14 | 2014/15 |
| 50,000 | to | 54,999 | 38 | 44 |
| 55,000 | to | 59,999 | 53 | 37 |
| 60,000 | to | 64,999 | 37 | 23 |
| 65,000 | to | 69,999 | 8 | 19 |
| 70,000 | to | 74,999 | 2 | 5 |
| 75,000 | to | 79,999 | 5 | 2 |
| 80,000 | to | 84,999 | 7 | 2 |
| 85,000 | to | 89,999 | 3 | 2 |
| 90,000 | to | 94,999 | 1 | 2 |
| 95,000 | to | 99,999 | 1 | 4 |
| 120,000 | to | 124,999 | 1 | 1 |

## 34.Exit Packages

The Council incurred costs relating to the following number of exit packages. Costs of £1,066k (£464k in 13/14) include redundancy payments and pension costs and relate to redundancies through restructure.

| Exit Package Band | | | Number of employees | |
|---|---|---|---|---|
| £ | | £ | 2013/14 | 2014/15 |
| 0 | to | 19,999 | 39 | 21 |
| 20,000 | to | 39,999 | 6* | 5 |
| 60,000 | to | 79,999 | 0 | 2* |
| 80,000 | to | 119,999 | 0 | 6* |

* Under the Code, ranges can be grouped if it could otherwise identify individual staff. For 2013/14 the 6 employees stated cover a range of £20k to £50k, and in 2014/15 from £60k to £80k and £95k to £120k.

## 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:

| | 2013/14 | 2014/15 |
|---|---|---|
| | £'000 | £'000 |
| Statutory Audit of the Accounts | 170 | 170 |
| Audit of Grant Claims | 24 | 14 |
| Other services | 0 | 24 |
| **Total Fees Paid** | **194** | **208** |

## 36.Contingent Liability

The Council has made provision for Business Rates appeals using its best estimates of the actual liability at the year-end. There should be no further appeals for the 2010 listing, however, the valuation office may still have claims to log that were received before the deadline. 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.

## 37.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 31. 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, though due to the nature of joint working arrangements, staff of each organisation provided services for both the Authority and the local health service for part of the year.

Controlled Companies

The Council is parent company to Public Power Solutions Limited (PPSL), Thamesdown Transport Limited (TTL) and Forward Swindon Ltd. The net value of transactions with subsidiaries was £4.2m against PPS (£24m 13/14) and £1.8m against TTL (£414k in 13/14) in 14/15. 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 is assisting in the maintaining of local services.

The Council is responsible as Trustee for a range of small charitable funds, totalling £490k 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, the SEQOL social enterprise care provider 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.

## 38. 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:

| | 2013/14 | 2014/15 |
|---|---|---|
| **Finance Lease Liabilities** | **£'000** | **£'000** |
| - Current | (1,211) | (1,385) |
| - Non-current | (55,815) | (54,315) |
| Finance Cost Payable in Future Years | (158,841) | (149,185) |
| **Minimum lease payments** | **(215,867)** | **(204,885)** |

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

| | Minimum Lease Payments | | Finance Lease Liabilities | |
|---|---|---|---|---|
| | 2013/14 | 2014/15 | 2013/14 | 2014/15 |
| | £'000 | £'000 | £'000 | £'000 |
| Not later than one year | 10,867 | 10,926 | (1,211) | (1,385) |
| Later than 1 not later than 5 | 55,867 | 56,182 | (7,908) | (8,810) |
| Later than 5 | 149,133 | 137,777 | (47,907) | (45,505) |
| | **215,867** | **204,885** | **(57,026)** | **(55,700)** |

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.

| | 2013/14 | 2014/15 |
|---|---|---|
| | £'000 | £'000 |
| Not later than one year | 2,426 | 2,515 |
| Later than one year not later than five | 2,881 | 3,501 |
| **Total** | **5,307** | **6,016** |
| The charge to services is: | | |
| Minimum lease payments (total above) | 5,307 | 6,016 |
| Sublease payments receivable | (6,676) | (7,905) |
| **Charge to services** | **(1,369)** | **(1,889)** |

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:

| | 2013/14<br>£'000 | 2014/15<br>£'000 |
|---|---|---|
| Not later than one year | 4,738 | 4,743 |
| Later than one year and not later than five | 9,995 | 8,676 |
| Later than five years | 2,042 | 1,879 |
| **Total Payments Due** | **16,775** | **15,298** |

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.

## 39.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.

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.

| | 2013/14<br>£'000 | 2014/15<br>£'000 |
|---|---|---|
| Opening Balance | (57,996) | (57,026) |
| Unitary Charge Paid | 11,148 | 11,181 |
| Expenditure / Financing Cost | (10,178) | (9,855) |
| **Closing Balance** | **(57,026)** | **(55,700)** |

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 | 2014 | | | 2015 | | |
|---|---|---|---|---|---|---|
| | Service Charges £'000 | Interest £'000 | Liability £'000 | Service Charges £'000 | Interest £'000 | Liability £'000 |
| Within 1 Year | 3,462 | 6,547 | (1,211) | 3,434 | 6,408 | (1,385) |
| Within 2 - 5 Years | 15,004 | 24,664 | (6,259) | 14,913 | 23,973 | (6,682) |
| Within 6 - 10 Years | 20,955 | 26,093 | (12,112) | 19,976 | 24,696 | (13,420) |
| Within 11 - 15 Years | 25,424 | 17,527 | (19,179) | 23,591 | 15,314 | (21,024) |
| Within 16 - 20 Years | 19,483 | 4,659 | (18,265) | 11,978 | 2,552 | (13,189) |
| | **84,328** | **79,490** | **(57,026)** | **73,892** | **72,943** | **(55,700)** |

## 40. 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 2014/15, the council paid £871k to Teachers' Pensions in respect of teachers' retirement benefits, representing 14.1% of pensionable pay. The figures for 2013/14 were £848k and 14.1%.

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.

## 41.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 £9.322m (£8.125m in 2013/14) 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 17.6% of employees' pensionable pay including some lump sum payments. The basic contribution rate to cover the cost of on-going pensions was 15.8% 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 at 31 March 2013. 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:

| **IAS19 Summary Disclosures Through The CIES** | **2013/14 £'000** | **2014/15 £'000** |
|---|---|---|
| Within Net Cost of Service: | | |
| Current service cost | 14,926 | 15,478 |
| Non-Distributed cost | 4,260 | (707) |
| Within Net operating Expenditure: | | |
| Interest cost | 14,970 | 11,338 |
| | | |
| Within Reserves Movement: | | |
| Movement on Pensions Reserve | (19,440) | (10,317) |
| Actual Amount Charged Against Council tax for the Year: | | |
| Employer's contributions payable to the scheme | (14,716) | (15,792) |
| Net effect on Council Tax of IAS19 adjustments | 0 | 0 |

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 as at 31 March 2013.

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):

| | 2014 Asset £'000 | Obligation £'000 | Net £'000 | 2015 Asset £'000 | Obligation £'000 | Net £'000 |
|---|---|---|---|---|---|---|
| Fair Value of Employer Assets | 332,234 | (546,053) | **(213,819)** | 459,918 | (705,034) | **(245,116)** |
| Present Value of Liabilities | 0 | (19,972) | **(19,972)** | 0 | (19,647) | **(19,647)** |
| **Opening Position 1 April** | **332,234** | **(566,025)** | **(233,791)** | **459,918** | **(724,681)** | **(264,763)** |
| Current Service Cost | 0 | (14,926) | **(14,926)** | 0 | (15,478) | **(15,478)** |
| Past Service (Costs) / Gains | 0 | (122) | **(122)** | 0 | (155) | **(155)** |
| Effect of Settlements | (2,211) | 3,315 | **1,104** | (2,449) | 3,311 | **862** |
| **Total Service Cost** | **(2,211)** | **(11,733)** | **(13,944)** | **(2,449)** | **(12,322)** | **(14,771)** |
| Interest Income on plan assets | 15,257 | 0 | **15,257** | 19,658 | 0 | **19,658** |
| Interest cost on obligation | 0 | (30,227) | **(30,227)** | 0 | (30,996) | **(30,996)** |
| **Total Net Interest** | **15,257** | **(30,227)** | **(14,970)** | **19,658** | **(30,996)** | **(11,338)** |
| **Total Cost Recognised in Profit/(Loss)** | **13,046** | **(41,960)** | **(28,914)** | **17,209** | **(43,318)** | **(26,109)** |
| Plan participant contributions | 4,035 | (4,035) | **0** | 4,224 | (4,224) | **0** |
| Employer contributions | 13,491 | 0 | **13,491** | 14,547 | 0 | **14,547** |
| Contributions for Unfunded Benefits | 1,225 | 0 | **1,225** | 1,245 | 0 | **1,245** |
| Benefits Paid | (22,489) | 22,489 | **0** | (19,903) | 19,903 | **0** |
| Unfunded Benefits Paid | (1,225) | 1,225 | **0** | (1,245) | 1,245 | **0** |
| **Expected Closing Position** | **340,317** | **(588,306)** | **(247,989)** | **475,995** | **(751,075)** | **(275,080)** |
| Change in demographic assumptions | 0 | (13,574) | **(13,574)** | 0 | 0 | **0** |
| Change in financial assumptions | 0 | (16,936) | **(16,936)** | 0 | (107,443) | **(107,443)** |
| Other experience | 0 | (74,542) | **(74,542)** | 0 | 6,398 | **6,398** |
| Return on assets excluding interest | 93,520 | 0 | **93,520** | 46,986 | 0 | **46,986** |
| **Total Re-measurements in Other Income** | **93,520** | **(105,052)** | **(11,532)** | **46,986** | **(101,045)** | **(54,059)** |
| Effect of business combinations | 26,081 | (31,323) | **(5,242)** | 0 | 0 | **0** |
| **Sub-Total** | **459,918** | **(724,681)** | **(264,763)** | **522,981** | **(852,120)** | **(329,139)** |
| Fair Value of Employer Assets | 459,918 | 0 | **459,918** | 522,981 | 0 | **522,981** |
| Present Value of Funded Liabilities | 0 | (705,034) | **(705,034)** | 0 | (831,613) | **(831,613)** |
| Present Value of Unfunded Liabilities | 0 | (19,647) | **(19,647)** | 0 | (20,507) | **(20,507)** |
| **Closing Position 31 March** | **459,918** | **(724,681)** | **(264,763)** | **522,981** | **(852,120)** | **(329,139)** |

