



**Democratic Support**

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#plymaudit

## AUDIT COMMITTEE

### TABLED AMENDMENT

Thursday 19 September 2013  
2.00 pm  
Warspite Room, Council House

**Members:**

Councillor Wheeler, Chair  
Councillor Dr. Mahony, Vice Chair  
Councillors Murphy, Stark and Stevens.

**Independent Members:**

Mrs Badger, Mr Clarke and Mr Stewart.

Members are invited to attend the above meeting to consider the items of business overleaf.

**Tracey Lee**

Chief Executive

## **AUDIT COMMITTEE**

### **9. STATEMENT OF ACCOUNTS 2012/13**

**(Pages 1 - 114)**

The Strategic Finance Manager will provide the Committee with the Statement of Accounts 2012/13.

## **STATEMENT OF ACCOUNTS 2012/13**



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## EXPLANATORY FOREWORD TO THE STATEMENT OF ACCOUNTS 2012/13

### Introduction

The Statement of Accounts is an end of year report that explains the income and expenditure of the Council for the previous 12 months, and details the major movements in the balance sheet or 'net worth' of the Council. The purpose of this Foreword is to provide a guide to the most significant matters reported in the Council's accounts. Inevitably it contains technical language and a glossary to help explain some of the terms within the statements can be found at the back of the publication.

To give this report some context, there are two important factors to bear in mind. Firstly we are living in very tough financial times with ever increasing reductions in our funding and resources. Secondly, it is worth noting that the 2012/13 budget for Plymouth City Council was laid out in February 2012 which, in the current economic climate, is a long time ago; we all acknowledged then that this was going to be a difficult budget to manage and live within.

However, we came very close to balancing the books in 2012/13. Our total revenue spend for the year was £204.270m, representing an over spend of £0.504m. This is a huge achievement given we were looking at an over spend of around £3.000m back in December 2012. It also takes account of the main overspend in the year within Joint Commissioning and Adult Social Care where costs exceeded the budget allowance by £4.561m.

To offset these additional costs, we had to make difficult decisions to reduce all areas of expenditure, delaying and cancelling spend wherever possible. We also re-introduced a time-limited Voluntary Release Scheme (VRS) to allow employees to request to leave the Council. This initiative resulted in over one hundred people choosing to leave the Council. In total our actions reduced the workforce in the year by 317 employees to 3,800 – this is a reduction of over 180 FTEs.

As part of the £0.504m outturn position we have been able to help protect the 2013/14 budget by setting aside £0.150m in the Plymouth Life Centre Dowry towards future repairs; topped up the Pensions Reserve by £0.150m to allow for potential payments in 2013/14, ahead of the next actuarial review; and £0.050m to fund a new Community Economic Development Trust in the north of the city.

The £0.504m over spend against the budget will be funded by a transfer from our 'Working Balance', leaving a balance of £10.797m which still equates to more than 5% of the net revenue budget for 2013/14 and remains in line with the approved Medium Term Financial Strategy (MTFS).

We must learn lessons from this result for 2012/13 and sharpen our focus as we have further major challenges ahead in 2013/14 and more difficult decisions will have to be taken. Not least we must keep a close eye on Joint Commissioning and Adult Social Care's budget performance to ensure the management actions put in place in 2012/13 including the sign off of spend 'at the front door' and a review of high cost packages continue to reduce costs. We are all aware that the pothole situation will also continue to require close scrutiny, and we must not forget we have to achieve £17.800m of cost reductions in the coming year to keep within the approved budget.

Going into 2013/14 Finance will continue to build on the focused monthly reports introduced last year, replacing wordy quarterly reports, to improve our financial control.

We continue to have an ambitious Capital Programme over the next four years, in excess of £120.000m; the final Capital outturn position for 2012/13 was expenditure of £46.504m.

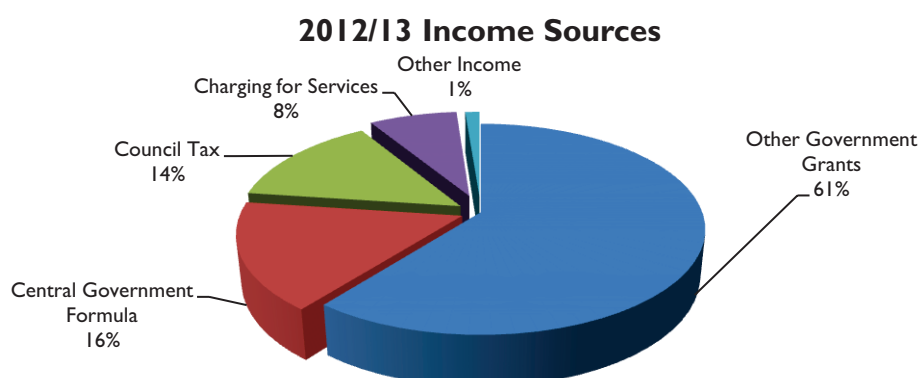
The financial outturn tables within this Explanatory Foreword are based on the Council's management accounts. At the end of the year a number of presentational and accounting entries are made to the management accounts in order to comply with accounting codes of practice and produce the statutory Statement of Accounts in a format consistent across all authorities. This results in the main financial statements, which are contained in the statement of accounts looking quite different to those reported internally. Note 21 page 72 provides reconciliation between the management and statutory accounts.

## General Fund Revenue Account

The General Fund Revenue Account forms the main element of the Council's expenditure and covers the majority of the activities of the Council. The Council's final net expenditure for the year was £204.270m (including additional transfers to and from provisions and reserves as required in accordance with statutory provisions) an adverse variation of £0.504m. The deficit for the year has been met from the General Fund Working Balance as approved at Cabinet on 21 May 2013.

The revenue budget is financed from Council Tax, fees and charges, Government grants, external contributions and other income. The following diagram is helpful in understanding how the 2012/13 revenue budget was financed:-

Figure 1



The Council set a band D Council Tax for the year of £1,244.67 for the Council's element of Council Tax, at its meeting of 27 February 2012, which represented no increase from the previous year as the Council accepted a central government council tax freeze grant.

## Directorate Outturn for 2012/13

The table below shows the performance of each Directorate against the approved budget for the year:-

Revenue Outturn	Latest Approved Net Budget	Actual Net Expenditure	Variation From Approved Budget	Variation From Approved Budget
	£000	£000	£000	%
Executive Office	2,449	2,311	(138)	(5.63)
Corporate Items	2,789	(292)	(3,081)	(110.47)
Corporate Services	31,499	31,205	(294)	(0.93)
People Directorate	123,639	126,671	3,032	2.45
Place Directorate	43,390	44,025	635	1.46
<b>Sub Total</b>	<b>203,766</b>	<b>203,920</b>	<b>154</b>	<b>0.08%</b>
End of year transfers to/(from) specific reserves and provisions in relation to corporate health adjustments		350	350	n/a
<b>Total General Fund Budget</b>	<b>203,766</b>	<b>204,270</b>	<b>504</b>	<b>0</b>
Transfers to/(from) Council's Working Balance		(504)	(504)	n/a
<b>Final Budget Requirement</b>	<b>203,766</b>	<b>203,766</b>	<b>0</b>	<b>0</b>

Note: ( ) denotes surplus/favourable

The Adult Social Care overspend of £4.561m within the People Directorate overspend of £3.032m, was offset by a number of other People Directorate savings and an underspend within Corporate Items. The Corporate Items underspend reflects the unused pay award and general contingencies of £1.500m, and significant improvements on our Treasury Management and Insurance activities.

There were no unusual or material items to report in the management accounts.

## Working Balance

The Working Balance at the start of the year was £11.301m. After taking into account the final deficit for the year totalling £0.504m, the Working Balance at 31 March 2013 was £10.797m.

A Working Balance of £10.797m equates to 5.1% of the net revenue budget for 2013/14 and remains in line with the Medium Term Financial Strategy (MTFS) which is to maintain a Working Balance of at least 5%.

## Capital

The Council's capital programme for 2012/13 was approved at £52.121m however with the new approvals and slippage that were approved in January 2013 this was amended to £52.346m.

Capital expenditure generally relates to the creation of fixed assets and other items with a useful life or benefit of greater than one year. In many instances capital expenditure on a scheme will extend beyond one year and it is therefore normal for there to be variations in the programme during the year.

The final capital spend for the year was £46.504m. The table below shows details of the performance for each Directorate in terms of the achievement of the capital programme against the original budget and the final revised budget.

Capital Outturn	Original Budget	Revised Budget	Outturn	Variation to Revised Budget
	£000	£000	£000	£000
Corporate Services	7,548	7,738	6,223	(1,515)
People Directorate	31,412	33,628	31,337	(2,291)
Place Directorate	13,161	10,980	8,944	(2,036)
<b>Net Capital Programme for Year</b>	<b>52,121</b>	<b>52,346</b>	<b>46,504</b>	<b>(5,842)</b>

The Capital Programme was financed as follows:-

Capital Programme Financing	Outturn
	£000
Capital Receipts	3,977
Loans	7,704
Capital Grants & Contributions	33,145
Revenue & Other Funds	1,678
<b>Total Financing</b>	<b>46,504</b>

The main sources of capital grant funding are: Lottery Grant, Department for Education & Skills, Department for Transport Section 56, Department for Communities and Local Government (DCLG) (including Disabled Facilities grant) and Section 106 developer's contributions. Further details of capital grants received in the year are given in note 27.2 on page 86.



At the end of the year the Council has £20.071m of grants and contributions available for financing the capital programme going forward, including £5.496m of Section 106 and other contributions from developers. The Major Capital Projects in 2012/13 were:

Spend on new assets acquired, or assets under construction at 31 March 2013:

- Estover Community College (Tor Bridge High) replacement school - £3.597m
- Vehicle and Plant replacement - £0.582m
- Information Systems (including new data centre) - £2.252m

Spend on improvement or enhancement to existing assets:

- Local Transport Plan schemes - £1.924m
- Schools conditions improvements - £0.403m
- Highway maintenance & essential engineering - £4.475m
- Schools Basic Need programme - £6.027m
- School Academies - £11.765m
- School Development – 1.392m

Other Expenditure

- Disabled Facilities Grants - £1.991m

### **Overview of the Accounting Statements - Statutory Duty and Compliance with Regulations**

The Accounts and Audit (England) Regulations 2011 require the Council's Section 151 Officer (this was the Director for Corporate Services until the Council Meeting on 6 August 2013 changed dedicated role to Assistant Director for Finance, Efficiencies, Technology & Assets for an interim period of 6 months pending a pre-posed organisational restructure), to certify that the accounts present a 'true and fair' view of the financial position of the Council as at the 31 March 2013 and its income and expenditure for the year ended 31 March 2013.

The Statements are required to be prepared in accordance with the Code of Practice on Local Authority Accounting which is based on International Financial Reporting Standards (IFRS), which is represented by two key documents:-

- Code of Practice on Local Authority Accounting in the United Kingdom 2012/13 and Update (The Code)
- Service Reporting Code of Practice for Local Authorities 2012/13 and Update (SeRCOP)

These codes are updated annually by the Chartered Institute of Public Finance and Accountancy (CIPFA). There were no major changes for 2012/13, which is a departure from the previous three years where significant changes such as the introduction of IFRS have been implemented. The Code changes which impact on the 2012/13

Financial Statements are as follows:

- Amendments in relation to the objectives of the financial statements and the qualitative characteristics of financial information as a result of the publication of the first phase of the International Accounting Standards Board's (IASB's) The Conceptual Framework for Financial Reporting 2010 (the Conceptual Framework)
- Encouragement for local authorities to prepare the Explanatory Foreword taking into consideration the requirements of the Government's Financial Reporting Manual (FReM)
- Amendments to definitions in respect of related party transactions and relationships
- Requirements for the accounting treatment of allowances in respect of the Carbon Reduction Commitment (CRC) Energy Efficiency Scheme

### **Reference to the Annual Governance Statement**

The Code also sets out the statutory requirement, under the Accounts and Audit (England) Regulations 2011, for every local authority to conduct a review, at least once a year, of the effectiveness of its system of internal control and to include a statement reporting on the review with the Statement of Accounts. This review takes the form of the Annual Governance Statement (AGS).

In 2011/12 the decision was taken that the AGS would no longer form part of the published Statement of Accounts document but would stand-alone to reflect the fact that its scope is wider than just the financial transactions of the Council. However, it will be published alongside the Statement of Accounts on the Council's

website as is required by the Code. The AGS was reported to and approved by Audit Committee on 13 June 2013 and can be found [here](#).

### Overview of the Accounting Statements – Contents

The Statement of Accounts comprises:

- An Explanatory Foreword
- Statement of Responsibilities for Statement of Accounts
- Accounting Statements and related Notes to the Accounts
- Supplementary Statements in relation to the Collection Fund

The Accounting Statements comprises four Core Financial Statements as follows:-

- **The Movement in Reserves Statement (page 15)** is a summary of the movement in the year on the different reserves held by the Council, analysed into 'usable' and 'unusable' reserves and therefore represents the change in net worth for the period.
- **The Comprehensive Income and Expenditure Statement (page 16)** 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. The taxation position is shown in the Movement in Reserves Statement.
- **The Balance Sheet (page 17)** is a snap-shot in time (i.e. 31 March) in relation to the assets and liabilities recognised by the Council. The net assets (assets less liabilities) are matched by the reserves held by the Council.
- **The Cash Flow Statement (page 18)** shows the inflows and outflows of cash arising from capital and revenue transactions, and links the income and expenditure account and the balance sheet movements during the year. The statement shows the changes in cash and cash equivalents during the reporting period, and how the Council generates and uses cash and cash equivalents by classifying cash flow as either operating, investing or financing activities.

These main statements are supplemented by the following:-

- **Notes to the Core Financial Statements (pages 20 - 101)** follow these statements. The notes have three significant roles:-
  - Presenting information about the basis of preparation of the financial statements and the specific accounting policies. (Note 1 (page 20) sets out the Accounting Policies which have been applied when compiling the accounts. There have been no significant changes to the accounting policies for 2012/13).
  - Disclosing the information required by the Code that is not presented elsewhere in the financial statements – most commonly this will entail notes breaking down lines presented on the face of the financial statements into their significant components
  - Providing information that is not provided elsewhere in the financial statements, but is relevant to an understanding of any of them – this will apply particularly to information that is material in a qualitative sense.
- **The Collection Fund Account (pages 102 - 105)** shows the rates and taxes that the Council has to collect, not only for itself, but also on behalf of both Central Government and other local service providers such as Police and Fire. The Collection Fund balances are consolidated with the other balances of the Council in the Council's Balance Sheet (page 17).
- **A Glossary (pages 106 - 114)** is included as the Statements and associated notes contain a number of technical terms which require further explanation in order to aid understanding of the accounts.

## Treasury Management Activities

The Council's Treasury Management Strategy for 2012/13 was approved by Full Council on 27th February 2012. As an overriding principle, the strategy proposed that the Council would continue to minimise risk contained within its current debt and investment portfolios by establishing an integrated debt management and investment policy which balanced certainty and security, with liquidity and yield. The Council would continue to make use of short-term variable rate borrowing, whilst at the same time seeking to balance its investments across a range of investment instruments.

An annual report on the outcome of Treasury Management activities against the strategy for the year is required to be presented to full Council and, can be found on our website: [here](#)

## External Borrowing

At the year end, borrowing from external lenders totalled £226.202m, as shown in the table below. This should be viewed in relation to the value of the Council's operational land and buildings, plant and equipment and investment properties, which have a net book value of £478.858m at the 31 March 2013. The table below shows the absolute cash value of the debt which differs from the Balance Sheet value due to accounting treatment requirements.

External Borrowing	Principal Outstanding	Average Rate
	£000	%
PWLB (Public Works Loan Board)	61,315	5.40
Market Loans	130,000	4.42
Bonds	87	1.00
Temporary Loans	34,800	0.28
<b>Total Borrowing</b>	<b>226,202</b>	<b>4.05</b>
PFI	30,247	8.73
Other Finance lease liability	2,189	n/a
Other liabilities	9,156	n/a
<b>Total Debt 31/3/13</b>	<b>267,794</b>	<b>n/a</b>

## Icelandic Bank Update

Early in October 2008, the Icelandic banks Landsbanki, Kaupthing and Glitnir collapsed and the UK subsidiaries of the banks, Heritable and Kaupthing Singer and Friedlander went into administration. The Council had £13.000m deposited across 3 of these institutions, with varying maturity dates (up to early 2009) and interest rates.

Repayments of £1.058m were received during the course of 2012/13. The Council continues to pursue recovery of the currently outstanding £4.282m through the Icelandic Courts in partnership with the Local Government Association working on behalf of all Authorities with residual Icelandic Deposits.

### Repayments made since June 2013

Repayments totalling £0.528m relating to the outstanding Icelandic Bank Debt have been received since the draft accounts were prepared in June. There have been no adjustments to the financial statements for these receipts which will be accounted for in 2013/14.

## Pension Liabilities

Plymouth City Council employees are eligible to join the Local Government Pension Scheme (LGPS) which is managed by Devon County Council on behalf of the Devon Authorities. The accounting requirements of International Accounting Standard (IAS) 19 have resulted in a pension liability of £354.493m being reflected in the Council's Balance Sheet. This represents Plymouth City Council's liability to the LGPS. In addition, the Council

discloses a long-term creditor of £16.243m on the Balance Sheet. This represents its share of Devon County Council's on-going liability to pay enhanced pension costs that existed at the time of Local Government Reorganisation in 1998.

These amounts are matched by a pensions reserve and therefore have no impact on the Council's revenue balances. The negative balance that arises on the Pensions Reserve 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 earned by employees. The pension liability as at 31 March 2013 has increased following the actuary's review of the position.

The level of contributions required to be made by the Council into the fund are set by independent actuaries. The contribution levels are reviewed every three years following a triennial review of the fund by the actuaries. The current contribution rate is based on 19.4% of pensionable salary costs for those employees in the Devon pension scheme and this will remain until 2014 when the next full actuarial is undertaken.

Further details about pension liabilities can be found in note 31 page 92.

### **Partnership Arrangements**

#### Highways Maintenance

The Council entered into a contract with Amey in December 2008 to manage the Council's Local Transport Plan (LTP) revenue works, including maintenance, pre-planned and ad hoc works on highways, footpaths, gritting, walls etc. Amey also undertake design works and delivery of an element of the Council's capital Local Transport Plan programme.

The contract is for a period of 7 years, extendable by a further 3 years, with an estimated total value of approximately £150m.

#### Devon Audit Partnership

The Council is part of an Internal Audit Partnership with Torbay Council and Devon County Council. This partnership was set up in April 2009 to improve the provision of Internal Audit services whilst realising efficiency gains across the three authorities. This is held up nationally as an example of good practice.

#### South West Devon Waste Partnership

The Council is part of a Waste Partnership with Torbay Council & Devon County Council which was set up formally in 2008 to source a household waste disposal solution for South West Devon. The three councils jointly signed a 25 year contract for waste disposal with German Company MVV Umwelt in March 2011 following a public procurement exercise. The contract will be delivered via an 'Energy from Waste' (EfW) facility which MVV are currently constructing on leased Ministry of Defence land at Camels Head North Yard in Devonport Dockyard, Plymouth. Construction is due to be completed in the Autumn of 2014 when the plant will receive waste from the three authorities in return for contract payments linked to tonnages delivered.

### **Material Events after the Balance Sheet date**

The Council is required to take into account items occurring after 31 March 2013 if they would have a material effect on the financial information presented, and must publish the date up to which such events have been considered. The Statement of Accounts therefore includes all post Balance Sheet events up to and including the 19 September 2013.

There have been three post balance sheet events which are significant enough to warrant inclusion within the accounts, The first two issues relating to new responsibilities that the Council has gained from 1 April 2013:-

- Business Rate Retention Scheme - this represents a fundamental change to local government's core funding and will mean that a proportion of the locally generated business rates will be retained by the Council rather than all being paid across to the Government's central pool for redistribution nationally. The new system presents both potential risks and rewards for the Council, which will be dependent on issues such as business growth within the city and non-collection of business rates. However, a known impact of the new scheme is that the Council will have to bear part of the cost of future refunds in

relation to successful rateable value appeals. This will include amounts that were paid over to Central Government in respect of 2012/13 and prior years. The Council is currently working closely with the Valuation Office to establish a reasonable estimate for this liability.

- Public Health Transfer - From 1 April 2013, the Council has assumed responsibility for Public Health activities within the city as part of the Government's reform of the National Health Service. The Council has been provided with a ring-fenced public health grant by the Government to discharge the new responsibilities. The financial impact of this transfer is to increase the Council's gross expenditure and income for 2013/14 by £11.160m.
- On 20 August 2013 details were released about the future plans to redevelop the Civic Centre and surface level car park into a high quality 160 bed hotel (4 star), feature apartments, restaurants and other food and beverage operations. This was the subject of a Cabinet report on 3 September 2013 which approved the selection of a preferred bidder for the redevelopment. The Council will be working with the preferred bidder to sign a contract as soon as possible to transfer the asset to a third party for redevelopment, and remove the liability.

## Financial Position of the Council

At 31 March 2013 the Council's Working Balance stood at £10.797m. In addition to the Working Balance, the Council has a number of earmarked reserves, set up specifically to meet the costs of future spending plans or known budget pressures. At 31 March 2013, the total earmarked reserves were £24.417m, including £6.427m held on behalf of education/schools. Further details of the Council's reserves are included in note 19 page 61.

The Council also has a number of budget provisions set up to meet known liabilities. The main provisions include the insurance fund, and back dated equal pay claims. Provisions held at 31 March 2013 totalled £7.975m. Further details of provisions are in note 18 page 60.

## Contingent Assets & Liabilities

The Council has disclosed a number of contingent assets and liabilities in the notes to the accounts. Contingent assets identify potential income that the Council may recover either as a result of legal action or reimbursement of overpayments. The Council has declared contingent assets relating to a rebate on landfill tax liability, together with a potential airport receipt, however the timing and quantum of any such receipts is uncertain and is subject to a review of strategic planning policies applicable to the site.

This income is not currently included within the Council's 31 March 2013 financial position as it is not certain that it will be forthcoming.

Contingent liabilities represent areas that may result in a financial liability to the Council but which cannot be quantified with any certainty both in terms of timing and amounts and therefore have not yet been charged to the accounts. These are kept under continual review with the contingent liabilities forming part of the Council's strategic risk register and are regularly reported to Audit Committee.

The main contingent liabilities are:

- PLUSS Organisation Ltd - the Council has guaranteed payments into the pensions fund for transferred employees, and jointly agreed a bank overdraft facility along with Torbay and Devon County Councils.
- Single status equal pay claims - the Council has a number of claims currently subject to a tribunal hearing. However depending on the ruling of the tribunal, it is possible that further claims may be submitted.
- Civic Centre - a contingent liability has been disclosed whilst the future of the building remains to be finalised subject to a final signed contract with the development partner.
- Connexions (Careers South West) - the Council has guaranteed to meet an element of pension liabilities should the organisation be wound up.
- Plymouth Community Homes (PCH) - as part of the housing stock transfer the Council was required to provide a number of warranties to the funders of PCH.
- Eastern Corridor Integrated Transport Scheme - legal action/claim resulting from delays incurred in the Gdynia way transport scheme.

- Personal Search Fees - Legal claim disputing whether the Council can charge companies.
- Contractor claims relating to Environmental Capital works at Chelson Meadow landfill site.

Further details of the Council's contingent assets and liabilities are in note 32 page 99.

Regular reviews of the Council's financial health, in particular a review of reserves and provisions are undertaken during the year.

### Looking Forward to the Medium Term

The last Comprehensive Spending Review (CSR) was published in October 2010 and has resulted in a real terms reduction of around 35% in central government funding for Plymouth City Council over the four year period. We have set a budget for 2013/14 financial year based on the reduced overall funding and are working to a balanced net revenue budget of £212.560m. For the remainder of the Medium Term Financial Plan (MTFP) period (2013/14 -2016/17), we are still working on our best available information, including national and local government briefings and working closely with our Unitary Treasurers colleagues and close neighbours Devon and Torbay. We have also engaged with outside consultants, and are currently using their intelligence to interpret likely funding models.

Having set the 2013/14 revenue budget, Finance are now working in conjunction with colleagues across the Council plus Portfolio Holders to reshape and realign the budget with the priorities set out in the Corporate Plan.

We have re-presented the budget for 2013/14 into four budget blocks, to use as the template for the MTFP modeling. As a major change, we are now presenting the full gross budget, including specific grant funding, for all areas. The four budget blocks are;

1. Income – government grant, fees & charges, core funding
2. External expenditure – supplies and services, third party payments
3. Assets & Premises – all property associated costs, depreciation
4. Management & Support – employee costs

The revised MTFP will cover the likely costs and pressures that the Council will face and matches these against the anticipated resource allocation over the period against reduced funding. It will also identify the Transformation strands being undertaken plus other significant work streams, and set out the anticipated savings these plans will generate.

There remain a number of significant financial pressures that the Council will face in the medium to long term including, in the national context, uncertainty around future funding levels for 2014/15 and beyond; Welfare Reform including changes to Council Tax Benefits and National Non Domestic Rates (NNDR) collection. In the local context our reliance on full delivery against our budget saving plans of £17.800m in 2013/14 to balance our resources to our expenditure; utility costs are escalating at a far greater pace than inflation; significant shortfall in the funding of the council's pension fund; and known budget volatilities such as Adult Social Care, Children and Waste.

Our ability to generate income also remains under pressure. We continue to strive to improve our income collection rates in all major areas including council tax, NNDR and sundry debtors. Challenging income targets have again been set for 2013/14, however there is a risk that the revision to the NNDR allocation plus the revised Council Tax billing could impact on our ability to be able to achieve these targets.



## CONCLUDING REMARKS

The Council's Director for Corporate Services, as the Council's Section designated I51 Officer until 6 August 2013, was required to sign the draft Accounts by a statutory deadline of 30 June. The draft Accounts were signed on 25 June 2013.

Formal audit of the accounts for 2012/13 commenced on 1 July 2013. The accounts and all books, deeds, contracts, bills, vouchers and receipts relating to them were available for inspection by any person interested at the Finance Department, Civic Centre, Plymouth, Mondays to Fridays, between 8.30am and 5pm, from 1 July to 26 July inclusive.

Under the sections 15 and 16 of the Audit Commission Act 1998 and Regulations 9, 10 and 21 of the Accounts and Audit (England) Regulations 2011:

- (a) Any person interested may inspect and make copies of the accounts and books etc. to be audited.
- (b) A local government elector for the area may question the auditor about the accounts and object to any items of unlawful expenditure, loss due to wilful default, failure to bring a sum of income into account, or any other matter of public interest. Persons wishing to question the auditor should do so by prior arrangements by contacting 0117 305 7600.
- (c) If any elector intends to object they must give the auditor prior written notice of any objection and its grounds and send a copy of the notice to the City Council.

The auditor has confirmed that no objections were received.

The Accounts have subsequently been updated following the results of the audit and re- approved by the Councils designated I51 Officer, which from the 6 August 2013 is Assistant Director for Finance, Efficiencies, Technology & Assets for an interim period of 6 months pending a pre-posed organisational restructure. The final audited Accounts are required to be approved by Audit Committee and published by 30 September 2013.

Further information is available on the Council's website:

[www.plymouth.gov.uk/homepage/Councilanddemocracy/accounts.htm](http://www.plymouth.gov.uk/homepage/Councilanddemocracy/accounts.htm)

or from Chris Randall, Strategic Finance Manager, Civic Centre, Plymouth, PL1 2AA. Telephone: (01752) 304599.  
Email: [corporateaccountancy@plymouth.gov.uk](mailto:corporateaccountancy@plymouth.gov.uk)

The Council's statutory responsibilities regarding these Accounts are laid out in the section entitled 'Statement of Responsibilities for the Statement of Accounts' page 14.



M Coe  
Assistant Director for Finance, Efficiencies, Technology & Assets  
Civic Centre  
PLYMOUTH  
PL1 2AA

Dated: 19 September 2013

## STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

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. In this Council, that officer is the Assistant Director for Finance, Efficiencies, Technology & Assets.
- to manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- to approve the Statement of Accounts.

The Assistant Director for Finance, Efficiencies, Technology & Assets responsibilities:

The Assistant Director for Finance, Efficiencies, Technology & Assets is responsible for the preparation of the Council's Statement of Accounts which is in accordance with proper practices as set out in the CIPFA / LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (The Code).

In preparing this statement of accounts, the Assistant Director for Finance, Efficiencies, Technology & Assets has:

- selected suitable accounting policies and then applied them consistently
- made judgments and estimates that were reasonable and prudent
- complied with the Local Authority Code

The Assistant Director for Finance, Efficiencies, Technology & Assets has also:

- kept proper accounting records which were up to date
- taken reasonable steps for the prevention and detection of fraud and other irregularities

In signing these accounts, the Assistant Director for Finance, Efficiencies, Technology & Assets confirms that these statements give a 'true and fair' view of the financial position of the Council at 31 March 2013 and of its expenditure and income for the year ended 31 March 2013.



