

Oversight and Governance

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AUDIT AND GOVERNANCE COMMITTEE – SUPPLEMENT PACK

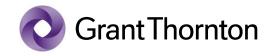
Wednesday II December 2024 I0.00 am Warspite Room, Council House

Audit and Governance Committee

4. Auditors Annual Report: (Pages 1 - 88)

5. Audit Findings Reports 2021/22 and 2022/23: (Pages 89 - 94)

6. Approval of Statement of Accounts 2021/22 and 2022/23: (Pages 95 - 344)





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We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the National Audit Office (NAO) requires us to report to you our commentary relating to proper arrangements.

We report if significant matters have come to our attention. We are not required to consider, nor have we considered, whether all aspects of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.



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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Council or all weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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Executive summary



Value for money arrangements - key recommendation and improvement opportunities

Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to consider whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. We are required to report in more detail on the Council's overall arrangements, as well as key recommendations on any significant weaknesses in arrangements identified during the audit.

We have written this annual report, with our VFM commentary in it, for both the 2020/21 and the 2021/22 financial years, for two reasons:

- we have been unable to close the 2019/20 financial statements audit, and commence the 2020/21 and the 2021/22 financial statement audits; and
- the Council is facing a financial crisis in the medium-term, from 2023/24 and beyond, and we need to report on the Council's VFM arrangements to the Audit and Governance Committee on 28 November 2022.

2020/21 and 2021/22 were unprecedented years in which the Council operated with a large number of its staff home working whilst supporting local businesses and residents through the pandemic. The Council responded well to COVID 19 and put in adequate arrangements to support its stakeholders.

Overall:

- We identified three key recommendations, in response to the significant weaknesses in Financial Sustainability and 11 opportunities for improvement, across all of the three Code's criteria, 14 recommendations in all, which are reported overleaf and the findings set out in detail within our report.
- The table below shows, in summary, our risk assessment and conclusion for the three VFM criteria: Financial Sustainability, Governance and Improving economy, efficiency and effectiveness

Criteria	Risk assessment	Conclusion
Financial sustainability	 Risk of significant weaknesses identified in 20/21 audit plan 	 Significant weaknesses in arrangements still exist in overall arrangements resulting in: three key recommendation; four improvement recommendations made
Governance	Risk of significant weakness identified in 2020/21 audit plan	 No significant weaknesses in arrangements identified during our fieldwork, however three improvement recommendations made
Improving economy, efficiency and effectiveness	No risks of significant weaknesses identified	 No significant weaknesses in arrangements identified during our fieldwork however, four improvement recommendations made

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Executive summary

Financial sustainability - how the body plans and manages its resources to ensure it can continue to deliver its services



The Council is operating in an increasingly uncertain financial environment. For the second successive year, in 2020/21, the Comprehensive Spending Review was a single year spending review. The Council delivered a breakeven position for the 20/21 financial year, after taking into account central government funding for COVID-19 and one-off adjustments. However, the Council's financial position is critical as there were significant funding gaps in each year of its five-year medium term financial plan with a total cumulative funding gap of £256 million to 2027/28. We have identified a significant weakness in the Council's financial sustainability. We are not satisfied that the Council has appropriate arrangements in place to manage the risks it faces (like many other authorities) in respect of its financial resilience and have identified three KEY recommendations and four improvement recommendations, as follows:

Key recommendations:

- R1: Members should follow the advice of the Council's section 151 officer, and if recommended, allow for the increase of council tax within referendum limits for the 2023/24 financial year so that the Council may both reduce its funding gap and build up a sustainable level of reserves over time into the base position.
- R2: The Council's Medium Term Financial Plan (MTFP) needs to be updated, as a priority, for the mid-year 2022 Cabinet and Council meetings so that it reflects the latest inflationary and energy price increases. The MTFP needs to be robustly triangulated with savings, capital, treasury, workforce and operational business planning for 23/24;
- R3: The Council needs to employ an interim senior finance officer to start immediately, to support the newly promoted Section 151 Officer, so the Finance Department has adequate capacity and knowledge required to help manage the Council's significant financial challenges and associated workload during 22/23.

Improvement recommendations:

- R4: The Council needs to identify new recurrent savings each year to sustainably close its significant funding gap rather than rely on annual vacancy rates. Difficult service decisions will need to be made to identify sufficient significant potential savings for members to choose from.
- R5: The Council's annual financial budget needs to be clearly aligned to activity plans, to ensure there is consistency and triangulation between all elements of the organisation.
 Service budgets and financial forecasts should be aligned with the Council's outcomes.
- R6: The Council's Strategic Risk Register needs to record significant financial risks, at a more granular level, over the short and medium-term. The mitigating actions to manage these risks need to be recorded in the "Action Plan / Future Mitigation" column of the Risk Register (which currently replicates the controls in place) so that oficers and members are clear how the Council may put itself on a sustainable financial footing, reduce its financial pressures and achieve its strategic outcomes.
- R7: We consider that the Council's level of unearmarked General Fund reserves, at some £8 million, is insufficient to maintain financial sustainability as the Council continues to face increasing financial pressures, due to ever-increasing inflation, expected pay increases and escalating fuel and energy costs. The Council needs to revisit the Reserves Strategy and build up its reserves at a rate of greater than the current planned contribution of some £350,000 a year from 23/24.

Governance - How the body ensures that it makes informed decisions and properly manages its risks



Our work for the 20/21 and the 2021/22 financial years focussed on developing a detailed understanding of the governance arrangements in place at the Council and the changes instigated as a response to the pandemic. Overall, we found no evidence of significant weaknesses in the Council's governance arrangements for ensuring that it made informed decisions and properly managed its risks. We have identified three improvement recommendations:

• R8: We recommend that the Strategic Risk Register better informs the annual overview & scrutiny work programmes so that risk management is properly embedded in members' decision making.

Executive summary (continued)



Governance (Continued)

- R9: Given the significant financial challenges faced by the Council we recommend that a more granular level of information by cost centre is included in the monthly financial monitoring reports so that senior officers and members may see the level of variances at a service activity level to better inform decision making.
- R10: We recommend that the Council carries out a self-assessment against the CIPFA Financial Standards (in the Financial management Code), produces a robust action plan with SMART targets to achieve full compliance by the deadline and reports this to the Audit & Governance Committee.

Improving economy, efficiency and effectiveness - How the body uses information about its costs and performance to improve the way it manages and delivers its services



The Council's ambition, community engagement and effective partnership working commendably earned it the national 2021 "Council of the Year" award as judged by the Municipal Journal. The Council has adequately delivered economy, efficiency and effectiveness in is use of resources. As part of its transformation journey, the Council still needs to effectively use benchmarking and data quality assurance to better understand the information about its costs and performance to improve the way it manages and delivers its services. We did not identify any risks of significant weakness, but we have identified the following four improvement recommendations.

The Council should:

- R11: develop a data quality strategy setting out the Council's approach to improving the quality of data required to support good decision making, including an independent assessment and assurance around data quality.
- R12: consider how it can use independent formal benchmarking in its reporting to the Cabinet to (1) explore any high unit costs, and potential savings, within its services and (2) provide assurance that it is delivering cost effective services in other areas.
- R13: define its significant partnerships and develop a register that identifies the contribution that the partnerships makes to the Council's corporate objectives. Defining its significant partnerships and better understanding their contribution to the Council's objectives will enable the Council to evaluate and assess their level of contribution.
- R14: produce a procurement strategy, as part of a review of its procurement arrangements, to ensure that the Council's policies, procedures and practices up to date in terms of a better analysis of spend, budget and risk.

Financial Statements audits

• Our progress on the 2019/20 and the 2020/21 financial statements audits, to date, is summarised on page 6 overleaf.



Financial statements audits



Opinions on the financial statements for the 19/20 and 20/21 accounts

Nationally, there is a technical accounting issue currently being debated by CIPFA on how public sector bodies account for their infrastructure assets in accordance with the International Financial Reporting Standards (IFRS). All local government audit opinions, for all firms, await national guidance and a possible statutory override of IFRS for infrastructure assets which is why we cannot sign any audit opinions without qualifying those with material infrastructure asset balances until this is resolved, which may be in the Autumn 2022.

2019/20 financial statements

We presented out 2019/20 audit findings, to date, to 29 September 2022 Audit and Governance Committee. We reported that our work is incomplete and there are a number of areas where we ae awaiting further information and revised accounts from the Council to conclude our work. These include:

- · Receipt of a revised set of financial statements, incorporating a number of changes including those relating to financial instruments;
- The conclusion of our work in respect of the pension transaction a significant issue which has consumed significant Council and audit resource.
- Resolution of the national issue relating to the carrying value of infrastructure assets within the Council's financial statements

The Council will need to reflect on the impact of the pension transaction within its Annual Governance Statement and we will review the other information to be published with the financial statements for consistency with our knowledge of your organisation once this is resolved.

2020/21 financial statements

Depending on the outcome of the 2019/20, we plan to start the audit of the 2020/21 financial statements in January. We have been made aware through our 2020/21 planning work that one-off adjustments at the 2020/21 year end has enabled the Council to report a breakeven position for that year so we will be adding these issues to our areas of audit focus.

We presented a revised 2020/21 audit plan to 28 November 2022 Audit and Governance Committee.

2021/22 financial statements

We need to discuss with officers how we both work to auditing the annual accounts within the normal local government cycle as by the time we come to audit the 2021/22 financial statements, officers will be preparing the 22/23 financial statements in May 2023.



VFM: Arrangements to secure economy, efficiency and effectiveness in use of resources

All Councils are responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness from their resources. This includes taking properly informed decisions and managing key operational and financial risks so that they can deliver their objectives and safeguard public money. The Council's responsibilities are set out in Appendix A.

Councils report on their arrangements, and the effectiveness of these arrangements as part of their annual governance statement. Under the Local Audit and Accountability Act 2014, we are required to be satisfied whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The National Audit Office's Auditor Guidance Note (AGN) 03, requires us to assess arrangements under three areas:



Financial sustainability

Arrangements for ensuring the Council can continue to deliver services. This includes planning resources to ensure adequate finances and maintain sustainable levels of spending over the medium term (3-5 years).



Governance

Arrangements for ensuring that the Council makes appropriate decisions in the right way. This includes arrangements for budget setting and management, risk management, and ensuring the Council makes decisions based on appropriate information.



Improving economy, efficiency and effectiveness

Arrangements for improving the way the Council delivers its services. This includes arrangements for understanding costs and delivering efficiencies and improving outcomes for service users.

Conclusion

Plymouth City Council is an ambitious council that continues to achieve and improve the lives of its residents, through partnership working and community engagement, and commendably it earned the national 2021 "Council of the Year" award as judged by the Municipal Journal. Judges described Plymouth as "a local Council that has put culture-led regeneration and a sense of place at its heart, one that is determined to put its city on the map for all the right reasons".

The 2022 LGA Peer Review (Feb 2022), commissioned by the Council's Leadership, stated that "Leading the way in terms of delivering economic growth has been a powerful driver for PCC to date and has already delivered a powerful legacy for the council, but as Plymouth - both the council and the city – emerges from the pandemic, and the Plymouth Plan is reviewed to reflect the impact of the last 2 years on demand led services, it's vital that the importance of this changing narrative for core statutory services is reflected in the ambition for Plymouth and that delivering social value receives parity of esteem with economic growth across all services areas."

However, the Council's ambitions and potential commitments, with partners, under its Corporate Plan and the longer term 2014 – 2034 Plymouth Plan appear not to be underpinned by adequate financial funding in the medium nor longer term. The Council made immediate revisions to service costs for the 22/23 financial year given the forecast £14.855 million deficit at the end of June 2022. After accounting for savings of £7.716 million, the forecast revenue outturn is currently estimated at a net £6.656 million over budget, which is a variance of +3.4% against the net budget at the end of August 2022. Although the Council is actively managing its in year 22/23 financial position, at a detailed level, we are not satisfied the Council has appropriate arrangements in place to manage the risk to its medium-term financial sustainability and we would consider this a significant weakness in the Council's arrangements for ensuring it has the capacity to continue to deliver sustainable services in the medium term. Many of the challenges are sector wide given the dual challenges of inflation and increased demands for local government services.

Financial sustainability

How the body plans and manages its resources to ensure it can continue to deliver its services



We considered how the Council:

<u>FS1</u>: identifies all the significant financial pressures it is facing and builds these into its short and medium term plans;

<u>FS2</u>: plans to bridge its funding gaps and identify achievable savings;

<u>FS3</u>: plans its finances to support the sustainable delivery of services in accordance with strategic and statutory priorities;

<u>FS4</u>: ensures its financial plan is consistent with other plans such as workforce, capital, investment and other operational planning;

<u>FS5</u>: identifies and manages risk to financial resilience, such as unplanned changes in demand and assumptions underlying its plans.

Significant weakness in financial sustainability

Plymouth City Council (the "Council") has experienced deteriorating financial resilience for a number of years with its service spending pressures, its demand led children and adult social care costs, the impact of COVID-19 and the affordability of its ambitious capital programme. The Council's ability to increase local taxation in line with inflation for several years has also impacted its financial sustainability as its level of general fund reserves is in the lowest 20% of unitaries nationally. General Fund reserves at £8.044 million are currently some 4% of net revenue expenditure. The budget monitoring reports during 20/21 and 21/22 showed significant overspends which reduced following one-off adjustments so the Council was able to break-even in both financial years.

The Council made immediate revisions to service costs for the 22/23 financial year given the forecast £14.855 million deficit at the end of June 2022. After accounting for savings of £7.716 million, the forecast revenue outturn is currently estimated at a net £6.656 million over budget, which is a variance of +3.4% against the net budget at the end of August 2022. In setting the Council tax for 22/23, members chose not to follow the advice of the Council's section 151 officer to increase council tax within referendum limits. This decision impacts both the 22/23 budget and future budgets by not building on the base positions resulting in cumulative lost income of some £2.1 million a year, which would mean a "loss" of £10.5 million over the five year MTFS. In our view this was not a decision made after a full assessment of the degree of financial risk by members and this is not a decision that should be repeated in setting the 23/24 budget when the Council has such significant financial challenges. The Council's Medium Term Financial Strategy (MTFS) needs to be updated and reported as a priority for the December 2022 Cabinet and Council meetings so that it reflects the latest inflationary and energy price increases. The MTFS, in February 2022, showed a cumulative deficit over the next four years to 26/27 of £118 million, however this gap has widened significantly as the five year MTFS has been recalculated to include the 2027/28 financial year.

The Chief Executive spoke at Cabinet on 7 July 2022 of the "grave" financial situation that the Council is facing. The Council's Section S151 Officer and Service Director for Finance left at the end of September 2022 having been with the Council for 2 years. One of the Deputy Directors of Finance is "acting up" until a new Section 151 Officer is recruited for April 2023 and there is a 30% vacancy rate in the finance department. Given the significant financial challenges facing the Council, we recommend that the Council employs another senior finance officer, in the interim, so the senior finance team has the capacity and knowledge required to help manage the significant financial challenges and associated workload .

Conclusion

Overall, we are not satisfied the Council has appropriate arrangements in place to ensure it manages risks to its financial sustainability. We have identified three key recommendations for financial sustainability and 4 opportunities for improvement, as follows:

Financial Sustainability Key recommendations:

- R1: Members should follow the advice of the Council's section 151 officer, and if recommended, allow for the increase of council tax
 within referendum limits for the 2023/24 financial year so that the Council may both reduce its funding gap and build up a sustainable
 level of reserves over time.
- R2: The Council's Medium Term Financial Strategy (MTFS) needs to be updated, as a priority, for the December 22 Cabinet and Council
 meetings so that it reflects the latest inflationary and energy price increases. The MTFP needs to be robustly triangulated with savings,
 capital, treasury, workforce and operational business planning for 23/24;
- R3: The Council needs to employ an interim senior finance officer to start immediately, to support the newly promoted Section 151
 Officer, so the Finance Department has adequate capacity and knowledge required to help manage the Council's significant financial challenges and associated workload during 22/23 and beyond

R4: The Council needs to identify new recurrent savings each year to sustainably close its significant funding gap rather than rely on annual vacancy rates. Difficult service decisions will need to be made to identify sufficient significant potential savings for members to choose from.

R5: The Council's annual financial budget needs to be clearly aligned to activity plans, to ensure there is consistency and triangulation between all elements of the organization. Service budgets and financial forecasts should be aligned with the Council's outcomes.

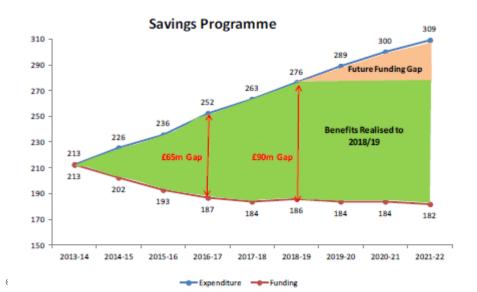
R6: The Council's Strategic Risk Register needs to record significant financial risks, at a more granular level, over the short and medium-term. The mitigating actions to manage these risks need to be recorded in the "Action Plan / Future Mitigation" column of the Risk Register (which currently replicates the controls in place) so that Officers and members are clear how the Council may put itself on a sustainable financial footing, reduce its financial pressures and achieve its strategic outcomes.

R7: The Council's levels of General Fund reserves, at some £8 million, is insufficient to maintain financial sustainability as the Council continues to face increasing financial pressures, due to ever-increasing inflation, expected pay increases and escalating fuel and energy costs. The Council needs to revisit its Reserves Strategy and build up its reserves at a rate of greater than £350,000 a year from 23/24.

1: How the Council identifies all the significant financial pressures it is facing and builds these into its short and medium term plans;

Ongoing financial challenges

The 19/20 – 20/21 Medium Term Financial Strategy (MTFS), currently on the Council's website, shows the financial pressures and the financial funding gap was estimated to be £37 million at the end of 2021/22, as shown below as the "future funding gap".



Revenue outturn for 20/21 and 21/22

For the 2020/21 and the 2021/22 financial years, the Council reported a breakeven position against a net budget of circa £194 million. The year end performances were an improvement on the forecast outturn position reported throughout the years and were achieved due to the receipt of additional COVID-19 funding. For 20/21, there still was an overspend of £0.625 million at directorate level and corporate items showed an over spend of £4.859m for business as usual activities. For the 21/22 financial year, there were net additional cost pressures totalling £10.313m plus cost pressures arising from the COVID-19 pandemic of £9.604m which needed to be managed.

Financial planning

The budget for 21/22 was agreed by Full Council in February 2021. However the MTFS was not formally updated and reported, at that time, detailing the extent of the growing medium-term funding gap and how the Council planned to bridge the funding gaps over the subsequent five years. This was because there was a period of limited direction from central government and the inability for local government to plan in detail beyond a one year horizon because of COVID-19. All that was reported to Council was the in year funding gap of £7.112 million which included significant cost and volume increases for Adults' and Children's services, as the significant proportion of the Council's revenue budget (over 70%) is spent on these areas. Prior to receipt of the provisional settlement and spending review announcement financial modelling had shown a budget gap of £14.063m for the 21/22 financial year so the situation had ostensibly improved as management action actions were identified.

For 22/23, the annual budget gap increased to some estimated £30 million for the year. However, financial modelling scenarios with best, realistic and worst case scenarios were not formally presented to Cabinet. Instead the budget was presented with inbuilt planning assumptions using management actions that have not fully materialised Significant work is currently being undertaken by the Council to identify savings opportunities to balance the books for 2022/23, as at the end of June 2022, the Council was reporting a £13.617 million forecast deficit. The Council's Section 151 Officer has a draft Section 114 report in writing and may issue this if the 22/23 financial position is not improved by the 19 September 2022 Council meeting.

The MTFS, in February 2022, shows a cumulative deficit over the next four years to 26/27 of £118 million, however this gap has widened significantly to £256 million, in September 2022, as the MTFS fifth years has been recalculated to include the 2027/28 financial year. The financial risks facing the Council are significant and given the low level of reserves, current indications are that the Council's financial position is critical.

2: How the council plans to bridge its funding gaps and identify achievable savings?

Savings plans

The Council monitors the delivery of planned savings on a monthly basis through its Central Management Team (CMT) and Cabinet. Historically the Council has a good track record of delivering its savings targets. Over the last 10 years, the Council reported that it has successfully delivered a savings programme totalling some £185m which averages out at approximately £18 million a year. However, a savings target of only £7.4m was included within the 2020/21 budget set in February 2020. Whilst specific savings schemes could not be always be achieved due to the need to act on a responsive basis to the service delivery and other operational challenges brought about by the Pandemic, the Council nevertheless achieved overall financial balance, through one-off measures for the 2020/21 year.