The liabilities show the underlying commitments that the authority has in the long run to pay retirement benefits. The total liability of £852.120m has a substantial impact on the net worth of the authority as recorded in the Balance Sheet, resulting in a negative overall balance of £323.139m. 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 2016 is £14.550m.

Fair Value of Employer Assets

| Asset Category | Quoted Prices | Non-Quoted Prices | Total 2014 | | Quoted Prices | Non-Quoted Prices | Total 2015 | |
|---|---|---|---|---|---|---|---|---|
| **Equity Securities:** | **£'000** | **£'000** | **£'000** | **%** | **£'000** | **£'000** | **£'000** | **%** |
| Consumer | 10,560 | 0 | **10,560** | 4% | 12,219 | 0 | **12,219** | 2% |
| Manufacturing | 9,213 | 0 | **9,213** | 4% | 8,479 | 0 | **8,479** | 2% |
| Financial Institutions | 3 | 0 | **3** | 0% | 2,242 | 0 | **2,242** | 0% |
| Health Care | 2,475 | 350 | **2,825** | 1% | 3,819 | 37 | **3,856** | 1% |
| Information Technology | 26,648 | 0 | **26,648** | 8% | 53,917 | 0 | **53,917** | 10% |
| Other | 1,356 | 0 | **1,356** | 0% | 3,408 | 0 | **3,408** | 1% |
| **Debt Securities:** | | | | | | | | |
| Corporate Bonds | 153 | 27,847 | **28,000** | 8% | 737 | 41,665 | **42,402** | 8% |
| Corporate Bonds (non-investment grade) | 0 | 703 | **703** | 0% | 0 | 1,379 | **1,379** | 0% |
| UK Government | 0 | 3,345 | **3,345** | 1% | 0 | 2,033 | **2,033** | 0% |
| Other | 0 | 4,886 | **4,886** | 1% | 10 | 7,568 | **7,578** | 1% |
| **Real estate:** | | | | | | | | |
| UK Property | 0 | 31,102 | **31,102** | 9% | 6,728 | 45,924 | **52,652** | 10% |
| Overseas Property | 0 | 2,464 | **2,464** | 1% | 0 | 2,738 | **2,738** | 1% |
| **Investment Funds & Unit Trusts:** | | | | | | | | |
| Equities | 0 | 165,906 | **165,906** | 50% | 0 | 232,188 | **232,188** | 45% |
| Bonds | 0 | 17,523 | **17,523** | 5% | 0 | 32,549 | **32,549** | 6% |
| Hedge Funds | 0 | 16,689 | **16,689** | 5% | 0 | 10,074 | **10,074** | 2% |
| Infrastructure | 0 | 855 | **855** | 0% | 0 | 2,715 | **2,715** | 1% |
| Other | 0 | 2,549 | **2,549** | 1% | 36,127 | 4,093 | **40,220** | 8% |
| **Derivatives:** | | | | | | | | |
| Foreign Exchange | 0 | 0 | **0** | 0% | 0 | 0 | **0** | 0% |
| Other | (87) | 0 | **(87)** | 0% | (136) | 0 | **(136)** | 0% |
| Cash / Cash Equivalents | 7,693 | 1 | **7,694** | 2% | 12,462 | 5 | **12,467** | 2% |
| **Total** | **58,014** | **274,220** | **332,234** | **100%** | **140,012** | **382,968** | **522,980** | **100%** |

The principal assumptions used by the actuary have been:

| Assumptions as at 31 March | 2014 | 2015 |
|---|---|---|
| Pension Increase Rate (CPI) | 2.8% | 2.4% |
| Salary Increase Rate | 4.6% | 4.3% |
| Discount Rate | 4.3% | 3.2% |
| **Change in Assumptions at 31 March** | **Approximate % Increase to Employer** | **Approximate Monetary Amount £** |
| 0.5% decrease in Real Discount Rate | 10% | 84,586 |
| 1 year increase in member life expectancy | 3% | 25,564 |
| 0.5% increase in the salary increase rate | 3% | 23,764 |
| 0.5% increase in the pension increase rate | 7% | 59,288 |

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.

## 42. 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 2014 £'000 | Long-term 2015 £'000 | Current 2014 £'000 | Current 2015 £'000 |
|---|---|---|---|---|
| Assets: | | | | |
| Cash | - | - | 6,225 | 8,939 |
| Cash Equivalents Investments | - | - | 15,440 | 10,000 |
| Loans and receivables | - | - | 49,084 | 20,888 |
| Available-for-sale financial assets | - | - | 23 | 23 |
| Financial Asset against Group Company | 6,981 | 6,981 | - | - |
| **Total assets** | **6,981** | **6,981** | **70,772** | **39,850** |
| Borrowings: | | | | |
| Financial liabilities PWLB | (192,259) | (190,757) | (12,264) | (6,501) |
| Financial liabilities LOBO | (30,000) | (30,000) | 0 | 0 |
| Financial liabilities Other Borrowing | (20,000) | (15,000) | (13,176) | (11,500) |
| **Total borrowings** | **(242,259)** | **(235,757)** | **(25,440)** | **(18,001)** |
| Other Financial Instruments: | | | | |
| Debtors | 0 | 0 | 1,368 | 783 |
| Creditors | 0 | 0 | (18,874) | (9,522) |
| Other Long Term Liabilities | (274) | (159) | 0 | (42) |
| PFI | (55,541) | (54,156) | (1,211) | (1,385) |
| **Total other financial instruments** | **(55,815)** | **(54,315)** | **(18,717)** | **(10,166)** |

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 made up as follows:

| | 2013/14<br>£'000 | 2014/15<br>£'000 |
|---|---|---|
| Financial Liabilities measured at amortised cost | 16,363 | 16,116 |
| Financial Assets: | | |
| Loans and Receivables | (1,505) | (1,450) |
| Available for Sale | (3,941) | (1,281) |
| **Net (Gain) / Loss** | **10,917** | **13,385** |

Fair Values of Assets and Liabilities

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

The fair values calculated are as follows:

| | 31 March 2014 | | 31 March 2015 | |
|---|---|---|---|---|
| | Carrying Amount<br>£'000 | Fair Value<br>£'000 | Carrying Amount<br>£'000 | Fair Value<br>£'000 |
| Long Term Creditors | (242,259) | (234,133) | (237,258) | (265,632) |
| Short Term Creditors | (25,440) | (24,813) | (16,500) | (16,549) |
| Loans and Receivables | 49,084 | 47,719 | 20,888 | 20,973 |

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.