M Coe  
Assistant Director for Finance, Efficiencies, Technology & Assets

Dated: 19 September 2013

## APPROVAL OF STATEMENT OF ACCOUNTS BY AUDIT COMMITTEE

The Council is required to approve the Statement of Accounts. The 2012/13 Statement was approved by the Council's Audit Committee on 19 September 2013 following conclusion of the audit and was signed on its behalf by the Member presiding over the meeting on 19 September 2013.



Cllr G Wheeler  
Dated: 19 September 2013



## MOVEMENT IN RESERVES STATEMENT FOR THE YEARS ENDED 31 MARCH 2012 AND 2013

This statement shows the movement in the year on the different reserves held by the Council, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The Surplus or (Deficit) on the Provision of Services line shows the true economic cost of providing the Council's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance for council tax setting purposes. The Net Increase / (Decrease) before Transfers to Earmarked Reserves line shows the statutory General Fund Balance before any discretionary transfers to or from earmarked reserves undertaken by the council.

Movement in Reserves Statement	Note	General Fund Balance	Earmarked GF Reserves	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Council Reserves
		£000	£000	£000	£000	£000	£000	£000
Balance at 31 March 2011		11,413	34,176	22,490	13,771	81,850	253,826	335,676
<b>Movement in Reserves during 2011/12</b>								
Surplus or (deficit) on provision of services		(22,502)	0	0	0	(22,502)	0	(22,502)
Other Comprehensive Expenditure and Income		0	0	0	0	0	(106,248)	(106,248)
Total Comprehensive Expenditure and Income		(22,502)	0	0	0	(22,502)	(106,248)	(128,750)
Adjustments between accounting basis & funding under regulations	6	14,773	0	(13,314)	(1,378)	81	(81)	0
Net Increase / (Decrease) before Transfers to Earmarked Reserves		(7,729)	0	(13,314)	(1,378)	(22,421)	(106,329)	(128,750)
Transfers (to) / from earmarked reserves	19	7,617	(7,739)	113	0	(9)	11	2
Increase / (Decrease) in year		(112)	(7,739)	(13,201)	(1,378)	(22,430)	(106,318)	(128,748)
Balance at 31 March 2012		11,301	26,437	9,289	12,393	59,420	147,508	206,928
<b>Movement in Reserves during 2012/13</b>								
Surplus or (deficit) on provision of services		(84,587)	0	0	0	(84,587)	0	(84,587)
Other Comprehensive Expenditure and Income		0	0	0	0	0	2,788	2,788
Total Comprehensive Expenditure and Income		(84,587)	0	0	0	(84,587)	2,788	(81,799)
Adjustments between accounting basis & funding under regulations	6	82,074	0	3,832	(110)	85,796	(85,793)	3
Net Increase / (Decrease) before Transfers to Earmarked Reserves		(2,513)	0	3,832	(110)	1,209	(83,005)	(81,796)
Transfers (to) / from earmarked reserves	19	2,009	(2,020)			(11)	11	0
Increase / (Decrease) in year		(504)	(2,020)	3,832	(110)	1,198	(82,994)	(81,796)
Balance at 31 March 2013		10,797	24,417	13,121	12,283	60,618	64,514	125,132

## COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT AT 31 MARCH 2013

This statement 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. The taxation position is shown in the Movement in Reserves Statement.

2011/12 Gross Expenditure	2011/12 Gross Income	2011/12 Net Expenditure		Note	2012/13 Gross Expenditure	2012/13 Gross Income	2012/13 Net Expenditure
£000	£000	£000			£000	£000	£000
100,103	(29,133)	70,970	Adult Social Care		98,324	(24,147)	74,177
6,381	(63)	6,318	Corporate & Democratic Core		7,729	(68)	7,661
29,466	(23,856)	5,610	Central Services		30,285	(23,837)	6,448
29,429	(4,757)	24,672	Cultural & Related Services		25,686	(3,905)	21,781
231,772	(154,789)	76,983	Children's & Educational Services		234,256	(165,666)	68,590
33,247	(7,548)	25,699	Environmental & Regulatory Services		33,543	(6,445)	27,098
113,588	(101,547)	12,041	Housing Services		121,326	(108,793)	12,533
38,535	(15,535)	23,000	Highways & Transport Services		40,882	(17,020)	23,862
(956)	(7,647)	(8,603)	Non Distributed Costs		1,251	(460)	791
13,527	(5,302)	8,225	Planning Services		12,290	(5,901)	6,389
595,092	(350,177)	244,915	(Surplus)/Deficit on Continuing Operations		605,572	(356,242)	249,330
2,642	(513)	2,129	(Gain)/Loss on Disposal of Fixed Assets	10.5	52,936	(2,978)	49,958
160	(4,053)	(3,893)	Other Operating Expenditure	7	138	(4,529)	(4,391)
63,741	(42,403)	21,338	Financing and Investment Income and Expenditure	8	55,722	(32,184)	23,538
0	(241,987)	(241,987)	Taxation and Non-Specific Grant Income	9	0	(233,848)	(233,848)
		22,502	(Surplus)/Deficit on Provision of Services				84,587
		(12,321)	(Surplus)/deficit on revaluation of fixed assets	19.6			(7,782)
		118,569	Actuarial (gains) / losses on pension assets / liabilities	31.2 & 31.8			4,969
		0	(Surplus)/Deficit on revaluation of Available for sale financials assets	19.14			25
		106,248	Other Comprehensive Income and Expenditure				(2,788)
		128,750	Total Comprehensive Income and Expenditure				81,799

**BALANCE SHEET AT 31 MARCH 2013**

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

31 March 2012		Note	31 March 2013
£000			£000
692,307	Property Plant & Equipment	10	621,907
19,410	Heritage Assets	11	19,938
76,940	Investment Property	12	73,182
2,074	Intangible Assets		2,219
1,558	Long Term Investments	14.1	6,558
1,091	Long Term Debtors	15.1	1,094
<b>793,380</b>	<b>Non current Assets</b>		<b>724,898</b>
27,987	Short Term Investments	14.1	10,129
901	Inventories		772
33,451	Short Term Debtors	15.2	31,338
53,125	Cash & Cash Equivalents	20.4	64,987
3,843	Assets Held for Sale	16	4,509
640	LATS allowances		274
<b>119,947</b>	<b>Current Assets</b>		<b>112,009</b>
(17,847)	Short Term Borrowing	14.1	(37,653)
(88,833)	Short Term Creditors	17.1	(60,655)
(2,878)	Short Term Provisions	18	(2,441)
<b>(109,558)</b>	<b>Current Liabilities</b>		<b>(100,749)</b>
(16,785)	Long Term Creditors	17.2	(16,434)
(7,808)	Long Term Provisions	18	(5,534)
(193,912)	Long Term Borrowing	14.1	(193,857)
(336,135)	Long Term Liabilities Pensions	31.3 & 31.9	(354,493)
(42,201)	Long Term Liabilities Other	17.3	(40,708)
<b>(596,841)</b>	<b>Long Term Liabilities</b>		<b>(611,026)</b>
<b>206,928</b>	<b>Net Assets</b>		<b>125,132</b>
59,420	Usable Reserves	19.1	60,618
147,508	Unusable Reserves	19.1	64,514
<b>206,928</b>	<b>Total Reserves</b>		<b>125,132</b>

**CASH FLOW STATEMENT**

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

2011/12		Note	2012/13
£000			£000
(22,502)	Net Surplus or (Deficit) on the Provision of Services	20.1	(84,587)
234,030	Adjustment to Net Surplus or (Deficit) on the Provision of the Services for Non Cash Movement	20.1	145,138
(172,694)	Adjustment for Items included in the net (Surplus) of Deficit on the provision of services that are investing and Financing Activities	20.1	(96,248)
38,834	<b>Net Cash Flow from Operating Activities</b>		<b>(35,697)</b>
2,155	Investing Activities	20.2	28,453
(81,696)	Financing Activities	20.3	19,106
(40,707)	<b>Net Increase or (Decrease) in Cash and Cash Equivalents</b>		<b>11,862</b>
93,832	Cash and Cash Equivalents at the beginning of the Reporting Period	20.4	53,125
53,125	<b>Cash and Cash Equivalents at the end of the Reporting Period</b>		<b>64,987</b>

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## **I. Accounting Policies**

### **I.1. General Principles**

The Statement of Accounts summarises the Council's transactions for the 2012/13 financial year and its position at the year-end of 31 March 2013. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit (England) Regulations 2011 (Part 3), which require the accounts 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 2012/13 (The Code) and the Service Reporting Code of Practice 2012/13 (SeRCOP)), supported by International Financial Reporting Standards (IFRS).

The accounting convention adopted in the Statement of Accounts is historic cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

### **I.2. 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:

#### Customer and Client Receipts

Customer and client receipts in the form of sales, fees, charges and rents are accounted for as income at the date the Council provides the relevant goods or services. A recommended de-minimus of £500 is applied at the year-end for goods and services the Council has provided but for which payment has not yet been received.

#### Supplies and Services

The cost of supplies and services are recorded as expenditure when they are consumed or received. Accruals are made for all material sums unpaid at the year-end for goods or services received or works completed. However, certain quarterly payments (e.g. gas, electricity, telephones) are charged at the date of meter reading rather than being apportioned between financial years. This policy is consistently applied each year and therefore does not have a material effect on the year's accounts.

A de-minimus of £500 is generally applied for all accruals unless they are automatically accrued via the Council's Purchasing System, Civica Authority Financials, where there is no de-minimus value.

Where there is a gap between the date supplies are received and their consumption, they are carried as Inventories (also known as 'stocks') on the Balance Sheet.

#### Works

Works for external organisations are charged as expenditure when they are completed, before which they are carried as works in progress on the Balance Sheet. Internal departments are charged for works in progress at year end.

#### Benefit Payments

Benefit payments are accounted for as they are incurred with no accrual being made for payments in advance or arrears at the year-end. This policy is consistently applied each year and therefore does not have a material effect on the year's accounts.

#### Interest

Interest payable on borrowings and receivable on investments is accounted for in the year to which it relates based on the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by contract.

### 1.3. Cash and Cash Equivalents

The Council defines the following deposits as cash and cash equivalents:

Cash:

- Cash in hand
- On demand call accounts
- Money Market Funds

Cash equivalents:

- Notice accounts of 30 day duration or less
- Fixed term deposits of less than 1 month
- Deposits with the Government Debt Management Office (DMO) for a period of less than 1 month

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 Council's cash management.

### 1.4. Exceptional (Material) Items

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

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

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

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

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

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

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

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

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, called the Minimum Revenue Provision (MRP), towards the reduction in its overall borrowing requirement equal to an amount calculated on a prudent basis determined by the authority in accordance with statutory guidance. Depreciation, revaluation and impairment losses and amortisations are therefore replaced by the MRP contribution in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

## 1.7. Employee Benefits

### Benefits Payable During Employment

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

No accrual is generally made for employee costs paid monthly in arrears, such as overtime and car allowances. This policy is applied consistently year on year and therefore does not have a material effect on the accounts.

### Termination Benefits (e.g. Redundancy Payments)

Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy. They are charged on an accruals basis to the surplus/deficit on continuing operations in the Comprehensive Income and Expenditure Statement when the Council is demonstrably committed to the termination of the employment of an officer or group of officers, or making an offer to encourage voluntary redundancy.

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

### Post Employment Benefits (Pensions)

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

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

Both schemes provide defined benefits to members (retirement lump sums and pensions) earned as employees worked for the Council.

### Teachers Pension Scheme

The arrangements for the teachers' scheme mean that liabilities for these benefits cannot ordinarily be identified specifically to the Council. 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 Educational Services line in the Comprehensive Income and Expenditure Statement is charged with the employer's contributions payable to Teachers' Pensions in the year.

However, the Council is able to supplement teachers' statutory retirement benefits with locally determined decisions (discretionary payments). The future liability for such decisions is a true cost to the Council and is assessed annually by the Actuary and included within the total pension liability on the Balance Sheet.

### Local Government Pension Scheme

All Council employees (with the exception of teachers) are eligible to join the Local Government Pension Scheme (LGPS). The Local Government Scheme is accounted for as a defined benefits scheme.



The liabilities of the Devon Pension Scheme attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method, i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc. and projections of future earnings for current employees.

Liabilities are discounted to their value at current prices, using a discount rate of 4.5% (based on the Merrill Lynch AA rated corporate bond).

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

- quoted securities – current bid price
- unquoted securities – professional estimate
- property – market value

The change in the net pensions 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 (or decrease) in liabilities arising from current year decisions whose effect relates to years of services earned in earlier years - 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;
- interest cost – the expected increase in the present value of liabilities during the year as they move one year closer to being paid - debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement;
- expected return on assets – the annual investment return on the fund assets attributable to the Council, 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/losses on settlements and curtailments – the result of actions to relieve the Council of liabilities or events that reduce the expected future service or accrual of benefits of employees – debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs;
- actuarial gains and losses - changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions - debited or credited to the Pensions Reserve;
- contributions paid to the Devon Pension Fund – cash paid as employers' contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the General Fund Balance to be charged with the amount payable by the Council to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the movement of 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 the 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 earned by employees.

### Discretionary Benefits

The Council 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 as outlined above, are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

### **1.8. Events after the Balance Sheet Date**

Events after the Balance Sheet date are those events 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.

### **1.9. Financial Instruments**

#### **Financial liabilities**

Financial Liabilities are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument.

#### Loans/Borrowings

The Council's loans are initially measured at fair value and 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 Council has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest) and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement. The Council has incurred fees of £0.028m in 2012/13 (£0.038m in 2011/12) in relation to borrowing. These have not been added to the value of the loan but charged direct to revenue. Whilst this is a departure from the Code, the transactions fees should be considered in the light of total loans on the balance sheet of £226.202m.

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 the repurchase or settlement. However, where repurchase has taken place as part of a restructuring of a 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 Council 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 the 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 (FIAA) in the Movement in Reserves Statement.

#### Trade Creditors

Where expenditure has been recognised but cash has not been paid, a creditor for the relevant amount is recorded in the Balance Sheet. Trade creditors fall within the definition of a financial instrument and are required to be measured using the effective interest rate method, unless they are of 'short duration with no stated interest rate' in which case they may be measured at original invoice value. The Council defines short duration as a period of up to one year and therefore, trade creditors included within the current liabilities section of the Balance Sheet are measured at original invoice value.

## 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 Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the 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 Council has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

### Car Loans

The Council has made a number of car loans to staff at preferential interest rates. These are carried at cash value and not adjusted to amortised cost.

### Short Term Trade Debtors

Where income has been recognised but cash has not been received, a debtor for the relevant amount is recorded in the Balance Sheet. Trade debtors fall within the definition of a financial instrument and are required to be measured using the effective interest rate method, unless they are of 'short duration with no stated interest rate' in which case they may be measured at original invoice value. Debtors included within the current assets section of the Balance Sheet are therefore measured at original invoice value, less a provision for uncollectability of debt.

### Long Term Debtors

The Council may provide financial assistance to individuals or organisations in the form of a loan. Where the repayment period exceeds one year these are classified as Long Term Debtors on the Balance Sheet. This debt is required to be reflected on the Balance Sheet at amortised cost and interest charged to the Comprehensive Income and Expenditure Statement based on the effective interest rate method.

An element of Social Care debt is recovered by means of a charge on the client's property. This debt may not be recovered in the next financial year and is therefore included within long term debtors. This debt is not subject to an interest charge.

### Available-for-sale assets

Available-for-sale assets are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value.

The Council has an investment where there are no fixed or determinable payments and therefore income (e.g. dividends) is credited to the Comprehensive Income and Expenditure Statement when it becomes receivable by the Council. The investment relates to a financial instrument with a quoted market price and is therefore maintained in the Balance Sheet at fair value.

Changes in fair value are balanced by an entry in the Available-for-Sale Reserve and the gain/loss is recognised in the Surplus or Deficit on Revaluation of Available-for-Sale Financial Assets.

### Impairment

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

the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate.

### Financial Guarantees entered into before 1 April 2006

The Council entered into a financial guarantee arrangement with PLUSS before 1 April 2006 which is not required to be accounted for as a financial instrument. The Council does not therefore recognise the guarantee to PLUSS in its Balance Sheet, but continues to disclose the guarantee as a contingent liability.

### **1.10. Government Grants and Contributions**

Whether paid on account, by instalments or in arrears, government grants and third party contributions (including Section 106 and 278 Developer contributions) and donations are recognised as due to the Council when there is reasonable assurance that:

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

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

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

Where Revenue grants that have been credited to the Comprehensive Income and Expenditure Statement are intended to meet specific service expenditure that has not yet been incurred, an equivalent amount is transferred from the General Fund Balance to an Earmarked Reserve in the Statement of Movement in Reserves. A transfer back is made in future years to match expenditure as it is incurred.

Capital grants are posted to the Taxation and Non-Specific Grant Income section of the Comprehensive Income and Expenditure Account, unless they are used to finance Revenue Expenditure Financed from Capital under Statute (REFCUS) spend, in which case they are posted to the relevant service line. 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.

Grants paid to the Council as the accountable body are only recognised to the extent that they are used towards Council expenditure.

### **1.11. Agency Services**

The Council has a number of arrangements in place where it is acting as an agent for a third party. An example of this relates to the collection of Business Rate (or NNDR) income where the Council acts as an agent for the Government, paying 100% of the rates collected in the city over to the National Business Rate pool.

The Council does not recognise the transactions relating to its agency activities within the accounts, with the exception of the administration charges received for services provided which are recognised in the Comprehensive Income and Expenditure Statement. This accounting treatment is in line with the requirements of the Code. Further information about the Council's material agency arrangements are disclosed in Note 22 on page 76.

## 1.12. Intangible Assets

Expenditure on non-monetary assets that do not have physical substance but are identifiable and controlled by the Council as a result of past events is capitalised when it will bring benefits to the Council for more than one financial year. The Council accounts for its software as intangible assets, to the extent that the software is not an integral part of a particular IT system and accounted for as part of the hardware item of Property, Plant and Equipment. The intangible assets on the Council's Balance Sheet relate to the purchase of software licences.

Internally developed intangible assets such as the development and implementation of computer systems and development of the Councils website are not capitalised but are written down to the relevant service line(s) and reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account under the provisions for Revenue Expenditure Funded from Capital Under Statute.

Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by the Council can be determined by reference to an active market. In practice, no intangible asset held by the Council meets this criterion, and they are therefore carried at amortised cost.

All software is given a finite useful life, based on assessments of the period that the software is expected to be of use to the Council. The useful life assigned to the major software suites used by the Council is 5 years. The depreciable amount of an intangible asset is amortised on a straight line basis over its useful life to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. An asset is tested for impairment whenever there is an indication that the asset might be impaired – any losses recognised are posted to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and, for any sale proceeds greater than £10,000, the Capital Receipts Reserve.

## 1.13. Jointly Controlled Operations and Jointly Controlled Assets

Jointly controlled operations are activities undertaken by the Council in conjunction with other Partners that involve the use of the assets and resources of the Partners rather than the establishment of a separate entity. The Council recognises on its Balance Sheet the assets that it controls, if any, and the liabilities that it incurs and debits and credits the Comprehensive Income and Expenditure Statement with the expenditure it incurs and the share of income it earns from the activity of the operation.

Jointly controlled assets are items of property, plant or equipment that are jointly controlled by the Council and other Partners, with the assets being used to obtain benefits for the Partners. The joint operation does not involve the establishment of a separate entity. The Council accounts for only its share of the jointly controlled assets, the liabilities and expenses that it incurs on its own behalf or jointly with others in respect of its interest in the joint operation and income that it earns.

The Council currently has interests in the following Jointly Controlled Operations and Jointly Controlled Assets:-

- The Tamar Bridge & Torpoint Ferry Joint Committee is a Jointly Controlled Operation with Cornwall Council
- Mount Edgcumbe Country Park is a jointly controlled asset, also with Cornwall Council, and the management of the Park is overseen by the Mount Edgcumbe Joint Committee.

#### **1.14. Interests in Companies and Other Entities**

The Council has interests in other Entities, Subsidiaries, Associates or Joint Ventures. However, currently, these are not considered sufficiently material to require the preparation of Group Accounts.

In the Council's own single entity accounts, the interests in companies and other entities are recorded as financial assets at cost, less any provision for losses.

#### **1.15. Investment Property**

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

Investment properties are measured initially at cost and subsequently at fair value, based on the amount at which the asset could be exchanged between knowledgeable parties at arm's-length. Properties are not depreciated but are revalued annually 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 Financing and Investment Income line and result in a gain for the General Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance. These gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

#### **1.16. Heritage Assets**

Heritage assets are those assets that are intended to be preserved in trust for future generations because of their cultural, environmental or historical associations.

Heritage assets are deemed to have an indefinite life, therefore are not depreciated as the charge made would be minimal and immaterial. Nevertheless, where there is evidence of physical deterioration to a heritage asset, or doubts arise to its authenticity, the value of the asset has to be reviewed. However, revaluation gains & losses and impairment losses are not permitted by statutory arrangements to have an impact on the General Fund Balance. These 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.

Where the Council has information on the cost or value of heritage assets, or where assets have been previously capitalised or are recently purchased, information on their cost or value will be recognised and available for inclusion within the financial statements. Where this information is not available, and cannot be obtained at a cost which is commensurate with the benefits to users of the financial statements, the assets will not be recognised.

#### **1.17. 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 (Leased in assets)**

### 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, although in practice many of the Council's property finance leases are held on a long lease at peppercorn rental and there is therefore no matching liability on the Balance Sheet. Initial direct costs to the Council are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability. Contingent rents are charged as expenses in the periods in which they are incurred.

Finance 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 Council at the end of the lease period).

The Council is not required to raise Council Tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, a prudent annual contribution is made from revenue funds as part of the MRP provision 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.

Leases entered into before 1 April 2004 that were not classified as credit arrangements under the pre-Prudential Framework regime continue to be financed as revenue transactions, even if they are finance leases under IAS 17. This means that Property Plant and Equipment and liabilities are recognised and depreciation charged in accordance with the Code, but that the bottom-line charge against the General Fund Balance needs to reconcile to the rentals payable for the year. This entails the finance costs being charged to the Comprehensive Income and Expenditure Statement and the principal part being debited as an appropriation from the General Fund Working Balance to the Capital Adjustment Account in the Movement in Reserves Statement.

### Operating Leases

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

Schools may make their own arrangements for operating leases using income from their schools budget share. These are included within total lease payments.

## **The Authority as Lessor (Council Assets leased out)**

### Finance Leases

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

the 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. In reality the majority of the Council's finance leases are in return for a one off premium and peppercorn rental and there is no matching long term debtor on the Balance Sheet.

Any 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.

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

## Operating Leases

Where the Council grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Surplus/deficit on continuing operations in the Comprehensive Income and Expenditure Statement. Credits are made on a straight-line basis over the life of the lease.

## **1.18. Overheads and Support Services**

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA Service Reporting Code of Practice 2012/13 (SeRCOP). The full cost of overheads and support services are recharged to services on the basis of time allocations or other appropriate measures of resources used with the exception of:

- Corporate and Democratic Core – costs relating to the Council's status as a multi-functional, democratic organisation.
- Non Distributed Costs – the cost of discretionary benefits awarded to employees retiring early.

These two cost categories are defined in SeRCOP and accounted for as separate headings in the Comprehensive Income and Expenditure Statement, as part of the (surplus)/deficit on continuing operations.

## **1.19. Property, Plant and Equipment**

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

### Recognition

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Council and the cost of the item can be measured reliably. The Council operates a capitalisation de-minimis level of £10,000 for land and property and £5,000 for vehicle, plant and equipment. Spend below these levels is charged direct to revenue. However, there is no de-minimis for capital spend by individual schools financed from capital grants. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred.

### Measurement

Assets are initially measured at cost, comprising:

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



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

The cost of assets acquired other than by purchase is deemed to be its fair value, unless the acquisition does not have commercial substance (i.e. it will not lead to a variation in the cash flows of the Council).

Donated assets are subject to a de minimus value of £10,000 for land and property and £5,000 for all other assets. Assets with a value in excess of the de minimus are capitalised and carried on the Council's Balance Sheet measured initially at fair value. The difference between fair value and any consideration paid for assets 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. Many of the Council's donated assets are held within the museum and art gallery.

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

- infrastructure, community assets and assets under construction – depreciated historical cost;
- 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. Schools are valued using DRC adjusted for a modern equivalent asset valuation. Donated assets held at the museum and art gallery may be carried on the Balance Sheet at Insurance valuation applicable at the time of recognition.

Assets that local authorities intend to hold in perpetuity and have no determinable useful life and may have restrictions in their disposal are classified as community assets, and in this instance are generally valued at a nominal £1.

For 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. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Gains that arise from the reversal of a loss previously charged to a service are credited to the Comprehensive Income and Expenditure Statement.

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, subject to a limit on 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.

## Impairment

Assets are assessed at each year-end as to whether there is 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 subject to a limit on 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

Depreciation is provided for on all Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life such as freehold land and certain Community Assets, and assets that are not yet available for use (i.e. assets under construction). Depreciation is calculated on a straight line basis over the useful life of the asset as determined by the valuer. Depreciation is charged to the Comprehensive Income and Expenditure Statement based on values as at the start of the year. No depreciation is applied in year of acquisition or construction. The depreciation periods currently used are:-

#### Operational Buildings

Car parks	10 to 15 years
Schools	10 to 40 years
PFI schools	60 years
Administrative buildings	5 to 35 years
Libraries	10 to 60 years
Museums	20 to 60 years
Other buildings	5 to 60 years
Infrastructure	20 to 40 years
Vehicles and Plant	5 to 20 years
Community Assets	0 to 30 years

Where an item of Property, Plant and Equipment asset has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately.

The Council's componentisation policy is as follows:-

- Materiality Level  
Assets with a building value of £2.5m or above are considered for componentisation on an individual asset basis. Consideration is also given to groups of similar assets that individually are below the materiality level for componentisation but may collectively be material.
- Significance  
Components with a value of 20% or above of the overall asset value are significant components. In terms of schools, components are defined as separate school blocks or buildings and componentisation applied where the values meet the 20% criteria.
- Different Asset Life  
The difference in life between the host asset and the component must be over 5 years for componentisation to be recorded.

Plant and equipment acquired as part of the construction or refurbishment of an asset is separately classified on the Balance Sheet at source and depreciated over the asset life accordingly.

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.

## 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, and the asset is being actively marketed, 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 loss (gain) on disposal of fixed assets line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any losses previously 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 no longer used for operational purposes but are not actively being marketed are revalued and reclassified as surplus but still retained within property plant and equipment and transferred to Assets Held for Sale only when a decision is made to actively market the asset.

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 (gain)/loss on disposal of fixed assets 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). 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 and are required to be credited to the Capital Receipts Reserve. Capital receipts can then only be used for:

- new capital investment;
- set aside to reduce the Council's underlying need to borrow (the Capital Financing Requirement).

Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

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

## **1.20. Inventories and Long Term Contracts**

Inventories (Stocks and Work In Progress) are shown in the Accounts at cost (less any foreseeable losses on Work In Progress). This is a departure from the Code, which states that stock should be included at the lower of cost and net realisable value, and is permitted since the valuation basis would not materially affect the Council's reported position. The total value of stocks in the Council's Balance Sheet is £0.772m compared to total current assets of £112.009m (0.69%).

Since stockholdings are reviewed on a continuous and rotational basis no provision has been made for obsolete stock or slow moving items.

Long term contracts are accounted for on the basis of charging the Surplus or Deficit on the Provision of Services with the value of works and services received under the contract during the financial year. The Council has a long term contract with Amey to manage the Council's Local Transport Plan (LTP) revenue works, including

maintenance, pre-planned and ad hoc works on highways, footpaths, gritting, walls etc. Amey also undertakes design works and delivery of an element of the Council's capital Local Transport Plan programme.

## **1.21. 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 Council 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 Council at the end of the contracts for no additional charge, the Council carries the assets used under the contracts on its Balance Sheet as part of Property, Plant and Equipment. The Council has one PFI, the education contract to provide schools and related assets at Wood View Campus and primary school at Riverside, Barne Barton.

The original recognition of these assets based on the cost to construct or purchase the property, plant and equipment is balanced by the recognition of a liability for amounts due to the scheme operator to pay for the capital investment. For the Council's PFI scheme the liability has been written down by capital contributions of £4.600m made over the period 2008 to 2011.

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

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 finance 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 costs – these are incurred by the contractor over the life of the contract in order to maintain assets used to operationally acceptable standard. The expenditure is non-enhancing in nature and therefore charged to the relevant service in the Comprehensive Income and Expenditure Statement.

### PFI credits

The Council receives a grant towards the cost of the PFI scheme. The grant is allocated to meet the finance costs in the first instance. The amount required to meet the finance lease liability, interest and contingent rent charge is allocated to the Taxation and Non Specific grant income in Comprehensive Income and Expenditure Statement. The remaining grant is treated as a specific grant and included within the Children's and Education service line.

Government grants received for PFI schemes, in excess of current levels of net expenditure, are carried forward as an earmarked reserve to fund future contract expenditure.

## **1.22. Provisions, Contingent Liabilities and Contingent Assets**

### Provisions

Provisions are made where an event has taken place that gives the Council an obligation that probably requires settlement by a transfer of economic benefits, usually a cash payment, or service potential, and a reliable estimate of the amount of the obligation can be made, but where the timing of the transfer is uncertain.