For 21/22, £18.845 million of savings were approved by Cabinet in February 2021. Progress against in year delivery of savings, on a risk basis, is reported each month as below in the October 21 Financial Monitoring Report

Appendix A 2021/22 Savings status (1) Summary

	Total	Achieved savings	on track for delivery	Working on for delivery	Planned, internal/external actions requried to deliver
	£m	£m	£m	£m	£m
Children's	4.001	1.723	0.688	1.176	0.414
People	3.160	3.160	0.000	0.000	0.000
ODPH	0.028	0.028	0.000	0.000	0.000
Customer & Corporate	4.571	1.136	1.896	0.019	1.520
Place	1.035	0.080	0.045	0.257	0.653
Corporate Items	1.050	1.015	0.000	0.000	0.035
2021/22 Savings	13.845	7.142	2.629	1.452	2.622

Recurrent versus non-recurrent savings

Although the Council has a recent track record of closing budget gaps to produce breakeven outturns for 20/21 and 21/22, this has been mainly achieved through the use of additional COVID-19 grants and other one-off year end measures. This has masked the critical nature of the Council's financial position in year and in the medium term. It is not clearly reported whether savings are of a recurrent nature or whether they are one-off non-recurrent savings identified to balance the budget. The Council has a high level of vacancies, for example the vacancy rate in the Finance Department is approximately 30% so these vacancies are

classified as savings each year. The Council needs to identify new recurrent savings each year to sustainably close its funding gap rather than rely on annual vacancies. Difficult service decisions will need to be made to identify sufficient significant potential savings. The savings schemes at £11 million for 22/23 are insufficient to deliver the current years financial plan.

Improvement recommendation 4: The Council needs to identify new recurrent savings each year to sustainably close its significant funding gap rather than rely on annual vacancy rates. Difficult service decisions will need to be made to identify sufficient significant potential savings for members to choose from.

3: The Council plans its finances to support the sustainable delivery of services in accordance with strategic and statutory priorities;

Strategic priorities

The Council set out its longer-term strategic plan within the Corporate Plan 2021 to 2025, which alians to the Plymouth Plan 2014 - 2034. The Plymouth Plan sets the visions for the City for the Council and its partners and provides a strategic framework for its decision making, and informing the Medium Term financial forecast and annual budget setting.

The budget for 2021/22 was agreed by Full Council in February 2021. As part of that process, the Council's vision and values was restated as "A key principle informing the Council's response to the COVID-19 pandemic is that our existing vision, values, priorities and plans as summarised in the Corporate Plan remain fit for purpose. The Council's approach has been to prioritise key elements within the plan to ensure that we address the most immediate impacts of the pandemic (on those most vulnerable, and support the city's recovery, both in health and economic terms in Ω the most appropriate way. "

Capital investment

The Council has focussed on driving the City's growth agenda which included leveraging investment, business development and support, spatial planning and strategy, a strong cultural and events offer, housing delivery and the ambitious capital delivery programme which includes major sustainable transport improvements. The capital programme is significant, as shown below.

Planned capital expenditure 20/21 to 24/25

Directorate	2020/21 £m	2021/22 £m	2022/23 £m	2023/24 £m	2024/25 £m	Total £m
People	10.300	2.391	7.009	3.025	-	22.725
Place	135.354	129.423	84.525	13.000	2.655	364.957
Customer & Corporate	7.932	31.003	-	-	-	38.935
Public Health	5.209	7.804	-	-	-	13.013
Total	158.795	170.621	91.534	16.025	2.655	439.630

4: ensures its financial plan is consistent with other plans such as workforce, capital, investment and other operational planning;

Financial planning - consistency with other plans

Key financial strategies such as the capital strategy, treasury management, investments and borrowings are considered in the Council's annual budget setting round. The Council has a People Strategy, adopted in March 2020, but it is not clear how this is reflected in the Council's MTFS as we have seen no evidence of where workforce establishment has been reported at a FTE level as part of medium term financial planning. The Council's annual financial budget is not clearly aligned to activity plans, to ensure there is consistency and triangulation between all elements of the organization. Some redundancies have been made as reported in the Council's Financial Statements, however this is not reported as a planning measure.

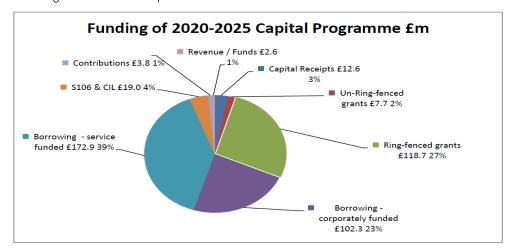
Improvement observation 5: The Council's annual financial budget needs to be clearly aligned to activity plans, to ensure there is consistency and triangulation between all elements of the organization. Service budgets and financial forecasts should be aligned with the Council's outcomes.

Treasury Management

The Council has formally adopted CIPFA's Code of Practice on Treasury Management. Its 20/21 Treasury Management Strategy was agreed by Cabinet in February 2020. Treasury mid-year statement and annual reports are presented regularly to the Audit & Governance Committee. The City has an ambitious capital investment programme which supports the local economy and the revenue implications of this investment are included within the budget plans, with an additional £1.485m added in 21/22. However, interest rates are rising which makes the capital programme less affordable in the long-term, especially where borrowing is funded by short-term borrowing. The Council has changed its debt portfolio in the last two years towards long term debt.

Funding for the capital programme

The Council's Capital Financing Reserve is financed by an increasing amount of external borrowing at some 62% compared to other sources as shown below:



Service borrowing accounts for 39% of the capital programme of £172.9 million. Service borrowing funds capital investments where the borrowing repayments are covered by income or savings being made within the Service Departments. However it is not reported whether the capital scheme has been effective and the savings made. The Council also funds projects from Corporate Borrowing at £102.3 million, some 39%. This is largely for projects that are considered to be overall strategic priorities and where the borrowing repayments are covered by making revenue provision in the annual budget. To ensure the capital programme remains sustainable in the long term the level of borrowing continues to be regularly monitored and any impact of a change in interest rates reported.

Financial risk management

The Council maintains a Strategic Risk Register that is reviewed quarterly by CMT and the Audit & Governance Committee. The Strategic Risk Register, was updated for May 2022 report with the Financial Risk upgraded from an Amber Risk with a score of 12, in February 2022, to a Red Risk risk with the highest possible score of 25. This financial risk is described as "The risk of the Council's expenditure exceeding the resources available to meet that expenditure within the medium term financial plan period (2022/23-2025/26)." However this wasn't the risk, this was the fact as medium-term expenditure already exceeded medium-term resources by an estimated £118 million in February 2022 and interestingly, at this time, the risk was inappropriately scored as a 12 (a Probability of 3 multiplied by the Impact of 4).

The risk would be better described as a "Failure to address the significant and ongoing financial pressures in a sustainable way and to enable service provision to reflect key strategic outcomes and be aligned with the associated budget envelopes". The Action Plan of this risk replicates the description of the controls already in place with the additional line that "It is of critical importance to the Council and City that CMT and Cabinet select means of reducing the costs of the Council to fully mitigate the forecast budget shortfalls in future years. Until this work is completed later in 2022 the risks will remain at the current level"

There is no clear financial plan in the "Action Plan / Future Mitigation" column of the Risk Register as to how the Council may put itself on a sustainable footing and reduce its financial pressures and achieve its strategic outcomes. The Council's risk monitoring needs to better record all its key financial risks, at a more granular level rather than one overall finance risk, over the short term and medium-term; and the mitigating actions required to manage these significant financial risks.

Improvement observation 6: The Council's Strategic Risk Register needs to record significant financial risks, at a more granular level, over the short and medium-term. The mitigating actions to manage these risks need to be recorded in the "Action Plan / Future Mitigation" column of the Risk Register (which currently replicates the controls in place) so that Officers and members are clear how the Council may put itself on a sustainable footing and reduce its financial pressures and achieve its strategic outcomes.

5: identifies and manages risk to financial resilience, such as unplanned changes in demand and assumptions underlying its plans.

Managing financial resilience

The budget for 2021/22 was agreed by Full Council in February 2021. Cabinet were asked to note that the budget shortfall of £7.112m could be offset by:

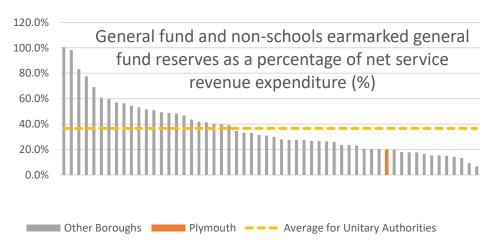
- a Council Tax increase of up to 1.99%
- an Adult Social Care (ASC) precept of up to 3%
- the use of limited local resources including a limited use of reserves.

Section 25 of the Local Government Act 2003 requires that when a local Council is making its budget calculations, the Chief Finance Officer of the Council must report to the Council on the robustness of the estimates made for the purposes of the calculations and the adequacy of the proposed financial reserves.

The Council's Service Director of Finance advised that a zero or nil council tax rise would financially disadvantage the Council in the short and medium term. However, this advice was not taken for both the 21/22 and the 22/23 budgets when a zero council tax rise was voted in for two years running. We have made the Key Recommendation earlier in the report that this should not be repeated for the 23/24 budget as this has cost the Council a cumulative total of some £9 million.

Level of reserves

General fund reserves should only be used for unplanned events and uncertainties in future years' budgets, whereas earmarked reserves are set aside for specific purposes where the Council has future commitments that it needs to fund.



The graph shows that Plymouth is in the bottom quartile for available general fund reserves, of only £8.044 million, at 31 March 2022, and the Council is the 43rd lowest unitary out of 53 unitaries nationally in terms of reserve levels.

For 2019/20, the average level of reserves for unitary authorities is 36.7% and the graph, to the left, shows Plymouth with less than the average at only 19.9%. At the end of the 21/22 financial year, the Council had "Other PCC Earmarked Reserves" of £22.22 million and General Fund reserves of £8.044 million. This will be even lower at the end of 2022/23, as it was recommended to Cabinet in October 2022, that reserves of £1.585 million are applied in year to offset the 2022/23 in-year overspend as these earmarked reserves are no longer required for their original purpose.

When earmarked reserves are excluded, the General Fund reserves are only at 1.99% of gross revenue expenditure, which is much lower than the Council's own target for its reserves level of 5% which was set as part of the 19/20 to20/21 Medium Term Financial Strategy. However, the Council's potential five year budget gap of over an estimated £150 million to 27/28 exceeds the Council's reserves of only £8.044 million by many, many times which shows that the Council's planned target of 5% is insufficient as the level of financial risk is great.

We recommend that a detailed reserves strategy is put in place detailing how the Council plans to increase the level of its reserves to . Although there is a budget allowance of £350k a year to top up the balance to achieve the 5% target, the level of reserves is deteriorating as there was a £350k contribution holiday in 22/23.

Improvement recommendation 7: We consider that the Council's level of General Fund reserves, at some £8 million, is insufficient to maintain financial sustainability as the Council continues to face increasing financial pressures, due to ever-increasing inflation, expected pay increases and escalating fuel and energy costs. The Council needs to revisit its Reserves Strategy and build up its reserves at a rate of greater than the current planned contribution of some £350,000 a year from 23/24.



KEY Recommendation One

R1: Members should follow the advice of the Council's section 151 officer, and if recommended, allow for the increase of council tax within referendum limits for the 2023/24 financial year so that the Council may both reduce its funding gap and build up a sustainable level of reserves over time.

Management comment

Agreed.





KEY Recommendation Two

R2: The Council's Medium Term Financial Plan (MTFP) needs to be updated, as a priority, for the mid-year 2022 Cabinet and Council meetings so that it reflects the latest inflationary and energy price increases. The MTFP needs to be robustly triangulated with savings, capital, treasury, workforce and operational business planning for 23/24.

Management comment

The 2023/24 position was presented to Council in November 2022, which is the earliest available opportunity to match savings with the funding gap. The funding gap has been discussed since early July 2022 with cabinet members and the public have been notified of the scale of the deficit. It is difficult to maintain a meaningful MTFP when central government have been giving one-year settlements.





KEY Recommendation Three R3: The Council needs to employ an interim senior finance officer to start immediately, to support the newly promoted Section 151 Officer, so the Finance Department has adequate capacity and knowledge required to help manage the significant financial challenges and associated workload during 22/23.

Management comment

An interim has been appointed, starting 16th November until March 2023





Improvement Recommendation

R4: The Council needs to identify new recurrent savings each year to sustainably close its significant funding gap rather than rely on annual vacancy rates. Difficult service decisions will need to be made to identify sufficient significant potential savings for members to choose from.

Management comment

The savings proposals listed in the 2023/24 budget show this, with sustainable savings and difficult decisions. There will always be some element of one-off savings; we are working to minimise these.





Improvement Recommendation

R5: The Council's annual financial budget needs to be clearly aligned to activity plans, to ensure there is consistency and triangulation between all elements of the organization. Service budgets and financial forecasts should be aligned with the Council's outcomes.

Management comment

We do ensure the budgets are aligned to our outcomes.





Improvement Recommendation

R6: The Council's Strategic Risk Register needs to record significant financial risks, at a more granular level, over the short and medium-term. The mitigating actions to manage these risks need to be recorded in the "Action Plan / Future Mitigation" column of the Risk Register (which currently replicates the controls in place) so that Officers and Members are clear how the Council may put itself on a sustainable financial footing, reduce its financial pressures and achieve its strategic outcomes.

Management comment

We have requested further detail on "granular level".





Improvement Recommendation

R7: The Council's levels of reserves, at some £8 million, is insufficient to maintain financial sustainability as the Council continues to face increasing financial pressures, due to ever-increasing inflation, expected pay increases and escalating fuel and energy costs. The Council needs to revisit its Reserves Strategy and build up its reserves at a rate of greater than £350,000 a year from 23/24.

Management comment

We had a plan to increase by £350,000 p.a. but this is difficult in the current financial climate. We have asked for clarification on what level would be sufficient.



Governance

How the body ensures that it makes informed decisions and properly manages its risks



We considered how the Council:

<u>Gov 1</u>: monitors and assesses risk and gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud;

<u>Gov 2</u>: approaches and carries out its annual budget setting process;

<u>Gov 3:</u> ensures effectiveness processes and systems are in place to ensure budgetary control;

Gov 4: ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency;

<u>Gov 5</u>: monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of officer or member behaviour.

Summary on Governance

Our work for the 2020/21 and the 2021/22 financial years focussed on developing a detailed understanding of the governance arrangements in place at the Council as we had identified a significant risk around governance in our 20/21 audit plan given the governance issues that arose in 19/20. We have since found that the issues arising from our 2021 July Governance review have been adequately resolved with new procedures put in place. Our 19/20 Audit Report, presented to the Audit & Governance Committee on 28th September 2022, details the improvements made.

Plymouth has adequate risk management processes and procedures in place for 20/21 and 22/23, although these are currently being reviewed to better embed risk management throughout the Council. As we have seen from the Financial Sustainability section in this report, key critical decisions need to be made to stop the further deterioration of the Council's financial position. The Council's Risk Register does not sufficiently document the Council's financial risk nor the mitigating actions being taken to manage that risk.

Conclusion

Overall, we are satisfied the Council has appropriate arrangements in place to ensure it makes informed decisions and properly manages its risks, with the exception of the Council's financial risks. We have identified four opportunities for improvement, as follows:

Governance improvement recommendations:

- R8: We recommend that the Strategic Risk Register informs the annual overview & scrutiny work programmes so that risk management is properly embedded in members' decision making.
- R9: Given the financial challenges faced by the Council we recommend that a more granular level of information by
 cost centre is included in the monthly finance monitoring reports so that senior officers and members may see the level
 of variances at an activity level which will better inform their decision making around services.
- R10: We recommend that the Council carries out a self-assessment against the CIPFA Financial Standards, in the CIPFA Financial management Code, produce a robust action plan with SMART targets to achieve full compliance by the deadline of March 23 and reports this to the Audit & Governance Committee.

N

Gov 1: How the Council monitors and assesses risk and gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud;

Risk management

The Council has a Risk and Opportunity Strategy 2020 – 2022 which was approved by the Council's Audit & Governance (A&G) Committee in November 2020. This Committee is currently responsible for reviewing the Council's Strategic Risk Register at each of its meetings. The Strategic Risk Register include a description of the risk, mitigating actions, and a RAG rated risk score derived from the probability and impact of the risk occurring both before and after the mitigating actions are taken into account. A risk owner is assigned to each risk.

There were 22 strategic risks on the Risk Register in March 2022. This is a large number of risks for the A&G Committee to review. It is also the role of the Committee to provide assurance to Cabinet over the effectiveness of the Council's Risk Management process rather than deep dive into individual risks. The scrutiny function is delivered through four overview and scrutiny committees and the main aim of scrutiny is to act as a 'critical friend' to the Cabinet and other decision makers, to promote better services, policies and decisions. We recommend that the Strategic Risk Register informs the annual overview & scrutiny work programmes so that risk management is properly embedded in members decisions making.

Improvement recommendation 8: We recommend that the Strategic Risk Register informs the annual overview & scrutiny work programmes so that risk management is properly embedded in members' decision making.

The Strategic Risk Register is supported by registers for each Directorate and these are discussed regularly at Directorate management Team meetings. In September 22, the Council is using Gallagher and Bassett, its Insurance Risk Advisors, to review the Council's risk management process and provide further training for the Departmental Risk Management Champions, as the Council needs to better embed risk management throughout its structures. The LGA Corporate Peer Challenge Review Report, of February 2022, stated that the Council should "Promote and embed risk awareness across the organisation and continue to address and report progress against key financial risks and external audit requirements".

Internal control

In 2020/21 and 21/22, Internal Audit reported to each meeting of the G&A Committee and provided an annual report and opinion, update reports and internal audit plans. The Committee also approved the Internal Audit Charter and Strategy. Sufficient work was undertaken to enable the Head of Internal Audit to provide a 'reasonable assurance' opinion in both financial years.

The Council had the following policies to prevent and detect fraud:

- · Anti-fraud and corruption strategy; and
- Whistle-blowing

Anti-fraud work and investigations were undertaken by the Council's proactive Counter Fraud Service. The annual and half yearly report of the CFS provides updates on both anti-fraud and corruption strategy and the whistle-blowing policy

From our work we have found no areas of weakness in the management and reporting on internal control and the prevention and detection of fraud.

Gov 2: How the Council approaches and carries out its annual budget setting process;

Budget setting

Under the Council's Constitution, Cabinet is required to recommend the annual revenue and capital budget to Council in February each year as well as the Capital Financing and Treasury Management Strategy. The Cabinet report:

- · summarises the impact of the provisional Local Government Finance Settlement on the budget;
- sets out revenue budget planning assumptions in respect of income, approved savings plans and resource requirements;
- summarises cost pressures and mitigations in respect of the COVID-19 pandemic;
- sets out the Capital budget, Capital financing strategy and the treasury management strategy for 2021/22;
- itemises the Council's response to its agreed recovery and renewal priorities and objectives durife 2021/22; and
- sets out the Cabinet's response to the Budget Scrutiny Select Committee's recommendations relating to the 2021/22 budget.

Public engagement

In December 2021, this year's budget engagement exercise "Help us prioritise Plymouth's pounds" yielded a high level of response from its stakeholders compared to previous years. Listening to Plymouth residents is a high priority for the Council and it received valuable feedback.

Budget Engagement



The Council recognises that setting the budget does not mean the work is over as financial pressures continue to provide a challenge and it will need to deliver savings plans and continue to transform how it operates to reduce costs.

Gov 3: How the Council ensures effectiveness processes and systems are in place to ensure budgetary control;

Budget monitoring

The Council operated a formal corporate revenue and capital monitoring process during the 20/21 and the 21/22 financial years. Monthly budget monitoring reports were presented to the Overview & Scrutiny Committees and Cabinet. Variances at a departmental level are also reported, as shown below:

Monthly finance report to Cabinet - October 2021

Directorate	Budget £m	Forecast £m	offset £m	Forecast Net Variance £m	Status
Executive Office	5.429	5.694	(0.245)	0.020	over
Customer and Corporate Services	44.031	45.850	(1.164)	0.655	over
Children's Directorate	53.047	61.865	(8.404)	0.414	over
People Directorate	89.441	93.018	(3.577)	0.000	on budget
ODPH	(0.537)	(0.730)	(0.134)	(0.327)	under
Place Directorate	24.976	28.830	(3.733)	0.121	over
Corporate Items	(20.846)	(38.103)	17.257	0.000	on budget
Total	195.541	196.424	0.000	0.883	over

As a senior manager or member the above £883k forecast variance in year compared to net expenditure of £195.541 million may not give much cause for concern. Explanation for variances are reported but at a high level so that any relevant non-financial information, such as service activity and workforce information, is not sufficiently included in the financial reports to Cabinet.

Given the financial challenges faced by the Council we recommend that a more granular level of information by cost centre is included in the monthly monitoring reports so that service directors and managers are held accountable for financial performance and members may see the level of variances at an activity level to better inform their decision making.

Improvement recommendation 9: Given the financial challenges faced by the Council we recommend that a more granular level of information by cost centre is included in the monthly finance monitoring reports so that members may see the level of variances at an activity level which will better inform their decision making around services.

Gov 4: How the Council ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency;

Informed decision making

In addition to decision-making committees, the Council also has four overview and scrutiny committees for different directorates, to ensure that decisions are subject to adequate challenge and review prior to being taken. The Council's committees make use of various report templates which are structured in such a way to ensure that relevant considerations and impacts are made, depending on the type of decision required.

2022/23 was the first year of implementation of the CIPFA Financial Management Code (FM Code), with local authorities being required to demonstrate progress towards compliance by 31 March 2023. In comparison to some other councils, there has no reporting to members with regard to the Plymouth's compliance with the FM Code or of actions required to move the Council towards full compliance as is required in 22/23.