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

## 43.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 31/3/15, in relation to its investments in banks and building societies of £20.1m, 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 2015 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

| | 2013/14<br>£'000 | 2014/15<br>£'000 |
|---|---|---|
| Less than three months | 4,455 | 3,575 |
| Three to six months | 516 | 598 |
| Six months to one year | 421 | 496 |
| More than one year | 2,359 | 2,509 |
| **Total** | **7,751** | **7,178** |

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:

| | 2013/14<br>£'000 | 2014/15<br>£'000 |
|---|---|---|
| Less than one year | 25,440 | 16,500 |
| Between one and two years | 5,000 | 5,000 |
| Between two and five years | 5,000 | 10,000 |
| More than five years | 232,259 | 222,258 |
| **Total** | **267,699** | **253,758** |

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

| | | | 2013/14 | | | 2014/15 |
|---|---|---|---|---|---|---|
| | Business Rates | Council Tax | Total | Business Rates | Council Tax | Total |
| **INCOME** | **£000** | **£000** | **£000** | **£000** | **£000** | **£000** |
| Council Tax Receivable | - | (94,259) | (94,259) | - | (95,686) | (95,686) |
| Business Rates Receivable | (102,129) | - | (102,129) | (107,618) | - | (107,618) |
| Reconciliation Adjustments | (58) | - | (58) | 0 | - | 0 |
| | **(102,187)** | **(94,259)** | **(196,446)** | **(107,618)** | **(95,686)** | **(203,304)** |
| **EXPENDITURE** | | | | | | |
| **Apportionment of Previous Year Surplus** | | | | | | |
| Central Government | - | - | 0 | - | - | 0 |
| Billing Authority | - | 2,000 | 2,000 | - | 1,846 | 1,846 |
| Fire Authority | - | 106 | 106 | - | 98 | 98 |
| Police Authority | - | 269 | 269 | - | 242 | 242 |
| | **0** | **2,375** | **2,375** | **0** | **2,186** | **2,186** |
| **Precepts, Demands and Shares** | | | | | | |
| Central Government | 51,281 | - | 51,281 | 51,416 | - | 51,416 |
| Billing Authority | 50,255 | 76,833 | 127,088 | 50,205 | 77,820 | 128,025 |
| Fire Authority | 1,026 | 4,081 | 5,107 | 1,028 | 4,215 | 5,243 |
| Police Authority | - | 10,321 | 10,321 | - | 10,660 | 10,660 |
| | **102,562** | **91,235** | **193,797** | **102,649** | **92,695** | **195,344** |
| **Charges to Collection Fund** | | | | | | |
| Less write offs of uncollectable amounts | 1,056 | 568 | 1,624 | 429 | 153 | 582 |
| Less : Increase / Decrease (-) in Bad Debt Provision | 45 | 476 | 521 | 43 | 649 | 692 |
| Less : Increase / Decrease (-) in Provision for Appeals | 3,818 | - | 3,818 | 3,751 | - | 3,751 |
| Less : Cost of Collection | 274 | - | 274 | 271 | - | 271 |
| | **5,193** | **1,044** | **6,237** | **4,494** | **802** | **5,296** |
| Surplus (-) / Deficit arising during the year | 5,568 | 395 | 5,963 | (475) | (3) | (478) |
| Surplus (-) / deficit brought forward 1st April | - | (2,057) | (2,057) | 5,567 | (1,661) | 3,906 |
| **Surplus (-) / deficit carried forward 31st March** | **5,568** | **(1,662)** | **3,906** | **5,092** | **(1,664)** | **3,428** |
| Reconciliation to Collection Fund Adjustment Account: | | | | | | |
| Less Balance Attributable to Major Preceptors | (2,840) | 261 | (2,579) | (2,691) | 266 | (2,425) |
| **Balance Remaining Attributable to Swindon Borough Council** | **2,728** | **(1,401)** | **1,327** | **2,401** | **(1,398)** | **1,003** |

## Notes to the Collection Fund

### 44.Rateable Value

The total rateable value in the Local Rating List at 31 March 2015 was £259,780,857 (£255,660,956 at 31 March 2014). The multiplier for 2014/15 was 48.2 pence for the majority of properties and 47.1.0 pence for small businesses, (47.1 pence and 46.2 pence respectively for 2013/14).

### 45.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 | 11,648.75 | 6/9 | 7,765.83 |
| B | 23,247.25 | 7/9 | 18,081.19 |
| C | 20,787.50 | 8/9 | 18,477.78 |
| D | 14,467.50 | 9/9 | 14,467.50 |
| E | 7,522.00 | 11/9 | 9,193.56 |
| F | 2,881.25 | 13/9 | 4,161.81 |
| G | 1,166.50 | 15/9 | 1,944.17 |
| H | 43.50 | 18/9 | 87.00 |
| **Total** | **Band D equivalents** | | **74,178.83** |
| Contributions in lieu | (MOD properties) | | 94.50 |
| Add: | Anticipated changes in year | | (6,675.99) |
| Less: | Provision for non-collection (2.0%) | | (1,351.95) |
| | **Tax Base** | | **66,245.40** |

* 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.

| HRA Income and Expenditure Statement | 2013/14 £'000 | 2014/15 £'000 |
|---|---|---|
| Expenditure | | |
| Repairs and maintenance | 9,858 | 11,641 |
| Supervision and management | 5,304 | 6,720 |
| Special Services | 4,930 | 5,624 |
| Rents, rates, taxes and other charges | 111 | 107 |
| Negative HRA Subsidy payable | 0 | 0 |
| Depreciation and impairment of non-current assets | 19,134 | 20,906 |
| Debt management costs | 60 | 60 |
| Movement in the allowance for bad debts | 784 | 238 |
| **Total Expenditure** | **40,181** | **45,296** |
| Income | | |
| Dwelling rents | (41,881) | (42,516) |
| Non-dwelling rents | (197) | (151) |
| Charges for services and facilities | (4,455) | (5,509) |
| Contributions towards expenditure | (951) | (819) |
| Leaseholders' charges for services and facilities | (81) | (85) |
| **Total Income** | **(47,565)** | **(49,080)** |
| | | |
| **Net Cost of HRA Services as included in the Comprehensive Income and Expenditure Statement** | **(7,384)** | **(3,784)** |
| | | |
| HRA services' share of Corporate and Democratic Core | 282 | 282 |
| HRA share of other amounts included in the whole authority Cost of Services but not allocated to specific services | 8 | 7 |
| **Net (Income)/Expense for HRA Services** | **(7,094)** | **(3,495)** |
| | | |
| **HRA share of the operating income and expenditure included in the Comprehensive Income and Expenditure Statement:** | | |
| (Gain) / loss on sale of HRA non-current assets | 10,248 | 4,792 |
| Interest payable and similar charges | 4,829 | 4,666 |
| Interest and investment income | (1,429) | (1,566) |
| Net Pensions Interest Cost / Return on Asset | 1,879 | 3,100 |
| **(Surplus) / deficit for the year on HRA services** | **8,433** | **7,497** |

## Notes to the HRA

### 46.Statement of Movement in the Housing Revenue Account

| | 2013/14 £000 | 2014/15 £000 |
|---|---|---|
| 1 April | (5,470) | (7,156) |
| (Surplus) / Deficit on Service provision | 8,433 | 7,497 |
| Adjustments between accounting & funding basis | (9,460) | (7,193) |
| Transfers to / (from) Earmarked Reserves | (659) | (2,569) |
| (Increase)/Decrease in-year | (1,686) | (2,265) |
| **31 March** | **(7,156)** | **(9,421)** |

| **HRA Movement in Reserves Adjustments** | **2013/14 £'000** | **2014/15 £'000** |
|---|---|---|
| Adjustments between accounting & funding basis in reconciling the HRA balance for the year | | |
| Charges for depreciation of non-current assets | (12,421) | (14,878) |
| Charges for impairment of non-current assets | (6,713) | (6,028) |
| Movement in the market value of investment properties | 65 | (6) |
| 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 | (13,190) | (7,229) |
| Voluntary provision for the financing of capital investment | 5,000 | 5,000 |
| Capital expenditure charged against the General Fund and HRA balances | 4,256 | 1,700 |
| Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement | 2,942 | 2,437 |
| Reversal of Major Repairs Allowance credited to the HRA | 12,419 | 14,878 |
| 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 | 88 | 0 |
| Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement | (1,906) | (3,067) |
| **Total Adjustments** | **(9,460)** | **(7,193)** |

### 47.Housing Stock

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

| **Assets:** | **2013/14 £'000** | **2014/15 £'000** |
|---|---|---|
| Dwellings | 265,502 | 286,936 |
| Land | 99 | 99 |
| Plant and Equipment | 0 | 40 |
| Investment properties | 6,488 | 7,598 |
| **Total Balance Sheet Value** | **272,089** | **294,673** |

The stock of Council dwellings at 31st March was:

| Type | 31st March 14 | Movement | 31st March 15 |
|---|---|---|---|
| Low Rise Flats: | | | |
| 1 Bedroom | 1,732 | (5) | 1,727 |
| 2 Bedrooms | 704 | 0 | 704 |
| 3 or more Bedrooms | 10 | 0 | 10 |
| Medium Rise Flats: | | | |
| 1 Bedroom | 893 | (20) | 873 |
| 2 Bedrooms | 495 | (1) | 494 |
| 3 or more Bedrooms | 52 | 0 | 52 |
| High Rise Flats: | | | |
| 1 Bedroom | 26 | 0 | 26 |
| 2 Bedrooms | 234 | 0 | 234 |
| 3 or more Bedrooms | 0 | 0 | 0 |
| Houses and Bungalows: | | | |
| 1 Bedroom | 886 | 0 | 886 |
| 2 Bedrooms | 1,408 | (5) | 1,403 |
| 3 Bedrooms | 3,770 | (26) | 3,744 |
| 4 or more Bedrooms | 194 | 0 | 194 |
| Shared Dwellings: | | | |
| Multi-Occupied | 0 | 0 | 0 |
| **Total** | **10,404** | **(57)** | **10,347** |

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 2015.

## 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 31st March 2015 was £ 985,674,900. It was £909,185,500, at 31st March 2014.