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

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

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

Movements in provisions during the year are shown in Note 18 to the Core Statements on page 60.

### Provision for Back Pay Arising from Equal Pay Claims

The Council holds a provision for the costs of settling claims for back pay arising from discriminatory payments incurred before the Council implemented its equal pay strategy. The Council successfully applied for a Capitalisation Direction for payments and estimated costs in respect of claims submitted in 2007/08. An annual charge to repay the borrowing is made to the Movement in General Fund Balance as part of the MRP provision.

Statutory arrangements allow settlements to be financed from the General Fund in the year that payments actually take place, not when the provision is established. Therefore for claims submitted after 1 April 2008, the provision is balanced by an Equal Pay Back Pay Account created from amounts credited to the General Fund Balance in the year the provision was made or modified. The balance on the Equal Pay Back Pay Account will be debited back to the General Fund Balance in the Movement in Reserves Statement in future financial years as payments are made, or, where this element of the provision is reduced, a compensatory adjustment will be made in the Equal Back Pay Account.

### Landfill Allowance Schemes

Landfill allowances, whether allocated by Department for Environment, Food & Rural Affairs (DEFRA) or purchased from another Waste Disposal Authority (WDA) are recognised as current assets, or a long term debtor if purchased for more than one year in advance of expected use, and are initially measured at fair value. Landfill allowances allocated by DEFRA are accounted for as a government grant.

After initial recognition, allowances are measured at the lower of cost and net realisable value. Any surplus or deficit for the year is credited or debited to the appropriate service line in the Comprehensive Income and Expenditure Statement, as is any reduction or increase in value.

As landfill is used, a liability and an expense are recognised. The liability is discharged either by surrendering allowances or by payment of a cash penalty to DEFRA (or by a combination). The liability is measured at the best estimate of the expenditure required to meet the obligation, normally the market price of the number of allowances required to meet the liability at the reporting date. However, where some of the obligation will be met by paying a cash penalty to DEFRA, that part of its liability is measured at the cost of the penalty.

### Contingent Liabilities

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

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

### Contingent Assets

A contingent asset arises where an event has taken place that gives the Council a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council. Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts.

Details of the Council's contingent assets and liabilities are outlined in Note 32 page 99.

### **1.23. Reserves**

The Council maintains a number of reserves which may be required for statutory purposes or set up voluntarily to earmark resources for future spending plans 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.

Details of the Council's Revenue Reserves and the movement in the year are shown in Note 19 page 61.

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

### **1.24. Revenue Expenditure Funded from Capital under Statute (REFCUS)**

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 Council 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.

The Council treats the following as Revenue Expenditure Financed from Capital under Statute:

- Expenditure incurred on the acquisition or preparation of a computer program, including expenditure on the acquisition of a right to use the program, if the Council acquires or prepares the program for use for a period of at least one year for any purpose relevant to its functions.
- The giving of a loan, grant or other financial assistance to any person, whether for use by that person or by a third party, towards expenditure which would, if incurred by the Council, be capital expenditure (except for advances made to officers as part of their terms or conditions of employment or in connection with their appointment).
- The repayment of any grant or other financial assistance given to the Council for the purposes of expenditure which is capital expenditure.
- Expenditure incurred on works to any land or building in which the Council does not have an interest, which would be capital expenditure if the Council had an interest in that land or building.
- Expenditure incurred on the acquisition or production of assets for use by a person other than the Council which would be capital expenditure if those assets were acquired or, as the case may be, produced for use by the Council.
- Capitalisation Directions approved by the Secretary of State.

### **1.25. Capital Salaries**

The salary costs of technical staff working directly on the development and supervision of capital schemes are capitalised and added to the cost of the relevant scheme.

### **1.26. VAT**

Income and expenditure excludes any amounts relating to VAT, as all VAT collected is payable to HM Revenue and Customs and all VAT paid is recovered from them.

### **1.27. Accounting for the Costs of the Carbon Reduction Commitment (CRC) Scheme**

The Council is required to participate in the Carbon Reduction Commitment Energy Efficiency Scheme. This scheme is currently in its introductory phase, which will last until April 2014. The Council is required to



purchase and surrender allowances, currently retrospectively, on the basis of emissions, i.e. carbon dioxide produced as energy is used. As carbon dioxide is emitted (i.e. as energy is used), a liability and an expense are recognised. The liability will be discharged by surrendering allowances. The liability is measured at the best estimate of the expenditure required to meet the obligation, normally at the current market price of the number of allowances required to meet the liability at the reporting date. The cost to the Council is recognised and reported in the Comprehensive Income and Expenditure Statement and is apportioned to services on the basis of energy consumption.

## 2. Accounting Standards that have been issued but have not yet been adopted

The Council is required to disclose information regarding the impact of any accounting change on the financial statements as a result of any new standards that have been issued, but are not yet required to be adopted by the Council. The Standards that require disclosure within the 2012/13 accounts relate to changes adopted into CIPFA's Accounting Code of Practice in 2013/14 and are as follows:

- IFRS 7 Financial Instruments Disclosures–Offsetting Financial Assets and Liabilities (December 2011 Amendments)
- IAS 12 Deferred Tax: Recovery of Underlying Assets (December 2010 Amendments)
- IAS 19 Employee Benefits (June 2011 Amendments)

### IFRS 7 Financial Instruments: Disclosures

The change introduced in the 2013/14 Code in relation to the December 2011 revision of IFRS 7 Financial Instruments: Disclosure brings in additional disclosure requirements in relation to the offsetting of financial assets and liabilities. Authorities will now need to provide the gross amounts where financial assets and liabilities are set off within the balance sheet in order to allow the effect of such netting arrangements on the Council's financial position to be evaluated. It is considered unlikely that this new requirement will have a material impact on the financial statements of the Council.

### IAS 12 Income taxes – (Deferred Tax: Recovery of Underlying Assets)

The amendment to IAS 12 Income Taxes, which is adopted in the 2013/14 Code, relates to the determination of deferred tax on investment property measured at fair value. As the Council is not subject to Corporation Tax, this would not be relevant to the single entity accounts. As the Council does not currently produce Group Accounts this change will have no impact on the financial statements.

### IAS 19 Employee Benefits

The International Accounting Standards Board (IASB) have published a revised standard – IAS 19 Employee Benefits, which for local authorities will require a change in accounting policy on 1 April 2013. The changes will impact on the both the accounting entries and disclosure notes required to be produced within the accounts in relation to the Local Government Pension Scheme.

The main impact in the accounts of the revised requirements will be:-

- Removal of the expected return on assets, to be replaced by a net interest cost comprising interest income on the assets and interest expense on the liabilities;
- Some labelling changes to the Comprehensive Income and Expenditure Statement charges e.g. 'Service cost' replaces the aggregate of 'Current Service Cost', 'Past Service Cost', 'Curtailements' and 'Settlements';
- Administration expenses are now accounted for within the Comprehensive Income and Expenditure Statement charges rather than being netted off the actual and expected returns on assets.

The following table presents the current components charged to the (surplus)/deficit on provision of services within the Comprehensive Income and Expenditure Statement and compares these entries to those that will be required under the revised IAS19 standard:-

Accounting entries under 2012/13 Code requirements	2012/13 General Fund Position under 2012/13 Code (pre IAS19 revision)	2012/13 General Fund Position under revised IAS19	Accounting entries if the revised IAS19 standard was adopted
	£000	£000	
<b>Amounts recognised in the (Surplus) / Deficit on Provision of Services</b>			
Current Service Cost	22,361	21,939	Service Cost
Past service cost	6		
Losses (gains) on curtailments and settlements	(428)		
Interest on obligation	36,030	14,941	Net Interest on the defined liability (asset)
Expected return on scheme assets	(24,878)		
		226	Administration expenses
<b>Total recognised in the (Surplus) / Deficit on Provision of Services</b>	<b>33,091</b>	<b>37,106</b>	
Amount by which pension costs calculated in accordance with the Code are different from the contributions due under the pension scheme regulations	(12,004)	(16,019)	Amount by which pension costs calculated in accordance with the Code are different from the contributions due under the pension scheme regulations
<b>Net charge to General Fund (Employer's pensions contributions and direct payments to pensioners payable in the year)</b>	<b>21,087</b>	<b>21,087</b>	

\* The above table excludes the impact of the revised standard on the accounts of the Tamar Bridge and Torpoint Ferry Joint Committee as the above breakdown was not available. However, the Actuary has stated that effect of the change to IAS19 on the Comprehensive Income and Expenditure Statement to 31 March 2013 will be an increase of £0.076m.

The net effect on the Comprehensive Income and Expenditure Statement would be to increase the Deficit on the Provision of Services by £4.015m. However, this would be offset by a corresponding reduction in the actuarial loss, thus resulting in a nil net impact on both the Total Comprehensive Income and Expenditure and the overall financial position.

### 3. Critical Judgements in Applying Accounting Policies

In applying the accounting policies set out in Note 1, the Council has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts for 2012/13 are:

- Implications of Government Funding Reforms / Reductions

There is a high degree of uncertainty about future levels of funding for local government. However, the Council has determined that this uncertainty is not yet sufficient to provide an indication that further assets of the Council might be impaired as a result of a need to close facilities and reduce levels of service provision, other than those already earmarked for closure as part of budget delivery plans.

- Icelandic Bank Deposits

The Council had £13.000m deposited with Icelandic banks which entered administration in 2008 and subsequently submitted a claim for £13.746m including interest. Dividend payments are being received, with a total of £9.464m collected to date, leaving £4.282m still subject to recovery procedures.

The Council has used a prudent approach to both maximising the capitalisation direction it received, and also in calculating the impairment adjustment due to the continued uncertainty over the level of future



recovery and has therefore accounted for recovery on a cash receipt basis. The calculation of the impairment by the Council differs from the guidance issued by CIPFA under LAAP 82 (as updated May 2013), which recommends the recoveries for Heritable, Landsbanki and Glitnir based on assumed collection rates of 88%, 100% and 100% respectively. If the Council had applied the LAAP guidance the impairment adjustment would have been a reduction of £4.824m, a difference of £3.242m reducing the impairment to £1.080m. The impairment will continue to be reduced as and when further recoveries are made.

## ■ Accounting for Schools – Balance Sheet Recognition of Schools

There continues to be uncertainty regarding the accounting treatment of schools' non current assets and whether the assets of schools, such as Academies, where title does not sit with the local Council, should appear on the local Council balance sheet. CIPFA have recommended that local authorities set out clearly in their 2012/13 financial statements their approach to accounting for schools' non current assets.

The Council continues to recognise Community and Voluntary Controlled schools on the Balance Sheet for 2012/13, based on the assessment of the control of the economic benefits and service potential of these assets. Other categories of schools, e.g. Academies, Trusts and Voluntary Aided Schools have been removed from the balance sheet. Note 10.4 page 47 provides further information on this issue.

## ■ Accounting for Schools - Transfers of status

When a school that is held on the Council's balance sheet transfers to Academy, Trust or Voluntary Aided status the non current assets are removed from the Council's balance sheet. Where the approval for the transfer and the transfer date occur in the same financial year the Council accounts for this as a disposal for nil consideration. However, where the approval date and transfer date straddle two financial years, assets values are impaired down to nil in the year of approval, with the disposal then occurring in the following financial year when the transfer actually takes place. These disposals are disclosed in the PPE note (Note 10.1 on page 45) within the line named 'Other Movement in Cost or Valuation'.

In 2012/13, 13 schools transferred to Trust status with a further 3 schools transferring to Academy status. The impact of this was to reduce the non current assets value as at 31 March 2013 by £42.626m.

## ■ Group Boundaries

The Code requires the Council to produce group accounts to reflect significant activities provided to Council taxpayers by other organisations in which the Council has an interest (e.g. where Councillors make up part of a company's Board of Directors). The Council maintains a register of potential Group entities and these are reviewed annually using the criteria within the Code.

The assessment for 2012/13 shows that the materiality effect of the group entities either individually or collectively on the asset / liability balances stands considerably below 5% of the single entity accounts and therefore the judgement not to produce Group Accounts has been maintained for 2012/13.

## ■ Identification of Embedded Leases

Contracts with partners and providers have been considered for embedded leases; the outcome of this review is not to recognise any new assets on the Council's Balance Sheet for 2012/13.

## **4. Assumptions made about the future and other major sources of estimation uncertainty**

The Statement of Accounts contains estimated figures that are based on assumptions made by the Council 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 materially different from the assumptions and estimates.

The items in the Council's Balance Sheet at 31 March 2013 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:-

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
<b>Pensions Liability</b>	Variances in assumptions made by the Pension Fund Actuary in respect of (gains)/losses forecasted by the Pension Fund and to the mortality rates of members drawing from the Pension Fund	The effects on the net pensions liability of changes in individual assumptions can be measured. For instance, a 0.1% increase in the discount rate assumption would result in a decrease in the pension liability of £18.9m. Additionally, a 1 year increase in mortality rate assumptions would result in a change to the pension liability of £31.8m.
<b>Property Plant &amp; Equipment</b>	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. The current economic climate and reductions to council grant funding makes it uncertain that the Council will be able to sustain its current spending on repairs and maintenance, which may in turn impact on the useful lives assigned to assets.	If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls.
<b>Interest Payable</b>	The accounts show an impairment charge of £4.32m for monies invested in Iceland. This is based on the amounts recovered and still subject to recovery as at the date of publication of the statement of accounts. The Council continues to actively pursue recoveries of its monies through the Icelandic Courts. Although further recoveries are possible the uncertainty over future receipts has led to a prudent approach being taken in the preparation of these accounts with the assumption based on no additional receipts.	The Council's claims have been agreed, with priority status confirmed for Glitnir and Landsbanki claims, and distributions have been received from the Administrators and Winding Up Boards for the banks. Based on the latest forecast by the Local Government Association and CIPFA the majority of the monies are expected to be received. Should this be the case this will lead to an adjustment in the impairment charge of £3.169m in the accounts in future years.
<b>Provisions</b>	The Council holds provisions of £7.975m in relation to insurance liabilities and other issues. These provisions are estimates of the potential liability and the final costs may be more or less.	The difference between the amounts provided for and the final costs will be charged or credited to the cost of services when they are incurred.
<b>Employee Benefits</b>	The Council is required to accrue for employee benefits earned but not taken by 31 March 2013. In order to comply with the accounting requirements, the Council has undertaken a sample of staff across the Council using both information from the HR IT system (Manager Online – MOL) and annual returns and aggregated this up based on the total employee numbers to produce the information on the accrual. In total, a sample of 15.34% was achieved. In addition, calculations have been made on the value of annual leave carried forward by teachers and other schools staff. The result of these calculations form the largest part of the accrual due to the timing of the financial year.	An increase in the amount of leave carried forward or a change in the analysis of carry forward leave by officer level could result in a potentially different calculation and charge across services. However Statutory Regulations are in place which remove the employee benefit accrual to an employee benefit reserve account so overall there would be no impact on the General Fund Balance.

This list does not include assets and liabilities that have are carried at fair value based on a recently observed market price.

## 5. Events after the Balance Sheet date

The Statement of Accounts was authorised by the Assistant Director for Finance, Efficiencies, Technology & Assets on 19 September 2013. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2013, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

The relevant material non-adjusting events pertinent to the understanding of the Council's financial position are as follows:

### Business Rate Retention Scheme - Non Domestic Rates Appeals outstanding at 31 March 2013

The Business Rates Retention Scheme came into effect on 1 April 2013. It represents a fundamental change to local government's core funding and will mean that a proportion of the locally generated business rates will be kept by the Council rather than all being paid across to the Government's central pool for redistribution nationally as happened with the previous system. The business rates retention scheme aims to give the Council a greater incentive to grow businesses in the city, but also increases the risk of non-collection of rates.

A significant impact of the new scheme is that, from 1 April 2013, the Council will take on the liability for refunding ratepayers who have successfully appealed against the rateable value of their properties on the rating list. This will include amounts that were paid over to Central Government in respect of 2012/13 and prior years.

As the Council will only be liable for appeal refunds from 1 April 2013, then the first provision to be made within the Council's accounts will occur in 2013/14, despite the fact that these amounts relate to income received in 2012/13 and earlier years. Therefore this liability is reported within the 2012/13 accounts as a non-adjusting post balance sheet event as the Council is not required to account for this liability within its 2012/13 accounts.

The Council currently does not have sufficient historical data on which to base a reliable estimate of the liability, however the Council will be working closely with the Valuation Office during the first year of the scheme to produce a reasonable estimate as it could be significant in value. In addition, the Government has confirmed its intention to publish regulations which will enable councils to spread the cost of these backdated rating appeals across several years, rather than wholly within one year.

### Public Health Transfer

From 1 April 2013, the Council will assume responsibility for Public Health activities within the city as part of the Government's reform of the National Health Service. This will entail securing services to prevent disease, prolong life and promote health.

The Council will be provided with a ring-fenced public health grant by the Government to discharge the new public health responsibilities being transferred to them from the city's Primary Care Trust. The financial impact of this transfer is to increase the Council's gross expenditure and income for 2013/14 by £11.160m.

### Disposal of the Civic Centre

On 20 August 2013 details were released about the future plans to redevelop the Civic Centre and surface level car park into a high quality 160 bed hotel (4 star), feature apartments, restaurants and other food and beverage operations. This was the subject of a Cabinet report on 3 September 2013 which approved the selection of a preferred bidder for the redevelopment.

The asset value of this building and surface level car park on the Council's Balance Sheet is £6.942m. The Council continues to treat these assets as operational land and buildings until such time there is confidence that a signed contract can be delivered from the preferred bidder. At that point, the Council will be in a position to re-classify the assets and report them as Assets Held for Sale on the Balance Sheet.

## 6. 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 Council in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Council to meet future capital and revenue expenditure.

Adjustments between Accounting Basis and Funding Basis under Regulations	2011/12				2012/13			
	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Movement in Unusable Reserves	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
	£000	£000	£000	£000	£000	£000	£000	£000
<b>Adjustments involving the Capital Adjustment Account:</b>								
<b>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</b>								
Charges for depreciation and impairment of non current assets	55,152			(55,152)	54,447			(54,447)
Movements in the market value of Investment Properties	8,622			(8,622)	3,155			(3,155)
Amortisation of intangible assets	636			(636)	709			(709)
Capital grants and contributions	(29,119)		29,119	0	(36,383)		36,383	0
Movement in the Donated Assets Account	(6,028)			6,028	(10)			10
Revenue expenditure funded from capital under statute	5,263			(5,263)	15,678			(15,678)
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	2,097			(2,097)	49,789			(49,789)
<b>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</b>								
Statutory provision for the financing of capital investment (MRP)	(8,856)			8,856	(9,424)			9,424
Capital expenditure charged against the General Fund	(4,451)			4,451	(1,181)			1,181
<b>Adjustments involving the Capital Receipts Reserve:</b>								
Transfer of sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement		1,447		(1,447)		3,252		(3,252)
Other Capital Receipts credited to the Comprehensive Income and Expenditure Statement	(3,744)	3,744		0	(4,527)	4,527		0
<b>Total C/FWD</b>	<b>19,572</b>	<b>5,191</b>	<b>29,119</b>	<b>(53,882)</b>	<b>72,253</b>	<b>7,779</b>	<b>36,383</b>	<b>(116,415)</b>

Adjustments between Accounting Basis and Funding Basis under Regulations	2011/12				2012/13			
	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Movement in Unusable Reserves	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
	£000	£000	£000	£000	£000	£000	£000	£000
<b>Total B/FWD</b>	<b>19,572</b>	<b>5,191</b>	<b>29,119</b>	<b>(53,882)</b>	<b>72,253</b>	<b>7,779</b>	<b>36,383</b>	<b>(116,415)</b>
Long term debtor repayments in year		60		(60)		38		(38)
Use of the Capital Receipts Reserve to finance new capital expenditure		(18,526)		18,526		(3,977)		3,977
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool.	39	(39)		0	8	(8)		0
<b>Adjustments involving the Capital Grants Unapplied Account:</b>								
Use of the Capital Grants unapplied Account to finance new capital expenditure			(30,497)	30,497			(36,493)	36,493
<b>Adjustments involving the Financial Instruments Adjustment Account:</b>								
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	81			(81)	106			(106)
<b>Adjustments involving the Pensions Reserve:</b>								
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	17,852			(17,852)	34,540			(34,540)
Employer's pensions contributions and direct payments to pensioners payable in the year	(22,294)			22,294	(21,345)			21,345
<b>Adjustments involving the Collection Fund Adjustment Account:</b>								
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	(852)			852	(318)			318
<b>Adjustment involving the Unequal Pay Back Pay Adjustment Account</b>								
Amount by which amounts charged for Equal Pay claims to the Comprehensive Income and Expenditure Statement are different from the cost of settlements chargeable in the year in accordance with statutory requirements					(1,843)			1,843
<b>Adjustment involving the Accumulating Compensated Absences Adjustment Account</b>								
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	375			(375)	(1,327)			1,327
<b>Total Adjustments</b>	<b>14,773</b>	<b>(13,314)</b>	<b>(1,378)</b>	<b>(81)</b>	<b>82,074</b>	<b>3,832</b>	<b>(110)</b>	<b>(85,796)</b>

## 7. Other Operating Expenditure

This contains corporate items of income and expenditure that cannot reasonably be allocated or apportioned to services.

Analysis of Income / Expenditure	2011/12	2012/13
	£000	£000
Levies	122	130
Payments to the Government Housing Capital Receipts Pool	39	8
Other income*	(4,054)	(4,529)
<b>Total</b>	<b>(3,893)</b>	<b>(4,391)</b>

\*Other Income generally relates to capital receipts in year for which no asset can be identified on the Balance Sheet, such as repaid discounts from former Council House sales, covenants and lease premiums as well as the income receivable under the stock transfer agreement relating to VAT shelter receipts.

## 8. Financing and Investment Income and Expenditure

This contains corporate items of income and expenditure arising from the Council's involvement in financial instruments and similar transactions involving interest or the unwinding of discounts. This heading also includes the income and expenditure relating to investment properties, further details of which can be found in note 12 on page 49.

Analysis of Income / Expenditure	2011/12	2012/13
	£000	£000
Interest payable and similar charges	11,384	12,254
Pensions interest cost and expected return on pensions assets	7,274	11,181
Interest receivable and similar income	(3,195)	(1,108)
(Surpluses) / deficits on trading undertakings not included in Net Cost of Services	(230)	530
Income and expenditure in relation to investment properties and changes in their fair value including (gains)/losses on disposal	6,105	681
<b>Total</b>	<b>21,338</b>	<b>23,538</b>

## 9. Taxation and Non Specific Grant Income

This item consolidates all the grants and contributions receivable that cannot be identified to particular service expenditure. Capital grants and contributions are credited here even where they are service-specific, unless they are used to finance Revenue Expenditure Funded by Capital Under Statute (REFCUS) spend in which case they are treated as revenue grants and credited to the relevant service line.

Analysis of Income	2011/12	2012/13
	£000	£000
Council tax income	(96,758)	(96,495)
Non domestic rates	(85,807)	(105,543)
Non-ringfenced government grants	(33,752)	(9,094)
Capital grants and contributions	(25,670)	(22,716)
<b>Total</b>	<b>(241,987)</b>	<b>(233,848)</b>

Further details of the non ringfenced grants and capital grants and contributions are given in the grants note 27 page 83.

## 10. Property, Plant and Equipment

### 10.1. Movement in Year

The movement in Property Plant and Equipment (PPE) in 2012/13 is summarised in the following table with comparative figures for 2011/12 following:-

2012/13	Other Land & Buildings	Vehicles, Plant, Furniture & Fittings	Infrastructure Assets	Community Assets	Surplus Assets	Assets under Construction	Total Property, Plant & Equipment	PFI Assets included in Property, Plant & Equipment
	£000	£000	£000	£000	£000	£000	£000	£000
<b>Cost or Valuation</b>								
At 1 April 2012	477,358	51,862	251,204	1,522	7,055	9,394	798,395	28,099
Additions	16,838	3,355	4,915	43	115	4,584	29,850	19
Donations		10					10	
Revaluation increases/(decreases) recognised in the Revaluation Reserve	443				(1,191)		(748)	
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(20,561)	(33)			(459)		(21,053)	
Derecognition - disposals	(8,442)	(985)	(30)				(9,457)	
Derecognition - other							0	
Assets reclassified (to)/from Held for Sale	(1,366)				(1,931)		(3,297)	
Other movements in cost or valuation	(41,885)	(1,611)	955		2,436	(4,647)	(44,752)	
<b>At 31 March 2013</b>	<b>422,385</b>	<b>52,598</b>	<b>257,044</b>	<b>1,565</b>	<b>6,025</b>	<b>9,331</b>	<b>748,948</b>	<b>28,118</b>
<b>Accumulated Depreciation and Impairment</b>								
At 1 April 2012	(36,620)	(20,549)	(44,485)	(1,109)	(3,325)	0	(106,088)	(1,272)
Depreciation charge	(14,309)	(4,572)	(9,596)				(28,477)	(603)
Depreciation written out to the Revaluation Reserve	7,409				950		8,359	
Depreciation written out to the Surplus/Deficit on the Provision of Services	4,686	11			180		4,877	
Impairment losses/(reversals) recognised in the Revaluation Reserve	(1,122)				776		(346)	
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	(9,144)	(5)		(34)	(568)		(9,751)	
Derecognition - disposals	1,372	454	25				1,851	
Derecognition - other							0	
Other movements in depreciation and impairment	2,518	564	(63)		(485)		2,534	
<b>At 31 March 2013</b>	<b>(45,210)</b>	<b>(24,097)</b>	<b>(54,119)</b>	<b>(1,143)</b>	<b>(2,472)</b>	<b>0</b>	<b>(127,041)</b>	<b>(1,875)</b>
<b>Net Book Value</b>								
<b>At 31 March 2013</b>	<b>377,175</b>	<b>28,501</b>	<b>202,925</b>	<b>422</b>	<b>3,553</b>	<b>9,331</b>	<b>621,907</b>	<b>26,243</b>
<b>At 31 March 2012</b>	<b>440,738</b>	<b>31,313</b>	<b>206,719</b>	<b>413</b>	<b>3,730</b>	<b>9,394</b>	<b>692,307</b>	<b>26,827</b>



2011/12	Other Land & Buildings	Vehicles, Plant, Furniture & Fittings	Infrastructure Assets	Community Assets	Surplus Assets	Assets under Construction	Total Property, Plant & Equipment	PFI Assets included in Property, Plant & Equipment
	£000	£000	£000	£000	£000	£000	£000	£000
<b>Cost or Valuation</b>								
At 1 April 2011	438,277	43,076	219,736	3,502	32	50,004	754,627	24,102
Additions	29,239	12,278	16,112	1,499		4,682	63,810	5
Donations							0	
Revaluation increases/(decreases) recognised in the Revaluation Reserve	9,088				837		9,925	3,992
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(18,322)	(196)			(263)		(18,781)	
Derecognition - disposals	(1,868)	(3,066)		(16)			(4,950)	
Derecognition - other							0	
Assets reclassified (to)/from Held for Sale							0	
Other movements in cost or valuation	20,944	(230)	15,356	(3,463)	6,449	(45,292)	(6,236)	
<b>At 31 March 2012</b>	<b>477,358</b>	<b>51,862</b>	<b>251,204</b>	<b>1,522</b>	<b>7,055</b>	<b>9,394</b>	<b>798,395</b>	<b>28,099</b>
<b>Accumulated Depreciation and Impairment</b>								
At 1 April 2011	(24,780)	(17,191)	(35,999)	(1,122)	(8)	0	(79,100)	(670)
Depreciation charge	(17,324)	(4,124)	(7,809)				(29,257)	(603)
Depreciation written out to the Revaluation Reserve	10,746						10,746	1
Depreciation written out to the Surplus/Deficit on the Provision of Services	3,392	54					3,446	
Impairment losses/(reversals) recognised in the Revaluation Reserve	(8,595)						(8,595)	
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	(6,983)	(2,451)	(6)	(1,109)			(10,549)	
Derecognition - disposals	69	2,258		6			2,333	
Derecognition - other							0	
Other movements in depreciation and impairment	6,855	905	(671)	1,116	(3,317)		4,888	
<b>At 31 March 2012</b>	<b>(36,620)</b>	<b>(20,549)</b>	<b>(44,485)</b>	<b>(1,109)</b>	<b>(3,325)</b>	<b>0</b>	<b>(106,088)</b>	<b>(1,272)</b>
<b>Net Book Value</b>								
<b>At 31 March 2012</b>	<b>440,738</b>	<b>31,313</b>	<b>206,719</b>	<b>413</b>	<b>3,730</b>	<b>9,394</b>	<b>692,307</b>	<b>26,827</b>
<b>At 31 March 2011</b>	<b>413,497</b>	<b>25,885</b>	<b>183,737</b>	<b>2,380</b>	<b>24</b>	<b>50,004</b>	<b>675,527</b>	<b>23,432</b>

## 10.2. Commitments Under Capital Contracts

The capital commitments outstanding on capital and other works contracts entered into as at 31 March 2013 amounted to £30.589m (31 March 2012 £15.028m). The Council is committed to complete these contracts under its latest approved Medium Term Capital Programme, and it is anticipated that all works relating to these commitments will be completed within the next financial year.