CIPFA Financial Management Code Principles

The following FM Code principles have been designed to focus on an approach which will assist in determining whether, in applying standards of financial management a local Council is financially sustainable:

- Organisational leadership demonstrating a clear strategic direction based on a vision in which financial management is embedded into organisational culture
- Accountability based on medium term financial planning which drives the annual budget process supported by effective risk management, quality supporting data and whole life costs
- Financial management is undertaken with transparency at its core using consistent, meaningful and understandable data, reported frequently with evidence of periodic officer action and elected member decision making
- Adherence to professional standards is promoted by the leadership team and is evidenced.
- Sources of assurance are recognised as an effective tool mainstreamed into financial management and includes political scrutiny and the results of both external audit, internal audit and inspection.
- The long-term sustainability of local services is at the heart of all financial management process and is evidenced by prudent use of public resources.

Source: The CIPFA Financial Management Code

CIPFA expects that compliance with the FM Code will typically be achieved by documenting compliance with the Statements of Standard Practice that underpin each of the Financial Management Standards. Given the Council's critical financial position we think this will be a constructive exercise in identifying areas, including leadership at the top, where financial management processes and procedures and subsequent decision making may be improved.

We recommend that the Council carries out a self-assessment against the CIPFA Financial Standards, produces a robust action plan with SMART targets to achieve full compliance by the deadline and reports this to the Audit & Governance Committee.

Improvement observation 10: We recommend that the Council carries out a self-assessment against the CIPFA Financial Standards, in the CIPFA Financial Management Code, produces a robust action plan with SMART targets to achieve full compliance by the deadline and reports this to the Audit & Governance Committee.

Gov 5: How the Council monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of officer or member behaviour.

Monitoring Standards

The 20/21 and 21/22 Annual Governance Statement are compliant with the CIPFA code. An appropriate level of care is taken to ensure the Council's policies and procedures comply with all relevant codes and leaislative frameworks. The Council's constitution has a section relating to Codes and Protocols which sets out general behaviour and principles expected of members and officers. This appears to be consistent with expectations observed across the sector.

The Council has a range of officers who are responsible for ensuring and monitoring compliance with statutory standards, such as the Monitoring Officer and the Section 151 Officer. During our review we are not aware of any instances where officers or elected members have not complied with the necessary standards and no evidence of significant non-compliance has been identified, with the exception of the MIEL transaction and the Interest Rate Swap transactions which we reported on as part of our 2019/20 Value for Money Conclusion. The outcome of our Governance Review was reported to the July 2021 Audit & Governance Committee and we have since seen that the Council has implemented appropriate actions in response to the 11 recommendations.



Improvement Recommendation

R8: We recommend that the Strategic Risk Register informs the annual overview & scrutiny work programmes so that risk management is properly embedded in members' decision making.

Management comment

We are undertaking a review of our scrutiny arrangements.





Improvement Recommendation

R9: Given the financial challenges faced by the Council we recommend that a more granular level of information by cost centre is included in the monthly finance monitoring reports so senior officers and members may see the level of variances at an activity level which will better inform their decision making around services.

Management comment

We are always open to suggestions to better inform and report. However, we have to be mindful of too much detail. Best practice is sought.





Improvement Recommendation R10: We recommend that the Council carries out a self-assessment against the CIPFA Financial Standards, produces a robust action plan with SMART targets to achieve full compliance by the deadline and reports this to the Audit & Governance Committee.

Management comment

We have asked for clarification.



Improving economy, efficiency and effectiveness (3Es)

How the body uses information about its costs and performance to improve the way it manages and delivers its services



We considered how the Council:

- 3Es 1: uses financial and performance information to assess performance to identify areas for improvement;
- <u>3Es 2:</u> evaluates the services it provides to assess performance and identify areas for improvement;
- 3Es 3: ensures it delivers its role within significant partnerships, engages with stakeholders, monitors performance against expectations and ensures action is taken where necessary to improve;
- 3Es 4: ensures that it commissions or procures services in accordance with relevant legislation, professional standards and internal policies, and assesses whether it is realising the expected benefits.

Summary on "Improving economy, efficiency and effectiveness"

The Council's ambition, community engagement and effective partnership working commendably earned it the national 2021 "Council of the Year" award as judged by the Municipal Journal. Judges described Plymouth as "a local Council that has put culture-led regeneration and a sense of place at its heart, one that is determined to put its city on the map for all the right reasons and where political and officer leadership is genuinely a single voice for the benefit of all residents". The judges added "Pride in the City leaps off the pages of Plymouth's submission. It has taken a novel approach to putting the city on the map as Britain's Ocean City. The Council is clearly ambitious, strongly engaged in its communities and is working well with partners on key agendas."

However, as discussed in the Financial Sustainability section of this report, the ambition is not matched by the Council's current available resources to continue this journey without a critical review of the Council's short, medium and long-term finances. The Council needs to continue to transform its service delivery but savings and financial sustainability are increasingly harder to attain as, in April 2020, the Council moved into its seventh year of its transformation journey which appears to have enabled the Council to deliver over £108m of budget savings and efficiencies.

As part of its journey, the Council still needs to effectively use benchmarking and data quality assurance to better understand the information about its costs and performance to improve the way it manages and delivers its services.

Conclusion

Overall, we are satisfied the Council has appropriate arrangements in place to ensure economy, efficiency and effectiveness in its use of resources. We have identified no significant weaknesses and three opportunities for improvement, as set out below Improving economy, efficiency and effectiveness – Improvement recommendations:

- R11: The Council should develop a data quality strategy setting out the Council's approach to improving the quality of data required to support good decision making, including an independent assessment and assurance around data quality.
- R12: The Council should consider how it can use independent formal benchmarking in its reporting to the Cabinet to (1) explore any high unit costs, and potential savings, within its services and (2) provide assurance that it is delivering cost effective services in other areas.
- R13: The Council should define its significant partnerships and develop a register that identifies the contribution that the
 partnerships makes to the City's corporate objectives. Defining its significant partnerships and better understanding their
 contribution to the Council's objectives will enable the Council to evaluate and assess their level of contribution.
- R14: The Council should produce a procurement strategy, as part of a review of its procurement arrangements, to ensure that
 the Council's policies, procedures and practices up to date in terms of a better analysis of spend, budget and risk.

3Es 1: The Council uses financial and performance information to assess performance to identify areas for improvement;

Performance management

The Council set out its vision and priorities within its Corporate Plan 2021 to 2025, which aligns to the Plymouth Plan 2014 – 2034 which sets the visions for the City for the Council and its partners.

Corporate Plan

The Corporate Plan 2016 to 2019 sets out our vision to be 'one team serving our city' and retains our ambition to be a Pioneering, Growing, Caring and Confident City.







One of Europe's most vibrant waterfront cities, where an outstanding quality of life is enjoyed by everyone.

OUR MISSION Making Plymouth a fairer city, where everyone does their bit.

OUR VALUES



WE ARE RESPONSIBLE We take responsibility for our actions, care about our impact on others and





OUR PRIORITIES



HOW WE WILL DELIVER

Listening to our customers and communities.

Plymouth

Providing quality public services. Motivated, skilled and engaged staff.

Spending mone wisely. A strong voice for Plymouth regionally and nationally.

www.plymouth.gov.uk/ourplar

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Quarterly performance reports are presented to CMT and Cabinet. These reports included an assessment of performance against the Corporate Plan commitments and operational performance. Performance is reviewed by the Cabinet in a public meeting to facilitate openness and transparency and to enable public scrutiny.

The Corporate Plan priorities are delivered through specific programmes and projects which are coordinated and resourced through cross-cutting strategic plans, capital investments and directorate business plans. The key performance indicators (KPIs) and their associated targets are monitored quarterly to inform the Council on how they are doing in delivering what they have set out to achieve in the Corporate Plan.

The Council has continued to transform how it delivers services to ensure they are more efficient and better focused on customer needs. This includes working in new ways, joining services up with its partners and maximising the opportunities from digital technology. In difficult financial circumstances the Council continued to deliver core services. The COVID-19 pandemic has had far reaching impacts across all services, including the ability for the Council to report on performance against some indicators.

Data quality

The Council obtains its performance information from a range of sources and gains some assurance over the accuracy of data it uses by regular engagement of finance business partners with their service areas around spend/in-year budget forecasts and regular reporting of financial matters to Departmental Management teams, CMT and Cabinet

However, the Council does not have a data quality strategy which could give it more comfort over the accuracy of its performance reporting. The Data Quality Strategy could include:

- definition of data quality objectives and why they are important;
- roles and responsibilities, including members and officers;
- monitoring of quality through independent review; and
- arrangements for data sharing.

Improvement observation 11: The Council should develop a data quality strategy setting out the Council's approach to improving the quality of data required to support good decision making, including an independent assessment and assurance around data quality.

3Es 2: The Council evaluates the services it provides to assess performance and identify areas for improvement;

Benchmarking

Benchmarking is an effective tool that enables an organisation to compare and analyse its performance with others. It can identify areas for improvement and also provide targets to work towards. The Council does not appear to promote participation in formal benchmarking across its services, nor does it use it as a comparison in its formal quarterly performance reports. It may be used as part of business cases at a departmental level, however it is not part of the formal reporting of performance against corporate plan targets to the Cabinet

Currently the Corporate Performance Report only lists three Value for Money indicators which aren't really as VFM indicators, as they do not show the effectiveness of service delivery compared to the input expenditure. The Council's VFM indicators (shown below) are currently:

- spend against budget
- Council Tax collected (YTD) and
- Business rates Collected (YTD)

Providing value for money

5. Spend against budget	£1.514m	£0.729m	£0.526m	-£0.349m	-	£0.000m
6. Council tax collected (YTD)	28.4%	55.2%	81.8%	96.8%	•	96.5%
7. Business rates collected (YTD)	37.5%	51.6%	77.2%	98.7%	•	99.0%

Forecast year end variation spend against budget (£million)

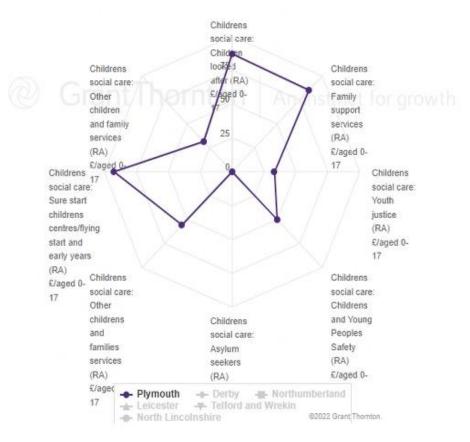


Inaepenaent benchmarking was unaertaken as part of our vtM work. We used the CIPFA and GT management tool 'CFO Insights' and compared the national units costs for a range of services, as reported to central government in the Revenue Outturn (RO) reports. This identified two areas where the unit costs for Plymouth were high in comparison to other unitary councils:

- Children's social care see diagram on the right;
- Cultural and Related Services, which unsurprisingly showed the high level of spend on tourism.

The chart below illustrate the areas of spend that have contributed to these high unit costs eg Children's Services and Cultural Services. Whilst, these benchmarks are only able to provide an indication of where costs are high, they do provide an indication of where further exploration of these costs could identify potential efficiencies and savings for the Council.

CHILDREN'S SOCIAL CARE



Improvement observation 12: The Council should consider how it can use independent formal benchmarking in its reporting to the Cabinet to (1) explore any high unit costs, and potential savings, within its services and (2) provide assurance that it is delivering cost effective services in other areas.

3Es 3: The Council ensures it delivers its role within significant partnerships, engages with stakeholders, monitors performance against expectations and ensures action is taken where necessary to improve;

Partnerships

Since 2014, Plymouth City Council has led the development and implementation of the Plymouth Plan, a ground-breaking city plan which looks ahead to 2034. Since its inception, the Plymouth Plan has set out a shared direction of travel for the long-term future of the city of Plumouth. Plumouth City Council provides overall management and co-ordination of the Plymouth Plan, and the council and all its partners are responsible for its delivery.

One of Europe's most vibrant waterfront cities where an outstanding quality of life is enjoyed by everyone



WHAT WE WANT TO ACHIEVE...

LEADING CITY

A city fulfilling its strategic role as a major economic driver for the heart of the South West

HEALTHY CITY

People live in happy, healthy, safe and aspiring communities

GROWING CITY

A city which has used its strengths to deliver quality and sustainable growth

INTERNATIONAL CITY

Plymouth is internationally renowned as the UK's premier marine city, and famous for its waterfront, maritime heritage and culture.

HOW WILL WE KNOW WE'RE SUCCESSFUL?

Plymouth is recognised as a key regional economic

Plymouth has high quality strategic services and

The quality and resilience of Plymouth's transport and digital connectivity has improved

Plymouth's strategic defence role has been safeguarded and strengthened

Plymouth's stunning setting and natural assets have been enhanced

People get the best start to life, enjoy a better quality of life and increased life expectancy

More people are taking care of themselves or finding care within their community

More residents are contributing to and involved in their community

There is good quality health and social care for people who need it

Plymouth has good quality neighbourhoods where people feel safe and happy Plymouth's population has grown to more than 300,000

Plymouth continues to be recognised as a leading Green City

Plymouth has more vibrant, productive and innovative businesses

People have the skills to be school ready and work ready to meet the needs of the city

Plymouth has the right environment for growth and investment

Plymouth offers a diverse. cultural experience with a major events programme

Plymouth is internationally renowned as a leading UK tourist destination

Plymouth is recognised internationally for marine science and high technology manufacturing

Plymouth has a reputation for world class universities and research institutions

Plymouth has a reputation as a welcoming and multicultural city with diverse communities

The Council's Business Plan 2018-2022 identifies where partners contribute to the Council's objectives and has named a number of specific partnerships. The governance relating to these partnerships is varied and depends on the nature of the partnership. Those partnerships that the Council considers to be of greatest importance will have member involvement.



These arrangements are not dissimilar to other councils, but we have found is that an increasing number of councils are defining their significant partnerships in registers where the contribution that individual partnerships make to the council's corporate objectives can be evaluated and documented. Plumouth has a list of partnerships but there is no information on governance and expected outcomes. This is important as partnership outcomes needs to be measured. For example, Devon and Plymouth were rated as "SOF4" (the lowest score for the NHS Sustem Oversight Framework 21/22) bu NHSE through the performance of its NHS Trusts; and this is rare, with one of the key problems being the progress on the integration between health and social care.

The Council was particularly successful in its response to COVID 19 as it was able to draw upon its status as a trusted partner, building on a foundation of strong relationships developed over many years and political administrations. It is now important that the council allows time and space to consciously capture the learning from what worked well during these challenging times - especially in terms of the positive relationships we saw across the health and social care sector, to support a more resilient and sustainable future.

We have not identified any significant weaknesses in the Council's partnership arrangements, however we consider that the Council would benefit from defining its significant partnerships and developing a register that identifies the contribution that the partnerships makes to the Council's corporate objectives.

Improvement observation 13: The Council should define its significant partnerships and develop a register that identifies the contribution that the partnerships makes to the City's corporate objectives. Defining its significant partnerships and better understanding their contribution to the Council's objectives will enable the Council to evaluate and assess their level of contribution.

3Es 4: The Council ensures that it commissions or procures services in accordance with relevant legislation, professional standards and internal policies, and assesses whether it is realising the expected benefits.

Procurement and contract management

Whenever money is being spent with an external provider, staff are required to follow the Council's mandatory contract procedure rules, documented in the Council's Constitution, to ensure that relevant legislation is complied with, and professional standards and internal polices are complied with.

The Council has a Head of Procurement to advise officers on procurement policies and procedures. The Procurement Service team specialises in procurements in Construction, Facilities Management, Professional Services and Environment and Transport. The Council's Strategic Co-operative Commissioning Team specialises in procurements in social care and healthcare.

The Council also complies with the Public Services (Social Value) Act and applies Social Value evaluation weightings between 5% and 25% of the total evaluation weighting. Implementing and embedding Social Value at a local level involves making commissioning and procurement decisions in a new way that ensures wider benefits are considered throughout the commissioning cycle and how this links to the strategic themes and policy areas within the Plymouth Plan.

Monitoring of contracts

Arrangements are in place to monitor performance of sub-contractors as part of the monitoring of budgets and Key Performance Indicators through the departmental and corporate performance monitoring procedures. In terms of securing grant funding for capital contracts. officers will remain proactive at securing external grant funding wherever possible in order to continue to deliver significant, ambitious capital investment in the city.

Procurement strategy

The Council does not have a procurement strategy although it does have a comprehensive procurement section on the Council's website detailing procurement rules, regulations & details of its E-Procurement System for its suppliers. A procurement strategy would enable the Council to better document its spending goals and objectives, legislative changes, the role and effectiveness of the

procurement function, the complexity of procurement carried out and the dynamics of the supply chain and markets. Importantly the Strategy could include strategic initiatives to further improve its procurement practices through better analysis of spend, budget and risk.

Improvement observation 14; The Council should produce a procurement strategy, as part of a review of its procurement arrangements, to ensure that the Council's policies, procedures and practices up to date in terms of a better analysis of spend, budget and risk.





Improving economy, efficiency and effectiveness

Improvement recommendation R11: The Council should develop a data quality strategy setting out the Council's approach to improving the quality of data required to support good decision making, including an independent assessment and assurance around data quality.

Management comment Management will consider this recommendation.





Improving economy, efficiency and effectiveness

Improvement recommendation

R12: The Council should consider how it can use independent formal benchmarking in its reporting to the Cabinet to (1) explore any high unit costs, and potential savings, within its services and (2) provide assurance that it is delivering cost effective services in other areas.

Management comment

Management will consider this recommendation.





Improving economy, efficiency and effectiveness

Improvement Recommendation

R13: The Council should define its significant partnerships and develop a register that identifies the contribution that the partnerships makes to the City's corporate objectives. Defining its significant partnerships and better understanding their contribution to the Council's objectives will enable the Council to evaluate and assess their level of contribution.

Management comment

Management will consider this recommendation.





Improving economy, efficiency and effectiveness

Improvement Recommendation

R14: The Council should produce a procurement strategy, as part of a review of its procurement arrangements, to ensure that the Council's policies, procedures and practices up to date in terms of a better analysis of spend, budget and risk.

Management comment

Management will consider this recommendation.



The range of recommendations that external auditors can make is explained in Appendix C.

Appendices

Appendix A - Responsibilities of the Council



Role of the Chief Financial Officer (or equivalent):

- Preparation of the statement of accounts
- Assessing the Council's ability to continue to operate as a going concern

Public bodies spending taxpayers' money are accountable for their stewardship of the resources entrusted to them. They should account properly for their use of resources and manage themselves well so that the public can be confident.

Financial statements are the main way in which local public bodies account for how they use their resources. Local public bodies are required to prepare and publish financial statements setting out their financial performance for the year. To do this, bodies need to maintain proper accounting records and ensure they have effective systems of internal control.

All local public bodies are responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness from their resources. This includes taking properly informed decisions and managing key operational and financial risks so that they can deliver their objectives and safeguard public money. Local public bodies report on their arrangements, and the effectiveness with which the arrangements are operating, as part of their annual governance statement.

The Chief Financial Officer (or equivalent) is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Chief Financial Officer (or equivalent) determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Chief Financial Officer (or equivalent) or equivalent is required to prepare the financial statements in accordance with proper practices as set out in the CIPFA/LASAAC code of practice on local Council accounting in the United Kingdom. In preparing the financial statements, the Chief Financial Officer (or equivalent) is responsible for assessing the Council's ability to continue as a going concern and use the going concern basis of accounting unless there is an intention by government that the services provided by the Council will no longer be provided.

The Council is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.



Appendix B - An explanatory note on recommendations

A range of different recommendations can be raised by the Council's auditors as follows:

Type of recommendation	Background	Raised within this report	Page reference
Statutory	Written recommendations to the Council under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014. A recommendation under schedule 7 requires the Council to discuss and respond publicly to the report.	NO	
Key	The NAO Code of Audit Practice requires that where auditors identify significant weaknesses as part of their arrangements to secure value for money they should make recommendations setting out the actions that should be taken by the Council. We have defined these recommendations as 'key recommendations'.	YES	• Financial sustainability - page 8
Improvement	These recommendations, if implemented should improve the arrangements in place at the Council, but are not a result of identifying significant weaknesses in the Council's arrangements.	YES	 Financial sustainability - pages 8 - 9 Governance - page 20 Economy, efficiency and effectiveness - page 27

age 3

Appendix C - Use of formal auditor's powers

We bring the following matters to your attention:

Statutory	recommen	dations
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Under Schedule 7 of the Local Audit and Accountability Act 2014, auditors can make written recommendations to the audited body which need to be considered by the body and responded to publicly

We did not make a statutory recommendation

Public interest report

Under Schedule 7 of the Local Audit and Accountability Act 2014, auditors have the power to make a report if they consider a matter is sufficiently important to be brought to the attention of the audited body or the public as a matter of urgency, including matters which may already be known to the public, but where it is in the public interest for the auditor to publish their independent view.

We did not issue a public interest report

Application to the Court

Under Section 28 of the Local Audit and Accountability Act 2014, if auditors think that an item of account is contrary to law, they may apply to the court for a declaration to that effect.