## 49.HRA Capital Expenditure

The capital expenditure on the HRA was:

| | 2013/14 £'000 | 2014/15 £'000 |
|---|---|---|
| Dwellings | 17,830 | 9,959 |
| Buildings | 1,133 | 2,698 |
| **Total to Finance** | **18,963** | **12,657** |
| Major Repairs Reserve | 13,241 | 8,446 |
| Usable Capital Receipts | 1,466 | 1,267 |
| Revenue Contributions | 4,144 | 1,264 |
| Other contributions | 0 | 1,245 |
| HCA Grant for New Build | 112 | 435 |
| **Total Finance** | **18,963** | **12,657** |

## 50.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 | 2014 £'000 | 2015 £'000 |
|---|---|---|
| Capital expenditure for HRA purposes financed by MRA Resources: | | |
| Houses | 13,240 | 8,446 |
| **Total Expenditure** | **13,240** | **8,446** |
| Amount equivalent to total depreciation charges for all HRA assets | (12,418) | (14,878) |
| Transfer from HRA | 0 | 0 |
| **Total Income** | **(12,418)** | **(14,878)** |
| | | |
| **Deficit / (Surplus) for the Year** | **822** | **(6,432)** |
| Deficit / (Surplus) brought forward | (14,445) | (13,623) |
| **Deficit / (Surplus) Carried Forward** | **(13,623)** | **(20,055)** |

## 51.Housing Repairs Account

| Balance at 31 March | 2014 £'000 | 2015 £'000 |
|---|---|---|
| Repairs & Maintenance | 8,415 | 13,110 |
| **Total Expenditure** | **8,415** | **13,110** |
| Contribution from HRA | (8,357) | (10,719) |
| Service charges | (58) | (891) |
| **Total Income** | **(8,415)** | **(11,610)** |
| | | |
| **Deficit / (Surplus) for the Year** | **0** | **1,500** |
| Deficit / (Surplus) brought forward | (1,550) | (1,550) |
| **Deficit / (Surplus) Carried Forward** | **(1,550)** | **(50)** |

## 52.HRA Capital Receipts

In 2014/15, the Council paid £0.654m 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. 595m in 2013/14). A notional £864k was also payable under Pooling Payment requirement (£866k in 2013/14); however, under relevant conditions is allowed to be kept as a receipt in advance.

| | 2013/14 £'000 | 2014/15 £'000 |
|---|---|---|
| Sale of Council Houses | 2,942 | 3,301 |
| Council Mortgage Repayments | 9 | 11 |
| Capital receipt retained for new property acquisitions | (886) | (864) |
| **Total** | **2,065** | **2,448** |

## 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.

| | 2013/14 £'000 | 2014/15 £'000 |
|---|---|---|
| Depreciation on dwellings | 12,523 | 14,868 |
| Depreciation on plant & equipment | 0 | 10 |
| Depreciation on other property | (102) | 0 |
| Impairment and revaluation losses of dwellings | 6,713 | 6,028 |
| **Total** | **19,134** | **20,906** |

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 Councils 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:

| | 2013/14 £'000 | 2014/15 £'000 |
|---|---|---|
| Current tenants | 1,466 | 1,564 |
| Former tenants | 517 | 515 |
| **Total Arrears** | **1,983** | **2,079** |
| Less: provision for bad debts | (1,983) | (2,079) |
| **Total Arrears After Provisions** | **0** | **0** |

Arrears represent 0.0% of rent income and service charges due to the Council.

# 55.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) 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 of £200 is set to 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**

The Authority has transferred the provision of Leisure services to third parties during 2014/15. Its social care provision is no longer provided in-house but is commissioned from a social enterprise – SEQOL. Its subsidiary company has now mainly been re-integrated back into the Council. The impact of the Leisure services transfer was only a part-year affect from 1st November 2014.

**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.

**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, based on the amount at which the asset could be exchanged between knowledgeable parties at arms-length. 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.

**o) Overheads and Support Services**

The costs of overheads and support services are charged to those that benefit from the supply or availability of service in accordance with the principles of the CIPFA service reporting code of practice (SERCOP). A simplified total absorption costing principle is used – the full cost of

overheads and support services are shared between users in proportion to the staff of the service, with the exception of:

Corporate and Democratic Core: costs relating to the Authority's status as a multi-functional, democratic organisation.

Non-Distributed Costs: the cost of discretionary benefits awarded to employees retiring early and impairment losses chargeable on Assets Held for Sale.

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

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

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

- Infrastructure, community assets and assets under construction – depreciated historical cost.
- Dwellings – fair value, determined using the basis of existing use value for social housing (EUV-SH).

- All other assets – fair value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV).

Where there is no market-based evidence of fair value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of fair value. Where non-property assets that have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for fair value.

Assets included in the Balance Sheet at fair value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their fair value at the year-end, 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.

Deprecation 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. 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 authorise (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), 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 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 has concluded that Group Accounts are required with Thamesdown Transport Ltd (TTL) and Public Power Solutions Ltd (PPSL) only. Forward Swindon, though a wholly owned company, is excluded from consolidation on materiality grounds.

## 56.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 accounts and annual report of the company are held at Thamesdown Transport Limited, Barnfield Road, Swindon, Wiltshire, from which the figures below are extracted.

The Council has a 100% Shareholding in Thamesdown Transport Limited which was 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.

The Council (1,488,999 £1 shares) and its Chief Executive (£1 share) are the only shareholders. 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.

No dividend was declared payable in 2013/14 or 2014/15.

Public Power Solutions Limited (PPSL)

The Council also wholly owns the PPSL company (previously Swindon Commercial Services (SCS) Limited, but renamed in 2014/15) at a notional shareholding value of £10. The company was created on 1st January 2010, 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 immateriality is not consolidated within the group statements that follow.

| | Thamesdown Transport | | Public Power Solutions Limited | | Forward Swindon | |
|---|---|---|---|---|---|---|
| | 2013/14 £'000 | 2014/15 £'000 | 2013/14 £'000 | 2014/15 £'000 | 2013/14 £'000 | 2014/15 £'000 |
| Profit / (Loss) before taxation | (154) | 1,912 | (606) | (43) | (263) | (580) |
| Tax Adjustment | 96 | 523 | 126 | (356) | (1) | (1) |
| **Profit / (Loss) after taxation** | **(58)** | **(1,389)** | **(480)** | **(399)** | **(264)** | **(581)** |
| **As at 31 March** | **Restated 2014 £'000** | **2015 £'000** | **2014 £'000** | **2015 £'000** | **2014 £'000** | **2015 £'000** |
| **Net Balance Sheet Asset** | **(2,270)** | **(4,191)** | **10** | **389** | **658** | **(6)** |

The group statements that follow contain the accounts for Swindon Borough Council, Thamesdown Transport Limited and Public Power Solutions Ltd. They have been restated for prior period updates that reflect immaterial final closing adjustments to group company balances as at 31/3/14 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.

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

# Group Accounts

## 57. The Group Comprehensive Income and Expenditure Statement

The Group statements show the balances for the Council and its consolidated wider group organisations.

| Note | | 2013/14 Gross Expenditure £000 | 2013/14 Gross Income £000 | 2013/14 Net Expenditure £000 | 2014/15 Gross Expenditure £000 | 2014/15 Gross Income £000 | 2014/15 Net Expenditure £000 |
|---|---|---|---|---|---|---|---|
| | Central Services | 2,703 | (2,668) | 35 | 6,844 | (3,295) | 3,549 |
| | Corporate and Democratic Core | 11,125 | (3,561) | 7,564 | 11,721 | (4,518) | 7,203 |
| | Non Distributed costs | 4,260 | 0 | 4,260 | 0 | (707) | (707) |
| | Cultural and Related Services | 31,161 | (4,674) | 26,487 | 23,685 | (4,899) | 18,786 |
| | Environmental and Regulatory Services | 29,602 | (8,494) | 21,108 | 21,029 | (8,281) | 12,748 |
| | Planning Services | 8,881 | (5,012) | 3,869 | 8,592 | (7,818) | 774 |
| | Children's and Education Services | 163,776 | (123,267) | 40,509 | 165,076 | (122,391) | 42,685 |
| | Highways and Transport Services | 41,526 | (19,894) | 21,632 | 42,078 | (18,517) | 23,561 |
| | Other Housing Services | 78,632 | (72,662) | 5,970 | 80,110 | (71,489) | 8,621 |
| | Local authority housing (HRA) | 43,045 | (51,319) | (8,274) | 45,296 | (49,080) | (3,784) |
| | Adult Social Care | 65,052 | (12,095) | 52,957 | 69,267 | (16,633) | 52,634 |
| | Public Health | 7,238 | (7,918) | (680) | 7,809 | (8,797) | (988) |
| | Discontinued Leisure Services | 9,425 | (5,322) | 4,103 | 8,910 | (3,227) | 5,683 |
| | **Surplus / Deficit on Continuing Operations** | **496,426** | **(316,886)** | **179,540** | **490,417** | **(319,652)** | **170,765** |
| 61 | Other operating expenditure (group income tax) | | | 65,392 | | | 17,416 |
| 62 | Financing and investment income and expenditure | | | 27,229 | | | 26,044 |
| | Taxation and non-specific grant income | | | (171,923) | | | (190,649) |
| | **(Surplus) or Deficit on Provision of Services** | | | **100,238** | | | **23,576** |
| | (Surplus)/deficit on revaluation of Property, Plant and Equipment | | | (8,837) | | | (61,760) |
| | Re-measurements on pension assets / liabilities | | | 11,287 | | | 54,663 |
| | Group Tax on Other Comprehensive Income | | | 141 | | | 284 |
| | **Other Comprehensive Income and Expenditure** | | | **2,591** | | | **(6,813)** |
| | **Total Comprehensive Income and Expenditure** | | | **102,829** | | | **16,763** |