### 10.3. Trust, Foundation, Voluntary Aided and Academy Schools

The Council has a number of schools that are operated by various trusts, are classed as voluntary aided schools, or have transferred to Academy status. The Council is responsible for providing funding to the schools from the Dedicated Schools Grant (DSG) and Capital Resources, with the exception of the Academies who receive funding direct from the Government. However, the school buildings and associated land of all these categories of schools effectively passes to the Trustees of the school who have control over the use of the assets. The assets are therefore not shown on the Council's Balance Sheet. During the year, 13 schools transferred to Trust status and 3 schools transferred to Academy status, 2 of which had previously held Trust status.

Type of School	No of Special Schools	No of Primary Schools	No of Secondary Schools
Community*	7	37	2
Voluntary Controlled	0	3	0
Voluntary Aided	0	11	2
Foundation Trust	0	13	1
Academies	0	5	11
<b>Total</b>	<b>7</b>	<b>69</b>	<b>16</b>

\* Includes Mayflower Primary which transfers to Academy with effect from 1 September 2013

### 10.4. Revaluations/Impairments

The Council carries out a rolling programme that ensures that all Property, Plant and Equipment (PPE) required to be measured at fair value is revalued at least every five years. All valuations are carried out internally under the supervision of Mr P C Palmer BSc (Hons), MRICS, RICS Registered Valuer. 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 (RICS) as outlined in the accounting policies. Vehicles and equipment that have a short life / low value are not revalued but carried on the Balance Sheet at historical cost.

The significant assumptions applied in estimating the fair values are:

- for PPE of a non-specialised nature (where a market exists for the current use to which the property is put) this is interpreted as the amount that would be paid for the asset in its existing use (EUV) compared to similar assets of the type, location or condition;
- for PPE of a specialised nature (where no market exists for the continuation of current use), where there is a significant difference between Depreciated Replacement Cost (DRC) and Fair Value, this is interpreted as the amount that would be paid for the asset in its highest and best use i.e. Market Value. This would be dependent on its potential new use compared to similar assets of the type, location or condition;
- for Investment Properties this is interpreted as the amount that would be paid for the asset in its highest and best use i.e. Market Value compared to similar assets of the type, location or condition.

Analysis of Asset Revaluations	Other Land and Buildings	Vehicles, Plant, and Equipment	Surplus Assets	Total
	£000	£000	£000	£000
Carried at historical cost:	38,571	28,501		67,072
<b>Valued at fair value as at:</b>				
2012/13	40,487		1,622	42,109
2011/12	73,505		1,931	75,436
2010/11	136,318			136,318
2009/10	21,798			21,798
2008/09	66,496			66,496
<b>Total Cost or Valuation</b>	<b>377,175</b>	<b>28,501</b>	<b>3,553</b>	<b>409,229</b>

\* Valuations under the rolling programme are carried out as at 1 April. Under the Code, the PPE asset categories of Infrastructure, Community Assets and Assets Under Construction are not required to be revalued as they are carried at historical cost and therefore do not feature in the table above.

### 10.5. Gain/Loss on Disposal of Fixed Assets

In 2012/13, the Council incurred a net loss on disposal of fixed assets of £49.958m (2011/12 £2.129m).

Assets Written Off Balance Sheet	2011/12	2012/13
	£000	£000
Land & Property Sales	742	6,900
Academy and Trust Schools*	1,387	43,058
<b>Total</b>	<b>2,129</b>	<b>49,958</b>

\*The figure for 2012/13 includes a £0.432m adjustment in relation to school transfers in prior years.

## 11. Heritage Assets

### Historic Buildings & Monuments

Historic Buildings and Monuments classified as Heritage Assets on the balance sheet include Smeatons Tower, the Elizabethan House and Plympton Guildhall which have been recognised at insurance valuations.

The Council has a number of other Heritage Assets that are used significantly for the provision of services and therefore are required to be recognised within Property, Plant & Equipment. Examples of these assets include the Central Library and Museum, Plymouth Guildhall, Mount Edgcumbe House and the Barbican Waterfront, which includes the Mayflower Steps. These assets are valued as operational assets by the Council's valuers and are currently valued at £19.988m.

### Gold, Silver & Jewellery

The Council's Gold, Silver & Jewellery collection is reported in the balance sheet at insurance valuation which is based on market values.

Significant items in the collection include a piece of Tudor Silver dating back to around 1571, the Eddystone Lighthouse Salt, a late 17th century condiment compendium in the form of the lighthouse, and other Civic Regalia.

### Fine Art & World Cultures

The Council's Art collection is reported in the balance sheet at insurance valuation which is based on market values.

The Council holds a number of donated assets within the categories of Gold, Silver & Jewellery, Fine Art and World Cultures. These assets are held in the balance sheet at insurance valuation which are based on market values.

The Council's policy for the acquisition, preservation and management of museum assets can be found on the [museum collections](#) page on the Council's website.

The following table summarises the movement in the balances relating to Heritage Assets during the year:-

Heritage Assets	Buildings	Fine Art	Gold, Silver & Jewellery	Total Assets
	£000	£000	£000	£000
<b>Cost or Valuation</b>				
As at 1 April 2011	1,713	13,085	4,382	19,180
Revaluations		50	180	230
<b>As at 31 March 2012</b>	<b>1,713</b>	<b>13,135</b>	<b>4,562</b>	<b>19,410</b>
<b>Cost or Valuation</b>				
As at 1 April 2012	1,713	13,135	4,562	19,410
Additions			12	12
Revaluations		500	16	516
<b>As at 31 March 2013</b>	<b>1,713</b>	<b>13,635</b>	<b>4,590</b>	<b>19,938</b>

## 12. Investment Properties

Investment properties are properties held solely to earn rentals or for capital appreciation or both. In the main the Council's investment properties consists of the City Centre Commercial (Shop) Estate and a number of Industrial Estates.

The following table shows the net gain or loss in the year in relation to the Council's investment properties which has been accounted for within the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement:-

Income & Expenditure re Investment Properties	2011/12	2012/13
	£000	£000
Rental income from investment properties	(3,276)	(3,276)
Direct operating expenses arising from investment properties	791	913
<b>Net (gain) / loss</b>	<b>(2,485)</b>	<b>(2,363)</b>

There are no restrictions on the Council's ability to realise the value inherent in its investment property or on the Council's right to the remittance of income and the proceeds of disposal. The Council has no contractual obligations to purchase, construct or develop investment property. Most of the investment properties are let out on an operating lease basis. Depending on the terms of the individual leases, the Council may retain a responsibility for repair and maintenance of the exterior fabric of the premises. Any costs incurred are included within the direct operating costs outlined above.

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

Analysis of movement in Investment Properties	2011/12	2012/13
	£000	£000
Balance at 1 April	78,025	76,940
Additions	7,950	0
Disposals	(903)	(102)
Net gains / (losses) from fair value adjustments	(3,371)	(3,195)
<b>Transfers:</b>		
(to) / from Inventories	464	(61)
(to) / from Property, Plant & Equipment	25	(400)
Other changes	(5,250)	0
<b>Balance at 31 March</b>	<b>76,940</b>	<b>73,182</b>

### 13. Capital Expenditure and Capital Financing

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

Capital Financing Requirement	2011/12	2012/13
	£000	£000
<b>Opening Capital Financing Requirement 1 April</b>	<b>268,934</b>	<b>277,560</b>
<b>Capital Investment</b>		
Property, Plant & Equipment	65,733	29,940
Intangible Assets	1,126	876
Revenue Expenditure Funded from Capital under Statute	5,214	15,589
Other Capital Expenditure	10	10
<b>Total</b>	<b>72,083</b>	<b>46,415</b>
<b>Sources of Finance</b>		
Capital Receipts	(18,526)	(3,977)
less: Long Term Debtors written out in year	47	28
Grants & Contributions applied in year	(31,875)	(33,851)
Revenue & Other Funds	(4,247)	(972)
Minimum Revenue Provision	(8,856)	(9,424)
<b>Total</b>	<b>(63,457)</b>	<b>(48,196)</b>
<b>Closing Capital Financing Requirement 31 March</b>	<b>277,560</b>	<b>275,779</b>
<b>Explanation of Movement in Year</b>		
Increase in underlying need to borrow (supported by Government financial assistance)	217	107
Increase in underlying need to borrow (unsupported by Government financial assistance)	18,297	7,805
Reduction in underlying need to borrow resulting from other changes in Capital financing Requirement	(9,888)	(9,693)
<b>Increase/(Decrease) in Capital Financing Requirement</b>	<b>8,626</b>	<b>(1,781)</b>

## 14. Financial Instruments

### 14.1. Financial Instrument Balances

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

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

Analysis of Financial Instruments	Long-Term		Current		Total	
	31 Mar 12	31 Mar 13	31 Mar 12	31 Mar 13	31 Mar 12	31 Mar 13
	£000	£000	£000	£000	£000	£000
<b>Financial Liabilities</b>						
<b>Financial liabilities at amortised cost</b>						
PWLB Debt	(61,315)	(61,315)	(1,268)	(1,268)	(62,583)	(62,583)
Other Borrowings	(132,597)	(132,543)	(16,579)	(36,385)	(149,176)	(168,928)
Deferred Liabilities	(32,437)	(31,393)	(1,165)	(1,042)	(33,602)	(32,435)
Other Liabilities	(8,947)	(8,687)	(563)	(469)	(9,510)	(9,156)
Trade Creditors	(347)	0	(28,616)	(28,873)	(28,963)	(28,873)
<b>Total Financial Liabilities</b>	<b>(235,643)</b>	<b>(233,938)</b>	<b>(48,191)</b>	<b>(68,037)</b>	<b>(283,834)</b>	<b>(301,975)</b>
<b>Financial Assets</b>						
<b>Loans and receivables:</b>						
Investments	1,558	1,558	27,987	10,129	29,545	11,687
Contractual debtors (net of impairment)	1,091	1,094	10,473	14,535	11,564	15,629
Cash & cash equivalents	0	0	53,125	64,987	53,125	64,987
<b>Available for sale investments:</b>						
Long term investments at fair value	0	5,000	0	0	0	5,000
<b>Total Financial Assets</b>	<b>2,649</b>	<b>7,652</b>	<b>91,585</b>	<b>89,651</b>	<b>94,234</b>	<b>97,303</b>

Note: LOBOs of £44m have been included in long term borrowing but have a call date in the next 12 months.

## 14.2. Gains and Losses on Financial Instruments

The Income, Expense, Gains and Losses recognised in the Comprehensive Income and Expenditure Statement in relation to financial instruments are made up as follows:-

Gains / Losses on Financial Instruments	2011/12			2012/13		
	Financial Liabilities measured at amortised cost	Financial Assets Loans and receivables	Total	Financial Liabilities measured at amortised cost	Financial Assets Loans and receivables	Total
	£000	£000	£000	£000	£000	£000
Interest expense	12,668		12,668	12,552		12,552
Impairment losses		(1,284)	(1,284)		(298)	(298)
Interest payable and similar charges	12,668	(1,284)	11,384	12,552	(298)	12,254
Interest income		(3,195)	(3,195)		(1,108)	(1,108)
Interest and investment income	0	(3,195)	(3,195)	0	(1,108)	(1,108)
Net (gain)/loss for the year	12,668	(4,479)	8,189	12,552	(1,406)	11,146

## 14.3. Fair Value of Assets and Liabilities carried at Amortised Cost

Financial liabilities and financial assets represented by loans and receivables are carried in the Balance Sheet at amortised cost. The proportion of debt and investments due to be settled within 12 months of the balance sheet date are presented in the Balance Sheet under short term liabilities or short term investments. This also includes accrued interest for long term investments and borrowings.

The Code requires the Fair Value of these assets and liabilities to be disclosed for comparison purposes. Fair Value is the amount for which an asset could be exchanged, or liability settled, between knowledgeable, willing parties in an arm's-length transaction. The Fair Value of a financial instrument on initial recognition is generally the transaction price. The Council's debt outstanding at 31 March 2012 and 31 March 2013 consisted of loans from the Public Works Loan Board (PWLB) and market loans. The PWLB has provided the Council with Fair Value amounts in relation to its debt portfolio by calculating the amounts the Council would have to pay to extinguish the loans on these dates. The fair values of long-term "Lender's Option Borrower's Option" (LOBO) loans have been calculated by discounting the contractual cash flows over the whole life of the instrument at the appropriate interest rate swap rate and adding the value of the embedded options. The Lender's options to propose an increase to the interest rate on the loan have been valued according to Bloomberg's proprietary model for Bermudian cancelled swaps. The Borrower's contingent options to accept the increased rate or repay the loan have been valued at zero, on the assumption that lenders will only exercise their options when market rates have risen above the contractual loan rate.

The Council's investment portfolio at the Balance Sheet date consisted mainly of term deposits and call/notice accounts with Banks and Building Societies. The maturity dates of these investments were all within 12 months of the Balance Sheet date.

In the case of short term instruments and deferred liabilities (PFI, finance leases, etc.) the Council deems the carrying amount to be a reasonable approximation of the fair value. The fair value of trade receivables is taken to be the invoiced or billed amount.

Investments held on the balance sheet as available for sale are shown at fair value. This being the value obtainable by the Council if this investment was sold on the balance sheet date.



Comparison of Financial Liabilities	31 Mar 2012		31 Mar 2013	
	Carrying amount	Fair value	Carrying amount	Fair value
	£000	£000	£000	£000
PWLB - maturity*	(62,583)	(86,707)	(62,583)	(88,583)
LOBOs	(134,086)	(170,778)	(134,027)	(194,333)
Bonds	(83)	(83)	(88)	(88)
Short term borrowing	(15,007)	(15,007)	(34,812)	(34,812)
Deferred Liabilities	(33,602)	(33,602)	(32,435)	(32,435)
Other Liabilities	(9,510)	(9,510)	(9,156)	(9,156)
Creditors	(28,963)	(28,963)	(28,873)	(28,873)
<b>Total Financial liabilities</b>	<b>(283,834)</b>	<b>(344,650)</b>	<b>(301,974)</b>	<b>(388,280)</b>

\*In October 2007, the PWLB introduced a separate rate of interest for early repayment of loans, and the fair value calculation as supplied by PWLB has been based on this lower rate of interest. This rate is not comparable with the valuation of market loans. The equivalent fair value for PWLB loans based on a comparable market rate would be £75.522m a reduction of £13.061m.

The fair value is more than the carrying amount because the Council's portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the rates available for similar loans at the Balance Sheet date. The commitment to pay interest above current market rates increases the amount that the Council would have to pay if the lender requested or agreed to early repayment of the loans.

Comparison of Financial Assets	31 Mar 2012		31 Mar 2013	
	Carrying amount	Fair value	Carrying amount	Fair value
	£000	£000	£000	£000
Deposits with banks and building societies	27,987	28,024	10,129	10,129
Cash & cash equivalents	53,125	53,125	64,987	64,987
Contractual Debtors	11,564	11,564	15,629	15,629
<b>Total Financial assets</b>	<b>92,676</b>	<b>92,713</b>	<b>90,745</b>	<b>90,745</b>

The fair value is equal to the carrying amount because the Council's portfolio of investments at balance sheet date, in the main, consisted of cash equivalent and short-term deposits. The long-term investment classified as available for sale was purchased on 31 March 2013 with the purchase value equal to the sale value at the balance sheet date.

#### 14.4. Nature and Extent of Risks Arising from Financial Instruments

The Council has adopted CIPFA's code of Practice on Treasury Management and complies with The Prudential Code for Capital Finance in Local Authorities (both revised in November 2011).

As part of the adoption of the Treasury Management Code, the Council approves a Treasury Management Strategy before the commencement of each financial year. The strategy sets out the parameters for the management of risks associated with Financial Instruments. The Council also produces Treasury Management Practices specifying the practical arrangements to be followed to manage risks.

The treasury Management Strategy includes an Annual Investment Strategy in compliance with the Department for Communities and Local Government (CLG) Investment Guidance for local authorities. The guidance emphasises that priority is to be given to security and liquidity, rather than yield. The Council's Treasury Management Strategy, together with its Treasury Management Practices are based on seeking the highest rate of return consistent with the proper levels of security and liquidity.

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

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

#### Credit Risk

Credit risk arises from the short-term lending of surplus funds to banks, building societies and other local authorities as well as credit exposures to the Council's customers. The risk is minimised through the annual Investment Strategy which outlines the credit criteria for the investment of the Council's funds. It is the policy of the Council to place deposits only with a limited number of high quality banks and building societies. The minimum credit rating criteria set for new investments with these financial institutions was a long term rating of A-/A3/A- (Fitch/Moody's/S&P). Recognising that credit ratings are imperfect predictors of default, the Council has regard to other measures including credit default swaps and equity prices when selecting commercial organisations for investment.

A maximum limit of £30.00m of the total portfolio is placed on the amount that can be invested with a single counterparty. This limit and the maximum maturity of deposits are based on the credit quality of the organisation.

In the main the Council made use of UK Bank reserve accounts, allowing instant access to funds. Where longer term investments were made these have been restricted to a maximum 1 year. The table below shows the nominal value of the Council's investment portfolio at 31st March 2013, and confirms that all investments were made in line with the Council's approved credit rating criteria at the time of placing the investment:-

Counterparty	Credit Rating Criteria Met when investment placed	Credit Rating Criteria Met on 31 Mar 13	Balance invested as at 31 Mar 13 £000			Total £000
	Yes/No	Yes/No	Up to 1 month	1-3 months	3-6 Months	
UK Banks (Deposits)	Yes	Yes	5,000	5,000	5,000	15,000
UK Banks (Call Accounts)	Yes	Yes	58,322	0	0	58,322
<b>Total</b>			<b>63,322</b>	<b>5,000</b>	<b>5,000</b>	<b>73,322</b>

Customers for goods and services are assessed, taking into account their financial position, past experience and other factors, with individual credit limits being set in accordance with parameters set by the Council.

The Council's maximum exposure to credit risk in relation to its investments with banks and building societies 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 institution. The Council, for example, is still seeking to recover amounts invested in the Icelandic banks. A risk of irrecoverability applies to all of the Council's deposits, but there was no evidence at 31 March 2013 that this was likely to crystallise for any further deposits.

The following analysis summarises the Council's potential maximum exposure to credit risk, based on past experience and current market conditions. An update on the Council's investments in Icelandic banks is provided below.

Analysis of Credit Risk	Amounts at 31 March 2013	Historical experience of default	Historical experience adjusted for market conditions as at 31 March 2013	Estimated maximum exposure to default and uncollectability
	£000	%	%	£000
Deposits with banks and other financial institutions	77,374	5.24	n/a	4,052
Customers	17,425	10.31	n/a	1,796
<b>Total</b>	<b>94,799</b>			<b>5,848</b>

The historical experience of default for deposits with banks and other financial institutions is based on the outstanding amounts invested in Icelandic Banks as a % of the Council's total investments at the end of the year.

The Council does not generally allow credit for customers. After 28 days, recovery procedures are undertaken to recover any outstanding debt. The overdue amount can be analysed by age as follows (including balances outstanding up to 28 days):-

Age Analysis of Outstanding debt	31 Mar 2012	31 Mar 2013
	£000	£000
Less than two months	6,749	9,930
Two to three months	137	247
Three to four months	432	326
Four months to one year	2,372	2,253
More than one year	1,874	2,873
<b>Total</b>	<b>11,564</b>	<b>15,629</b>

#### Icelandic Banks

Early in October 2008, the Icelandic banks Landsbanki, Kaupthing and Glitnir collapsed and the UK subsidiaries of the banks, Heritable and Kaupthing Singer and Friedlander went into administration. The Council had £13m deposited across 3 of these institutions.

All monies within these institutions are currently subject to the respective administration and receivership processes. The amounts and timing of payments to depositors such as the Council will be determined by the administrators / receivers. The latest position on the recoveries of monies invested in the Icelandic banks is as follows:

#### Heritable Bank £3m

The Council received dividends totaling 9.36p in the £ in 2012/13, made up of principal of £0.281m and interest of £0.014m, bringing total dividends paid to 31 March 2013 to 77.28%. This left a balance outstanding of £0.716m.

#### Glitnir £6m

No further payments were received in 2012/13. With 79.03% recovered to date this leaves £1.335m left to recover.

#### Landsbanki £4m

The Council received further dividends totaling 18.06p in the £ in 2012/13, made up of principal of £0.722m and interest of £0.041m, bringing total dividends paid to 31 March 2013 to 47.19%. This left a balance outstanding of £2.231m.

The Council continues to pursue recovery of the outstanding monies through the Icelandic Courts in partnership with the Local Government Association working on behalf of all Authorities with residual Icelandic Deposits.

Icelandic Impairment

In the 2009/10 accounts an impairment was calculated based on an estimate of future collection. At this time the impairment of deposits was calculated as £5.904m. This was charged to the Councils revenue account in 2009/10 and funded by a capitalisation direction and a transfer from reserves. The impairment charge was calculated by discounting the assumed cash flows at the effective interest rate of the original deposits in order to recognise the anticipated loss of interest to the Council until monies are recovered.

The accounts for 2012/13 continue to apply the Council's decision in 2011/12 to adjust the impairment in line with actual cash received in relation to the Council's claims against the banks. Following an adjustment of £1.284m in 2011/12 the impairment has been reduced by a further £0.298m in 2012/13 in line with recoveries made up to the date of publishing these accounts. This has reduced the impairment to £4.322m. The Council continues to vigorously pursue the recovery of the total debt.

Liquidity Risk

The Council has a comprehensive cash flow management system that seeks to ensure that cash is available as needed. If unexpected movements happen, the Council has ready access to borrowings from the money markets and the Public Works Loans Board (PWLB). As a result there is no significant risk that the Council will be unable to raise finance to meet its commitments.

Instead, the risk is that the Council will be bound to replenish a significant proportion of its borrowings at a time of unfavourable interest rates. The Council has safeguards in place to ensure that a significant proportion of its borrowing does not mature for repayment at any one time in the future with Prudential Indicators included in the Treasury Management Strategy setting maximum levels of debt to mature within any financial year.

The maturity structure of financial liabilities is as follows (at nominal value):-

Loans outstanding	31 Mar 2012	31 Mar 2013
	£000	£000
Public Works Loans Board	(61,315)	(61,315)
Market debt	(130,000)	(130,000)
Temporary borrowing	(15,000)	(34,800)
Local bonds	(83)	(88)
Deferred Liability (PFI)	(31,017)	(30,246)
Deferred Liability (Finance Leases)	(2,585)	(2,189)
Other Liabilities	(9,408)	(9,156)
Trade Creditors	(28,963)	(28,873)
<b>Total</b>	<b>(278,371)</b>	<b>(296,667)</b>

Less than 1 year	(45,326)	(65,272)
Between 1 and 2 years	(1,851)	(1,521)
Between 2 and 5 years	(4,262)	(4,243)
Between 5 and 10 years	(11,371)	(11,765)
Between 10 and 20 years	(46,989)	(48,789)
Between 20 and 30 years	(15,177)	(11,685)
Between 30 and 40 years	(4,505)	(8,991)
Between 40 and 50 years	(37,455)	(32,979)
Over 50 years	(111,435)	(111,422)
<b>Total</b>	<b>(278,371)</b>	<b>(296,667)</b>

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

There is £44.000m in the over 50 year category of LOBO's which have a call date in the next 12 months.

£34.800m of short term borrowing in place at 31 March 2013 was taken under approved Council to meet the Council capital financing and cash flow requirements to the end of the financial year. These loans can be repaid from cash flow and maturing deposits in 2013/14 if required thus reducing credit risk. These repayments are not subject to liquidity risk and as there is no need to replace this borrowing as there will be no exposure to interest rate risk.

## Market Risk: Interest rate risk

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

- Borrowings at variable rates - the interest rate expense charged to the Comprehensive Income and Expenditure Statement would rise
- Borrowings at fixed rates – the fair value of the liabilities borrowings would fall
- Investments at variable rates – the interest income credited to the Comprehensive Income and Expenditure Statement would rise
- Investments at fixed rates – the fair value of the assets will fall.

Investments classed as “loans and receivables” and loans borrowed are not carried at fair value, so changes in their value will have no impact on the Comprehensive Income and Expenditure Statement. However changes in interest payable and receivable on variable rate borrowings and investments will be posted to the (surplus) or deficit on the Provision of Services.

The Council has a number of strategies for managing interest rate risk. The Council seeks to minimise this risk through expert advice on forecasts of interest rates received from our treasury management consultants. This is used to formulate a strategy for the year for both investments and borrowing. This strategy is periodically reviewed during the year to update for any modifications required in the light of actual movements in interest rates. As part of this strategy, limits are set for variable interest rate exposure to ensure that variable rate borrowing does not exceed variable rate investments. In both cases variable rates are considered to be any loan or investments with maturities of less than 1 year, or longer term loans or investments with the period to maturity falling below 1 year. During periods of falling interest rates, and where economic circumstances make it favourable, fixed rate loans will be repaid early to limit exposure to losses.

If all interest rates had been 1% higher (with all other variables held constant) the financial effect would be an increase in interest payable on variable rate borrowing of £0.255m and an increase in the interest receivable on variable rate investments of £0.815m. This increase in net interest receivable would impact on the (surplus) or deficit on the Provision for Services and the Comprehensive Income and Expenditure Statement. There would also be a decrease in the fair value of the Councils fixed rate borrowing of £35.562m. This would have no impact on Comprehensive Income and Expenditure Statement. The approximate impact of a 1% fall in interest rates would be the same values but the movements being reversed.

## Market Risk: Price Risk

The market price of the Council's units in collective investment schemes are governed by prevailing interest rates and economic conditions and the risk associated with these instruments is managed alongside interest rate risk.

The Council does not invest in any equity shares and is therefore is not subject to equity price risk.

## Market Risk: Foreign Exchange Risk

The Council currently has approximately £1.2m in Icelandic Krona (ISK) remaining in Escrow in Iceland. The Council is currently working with the LGA, Bevan Brittan and other affected authorities to research ways of converting the ISK element of the impaired Icelandic deposit into Foreign Exchange i.e. British Pounds.

## 15. Debtors

### 15.1. Long Term Debtors

Category of Debtor	31 Mar 2012	31 Mar 2013
	£000	£000
Secured Debt	865	932
Council House Mortgages	20	11
Other Loans/Mortgages	206	151
<b>Total Long Term Debtors</b>	<b>1,091</b>	<b>1,094</b>

The Council has a number of legal charges secured on properties to cover the payment of Adult Social Care fees and charges for services. Based on historical trends, the Council is unlikely to secure payment of the relevant debt within the next 12 months.

### 15.2. Short Term Debtors

Debtors are carried in the Balance Sheet at amortised cost, which generally equates to invoice value. The carrying value of the debt is reduced, however, to take into account the potential non-collectability of debt. The table below represents the net amount the Council expects to collect from debtors existing at the balance sheet date:-

Category of Debtor	31 Mar 2012	31 Mar 2013
	£000	£000
<b>Amounts Falling Due in One Year</b>		
Central Government Departments	13,618	8,468
NHS Bodies	3,027	1,127
Other Local Authorities	1,907	1,486
Other entities and individuals	14,899	20,257
<b>Total Short Term Debtors</b>	<b>33,451</b>	<b>31,338</b>

### 15.3. Bad Debt Provision

The movement on the allowance for non-collectability of debt (bad debt provision) account over the year was as follows:-

Analysis of Provisions held	31 Mar 2012	Provision made in year	Provision used in year	31 Mar 2013
	£000	£000	£000	£000
General Fund	(2,342)	(245)	630	(1,957)
Housing Benefit Overpayments Provision	(2,137)	(419)	191	(2,365)
Collection Fund	(6,886)	(850)	4,608	(3,128)
<b>Total Provisions For Bad Debt</b>	<b>(11,365)</b>	<b>(1,514)</b>	<b>5,429</b>	<b>(7,450)</b>

Further detail on the Collection Fund can be found in note 4 to the Collection Fund on page 104.

## 16. Assets Held for Sale

The following table shows the movement in assets held for sale during the year. All assets are expected to be sold within the next 12 months and are therefore classified as short term for Balance Sheet purposes.

Movement in Assets Held for Sale	2011/12	2012/13
	£000	£000
Balance outstanding at start of year	3,057	3,843
Assets newly classified as held for sale:		
Property, Plant and Equipment	1,296	4,448
Investment Properties	84	61
Revaluation gains	26	0
Impairment losses	(25)	0
Assets declassified as held for sale:		
Property, Plant and Equipment	0	(1,151)
Investment Properties	(571)	0
Assets sold	(24)	(2,692)
Balance as at 31 March	3,843	4,509

## 17. Creditors

### 17.1. Short Term Creditors

Creditors payable within the next 12 months are:-

Category of Creditor	31 Mar 2012	31 Mar 2013
	£000	£000
Central Government Departments	(35,342)	(8,298)
Corporations & Trading Funds	(26)	(11)
NHS Bodies	(3,504)	(2,501)
Other Local Authorities	(4,460)	(2,663)
Other entities and individuals	(45,501)	(47,182)
<b>Total</b>	<b>(88,833)</b>	<b>(60,655)</b>

The main reason for the reduction between years is due to an amount of £21.502m within the 2011/12 balance relating to the Growing Places Fund held by the Council at 31 March 2012 which has now been paid to Devon County Council who administer the fund on behalf of the SW Local Enterprise Partnership.