We did not apply to the Court

Advisoru notice

Under Section 29 of the Local Audit and Accountability Act 2014, auditors may issue an advisory notice if the auditor thinks that the Council or an officer of the Council:

- is about to make or has made a decision which involves or would involve the Council incurring unlawful expenditure,
- is about to take or has begun to take a course of action which, if followed to its conclusion, would be unlawful and likely to cause a loss or deficiency, or
- is about to enter an item of account, the entry of which is unlawful.

We did not issue an advisory notice

Judicial review

Under Section 31 of the Local Audit and Accountability Act 2014, auditors may make an application for judicial review of a decision of an Council, or of a failure by an Council to act, which it is reasonable to believe would have an effect on the accounts of that body.

We did not apply for judicial review



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Annual Auditor's Report on Plymouth City Council

2022/23

December 2024



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We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the [type of body] has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the National Audit Office (NAO) requires us to report to you our commentary relating to proper arrangements.

We report if significant matters have come to our attention. We are not required to consider, nor have we considered, whether all aspects of the [type of body]'s arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.



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The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed for the purpose of completing our work under the NAO Code and related guidance. Our audit is not designed to test all arrangements in respect of value for money. However, where, as part of our testing, we identify significant weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose all irregularities, or to include all possible improvements in arrangements that a more extensive special examination might identify. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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Executive summary

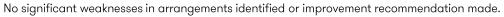


Value for money arrangements and key recommendations

Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to consider whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Auditors are required to report their commentary on the Council's arrangements under specified criteria. As part of our work, we considered whether there were any risks of significant weakness in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources. Our conclusions are summarised in the table below.

Criteria	2022/23 Audit Plan Risk assessment 2022/23 Auditor Judgement		2021/22 Auditor Judgement	Direction of travel
Financial sustainability	 Risk of significant weakness identified due to: reliance on reserves to balance recent budget, savings required in the medium term. 	Three improvement recommendation made.	 Significant weakness in arrangements for financial sustainability. Three key recommendations made; Four improvement recommendations made. 	\longleftrightarrow
Governance	No risks of significant weakness identified	 No significant weaknesses in arrangements identified. Four improvement recommendations made. 	 No significant weaknesses in arrangements identified, Three improvement recommendations made. 	\leftrightarrow
Improving economy, efficiency and effectiveness	Risk of significant weakness identified in the delivery of children's services following December 2022 inspection.	 Significant weakness as continuing risk in the delivery of children's services. In May 2023, the DFE issued a statutory Improvement Notice for Children's Services. One key recommendation made; One improvement recommendation made. 	 No significant weakness in arrangements identified, Four improvement recommendations made 	1



No significant weaknesses in arrangements identified, but improvement recommendations made. \\

Significant weaknesses in arrangements identified and key recommendations made.

Executive summary

Financial sustainability



Plymouth City Council is operating in a challenging financial environment following a decade of austerity and spending pressures. The Council has an embedded organisational approach to financial planning and for the setting and monitoring of the annual budget. However, we have identified significant weaknesses in the Council's arrangements because there are a number of signs of financial stress that indicate a threat to its financial sustainability. Indicators of financial stress include (but not limited to) the following:

- For 2022/23, the drawdown of £7.9m of usable reserves and the use of £1.1m of Corporate Adjustments (including a MRP holiday) to report a nil variance on a gross expenditure budget of £540 million;
- For 2023/24, a net forecast adverse outturn position, at month 9, of £1.2 million, which includes forecast overspends in children's services of £10.8 million and people (including adult social care) services of £3.7 million;
- Risks around departmental delivery of the overall 2023/24 savings target of £23.435 million, with £6.831 million of savings forecast as "not achievable" at month 9 with only £2.183 million found as mitigating actions. The forecast unachievable savings is £3.648 million:
- Release of £3.528 million of centrally held contingency budget in month 9, as a one-off measure, to mitigate some of the impact of the overspend in Children's Services;
- Increasing levels of demand leading to future costs pressures resulting in a budget gap of £69 million in the Council's Medium Term Financial Strategy (MTFS) 2023/24 to 2027/28, which would significantly impact on the Council's level of reserves if future savings were not made;
- The approved capital programme, at December 2023, for the Council is £398.2 million. Of this £243.9 million (61%) was funded through borrowing.

Given the increased level of financial stress, all members need to ensure that there is a robust response to the financial matters highlighted above and that officers are supported in making the changes needed. The Council's MTFS needs to be updated early in the 2024/25 financial year to robustly reflect the impact of the financial stress indicators. Progress in delivering transformation plans should be more frequently tracked by Cabinet and the relevant service scrutiny committees.

On this basis we have concluded that for 2022/23, like many other councils, the Council does not have arrangements in place for ensuring financial sustainability in the medium term. For 2022/23 we have reported a significant weakness in the Council's financial sustainability arrangement and have raised one key recommendation, on page 7, to reflect the financial challenge faced in producing a robust MTFS. We have also raised three improvement recommendations (on pages 18 to 20) on the RAG rating of savings plan delivery, the approval of the MTFS at the start of the financial year alongside the annual budget and the building up of the Council's level of reserves to a risk based target.







We have substantially completed our audit of your 2020/21 financial statements and anticipate issuing an unqualified audit opinion shortly. Our findings are set out in further detail on page 39.

Arrangements for the audit of the 2021/22 and the statements are discussed on page 43.

2022/23 sets of financial

Executive summary

Governance



Overall, we found no evidence of significant weaknesses in the Council's governance arrangements. It has adequate arrangements in place for ensuring that it made informed decisions and managed its risks. The year end Head of Internal Audit Opinion (HolAO) in 2022/23 was "Reasonable Assurance". We have made four improvement recommendations to strengthen governance:

- Integration of performance management and risk management through the mapping of strategic risks to the achievement of corporate objectives and associated Key Performance Indicators (KPIs);
- Revision of the quarterly High Risk Update Report to Corporate Management Team and the Audit and Governance Committee to record further management action on how strategic risks scoring higher than 20 are being managed;
- The Audit and Governance Committee should carry out a self-assessment of its effectiveness each year, using the CIPFA Audit Committee effectiveness checklist:
- The scope of the review on "Governance of the Council's Arms-length Companies" and the progress to date and timeframe for completion of the review is reported to the Audit and Governance Committee.

Improving economy, efficiency and effectiveness



The Council's Children, Young People and Families Service had its last full inspection by Ofsted in 2018, achieving a grading of "Requires Improvement", followed by a Joint Targeted Area Inspection in 2019 and, in December 2022, a Focused Visit of 'front door' services. The Focused Visit determined that the quality of social work practice for children at the 'front door' had declined and had serious and widespread failings. In May 2023, the Department for Education issued the Council with a statutory Improvement Notice requiring all areas of improvement required to be addressed by the Council and its partners. At its November 2023 meeting, each of the six priorities of the Improvement Plan covering the whole service had monthly headline performance measures, with amber RAG status for all six priorities (detailed to the right). Our assessment is therefore that there was a significant weakness in arrangements in this area at the end of the financial year 2022/23.

At the November 2023 meeting of the Education and Children's Social Care Overview and Scrutiny Committee, each of the six priorities of the Improvement Plan covering the whole service had monthly headline performance measures, with amber RAG status for [1] Governance, Leadership and Management, (2) Early help and front door responses, (3) Robust and effective social work practice, (4) At risk of care, Cared for and Care experienced children and Young People, (5) Quality Assurance and Audit (6) A stable and able workforce. We made a key recommendation, on page 8, to clarify that the planning and resourcing required for the improvements in Children's Services needs to be reflected in the Council's Medium Term Financial Strategy 2024/25 to 2028/29. Members need assurance that Children's Services have the resources and capacity to improve and the estimated timescale for the improvement required to remove the Statutory Improvement Notice in the reporting to the Children's O&S Committee. We identified one other area for improvement, on page 35, on the production of a Data Quality Strategy.





Children's Improvement Plan

PRIORITY I – GOVERNANCE, LEADERSHIP AND MANAGEMENT

PRIORITY 2 - EARLY HELP AND FRONT DOOR RESPONSES

PRIORITY 3 - ROBUST AND EFFECTIVE SOCIAL WORK PRACTI

PRIORITY 4 - AT RISK OF CARE, CARED FOR AND CARE EXPERIENCED CHILDREN AND

YOUNG PEOPLE

PRIORITY 5 - QUALITY ASSURANCE AND AUDIT

PRIORITY 6 - A STABLE AND ABLE WORKFORCE

Opinion on the financial statements and use of auditor's powers

\	المالك	£ - 11			
We bring	une	TOHOWING	matters	to your	attention.

• is about to enter an item of account, the entry of which is unlawful.

In line with the national backstop guidelines we Opinion on the financial statements have issued a disclaimed opinion. Auditors are required to express an opinion on the financial statements that states whether they: (i) present a true and fair view of the Authority's financial position, and (ii) have been prepared in accordance with the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2022/23 Statutory recommendations Our work has not identified any issues requiring a statutory recommendation. Under Schedule 7 of the Local Audit and Accountability Act 2014, auditors can make written recommendations to the audited body which need to be considered by the body and responded to publicly Our work has not identified any issues requiring a **Public Interest Report** public interest report. Under Schedule 7 of the Local Audit and Accountability Act 2014, auditors have the power to make a report if they consider a matter is sufficiently important to be brought to the attention of the audited body or the public as a matter of urgency, including matters which may already be known to the public, but where it is in the public interest for the auditor to publish their independent view. Our work has not identified any issues requiring an Application to the Court application to the court. Under Section 28 of the Local Audit and Accountability Act 2014, if auditors think that an item of account is contrary to law, they may apply to the court for a declaration to that effect. Advisory notice Our work has not identified any issues requiring an advisory notice. Under Section 29 of the Local Audit and Accountability Act 2014, auditors may issue an advisory notice if the auditor thinks that the authority or an officer of the authority: is about to make or has made a decision which involves or would involve the authority incurring unlawful expenditure, · is about to take or has begun to take a course of action which, if followed to its conclusion, would be unlawful and likely to cause a loss or deficiency, or

Judicial review

Under Section 31 of the Local Audit and Accountability Act 2014, auditors may make an application for judicial review of a decision of an authority, or of a failure by an authority to act, which it is reasonable to believe would have an effect on the accounts of that body.

Our work has not identified any issues requiring a judicial review.

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Key recommendation-Financial Sustainability

Key Recommendation 1

Given the increased level of financial stress the Council is facing members need to ensure that there is a robust response to financial matters with a more detailed revision of the Council's Medium Term Financial Strategy, early in 2024/25, to address how it will mitigate the risks against the financial stress indicators. Progress in delivering transformation plans should be tracked by Cabinet each month and periodically reviewed by the relevant Scruting Committee for the service.

weakness in arrangements

Identified significant Signs of financial stress that indicate a threat to the Council's financial sustainability, which need to be addressed in a revised MTFS, in the medium term are:

- For 2022/23, the drawdown of £7.9m of usable reserves and the use of £1.1m of Corporate Adjustments (including a MRP holiday) to report a nil variance on a gross expenditure budget of £540m
- For 2023/24, a forecast adverse outturn position, at month 9, of £1.2 million, which includes forecast overspends in children's services of £10.8 million and people (including adult social care) services of £3.7 million;
- Risks around departmental delivery of the overall 2023/24 savings target of £23.435 million, with £6.831 million of savings forecast as "not achievable" at month 9 with only £2.183 million found as mitigating actions. The forecast unachievable savings is £3.648 million;
- Release of £3.528 million of contingency budget in month 9, as a one-off measure, to mitigate some of the impact of overspends;
- Future costs pressures resulting in budget gap of £69 million to be closed, over 4 years, to balance the Council's Medium Term Financial Strategy (MTFS) by 31st March 2028.

Criteria impacted by the significant weakness



Financial Sustainability

Management comments

The requirement for a revised MTFS is acknowledged with a revised strategy updated to include the 2024-25 budget is scheduled for Cabinet and then Council approval in June 2024.

The Council will continue to ensure, as is current practice, that all Scrutiny Committees are informed of their directorates' progress against savings as well as the overall monitoring position.



Progressing the actions management has identified to address the key recommendations made will support the Council in addressing the weaknesses identified from our work.

The timescales provided by management should be appropriate and we encourage the Audit Committee to monitor progress of implementation to gain assurance over the arrangements in place.

Key recommendation-Improving economy efficiency and effectiveness

Key Recommendation 2

In May 2023, the Department for Education issued the Council with a statutory Improvement Notice requiring all areas of improvement in Children's Services to be addressed by the Council and its partners. The Children's Improvement Plan needs to be costed with timeframes so the Council is clear of the investment required in Children's Services to meet the quality standards required by the Secretary of State to remove the Statutory Improvement Notice. The transformational issues need to be planned and resourced in detail and reflected in the Council's revised MTFS 2024/25 to 2028/29. Members need assurance that Children's Services have the resources and capacity to improve and the estimated timescale for the improvement required to remove the Statutory Improvement Notice in the reporting to the Children's O&S Committee.

The range of recommendations that external auditors can make is explained in Appendix B.

Identified significant weakness in arrangements

The Council's Children, Young People and Families Service had its last full inspection by Ofsted in 2018, achieving a grading of "Requires Improvement", followed by a Joint Targeted Area Inspection in 2019 and, in December 2022, a Focused Visit of 'front door' services. The Focused Visit determined that the quality of social work practice for children at the 'front door' had declined and had serious and widespread failings. In May 2023, the Department for Education issued the Council with a statutory Improvement Notice requiring all areas of improvement required to be addressed by the Council and its partners. The Education and Children's Social Care Overview and Scrutiny Committee oversees the reporting of outcomes on the Improvement Plan. At its November 2023 meeting, the Improvement Plan covering the whole service had monthly headline performance measures, with amber RAG status for the following six priorities (1) Governance, Leadership and Management, (2) Early help and front door responses, (3) Robust and effective social work practice, (4) At risk of care, Cared for and Care experienced children and Young People, (5) Quality Assurance and Audit (6) A stable and able workforce.

Criteria impacted by the significant weakness



Improving economy, efficiency and effectiveness

Management comments

Agreed – the 2024-25 budget includes additional investment in Children's Services. There is a monthly Children's Transition Board which reviews all data and measures outcome.

This will be clearly set out in the revised MTFS.

Securing economy, efficiency and effectiveness in the Council's use of

resources

All Councils are responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness from their resources. This includes taking properly informed decisions and managing key operational and financial risks so that they can deliver their objectives and safeguard public money. The Council's responsibilities are set out in Appendix A.

Councils report on their arrangements, and the effectiveness of these arrangements as part of their annual governance statement. Under the Local Audit and Accountability Act 2014, we are required to be satisfied whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The National Audit Office's Auditor Guidance Note (AGN) 03, requires us to assess arrangements under three areas:



Financial Sustainability

Arrangements for ensuring the Council can continue to deliver services. This includes planning resources to ensure adequate finances and maintain sustainable levels of spending over the medium term (3-5 years).



Governance

Arrangements for ensuring that the Council makes appropriate decisions in the right way. This includes arrangements for budget setting and management, risk management, and ensuring the Council makes decisions based on appropriate information.



Improving economy, efficiency and effectiveness

Arrangements for improving the way the Council delivers its services. This includes arrangements for understanding costs and delivering efficiencies and improving outcomes for service users.





Our commentary on the Council's arrangements in each of these three areas, is set out on pages 10 to 35. Further detail on how we approached our work is included in Appendix B.

The current LG landscape



National context

Local government in England continues to face significant challenges as a sector. These include a high level of uncertainty over future levels of government funding, alongside delays to the Government's plans for reform of the local government finance system, impacting on medium-term financial planning. This is also a time of generationally significant levels of inflation – the UK inflation rate was 7.8% in April 2022, rising to a 41-year high of 11.1% in October 2022, then reducing to 10.1% in March 2023. Inflation levels put pressure on councils' revenue and capital expenditure, as well as the associated cost of living crisis impacting on local communities and businesses, leading to an increase in demand for council services such as children with special education needs with associated transport costs, debt advice, housing needs, and mental health, as well as impacting on some areas of council income such as car parking and the collection rates of council tax, business rates and rents. This follows a significant period of funding reductions by Government (2012 to 2017) and the impacts of Brexit and the COVID-19 pandemic which, for example, have contributed to workforce shortages in a number of council service areas, as well creating supply chain fragility risks.

The local government finance settlement for 2023/24 was better than many in the sector anticipated demonstrating an understanding by Government of the financial challenges being faced by the sector. However, the Local Government Association, in July 2023, estimated that the costs to councils of delivering their services will exceed their core funding by £2bn in 2023/24 and by £900m in 2024/25. This includes underlying cost pressures that pre-date and have been increased by the pandemic, such as demographic pressures increasing the demand for services such as social care and homelessness.

Over the past decade many councils have sought to increase commercial activity as a way to generate new sources of income which has increased the nature of financial risk, as well as the need to ensure there is appropriate skills and capacity in place to manage such activities.

Local government is coming under an increased spotlight in terms of how the sector responds to these external challenges, including the Government establishing the Office for Local Government (Oflog) and there has been an increase in the number of councils who have laid a Section 114 Notice, or are commenting on the likelihood of such an action, as well as continued Government intervention at a number of councils.

There has also been an increase in the use of auditors using their statutory powers, such as public interest reporting and statutory recommendations. The use of such auditor powers typically derive from Value for Money audit work, where weaknesses in arrangements have been identified. These include:

- a failure to understand and manage the risks associated with commercial investments and council owned companies
- a failure to address and resolve relationship difficulties between senior officers and members
- significant challenges associated with financial capability and capacity
- a lack of compliance with procurement and contract management processes and procedures
- ineffective leadership and decision-making.

Value for Money audit has an important role in providing assurance and supporting improvement in the sector.

Financial sustainability



We considered how the Council:

- identifies all the significant financial pressures it is facing and builds these into its plans
- plans to bridge its funding gaps and identify achievable savings
- plans its finances to support the sustainable delivery of services in accordance with strategic and statutory priorities
- ensures its financial plan is consistent with other plans such as workforce, capital, investment and other operational planning
- identifies and manages risk to financial resilience, such as unplanned changes in demand and assumptions underlying its plans.

The Council identifies all the significant financial pressures it is facing and builds these into its plans

The Council has an embedded organisational approach to financial planning and for setting and monitoring the annual budget. However, we have identified a significant weakness in the Council's arrangements as there are a number of signs of financial stress that indicate a threat to the Council's financial sustainability in the medium term. We have raised a key recommendation to reflect the financial challenge faced and the robust revision required to the Council's MTFS.

Indicators of financial stress include (but not limited to) the following:

- For 2022/23, the drawdown of £7.9m of usable reserves and the use of £1.1m of Corporate Adjustments (including a MRP holiday) to enable the Council to report a nil variance on a gross expenditure budget of £540 million;
- For 2023/24, a forecast adverse outturn position, at month 9, of £1.2 million, which includes forecast overspends in children's services of £10.8 million and people (including adult social care) services of £3.7 million;
- Risks around departmental delivery of the overall 2023/24 savings target of £23.435 million, with £6.831 million of savings forecast as "not achievable" at month 9 with only £2.183 million found as mitigating actions. The forecast unachievable savings is £3.648 million;
- Release of £3.528 million of centrally held contingency budget in month 9, as a one-off measure, to mitigate some of the impact of the overspend in Children's Services;
- Increasing levels of demand leading to future costs pressures resulting in a budget gap of £69 million in the Council's Medium Term Financial Strategy (MTFS) 2023/24 to 2027/28, which would significantly impact on the Council's level of reserves if future savings were not made;
- The approved capital programme, at December 2023, for the Council is £398.2 million. Of this £243.9 million (61%) is funded through borrowing which costs £4.1 million a year to service. The Council is seeking approval for an additional £325 million to take the planned capital programme up to £723.701 million but it is not clear, in the MTFS, whether the impact on the revenue budget is affordable.

Key Recommendation;

• Given the increased level of financial stress the Council is facing members need to ensure that there is a robust response to financial matters with a more detailed revision of the Council's Medium Term Financial Strategy, early in 2024/25, to address how it will mitigate the risks against the financial stress indicators. Progress in delivering transformation plans should be tracked by Cabinet each month and periodically reviewed by the relevant Scrutiny Committee for the service.

2023/24 budget setting

To balance the 2023/24 budget, a number of one-off adjustments (savings) were made. In order to right-size the base budget going forward, these need to be added back in 2024/25. This sum of £1.495m includes reinstatement of £1m for the Minimum Revenue Requirement (MRP) "holiday" in 2023/24 and one-off savings, mainly held within the Place Directorate. A Flexible Use of Capital Receipts Strategy was submitted to Council as part of the 2023/24 budget process. Flexible use of capital receipts supports local authorities to deliver more efficient and sustainable services by allowing local authorities to spend up to 100% of their fixed asset receipts (excluding Right to Buy receipts) on the revenue costs of transformation projects. However, such transformation projects are only available for flexible use of capital receipts if the projects generate savings in the short to medium term.

2023/24 forecast outturn

There is continuing demand pressures in adult social care and children's social care. Financial pressures are compounded by cost pressures in both homelessness and bed and breakfast accommodation plus the Council's statutory responsibility to provide home to school transport for the most vulnerable children. Overspends in these areas, particularly Children's (overspend of £10.787 million) and People ie Adults (overspend of £3.721 million) are forecast for 2023/24 as shown below.