## 58.The Group Movement in Reserves Statement

| | 2013/14 | | | | 2014/15 | | | |
|---|---|---|---|---|---|---|---|---|
| | 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 |
| **Opening Balance** | **(117,688)** | **(346,763)** | **(3,665)** | **(468,116)** | **(145,555)** | **(223,348)** | **3,749** | **(365,154)** |
| (Surplus) / deficit on provision of services | 99,834 | - | 404 | **100,238** | 22,144 | 0 | 1,432 | 23,576 |
| Other Comprehensive Income and Expenditure | - | 2,695 | (104) | **2,591** | 0 | (7,701) | 888 | (6,813) |
| **Total Comprehensive Income and Expenditure** | 99,834 | 2,695 | 300 | **102,829** | **22,144** | **(7,701)** | **2,320** | **16,763** |
| Adjustments between accounting basis & funding basis under regulations | (120,720) | 120,720 | - | **0** | (25,212) | 25,212 | 0 | 0 |
| **Net (Increase)/Decrease before Transfers to Earmarked Reserves** | (20,886) | 123,415 | 300 | **102,829** | (3,068) | 17,511 | 2,320 | **16,763** |
| Transfers to/from Earmarked Reserves | - | - | - | **0** | 500 | (500) | 0 | **0** |
| **(Increase)/Decrease in year** | (20,886) | 123,415 | 300 | **102,829** | (2,568) | 17,011 | 2,320 | **16,763** |
| **Balance carried forward** | **(138,574)** | **(223,348)** | **(3,365)** | **(365,287)** | **(148,123)** | **(206,337)** | **6,069** | **(348,391)** |

## 59.The Group Statement of Financial Position

| Note | | Restated 31st March 2014 £000 | 31st March 2015 £000 |
|---|---|---|---|
| 64 | Property, Plant& Equipment | 595,621 | 656,960 |
| 64 | Council dwellings | 265,601 | 287,075 |
| | Heritage | 40,000 | 40,000 |
| | Investment property | 52,412 | 7,598 |
| | Intangible Assets | 0 | 16 |
| | Long term investments | 1 | 1 |
| | Long Term debtors | 1,402 | 1,391 |
| | Deferred Tax on Group Undertakings | 177 | 263 |
| | **Total Non-Current Assets** | **955,214** | **993,304** |
| | Short term investments | 40,544 | 10,761 |
| | Inventories & Work in Progress | 1,493 | 1,335 |
| | Short term debtors | 18,143 | 30,109 |
| 65 | Cash & Cash equivalents | 22,496 | 22,543 |
| | Assets held for sale (current) | 6,246 | 6,680 |
| | **Current Assets** | **88,922** | **71,428** |
| | Short term borrowing | (26,224) | (18,772) |
| 66 | Short term creditors | (43,099) | (39,766) |
| | Provisions (short term) | (1,486) | (1,435) |
| | **Current Liabilities** | **(70,809)** | **(59,973)** |
| 67 | Long term borrowing | (243,747) | (237,293) |
| | Long term creditors | (56,405) | (54,396) |
| | Provisions (long term) | (8,414) | (9,177) |
| 63 | Pension Asset/Liability | (265,568) | (330,455) |
| | Capital Grants receipts in advance | (34,039) | (25,047) |
| | **Non-Current Liabilities** | **(608,173)** | **(656,368)** |
| | **Net Assets** | **365,154** | **348,391** |
| | Usable Reserves | (141,806) | (142,054) |
| | Unusable Reserves | (223,348) | (206,337) |
| | **Total Reserves** | **(365,154)** | **(348,391)** |

## 60.The Group Cash flow Statement

| | Restated 2013/14 £'000 | 2014/15 £'000 |
|---|---|---|
| **Net cash flows from Operating Activities** | **37,072** | **40,607** |
| Investing Activities | (46,292) | (24,521) |
| Financing Activities | 3,719 | (16,039) |
| **Net increase or decrease in cash and cash equivalents** | **(5,501)** | **47** |
| Cash and cash equivalents at the beginning of the reporting period | 27,997 | 22,496 |
| **Cash and cash equivalents at the end of the reporting period** | **22,496** | **22,543** |

## 61.Group Other Operating Expenditure

| | 2013/14 SBC £'000 | 2013/14 TTL £'000 | 2013/14 PPS £'000 | 2013/14 Group £'000 | 2014/15 SBC £'000 | 2014/15 TTL £'000 | 2014/15 PPS £'000 | 2014/15 Group £'000 |
|---|---|---|---|---|---|---|---|---|
| (Gains)/losses on the disposal of non-current assets | 59,635 | - | - | 59,635 | 9,035 | - | - | 9,035 |
| Parish council precepts | 1,855 | - | - | 1,855 | 1,897 | - | - | 1,897 |
| Payments to the Government Housing Capital Receipts Pool | 1,461 | - | - | 1,461 | 1,180 | - | - | 1,180 |
| Group Taxation & Administration | - | (96) | 2,537 | 2,441 | - | 3,795 | 1,509 | 5,304 |
| **Total Other Operating Expenditure** | **62,951** | **(96)** | **2,537** | **65,392** | **12,112** | **3,795** | **1,509** | **17,416** |

## 62.Group Financing and Investment Income and Expenditure

| | 2013/14 SBC £'000 | 2013/14 TTL £'000 | 2013/14 PPS £'000 | 2013/14 Group £'000 | 2014/15 SBC £'000 | 2014/15 TTL £'000 | 2014/15 PPS £'000 | 2014/15 Group £'000 |
|---|---|---|---|---|---|---|---|---|
| Interest payable and similar charges | 16,363 | 313 | 107 | 16,783 | 16,116 | 726 | 400 | 17,242 |
| Interest receivable and similar income | (1,505) | (146) | (3) | (1,654) | (1,450) | (137) | (13) | (1,600) |
| Investment income | (3,941) | - | - | (3,941) | (1,281) | - | - | (1,281) |
| Movement on market value of investment property | (840) | - | - | (840) | 6 | - | - | 6 |
| Investment Asset Disposals | 1,911 | - | - | 1,911 | - | - | - | 0 |
| Internal Trading Services | - | - | - | 0 | 339 | - | - | 339 |
| Net interest on the net defined benefit liability | 14,970 | - | - | 14,970 | 11,338 | - | - | 11,338 |
| **Total Financing and Investment Income and Expenditure** | **26,958** | **167** | **104** | **27,229** | **25,068** | **589** | **387** | **26,044** |

## 63.Group Pension Asset / Liability

| | SBC £'000 | TTL £'000 | 2014 Group £'000 | SBC £'000 | TTL £'000 | 2015 Group £'000 |
|---|---|---|---|---|---|---|
| Fair Value of Employer Assets | (213,819) | 2,889 | (210,930) | (245,116) | 3,039 | (242,077) |
| Present Value of Liabilities | (19,972) | (4,014) | (23,986) | (19,647) | (3,844) | (23,491) |
| **Opening Position 1 April** | **(233,791)** | **(1,125)** | **(234,916)** | **(264,763)** | **(805)** | **(265,568)** |
| Current Service Cost | (14,926) | 0 | (14,926) | (15,478) | 0 | (15,478) |
| Past Service (Costs) / Gains | (122) | 0 | (122) | (155) | 0 | (155) |
| Effect of Settlements | 1,104 | 0 | 1,104 | 862 | 0 | 862 |
| **Total Service Cost** | **(13,944)** | **0** | **(13,944)** | **(14,771)** | **0** | **(14,771)** |
| Interest Income on plan assets | 15,257 | 128 | 15,385 | 19,658 | 135 | 19,793 |
| Interest cost on obligation | (30,227) | (174) | (30,401) | (30,996) | (167) | (31,163) |
| **Total Net Interest** | **(14,970)** | **(46)** | **(15,016)** | **(11,338)** | **(32)** | **(11,370)** |
| **Total Cost Recognised in Profit/(Loss)** | **(262,705)** | **(1,171)** | **(263,876)** | **(290,872)** | **(837)** | **(291,709)** |
| Plan participant contributions | 0 | 0 | 0 | 0 | 0 | 0 |
| Employer contributions | 13,491 | 121 | 13,612 | 14,547 | 125 | 14,672 |
| Contributions for Unfunded Benefits | 1,225 | 0 | 1,225 | 1,245 | 0 | 1,245 |
| **Expected Closing Position** | **14,716** | **121** | **14,837** | **15,792** | **125** | **15,917** |
| Change in demographic assumptions | (13,574) | 0 | (13,574) | 0 | 0 | 0 |
| Change in financial assumptions | (16,936) | 0 | (16,936) | (107,443) | 0 | (107,443) |
| Other experience | (74,542) | 245 | (74,297) | 6,398 | (1,012) | 5,386 |
| Return on assets excluding interest | 93,520 | 0 | 93,520 | 46,986 | 0 | 46,986 |
| **Total Re-measurements in Other Income** | **(11,532)** | **245** | **(11,287)** | **(54,059)** | **(1,012)** | **(55,071)** |
| Effect of business combinations | (5,242) | 0 | (5,242) | 0 | 0 | 0 |
| Fair Value of Employer Assets | 459,918 | 3,039 | 462,957 | 522,981 | 3,419 | 526,400 |
| Present Value of Funded Liabilities | (705,034) | (3,844) | (708,878) | (831,613) | (4,735) | (836,348) |
| Present Value of Unfunded Liabilities | (19,647) | 0 | (19,647) | (20,507) | 0 | (20,507) |
| **Closing Position 31 March** | **(264,763)** | **(805)** | **(265,568)** | **(329,139)** | **(1,316)** | **(330,455)** |