### 17.2. Long Term Creditors

Creditors falling due after more than 12 months are:-

Category of Creditor	31 Mar 2012	31 Mar 2013
	£000	£000
Other Local Authorities	(16,438)	(16,243)
Other entities and individuals	(347)	(191)
<b>Total</b>	<b>(16,785)</b>	<b>(16,434)</b>

The amount included within the other Local Authorities relates to a liability to Devon County Council for unfunded pension liabilities relating to pre Local Government Reorganisation (i.e. pre 1 April 1998).



### 17.3. Other Long Term Liabilities

Analysis of Other Long Term Liabilities	31 Mar 2012	31 Mar 2013
	£000	£000
PFI Finance Leases	(30,246)	(29,440)
Other Finance Leases	(2,190)	(1,953)
Tamar Science Park	(818)	(628)
Cornwall Council - re Tamar Bridge & Torpoint Ferry Joint Committee	(8,947)	(8,687)
<b>Total</b>	<b>(42,201)</b>	<b>(40,708)</b>

### 18. Provisions

The Council has a number of budget provisions set up to meet known liabilities. Provisions are compulsory and required to comply with accounting standards. The balance on the provisions at year end together with movement in the year is outlined below:-

Analysis of Provisions held	31 Mar 2012	Receipts in year	Payments in year	Unused amounts reversed in year	31 Mar 2013
	£000	£000	£000	£000	£000
Insurance Provisions	(6,386)	(1,668)	927	723	(6,404)
Other Provisions	(4,300)	(699)	1,349	2,079	(1,571)
<b>Total Provisions</b>	<b>(10,686)</b>	<b>(2,367)</b>	<b>2,276</b>	<b>2,802</b>	<b>(7,975)</b>

Details about the main provisions held are as follows:-

#### Insurance Provisions

The Council insures only part of its risks externally through insurance companies, with other risks covered by specific internal funding. The insurance provision receives contributions from charges made to service revenue accounts for insurance, and payments are made from the fund in respect of insurable liabilities, which are covered internally. At the year end, the balance on the various funds equates to the best estimate of liabilities from claims.

All of the Council's buildings are insured against fire, whilst some are also covered against other perils. Liability cover includes public liability and employer's liability.

#### Not covered

Liability	First £250,000 of any claim	(max. £3.60m in any one year)
Main Fire Insurance	First £100,000 of any claim	(max. £0.60m in any one year)
Money & Fidelity Guarantee	First £10,000 of any claim	(max. £0.50m in any one year)
Computer All Risks	Variable between £1,000 and £10,000 of any claim	
Other All Risks	First £10,000 of any claim	

#### Other Provisions

The two main provisions within this balance are:-

**Backdated Equal Pay Claims** -The Council has received a number of equal pay claims over the past few years. During 2012/13 a number of these claims were settled and charged against the provision set up for this purpose. As at 31 March 2013, a funded balance of £0.872m remains in the provision.

**Liability for BMW Landfill Usage** - The provision for the liability Biodegradable Municipal Waste (BMW) Landfill Usage has been set aside to meet the Council's estimated obligation at 31 March 2013 in relation to the Government's Landfill Allowances and Trading Scheme (LATS). The provision will be used in 2013/14 once final tonnage figures for 2012/13 have been reported to DEFRA and landfill allowances surrendered.

The 2011 Government Waste Review confirmed that LATS would be ending in 2012/13, so this provision will no longer be required from 2013/14 onwards.

#### Year End analysis of Provisions

Of the £7.975m held in provisions at 31 March 2013, £2.441m is expected to be used within the next 12 months and is therefore disclosed as a current liability within the Balance Sheet. The remaining £5.534m is shown within long term liabilities.

#### Planned Landfill Site Provision

The auditor has recommended that the Council make provision within its accounts to reflect the Council's on-going liability in relation to the closed landfill site at Chelson Meadow. Guidance in relation to this provision and associated accounting treatment / entries was not available at the time the draft accounts were published in June, and so no provision was made at this time. However, Officers had been aware for some time that the publication of the guidance was imminent and had therefore anticipated that this would be an issue for consideration for the 2013/14 accounts. Since the guidance was received in mid-July, work has progressed with regards to identifying a reasonable estimate of the provision required and at this stage it is estimated that a provision of circa £6m will be required. After considering the nature of the provision in terms of the impact on the financial statements, it is proposed that the necessary accounting adjustments be implemented during 2013/14, rather than within the 2012/13 accounts. It is Officers' opinion that the omission of this provision for the 2012/13 accounts will not have a detrimental impact on the reader's understanding or interpretation of the Council's financial position.

## **19. Reserves**

### **19.1. Usable and Unusable Reserves Summary**

The Council holds a number of reserves in the Balance Sheet. Some are required to be held for statutory reasons, some are needed to comply with proper accountancy practice and others have been set up voluntarily to earmark resources for future spending plans. The following table outlines the main reserves held with further analysis of individual reserve categories being shown in the remainder of this section.

Analysis of Reserves	Note	31 Mar 2012	31 Mar 2013
		£000	£000
<b>Usable Reserves</b>			
General Fund Balance	19.2	11,301	10,797
Earmarked General Fund Reserves	19.3	26,437	24,417
Capital Receipts Reserve	19.4	9,289	13,121
Capital Grants and Contributions Unapplied	19.5	12,393	12,283
<b>Total Usable Reserves</b>		<b>59,420</b>	<b>60,618</b>
<b>Unusable Reserves</b>			
Revaluation Reserve	19.6	121,354	115,422
Capital Adjustment Account	19.7	388,987	326,741
Financial Instruments Adjustment Account	19.8	(3,932)	(4,038)
Pensions Reserve	19.9	(352,572)	(370,736)
Collection Fund Adjustment Account	19.10	527	845
Unequal Pay Back Pay Account	19.11	(1,843)	0
Accumulating Compensated Absences Adjustment Account	19.12	(5,043)	(3,715)
Deferred Capital Receipts	19.13	30	20
Available for Sale Financial Instruments Reserve	19.14	0	(25)
<b>Total Unusable Reserves</b>		<b>147,508</b>	<b>64,514</b>
<b>Total Reserves</b>		<b>206,928</b>	<b>125,132</b>

## 19.2. General Fund Balance

The General Fund Balance (also known as the 'Working Balance') represents accumulated surplus of income over expenditure in relation to the Council's revenue activities. The balance may be utilised to provide for unforeseen circumstances, ensure that payments can be made pending the receipt of income, or to support the annual revenue budget (thus reducing the Council Tax levy). The balance at the start of the year was £11.301m. After taking into account the revenue deficit for the year of £0.504m the balance at 31 March 2013 was £10.797m.

## 19.3. Earmarked Reserves

This note sets out the amounts set aside in earmarked reserves to provide financing for future expenditure plans and policy initiatives.

Analysis of Earmarked Reserves	31 Mar 2012	Transfer to Reserves in year	Transfers from Reserves in year	31 Mar 2013
	£000	£000	£000	£000
Trading Account and other Statutory Ringfenced Reserves	432	2,724	(2,888)	268
Commuted Maintenance	976	98	(723)	351
Education/Schools Earmarked Reserves	5,721	5,221	(4,515)	6,427
PCC Earmarked Reserves for policy/future liabilities	15,980	6,223	(8,286)	13,917
Other Ringfenced Reserves	2,803	699	(667)	2,835
Other Reserves	525	181	(87)	619
<b>Total Earmarked Reserves</b>	<b>26,437</b>	<b>15,146</b>	<b>(17,166)</b>	<b>24,417</b>

A more detailed breakdown of reserves can be found in [Appendix C](#) of the Financial Outturn Report which went to Cabinet on 21 May 2013.

The main earmarked reserves and their purpose are as follows:

### Trading Reserves

The Council continues to operate a number of activities as trading activities, for which a separate reserve is held. These include:

- Plymouth City Market
- On & Off street Parking reserves
- Hackney Carriage and Private Hire

Surpluses and deficits from the operations are either transferred to or from the trading reserve accounts or to the General Fund, subject to statutory limitations. The use of some of these reserves is restricted, e.g. the on-street parking reserve may only be used to support transport related activities. Many of these reserves have now been exhausted with any surpluses generated in the year being required to meet on-going commitments.

### Commuted Maintenance Reserves

One-off sums are received periodically by the Council from developers towards future maintenance obligations and improvement works arising from land adopted by the Council following development work.

### Education/Schools Reserves

Education carry forwards – A number of reserves are held on behalf of several educational establishments which operate under devolved budgets, whereby any surpluses or deficits are carried forward to the following financial year.

School budget share – Represents unspent balances at the year-end against schools' delegated budgets. The 31 March 2013 balance relating to the School budget share was £5.010m (31 March 2012: £4.449m).

PFI Reserve – The Council receives PFI credits towards the schools PFI contract at Wood View in equal instalments over the course of the contract. Credits received in excess of costs are carried forward in a reserve to meet future expenditure, thus smoothing expenditure and income over the term of the contract.

#### PCC Earmarked Reserves

These are earmarked reserves for policy and/or future liabilities. They include reserves in relation to Accommodation, Pensions, Redundancies and potential Waste liabilities, along with a revenue reserve which finances some of the £20m Investment Fund set up by the Council as part of the 'Plan for Jobs Strategy'.

#### Other Ringfenced Reserves

These include the reserves for the A386 Park & Ride Leased Spaces and Tamar Bridge & Torpoint Ferry Joint Committee.

#### Other Reserves

There are several smaller reserves including those relating to Multi-occupancy licenses and the Schools Library Service book fund.

### 19.4. Usable Capital Receipts

Capital receipts are received by the Council for the sale of assets and the repayment of mortgage loans. 75% of receipts relating to former HRA Right to Buy sales, including mortgage repayments, are paid over to central Government whilst the balance remaining may be used for the following:

- To finance capital expenditure
- To be set aside to finance future repayment of debt

The table below shows the movement in the reserve during the year:-

Movement in Usable Capital Receipts	2011/12	2012/13
	£000	£000
<b>Balance at 1 April</b>	<b>22,490</b>	<b>9,289</b>
<b>Add:</b> Receipts from sales of assets, etc.	5,251	7,817
Equated Interest	113	0
<b>Total</b>	<b>27,854</b>	<b>17,106</b>
<b>Less:</b>		
Housing Pooled Capital Receipts Paid to Central Government	(39)	(8)
Used to Finance Capital Expenditure	(18,526)	(3,977)
<b>Balance at 31 March</b>	<b>9,289</b>	<b>13,121</b>

### 19.5. Capital Grants and Contributions Unapplied

The Council receives various grants (mainly from Central Government) and contributions towards the financing of its capital programme each year. The following table details the transactions posted to the account for the period:-

Movement in Capital Grants and Contributions	2011/12	2012/13
	£000	£000
<b>Balance at 1 April</b>	<b>13,771</b>	<b>12,393</b>
Capital Grants and Contributions recognised in the Comprehensive Income and Expenditure Statement in the year	29,119	36,383
Less used to finance Capital Expenditure	(30,497)	(36,493)
<b>Balance at 31 March</b>	<b>12,393</b>	<b>12,283</b>

In addition to the above balance, the Council also held £10.419m of grants and contributions on the balance sheet at 31 March 2013 (£11.146m at 31 March 2012) which had not yet been released to the Comprehensive Income and Expenditure Statement. These will be recognised and transferred into the Capital Grants and Contribution Unapplied Account, once the Council is satisfied that the terms and conditions of the grant have been met.

Further details of capital grants and contributions are provided in note 27.2 on page 85.

### 19.6. Revaluation Reserve

The Revaluation 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.

The following table details the transactions posted to the account for the period:-

Movement in Revaluation Reserve	2011/12	2012/13
	£000	£000
<b>Balance at 1 April</b>	<b>117,811</b>	<b>121,354</b>
Upward revaluation of assets	15,229	10,815
Downward revaluation of assets and impairment losses not charged to the (Surplus)/Deficit on the Provision of Services	(2,908)	(3,033)
<b>Surplus or (deficit) on the revaluation of non-current assets not posted to the (Surplus) or Deficit on the Provision of Services</b>	<b>12,321</b>	<b>7,782</b>
Transfer to Capital Adjustment Account	(2,291)	0
Release of Investment Property Balance	(596)	0
Difference between fair value depreciation and historical cost depreciation	(6,123)	(4,138)
Accumulated gains on assets sold or scrapped	232	(9,576)
<b>Amount written off to the Capital Adjustment Account</b>	<b>(8,778)</b>	<b>(13,714)</b>
<b>Balance at 31 March</b>	<b>121,354</b>	<b>115,422</b>

### 19.7. 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 Council as finance for the costs of acquisition, construction and enhancement.

The Account contains accumulated gains and losses on Investment Properties and gains recognised on donated assets that have yet to be consumed by the Council. It 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 following table shows the transactions posted to the account during the year:-

<b>Movement in Capital Adjustment Account</b>	<b>2011/12</b>	<b>2012/13</b>
	<b>£000</b>	<b>£000</b>
<b>Balance at 1 April</b>	<b>385,105</b>	<b>388,987</b>
<b>Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:</b>		
Charges for depreciation and impairment of non current assets	(33,693)	(42,482)
Revaluation losses on Property, Plant and Equipment	(15,336)	(11,965)
Amortisation of intangible assets	(636)	(709)
Revenue expenditure funded from capital under statute	(5,263)	(15,678)
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	(3,776)	(43,462)
Adjusting amounts written out of the Revaluation Reserve	2,887	4,138
<b>Capital financing applied in the year:</b>		
Use of the Capital Receipts Reserve to finance new capital expenditure	18,526	3,977
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	30,497	36,493
<b>Amounts reserved for future capital financing:-</b>		
Statutory provision for the financing of capital investment charged against the General Fund (includes TB&TFJC element)	8,856	9,424
Capital expenditure charged against General Fund	4,450	1,181
Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	(8,622)	(3,155)
Movement in the Donated Assets Account credited to the Comprehensive Income and Expenditure Statement	6,028	10
<b>Other Movement on the CAA in year:-</b>		
Write Down of Long Term Debtors	(47)	(28)
Adjustment re Pre 2004 Leases	11	10
<b>Balance at 31 March</b>	<b>388,987</b>	<b>326,741</b>

## 19.8. 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 Council 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 Council'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 at 31 March 2013 will be charged to the General Fund over the next 45 years.

The movement on the account in 2012/13 is shown below:-

Movement in Financial Instruments Adjustment Account	2011/12	2012/13
	£000	£000
<b>Balance at 1 April</b>	<b>(3,851)</b>	<b>(3,932)</b>
<b>Movement in year:</b>		
Premiums - amortised cost	53	53
Discounts - amortised cost	(242)	(242)
Soft loans adjustment	60	28
Stepped LOBO Loan Adjustment	48	55
<b>Balance 31 March</b>	<b>(3,932)</b>	<b>(4,038)</b>

### 19.9. 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 Council accounts for post employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs.

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

Movement in Pension Reserve	2011/12	2012/13
	£000	£000
<b>Balance at 1 April</b>	<b>(238,446)</b>	<b>(352,572)</b>
Actuarial gains or losses on pensions assets and liabilities	(118,569)	(4,969)
Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	(18,325)	(34,735)
Employer's pensions contributions and direct payments to pensioners payable in the year	22,294	21,345
(Increase) / decrease in Plymouth's share of net deficit in year of Devon County Council Pension Fund	474	195
<b>Balance at 31 March</b>	<b>(352,572)</b>	<b>(370,736)</b>



### 19.10. 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.

Movement in Collection Fund adjustment Account	2011/12	2012/13
	£000	£000
<b>Balance at 1 April</b>	<b>(325)</b>	<b>527</b>
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	852	318
<b>Balance at 31 March</b>	<b>527</b>	<b>845</b>

### 19.11. Equal Pay Back Pay Account

Many Authorities are experiencing large numbers of claims for back pay from appeals about equal pay arising from the implementation of the single status agreement. The Equal Pay Back Pay Account compensates for the differences between the rate at which the Council provides for the potential costs of back pay settlements in relation to Equal Pay cases and the ability under statutory provisions to defer the impact on the General Fund Balance until such time as cash might be paid out to claimants.

Movement in Equal Pay Back Pay Account	2011/12	2012/13
	£000	£000
<b>Balance at 1 April</b>	<b>(1,843)</b>	<b>(1,843)</b>
(Increase) / Decrease in provision for back pay in relation to Equal Pay cases	0	1,843
Cash settlements paid in the year	0	0
<b>Balance at 31 March</b>	<b>(1,843)</b>	<b>0</b>

### 19.12. Accumulating Compensated Absences Adjustment Account

The Accumulating Compensated Absences Adjustment Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year e.g. annual leave entitlement carried forward at 31 March. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

Movement in Accumulating Compensated Absences Adjustment Account	2011/12	2012/13
	£000	£000
<b>Balance at 1 April</b>	<b>(4,668)</b>	<b>(5,043)</b>
Settlement or cancellation of accrual made at the end of the preceding year	4,668	5,043
Amounts accrued at the end of the current year	(5,043)	(3,715)
<b>Balance at 31 March</b>	<b>(5,043)</b>	<b>(3,715)</b>

### 19.13. Deferred Capital Receipts

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

on the Deferred Capital Receipts Account represents amounts outstanding on mortgages granted to ex-Council tenants to purchase their Council Houses under Right to Buy (RTB) Legislation. During the year a total of £0.010m (2011/12: £0.013m) was repaid in respect of these loans. The Council no longer offers loans for this purpose. Although the stock has been transferred to Plymouth Community Homes, the mortgages remain the responsibility of the Council.

The housing mortgage portfolio is managed by LAMAC. At 31 March 2013 there were 8 mortgages outstanding with a debt of £0.020m.

#### 19.14. Available for Sale Financial Instruments Reserve

The available for sale financial instruments reserve contains the gains made by the Council arising from increases in the value of its investments that have quoted market prices or otherwise do not have fixed or determinable payments. The balance is reduced when investments with accumulated gains are:

- Revalued downwards or impaired and the gains are lost
- Disposed of and the gains are realised

Movement in Available for Sale Financial Instruments Reserve	2011/12	2012/13
	£000	£000
<b>Balance at 1 April</b>	<b>0</b>	<b>0</b>
Upward revaluation of investments	0	0
Downward revaluation of investments not charged to the Surplus/Deficit on the provision of Services	0	(25)
Accumulated gains on assets sold and maturing assets written out to the Comprehensive Income & Expenditure Statement as part of Other Investment Income	0	0
<b>Balance at 31 March</b>	<b>0</b>	<b>(25)</b>

## 20. Cash Flow Disclosures

### 20.1. Cash Flow Statement - Operating Activities

The cash flows for operating activities include the following items:-

Analysis of Operating Activities	2011/12	2012/13
	£000	£000
<b>Net Surplus or (Deficit) on the Provision of Services</b>	<b>(22,502)</b>	<b>(84,587)</b>
Adjust net surplus/(deficit) on the provision of services for non cash movements:		
Depreciation	39,948	38,344
Impairment and downward valuations	28,404	11,965
Amortisation	636	709
Material impairment losses on Investments debited to surplus or deficit on the provision of services in year	(1,284)	(298)
Soft Loans (non Subsidiary)-Interest adjustment credited to CIES Account during year	(60)	29
Adjustments for effective interest rates	(47)	(55)
Increase/(decrease) in provision for impairments/doubtful debts re: Loans & Advances	334	(56)
Increase/(Decrease) in Interest Creditors	848	1
Increase/(Decrease) in Creditors	2,850	(16,736)
(Increase)/Decrease in Interest and Dividend Debtors	2,956	192
(Increase)/Decrease in Debtors	4,048	(1,810)
(Increase)/Decrease in Inventories	7	129
Pension Liability	18,325	15,432
Contributions to/(from) Provisions	(94)	611
Provision for Equal Pay	(4)	(3,322)
Accumulated Absence	(374)	1,328
Carrying amount of non-current assets sold	3,776	43,462
Carrying amount of short and long term investments sold	138,208	52,058
Movement in Investment Property values	(4,447)	3,155
<b>Total</b>	<b>234,030</b>	<b>145,138</b>
<b>Adjust for items included in the net surplus or deficit on the provision of services that are investing or financing activities</b>		
Capital Grants credited to surplus or deficit on the provision of services	(29,120)	(36,383)
Proceeds from the sale of short and long term investments	(138,211)	(52,058)
Proceeds from the sale of property plant and equipment, investment property and intangible assets	(5,363)	(7,807)
<b>Total</b>	<b>(172,694)</b>	<b>(96,248)</b>
<b>Net Cash Flows from Operating Activities</b>	<b>38,834</b>	<b>(35,697)</b>

Analysis of interest paid and Received	2011/12	2012/13
	£000	£000
Ordinary interest received	299	1,101
Soft Loans (non Subsidiary)-Interest adjustment credited to I+E Account during year	(60)	(29)
Adjustment for Icelandic impairments	0	(125)
Opening Debtor	3,614	394
Closing Debtor	(658)	(202)
<b>Interest Received</b>	<b>3,195</b>	<b>1,139</b>
Interest charge for year	(10,901)	(11,857)
Adjustments for differences between Effective Interest Rates and actual interest payable	(47)	(55)
Adjustment for impairment losses on Long & Short Term Investments charged to Interest Payable	(1,284)	(298)
Opening Creditor	(1,916)	(5,529)
Closing Creditor	2,764	5,530
<b>Interest Paid</b>	<b>(11,384)</b>	<b>(12,209)</b>

## 20.2. Cash Flow Statement – Investing Activities

Analysis of Investing Activities	2011/12	2012/13
	£000	£000
Property, Plant and Equipment Purchased	(64,172)	(30,736)
Purchase of Investment Properties	(2,637)	0
Other Capital Payments	(6,294)	(13)
Opening Capital Creditors	(6,103)	(1,173)
Closing Capital Creditors	1,173	1,273
Movement on other capital creditors	4,466	(632)
<b>Purchase of Property, Plant and Equipment, investment property and intangible assets</b>	<b>(73,567)</b>	<b>(31,281)</b>
<b>Purchase of short and long term investments</b>	<b>(96,385)</b>	<b>(39,025)</b>
Long term loans granted	(10)	(79)
<b>Other payments for Investing Activities</b>	<b>(10)</b>	<b>(79)</b>
<b>Proceeds from the sale of property plant and equipment, investment property and intangible assets</b>	<b>5,462</b>	<b>7,817</b>
Proceeds from short term investments	122,211	52,058
Proceeds from long term investments	16,000	0
<b>Proceeds from short-term and long-term investments</b>	<b>138,211</b>	<b>52,058</b>
Other capital cash receipts	(676)	1,145
Capital Grants Received	29,141	37,821
Other capital cash receipts in advance	(21)	(3)
<b>Other Receipts from Investing Activities</b>	<b>28,444</b>	<b>38,963</b>
<b>Total Cash Flows from Investing Activities</b>	<b>2,155</b>	<b>28,453</b>

**20.3. Cash Flow Statement – Financing Activities**

Analysis of Financing Activities	2011/12	2012/13
	£000	£000
Cash receipts of short and long term borrowing	589,560	230,194
Billing Authorities - Council Tax and NNDR adjustments	(279)	1,019
Precepting Authorities Only - Appropriation to/from Collection Fund Adjustment Account	851	0
Repayment of Short-Term and Long-Term Borrowing	(670,697)	(210,940)
Payments for the reduction of a finance lease liability	(394)	(397)
Payments for the reduction of a PFI liability	(737)	(770)
<b>Total Cash Flows from Financing Activities</b>	<b>(81,696)</b>	<b>19,106</b>

**20.4. Cash Flow Statement – Cash and Cash Equivalents**

Analysis of Cash and Cash Equivalents	31 Mar 2012	31 Mar 2013
	£000	£000
Cash and Bank Balances	1,161	1,614
Cash Investments - regarded as cash equivalents	51,964	63,373
Bank Overdraft	0	0
<b>Total</b>	<b>53,125</b>	<b>64,987</b>

## 21. Amounts reported for resources allocation decisions

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the Service Reporting Code of Practice (SeRCOP). However, decisions about resource allocation are taken by the Council's Cabinet on the basis of budget reports analysed across 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 and amortisations are charged to services in the Comprehensive Income and Expenditure Statement. The cost of retirement benefits is based on cash flows payment of employer's pensions contributions rather than current service cost of benefits accrued in the year and expenditure on some support services is budgeted for centrally and not charged to directorates.

The 2011/12 comparative figures shown in this note reflect the departmental structure which was presented to Cabinet in that year i.e. prior to the revised management structure which was introduced in 2012. It is not appropriate to restate these figures as the objective of this note is to present the outturn position as reported to decision makers. It is therefore not possible to compare the service outturn at a directorate level between the years, although the overall year on year position can be determined from the information shown.

The table below shows the final outturn for 2012/13 analysed by service as reported to the Council's Cabinet:-

2012/13	Executive Office	Corporate Items	Corporate Services	People Directorate	Place Directorate	Total
	£000	£000	£000	£000	£000	£000
Fees, Charges & other service income	(183)	(10,925)	(15,007)	(24,052)	(28,634)	(78,801)
Government grants & contributions	(17)	(3,451)	(124,201)	(288,578)	(5,554)	(421,801)
<b>Total</b>	<b>(200)</b>	<b>(14,376)</b>	<b>(139,208)</b>	<b>(312,630)</b>	<b>(34,188)</b>	<b>(500,602)</b>
Employee expenses	2,107	1,824	28,162	151,260	24,824	208,177
Other operating Expenses	403	12,207	141,631	281,782	52,054	488,077
Support Service Recharges	1	203	620	6,409	1,385	8,618
<b>Total</b>	<b>2,511</b>	<b>14,234</b>	<b>170,413</b>	<b>439,451</b>	<b>78,263</b>	<b>704,872</b>
<b>Net Cost of Services</b>	<b>2,311</b>	<b>(142)</b>	<b>31,205</b>	<b>126,821</b>	<b>44,075</b>	<b>204,270</b>

This reconciliation shows how the figures in the analysis of directorate income and expenditure relate to the amounts included in the Comprehensive Income and Expenditure Statement.

Reconciliation to Net cost of services in Comprehensive Income and Expenditure Statement						£000
Net Cost of Services in Service Analysis as shown in the table above						204,270
Add Adjustments and Amounts not reported in Management accounts (including Tamar Bridge & Torpoint Ferry Joint Committee)						81,783
Add Net Expenditure of Services not included in the main analysis (Trading)						(2,120)
Remove amounts reported to management not included in Comprehensive Income and Expenditure						(34,603)
<b>Net Cost of Services in Comprehensive Income and Expenditure Statement</b>						<b>249,330</b>

## Reconciliation to Subjective Analysis

This reconciliation shows how the figures in the analysis of directorate income and expenditure relate to the amounts included in the Comprehensive Income and Expenditure Statement.

2012/13	Service Analysis	Adjustments & Amounts not in Management accounts	Services not in main analysis	Not incl in I&E	Net cost of services	Corporate Amounts	Total
	£000	£000	£000	£000	£000	£000	£000
Fees, charges & other service income	(73,550)	14,158	(10,580)	19,161	(50,811)	(34,037)	(84,848)
Government grants & contributions	(421,801)	125,029	(25)	4,900	(291,897)	(233,865)	(525,762)
Interest and Investment income	(5,251)	0	0	5,251	0	(5,637)	(5,637)
<b>Total Income</b>	<b>(500,602)</b>	<b>139,187</b>	<b>(10,605)</b>	<b>29,312</b>	<b>(342,708)</b>	<b>(273,539)</b>	<b>(616,247)</b>
Depreciation, amortisation and impairment	1,287	25,335	2,718	(1,629)	27,711	2,022	29,733
Employee expenses	208,177	(1,635)	1,932	(26,094)	182,380	40,806	223,186
Gain or Loss on disposal of Fixed Assets	0	0	0	0	0	52,936	52,936
Interest Payments	5,534	0	0	(5,534)	0	17,716	17,716
Other service Expenses	481,126	(117,934)	3,207	(29,063)	337,336	(6,155)	331,181
Payments to Housing Capital Receipts Pool	0	0	0	0	0	8	8
Precepts and levies	130	0	0	(130)	0	130	130
Support service recharges	8,618	36,830	628	(1,465)	44,611	1,333	45,944
<b>Total Operating Expenses</b>	<b>704,872</b>	<b>(57,404)</b>	<b>8,485</b>	<b>(63,915)</b>	<b>592,038</b>	<b>108,796</b>	<b>700,834</b>
<b>(Surplus)/deficit on the provision of services</b>	<b>204,270</b>	<b>81,783</b>	<b>(2,120)</b>	<b>(34,603)</b>	<b>249,330</b>	<b>(164,743)</b>	<b>84,587</b>



## Amounts reported for resources allocation decisions (2011/12 Comparative) – based on Directorate structure in place during 2011/12

2011/12	Chief Executive	Children and Young People	Community Services	Corporate Items	Corporate Support	Development and Regeneration	Total
	£000	£000	£000	£000	£000	£000	£000
Fees, Charges & other service income	(122)	(139,172)	(39,422)	(15,526)	(17,350)	(14,511)	(226,103)
Government grants & contributions	0	(146,186)	(2,464)	(3,504)	(116,459)	(2,788)	(271,401)
<b>Total</b>	<b>(122)</b>	<b>(285,358)</b>	<b>(41,886)</b>	<b>(19,030)</b>	<b>(133,809)</b>	<b>(17,299)</b>	<b>(497,504)</b>
Employee expenses	2,088	133,664	40,469	3,112	27,139	10,214	216,686
Other operating Expenses	669	193,801	109,408	15,518	135,472	25,071	479,939
Support Service Recharges	1	5,587	2,278	193	632	537	9,228
<b>Total</b>	<b>2,758</b>	<b>333,052</b>	<b>152,155</b>	<b>18,823</b>	<b>163,243</b>	<b>35,822</b>	<b>705,853</b>
<b>Net Cost of Services</b>	<b>2,636</b>	<b>47,694</b>	<b>110,269</b>	<b>(207)</b>	<b>29,434</b>	<b>18,523</b>	<b>208,349</b>

This reconciliation shows how the figures in the analysis of directorate income and expenditure relate to the amounts included in the Comprehensive Income and Expenditure Statement.