Directorate	Budget £m	Forecast £m	Forecast Net Variance £m	Status
Executive Office	6.403	6.787	0.384	over
Customer and Corporate Services	51.219	50.528	(0.691)	under
Children's Directorate	63.493	74.280	10.787	over
People Directorate	96.345	100.066	3.721	over
Public Health	2.829	2.629	(0.200)	under
Place Directorate	29.469	29.469	0.000	nil variance
Corporate Account & Council wide items	(31.318)	(44.115)	(12.797)	under
Total	218.440	219.644	1.204	over

Source: Finance Monitoring Report December 2023

The MTFS 2024/25 to 2027/28 recognises that demand for services continues to increase, in particular across Adults Social Care (a further allocation of £5.047 million required for 24/25), Children's Social Care (an additional £3 million needed in 24/25), Homelessness (another £3.287 million for 2024/25) and £1 million on Home to School transport assumptions around growth figures are included in the MTFS.



Children and Young People - Social Care

Single tier councils and county councils spent £12.2 billion in 2021/22 and have increased their budget to £12.7 billion in 2023/24 as demand for children's social care services have increased.

30 out of 36 county councils overspent their Children's Social Care budget in 2021/22.

Councils have a statutory duty to safeguard and promote the welfare of children at risk. A range of services can be provided including support to families as well as keeping children safe from harm and providing services for those children who are 'looked' after' by the council.

In recent years there has been an increase in demand with an increase in the number of child protection places and looked after children, as well as an increase in complexity of the needs of the children.

The increase in demand and complexity has resulted in an increase in the cost of individual residential placements which are often not local and outside the Council's geographical locality as well as private and agency foster carers.

Many councils have failed to model and anticipate the increase in demand and as a result lack sufficient local quality provision and are now actively trying to meet this challenge.

The Council plans to bridge its funding gaps and identify achievable savings

Identifying cost pressures, savings planning and driving further efficiencies are rightly at the core of the Council's Medium Term Financial Strategy (MTFS) which picks up the savings plans and pressures in the annual budget and looks forward four financial years to 2027/28. Uncertainty around future funding and demand for services means that the MTFS is based on assumptions and it is these assumptions which require more detailed analysis underpinning them. The balancing of the 2023/24 budget was one of the most challenging the Council has faced but it achieved but with proper member and officer processes in place, this was achieved.

The savings required for 2023/24, of £23.435 million, were ambitious. At the end of quarter three (December 2023) the Council was forecasting a shortfall against this target, as shown below, with £6.831 million of savings forecast as "not achievable" at month 9 with onlu £2.183 million found as mitiaatina actions. The forecast unachievable savings is £3.648

million.

Savings Proposals 2023/24	Budget 2023/24 £m	Achievable 23/24	Not Achievable 23/24	Mitigations against unachievable plans
Customer & Corporate Services	(3.898)	(2.774)	(1.124)	(1.124)
Chief Executives Office	(0.601)	(0.473)	(0.128)	0.000
Childrens	(4.575)	(0.355)	(4.220)	0.000
People	(5.780)	(5.780)	0.000	0.000
ODPH	(0.542)	(0.542)	0.000	0.000
Place	(7.289)	(5.930)	(1.359)	(1.359)
Corporate Items	(0.750)	(0.750)	0.000	0.000
Total Savings 23/24	(23.435)	(16.604)	(6.831)	(2.183)

Source: Finance Monitoring Report December 2023

However, the 2024/25 budget assumes that the £23.435 million reduction in the base budgets from 2023/24 are delivered as sustainable savings, as the budget gap for 2024/25 is still some £11 million. Financial pressures continue to provide a challenge and savings plans need to be delivered. The Council will need to continue to transform how it operates to reduce costs, implementing sustainable and recurring savings and reducing the reliance on one-off opportunities. There will always been a requirement to find one-off savings, however the Council plans to reduce reliance on one-off savings as part of a revised MTFS.

Improvement recommendation one: We suggest that savings plans are RAG (Red, Amber, Green) rated, as part of the reporting on the progress of achievement of savings so that officers and members are aware in reports to Cabinet, of the high-risk schemes that are less likely to be delivered; and what alternative savings plans are in place to address any financial in-year deficits.



Adult Social Care

Single and upper tier Councils are responsible for providing adult social care (ASC) services to help adults of all ages who may need additional support to stay well, safe and where possible to live independently.

ASC represents a significant part of Council spending with £19 billion being spent in 2021/22 with budgeted expenditure rising to £19.7 billion in 2022/23, reflecting growing demand.

There have been several reforms to ASC funding for Councils over recent years, including the introduction of the Better Care Fund and giving Councils the power to raise additional revenue locally though Council Tax (the social care precept). Despite these changes Councils are delivering ASC services within a challenging environment that is shaped by more people, particularly working-age adults, requesting support, an ageing population and increasing complexity of need. These factors are being managed by Councils alongside financial challenges such as the impact of inflation, acute workforce pressures, the sustainability of commissioned ASC providers and uncertainty around longer term ASC funding and reform. Despite these pressures Councils will need to establish sufficient capacity to track and then transform service delivery to meet the challenges of evolving need and demand. Plymouth City Council has resources through its partnership with Livewell, its Community Health and Social Care Provider.

The Council plans its finances to support the sustainable delivery of services in accordance with strategic and statutory priorities

The Medium Term Financial Strategy (MTFS) is the Council's primary financial strategic and planning document linking the revenue budget, the capital programme and the treasury management strategy. The Strategy sets out the financial planning assumptions for the next five years and ensures resource allocation is in line with Plymouth's priorities. The report includes a section on financial risks. In September 2023, the MTFS 2023/24 to 2027/28 was approved by Cabinet. The MTFS, at that time, reflected the latest funding projections and set out the forecasted budget shortfall in each year. However, the Strategy did not set out the projected savings over the plan period as savings required for 2024/25 were incorporated into the annual budget for Council in February 2024 and future MTFS reports.

MTFS 2023/24 to 2027/28 (Sept 23)

	2023/24	2024/25	2025/26	2026/27	2027/28
	£m	£m	£m	£m	£m
RSG	(11.562)	(12.188)	(12.257)	(12.259)	(12.340)
Council Tax	(130.625)	(138.979)	(144.138)	(149.480)	(154.525)
Business Rates	(75.253)	(77.728)	(77.406)	(77.409)	(77.516)
Reserves	(1.000)	-	-	-	-
Core Resources		(228.894)	(233.801)	(239.149)	(244.381)

Expenditure b/forward	218.440	218.440	240.109	248.119	258.130
Add Right-sizing costs / adjustments	-	10.835	6.467	6.230	6.724
Add Demand-led pressures	-	10.834	1.543	3.781	4.035
Total Net Expenditure	218.440	240.109	248.119	258.130	268.889
Forecast shortfall	-	11.215	14.318	18.981	24.580

The cumulative deficit for the years 2024/25 to 2027/28 is the total of the forecast shortfall for each of the four years (highlighted above) which is £69.004 million at 31 March 2023.

An estimated £69million budget shortfall, at 31 March 2023, is a significant shortfall to address over the medium term and there are no uncommitted reserves available to help with this. Cost pressures, particularly within demand-led services, that were already being faced by the Council have been exacerbated by high levels of inflation, increased pay costs and high energy prices. Alongside budget preparation, the ability to look strategically beyond the current budget period is crucial to supporting the Council's medium-term financial sustainability and resilience. Given the current level of uncertainty and the ongoing widespread pressures on revenue budgets, it is essential that the MTFS is revised with more detailed analysis of the impact of the interlinking financial elements of financial planning.

The Council approves a number of key documents before the start of each financial year, which includes the five year MTFS. However ahead of the 2024/25 financial year the Council only approved the 2024/25 annual revenue budget. The 2023/34 to 2027/28 MTFS was approved in September 2023. We understand that officers intend for the September 2024 Cabinet to approve the 2024/25 to 2028/29 MTFS, however we suggest that this should be brought forward to early in the 2024/25 financial year and then in subsequent years in line with the annual approval of the revenue budget.

Improvement recommendation two: The Council approved the four-year Medium Term Financial Strategy (MTFS) 2023/24 to 2027/28 in September 2023. The 2024/25 to 2028/29 MTFS should be approved early in the 2024/25 financial year, and we suggest that future MTFSs are prepared at the same time as the annual budget and approved before the start of each financial year.

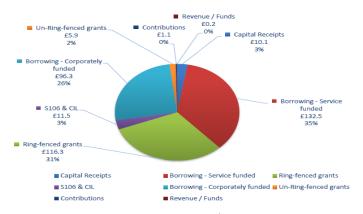
The Council ensures its financial plan is consistent with other plans such as workforce, capital, investment and other operational planning

Capital

The Council is committed to a significant capital investment programme to deliver, with partners, a major regeneration of the city. Officers are proactive at securing external grant funding wherever possible to continue to deliver significant, ambitious capital investment in the city.

The approved capital programme, at December 2023, for the Council was £398.2 million.

Funding of 2023-2028 Capital Programme £m



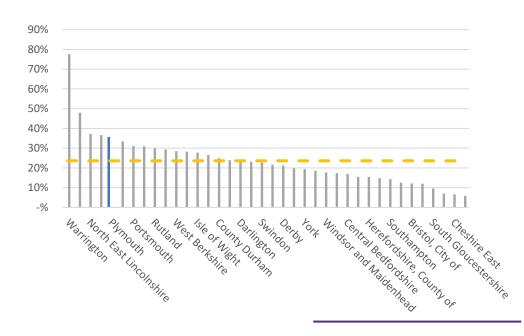
Source: Capital Financing Strategy 2024/25

Of this £243.853 million (61%) is funded through borrowing. Based on the latest 2023/24 forecast totalling £116.180m, actual capital spend on 31 December 2023 was £58.290m, some 50.17% of the forecast figure for 2023/24. Projects seeking to fund proposals from service borrowing are required to meet the principle of "Invest to save". Business cases will evidence that a loan to fund capital spend can be repaid from the net revenue benefits achieved from the investment. In February 2023, the Council approved a budget which contained an uplift to the revenue budget of £4.190m to meet some of the increased costs associated with borrowing requirements to fund the capital programme. The current MTFP contains proposals to further increase this sum in 2024/25.

Work is ongoing to update the capital pipeline which will identify further corporate borrowing requirements. The affordability of the capital programme and future funding assumptions is under review. Continuing high interest rates against the borrowing requirement to finance the current programme will create a revenue pressure in 2024/25 if action is not taken to limit borrowing.

With the increased cost of borrowing, additional challenge is required on projects with service and corporate borrowing implications. We would expect £160 million of unsupported borrowing to attract MRP of circa £3million per annum. DLUHC have tightened MRP rules in 2024/25 which makes it very clear that MRP must be provided as a revenue charge on all unsupported borrowing including that used to fund the purchase of investment properties. For 2020/21, the Council used £1.4 million of capital receipts in lieu of MRP which is not permissible. The Budget Scrutiny Select Committee recommended that the Capital Programme is reprofiled to ensure that the programme is affordable for the revenue budget. The Council already has high long-term borrowing as a proportion of its long-term assets, as shown below.

Long-term borrowing as a proportion of Long-term assets (%)



The Council identifies and manages risk to financial resilience, such as unplanned changes in demand and assumptions underlying its plans.

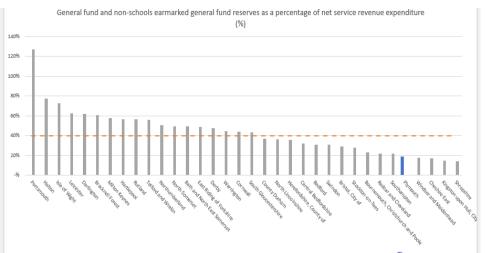
Reserves

The budget and MTFS 2023/24 - 2027/28 rightly acknowledged the need to contain costs and deliver planned savings to protect the Council's reserves. For the 2022/23 financial year, the Council's reserves and carry forwards reduced by £8.851 million. Usable reserves are currently split between those earmarked for capital investment and those allocated to revenue support and service development. Usable reserves also include £3.662m held on behalf of schools and £8.743m general fund working balances to cover short term cash flow movements, budget overspends and other unforeseen contingencies. The working balance represents 4.421% of the net cost of services which is lower than the Council's target of 5% of net expenditure.

Reserves	31 March 2022	31 March 2023
	£m	£m
General Fund Balance (Working Balance)	8.743	8.743
Earmarked General Fund Reserves	79.750	43.469
Capital Receipts Reserve	16.982	17.207
Capital Grants and Contributions Unapplied	18.669	45.874
Total Usable Reserves	124.144	115.293

The 5% is an arbitrary figure that was recommended by CIPFA over 15 years ago. Now there is no recommended % as each council should set its target reserves level based on risk. Given that Plymouth is in the bottom quartile of "general fund and earmarked reserves as a percentage of net revenue expenditure" compared to other councils then it should aim for a target than higher than 5% of net revenue expenditure. The MTFS cumulative deficit of £69 million to 31 March 2028 is some 60% of the Council's usable reserves of £115 million. The use of reserves is acknowledged as a one off approach, in the Council's MTFS, and not suitable as a long-term solution. Invest to save expenditure is planned to reduce expenditure pressures in future.

The latest benchmarking data from CFO Insights shows that, on average, General Fund and non-schools earmarked general fund reserve is 40%, whereas Plymouth is below average of its "family" at 19%.



The Council recognised that its reserves were too low and had planned to replenish the Working Balance at a rate of £350k a year from 2022/23, however budget pressures meant that for 2022/23 there was a reserves contribution holiday. The MTFS 2023/24 to 2027/28 shows that £750k may to be added to reserves, in 2024/25, to replenish the working balance however there are no plans in three years after to increase the working balance.

Improvement recommendation three:

As the Council is in the bottom quartile of "general fund and earmarked reserves as a percentage of net revenue expenditure" compared to other councils then it should aim for a higher working balance target than its current 5% of net revenue expenditure to protect the medium-term financial health and viability of the council.

Overall conclusion for Financial Sustainability

Given the increased level of financial stress, we have concluded that for 2022/23, like many other councils, the Council does not have arrangements in place for ensuring financial sustainability in the medium term. We have reported a significant weakness in the Council's financial sustainability arrangement for medium-term financial planning and have raised one key recommendation, on page 7, to reflect the financial challenge faced in revising the MTFS for 2024/25 to 2028/29. We have also raised three improvement recommendations (on pages 18 to 20) on the RAG rating of savings plan delivery, approval of the MTFS at the start of the financial year alongside the annual budget, and the building up of the Council's level of reserves to a risk-based target which is higher than the current 5% of net revenue expenditure

All members need to ensure that there is a robust response to the financial matters highlighted above and that officers are supported in making the changes needed. The Council's MTFS needs to be updated before the start of the 2024/25 financial year to reflect the impact of the financial stress indicators. Progress in delivering transformation plans should be more frequently tracked by Cabinet and the relevant service scrutiny committees.





Financial sustainability

Improvement recommendation 1

We suggest that savings plans are RAG (Red, Amber, Green) rated, as part of the reporting on the progress of achievement of savings so that officers and members are aware in monthly financial reports to Cabinet, of the high-risk schemes that are less likely to be delivered; and what alternative savings plans are in place to address any financial in-year deficits.

Auditor judgement

Our work has enabled us to identify a weakness in arrangements which we do not consider to be significant, but have raised a recommendation to support management in making appropriate improvements.

Summary findings

Identifying cost pressures, savings planning and driving further efficiencies are also at the core of the Council's Medium Term Financial Strategy (MTFS) which picks up the savings plans and pressures in the annual budget and looks forward four financial years to 202728. Uncertainty around future funding and demand for services means that the MTFS is based on assumptions. The balancing of the 2023/24 budget is one of the most challenging the Council has faced. The savings required for 2023/24 in the MTFS of £23.435 million were ambitious. At the end of quarter three (December 2023) the Council was forecasting a shortfall against this target, as shown below, with £6.831 million of savings forecast as "not achievable" at month 9 with only £2.183 million found as mitigating actions. The forecast unachievable savings is £3.648 million.

Management Comments

The current Cabinet reports show full analysis of the savings, clearly showing those which are delivered and on-track for delivery. The S151 Officer will review the current reporting formats and amend where required to ensure full visibility



The range of recommendations that external auditors can make is explained in Appendix B



Improvement	
recommendation 2	

The Council approved the four-year Medium Term Financial Strategy (MTFS) 2023/24 to 2027/28 in September 2023. The 2024/25 to 2028/29 MTFS should be approved early in the 2024/25 financial year, and we suggest that future MTFSs are prepared at the same time as the annual budget and approved before the start of each financial year.

Auditor judgement

Our work has enabled us to identify a weakness in arrangements which we do not consider to be significant, but have raised a recommendation to support management in making appropriate improvements.

Summary findings

The Council approves a number of key documents before the start of each financial year, which includes the five year MTFS. However ahead of the 2024/25 financial year the Council only approved the 2024/25 annual revenue budget. We understand that officers intend for the September 2024 Cabinet to approve the 2024/25 to 2028/29 MTFS, however we suggest that this should be brought in line with the annual approval of the revenue budget.

Management Comments

This is an ambition of the Council and, as stated above, a revised MTFS will be presented to Full Council in June 2024

These is an ambition to align the reporting timelines for budget and MTFS



The range of recommendations that external auditors can make is explained in Appendix B



Improvement	
recommendation :	3

As the Council is in the bottom quartile of "general fund and earmarked reserves as a percentage of net revenue expenditure" compared to other councils then it should aim for a higher working balance target than its current 5% to protect the long-term financial health and viability of the council.

Auditor judgement

Our work has enabled us to identify a weakness in arrangements which we do not consider to be significant, but have raised a recommendation to support management in making appropriate improvements.

Summary findings

The Council recognised that its reserves were too low and had planned to replenish the Working Balance at a rate of £350k a year from 22/23, however budget pressures meant that for 2022/23 there was a reserves contribution holiday . The MTFS budgets for £750k to be added to reserves, in 2024/25, to replenish the working balance however there are no plans in the three years after to add to the working balance to build this up.

Management Comments

This is a strategy set out in the September 2023 MTFS. We have to recognise that building reserves during the current financial situation is more challenging, but it remains an ambition. The revised MTFS will set out our plan.



The range of recommendations that external auditors can make is explained in Appendix B

Governance



We considered how the Council:

- monitors and assesses risk and gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud
- approaches and carries out its annual budget setting process
- ensures effective processes and systems are in place to ensure budgetary control; communicate relevant, accurate and timely management information (including nonfinancial information); supports its statutory financial reporting; and ensures corrective action is taken where needed, including in relation to significant partnerships
- ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency. This includes arrangements for effective challenge from those charged with governance/audit committee
- monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of staff and board member behaviour (such as gifts and hospitality or declaration/conflicts of interests) and where it procures and commissions services.

Risk Management

The Council considers risk and opportunities across all of it service and corporate areas. The Council's Risk and Opportunity Strategy 2023 – 2025 and guidance are available for staff on the Council's website together with E-Learning.

Risk reporting

For 2022/23, the Strategic Risk Register was formally reviewed and monitored by the Corporate Management Team each quarter. Risks to planned outcomes are considered as part of the business planning process. Alignment of risk information with performance management has been improved this year with strategic risk updates now being included within operational performance reports, scrutinised monthly by services.

The Council's new computerised risk management, launched in December 2023, produced comprehensive reports which details current risks, their descriptions, risk scores, and mitigating controls. The Audit and Governance Committee is responsible for ensuring that risk management is effective and receives bi-annual reports on "High" risks in terms of key areas of activity and issues related to risk.

Alignment of risks to corporate priorities

We previously recommended that "The Council should consider refining its risk management arrangements to align with its strategic priorities." The Council's response was "Management accepts this recommendation and we have taken steps to implement strategic priorities into our risk management process." The Council added a risk category to its systematic risk reporting to CMT and the Audit and Governance Committee, through re-categorising some risks as "strategic" rather than as financial, operational or compliance risks.

However, the Council's strategic risks are not mapped to the delivery of its corporate objectives in the Strategic Plan. The Council's arrangements for both performance management and risk management could be streamlined so there is one integrated reporting framework for corporate objectives in the Strategic Plan, Key Performance Indicators (KPIs) for service delivery and the risk around delivery of those KPIs in the Strategic Risk Register.

Improvement Recommendation four: Integration of performance management and risk management through the mapping of strategic risks to the achievement of corporate objectives and associated Key Performance Indicators (KPIs).

Risk appetite

The Council's Strategy 2023 to 2025 is much clearer on risk appetite. A scheduled senior leadership forum is planned to further refine the risk appetite towards the end of 2023/24, with the aim of having more bespoke risk appetite for different departments. The new risk strategy will move away from risk champions to a self-service system built using Office 365, which was launched in December 2023. Senior leaders and departmental teams will be able to view the risks on the live dashboard. Internal Audit will also be part of the risk dashboard.

Effective risk management is about ensuring that the correct level of control in place to reduce risks to the level at which the Council can tolerate that risk, which is the Council's "risk appetite" for that risk. Strategic Risks are monitored every three months and Operational Risks every six months. The benefits gained with risk mitigation, as documented in the Council's Risk and Opportunity Management Framework, are improved strategic, operational and financial management, better decision making, improved compliance and improved customer service delivery and better outcomes.