## 64.Group Property, Plant & Equipment

| 2014/15 | | SBC Dwellings | SBC | TTL | PPS | Total PPE |
|---|---|---|---|---|---|---|
| | | £'000 | £'000 | £'000 | £'000 | £'000 |
| Cost or Valuation | Opening Group adjustment | | | | (16) | (16) |
| **At 1 April 2014** | | **281,828** | **721,725** | **15,924** | **8,020** | **1,027,497** |
| Additions | | 11,265 | 39,472 | 1,033 | 1,486 | 53,256 |
| Revaluation increases / (decreases) recognised in the Revaluation Reserve | | 25,820 | 7,284 | - | - | 33,104 |
| Revaluation increases / (decreases) recognised in the Surplus/Deficit on the Provision of Services | | (6,028) | (21,528) | (14) | - | (27,570) |
| Derecognition – disposals | | (7,295) | (6,183) | (6,816) | - | (20,294) |
| Other movements in cost or valuation | | - | 45,825 | - | - | 45,825 |
| **At 31 March 2015** | | **305,590** | **786,595** | **10,127** | **9,506** | **1,111,818** |
| Accumulated Depreciation and Impairment | Opening Group adjustment | | | | 12 | 12 |
| **At 1 April 2014** | | **(16,227)** | **(102,142)** | **(7,519)** | **(387)** | **(126,275)** |
| Depreciation charge | | (14,868) | (22,224) | (925) | (1,123) | (39,140) |
| Depreciation written out to the Revaluation Reserve | | 12,514 | 15,710 | - | - | 28,224 |
| Depreciation written to/from the CIES | | - | 6,257 | - | - | 6,257 |
| Derecognition – disposals | | 66 | 265 | 2,820 | - | 3,151 |
| Derecognition – other | | - | - | - | - | 0 |
| **At 31 March 2015** | | **(18,515)** | **(102,134)** | **(5,624)** | **(1,510)** | **(127,783)** |
| Net Book Value | | | | | | |
| **At 1 April 2014** | | **265,601** | **619,583** | **8,405** | **7,633** | **901,222** |
| **At 31 March 2015** | | **287,075** | **684,461** | **4,503** | **7,996** | **984,035** |

| 2013/14 | SBC Dwellings | SBC | TTL | PPS | Total PPE |
|---|---|---|---|---|---|
| | £'000 | £'000 | £'000 | £'000 | £'000 |
| Cost or Valuation | | | | | |
| **At 1 April 2013** | **281,105** | **779,845** | **15,977** | **3,030** | **1,079,957** |
| Additions | 17,964 | 29,284 | 124 | 7,651 | 55,023 |
| Revaluation increases / (decreases) recognised in the Revaluation Reserve | 93 | 5,728 | - | - | 5,821 |
| Revaluation increases / (decreases) recognised in the Surplus/Deficit on the Provision of Services | (6,713) | (27,108) | - | - | (33,821) |
| Derecognition – disposals | (13,295) | (59,930) | (177) | (2,645) | (76,047) |
| Other movements in cost or valuation | 2,674 | (6,094) | - | - | (3,420) |
| **At 31 March 2014** | **281,828** | **721,725** | **15,924** | **8,036** | **1,027,513** |
| Accumulated Depreciation and Impairment | | | | | |
| **At 1 April 2013** | **(3,809)** | **(81,663)** | **(6,732)** | **(1,888)** | **(94,092)** |
| Depreciation charge | (12,523) | (24,553) | (964) | (523) | (38,563) |
| Depreciation written out to the Revaluation Reserve | - | 1,039 | - | - | 1,039 |
| Depreciation written to/from the CIES | - | 394 | - | -- | 394 |
| Derecognition – disposals | 105 | 2,641 | 177 | 2,012 | 4,935 |
| Derecognition – other | - | - | - | - | 0 |
| **At 31 March 2014** | **(16,227)** | **(102,142)** | **(7,519)** | **(399)** | **(126,287)** |
| Net Book Value | | | | | |
| **At 1 April 2013** | **277,296** | **698,182** | **9,245** | **1,142** | **985,865** |
| **At 31 March 2014** | **265,601** | **619,583** | **8,405** | **7,637** | **901,226** |

## 65.Group Cash & Cash Equivalents

| Balance at 31 March | 2014 | 2015 |
|---|---|---|
| | £000 | £000 |
| Swindon Borough Council | 21,665 | 18,939 |
| Thamesdown Transport Limited | 10 | 2,304 |
| Public Power Solutions Limited | 821 | 1,300 |
| **Group Total** | **22,496** | **22,543** |

## 66.Group Short term Creditors

| Balance at 31 March | Restated 2014 | 2015 |
|---|---|---|
| | £000 | £000 |
| Swindon Borough Council | (40,730) | (35,566) |
| Thamesdown Transport Limited | (972) | (1,050) |
| Public Power Solutions Limited | (1,398) | (3,150) |
| **Group Total** | **(43,100)** | **(39,766)** |

## 67.Group Long term borrowing

| Balance at 31 March | 2014 | 2015 |
|---|---|---|
| | £000 | £000 |
| Swindon Borough Council | (242,259) | (235,757) |
| Thamesdown Transport Limited | (1,488) | (1,536) |
| Public Power Solutions Limited | 0 | 0 |
| **Group Total** | **(243,747)** | **(237,293)** |

## 68.Group Cashflow Investing & Financing Activities

| Balance at 31 March | 2014 | 2015 |
|---|---|---|
| | £000 | £000 |
| Purchase of property, plant and equipment, investment property and intangible assets | (54,238) | (57,209) |
| Purchase of short-term and long-term investments | (80,560) | (56,804) |
| Proceeds from the sale of property, plant and equipment, investment property and intangible assets | 9,401 | 6,589 |
| Proceeds from shot-term and long-term investments | 60,034 | 85,002 |
| Other payments / receipts from investing activities | 19,071 | (2,099) |
| **Group Total** | **(46,292)** | **(24,521)** |

# Annual Governance Statement 2014/15

## 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. 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 and processes, and 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 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.

The following section of the statement summarises Swindon Borough Council's governance framework that has been in place for the year ended 31st March 2015 and up to the date of approval of this Statement and the Statement of Accounts. The framework described reflects the arrangements in place to meet the six core principles of effective governance.

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

### *(a) The Council's purpose, outcomes for the community and creating and implementing a vision for the local area.*

We are committed to an ambitious strategy of achieving excellence for our residents and their communities. We demonstrate this by publishing:

- Our Corporate Plan and One Swindon Delivery Plan.

- Our Health and Wellbeing Strategy

We will regularly review the vision for our local communities, as it is set out in these documents, and its implications for the Council's governance arrangements.

We will ensure that this vision is shared with our partners through the One Swindon Partnership Board, the Swindon Strategic Partnership, the Health and Wellbeing Board, the Swindon and Wiltshire Local Enterprise Partnership.

The Council will aim to deliver high quality services that make the best use of resources and are value for money. The Council will do this by:

- Delivering services to meet the needs of the local community, and put in place processes to ensure that they operate effectively in practice.
- Determining local needs and targeting resources according to the Corporate Plan.
- Developing effective relationships and partnerships with
  - Other public sector agencies, including integration with local NHS bodies.
  - Voluntary and community organisations.
  - The private sector, including our strategic partnership with Capita.
- Responding positively to the findings and recommendations of external auditors and statutory inspectors and putting in place arrangements for the implementation of agreed actions.
- Carrying out an approved value for money review programmes to benchmark our services, and ensure best use is made of the resources available to the Council.
- Delivering specific projects within an effective, corporate programme management framework, as appropriate.

**(b)** ***Members and Officers working together to achieve a common purpose with clearly defined functions and roles.***

The Council will ensure that the necessary roles and responsibilities for its governance are identified and allocated so that it is clear who is accountable for decisions that are made. The Council will do this by:

- Appointing a Leader of the Council, and defining the executive responsibilities of Cabinet Members.
- Agreeing a scheme of delegated executive responsibilities to Board Directors, Directors and Heads of Service, and protocols that make clear the respective roles of members and officers and ensure effective communication between them.
- Annually appointing committees to discharge the Council's regulatory responsibilities.
- Annually appointing committees to discharge the Council's overview and scrutiny responsibilities.
- Setting clear role definitions for chairs of committees and councillors in their different roles.