<b>Reconciliation to Net cost of services in Comprehensive Income and Expenditure Statement</b>	<b>£000</b>
Net Cost of Services in Service Analysis as shown in the table above	208,349
Add Adjustments and Amounts not reported in Management accounts (including Tamar Bridge & Torpoint Ferry Joint Committee)	75,014
Add Net Expenditure of Services not included in the main analysis (Trading)	(2,059)
Remove amounts reported to management not included in Comprehensive Income and Expenditure	(36,389)
<b>Net Cost of Services in Comprehensive Income and Expenditure Statement</b>	<b>244,915</b>

## Reconciliation to Subjective Analysis

This reconciliation shows how the figures in the analysis of directorate income and expenditure relate to the amounts included in the Comprehensive Income and Expenditure Statement.

2011/12	Service Analysis	Adjustments & Amounts not in Management accounts	Services not in main analysis	Not incl in I&E	Net cost of services	Corporate Amounts	Total
	£000	£000	£000	£000	£000	£000	£000
Fees, charges & other service income	(219,771)	129,772	(10,112)	23,350	(76,761)	(38,785)	(115,546)
Government grants & contributions	(271,401)	(2,112)	0	3,546	(269,967)	(145,228)	(415,195)
Income from Council Tax	0	0	0	0	0	(96,758)	(96,758)
Interest and Investment income	(6,332)	0	0	6,332	0	(8,184)	(8,184)
<b>Total Income</b>	<b>(497,504)</b>	<b>127,660</b>	<b>(10,112)</b>	<b>33,228</b>	<b>(346,728)</b>	<b>(288,955)</b>	<b>(635,683)</b>
Depreciation, amortisation and impairment	1,447	45,325	2,947	(2,010)	47,709	1,404	49,113
Employee expenses	216,686	(6,329)	2,141	(29,159)	183,339	40,780	224,119
Gain or Loss on disposal of Fixed Assets	0	0	0	0	0	2,642	2,642
Interest Payments	7,532	0	0	(7,532)	0	25,762	25,762
Other service Expenses	470,838	(120,673)	2,498	(29,266)	323,397	(5,418)	317,979
Payments to Housing Capital Receipts Pool	0	0	0	0	0	39	39
Precepts and levies	122	0	0	(122)	0	122	122
Support service recharges	9,228	29,031	467	(1,528)	37,198	1,211	38,409
<b>Total Operating Expenses</b>	<b>705,853</b>	<b>(52,646)</b>	<b>8,053</b>	<b>(69,617)</b>	<b>591,643</b>	<b>66,542</b>	<b>658,185</b>
<b>(Surplus)/deficit on the provision of services</b>	<b>208,349</b>	<b>75,014</b>	<b>(2,059)</b>	<b>(36,389)</b>	<b>244,915</b>	<b>(222,413)</b>	<b>22,502</b>

## 22. Agency Services

The Council has a number of arrangements in place where it is acting as an agent for a third party. The accounts exclude all but the administration fee that the Council receives for providing these services. During 2012/13, the significant agency services that the Council undertook were as follows:-

### Plymouth Primary Care Trust

The Council carries out certain work on an agency basis on behalf of the Plymouth Primary Care Trust (PCT), the main service relating to the procurement of health care. The Council pays the Care Providers for both nursing care and social care services and then collects the nursing care element from the PCT. The table below provides details of expenditure and income in relation to the services where the Council acts as an agent for the PCT:-

	Restated 2011/12	2012/13
	£000	£000
Expenditure incurred on behalf of PCT	19,313	20,004
Reimbursement / Income received from PCT	(19,370)	(20,061)
<b>Net income arising on the agency arrangement*</b>	<b>(57)</b>	<b>(57)</b>

\* The net income arising on the agency arrangement represents the Council's administration charge to the PCT for acting on its behalf. The administration fee is included within the (surplus)/deficit on Continuing Operations (within Adult Social Care) in the Comprehensive Income and Expenditure Statement. The 2011/12 income and expenditure figures have been restated by £0.026m in comparison to those published in the 2011/12 Statement of Accounts document. This was due to balances that did not relate to the health care agency arrangement previously being included in error.

### Collection of Local Taxation

The Council, as billing authority for Council Tax, acts as an agent on behalf of the Devon & Cornwall Police & Crime Commissioner and Devon and Somerset Fire & Rescue Authority. The Council includes a debtor or (creditor) in its Balance Sheet for deficits/(surpluses) on the Collection Fund attributable to the two precepting authorities at the year end.

Similarly, the Council also acts as an agent of the Government when collecting local business rates (NNDR). The Council recognises a creditor (or debtor) for cash collected from NNDR debtors, but not yet paid (or overpaid) to the Government at the Balance Sheet date.

The expenditure incurred and income received in relation to these services is shown within the Collection Fund Statement and associated notes on pages 102 - 105.

### Business Improvement District (BID)

The Council acts as an agent for the city's two BID companies, Plymouth City Centre Company and Plymouth Waterfront Partnership Ltd, billing and collecting the BID Levy (the contribution from businesses within the respective Business Improvement District areas for improvement initiatives) on behalf of the two companies.

### Other Agency Arrangements

The Council also provides a number of other less significant agency services for which it is reimbursed, including Payroll Services and School Catering Services.

## 23. Pooled Budgets

The Council is involved in several pooled budget arrangements where it works with other partners to deliver services in a collaborative manner. The main pooled budgets are described below:-

### 23.1. Youth Offending Service (YOS)

The Youth Offending Service (YOS) is made up of representatives from the police, probation service, children's social services, health, education, drugs and alcohol misuse and housing officers. The YOS identifies the needs of each young offender by assessing them using a national assessment tool, identifying specific problems as well as measuring potential risks. This enables the YOS to identify suitable programmes to address the needs of the young person with the intention of preventing further offending. The table below shows the income and expenditure for the YOS pooled budget:-

Youth Offending Service	Restated 2011/12	2012/13
<b>Income</b>	<b>£000</b>	<b>£000</b>
Contribution from Plymouth City Council	(589)	(589)
Contribution from partners - Police, Probation and Health	(148)	(170)
Other income - mainly YJB Grants	(570)	(534)
<b>Gross Income</b>	<b>(1,307)</b>	<b>(1,293)</b>
<b>Expenditure</b>		
Employees	1,002	962
Premises	62	11
Transport	45	39
Supplies & Services	47	152
Third Party Payments	48	0
<b>Gross Expenditure</b>	<b>1,204</b>	<b>1,164</b>
Net Expenditure/(Income) for year	(103)	(129)
Accumulated deficit/(surplus) brought forward	(134)	(237)
<b>Accumulated deficit/(surplus) carried forward</b>	<b>(237)</b>	<b>(366)</b>

The 2011/12 figures in the above table have been restated in comparison to those published in the 2011/12 Statement of Accounts documents. The income and expenditure and carry forwards shown in the above table now include the training activities in relation to the Youth Offending Service which had previously been omitted from the figures published.

### 23.2. Plymouth Primary Care Trust

Section 31 of the Health Act 1999, the NHS Bodies and Local Authorities Partnership Arrangements and the Community Care and Health Act 2002 enable establishment of joint working arrangements between NHS bodies and local authorities. Pooled funds enable health bodies and local authorities to work collaboratively to address specific local health issues.

Plymouth City Council works in partnership with Plymouth Primary Care Trust for the provision of community equipment services to enable the discharge of patients from hospital. The partnership also provides independent assessment, impartial advice and information about equipment and services for disabled people and their carers and provides a point of contact for professionals working in the Plymouth area.

The gross expenditure and income for the pooled budget is as follows:-

Adult Social Care - Community Equipment Services	2011/12	2012/13
<b>Income</b>	<b>£000</b>	<b>£000</b>
Contribution from Plymouth City Council	(640)	(640)
Contribution from Plymouth Primary Care Trust	(852)	(861)
<b>Gross Income</b>	<b>(1,492)</b>	<b>(1,501)</b>
<b>Expenditure</b>		
Employees	68	62
Other	2	1
Equipment	1,422	1,438
<b>Gross Expenditure</b>	<b>1,492</b>	<b>1,501</b>
Net Expenditure/(Income) for year	0	0
Accumulated deficit/(surplus) brought forward	0	0
<b>Accumulated deficit/(surplus) carried forward</b>	<b>0</b>	<b>0</b>

## 24. Members' Allowances

The Council made payments totalling £0.923m (2011/12: £0.936m) to its Members in the year made up as follows:

Analysis of Members Allowance	2011/12	2012/13
	<b>£000</b>	<b>£000</b>
Basic Allowance	569	572
Special Responsibility Allowance	366	343
Travel, subsistence and other expenses	1	8
<b>Total</b>	<b>936</b>	<b>923</b>

Travel and subsistence and other expenses covers claims submitted direct by Councillors. Expenses such as rail or air fares may be raised through the Council's internal procurement system. These are charged to the Members support budget where these relate direct to a Member's corporate responsibility, or, if incurred in relation to a specific service issue, direct to the service concerned.

The Council is required to publish details of payments made to its Members and these can be obtained from the Council's website: <http://www.plymouth.gov.uk/homepage/Councilanddemocracy/membersallowances.htm> or, in writing, from the Democratic Support Officer, Directorate for Corporate Services, Civic Centre, Plymouth PL1 2AA.

## 25. Officers' Remuneration

### 25.1. Senior Employees

Senior employees earning £50,000 or more per annum who have responsibility for the management of the Council or power to directly control the major activities of the Council are required to be listed by way of job title within the accounts. Where an employee's remuneration exceeds £150,000 there is an additional requirement that they be identified by name. Plymouth defines relevant senior staff as members of the Corporate Management Team (Directors) and Departmental Management Teams (Assistant Directors).

From 1 January 2012 the Council moved from four to three director posts and these were recruited to internally. Following this, the next tier of management was also restructured, with the revised departmental structure based on the three new directorates focusing on People, Place and Corporate Services. The table below sets out the Senior Management cost for 2012/13 (with comparative figures for 2011/12 being based on the old structure).

Senior Management Post	Financial Year	Salaries £	Fees & Allowances £	Redundancy Payments £	Pension Contributions £	Total Remuneration £	Notes
<b>Salary over £150,000</b>							
Chief Executive	2012/13	179,816	6,055	0	12,736	198,607	Changes in Chief Executive during the period: Barry Keel left 25/05/2012, total remuneration for 2012/13 £29,211; Acting Chief Executive Robert Coomber 29/05/2012 - 31/10/2012, total remuneration £94,017; Tracey Lee started 29/10/2012, total remuneration for 2012/13 £75,369.
	2011/12	171,498	958	0	25,725	198,181	
<b>Salary over £50,000 but less than £150,000</b>							
Director for People / Community Services	2012/13	129,999	1,211	0	18,547	149,756	Director for Community Services took on the position of Director for People on 01/01/2012.
	2011/12	118,523	1,574	0	17,760	137,857	
Director for Place / Development & Regeneration	2012/13	114,637	394	0	16,393	131,425	Director for Development & Regeneration took on the position of Director for Place on 01/01/2012.
	2011/12	114,637	432	0	17,196	132,265	
Director for Corporate Services	2012/13	112,439	0	0	16,393	128,832	Director for Corporate Support took on the position of Director for Corporate Services on 01/01/2012.
	2011/12	110,240	0	0	17,196	127,436	
Director for Children and Young People	2012/13	0	0	0	0	0	Position holder made redundant on 01/02/2012. Post deleted.
	2011/12	111,064	2,023	11,825	16,660	141,572	
Assistant Chief Executive	2012/13	0	0	0	0	0	Position holder made redundant on 31/12/2011. Post deleted.
	2011/12	76,239	27	1,000	11,207	88,472	
Assistant Director Democracy & Governance	2012/13	91,323	178	0	12,099	103,600	Increase due to additional election duties undertaken (Police and Crime Commissioner Election), annual salary £84,606.
	2011/12	89,444	17	0	13,417	102,878	
Assistant Director for Finance, Efficiencies, Technology & Assets	2012/13	84,606	660	0	12,099	97,365	Decrease in salary due to professional fee not paid by employer as part of salary.
	2011/12	84,891	185	0	12,691	97,767	

Senior Management Post	Financial Year	Salaries	Fees & Allowances	Redundancy Payments	Pension Contributions	Total Remuneration	
Assistant Director for Environmental Services	2012/13	84,606	0	0	12,099	96,705	
	2011/12	84,606	0	0	12,691	97,297	
Assistant Director for Human Resources & Organisational Development	2012/13	84,606	582	0	12,099	97,287	
	2011/12	84,606	94	0	12,691	97,391	
Assistant Director for Education, Learning and Family Support	2012/13	37,295	2,851	0	5,333	45,479	Appointed to current position on 11/03/2013, annual salary £84,606.
	2011/12	0	0	0	0	0	
Assistant Director Learner & Family Support	2012/13	0	0	0	0	0	Position deleted in Senior Management Restructure
	2011/12	84,606	807	0	12,691	98,105	
Assistant Director for Childrens Social Care	2012/13	5,081	0	0	727	5,808	Appointed to current position on 03/12/2012, annual salary £69,696.
	2011/12	0	0	0	0	0	
Assistant Director for Social Care	2012/13	0	0	0	0	0	Position holder left the organisation on 09/07/2012.
	2011/12	84,606	499	0	12,691	97,797	
Assistant Director for Joint Commissioning and Adult Social Care / Adult Health and Social Care	2012/13	84,606	115	0	12,099	96,820	Assistant Director for Adult Health and Social Care took on the position of Assistant Director for Joint Commissioning and adult Social Care.
	2011/12	84,606	0	0	12,691	97,297	
Assistant Director for Lifelong Learning	2012/13	0	0	0	0	0	Position holder left the organisation on 25/03/2012. Post deleted.
	2011/12	83,014	1,722	0	12,452	97,188	
Assistant Director for ICT	2012/13	0	0	0	0	0	Assistant Director for ICT became the Programme Director for ICT Shared Services on 01/03/2012.
	2011/12	84,606	286	0	12,505	97,396	
Assistant Director for Economic Development	2012/13	84,606	109	0	12,099	96,814	Job title not changed but took on additional responsibilities following the Senior Management Restructure.
	2011/12	73,050	293	0	10,957	84,301	
Assistant Director for Homes and Communities / Strategic Housing	2012/13	69,696	182	0	9,966	79,844	Job title changed as part of Senior Management Restructure.
	2011/12	69,696	119	0	10,454	80,269	
Assistant Director for Planning Services	2012/13	69,696	96	0	9,966	79,758	
	2011/12	69,696	183	0	10,454	80,333	
Assistant Director for Culture Sport Leisure	2012/13	0	0	0	0	0	Position holder made redundant on 01/03/2012. Post deleted.
	2011/12	65,224	1,698	10,750	9,583	87,256	



Senior Management Post	Financial Year	Salaries	Fees & Allowances	Redundancy Payments	Pension Contributions	Total Remuneration	
Assistant Director for Transport and Infrastructure / Transport	2012/13	69,696	438	0	9,966	80,100	Job title changed as part of senior management restructure.
	2011/12	69,696	169	0	10,454	80,319	
Assistant Director for Customer Services	2012/13	22,857	2,717	0	3,269	28,843	Appointed to current position on 14/11/2012, annual salary £84,606.
	2011/12	0	0	0	0	0	
Assistant Director for Customer Services and Business Transformation	2012/13	0	0	0	0	0	Position holder left the organisation on 14/07/2012.
	2011/12	69,696	0	0	10,454	80,150	
Assistant Director for Safer Communities	2012/13	0	0	0	0	0	Position deleted in Senior Management Restructure.
	2011/12	57,387	648	0	8,575	66,610	

**25.2. Remuneration above £50,000**

The Council is required by statute to disclose the number of employees whose remuneration for the year (excluding employer pension contributions) was £50,000 or more.

The numbers below include the senior management disclosed in note 25.1 page 78.

Remuneration Bandings	2011/12	2012/13
£50,000 - £54,999	61	51
£55,000 - £59,999	41	42
£60,000 - £64,999	25	23
£65,000 - £69,999	21	20
£70,000 - £74,999	9	12
£75,000 - £79,999	2	1
£80,000 - £84,999	5	6
£85,000 - £89,999	6	3
£90,000 - £94,999	3	1
£95,000 - £99,999	1	3
£100,000 - £104,999	0	1
£105,000 - £109,999	1	0
£110,000 - £114,999	1	1
£115,000 - £119,999	1	1
£120,000 - £124,999	2	0
£125,000 - £129,999	0	0
£130,000 - £134,999	0	1
£135,000 - £169,999	0	0
£170,000 - £174,999	1	0
<b>Total</b>	<b>180</b>	<b>166</b>

The change between years in the highest band is due to post of Chief Executive being held by more than one person during the financial year, thus the table only reflects part year salary totals.

The table below analyses the numbers between schools based staff and non schools based staff.

Employee Category	2011/12	2012/13
<b>Schools Based Staff:</b>		
Teaching staff	101	94
Non teaching	1	1
<b>Sub Total</b>	<b>102</b>	<b>95</b>
<b>Non Schools staff</b>	<b>78</b>	<b>71</b>
<b>Total</b>	<b>180</b>	<b>166</b>

### 25.3. Employee Exit Packages

The Council incurred costs during 2012/13 relating to employee exit packages linked to compulsory and voluntary redundancies, a summary of which is shown below:-

Banding	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band		Total cost of exit packages in each band	
	2011/12	2012/13	2011/12	2012/13	2011/12	2012/13	2011/12	2012/13
£							£000	£000
00,000 - 20,000	106	57	83	102	189	159	1,073	1,087
20,001 - 40,000	12	6	4	1	16	7	297	195
40,001 - 60,000	2	0	0	0	2	0	109	0
60,001 - 250,000	3	0	0	0	3	0	381	0
<b>Total</b>	<b>123</b>	<b>63</b>	<b>87</b>	<b>103</b>	<b>210</b>	<b>166</b>	<b>1,860</b>	<b>1,282</b>

The Council terminated the contracts of a number of employees in 2012/13 including school based staff, incurring liabilities of £1.282m (2011/12 £1.860m). This includes a sum of £0.103m (2011/12 £0.660m) to the pension fund in respect of pension strain payments. The Council's expenditure on Schools is primarily funded by the Dedicated Schools Grant provided by the Department for Education.

Reasons for termination included early retirement, voluntary and compulsory redundancies. In the case of compulsory redundancies the Council's Redundancy Avoidance Policy provides the possibility of redeployment to other jobs suited to the experience and ability of staff concerned.

### 26. External Audit Costs

The Council has incurred the following costs in relation to the audit of the Statement of Accounts, certification of grant claims and statutory inspections and to non-audit services provided by the Council's external auditors:-

Analysis of External Audit costs	2011/12	2012/13
Audit Area:	£000	£000
Fees payable to Grant Thornton with regard to external audit services carried out by the appointed auditor	322	181
Fees payable with regard to external audit services carried out by the appointed auditor for the Tamar Bridge and Torpoint Ferry Joint Committee	7	4
Fees payable to Grant Thornton for the certification of grant claims and returns	81	24
Fees payable in respect of other services provided by the appointed auditor.	9	17
Rebates received	(20)	(13)
<b>Total</b>	<b>399</b>	<b>213</b>

### 27. Government Grants

#### 27.1. Dedicated Schools Grant

The Council's expenditure on schools is funded primarily by grant monies provided by the Department for Education (DfE), the Dedicated Schools Grant (DSG). An element of DSG is recouped by the Department to fund academy schools in the Council's area. DSG is ringfenced and can only be applied to meet expenditure properly included in the Schools Budget, as defined in the School Finance (England) Regulations 2012. The Schools Budget includes elements for a range of educational services provided on an Council-wide basis and for the Individual Schools Budget, which is divided into a budget share for each maintained school.

Details of the deployment of DSG receivable are as follows:-

Analysis of Dedicated Schools Grant		Restated 2011/12			2012/13		
		Central Expenditure	Individual Schools Budget	Total	Central Expenditure	Individual Schools Budget	Total
Note		£000	£000	£000	£000	£000	£000
A	Final DSG before Academy recoupment			172,172			172,259
B	Academy figure recouped			49,373			51,492
C	<b>Total DSG after Academy recoupment</b>			<b>122,799</b>			<b>120,767</b>
D	Brought fwd. from previous year			(216)			1,670
E	Carry-forward agreed in advance			(152)			380
F	Agreed initial budgeted distribution	16,220	108,900	125,120	18,070	105,178	123,248
G	In year adjustments	(326)	(2,059)	(2,385)	(552)	(639)	(1,191)
H	<b>Final budgeted distribution</b>	<b>15,894</b>	<b>106,841</b>	<b>122,735</b>	<b>17,518</b>	<b>104,539</b>	<b>122,057</b>
I	Less Actual central expenditure	14,486			15,164		
J	Less Actual ISB deployed to schools		106,427			104,703	
K	Plus Local Council contribution	0	0	0	0	0	0
L	<b>Carry-forward</b>	<b>1,406</b>	<b>414</b>	<b>1,670</b>	<b>2,354</b>	<b>(164)</b>	<b>2,570</b>

- A. DSG figure as announced by the DfE in June 2012 (2011/12 July 2011).
- B. Figure recouped from the Council in 2012/13 (2011/12) by the DfE for the conversion of maintained schools into Academies.
- C. Total figure after DfE Academy recoupment for 2012/13 (2011/12).
- D. Figure brought forward from 2011/12 (2010/11) as agreed with the DfE.
- E. Amount which the Council decided, after consultation with Schools Forum, to carry forward to 2013/14 rather than distribute in 2012/13 (2011/12).
- F. Budgeted distribution of DSG, adjusted for carry forward, as agreed with the Schools Forum.
- G. In-year adjustments for Individually Assigned Resources, exclusions and other contingency allocations to schools. Individual Schools Budget (ISB) also adjusted to reflect schools converting to academy status after the 01 April 2012 (2011/12 01 April 2011).
- H. Budgeted distribution of DSG as at the end of the financial year.
- I. Actual amount of central expenditure items in 2012/13, adjusted to show £0.100m provision as unspent.
- J. Amount of ISB actually distributed to schools (ISB is regarded for DSG purposes as spent by the Council once it is deployed to schools budget shares).
- K. Any contribution from the Local Council in 2012/13 which has the effect of substituting for DSG in funding the Schools Budget.
- L. Carry forward to 2013/14: For central expenditure – difference between final budgeted distribution of DSG and the actual expenditure. For ISB - difference between final budgeted distribution of DSG and the actual expenditure. Total - carry forward on central expenditure plus carry forward on ISB plus carry forward to 2013/14 agreed in advance.

**27.2. Grant Income - Credited to the Comprehensive Income and Expenditure Statement (CIES)**

The Council credited the following revenue grants to Service areas in 2012/13:-

<b>Government Grants Credited to Services</b>	<b>2011/12</b>	<b>2012/13</b>
	<b>£000</b>	<b>£000</b>
Mandatory Rent Allowances & Non HRA Rent Rebates	(92,439)	(97,989)
Rent Rebates granted to HRA Tenants	58	30
Council Tax Benefit Grant	(21,649)	(21,647)
Benefits Admin Grant	(2,430)	(2,377)
Police Commissioner Elections Grant	0	(295)
Learning and Skills Council	(7,206)	(8,213)
DSG & Other Education Grants	(122,776)	(125,011)
Early Intervention Grant	(11,673)	(12,131)
Learning Disability and Health Reform	(2,348)	(2,428)
New Deal for Communities	(670)	0
New Homes Bonus	(957)	(1,413)
Troubled Families	0	(58)
Local Sustainable Transport Fund	(1,021)	(1,709)
Diploma Specific Grant	(47)	0
Growth Fund	(130)	(33)
Crime Reduction Grant	0	(36)
Youth Offending Grants	(649)	(643)
Asylum Seekers	0	(128)
Contaminated land	(30)	0
Other Revenue Grants	(304)	(242)
<b>Total Revenue Grants Received</b>	<b>(264,271)</b>	<b>(274,323)</b>

The above revenue grants are in addition to the non-ringfenced Government grants reported in note 9 page 454.

In addition the following capital grants and contributions have been credited to the Comprehensive Income and Expenditure Statement:-

Capital Grants and Contributions by Grant	2011/12	2012/13
	£000	£000
Big Lottery	(386)	(3,250)
Department for Transport	(4,581)	(4,801)
Department of Communities & Local Government	(891)	(1,120)
Department of Health (Social Services)	(674)	(691)
Department for Education and Skills	(11,156)	(24,731)
England Netball	(100)	0
Environment Agency	(133)	(14)
New Deal for Communities	(108)	0
Other Capital Contributions	(1,825)	(878)
Other Capital Grants	(575)	(191)
Homes & Communities Agency	(6,792)	0
Section 106 - Plymouth Development Tariff	(187)	(26)
Section 106 - Negotiated Element	(1,711)	(680)
<b>Total Grants &amp; Contributions Received</b>	<b>(29,119)</b>	<b>(36,382)</b>

The above grants and contributions were credited to the Comprehensive Income and Expenditure Statement as follows:-

Capital Grants and Contributions recognised in the CIES	Restated 2011/12	2012/13
	£000	£000
Adult Social Care	(66)	(438)
Cultural & Related Services	(41)	(59)
Environmental & Regulatory Services	(16)	(11)
Planning Services	(9)	(224)
Central Services to the Public	0	(7)
Childrens and Education Services	(1,680)	(10,475)
Housing Services	(1,468)	(2,230)
Highways and Transport Services	(170)	(163)
Corporate & Democratic Core	0	(16)
<b>Total Recognised in the (Surplus)/Deficit on Continuing Operations</b>	<b>(3,450)</b>	<b>(13,623)</b>
Financing and Investment Income and Expenditure	0	(43)
Taxation and Non-Specific Grant Income	(25,669)	(22,716)
<b>Total Recognised in the (Surplus) or Deficit on Provision of Services</b>	<b>(29,119)</b>	<b>(36,382)</b>

### 27.3. Grants held on the Balance Sheet

The Council has received a number of grants and contributions that have yet to be recognised as income as they have conditions attached to them that will require the monies or property to be returned to the giver. The grants are carried on the Balance Sheet as a creditor in a Grants Receipts in Advance Account.

The balances at the year-end are as follows:-

Revenue Grant Receipts in Advance	31 Mar 2012	31 Mar 2013
	£000	£000
<b>Revenue Grants Receipts in Advance</b>		
Skills Funding Agency	(710)	(338)
Troubled Families	0	(716)
SPOKES	0	(69)
HLF- Your Heritage	0	(23)
ACE Designation Development Fund	0	(39)
Children's Workforce Development Grant	(322)	0
Stepping Stones to Nature	(32)	(18)
Beacon Swimming Programme	0	(170)
Warm Homes Healthy People	(119)	(183)
Metta Catherina Project	(21)	(12)
Comenius Regio Partnerships	(24)	(29)
YPLA - Provision of Further Education	(41)	(15)
Discretionary Housing Payments	(33)	0
Other Grants	(70)	(31)
<b>Total</b>	<b>(1,372)</b>	<b>(1,643)</b>

Capital Grants Receipts in Advance	31 Mar 2012	31 Mar 2013
	£000	£000
Local Sustainable Transport Fund	(100)	(657)
Department for Education and Skills	(304)	0
Natural England	0	(172)
Heritage Lottery Grant	(3,167)	0
ESC Lottery Fund / Sport England	(1,990)	(1,990)
Other Grants	0	(11)
S278, S38 & S228 Agreements with Developers	(356)	(223)
S106 Negotiated Obligations	(4,408)	(5,497)
S106 Tariffs	(626)	(1,854)
Other Contributions	(195)	(15)
<b>Total</b>	<b>(11,146)</b>	<b>(10,419)</b>

## 28. Related Party Transactions and Partnerships

### 28.1. Related Party Transactions

The Council is required to disclose material transactions with related parties – bodies or individuals that have the potential to control or influence the Council or to be controlled or influenced by the Council. Disclosure of these transactions allows 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 Council.