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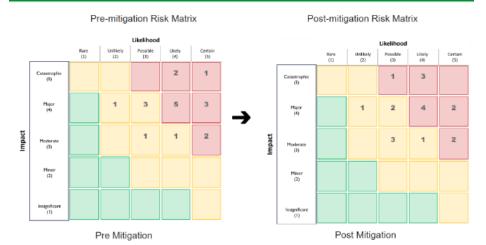
Governance (continued)

The Council identifies, assesses and scores its risks to give a "current (mitigated) risk The five severe risks, at November 2023, are: score rating" in the "Risk Update" to CMT and the Audit and Governance Committee. The resulting score dictates the level of management action as shown below:

Risk Tolerance		
Red (High Risk)	20 - 25	Must be managed down urgently.
Amber (Med/High Risk) Amber (Medium Risk)	12 - 16	Seek to influence medium term/monitor (as per risk appetite escalation)
Green (Low Risk)	6 - 10	Acceptable – continue to monitor if circumstances are subject to change, if not, remove from register
Yellow (Very low risk)	I - 5	Can be removed from register and managed locally within team but consider adding to risk register if controls are likely to change

A review of the Council's latest risk update shows that the Council is tolerating a high level of risk after it has applied its mitigating controls as there are still five red risks that "must be managed down urgently".

Plymouth City Council - Mitigation Analysis



Source: Risk Update Report - Audit & Governance Committee November 2023

- 1. Council expenditure exceeds the resources available (score = 25)
- Cyber attack (Score = 20)
- Emergency accommodation bed and breakfast budget overspends (score = 20)
- 4. Failure to meet statutory duties (Score = 20)
- 5. IT supply chain constraints (Score = 20)

The Council's RM Strategy provides guidance on next steps for each of the high strategic risk scoring, above 20, to include action planning of further controls and mitigations. The risk tolerance table below helps to align risk exposure with management and escalation activities. Ranges of risk scores are then associated with different levels of management attention.

Residual Risk Score	1-4	5-10	10 - 15	15-20	20-25
Compliance, Regulation & Safeguarding (including Health, Safety & Wellbeing)	Accept	Accept but monitor	Management effort worthwhile	Management effort required	Extensive management essential
Financial	Accept	Accept but monitor	Management effort worthwhile	Management effort required	Extensive management essential
Reputation	Accept	Accept but monitor	Manage effort worthwhile	Management effort required	Extensive management essential

However, the Risk Update Report does not record the further management action and therefore provide CMT and the Audit and Governance Committee any assurance on how these risks are being managed, what "extensive management essential" is being applied and in what timeframe.

Improvement recommendation five: The quarterly High Risk Update Report to Corporate Management Team and the Audit & Governance Committee needs to record further management action to provide officers and members with assurance on how strategic risks scoring in excess of 20 are being managed, with specific SMART actions and timeframes to monitor the management of these risks. We suggest that this information is also recorded on the computerised risk management system.

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Governance (continued)

Internal Audit

The Council has adequate Internal Audit and Local Counter Fraud Services provided by Devon Assurance Partnership (DAP). Regular reporting is provided to the Audit and Governance Committee who provide appropriate oversight and challenge. The Internal Audit Plan for 2022-23 was approved by the Audit Committee in March 2022 and confirms compliance with the requirements of the Public Sector Internal Audit Standards (PSIAS). A summary of progress against the annual plan is presented to each Audit and Governance Committee meeting, setting out the work completed to date and any significant findings. The year end Head of Internal Audit Opinion (HoIAO) in 2022/23 was "Reasonable Assurance".

Fraud Detection

The Devon Audit Partnership carries out anti-fraud work, investigating potential fraud and irregularities and conducting pro-active anti-fraud and corruption testing of systems at risk. The 2022/23 plan includes policy implementation, focused reviews, reducing fraud risk in systems, assurance on corporate risk, investigation of potentially fraudulent activity, and training and awareness.

The 2022/23 Annual Counter Fraud Report, presented to the Audit Committee in June 2023, showed that the Counter Fraud Services Team received (CFST) received 277 referrals in the past six months covering areas of Council Business such as tenancy fraud, blue badge fraud, and parking permits. The CFS team has 101 live investigations and continues to support service areas that require data analysis and monitoring. Individual investigation details cannot be disclosed due to sensitive information. The Counter Fraud Annual Report reports that the CFST helped the Council generate savings of £1,348,278.10 and reviewed the Council's counter fraud resilience

Decision making

As outlined in the Constitution, the Cabinet is responsible for day-to-day decisions which are taken with council officers present at meetings open to the public. The Cabinet makes decisions in line with the Council's policies and budget, with matters outside of this referred to the full Council to decide. Scrutiny Committees support the work of the Cabinet and Council by looking into policies and matters of local concern, leading to reports and recommendations for the Cabinet and Council.

Councillors are supported by the Corporate Management Team (CMT), which is headed by the Council's Chief Executive. CMT are responsible for the overall management of the Council, for setting and monitoring overall direction and performance in the delivery of council services. The Council also has a number of committees which include Planning, Licensing, Audit and Governance, various Overview and Scrutiny Committees and a number of others to support the democratic process.

The Council's Local Code of Corporate Governance has been reviewed in line with CIPFA/Solace Delivering Good Governance in Local Government Framework 2016 and its core principles.

Overview and Scrutiny Committees

The scrutiny function is delivered through the Overview and Scrutiny Committees. Scrutiny provides an important check and balance within the governance system on the decisions of Cabinet and the Leader and acts as a 'critical friend' to the Cabinet and other decision makers in order to promote better services, policies and decisions.

- Growth and Infrastructure.
- Education and Children's Social Care.
- Health and Adult Social Care.
- Performance, Finance and Customer.

The February 2022 LGA Corporate Peer Challenge (CPC) stated recommended that the Council "Undertake an external review of Scrutiny, looking to enhance opportunities for all members to engage with, and influence the policy agenda. Look to support this by refreshing the council's on-going member development offer so that all members can develop and maintain high levels of skills and knowledge." The CPC team reported in February 2023 that "An external review of scrutiny has commenced with the initial phase undertaken by the Centre for Governance and Scrutiny (CfGS). There is further work to do, and it will be important to consider how the council can resource and enact the progress it wants and needs to ensure that the value of scrutiny is fully recognised, and the function adds real value. "Progress has been made, for example the scrutiny of Senior Leadership Capacity, based on the scrutiny review of the risk register.

Governance (continued)

The Council's scrutiny function now considers risks relevant to the terms of reference of the particular scrutiny committee. This approach allows for detailed review of risk, its cause and mitigation, in the wider context of associated policy, performance and financial considerations.

Audit and Governance Committee

The Audit and Governance Committee is responsible for overseeing financial and information systems, monitoring audit performance and risk management systems, and ensuring compliance with codes of practice and policies. The committee is comprised seven members, one of which is an independent member in line with CIPFA guidance. During 2022/23, the committee held four meetings, with six members attending at least three. Our review of committee minutes shows that members provide adequate challenge, requesting further detail on investigations and irregularities and questioning officers on limited assurance reports. However, there was no Audit Committee self-assessment of its effectiveness in year.

Improvement recommendation six: The Audit Committee should carry out a self-assessment of its effectiveness each year, using the CIPFA Audit Committee effectiveness checklist, and report on the outcome at the end of the financial year.

Standards and Behaviour

Policies are directed by the political leadership (Leader and Cabinet) and implemented by the Corporate Management Team (CMT). The Constitution provides guidance on expected standards of behaviour for members, including Members Code of Conduct, Employees Code of Conduct, and Whistleblowing Policy.

The Standards Committee is responsible for promoting and maintaining high standards of conduct, advising and training members on the Members' Code of Conduct, monitoring its operation, and considering complaints alleging breaches of the Code of Conduct by Members. During 2022, the Code of Conduct was updated and Members received training on the new CoC.

Arms-length companies

The Council has a number of profitable arms-length companies or Alternative Service Delivery Vehicles (ASDV) to support the Council and partners in the city such as DELT Shared Services Ltd, CATERed Limited, FullyCATERed Limited, ARCA (Plymouth) Limited, @PlymouthCare Limited and Plymouth Active Leisure Ltd. Plymouth City Council is currently involved in 19 companies which are either wholly owned, teckal (with joint public sector ownership) or in which it has shares or is a member of. These companies have enabled the Council to sell services to third parties, develop, manage and invest in revenue generating assets and the delivery of shared service agreements.

The Council is currently reviewing its arrangements for its arms-length companies and has found the following to date:

- Some members of CMT hold responsibility for companies within the family companies.
- All reported compliance with guidance set out in the Local Authority Own Companies: A good practice guide.
- Whilst some areas are able to provide evidence of key governance documents (Annual Reports, Articles of Association etc) in relation to individual companies, not all are easily accessible.

Further actions based on identified risks to governance within the family of companies, specifically focussed on the role of shareholders will be developed in 2023/24. As this review is extending into two financial years, we suggest that the scope of the review on "Governance of the Council's Arms-length Companies" and the progress to date and timeframe for completion of the review is reported to the Audit and Governance Committee so that they may have the assurance that these companies are being effectively manged and the review reports in a timely manner.

Improvement recommendation seven: The scope of the review on "Governance of the Council's Arms-length Companies" and the progress to date and timeframe for completion of the review is reported to the Audit and Governance Committee so that they may have the assurance that these companies are being effectively manged and the review reports in a timely manner.

Governance (continued)

Conclusion on Governance

Overall, we found no evidence of significant weaknesses in the Council's governance arrangements. It has adequate arrangements in place for ensuring that it made informed decisions and managed its risks. We have made four improvement recommendations to further improve governance as follows:

- Integration of performance management and risk management through the mapping of strategic risks to the achievement of corporate objectives and associated Key Performance Indicators (KPIs).
- The quarterly High Risk Update Report to Corporate Management Team and the Audit & Governance Committee needs to record further management action to provide officers and members with assurance on how strategic risks scoring in excess of 20 are being managed
- The Audit Committee should carry out a self-assessment of its effectiveness each year, using the CIPFA Audit Committee effectiveness checklist.
- The scope of the review on "Governance of the Council's Armslength Companies" and the progress to date and timeframe for completion of the review is reported to the Audit and Governance Committee.



Improvement Recommendation

Integration of performance management and risk management through the mapping of strategic risks to the achievement of corporate objectives and associated Key Performance Indicators (KPIs).

Summary findings

The Council's strategic risks are not mapped to the delivery of its corporate objectives in the Strategic Plan. The Council's arrangements for both performance management and risk management could be streamlined so there is one integrated reporting framework for corporate objectives in the Strategic Plan, Key Performance Indicators (KPIs) for service delivery and the risk around delivery of those KPIs in the Strategic Risk Register.

Criteria impacted



Auditor judgement

Our work has enabled us to identify a potential improvement in arrangements which we do not consider to be significant, but have raised a recommendation to support management in making appropriate improvements.

Management comments

Agreed. Work is under way to ensure that the Directorate Business Plans align to the Corporate Plan agreed in Q2 of 2023-24. This work will include risk, health and safety business continuity. The work will be completed across Q4 2023-24 and Q1 2024-25



Progressing the actions management has identified to address the recommendations made will support the Authority in addressing the improvements identified from our work. We consider that the timescales provided by management are appropriate and encourage the Authority to monitor progress of implementation to gain assurance over the arrangements in place. The range of recommendations that external auditors can make is explained in Appendix B.

Improvement Recommendation 5

The quarterly High Risk Update Report to Corporate Management Team and the Audit & Governance Committee needs to record further management action to provide officers and members with assurance on how strategic risks scoring in excess of 20 are being managed, with specific SMART actions and timeframes to monitor the management of these risks. We suggest that this information is also recorded on the computerised risk management system.

Summary findings

The five severe risks, at November 2023, were: (1) Council expenditure exceeds the resources available (score = 25); (2) Cyber attack (Score = 20); (3) Emergency accommodation – bed and breakfast budget overspends (score = 20); (4) Failure to meet statutory duties (Score = 20) and (5) IT supply chain constraints (Score = 20).

The Risk Update Report does not record the further management action and therefore provide CMT and the Audit and Governance Committee any assurance on how these risks are being managed, what "extensive management essential" is being applied and in what timeframe.

Criteria impacted



Governance

Auditor judgement

Our work has enabled us to identify a potential improvement in arrangements which we do not consider to be significant, but have raised a recommendation to support management in making appropriate improvements.

Management comments

Agreed - The new risk management system was launched in January 2024. There will likely be significant movement in risk as risk awareness and a positive approach to risk management is embedded within "Team Plymouth" (3^{rd} tier managers). The work will be completed across Q4 2023-24 and Q1 2024-25



The range of recommendations that external auditors can make is explained in Appendix C.

Improvement Recommendation 6	The Audit and Governance Committee should carry out a self-assessment of its effectiveness each year and report on the outcome at the end of the financial year.	
Summary findings	The annual self-assessment would allow the Audit Committee to report annually on how the committee has complied with the CIPFA Position Statement, discharged its responsibilities, and include an assessment of its performance.	
Criteria impacted	Governance	
Auditor judgement	Our work has enabled us to identify a potential improvement in arrangements which we do not consider to be significant, but have raised a recommendation to support management in making appropriate improvements.	
Management comments	Agreed – As a first step a self-assessment questionnaire will begin the process and will be circulated to members after the meeting on 12 March 2024 if not before	



The range of recommendations that external auditors can make is explained in Appendix C.

Improvement Recommendation 7

The scope of the review on "Governance of the Council's Arms-length Companies" and the progress to date and timeframe for completion of the review is reported to the Audit and Governance Committee so that they may have the assurance that these companies are being effectively manged and the review reports in a timely manner.

The Council is currently reviewing its arrangements for its arms-length companies and has found the following to date:

- Some members of CMT hold responsibility for companies within the family of companies.
- All reported compliance with guidance set out in the Local Authority Owned Companies: A good practice guide.
- Whilst some areas are able to provide evidence of key governance documents (Annual Reports, Articles of Association etc) in relation to individual companies, not all are easily accessible.

Further actions based on identified risks to governance within the family of companies, specifically focussed on the role of shareholders will be developed in 2023/24.

Criteria impacted

Summary findings



Auditor judgement

Our work has enabled us to identify a potential improvement in arrangements which we do not consider to be significant, but have raised a recommendation to support management in making appropriate improvements.

Management comments

A full review is in progress and a report will be presented to Audit and Governance Committee early in the new financial year.



The range of recommendations that external auditors can make is explained in Appendix C.

Improving economy, efficiency and effectiveness



We considered how the Council:

- uses financial and performance information to assess performance to identify areas for improvement
- evaluates the services it provides to assess performance and identify areas for improvement
- ensures it delivers its role within significant partnerships and engages with stakeholders it has identified, in order to assess whether it is meeting its objectives
- where it commissions or procures services assesses whether it is realising the expected benefits.

Strategic planning

The Plymouth City Corporate Plan 2023 – 2026 sets out the Councils vision of Plymouth being 'Once of Europe's most vibrant waterfront cities, where an outstanding quality of life is enjoyed by everyone'. The Corporate Plan priorities are delivered through specific programmes and projects which are coordinated and resourced through cross-cutting strategic plans, capital investments and directorate business plans. The key performance indicators (KPIs) and their associated targets are monitored quarterly to inform us on how we are doing in delivering what we have set out to achieve in the Corporate Plan.

Performance and financial information

The Corporate Plan Performance Report is updated on a quarterly basis to the Cabinet and Scrutiny committees and presented to Corporate Management Team on a monthly basis.

Key performance indicators are used to track performance of the Council's priorities as outlined in the Corporate Plan.

Targets go through CMT and then agreed with Portfolio Holders; not changed in year (unless in exceptional circumstances) 15% threshold applied to determine red/amber/green ratings – based on similar practice with other local authorities – does not change in-year (unless in exceptional circumstances

The Performance and Accountability Framework underpins this approach and is due for review in 2024 as it was last updated in July 2021.

OUR PLAN BUILD A BETTER PLYMOUTH



CITY VISION: Britain's Ocean City

One of Europe's most vibrant waterfront cities, where an outstanding quality of life is enjoyed by everyone Plymouth Britain's Ocean City

OUR MISSION: Making Plymouth a fairer, greener city, where everyone does their bit

WE BELIEVE IN:

DEMOCRACY
Because we listen
and hear what
people want

RESPONSIBILI Because we can

tause we care
to address
decisions and
actions

Because
to address
and ine
our

FAIRNESS
Because we want to address inequality and inequity in

CO-OPERA Because we more togeth we would:

CO-OPERATION
Because we achieve more together than we would alone

WEWILL:

Make Plymouth a great place to grow up and grow old Minimise the impact of the cost of living crisis

OUR PRIORITIES:

Working with the Police to tackle crime and anti-social behaviour

Fewer potholes, cleaner, greener streets and transport

Build more homes - for social rent and affordable ownership

Green investment, jobs, skills and

Working with the NHS to provide better access to health, care and dentistry

Keeping children, adults and communities safe

better education

www.plymouth.gov.uk/ourplan

DOING THIS BY:

Providing quality public services

Trusting and engaging our communities

Focusing on prevention and early intervention

Spending money wisely

Empowering and engaging our staff

Being a strong voice for Plymouth

Improving economy, efficiency and effectiveness (continued)

Data Quality

The basis for good performance information is assurance that the information is based on good quality data. Good quality data is data that is fit for purpose. That means the data needs to be good enough to support the outcomes it is being used for. Data values should be right, but there are other factors that help ensure data meets the needs of its users, such as data governance, design, data management .

Improvement recommendation 7: The Council should develop a Data Quality Strategy articulating how it will obtain assurance over the quality and integrity of the data used to inform KPI's, with a view to including an assessment/rating of specific data sets within non-financial performance reports.

Benchmarking

Benchmarking is routinely undertaken as part of business planning process when the Council sets it performance targets, and when reporting against its performance plans.

As part of the annual budget setting process, senior officers work with finance to establish the cost base of the major areas of expenditure – adult and children's social care; waste collection as examples. High-cost areas for the Council included Adult Social Care, Children's social care, housing, education and waste. Work undertaken includes cost and volume analysis. Independent benchmarking will be considered as an input to the MTFP under revision.

Ad-hoc benchmarking was also undertaken, for example the work undertaken to support the Children's Directorate and when service reviews are carried out.

Assessing performance and identifying improvement

Local Government Association (LGA) - Corporate Peer Challenge

In July 2022, the Council published its full report on the outcome of the February 2022 LGA Corporate Peer Challenge (CPC).

- Review key plans and strategies to reflect the post-pandemic 'new normal' i.e. increases in service demand, taking the opportunity to review ambition to ensure it aligns with capacity and resources
- Continue to embed rigour and transparency in budget setting and monitoring both revenue and capital to ensure that financial challenges and risk are consistently understood and mitigated across the organisation.
- Embed the workforce strategy including recruitment, retention, and succession planning, and continue to ensure sufficient organisational capacity to satisfy external audit requirements.

February 2023 feedback recognises that the Council is in a better place and much progress has been made on the CPC action plan. However, there are still challenges around the level of reserves, adding value through scrutiny and capacity of the finance function and other departments. The CPC team felt that "in key service areas, most especially in both Adults and Children's services, the council should have a clear plan in place to ensure greater focus on the improvements it needs to make are effectively led and delivered. For example, resources will be required to address the outcome of the recent Ofsted inspection and make any necessary improvements to service delivery in Children's services, whilst in parallel Adult Social Care is responding to significant national reform. However, there are also capacity concerns within the corporate centre – the area that will be required to deliver the council's overall change and transformation ambitions".

Improving economy, efficiency and effectiveness (continued)

Assessing performance and identifying improvement (continued)

Children's Services

The Council's Children, Young People and Families Service had its last full inspection by Ofsted in 2018, achieving a grading of "Requires Improvement", followed by a Joint Targeted Area Inspection in 2019 and, in December 2022, a Focused Visit of 'front door' services. The Focused Visit determined that the quality of social work practice for children at the 'front door' had declined and had serious and widespread failings. In May 2023, the Department for Education issued the Council with a statutory Improvement Notice requiring all areas of improvement to be addressed by the Council and its partners. The Improvement Notice required that the Council develop an Improvement Plan, establish an Improvement Board with an Independent Chair and report on progress against the improvement plan by providing data analysis and evidence of impact of improvements on the quality of services for children in need of help and protection. The Secretary of State (SoS) also appointed an adviser to work with the Council until the SoS is satisfied that all areas requiring improvement had been addressed. Our assessment is therefore that there is a significant weakness in arrangements in this area.

Th Council's Children's Improvement Board was established, chaired by the Director of Children's Services from Dorset Council. Dorset Council is Plymouth's Sector Led Improvement Partner (SLIP). The Improvement Board meets every six weeks with cross-departmental officers, the Chief Executive and Interim Director of Children's Services, the wider partnership and cross-party Members. A governance framework for children's improvement priorities is in place to ensure that the Focused Improvement Plan aligns with other priority strategic plans in the department to stabilise the service. The Education and Children's Social Care Overview and Scrutiny Committee oversees the reporting of outcomes on the Improvement Plan. At its November 2023 meeting, each of the six priorities of the Improvement Plan had monthly headline performance measures, with amber RAG status for all six priorities (detailed to the right).