- Undertaking an annual review of the operation of the Council's constitution.
- Making the Chief Executive (the Head of Paid Service) responsible and accountable to the Council for all aspects of operational management.
- Making a senior officer (the Monitoring Officer) responsible to the authority for ensuring the lawfulness and fairness of decision-making, and that agreed procedures are followed and that all applicable statutes and regulations are complied with.
- Making a senior officer (the Section 151 officer) responsible to the authority for ensuring that appropriate advice is given on all financial matters, for keeping proper financial records and accounts, and for maintaining an effective system of internal financial control.
- Ensuring partnerships and contracts with other public bodies, voluntary and community organisations, and the private sector have clear governance accountabilities, including effective and equitable financial arrangements.
- Having in place effective and comprehensive arrangements for the scrutiny of services.

**(c)** ***Promoting our values and upholding high standards of Conduct and behaviour.***

The Council promotes and maintains high standards of ethical conduct of members and officers through the work of its Standards Committee.

The Council will foster a culture of behaviour based on shared values, ethical principles and good conduct.

The Council will do this by establishing and keeping under review:

- The Council's Constitution.
- A Members' Code of Conduct.
- An Officer's Code of Conduct.
- A protocol governing Member/Officer Relations.
- A Members' Planning Code of Good Practice.
- Monitoring Officer Protocol.
- Media Guidelines.
- Contract Standing Orders and Financial Regulations.
- A strategy for combating fraud and corruption.
- A whistle blowing policy.
- Behavioural Framework Principles

**(d)** ***Taking informed and transparent decisions that are subject to effective scrutiny and managing risk.***

The Council has ensured that the decision-making process includes a rigorous risk assessment including:

- Financial, legal and staffing implications
- Sustainability implications
- Health Impact and Promotion implications
- Value for Money
- Implications for Partnerships
- Implications for Community Safety
- Impact on Rural Communities.
- Diversity and racial impact assessment
- Risks, mitigations and opportunities

The Council has been rigorous and transparent about how decisions are taken and recorded. The Council has:

- Ensured the Cabinet make decisions in an open and transparent way and that information relating to those decisions is made available to the public, unless statutory rules provide otherwise
- Ensured that all decisions of regulatory committees of the Council are made in public and that information relating to those decisions is made available to the public, unless statutory rules provide otherwise
- Ensured that legal and financial implications are recognised in all reports on which decisions are based
- Recorded all decisions that are made by committees and executive decisions made by Lead Members and officers (where applicable).
- Rules and procedures, which govern how decisions are made.
- Developed and maintained an effective overview and scrutiny function which encourages constructive challenge
- Maintain an effective Standards Committee and Audit Committee

The Council has continued to develop its risk management strategy to enable the Council to manage and control risks in order to maximise the quality of its service provision and uphold its reputation and the achievement of best value.

The Council has ensured that the risk management system:

- Formally identifies and manages risks
- Involves elected Members in the risk management process
- Includes the undertaking of a risk assessment of every key or strategic decision
- Reflects business continuity planning; and

- Reviews and, if necessary, updates its risk management processes at least annually.

**(e)** ***Developing the capacity and capability of Members and officers to be effective.***

The Council will ensure that those charged with the leadership and governance of the Council have the skills, knowledge and experience they need to perform to a high standard. The Council will do this by:

- Maintaining Member training and development through the Member Development Advisory Group.
- Developing leadership skills and capacity across the Council.
- Developing our approach to workforce planning.
- Encouraging quality mark accreditation.
- Maintaining and developing our personal development through regular development planning and performance review systems.
- Cascading regular information to Members and staff by paper and electronic means, having regard to diversity issues.
- Engaging with local people and other stakeholders to ensure robust public accountability.

**(f)** ***Engaging with local people and other stakeholders to ensure robust public accountability.***

The Council is committed to increasing public involvement in decision-making and devolving power to individuals and local organisations. We will seek and respond to the views of stakeholders and the community. The Council will do this by:

- Forming and maintaining relationships with the leaders of other organisations.
- Ensuring openness and accessibility to citizens, service users and staff, including partner organisations.
- Implementing the Council's corporate Consultation Policy and utilising an appropriate range of consultation methods.
- Making use of local forums at ward, parish, locality and neighbourhood level to maintain communication with all the Borough's communities and other stakeholders.
- Encouraging and supporting the public in submitting requests for Scrutiny.
- Maintaining and reviewing an effective complaints procedure.
- Developing One Swindon and the Stronger Together Locality programmes.

## 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 authority 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.

Board Directors and relevant Heads of Service have completed a detailed questionnaire reviewing the control environment within their directorate 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 reviews 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 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 Board Director: Resources role 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.
- A self-assessment of the Head of Internal Audit's role has been assessed 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.
- Information governance and security: A significant amount of work was undertaken in 2014/15 to develop Information Governance policies and supporting processes. The Council's Information Governance and Security Policy has been approved by Corporate Board and published for staff on the Council's Intranet. The Information Governance and Security Group is increasing in maturity and the Information Governance and Security Group has met regularly throughout 2014/15. Improvements achieved by the group and supporting staff include achieving Level 1 requirements of the NHS Information Governance Toolkit, with an agreed improvement plan to meet Level 2 requirements, in place by May 2015. A review of the Council's off-site storage facility for archived paper records has been undertaken and improvements have been made to retention and disposal processes. ICT Security policies (for example access control) have been comprehensively updated and are ready for implementation, following appropriate consultation and approval. There has been a significant increase in the number of staff who have undertaken Information Security training. Information risks have been identified, to support roll-out of a corporate information risk management process. Areas of improvement for 2015/16 include:
    - Enforcing compliance with mandatory training on core topics, e.g. Information Security, Data Protection and Freedom of Information.

  - Continuing to develop the Council's Information Risk Management process and risk registers.
  - Providing Information Asset Owner training and supporting development of these roles.
  - Publication of a protective marking policy and introduction of supporting processes.
  - Achieving Level 2 requirements for the NHS Information Governance Toolkit.
  - Carrying out required remedial actions to ensure PSN Code of Connection compliance for 2015/16 and beyond.

- Information security incidents are managed as part of the Council's information governance processes. The Council's Data Protection Officer has reported that there have been no serious breaches of the Data Protection Act in 2014/15.
- Internal Audit is an independent and objective assurance service to the management of the Council who complete a programme of reviews throughout the year to provide an opinion on the internal control environment in the areas examined. Their reviews include examination of the main financial systems, enabling them to provide the Section 151 Officer with an overall opinion on the main financial controls in place as well as risk management, internal control and governance arrangements across the authority. The Head of Internal Audit's opinion for 2014/15 is that there are satisfactory internal control arrangements in place resulting in a 'moderate' risk to the Council. In addition the Section undertakes fraud investigation and proactive fraud detection work. Internal Audit report to each Audit Committee summarising audits finalised since the previous meeting. Audit Committee has called in relevant Group Directors and Heads of Service to update them on the progress in implementing agreed audit recommendations. The Audit Committee also reviews the effectiveness of the Council's system of internal audit including an assessment against the Public Sector Internal Audit Standards (PSIAS). The latest review found the system of internal audit to be effective and that the requirements of the PSIAS were being largely met and an action plan is in place to address any outstanding issues.
- Both Cabinet and the Audit Committee considered the External Auditor's Annual Audit letter in 2014/15. The Annual Audit letter gives an opinion on the Council's financial statements and provides a value for money conclusion. The External Auditor identified no material issues in their audit of the financial statements and issued an unqualified audit opinion on the Council's financial statements and on its arrangements for securing value for money in 2013/14.
- 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 adopted a Local Code of Corporate Governance.

- Risk Management – the risk management strategy and the Corporate Risk Register is regularly updated in consultation with Corporate Board and presented to both Cabinet and Audit Committee.
- The Council's Performance Framework is led by the Head of Business Services and Support the framework includes the Business Review process. Business Reviews are carried out quarterly at Corporate Board and these are used to review risks identified either through performance, Internal Audit or through the Corporate Risk Register.

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

- Obtaining assurances from all Board 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 a number of the areas included in last year's statement have progressed sufficiently for them not to be included as areas of focus in this year's statement:

- Swindon Commercial Services reintegration
- Transfer of Council Leisure Services

**5. Governance: Key Areas of Focus**

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*** – An updated suite of information governance and security policies has been developed and is going through final review before being rolled out. Information Asset Owner role description being developed and will be rolled out alongside appropriate training. More staff are undertaking the core e-learning modules for DP / FOI / Information governance and security, but still less than two-thirds of staff have completed in the last 12 months. Tracking of completion will be held within the new HR system that will facilitate managers being held to account for their and their staff's performance. A new post of Information Governance Manager has recently been recruited to and will provide the dedicated capacity needed to maintain and build on recent improvements in this area.
- ***Financial relationships with wholly owned subsidiaries*** – Swindon Borough Council are the sole shareholder of Thamesdown Transport Ltd (TT) and Public Power Solutions (PPS). There are close financial links between the Council and both companies, which mean there is a degree of inter-dependence.