The table below outlines transactions between the Council and its subsidiaries, associates, jointly controlled and other assisted organisations where the influence is considered to be material, either to the Council or to the organisation:-

Related Party Transactions	2011/12		2012/13	
	Receipts	Payments	Receipts	Payments
<b>Subsidiary, Associated and Jointly Controlled organisations</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Plymouth Investment Partnerships Ltd (PIP)	(65)	0	(107)	0
Tamar Science Park Ltd	0	77	0	16
The PLUSS Organisation Ltd	(6)	841	(5)	869
<b>Assisted Organisations</b>				
Call 24 Hour Ltd	(19)	124	0	113
Careers South West	(5)	1,711	(6)	1,716
Destination Plymouth	0	59	0	0
Devon Audit Partnership	(27)	473	(25)	461
Mayflower no 2 Trust	(31)	110	0	0
Millfields CEDT	(89)	86	(134)	168
Mount Batten Sailing and Water Sports Centre	(4)	108	(3)	109
Plymouth Citizens Advice Bureaux	0	249	0	471
Plymouth City Centre Company	(329)	26	(272)	226
Plymouth Waterfront Partnership	(1)	30	(84)	147
Routeways Board	(13)	518	(13)	501
Shekinah Mission	(1)	273	0	181
Wolseley CEDT	(260)	278	(349)	329
<b>Totals</b>	<b>(850)</b>	<b>4,963</b>	<b>(998)</b>	<b>5,307</b>

### Central Government

Central Government has effective control over the general operations of the Council – it is responsible for providing the statutory framework within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. Housing Benefits). Details of transactions with Government Departments are set out in note 27 pages 83 to 87.

### Members and Officers

Members of the Council have direct control over the Council's financial and operating policies.

Members and Officers of the Council have returned 80 declarations of Related Party Transactions for 2012/13, a response rate of 95.24%. Where returns have not been submitted, the Register of Members' Interest has been checked for declarations. Travelling, subsistence, relocation and Members' allowances were discounted entirely in the assessment of related party transactions. There were 5 returns containing itemised transactions considered to be related transactions. The relevant Members did not take part in any discussion or decision relating to these transactions, details of which are recorded in the Register of Members' Interest, which is open to public inspection.

## **28.2. Accountable Body Schemes**

### Local Sustainable Transport Fund

In 2011 Plymouth City Council hosted a successful bid to the Department for Transport's (DfT's) Local Sustainable Transport Fund for £2.980m towards smart public transport ticketing across the region for a period of two years. The Council hosted the bid on behalf of a third party organisation called South West Smart

Applications Limited, which is a not for profit company made up of the 15 South West Local Authorities and large bus operators. In 2011/12 £0.830m revenue and £0.305m capital was claimed from the DfT which matched exactly the spend profile for the year. In 2012/13 the project was completed with the remaining £1.395m revenue and £0.450m capital spent and subsequently claimed from the DfT. The final claim for 2012/13 has been submitted and is awaiting approval from the DfT. The Local Sustainable Transport Fund project is now complete and all objectives were met.

## 29. Leases

### 29.1. Authority as a lessee – finance leases

The buildings acquired under a finance lease are carried in the Balance Sheet as Investment Property and the other assets are carried as Property, Plant and Equipment at the following net amounts:-

Finance leases held on the balance Sheet	Restated 31 Mar 12	31 Mar 13
	£000	£000
Other Land and Buildings	1,797	1,770
Vehicles, Plant, Furniture and Equipment	1,417	1,181
<b>Total</b>	<b>3,214</b>	<b>2,951</b>

During the preparation of the 2012/13 accounts it was identified that £0.471m of assets held under finance leases that had been transferred to schools becoming Academies / Trusts had not been removed from the figures previously reported. The 2011/12 figures shown in the above table have therefore been restated to report the correct position.

During 2012/13 depreciation of £0.235m (2011/12: £0.242m) was charged in relation to assets held under finance leases.

The Council is committed to making minimum payments under these leases comprising of both settlement of the long-term liability for the interest in the assets acquired by the Council, together with the finance costs that will be payable by the Council in future years while the liability remains outstanding. The minimum lease payments are made up of the following amounts:-

Finance lease liabilities (net present value of minimum lease payments):	31 Mar 12	31 Mar 13
	£000	£000
Current	395	235
Non Current	2,190	1,954
Finance costs payable in future years	3,895	3,714
<b>Minimum lease payments</b>	<b>6,480</b>	<b>5,903</b>

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

Analysis of Leasing Obligations	Minimum Lease Payments		Finance Lease Liabilities	
	31 Mar 12	31 Mar 13	31 Mar 12	31 Mar 13
	£000	£000	£000	£000
Not later than one year	576	397	395	235
Later than one year and not later than five years	1,128	898	550	353
Later than five years	4,776	4,608	1,640	1,601
<b>Total</b>	<b>6,480</b>	<b>5,903</b>	<b>2,585</b>	<b>2,189</b>

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

The Council has sub-let some of the accommodation held under these finance leases. At 31 March 2013 the minimum payments expected to be received under non-cancellable sub-leases was £2.070m (31 March 2012: £2.070m)

## 29.2. Authority as a lessee – operating leases

The Council leases vehicles, equipment and some buildings under operating lease for its operational purposes. The future minimum lease payments due in future years under non-cancellable leases are:-

Operating leases - Authority as a lessee	31 Mar 12	31 Mar 13
	£000	£000
Not later than one year	1,145	1,072
Later than one year and not later than five years	1,890	906
Later than five years	4,476	4,422
<b>Total</b>	<b>7,511</b>	<b>6,400</b>

The minimum lease payment charged in the Comprehensive Income and Expenditure Statement during the year in relation to these assets was £1.307m (£1.459m in 2011/12).

## 29.3. Authority as a lessor – operating leases

The Council is a lessor of a number of properties, including city centre shops and several retail and industrial units. The future minimum lease payments receivable under non-cancellable leases are:-

Operating Leases	31 Mar 12	31 Mar 13
	£000	£000
Not later than one year	4,532	4,357
Later than one year and not later than five years	14,320	14,463
Later than five years	347,552	357,869
<b>Total</b>	<b>366,404</b>	<b>376,689</b>

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

## 30. Private Finance Initiatives and Similar Contracts

### 30.1. School PFI

The Council entered a PFI agreement with Pyramid Consortium on 27 February 2007 to provide new school facilities at Whitleigh and the amalgamation of primaries at Bull Point and Barne Barton. Payments under the contract became effective in February 2008 when the first of the schools, the new primary school at Riverside, was opened. The Whitleigh school campus, Woodview, opened in phases during 2008/09 with the final phase, and thus full campus, being opened in March 2009. The contract runs for a 25 year period. The contractor took on an obligation to build the schools and maintain them in a minimum acceptable condition and to procure and maintain the equipment needed to operate the school. The buildings and any equipment installed within them will be transferred to the Council for nil consideration at the end of the contract.

The assets are recognised on the Council's Balance Sheet. Movements in their value over the year are detailed in the analysis of the movement on the Property, Plant and Equipment balance note 10 on page 45.

The Council makes an agreed payment each year, part of which is subject to an annual inflation increase, and can be reduced if the contractor fails to meet availability and performance standards in any one year but which is otherwise fixed. A total payment of £5.203m was made in 2012/13. Payments remaining to be made under the PFI contract at 31 March 2013, excluding any estimation of inflation and availability / performance deductions are as follows:-

PFI Outstanding Liabilities	Payment for Services	Reimbursement of Capital Expenditure	Interest	Total
	£000	£000	£000	£000
Total Payments to Operator in 2012/13	1,724	770	2,709	5,203
Payable in 2013/14	1,809	807	2,642	5,258
Payable within two to five years	8,221	3,536	9,843	21,600
Payable within six to ten years	12,512	5,455	10,429	28,396
Payable within eleven to fifteen years	14,901	7,560	7,674	30,135
Payable within sixteen to twenty years	16,645	11,681	3,777	32,103
Payable within twenty one to twenty five years	1,531	1,208	44	2,783
<b>Total</b>	<b>57,343</b>	<b>31,017</b>	<b>37,118</b>	<b>125,478</b>

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. The liability outstanding to pay the liability to the contractor for capital expenditure incurred is as follows:

Movement in PFI Liability	2011/12	2012/13
	£000	£000
Balance outstanding 1 April	31,753	31,017
Payments during the year	(736)	(770)
<b>Balance Outstanding 31 March</b>	<b>31,017</b>	<b>30,247</b>

The Council has secured PFI credits to the value of £49m to which interest is added, resulting in total Government support of £101.888m over the contract period. This, together with an annual contribution from the Council of approximately £0.650m and schools of £0.920m, will be used to meet the running costs of the contract, including the loan repayments.

The PFI credits will be paid to the Council at a rate of £3.982m per annum. Spend to be incurred during the contract will vary from year to year as lifecycle works are undertaken. The Council transfers any surplus resources for the PFI scheme to a PFI reserve to match commitments that will be incurred in later years.

### 30.2. Waste PFI

The Council is part of a Waste Partnership with Torbay Council & Devon County Council which was set up formally in 2008 to source a household waste disposal solution for South West Devon. The three councils jointly signed a 25 year contract for waste disposal with German Company MVV Umwelt in March 2011 following a public procurement exercise. MVV are currently building an energy from waste facility on leased Ministry of Defence land at Camels Head North Yard in Devonport Dockyard, Plymouth. Construction is due to be completed in the Autumn of 2014 when the plant will receive waste from the three authorities in return for contract payments linked to tonnages delivered. The costs of procurement and initial start-up from 1st April 2007 to 31st March 2013 for the partnership totalled £3.3m and these have been shared equally between the three local authority partners. The expenditure for 2012/13 was £0.264m.

The total estimated cost of the contract to the partnership is £436.00m (at February 2010 prices, indexation will apply) over the 25 year period. The estimated first full year cost (using assumed price inflators) is £15.30m, which

is estimated to be split between the three authorities as follows Plymouth £7.30m, Devon £5.40m, and Torbay £2.60m, based on tonnes of waste delivered to the plant. There are also annual fixed costs estimated to be £1.8m for rates and land leases etc which will be divided between the authorities in similar proportions. The exact accounting treatment of the contract payments for waste disposal which will commence autumn 2014 has not been finalised, and finance staff from the three local authorities will be working with external financial advisors to establish the appropriate accounting treatment by April 2014. The final agreed treatment will not impact on the net revenue accounts of each council, and therefore will not affect the council tax requirement.

The governance of the partnership is through the South West Devon Waste Partnership Committee and the Plymouth's finance staff are currently assessing the appropriate financial reporting arrangements of the partnership contract costs within each authority and the committee. This assessment will be complete by April 2014.

### **31. Pensions**

As part of the terms and conditions of employment of its officers and other employees, the Council offers retirement benefits. Although these benefits will not actually be payable until the employees retire, the Council has a commitment to make the payments that need to be disclosed at the time that employees earn their future entitlement.

#### **31.1. Pension Schemes Accounted for as Defined Contribution Schemes**

##### Teachers Pension Scheme

Teachers employed by the Council are members of the Teachers' Pension scheme administered by the Department for Education (DfE). The scheme provides teachers with specified benefits upon their retirement, and the Council contributes towards the cost 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 DfE uses a notional fund as the basis for calculating the employers' contribution rate paid by local authorities. The Council 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.

In 2012/13, Plymouth City Council paid £6.818m to Teachers' Pensions in respect of teachers' retirement benefits, representing 14.10% of pensionable pay. The figures for 2011/12 were £7.104m and 14.57%. There were no contributions remaining payable at the year-end. In 2012/13 the minimum contribution for employees was 6.4% of salary, the maximum was 8.8%.

The Council is responsible for the costs of any additional benefits awarded upon early retirement outside of the terms of the teachers' scheme. These costs are accounted for on a defined benefit basis and detailed in note 31.2 below. The Council is responsible for funding all discretionary increases in pensions (e.g. added years) awarded to Teachers retiring early. Payments in 2012/13 relating to these costs were £0.970m (2011/12: £0.918m).

#### **31.2. Defined Benefit Pension Schemes**

##### Participation in pension schemes

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

##### Local Government Pension Scheme (LGPS)

Plymouth City Council and Tamar Bridge & Torpoint Ferry Joint Committee (TF&TBJC) participate in the Local Government Pension Scheme (LGPS). The LGPS is a defined benefit scheme based on final pensionable salary. The TB&TFJC is administered by Cornwall Council and so separate notes have been included to represent Plymouth City Council's 50 % interest.

## Pension Information for Plymouth City Council Scheme (PCC)

### Transactions relating to post employment benefits

In 2012/13 the Council paid an employer's contribution of £17.597m (2011/12: £18.061m), representing 19.85% of employees' pensionable pay, into Devon County Council's Pension Fund, which provides members with defined benefits related to pay and service. Employees are also required to contribute to the pension scheme and the contribution rate is determined by annual salary level. In 2012/13 the minimum contribution level was 5.5% of salary, and the maximum level was 7.5%.

The Council recognises the cost of retirement benefits in the surplus/deficit on continuing operations when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge that is required to be made against Council Tax is based on the cash payable in the year, and the real cost of 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:-

Comprehensive Income and Expenditure Statement	2011/12	2012/13
	£000	£000
<b>Cost of Services</b>		
Current Service Cost	18,393	22,361
Past Service Gain	12	6
Settlements and Curtailments	(7,595)	(428)
<b>Financing and Investment Income and Expenditure</b>		
Interest Cost	36,172	36,030
Expected Return on Assets in Scheme	(28,879)	(24,878)
<b>Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services</b>	<b>18,103</b>	<b>33,091</b>
<b>Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement</b>		
Actuarial (gains)/losses	118,045	4,587
<b>Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement</b>	<b>136,148</b>	<b>37,678</b>
<b>Movement in Reserves Statement</b>		
Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the code	(18,103)	(33,091)
<b>Actual amount charged against the General Fund Balance for pensions in the year</b>		
Employers' contributions payable in scheme	18,731	17,677
Retirement benefits payable to pensioners	3,306	3,410
Adjustment re net increase/(decrease) pre LGR pension liability	473	195

The cumulative amount of actuarial gains and losses recognised in the Comprehensive Income and Expenditure Statement to the 31 March 2013 is a loss of £137.699m.

The Council is responsible for funding all discretionary increases in pensions (e.g. added years) awarded to staff retiring early and monthly payments are made to Devon County Council for these additional costs. Payments in 2012/13 relating to these costs were £1.087m (2011/12: £1.064m).

Plymouth became a Unitary Council from 1 April 1998, assuming responsibility for all local government services in Plymouth, including those previously provided by Devon County Council. Under the transfer arrangements, Plymouth and Torbay pay a proportion of Devon's annual pension costs in respect of discretionary pension

payments agreed by Devon in earlier years (i.e. before reorganisation). Plymouth's payment to Devon in 2012/13 towards this liability was £1.356m (2011/12: £1.316m).

### 31.3. Assets and liabilities in relation to post employment benefits (PCC)

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

Reconciliation of present value of the scheme liabilities (defined benefit obligation)	2011/12	2012/13
	£000	£000
<b>Opening balance at 1st April</b>	<b>(674,870)</b>	<b>(793,076)</b>
Current Service Cost	(18,393)	(22,361)
Interest Cost	(36,172)	(36,030)
Contributions by scheme participants	(6,094)	(5,662)
Actuarial gains / (losses) on liabilities	(100,441)	(37,405)
Benefits paid	23,996	22,766
Past Service Cost / Gain	(12)	(6)
Curtailments	(1,043)	(211)
Settlements	17,963	992
Unfunded pension payments	1,990	2,054
<b>Closing present value of liabilities</b>	<b>(793,076)</b>	<b>(868,939)</b>
<b>Reconciliation of fair value of the scheme (plan) assets</b>	<b>2011/12</b>	<b>2012/13</b>
	£000	£000
Opening balance at 1st April	455,557	458,336
Expected return on Scheme Assets	28,879	24,878
Actuarial gains & losses	(17,604)	32,818
Employer contributions	18,731	19,731
Contributions by scheme participants	6,094	5,662
Benefits paid	(23,996)	(24,820)
Settlements	(9,325)	(353)
<b>Closing present value of Assets</b>	<b>458,336</b>	<b>516,252</b>
<b>Total net pension liability at 31 March</b>	<b>(334,740)</b>	<b>(352,687)</b>

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the Balance Sheet date. Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets. The actual return on scheme assets in the year was £32.818m (2011/12: £17.604m).

### 31.4. Scheme History (PCC)

Scheme History	31/03/2009	31/03/2010	31/03/2011	31/03/2012	31/03/2013
	£m	£m	£m	£m	£m
<b>Present value of liabilities:</b>					
Local Government Pension Scheme	(614.71)	(797.11)	(641.47)	(757.78)	(833.47)
Discretionary Benefits	(36.69)	(37.14)	(33.40)	(35.30)	(35.47)
<b>Fair Value of Assets in the Local Government Pension Scheme</b>					
Local Government Pension Scheme	320.87	384.87	455.56	458.34	516.25
<b>Net pension asset / (liability)</b>	<b>(330.53)</b>	<b>(449.38)</b>	<b>(219.31)</b>	<b>(334.74)</b>	<b>(352.69)</b>

The liabilities show the underlying commitments that the Council has in the long run to pay post employment (retirement) benefits. The total liability of £352.687m is shown as a negative balance and therefore has an impact



on the net worth of the Council as recorded in the Balance Sheet. However the negative balance that arises 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 earned by employees.

The total contributions expected to be made to the Local Government Pension Scheme by the Council in the year to 31 March 2014 is £16.814m.

### 31.5. Basis for Estimating Assets and Liabilities (PCC)

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. Both the Local Government Pension Scheme and Discretionary Benefits liabilities have been assessed by Barnett Waddingham LLP, an independent firm of actuaries, estimates for the City Council's share of the Fund being based on the latest full valuation of the scheme as at 1 April 2010.

The principal assumptions used by the actuary have been:-

Long-term expected rate of return on assets in the scheme:	2011/12	2012/13
	%	%
Equity investments	6.3	5.4
Gilts	3.3	5.4
Other Bonds	4.6	5.4
Property	4.3	5.4
Cash	3.0	5.4
Absolute Return Funds	4.7	5.4
<b>Mortality assumptions @ Longevity at 65 for current pensioners</b>		
Men	20.5	20.6
Women	24.5	24.6
<b>Mortality assumptions @ Longevity at 65 for future pensioners</b>		
Men	22.5	22.6
Women	26.4	26.5
Rate of inflation	3.3	3.4
Rate of increase in salaries	4.7	4.8
Rate of increase in pensions	2.5	2.6
Rate for discounting scheme liabilities	4.6	4.5
Take-up of option to convert annual pension into retirement lump sum	50%	50%

### 31.6. Total Assets (PCC)

The Local Government Pension Scheme's assets consist of the following categories, by proportion of the total assets held:-

Categories by proportion of the total assets held	31 Mar 2012	31 Mar 2013
	%	%
Equities	69	61
Gilts	18	13
Property	6	8
Cash	6	3
Absolute Return Funds	1	15
<b>Total</b>	<b>100</b>	<b>100</b>

### 31.7. History of Experience Gains and Losses (PCC)

The actuarial gains identified as movements on the Pensions Reserve in 2012/13 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2013:-

Actuarial Gains	2008/09	2009/10	2010/11	2011/12	2012/13
	%	%	%	%	%
Differences between the expected and actual return on assets	(33.68)	22.72	4.30	3.80	6.40
Experience gains and losses on liabilities	(0.40)	0.60	1.70	0.00	0.00
<b>Total</b>	<b>(34.08)</b>	<b>23.32</b>	<b>6.00</b>	<b>3.80</b>	<b>6.40</b>

The Council is required to show the gains / losses relating to the Pension Fund within its accounts. The actuarial assumptions used to calculate the reserve account balance are outlined in note 31.5 on page 95. Liability values do not depend on market returns but yields from corporate bonds and inflation expectations. The key parameter is the real corporate bond yield i.e. the yield from corporate bonds less the assumption about future inflation.

### Pension information for Tamar Bridge & Torpoint Ferry Joint Committee (TB&TFJC)

### 31.8. Transactions in the Comprehensive Income and Expenditure Statement and Movement in Reserve Statement (TB&TFJC)

Comprehensive Income and Expenditure Statement (TB&TFJC)	2011/12	2012/13
	£000	£000
<b>Cost of Services</b>		
Current Service Cost	240	259
<b>Financing and Investment Income and Expenditure</b>		
Interest Cost	337	327
Expected Return on Assets in Scheme	(355)	(298)
<b>Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services</b>	<b>222</b>	<b>288</b>
<b>Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement</b>		
Actuarial (gains) / losses	524	382
<b>Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement</b>	<b>746</b>	<b>670</b>
<b>Movement in Reserves Statement</b>		
Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the code	(222)	(288)
<b>Actual amount charged against the General Fund Balance for pensions in the year</b>		
Employers' contributions payable in scheme	257	258

Plymouth City Council's share (50%) of the cumulative amount of actuarial losses recognised in the Comprehensive Income and Expenditure Statement to the 31 March 2013 is £1.499m (31 March 2012 £1.117m).

**31.9. Assets and Liabilities in Relation to Post Employment Benefits (TB&TFJC)**

Reconciliation of present value of the scheme liabilities (defined benefit obligation)	2011/12	2012/13
	£000	£000
<b>Opening balance at 1st April</b>	<b>(6,092)</b>	<b>(6,761)</b>
Current Service Cost	(240)	(259)
Interest Cost	(337)	(327)
Contributions by scheme participants	(80)	(82)
Actuarial gains / (losses) on liabilities	(275)	(842)
Estimated Benefits paid	263	227
<b>Closing present value of liabilities</b>	<b>(6,761)</b>	<b>(8,044)</b>
Reconciliation of fair value of the scheme (plan) assets	2011/12	2012/13
	£000	£000
Opening balance at 1st April	5,186	5,367
Expected return on Scheme Assets	355	298
Actuarial gains & losses	(249)	460
Employer contributions	257	258
Contributions by scheme participants	81	82
Estimated Benefits paid	(263)	(227)
<b>Closing present value of Assets</b>	<b>5,367</b>	<b>6,238</b>
<b>Total net pension liability at 31 March</b>	<b>(1,394)</b>	<b>(1,806)</b>

The actual return on employer assets in the year was £0.759m (2011/12: £0.108m).

The liabilities show the underlying commitments that the Joint Committee has to pay in the long run to fund post-employment (retirement) benefits. The total liability of £1.806m has an impact on the net worth of the Council as recorded in the Balance Sheet. However the negative balance that arises 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 earned by employees.

The total contributions expected to be made to the Local Government Pension Scheme via the Joint Committee in the year to 31 March 2014 is £0.250m.

**31.10. Scheme History (TB&TFJC)**

Scheme History	31/03/2009	31/03/2010	31/03/2011	31/03/2012	31/03/2013
	£m	£m	£m	£m	£m
<b>Present value of liabilities:</b>					
Tamar Bridge & Torpoint Ferry Joint Committee	(4.71)	(7.65)	(6.09)	(6.76)	(8.05)
<b>Fair Value of Assets in the Local Government Pension Scheme</b>					
Tamar Bridge & Torpoint Ferry Joint Committee	3.59	4.72	5.19	5.37	6.24
<b>Net pension asset / (liability)</b>	<b>(1.12)</b>	<b>(2.93)</b>	<b>(0.90)</b>	<b>(1.39)</b>	<b>(1.81)</b>

**31.11. Basis for Estimating Assets and Liabilities (TB&TFJC)**

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. The Cornwall Council pension scheme liabilities have been assessed by Hymans Robertson LLP, an independent firm of actuaries, estimates for the City Council's share of the Fund being based on the latest full valuation of the scheme as at 31 March 2010.

The principal assumptions used by the actuary have been:-

Long-term expected rate of return on assets in the scheme:	2011/12	2012/13
	%	%
Equity investments	6.2	4.5
Other Bonds	4.0	4.5
Property	4.4	4.5
Cash	3.5	4.5
<b>Mortality assumptions @ Longevity at 65 for current pensioners</b>		
Men	21.3	21.3
Women	23.4	23.4
<b>Mortality assumptions @ Longevity at 65 for future pensioners</b>		
Men	23.2	23.2
Women	25.6	25.6
Rate of inflation	3.3	3.2
Rate of increase in salaries	4.8	5.1
Rate of increase in pensions	2.5	2.8
Rate for discounting scheme liabilities	4.8	4.5
<b>Take-up of option to convert annual pension into retirement lump sum</b>		
For membership prior to 1 April 2008	40	40
For membership post 1 April 2008	70	70

### 31.12. Total Assets (TB&TFJC)

The Local Government Pension Scheme's assets consist of the following categories, by proportion of the total assets held:-

Categories by proportion of the total assets held	31 Mar 2012	31 Mar 2013
	%	%
Equities	68	67
Bonds	16	21
Property	7	5
Cash	9	7
<b>Total</b>	<b>100</b>	<b>100</b>

### 31.13. History of experience gains and losses (TB&TFJC)

The actuarial gains identified as movements on the Pensions Reserve in 2012/13 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2013:-

Actuarial Gains	2008/09	2009/10	2010/11	2011/12	2012/13
	%	%	%	%	%
Differences between the expected and actual return on assets	(39.25)	16.79	1.20	(4.63)	7.37
Experience gains and losses on liabilities	(0.39)	(0.01)	(3.00)	0.87	(0.09)
<b>Total</b>	<b>(39.64)</b>	<b>16.78</b>	<b>(1.80)</b>	<b>(3.76)</b>	<b>7.28</b>

## 32. Contingent Assets and Liabilities

### 32.1. Contingent Assets

The Council has the following contingent assets to report:

#### 1. Overpaid Landfill Tax

A claim was submitted in March 2011 to HMRC for the reclaim of overpaid Landfill Tax covering the period between January 2007 and March 2008 at Chelson Meadow where it has been established that Landfill had been used for engineering purposes and is therefore exempt from landfill tax. HMRC issued a brief on the 18th May 2012 which has clarified their position and potentially resolves any disputes outstanding as they are closing the loophole from 2009 onwards, leaving no objections to claims for 2006 to 2009. To date agents for the Council have been unsuccessful in obtaining any final resolution from HMRC, repayments and the request for a formal departmental review have been refused during 2012/13. The agents are looking to lodge an appeal during the summer of 2013.

#### 2. Plymouth Airport

Plymouth City Airport is let on 150 year lease from 2004. The Council's Lessee served notice of its intention to close the airport in December 2010 because of continuing trading losses. On 23 August 2011 the Council's Cabinet accepted the notice of non-viability from the Lessee following receipt of three independent reviews of the airport business and options for its financial viability. The airport closed for business in December 2011. The Council's freehold and the Lessee's leasehold interest are due to be merged and the former Lessee will then be responsible for obtaining planning permission and marketing the site. Any eventual net land disposals proceeds will be divided between the Council and the former Lessee 75%/25%. However the timing and amount of any such receipts is uncertain and is subject to a review of strategic planning policies applicable to the site.

#### 3. Highways Insurance Claims

The Council is currently reviewing its position on the potential for the reimbursement of Highways insurance liability payments that have been made to third parties. This matter is being pursued with the Council's highways contractor.

### 32.2. Contingent Liabilities

The Council has the following contingent liabilities to report.

#### 1. PLUSS Organisation Ltd

PLUSS was set up as a company on 1 August 2005. The three originating Councils, Plymouth, Torbay and Devon are technically 'members' of the company and agreed to provide a range of support to the company. Plymouth along with Devon, Torbay and Somerset provide PLUSS with a guarantee on their bank overdraft of £0.250m with Barclays plc. The Council has also guaranteed any necessary payments to the pension fund for transferred employees, which would become due in the event of PLUSS becoming insolvent.

#### 2. Single Status Equal Pay Claims

The Council has received a number of equal pay claims over the past few years. As at 31<sup>st</sup> March 2013, a funded balance of £0.872m remains in the provision following payments made in the year. In addition a sum of £0.700m is held in an earmarked reserve. The actual value of the outstanding claims, which are yet to be heard in court, cannot be assessed with any certainty. In addition, future claims are unknown.

Case law is still evolving in this area and successful claims at other authorities have highlighted that awards can be significant and have a significant impact on Councils' budgets. The Council has not yet been informed of any hearing dates from the Employment Tribunal but it is anticipated that the cases will be listed within the next twelve months.

## 3. Civic Centre

On 21 June 2007 the City Council was informed that the Civic Centre had been Grade II listed and since that time Council Officers have been working on solutions to determine the future for the building and site. A procurement exercise has been undertaken during 2012/13 to limit this liability going forward.

As on-going work, the Council continues to inspect, repair and maintain the premises taking appropriate action, given the restrictions of the listing, to mitigate any health and safety risks. The Council has an accommodation reserve account which will be used to meet the escalating costs of maintenance and repair in the short term.

On 20 August 2013 details were released about the future plans to redevelop the Civic Centre and surface level car park into a high quality 160 bed hotel (4 star), feature apartments, restaurants and other food and beverage operations. This was the subject of a Cabinet report on 3 September 2013 which approved the selection of a preferred bidder for the redevelopment. The Council will be working with the preferred bidder to sign a contract as soon as possible to transfer the asset to a third party for redevelopment, and remove the liability.