For 2023/24, officers state that the plans and capacity in place had a positive impact. Good progress has been made during the year and it appears that the Improvement Notice is due to be lifted and the Improvement Board stood down by DfE early in 2024/25. Governance in this area has also been strengthened. We will follow up on progress in our next VFM report for the financial year 2023/24. What is not clear, in the reporting to the O&S Committee, is the timeframe beyond the end of the financial year nor the resources required to implement the Improvement Plan in 2024/25 and beyond. The Children's Improvement Plan needs a forward looking aspect which feeds into the Council's revised MTFS as the current 2023/24 to 2027/28 only accounts for additional demand in the current service format. The transformational issues need to be planned and resourced in detail.

KFY Recommendation

In May 2023, the Department for Education issued the Council with a statutory Improvement Notice requiring all areas of improvement in Children's Services to be addressed by the Council and its partners. The Children's Improvement Plan needs to be costed with timeframes so the Council is clear of the investment required in Children's Services to meet the quality standards required by the Secretary of State to remove the Statutory Improvement Notice. The transformational issues need to be planned and resourced in detail and reflected in the Council revised MTFS 2024/25 to 2028/29. Members need assurance that Children's Services have the resources and capacity to improve and the estimated timescale for the improvement required to remove the Statutory Improvement Notice in the reporting to the Children's O&S Committee.



PRIORITY I - GOVERNANCE, LEADERSHIP AND MANAGEMENT

PRIORITY 2 - EARLY HELP AND FRONT DOOR RESPONSES

PRIORITY 3 - ROBUST AND EFFECTIVE SOCIAL WORK PRACTICE

PRIORITY 4 - AT RISK OF CARE, CARED FOR AND CARE EXPERIENCED CHILDREN AND YOUNG PEOPLE

PRIORITY 5 – QUALITY ASSURANCE AND AUDIT

PRIORITY 6 - A STABLE AND ABLE WORKFORCE

Key for RAG rating against target and direction of travel:

RAG rating for actuals against targets (it is not appropriate to have targets for all indicators)	On target	Within 15% of target	More than 15% from target
Direction of travel shown between current and previous month (green indicates an improvement and amber indicates a decline)		A	•

Improving economy, efficiency and effectiveness (continued)

Partnership working

The Council's financial plans highlights several partnership arrangements that align with its corporate objectives and key priorities, including job creation, affordable housing, education improvement, and addressing health needs and social care. These partnerships also align with some of the high-cost services identified in the Chief Financial Officer Insights (CFOI) benchmarking. The Council is an active participant in the Plymouth Safeguarding Adults Partnership and the Plymouth Safeguarding Children Partnership, which coordinate and lead safeguarding services across the city. These partnerships prioritize learning, continuous improvement, and collective accountability to ensure everyone in Plymouth plays their part in keeping both children and adults safe.

The Plymouth Local Care Partnership System Plan sets out ambitious plans to improve health and care services for people across Devon in a way that is clinically and financially sustainable. The Plymouth and South West Devon Joint Local Plan looks at the big issues, including where to build homes, where roads should go and how to ensure economic growth and prosperity for Plymouth residents and those living in the towns and villages of West Devon and the South Hams.

Partnership working presents a number of new risks -

- Partner organisations will have different aims and objectives;
- Often Partnerships are innovative, and there is no proven track record for the work they are undertaking;
- By definition, they involve different organisations, with different cultures and systems;
- It is likely each organisation will have a different approach to the management of risk;
- Organisations will have differing risk appetites.

The LGA Peer Review also suggested that the Council "build on the effective relationships with external partners across a larger geographical footprint to maximise opportunities, especially those offered through the emerging County Deal, and support political leaders to enhance their visibility in these partnerships. As part of this, the council should consider reviewing the Terms of Reference of the Boards and their strategic rationale in order to simplify channels of engagement for all external stakeholders.



Commissioning and procurement

The Council's Financial Regulations and Contract Standing Orders are documented in the Council's Constitution. Staff must comply with these rules when spending money with external providers. The Council has a Head of Procurement and specialised teams for different types of procurement. The Council complies with the Public Services (Social Value) Act and applies social value evaluation weightings.

As recommended last year, the Council should produce a procurement strategy, as part of its current review of its procurement arrangements, to ensure that the Council's policies, procedures, and practices are up to date and include a better analysis of spend, budget, and risk. While the Council is refreshing its Contract Standing Orders as part of the constitutional review, it should ensure that the procurement strategy includes all aspects of procurement, including rules, policies, procedures, and analysis of spend, budget, and risk. Work is underway and we will follow-up on progress as part of next year's work on value for money arrangements.

Improving economy, efficiency and effectiveness (continued)

Conclusion on improving economy, efficiency and effectiveness

Our assessment is that there is a significant weakness in arrangements in the delivery of Children's Services. In May 2023, the Department for Education issued the Council with a statutory Improvement Notice requiring all areas of improvement in Children's Services to be addressed by the Council and its partners. The Improvement Notice required that the Council develop an Improvement Plan, establish an Improvement Board with an Independent Chair and report on progress against the improvement plan by providing data analysis and evidence of impact of improvements on the quality of services for children in need of help and protection. The Secretary of State (SoS) also appointed an adviser to work with the Council until the SoS was satisfied that all areas requiring improvement had been addressed.

We made a key recommendation, on page 8, to clarify that the planning and resourcing required for the improvements in Children's Services needs to be clarified and reflected in the Council's Medium Term Financial Strategy 2024/25 to 2028/29. Members need assurance that Children's Services have the resources and capacity to improve, and the estimated timescale for the improvement required to remove the Statutory Improvement Notice. We also identified one improvement recommendation suggesting that the Council should develop a data quality strategy articulating how it will obtain assurance over the quality and integrity of the data used for the KPI's in its corporate performance framework.



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Improvement recommendation

Improvement Recommendation 7	The Council should develop a data quality strategy articulating how it will obtain assurance over the quality and integrity of the data used for the KPI's in its corporate performance framework, with a view to including an assessment of specific data sets within non-financial performance reports.
Summary findings	Good quality data is data that is fit for purpose. That means the data needs to be good enough to support the outcomes it is being used for. Data values should be right, but there are other factors that help ensure data meets the needs of its users, such as data governance, design, data management. The Council does not have a Data Quality Strategy articulating how it will obtain assurance over the quality and integrity of the data used to inform KPI's,
Criteria impacted	Improving economy, efficiency and effectiveness
Auditor judgement	Our work has enabled us to identify a weakness in arrangements which we do not consider to be significant, but have raised a recommendation to support management in making appropriate improvements.
Management comments	The Council uses a wide range of data sources in support of the Corporate Plan which also form the basis of statutory reporting. Management will consider this recommendation as part of its 2024-25 work programme



Progressing the actions management has identified to address the recommendations made will support the Council in addressing the improvements identified from our work. We consider that the timescales provided by management are appropriate and encourage the Audit Committee to monitor progress of implementation to gain assurance over the arrangements in place. The range of recommendations that external auditors can make is explained in Appendix B.

Action plan for 2022/23 recommendations

Recommendation	Type of recommendation	Date raised	Progress to date
2022/23 Key recommendations from Significant Weaknesses			
Financial sustainability Given the increased level of financial stress the Council is facing members need to ensure that there is a robust response to financial matters with a more detailed revision of the Council's Medium Term Financial Strategy, early in 2024/25, to address how it will mitigate the risks against the financial stress indicators. Progress in delivering savings and transformation plans should be tracked by Cabinet each month and periodically reviewed by the relevant Scrutiny Committee for the service.	Key	February 2024	The requirement for a revised MTFS is acknowledged with a revised strategy updated to include the 2024/25 Budget is scheduled for Cabinet and then Council approval in June 2024. The Council will continue to ensure, as is the current practice, that all Scrutiny Committees are informed of their directorates' progress against savings as well as the overall monitoring position.
Improving economy, efficiency and effectiveness In May 2023, the Department for Education issued the Council with a statutory Improvement Notice requiring all areas of improvement in Children's Services to be addressed by the Council and its partners. The Children's Improvement Plan needs to be costed with timeframes so the Council is clear of the investment required in Children's Services to meet the quality standards required by the Secretary of State to remove the Statutory Improvement Notice. The transformational issues need to be planned and resourced in detail and reflected in the Council's revised MTFS 2024/25 to 2028/29. Members need assurance that Children's Services have the resources and capacity to improve and the estimated timescale for the improvement required to remove the Statutory Improvement Notice in the reporting to the Children's O&S Committee.	Key	February 2024	Agreed – the 2024/25 Budget includes additional investment in Children's Services. There is a monthly Children's Transition Board which reviews all data and measures outcomes. This will be clearly set out in the revised MTFS.

Action plan for 2022/23 recommendations

	Recommendation	Type of recommendation	Date raised	Progress to date
Œ	Financial Sustainability			
1	We suggest that savings plans are RAG (Red, Amber, Green) rated, as part of the reporting on the progress of achievement of savings so that officers and members are aware in monthly financial reports to Cabinet, of the high-risk schemes that are less likely to be delivered; and what alternative savings plans are in place to address any financial in-year deficits.	Improvement	February 2024	The current Cabinet reports show full analysis of the savings, clearly showing those which are delivered and on-track for delivery. The S151 Officer will review current reporting formats and amend where required to ensure full visibility.
2	The Council approved the four-year Medium Term Financial Strategy (MTFS) 2023/24 to 2027/28 in September 2023. The 2024/25 to 2028/29 MTFS should be approved early in the 2024/25 financial year, and we suggest that future MTFSs are prepared at the same time as the annual budget and approved before the start of each financial year.	Improvement	February 2024	This is an ambition of the Council, and as stated above a revised MTFS will be presented to Full Council in June 2024. There is an ambition to align the reporting timelines for budget and MTFS.
3	As the Council is in the bottom quartile of "general fund and earmarked reserves as a percentage of net revenue expenditure" compared to other councils then it should aim for a higher working balance target than its current 5% to protect the long-term financial health and viability of the council.	Improvement	February 2024	This is a strategy set out in the September 2023 MTFS. We have to recognise that building reserves during the current financial situation is more challenging, but it remains an ambition. The revised MTFS will set out our plan.
金	Governance			
4	Integration of performance management and risk management through the mapping of strategic risks to the achievement of corporate objectives and associated Key Performance Indicators (KPIs).	Improvement	February 2024	Agreed – Work is underway to ensure that Directorate business plans align to the Corporate Plan agreed in Q2 of 2023/24. This work will include risk, health and safety and business continuity. The work will be completed across Q4 2023/24 and Q1 2024/25.

Action plan for 2022/23 recommendations

	Recommendation	Type of recommendation	Date raised	Progress to date
金	Governance			
5	The quarterly High Risk Update Report to Corporate Management Team and the Audit & Governance Committee needs to record further management action to provide officers and members with assurance on how strategic risks scoring in excess of 20 are being managed, with specific SMART actions and timeframes to monitor the management of these risks. We suggest that this information is also recorded on the computerised risk management system.	Improvement	February 2024	Agreed – The new risk management system was launched in January 2024. There will likely be significant movement in risk as risk awareness and a positive approach to risk management is embedded within "Team Plymouth" (3rd tier managers). The work will be completed across Q4 2023/24 and Q1 2024/25.
6	The Audit and Governance Committee should carry out a self- assessment of its effectiveness each year and report on the outcome at the end of the financial year.	Improvement	February 2024	Agreed – As a first step a self-assessment questionnaire will begin the process and will be circulated to members after the meeting on the 12 March 2024 if not before.
7	The scope of the review on "Governance of the Council's Armslength Companies" and the progress to date and timeframe for completion of the review is reported to the Audit and Governance Committee so that they may have the assurance that these companies are being effectively manged and the review reports in a timely manner.	Improvement	February 2024	A full review is in progress and a report will be presented to Audit and Governance Committee early in the new financial year.
(\$\dag{\partial}{\partial}\)	Improving economy, efficiency and effectiveness			
8	The Council should develop a data quality strategy articulating how it will obtain assurance over the quality and integrity of the data used for the KPl's in its corporate performance framework, with a view to including an assessment of specific data sets within non-financial performance reports.	Improvement	February 2024	The Council uses a wide range of data sources in support of the Corporate Plan which also form the basis of statutory reporting. Management will consider this recommendation as part of its 2024/25 work programme.

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Follow-up of prior year recommendations

No. Recommendation

Management response



Financial Sustainability

KEY Recommendation One

Members should follow the advice of the Council's section 151 officer, and if recommended, allow for the increase of council tax within referendum limits for the 2023/24 financial year so that the Council may both reduce its funding gap and build up a sustainable level of reserves over time

The Service Director Finance presented a budget report to Cabinet on 17 January 2023. This set out the latest financial position for 2023/24 and proposed the maximum Council Tax increase of 2.99% and ASC precept of 2%. At the Full Council meeting on 27 February 2023 the Council Tax increase – the maximum before a local referendum – was agreed. Within the Revenue and Capital Budget 2023/24 report, the S151 Officer's Budget Robustness Statement stated: The statement also included advice on the consequences of not maximising the increase. There is a clear commitment to increase the council's general fund balance as part of the MTFP refresh. It will need a longer-term strategy to move from the current £8.4m to hold a 5% balance against the 2023/24 resources of £218m being £10.9m

KEY Recommendation Two

The Council's Medium Term Financial Plan (MTFP) needs to be updated, as a priority, for the mid-year 2022 Cabinet and Council meetings so that it reflects the latest inflationary and energy price increases. The MTFP needs to be robustly triangulated with savings, capital, treasury, workforce and operational business planning for 23/24.

A further update was presented to Cabinet on 17 January and this will be presented to Scrutiny for discussion and debate in January. A recommendation from Scrutiny is: a) that a three year Medium Term Financial Plan is prepared and considered at Full Council in September. This reflects similar recommendations made through the LGA corporate peer challenge and external auditors report. In response, the Section 151 Officer agreed to undertake a review of the MTFS and will submit for consideration to Council in September 2023. The budget for 2023/24 has taken account of the latest inflationary and energy price increases, and includes additional budget allocations for key areas such as social care (both adults and children) and the Place Directorate. The Budget Report includes Section 1 – Helping Plymouth Build Back Better which sets out the four key priorities. There is also a Directorate Summary section setting out the costs and services for the delivery of over 300 vital services. The S151 Officer is proposing the development of a 5 year MTFP.

KEY Recommendation Three

The Council needs to employ an interim senior finance officer to start immediately, to support the newly promoted Section 151 Officer, so the Finance Department has adequate capacity and knowledge required to help manage the significant financial challenges and associated workload during 22/23.

The interim was appointed and has been supporting the Council's in year and future years budget planning.

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Follow-up of prior year recommendations

No. Recommendation

Management response



Financial Sustainability (continued)

The Council needs to identify new recurrent savings each year to sustainably close its significant funding gap rather than rely on annual vacancy rates. Difficult service decisions will need to be made to identify sufficient significant potential savings for members to choose from.

The full list of savings proposals were published in the budget report for Cabinet on 17 January 2023 and approved by Full Council in February 2023. The size of the shortfall between anticipated resources and financial commitments for the coming year has been considerable, and a disciplined approach to achieving a balanced budget whilst maintaining delivery against the Council's agreed priorities has been necessary. Setting the budget does not mean the work is over as financial pressures will continue to provide a challenge and we will need to deliver our savings plans that are being put in place. The Council will need to continue to transform how it operates to reduce costs. As part of the budget setting, it has been a major consideration to implement sustainable and recurring savings, reducing the reliance on one-off opportunities. There will always been a requirement to find one-off savings however the ratio of such savings as part of the £23m is at an acceptable level. A plan to further reduce reliance will form a key strand of the new MTFP.

The Council's annual financial budget needs to be clearly aligned to activity plans, to ensure there is consistency and triangulation priorities, the delive where appropriate financial forecasts should be aligned with the Council's outcomes.

The approach to balance the budget has been informed by a clear focus on agreed priorities, the delivery of measures to increase efficiency, maximising income opportunities where appropriate and changing our systems, processes and structures to improve the way we deliver services.

The Council's Strategic Risk Register needs to record significant financial risks at a more granular level, over the short and medium term. The mitigating actions to manage these risks need to be recorded in the Action Plan / Future Mitigation column of the Risk Register which currently replicates the controls in place, so that officers and Members are clear how the council may put itself in a sustainable financial footing, reduce its financial pressures and achieve its strategic outcomes

An updated risk register was submitted to the Audit and Governance Committee on 16 January 23. Risk Number one in table one relates to the Council's expenditure exceeds the resources available to meet that expenditure within the medium-term financial plan period, and Risk number two relates to possible failure to meet statutory duties due to growing volume and complexity of demand for children's social care services. The mitigations are set out in detail.

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Follow-up of prior year recommendations

Recommendation No.

Management response

to maintain financial sustainability as the Council continues to face increasing financial pressures, due to ever-increasing inflation, expected pay increases and escalating fuel and energy costs. The Council needs to revisit its Reserves Strategy and build up its reserves at a rate of greater than £350,000 a year from 23/24.

The Council's levels of reserves, at some £8 million, is insufficient. The S151 Officer has had a follow up discussion on this issue with the external auditors. The updated MTFP will be made available to Full Council in September 2023 and will include a clear strategy and ongoing commitment to increasing the Working Balance.



8

10

Governance

We recommend that the Strategic Risk Register informs the annual overview & scrutiny work programmes so that risk management is properly embedded in members' decision making.

The recommendation is noted. As previously stated, we are undertaking a review of our scrutiny arrangements and this will form part of the discussion.

Given the financial challenges faced by the Council we recommend that a more granular level of information by cost 9 centre is included in the monthly finance monitoring reports so senior officers and members may see the level of variances at an activity level which will better inform their decision making around services.

The S151 Officer has been reviewing the financial monitoring reports of other unitary authorities. It is considered that the current level of transparency within the monthly finance monitoring report meets the requirements of Cabinet and Scrutiny, with the quarterly reports being noted at Full Council. The Management Scrutiny Board have requested changes to the report format, particularly given the unprecedented pressures of the financial year 2022/23. The S151 Officer is open to discussions with the Administration when known in May on any further improvements or additional information. It should be noted that the reporting process is more than just the public facing reports which are published.

We recommend that the Council carries out a self-assessment against the CIPFA Financial Standards, produces a robust action undertaken this month (March 2023) and update further. plan with SMART targets to achieve full compliance by the deadline and reports this to the Audit & Governance Committee.

The S151 Officer has reviewed the Code and will ensure a self-assessment is

No. Recommendation

Management response



Improving economy, efficiency and effectiveness

The Council should develop a data quality strategy setting out the Council's approach to improving the quality of data required to support good decision making, including an independent assessment and assurance around data quality.

As part of the Finance restructure which went live 1st December 2022, a new post was created for a Service Accountant within the Corporate Accountancy team. This role will provide the link between finance and the systems team to ensure data accuracy and provide resource for system updates and changes. There is a CMT lead on data quality – following this recommendation the S151 Officer will ensure dialogue at CMT. For example the idea of strengthening the use of data and evidence in decision making is a part of the health determinant research collaboration, where PCC has been awarded grant funding to progress. We do have a strong governance in place around, for example, the level of detail within financial information provided to Cabinet, and therefore published to the public, as well as full transparency for all scrutiny committees and Full Council

Whilst benchmarking is undertaken when setting performance targets, the Council should consider how it can use independent formal benchmarking in its reporting to the Cabinet to (1) explore any high unit costs, and potential savings, within its services and (2) provide assurance that it is delivering cost effective services in other areas.

The Council does use benchmarking to review and explore its high unit costs and to plan potential savings within its services. It also undertakes independent benchmarking to provide assurance that it is delivering cost effective services.

13

The Council should define its significant partnerships and develop a register that identifies the contribution that the partnerships makes to the City's corporate objectives. Defining its significant partnerships and better understanding their contribution to the Council's objectives will enable the Council to evaluate and assess their level of contribution.

The Policy Team jointly hold a list of both the strategic and operational Partnership Boards with the Plymouth Plan Delivery Team. These Partnerships work to direct and monitor the delivery of the Plymouth Plan, aligning to the policy direction set out within. There is a strong link between the strategic Partnership Boards and the policy elements of the Plan, and each Board is responsible for the development and implementation of the relevant strategic delivery plans and associated operational action plans. These delivery plans, alongside the Terms of Reference for the Boards, provide strong evidence for the contribution they make in delivering the city's vision and corporate objectives. The list is updated annually and throughout 2024 each Board will be doing a stocktake to ensure the alignment between the Plymouth Plan and their delivery plan is being maintained.

14

The Council should produce a procurement strategy, as part of a review of its procurement arrangements, to ensure that the Council's policies, procedures and practices up to date in terms of a better analysis of spend, budget and risk.

The Council has produced a Procurement Strategy and in line with this has refreshed the Council's Contract Standing Orders. All policies, procedures and practices have been updated to provide better analysis of spend in relation to the budget and with the appropriate risk assessment.

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Opinion on the financial statements



Grant Thornton provides an independent opinion on whether the Authority's financial statements:

- give a true and fair view of the financial position of the Authority and of its expenditure and income for the year then ended, and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom.

We conducted our audit in accordance with:

- International Standards on Auditing (UK)
- the Code of Audit Practice (2020) published by the National Audit Office, and
- applicable law

We are independent of the Authority in accordance with applicable ethical requirements, including the Financial Reporting Authority's Ethical Standard.