SBC funds some subsidised routes and pays reimbursements for concessionary fare usage to TT and has entered into an arrangement to "buy out" the company's local government pension scheme deficit, with resulting payments due each year from the company to the Council. Recent trading conditions have led the company to request deferring some of these payments, for the foreseeable future, in order to reduce cash-flow burdens.

During 2014/15 the Council also agreed to purchase the Company's interest in its operational depot building, in return for an increased rent. SBC has lent around £8m to SCS for the capital purchase of a plant to convert waste into fuel, thereby reducing the Council's landfill burden. The company's future profit levels are critical to ensuring repayment of the loan within the period of the contract between the Council and the company for treatment of household waste. The plant has experienced operational difficulties in its first year of operation and its financial performance has not been as expected. It is likely that an additional loan will be requested from the Council to undertake further works to the plant. While the potential income from developing PV arrays looks positive, it is uncertain whether this will be sufficient to secure positive cash flows overall in the near future. For these reasons, it is important that the Council retains a particularly close oversight of the financial performance of its subsidiaries at this time, as part of its overall financial risk management arrangements.

- ***Supporting Vulnerable Children*** - the 2013/14 Annual Governance Statement highlighted the Ofsted Inspection as a key area of focus, as this took place in March/April 2014. An implementation/action plan was then developed and subsequently monitored by a Scrutiny Committee task group and signed off in February 2015. A number of areas have been subsequently identified for improvement, which are being implemented and/or incorporated into the new change programme being developed. Issues of focus remain around filling critical vacancies, developing the experience of managerial social work posts and social workers; improving the electronic ICS system; managing caseloads; strengthening our quality assurance processes/IRO system and council wide work on child sexual exploitation.

One of the change programmes is related to safeguarding children and this programme will be focussed upon helping to embed systems to enable compliance and streamlining processes. We will be confident that this programme has been successful when:

  - Children and families feel supported by a strong safeguarding environment
  - Our internal measures and external inspections report that we are meeting our regulatory requirements
  - Services are resilient, compliant, safe and sustainable
  - We are designing and delivering services on an increasingly complete understanding of customers
  - Service users, partners and staff report satisfaction with services they receive

- ***Capacity and Capability in the context of large scale change*** – During 2013-14, Cabinet approved a strategy to deliberately deliver annual budget savings early to create some in-year funding capacity to fund future years' transformation. This strategy has continued since that date and has led to transformational funding being available on the Council's balance sheet to fund new posts.

During 2014-15, the organisation ran a targeted recruitment campaign to bring new transformation skills and capacity into the organisation and successfully recruited four new senior change leaders and additional support posts to deliver specific change programme work.

Further recruitment is underway in early 2015, to bring in some targeted posts to supplement the skills in the organisation and fill capacity gaps identified on specific change programmes.

- ***Licensing: Taxis and Private Hire*** – An Internal Audit review of the taxi and private hire licensing service was commissioned by the Head of Service on taking over responsibility for the service area. The audit found a number of significant weaknesses including a lack of staff awareness of processes and procedure, storage solutions, security and accuracy of data entry. Each of these concerns has been addressed with all staff signing to confirm aware ness of processes, additional storage being secured, passwords to secure IT updated and the rectification o the instances of inaccurate data.

The finding that caused most concern was that DBS (CRB) checks for license holders were obtained only on first registration, which presented a security risk. Moving forward DBS checks will be undertaken every three years in line with the DBS Code of Practice.

The audit also recommended a review of fees, along with a simplification and cleaning of the budget system to enable better reconciliation of income received, these are on-going.

- ***Isambard Community School*** – An Internal Audit of this PFI School was carried out during 2014/15. At the time of the audit the school faced a number of significant changes that would affect the school going forward. These included a change of Headteacher and Business manager, falling pupil numbers, falling academic standards, a predicted budget deficit in 2016/17 of £757,000 and the desire to convert to an academy.

The audit review found that the School's three-year financial plan, used for financial planning, budgetary control and budget setting, was not based on robust information and had resulted in inaccurate budgets being set. Significantly, budgets were not supported by an up-to-date staffing review or school development and IT development plans. As a result the auditors were unable to confirm that effective financial management was in place to enable the School to optimise their use of resources to provide high quality teaching and learning, and so raise standards and attainment for its pupils.

Since the audit a substantive head teacher appointment was made in March when the acting head teacher was appointed. The school has made effective use of the support provided by Faringdon Community School to build capacity to bring about improvements in teaching and learning. The impact of this support has been evaluated by an independent Consultant, (and ex HMI), the detail of which is reported to the Quality Improvement Group (QIG).

The Local Authority's Finance Team has visited the school on a number of occasions since the audit to support the leadership team in preparing their staffing budget and also to discuss the school's draft three year plan. The School Business Manager has been able to balance the draft school's budget in 2015/16, 2016/17 and it is only in 2017/18 that the school are showing a deficit balance; the LA will continue to work with the school to review this position and establish what the school's plan for the deficit recovery will be.

The school's revenue balance at year end was £115,000 higher than their estimated balance on the December return. The school has provided the LA with a breakdown of the significant variances included in the £115,000. There will be further discussions with the school to understand this position.

- ***Corporate buildings: statutory compliance*** – an Internal Audit was undertaken at the request of the Head of Property Maintenance to provide assurance that the Council is effectively managing the statutory compliance requirements for corporate buildings. That is to ensure compliance with legislation including the Health and Safety at Work Regulations 1999, approved codes of practice, guidance documentation and Council policies.

The audit identified fundamental weaknesses, representing a 'significant' level of risk for the Council. Key risks included:

  - Policies and procedures for corporate buildings statutory compliance did not meet the relevant statutory regulations and best practice standards.
  - Unable to demonstrate that statutory compliance is achieved for corporate buildings, including completion of the appropriate and timely compliance inspections by accredited suppliers and remedial works to address defects as necessary.
  - Unable to demonstrate that relevant compliance information and records were kept up to date for statutory compliance requirements in corporate buildings.

The Internal Audit report provided a management action plan containing thirteen key actions to be undertaken commencing in 2015/16 and to be completed in 2016/17. For each of the thirteen actions a service improvement plan will be developed and embedded throughout the service.

The Internal Audit findings have been reported to the Council's Audit Committee and Corporate Board – both forums will now monitor progress against the agreed actions. The Cabinet Member for the service is also fully briefed and will be updated on a quarterly basis on progress.

- ***Waterside Depot improvement plan*** – A Waterside Integration programme is in place to improve the processes, compliance and customer service provided from Waterside Depot. Key outcomes from the programme include:
  - Services are resilient and compliant, safe and fit for purpose
  - Increased customer and staff satisfaction
  - Neighbourhoods are clean and well cared for
  - Achieve a value for money service that enables a choice about our future operating model

During 2014/15 an interim operational plan was implemented for the Household Waste Recycling Centre (HWRC) to manage peak season demand safely, effectively and reduce significant queues experienced in 2014. A capital project is being implemented to improve the access, site circulation, capacity and egress of the HWRC for peak demand period in 2016. Continued sustained focus on improving health and safety capability and compliance across all services operating on, or from Waterside is on-going.

Operational efficiency will be reviewed along with a programme of change over the coming 12 months to improve this, including:

- One value for money stores service
- Improved management information and business processes
- Improved procurement and use of fleet
- Full review of fleet management and usage
- Improved cross-site communications to enable staff to work from anywhere
- Clear, consistent service standards that are well communicated
- Appropriate staffing structures in place
- Over-time and allowances reviewed and standardised
- Reduced operating costs of £1m in 2016-17

- ***GCSE attainment***

High levels of educational performance are critical to opening up a wide range of life chances for young people, including employment and higher education. The Council's commitment to residents is that all parents and carers will have access to a good school. Currently, there is performance above the national average across the key stages reflected in the Early Years and at Primary schools, which is also seen in an appropriate choice of good educational provision.

Performance by the ages of 16 and 19 is weak and whilst there is good quality provision post-16, parents and carers only have a one in two chance of sending their children to a good or better secondary school/Academy.

The future risk is that poor performance by ages 16 and 19 will have a range of adverse impacts including narrowing life chances for young people, failing to meet a commitment to residents, deterring new businesses from re-locating to Swindon and increasing the possibility of existing businesses leaving Swindon.

An Education Strategy Board has been established to increase accountability in the education system, involving both academies and maintained schools, to help challenge and monitor this performance going forward

- ***IT Service***

The current IT service is failing to deliver an appropriate service fit for the current and future needs of the Council. The service is under review and a new management team is working on a plan to turn the service round. Work is already underway by Capita to move the core infrastructure to a modern, virtual environment, removing the reliance on ageing servers and bringing the necessary stability to allow the Council to plan for a more transformational use of IT in the near future. However, the desktop refresh project which has also been commissioned from Capita has failed to upgrade the Swindon desktop estate in a timely manner and is creating financial pressures to ensure that the Council can continue to meet the Government security requirements for its IT estate.

## 6. 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 5. 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<br>Leader of the Council | Gavin Jones<br>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 Governments 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.

PROPERT, 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 EXENDITURE FUNDED FROM CAPITAL UNDER STAUTUE

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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