## 4. Careers South West (formerly Connexions)

On 31 March 2009 the Council formally entered an agreement with Cornwall Council, Devon County Council and Torbay Council to set up a local authority controlled company to run the Devon and Cornwall Connexions service from 1 April 2008. Plymouth is the lead commissioner for the service and the Company is expected to operate within the financial constraints set by the four authorities.

However, in setting up the company there is an expectation that the Councils will guarantee to meet the costs of any risks resulting from pension liabilities of staff should the company be wound up. Based on the latest actuarial returns there is a deficit on the fund at 31 March 2013, and therefore there could be a liability to the Council in the future. The status of the fund will vary from year to year and will be updated by the Actuary.

The Four Councils and the Board are considering the current position of the organisation to understand the full nature of what events might trigger this liability.

## 5. Plymouth Community Homes

As part of the stock transfer negotiations, the Council was required to provide a number of warranties to the funders of Plymouth Community Homes. These include:

- an environmental warranty whereby the Council has agreed to warrant that no dangerous substance is present in the property that has transferred or that no part of the Property has been or could lawfully be designated as contaminated land; the Council is currently exploring options around mitigating this liability through an insurance policy.
- an asbestos warranty where the Council has agreed to reimburse Plymouth Community Homes the costs of asbestos containment or removal should the cost of such works exceed £10m in the first 20 years.

In addition the Council has provided a Pension guarantee whereby the Council has agreed to protect the Pensions Administering Authority against the insolvency, winding up or liquidation of Plymouth Community Homes Ltd.

## 6. Eastern Corridor Integrated Transport Scheme

Finalisation of costs for the Gydria Way construction works are subject to final agreement with a potential claim from Amey (LG) Ltd regarding potential inaccuracies in design works supplied by the Council for the scheme.

## 7. Personal Search Fees

A group of Property Search Companies are seeking to claim refunds of fees paid to the Council to access land charges data. Proceedings have not yet been issued. The Council has been informed that the value of those claims at present is in the region of £500,000 plus interest and costs.

The claimants have also intimated that they may bring a claim against all English and Welsh local authorities for alleged anti-competitive behaviour. It is not clear what the value of any such claim would be as against the Council. It is possible that additional claimants may come forward to submit claims for refunds, but none have been intimated at present.

## 8. Employment

There are a number of Employment Tribunal claims in the system and most of these will be heard within the next six months.

## 9. HealthTec South West Ltd

HealthTec South West Ltd was incorporated on 15 February 2010. The company was supported by a strategic partnership for which the lead organisation is the Council.

HealthTec completed a lease for a 6 year term from 20 August 2010, to which the Council was party as Guarantor, of office premises at the first floor of 41 Estover Close (Forresters House). The lease contains a tenant only break option effective on 20 August 2013 subject to a minimum 6 months written notice etc.

HealthTec ceased trading on 1 November 2011. Subsequently the Council took an assignment of the lease and Plymouth Adult and Community Learning Service (PACLS) took occupation on 14 March 2012.

The Council is mitigating any loss by making beneficial use of the premises and has served notice to break the lease from 20 August 2013. The Council will still be subject to the cost of any dilapidations due.

## 10. Chelson Meadow

Environmental engineering Capital works at Chelson Meadow were let under a 'target price' contract with a pain gain share arrangement and undertaken between Sept 2009 and June 2012. However towards the end of 2011 the Contractor significantly increased their estimate of the contract out-turn cost above the agreed certified 'target price' without substantiation. In line with the Contract the Contractor was able to claim costs in advance of Completion for work done albeit these costs were in excess of the certified and agreed 'target price' - this has resulted in an overpayment above the certified Target.

Since works completion in June 2012, the Contractor has refused to repay the Council the overpayment and have retrospectively stated that they believe they are entitled to a further significant payment. The Council have contested this position, and several Adjudications have been undertaken to help to determine a final account and monies due to both parties. Final costs have yet to be determined and will depend upon the final application of the Adjudications decisions, any litigation, and the settlement of the final account.

## 33. **Trust Funds and Special Balances**

During 2012/13 the City Council held 18 Trust Funds and administered 4 other special balances. Although most of the accounting records of these funds are held within the Council's financial accounting system, they do not represent assets of the Council and therefore do not form any part of the Council's Balance Sheet. A summary of the income and expenditure, assets and liabilities is shown below:-

Trust Funds	31 Mar 2013			
	Income	Expenditure	Assets	Liabilities
	£000	£000	£000	£000
Brock Trust	(16)	0	828	0
Other Trusts & Special Balances	(10)	24	515	0
<b>Total</b>	<b>(26)</b>	<b>24</b>	<b>1,343</b>	<b>0</b>

**COLLECTION FUND FOR THE YEAR ENDED 31 MARCH 2013**

This Account reflects the statutory requirement for billing authorities to maintain a separate Collection Fund, which shows the transactions of the billing Council in relation to Non-Domestic Rates and the Council Tax, and illustrates the way in which these have been distributed to preceptors and the General Fund.

2011/12		Note	2012/13	
£000			£000	£000
	<b>Income</b>			
(93,624)	Council Tax Payers	1		(94,115)
(21,522)	Transfer from General Fund - Council Tax Benefits			(21,402)
(80,739)	Income Collectable from Business Ratepayers	2		(83,150)
<b>(195,885)</b>				<b>(198,667)</b>
	<b>Expenditure</b>			
	Precepts and Demands:	3		
95,922	Plymouth City Council		96,177	
12,068	Devon & Cornwall Police & Crime Commissioner		12,342	
5,531	Devon & Somerset Fire & Rescue Authority		5,712	
<b>113,521</b>				<b>114,231</b>
	Non-Domestic Rates:			
80,428	Payment to National Pool		82,841	
311	Cost of collection allowance		309	
<b>80,739</b>				<b>83,150</b>
666	Provision for non payment of Council Tax	4		908
(28)	Collection Fund (Deficit recovered) / Surplus paid out in year			11
<b>(987)</b>	<b>(Surplus)/Deficit for the year</b>			<b>(367)</b>
<b>362</b>	<b>(Surplus)/Deficit as at 1 April</b>			<b>(625)</b>
<b>(625)</b>	<b>(Surplus)/Deficit as at 31 March</b>	<b>5</b>		<b>(992)</b>



## NOTES TO THE COLLECTION FUND

### 1. Council Tax

Council Tax income derives from charges raised according to the value of residential properties, which have been classified into 8 valuation bands based on an estimated 1 April 1991 value for this specific purpose. Individual charges are calculated by estimating the amount of income required to be taken from the Collection Fund by Devon & Cornwall Police & Crime Commissioner, Devon and Somerset Fire & Rescue Authority and the City Council for the forthcoming year and dividing this by the Council Tax base. This is the total number of properties in each band adjusted by a proportion to convert the number to a Band D equivalent and adjusted for discounts and estimated collection rates: 77,271 in 2012/13 (77,066 in 2011/12).

This basic amount of Council Tax for a Band D property (£1,478.32 for 2012/13) is multiplied by the proportion specified for the particular band to give an individual amount due. The calculation of the Council Tax Base is shown in the following table:-

Band	No of Properties Before Discounts	No of Properties After Discounts	Band D Equivalents	Estimated Collection Rate	Adjusted Band D Equivalents
A	46,263	37,236	24,815	98.5%	24,443
B	30,914	25,977	20,204	98.5%	19,901
C	21,734	18,937	16,833	98.5%	16,580
D	8,903	7,800	7,800	98.5%	7,683
E	4,493	4,017	4,910	98.5%	4,836
F	1,675	1,541	2,225	98.5%	2,192
G	567	464	773	98.5%	761
H	58	16	33	98.5%	32
	<b>114,607</b>	<b>95,988</b>	<b>77,593</b>		<b>76,428</b>
Adjustment for MOD Properties			843		843
<b>Tax Base Totals</b>			<b>78,436</b>		<b>77,271</b>

The Council Tax Base was calculated at the time the 2012/13 budget was set, based on the estimated number of properties and value of discounts applicable to each band at that time. The estimated income, allowing for non-collection, was £114.231m (77,271 x £1,478.32). In practice, however, the average number of properties and values of discounts vary from the estimates, and the actual income increased to £115.517m made up of £21.402m from Council Tax Benefits and £94.115m from Council Tax payers.

### 2. Income Collectable from Business Ratepayers

National Non-Domestic Rates (NNDR) is organised on a national basis. The Government specifies an annual multiplier, which was 45.8p in 2012/13 (43.3p in 2011/12) and subject to the effects of transitional arrangements, local businesses pay rates calculated by multiplying their rateable value by the specified amount. A lower amount of 45.0p (42.6p in 2011/12) is applied to businesses with rateable values less than or equal to £17,999. The Council collects rates due from the ratepayers in its area as an agent for the Government, paying the proceeds into a national NNDR pool. The Government redistributes the sums paid into the pool back to each local authority's General Fund as part of the settlement grant based on a fixed amount per head of population.

The NNDR income due, after reliefs and provisions, of £83.150m for 2012/13 (£80.739m in 2011/12) was based on a rateable value for the City Council's area of £226.475m for the year (226.949m in 2011/12). The income is calculated as follows:-

<b>NNDR Income</b>	<b>2011/12</b>	<b>2012/13</b>
	<b>£000</b>	<b>£000</b>
Gross Debit (£199,712,279 x 45.8p for 2012/13)	92,930	91,468
Gross Debit (£26,762,564 x 45.0p for 2012/13)	5,253	12,043
Reliefs & Adjustments	(16,435)	(18,335)
Provision for Bad Debts	(1,009)	(2,026)
<b>Income Collectable from Business Ratepayers</b>	<b>80,739</b>	<b>83,150</b>

### 3. Precepts and Demands

The budgets of the City Council, Devon & Cornwall Police & Crime Commissioner, Devon and Somerset Fire & Rescue Authority are partly financed from the Council Tax. The sums required from Council Tax by the Council, Fire Authority and Police Commissioner are determined by each body as part of the budget process and are called demands (Council) and precepts (Fire and Police). The income from Council Tax payers is paid into the Collection Fund and payments are made by the Collection Fund for the demands and precepts due to the Council, Fire Authority and Police Commissioner.

### 4. Provisions for Non Payment of Council Tax

Contributions are made from the Collection Fund Income and Expenditure Account to an Allowance for Non-Collectability of Debt (Bad Debt Provision) Account. During 2012/13, £0.908m (£0.666m in 2011/12) was contributed to the Account and £5.474m (£0.635m in 2011/12) of irrecoverable debt was written off. This included £4.742m of arrears relating to the period to 31 March 2000. Costs raised for debt recovery are also included in the Council Tax Allowance for Non-Collectability of Debt Account, with any costs paid in the year transferred to the General Fund to offset the cost of collection. The movement in the provision is as follows:-

<b>Movement in Council Tax Allowance for Non-Collectability of Debt Account</b>	<b>2011/12</b>	<b>2012/13</b>
	<b>£000</b>	<b>£000</b>
Balance brought forward 1 April	7,297	7,435
Contributions in year*	1,380	1,533
Write Offs	(635)	(5,474)
Paid costs transferred to General Fund	(607)	(523)
<b>Allowance for Non-Collectability of Debts @ 31st March</b>	<b>7,435</b>	<b>2,971</b>

\* The contribution to the Council Tax Allowance for Non-Collectability of Debt Account for the year of £1.533m (2011/12 £1.380m) is made up of a £0.625m (2011/12 £0.714m) provision for recovery costs and £0.908m (2011/12 £0.666m) for non-collection of Council Tax owed.

The Bad Debt Provision is required to be apportioned between the 3 authorities in proportion to their precept/demand on the Collection Fund. The Police Commissioners and Fire Authority's proportion of the allowance for non-collectability for debt is £0.470m leaving a balance of £2.501m to cover Plymouth City Council's proportion of Council Tax arrears. The Police and Fire elements are shown in the Council's Balance Sheet as a debtor.

The total Collection Fund allowance for non-collectability of debt is £3.128m as shown in note 15.3 page 58. This includes an allowance for non-collectability of Community Charge of £0.627m.

### 5. Distribution of Collection Fund Surpluses and Deficits

The net accumulated surplus on the Collection Fund at 31 March 2013 amounts to £0.992m with £0.991m relating to Council Tax collection and £0.001m relating to Community Charge. This net surplus will be repaid to the City Council, Devon & Cornwall Police & Crime Commissioner, Devon and Somerset Fire & Rescue

Authority in 2013/14 and 2014/15 in proportion to each authority's demand/precept on the Collection Fund. The Council's share of the surplus will be reviewed as part of the budget setting process for 2014/15.

The £0.992m surplus is apportioned as follows:-

	£000
Plymouth City Council	845
Devon and Cornwall Police & Crime Commissioner	100
Devon and Somerset Fire & Rescue Authority	47
<b>Net Surplus</b>	<b>992</b>

The surplus attributable to the Police and Fire authorities is included within the Council's Balance Sheet as a net creditor. The surplus attributable to Plymouth City Council has been treated as a credit on the Collection Fund Adjustment Account.

**INDEPENDENT AUDITORS REPORT TO MEMBERS OF PLYMOUTH CITY COUNCIL**

## GLOSSARY OF FINANCIAL TERMS

### Accounting Policies

Accounting policies define the process whereby transactions and other events are reflected in financial statements. For example, an accounting policy for a particular type of expenditure may specify whether an asset or a loss is to be recognised; the basis on which it is to be measured; and where in the revenue account or Balance Sheet it is to be presented. Accounting policies do not include estimation techniques.

### Accruals

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

### Actuarial Gains and Losses

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.

### Actuary

An expert on long term pension scheme assets and liabilities. Actuaries make recommendations every 3 years regarding the rate of employer contributions due to the LG pension scheme.

### Amortisation

The writing down of a balance in the accounts over a specified period to signify the 'using up' of the benefit to the Authority of the expenditure or income. For example assets might be written down over the number of years it is intended to use the asset.

### Amortised Cost

Amortised cost (in relation to Financial Instruments) is the carrying amount on initial recognition plus the interest taken to Income and Expenditure less cash paid or received for both interest and principal.

### Assets under Construction

The Capital Programme is a rolling programme, which means that all projects started in the financial year are not necessarily completed within the financial year. The Council does not recognise an asset as a fixed asset until financial completion. Until then these are classified separately as Assets under Construction.

### Associate

For the purpose of the group accounts, an associate is an organisation in which the Council has an interest by way of an investment and is able to exercise significant influence, but not total control, usually determined by voting rights held by the Council on relevant Boards. A group will be classified as an associate if voting rights are less than 50% but more than 20%.

### Balance Sheet

The accounting statement, which sets out the Council's total net assets and how they were financed.

### Business Improvement District (BID)

The Plymouth Business Improvement District (BID) is a precisely defined geographical area within which businesses pay an additional tax (the BID levy) to fund projects within the BID area. Businesses in this area have voted to invest collectively in local improvements to enhance their environment. The purpose of the BID is to provide new or expanded works, services and environmental enhancements, funded by a BID levy charge which is payable by all business rate payers in the BID area, collected by Plymouth City Council and is ring-fenced.

### Budget

A statement of the Council's plans for net revenue expenditure over a specified time period.

## Capital Adjustment Account

This account contains the amounts to be set aside to repay debt and the amount of capital expenditure financed from capital receipts and revenue. It also contains the difference between the amounts provided for depreciation, the amount of minimum revenue provision, amounts of Government grants amortised and revaluations prior to 1 April 2007.

## Capital Charge

A charge to service revenue accounts to reflect the cost of fixed assets used in the provision of services.

## Capital Expenditure

Expenditure on the acquisition of a fixed asset or expenditure, that adds to and not merely maintains the value of an existing fixed asset. The benefit to the Council of such expenditure is generally greater than one year.

## Capital Programme

The Council's plan of capital projects and spending over future years. Included in this category are the purchase of land and buildings, the erection of new buildings and works, design fees and the acquisition of vehicles, plant and major items of equipment, as well as support to other organisations/residents for works of a capital nature.

## Capital Receipts

Income from the sale of land and buildings or other assets and loan repayments. Capital Receipts can only be used to finance other capital expenditure or to repay outstanding debt on assets financed from borrowing. In addition, a proportion of HRA capital receipts must be paid over to Central Government for redistribution via a 'pooling' arrangement.

## Capitalisation Direction

An Authority can apply to the Secretary of State for a Capitalisation Direction, which is an approval to allow certain revenue items to be funded from capital resources, usually borrowing or capital receipts.

## Cash Flow Statement

Summarises the inflows and outflows of cash arising from transactions with third parties for capital and revenue purposes.

## CIPFA

The Chartered Institute of Public Finance and Accountancy (CIPFA) is the leading accountancy body for the public sector. The Statement of Accounts is prepared in accordance with the codes of practice published by CIPFA.

## Collection Fund

This is a separate statutory fund, which details the transactions in relation to national Non-Domestic Rates (NNDR) and the Council Tax, and the distribution to preceptors and the General Fund. It is consolidated with the other accounts in the Consolidated Balance Sheet.

## Community Assets

Assets that the local authority intends to hold in perpetuity, that have no determinable and useful life (where useful life is defined as a period of time over which the Authority benefits from the use of the asset) and that may have restrictions on their disposal. Examples of community assets are parks and historic buildings.

## Componentisation

An asset may consist of several different and significant physical components e.g. separating the operating fixtures from the actual building itself. If these components have substantially different lives then each component is depreciated separately over its individual useful life.

## Consistency

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

## Contingent Asset

A contingent asset is a possible asset arising from a past event from which the Council may benefit, and whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the Authority's control.

## Contingent Liability

A contingent liability is either a possible obligation arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the authority's control, or a present obligation arising from past events where it is not probable that a transfer of economic benefits will be required or the amount of the obligation cannot be measured with sufficient reliability.

## Corporate and Democratic Core (CDC)

The Corporate and Democratic Core represents the cost of the authority's Corporate Management (CM) and Democratic Representation and Management (DRM).

CM – those activities and costs that provide the infrastructure that allows services to be provided, whether by the authority or not and the information required for public accountability.

DRM - This includes all aspects of members' activities in that capacity, including corporate, programme and service policy making and more general activities relating to governance and the representation of local interests.

## Council Tax

A local taxation based on historic property valuations resulting in various banded charges chargeable on a property basis, collected via the local authority and used in conjunction with other revenue income streams (Revenue Support Grant) to fund local revenue expenditure.

## Creditors

Amounts owed by the Council for goods and services provided for which payment has not been made at the end of the financial year.

## Current Assets and Liabilities

Current assets are amounts owed to the Council and due for payment within 12 months, or items that can readily be converted into cash. Current liabilities are amounts that the Council owes to others and are due to be paid within 12 months.

## Current Service Cost (Pensions)

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

## Debtors

Amounts owed to the Council at 31 March where services have been delivered but payment has not been received.

## Dedicated Schools Grant (DSG)

A ring fenced grant given to Local Authorities to meet expenditure directly incurred by schools and or held centrally to meet schools related expenditure.

## Deferred Liabilities

Money owed by the Council which by arrangement are payable beyond the next year at some point in the future or paid off by annual sum over a period of time. Most deferred liabilities relate to PFI or lease arrangements.

## De-Minimus Capital Expenditure

This is the term given to items of capital expenditure below a certain value that may be properly capitalised by local authorities (i.e. meets the statutory definition of Capital Expenditure) but where the authority has chosen not to add to its asset register. De-minimus capital expenditure is charged to the relevant revenue account in the year it is incurred.

## Depreciation

The measure of cost or revalued amount of an asset assumed to have been consumed during the period. Consumption includes the wearing out, using up or other reduction in the useful life of the asset whether arising from use, passing of time or obsolescence through either changes in technology, or demand for the goods and services produced by the asset.

## Derecognition

The term used for the removal of an asset or liability from the Balance Sheet.

## Direct Revenue Financing

The amount of capital expenditure financed directly from revenue, rather than loans or other capital funds.

## Effective Interest Rate (financial instruments)

The rate of interest that is necessary to discount the estimated stream of principal and interest cash flows through the expected life of the financial instrument.

## Exceptional Items

Material items which derive from events or transactions that fall within the ordinary activities of the authority and which need to be disclosed separately, by virtue of their size or incidence, to give fair presentation of the accounts.

## Fair value (financial instruments)

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.

## Fair value (Fixed Assets)

Fair value is the amount for which an asset could be exchanged between knowledgeable, willing parties in an arm's-length transaction. Depending on the asset, this could be interpreted to mean existing use value (EUV) or market value.

## Financial instrument

A financial instrument is a contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another. The definition covers treasury management activity, including borrowing and lending of money and the making of investments. It also covers things such as receivables (debtors), payables (creditors) and financial guarantees.

## Financial instrument Adjustment Account

The reserve records the accumulated difference between the financing costs included in the Comprehensive income and Expenditure Account and the accumulated financing cost required in accordance with regulations to be charged to the General Fund Balance.

## General Fund

The main revenue fund from which day-to-day spending on services is met.

## General Fund Working Balances

The accumulated surplus of income over expenditure. The General Fund working Balance can be used to support future years budgets and thereby reduce future Council Tax increases.

## Government Grants

Sums of money paid 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. Government grants fall into two categories; general (where the authority has discretion over their use), or specific (where they must be used for certain items of expenditure under the conditions of the grant).



#### Heritage Assets

A Heritage Asset is one with historical, artistic, scientific, technological, geophysical or environmental qualities that is held and maintained by the Council principally for its contribution to knowledge and culture. Heritage Assets can be either tangible or intangible in nature.

#### Impairment

This is the term used to describe a reduction in the value of a fixed asset mainly due to a significant decline in its market value or evidence of obsolescence or physical damage.

#### Impairment Review

A review undertaken annually by the Council to assess whether there has been any impairment to its asset or asset value in the period.

#### Infrastructure Assets

Fixed assets that by their very nature cannot be sold and therefore expenditure can only be recoverable by continued use of the asset created, e.g. coastal defences, highways and footpaths.

#### Intangible Assets

Non-financial assets which do not have physical substance but are identified and controlled by the Council through legal rights e.g. IT software.

#### Inventories (stocks and work in progress)

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

A long-term 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 which do not meet the above criteria should be classed as current assets.

#### Joint Ventures

For the purpose of group accounts, a joint venture is an organisation in which the Council has an interest and is able to exercise significant influence but only with the unanimous agreement of the other parties with an interest in the organisation.

#### Landfill Allowance Trading Scheme (LATS)

The Landfill Allowance Trading Scheme began on 1 April 2005, and is a system of tradable permits that has been introduced in England to reduce the amount of Biodegradable Municipal Waste (BMW) sent to landfill. Each Waste Disposal Authority is allocated permits that allow it to landfill BMW up to the number of permits it holds. Authorities can purchase more permits or pay a fine in order to landfill BMW above their permits, or can sell excess permits to other Waste Disposal Authorities.

#### Lease

A lease is an agreement whereby the lessor conveys to the lessee the right to use an asset for an agreed period of time in return for a payment or series of payments. A finance lease is a lease that transfers substantially all the risks and rewards incidental to ownership of an asset to the lessee. Title may or may not be eventually transferred to the lessee. An operating lease is a lease other than a finance lease.

#### Lenders Option Borrowers Option Loans (LOBOs)

Lenders Option Borrowers Option Loans (LOBOs) are loans where, after an initial period of fixed interest, and at agreed intervals thereafter, the lender has the option to increase the rate. The borrower then has the option to continue at the higher rate or repay the loan incurring no penalty.

## Loans Outstanding

Amounts borrowed to finance capital expenditure which is yet to be repaid.

## Local Government Reorganisation (LGR)

The 1997/98 change of local government boundaries resulted in the creation of Unitary Authorities. Plymouth City Council became a unitary Council on 1 April 1998, taking over services within the city, which were previously administered by Devon County Council (the two main services being Education and Social Services). There are some ongoing transactions between the two authorities, for Plymouth's share of liabilities pre-dating the 1 April 1998, including enhanced pension payments.

## Market Value

A method of valuing a fixed asset in relation to current market conditions.

## Minimum Revenue Provision (MRP)

Represents the statutory minimum amount that must be charged to a revenue account in each financial year to repay external borrowings.

## National Non-Domestic Rates (NNDR)

Local businesses are subject to a business tax, referred to as the National Non-Domestic Rate. Poundage is set annually by the Government, collected by local authorities and paid into a national pool. The proceeds are then redistributed by Central Government as a grant to authorities in accordance with a government formula.

## Net Book Value

The amount at which fixed assets are 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 Current Assets

Expenditure that yields benefits for a period of more than one year.

## Non Distributed Costs (NDC)

This is a service heading within the Income and Expenditure Account, which bears costs, which would otherwise distort the cost of the frontline services. CIPFA dictates what can be charged to NDC as follows past service costs, settlements, curtailments in relation to pension costs, costs associated with unused shares of IT facilities, cost of shares of other long term unused but unrealisable assets.

## Non-Operational Assets

Fixed assets 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 and assets that are surplus to requirements, pending sale or redevelopment.

## Operational Assets

Fixed assets held, 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, or for the service or strategic objectives of the authority.

## Out-turn

The final actual expenditure and income in a given period.

## Pension Interest Costs

The amount needed to unwind the discount applied when calculating the current service cost. As scheme members are one year older and one year closer to receiving their pension, the provision made at present value in previous year need to be uplifted by a year's discount to keep pace with current values.

## 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 Responsible Financial Officer.

## Precept

The amount of Council Tax income required by precepting authorities (see below) to provide their services. It is levied on Council Tax billing authorities, who are required to collect income from Council Taxpayers on their behalf.

## Precepting Authority

An authority that sets a precept to be collected by a billing authority. Plymouth City Council collects precepts on behalf of Devon and Cornwall Police & Crime Commissioner and Devon and Somerset Fire & Rescue Authority.

## Prior Year Adjustments

Those material adjustments, applicable to prior years, arising from changes in accounting policies or from the correction of fundamental errors. They do not include normal recurring corrections or adjustments of accounting estimates made in prior years.

## Private Finance Initiative (PFI)

PFI is a generic term used to describe a wide variety of arrangements under which assets and services are provided by the private sector and paid for by the Council under a long term performance related contract.

## Provisions

Sums of money set aside from revenue accounts to meet any liabilities or losses which are likely to be incurred, or will be incurred, but the amount or the dates on which they will arise is uncertain. The Council's main provisions are maintained for bad debts and insurance purposes.

## 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.

## Prudential Code

This refers to the CIPFA Prudential Code for Capital Finance in Local Authorities which outlines the guidance applicable from 1 April 2004 for the greater freedom for Councils to borrow to fund capital investment (under the Local Government Acts 2003), subject to compliance with the Code.

## Public Works Loans Board

Public Works Loans Board (PWLB) - a statutory body operating within the United Kingdom, which provides long term loans to Local Authorities.

## Related Party

A third party involved with the Council where they are able to exert influence or control over the Council or are subject to influence or control by the Council.

## Related Party Transactions

The transfer of assets or liabilities, or the provision of services to or for a related party, irrespective of whether a charge is made.

## Reserves

Sums of money set aside to meet general or specific future liabilities.

## Revaluation Reserve

The Revaluation Reserve is an unusable reserve which contains the gains made by the Authority arising from increases in the value of its Property, Plant and Equipment which have not yet been realised through sales. 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, or
- disposed of and the gains are realised.

## Revenue Account

An account that records an authority's day to day expenditure and income on such items as salaries and wages, running costs of services and the financing of capital expenditure.

## Revenue Expenditure

Spending on day to day expenses consisting mainly of employees, running costs of buildings and equipment and capital financing costs.

## Revenue Support Grant

A general grant from the Government received by the authority calculated by reference to a complex formula to support the delivery of the authority's services.

## Right to Buy (RTB)

A scheme whereby Ex-Council tenants are allowed to purchase their own homes (relates to housing stock transferred to Plymouth Community Homes).

## Section 106 Receipts

Contributions from developers towards mitigating the effects of a development. These contributions may be, e.g. for additional education provision, playgrounds or transport infrastructure.

## Section 151 Officer

The Council's Officer designated under section 151 of the Local Government Act 1972 to take overall responsibility for the financial administration of the local authority. In Plymouth this was the Director for Corporate Services, but since the Council Meeting on 6 August 2013 changed dedicated role to Assistant Director for Finance, Efficiencies, Technology & Assets for an interim period of 6 months pending a pre-posed organisational restructure.

## Specific Grants

Central Government grants towards specific services, usually calculated on a fixed percentage basis, for particular services.

## Soft Loan

A soft loan arises where an authority makes a loan to another entity at less than the prevailing rate of interest, where a service objective would justify the authority making a concession.

## Subsidiary

For the purpose of Group Accounts, a subsidiary is an organisation over which the Council is able to exercise control in respect of its operating and financial policies, and from which the Council is able to gain benefits or is exposed to the risk of potential losses.

## Temporary Borrowing

Borrowing for a temporary purpose, for a period of usually less than 1 month, usually to cover cash flow.

## Useful Life

The period over which the local authority will derive benefits from the use of an asset.