Audit opinion on the financial statements

Officers have been working closely with us to resolve an outstanding technical issue relating to the Council's Statement of Accounts for 2019/20. Once this issue has been resolved in the next month, then we will issue the 2019/20 audit opinion. The Council may have to adjust the Statement of Accounts for 2020/21, 2021/22 and 2022/23 as a result of the outcome of the 2019/20 audit.

Our work on the 2020/21 financial statements is well progressed and we will present our Audit Findings Report setting out the findings from our detailed work to Audit and Governance Committee in March 2024. We anticipate issuing an unqualified opinion on these statements shortly afterwards.



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Appendices

Appendix A - Responsibilities of the Council

Public bodies spending taxpayers' money are accountable for their stewardship of the resources entrusted to them. They should account properly for their use of resources and manage themselves well so that the public can be confident.

Financial statements are the main way in which local public bodies account for how they use their resources. Local public bodies are required to prepare and publish financial statements setting out their financial performance for the year. To do this, bodies need to maintain proper accounting records and ensure they have effective systems of internal control.

All local public bodies are responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness from their resources. This includes taking properly informed decisions and managing key operational and financial risks so that they can deliver their objectives and safeguard public money. Local public bodies report on their arrangements, and the effectiveness with which the arrangements are operating, as part of their annual governance statement.

The Chief Financial Officer (or equivalent) is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Chief Financial Officer (or equivalent) determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Chief Financial Officer is required to prepare the financial statements in accordance with proper practices as set out in the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom. In preparing the financial statements, the Chief Financial is responsible for assessing the Council's ability to continue as a going concern and use the going concern basis of accounting unless there is an intention by government that the services provided by the Council will no longer be provided.

The Council is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.



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Appendix B - An explanatory note on recommendations

A range of different recommendations can be raised by the Council's auditors as follows:

Type of recommendation	Background	Raised within this report	Page reference
Statutory	Written recommendations to the Council under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014.	No	
Key	The NAO Code of Audit Practice requires that where auditors identify significant weaknesses as part of their arrangements to secure value for money they should make recommendations setting out the actions that should be taken by the [type of body]. We have defined these recommendations as 'key recommendations'.	Yes	 Financial sustainability – page 7 Improving economy, efficiency and effectiveness – page 8
Improvement	These recommendations, if implemented should improve the arrangements in place at the Council, but are not a result of identifying significant weaknesses in the Council's arrangements.	Yes	 Financial sustainability – pages 18 to 20 Governance – pages 26 to 29 Improving economy, efficiency and effectiveness – page 35



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11 December 2024

To Audit and Governance Committee Chair Plymouth City Council Ballard House West Hoe Road Plymouth PL1 3BJ

We also Grant Thornton UK LLP 30 Finsbury Square London EC2A 1AG

grantthornton.co.uk

Dear Councillor Allen

Plymouth City Council: Conclusion of the audit for 2021-22 and 2022-23 – letter to those charged with governance on the application of the local authority backstop

As you will be aware, on 5 September 2024 the government published draft the Accounts and Audit (Amendment) Regulations 2024. These Regulations, which were approved on 30 September 2024, set a publication date for financial statements up to and including 2022-23 of 13 December 2024. The new National Audit Office Code, approved on 14 November, also requires that auditors should issue their audit report in time for the relevant authority to publish its accounts by the specified date in those Regulations. Where audit work is not concluded, this will result in either a qualification or disclaimer of opinion.

As discussed with your Service Director of Finance, and for reasons which I set out in more detail below, it will not be possible for us to complete our audit for 2021-22 and 2022-23 by the statutory backstop date. We therefore propose to issue a disclaimer of our audit opinion. I attach a draft copy of this disclaimer for the attention of the Audit and Governance Committee.

We are required under Auditing Standards to report certain matters to the Audit Committee, including our responsibilities as auditor, the scope of the audit, independence, audit fees and any matters arising from the audit. I set out more details on the audit below. Information regarding our responsibilities, the scope of the audit and fees are included in the Appendix.

Outcome of our audit for 2021-22 and 2022-23 – Disclaimer of the opinion on the financial statements

For reasons set out below, it will not be possible for us to undertake sufficient work to support an audit opinion by the statutory deadline of 13 December 2024. This means that the limitations of scope imposed by the backstop are pervasive and therefore we have been unable to form an opinion on the financial statements by the due date. We therefore plan to issue a disclaimer of the audit opinion. We have attached the draft wording of our Audit Report for your information.

The main reason for the application of the backstop is that the completion of the 2019-20 and 2020-21 audit was delayed due to ongoing legal issues which have now been resolved.. We have not been able to obtain sufficient appropriate audit evidence by the backstop date to conclude that the Authority's financial statements for the years ended 31 March 2022 and 31 March 2023 as a whole are free from material misstatement.

For 2019-20 This was due to the work required regarding a £73 million pension transaction during the financial year that was accounted for as capital, whereas it was required to be treated as

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revenue. Our Audit Findings Report was reported to Audit and Governance Committee on 29 September 2022. As a result of the adjustments required the Council were required to seek a capitalisation direction from central government. We also identified material adjustments in relation to subsidiary pension liabilities and heritage assets.

For 2020-21 we were required to consider the impact of the prior year transactions on opening balances and were required to consider the classification of an interest rate swap entered into by the Council in the financial year. This involved consideration for both the Financial Statements audit and the Value for Money Review. The Council have taken the appropriate action to address the issues that were raised.

We had agreed with the Council that the audit of the financial statements for the year ended 31 March 2022 or 31 March 2023 would not commence until the previous audits was concluded. This meant there was no realistic prospect of the audit of Council's financial statements for 2021/22 and 2022/23 being completed in advance of the 13 December 2024 backstop.

Outcome of this year's audit - Value for Money work and other work under the National Audit Office Code of Audit Practice

We undertook our Value for Money work and reported the outcome in our Annual Audit Report for 2021/22 to the Audit and Governance Committee on 28 November 2022. For 2022/23 we reported the outcome to the Audit and Governance Committee in our interim Annual Audit Report on 12 March 2024. The key findings are as follows:

2021/22

Significant weaknesses in the arrangements were reported on 28 November 2022 for financial sustainability with three key recommendations in relation to:

- the Council following the recommendations of the section 151 officer to reduce the funding gap and build up a sustainable level of reserves,
- the Council's Medium-Term Financial Plan needs to be updated as a priority, and
- the Council needs to employ an interim senior finance officer to start immediately to support the Section 151 officer.

2022/23

On 12 March 2024 we reported a significant weakness in the arrangements for financial sustainability with one key recommendation in relation to the revision of the Medium-Term Financial Strategy to address how it will mitigate the risks against the financial stress indicators, and to track transformation plan progress monthly.

A significant weakness in improving economy, efficiency and effectiveness was identified as the Council was issued in May 2023 with a statutory Improvement Notice requiring all areas of improvement in Children's Services.

We are also required to report by exception if we have applied any of our statutory powers or duties.

We have nothing to report in respect of the above.

Independence

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention and consider that an objective reasonable and informed third party would take the same view. We have complied with the Financial Reporting Council's Ethical Standard and confirm that we, as a firm, and each covered person, are independent and are able to express an objective opinion on the financial statements. Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in May 2020 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

We confirm that we have implemented policies and procedures to meet the requirements of the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm

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that we are independent and are able to express an objective opinion on the financial statements. Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in May 2020 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

Management letter of representation

We have asked management to provide a letter of representation in respect of the financial statements covering 2021/22 and 2022/23. This will be tabled as a separate agenda item.

Looking ahead

The circumstances resulting in the application of the local authority backstop are clearly extremely unusual. The government has signalled its intent that where backstops have been applied, local authorities and their auditors work together to recover the position over subsequent years. We will follow relevant guidance including from the NAO and the FRC to work with you over the coming year, as we seek to rebuild audit assurance.

Yours sincerely

Paul Dossett

For Grant Thornton UK LLP

CC Service Director for Finance

Attachments: Draft Disclaimer of Opinion for 2021/22 and 2022/23

Appendix

Responsibilities

The National Audit Office ('the NAO') has issued a document entitled Code of Audit Practice ('the Code'). This summarises where the responsibilities of auditors begin and end and what is expected from the audited body. Our respective responsibilities are also set out in the Terms of Appointment and Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA), the body responsible for appointing us as auditor of Plymouth City Council. We draw your attention to both of these documents.

Scope of our audit

The scope of our audit is set in accordance with the Code and International Standards on Auditing (ISAs) (UK). We are responsible for forming and expressing an opinion on the Council's financial statements that have been prepared by management with the oversight of those charged with governance (the Audit and Governance Committee); and we consider whether there are sufficient arrangements in place at the Council for securing economy, efficiency and effectiveness in your use of resources. Value for money relates to ensuring that resources are used efficiently in order to maximise the outcomes that can be achieved.

The audit of the financial statements does not relieve management or the Audit and Governance Committee of its responsibilities. It is the responsibility of the authority to ensure that proper arrangements are in place for the conduct of its business, and that public money is safeguarded and properly accounted for. We have considered how the authority is fulfilling these responsibilities.

Our audit approach is based on a thorough understanding of the authority's business and is risk based.

Audit Plan

Due to delays in the completion of prior year audits, we were unable to issue an audit plan in respect of this audit year.

Our approach to materiality

Due to delays in the completion of prior year audits, we were unable to determine a materiality level for 2021/22 or 2022/23.

Key financial reporting and audit issues identified during the audit

As we have not undertaken any detailed work in respect of this year's financial statements audit, there are no issues we need to draw to your attention.

Going Concern

As auditors, we are required to obtain sufficient appropriate audit evidence about the appropriateness of management's use of the going concern assumption in the preparation and presentation of the financial statements and to conclude whether there is a material uncertainty about the entity's ability to continue as a going concern (ISA (UK) 570).

In performing our work on going concern, we have had reference to Statement of Recommended Practice – Practice Note 10: Audit of financial statements of public sector bodies in the United Kingdom (Revised 2020). The Financial Reporting Council recognises that for particular sectors, it may be necessary to clarify how auditing standards are applied to an entity in a manner that is relevant and provides useful information to the users of financial statements in that sector.

Practice Note 10 sets out the following key principles for the consideration of going concern for public sector entities:

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- the use of the going concern basis of accounting is not a matter of significant focus of the auditor's time and resources because the applicable financial reporting frameworks envisage that the going concern basis for accounting will apply where the entity's services will continue to be delivered by the public sector. In such cases, a material uncertainty related to going concern is unlikely to exist, and so a straightforward and standardised approach for the consideration of going concern will often be appropriate for public sector entities
- for many public sector entities, the financial sustainability of the reporting entity and the
 services it provides is more likely to be of significant public interest than the application of
 the going concern basis of accounting. Our consideration of the authority's financial
 sustainability is addressed by our value for money work, which is covered elsewhere in this
 report.

Practice Note 10 states that if the financial reporting framework provides for the adoption of the going concern basis of accounting on the basis of the anticipated continuation of the provision of a service in the future, the auditor applies the continued provision of service approach set out in Practice Note 10. The financial reporting framework adopted by a local authority meets this criteria, and so where undertaking work on your audit, we would normally expect to apply the continued provision of service approach. In doing so, we would consider and evaluate:

- the nature of the authority and the environment in which it operates
- the authority's financial reporting framework
- the authority's system of internal control for identifying events or conditions relevant to going concern
- management's going concern assessment.

As we have been unable to form an opinion on the financial statements, we are unable to draw a conclusion in this area.

Design effectiveness of internal controls

Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify any control weaknesses, we will report these to management.

We have nothing to report in respect of the above.

Other matters which we are required to report on to those charged with governance

We are required to confirm the following:

- We have not been made aware of any incidents of fraud in the period and no issues have been identified during the course of our audit procedures.
- We are not aware of any related party transactions which have not been disclosed.
- We are not aware of any significant incidences of non-compliance with applicable laws and regulations.

Audit fees and non audit fees

PSAA set a scale fee for the 2021/22 audit of £111,393 and for the 2022/23 audit £122,505 . Given the unusual circumstances of the backstop, we are awaiting a determination from PSAA as to the appropriate fee to be charged for this audit year.

We have also undertaken the following non audit work in respect of 2021/22 and 2022/23.

Proposed Fee	Final Fee
£14,041	£27,000
£ 4,200 £18,241	£ 7,500 £34,500
£27,000 <u>£ 7,500</u> £34,500	£27,000 £ 7,500 £34,500
£48,400 £20,000	£48,400 £20,000 £68,000
	£14,041 £ 4,200 £18,241 £27,000 £ 7,500 £34,500

The fees do not reconcile to the financial statements. Where they do not, we have provided a reconciliation

2021-22

fees per financial statements (Note 27) Accruals relating to prior year increases in audit total fees per above (£111,393 and £27,000)	£243,000 (£104,607) £138,393
2022-23 fees per financial statements (note 27) Accruals relating to prior year increases in audit total fees per above (£122,505 and £68,000)	£226,000 <u>£35,495</u> £190,505

The level of these recurring fees taken on their own is not considered a significant threat to independence in comparison to the total fee for the audit of £111,393 for 2021/22 and £122,505 for 2022/23 and in particular relative to Grant Thornton UK LLP's turnover overall. Further there is no contingent element to it. These factors all mitigate any perceived self-interest threat to an acceptable level.

Audit and Governance Committee



Date of meeting: II December 2024

Title of Report: Approval of Statement of Accounts 2021/22 &

2022/23 Under the Backstop Arrangements

Lead Member: Councillor Mark Lowry (Cabinet Member for Finance)

Lead Strategic Director: David Northey (Service Director for Finance)

Author: Carolyn Haynes

Contact Email: carolyn.haynes@plymouth.gov.uk

Your Reference: SoA 21/22 & 2022/23/Audit Dec 2024

Key Decision: No

Confidentiality: Part I - Official

Purpose of Report

Members formally approved the draft Statement of Accounts for 2021/22 on the 29 September 2022 and the draft Statement of Accounts for 2022/23 on the 25 July 2023.

The Statement of Accounts for 2021/22 and 2022/23 will not be subject to an external audit but will instead be subject to the provision of the backstop legislation and anticipated to be finalised before 13 December 2024.

The revised Statement of Accounts for 2021/22 is attached as Appendix A and the revised Statement of Accounts for 2022/23 is attached as Appendix B.

Recommendations and Reasons

- 1. To **approve** the Statement of Accounts for 2021/22 attached as Appendix A and the Statement of Accounts for 2022-23 attached as Appendix B.
 - a. Reason: Statutory Requirement, the Accounts and Audit Regulations 2015 require the accounts to be:
 - i. Considered by committee;
 - ii. Approved by committee resolution;
 - iii. Signed and dated by the person presiding at the committee.
- 2. To delegate authority to the Section 151 Officer in consultation with the Chair of Audit and Governance Committee to sign the letters of representation to Grant Thornton LLP for the Council and to sign the accounts.
- 3. To **note** the amendments to the 2021/22 and 2022/23 accounts and that they will not be subject to an external audit but will instead be subject to the provision of the backstop legislation and are anticipated to be finalised before 13 December 2024.
- 4. To consider the contents of the Audit Opinions for the Council (Appendices C and D).
- 5. The Letters of Representation attached as Appendix E & F are authorised and submitted to the Auditor.

Alternative options considered and rejected

1. None – It is a statutory requirement to produce and approve the Statement of Accounts.

Relevance to the Corporate Plan and/or the Plymouth Plan

The Council's expenditure forms the basis on which the Corporate Plan can be delivered.

Implications for the Medium-Term Financial Plan and Resource Implications:

The changes actioned in both these sets of accounts will flow into the opening balance sheet position for 2023/24 Statement of Accounts and will have implications on the Medium-Term Financial Plan. The level of Working Balance and reserves will affect the level of funding available in future years and variations in service expenditure will also need to be reviewed to assess the effects.

Financial Risks

The Statement of Accounts includes a high-level summary of the Council's financial risks.

Carbon Footprint (Environmental) Implications:

N/A

Other Implications: e.g. Health and Safety, Risk Management, Child Poverty:

* When considering these proposals members have a responsibility to ensure they give due regard to the Council's duty to promote equality of opportunity, eliminate unlawful discrimination and promote good relations between people who share protected characteristics under the Equalities Act and those who do not.

The main risk associated with the late completion and publication of the statement of accounts for a local authority, particularly those where a disclaimed (no assurance) opinion is reputational. However, in the current circumstances there is a significant number of Councils in this position across the country. Most have had their audit process cut short by the backstop arrangements, through no fault of their own. The accounts have been produced in a professional manner and been signed off as representing a 'true and fair' view by the \$151 Officer. Government have also asked auditors to be clear about this in their reporting and that assurance on audits will be rebuilt over several future reporting cycles.

Appendices

*Add rows as required to box below

Ref.	Title of Appendix	Exemption Paragraph Number (if applicab If some/all of the information is confidential, you must indicate why it is not for publication by virtue of Part 1 of Schedule 12 of the Local Government Act 1972 by ticking the relevant box					indicate Jule 12A	
		ı	2	3	4	5	6	7
Α	Audited Statement of Accounts 2021/22							
В	Audited Statement of Accounts 2022/23							
С	Audit Opinion Report 2021/22							
D	Audit Opinion Report 2022/23							
E	Letter of Representation 2021/22							
F	Letter of Representation 2022/23							

Background papers:

^{*}Add rows as required to box below

Please list all unpublished, background papers relevant to the decision in the table below. Background papers are <u>unpublished</u> works, relied on to a material extent in preparing the report, which disclose facts or matters on which the report or an important part of the work is based.

Title of any background paper(s)	Exemption Paragraph Number (if applicable) If some/all of the information is confidential, you must indicate why it is not for publication by virtue of Part 1 of Schedule 12A of the Local Government Act 1972 by ticking the relevant box.						le)
	ı	2	3	4	5	6	7

Sign off:

Originating Senior Leadership Team member: David Northey

Please confirm the Strategic Director(s) has agreed the report? Yes

Date agreed: 05/12/2024

Cabinet Member approval: Councillor Mark Lowry agreed verbally

Date approved: 10/12/2024

Final Statement of Accounts 2021/22 and 2022/23

I. Introduction

- 1.1 Members will be aware from previous reports and discussions that the external audits of the Councils 2021/22 and 2022/23 draft statement of accounts have been delayed for some time pending government direction on how to address the national backlog. This is not an isolated situation and nationally as at 30 September 2023 the number of outstanding opinions across England stood at 918.
- 1.2 The arrangements for audit of local authority accounts were amended by the Accounts and Audit (Amendment) Regulations 2024 known as the "backstop" legislation which came into force on 30 September 2024. Although the Council accounts for 2021/22 and 2022/23 (Appendices A & B) will still contain the auditor's opinion upon finalisation, the backstop legislation does not allow time for an external audit to take place.
- 1.3 The draft Statement of Accounts 2021/22 were approved by the Service Director for Finance on the 31 July 2022 and presented to this committee on the 29 September 2022 and the draft Statement of Accounts for 2022/23 were approved by the Service Director for Finance on the 20 June 2023 and presented to Audit & Governance Committee on the 25 July 2023.
- 1.4 The Statement of Accounts have now been amended and the Final Statement of Accounts for 2021/22 and 2022/23 are being presented to the Committee for approval prior to publication on the Council's website.

2. Background to the Delay in Final Publication of the 2021/22 & 2022/23 Accounts

- 2.1 For a wide range of reasons, there has been a significant national backlog in the publication of audited accounts in local government. The backlog undermines accountability in the local government sector and reduces information available to the users of the accounts.
- 2.2 The Accounts and Audit (Amendment) Regulations 2024 came into force on 30 September 2024 and provided for statutory 'backstop' arrangements in three phases to help clear the backlog of audits and rebuild assurance. The backstop dates were also brought forward by the new government to earlier than previously set out.
- 2.3 The first phase which has a backstop date of 13 December 2024 involves clearing the backlog of historic opinions up to and including the financial year 2022/23. Phase 2 uses various backstop dates to allow assurance to be rebuilt over several years so as not to cause a recurrence of backlog issues. Phase 3 involves reforming the local audit system to address the challenges and ensure timely financial reporting and audit.

3. Audit Completion Reports

3.1 As a result of the position on the two legacy audits for Plymouth, Grant Thornton have determined that they are unable to complete all the necessary procedures to obtain sufficient evidence to provide an opinion on the 2021/22 and 2022/23 accounts and have therefore issued a Disclaimed opinion in respect of both financial years. The basis of this Disclaimer of opinion can be found in the Audit Findings Report to 'Those Charged with Governance' being presented to this committee and the Audit Opinion Reports are attached as Appendices C and D.

- 3.2 The external auditor's value for money commentary for 2021/22 was presented to this committee on the 28 November 2022 and their value for money commentary for 2022/23 was presented on the 12 March 2024. The findings on this are repeated in the Auditors Annual Reports for 2021/22 and 2022/23 which are also being presented to this committee as part of today's agenda.
- 3.3 The Audit Findings Reports for 2021/22 and 2022/23 are also being presented by Grant Thornton to this Committee on today's agenda.
- 3.4 Upon consideration of the Audit Findings Report, members are asked to delegate authority to the Section 151 Officer in consultation with the Chair of Audit and Governance Committee to sign the letters of representation attached as Appendix E and F to Grant Thornton LLP for the Council and to sign the accounts.

4. Annual Governance Statement 2021/22 and 2022/23

4.1 The approved Annual Governance Statement (AGS) is required to be published alongside the Council's financial statements. The AGS for 2021/22 was submitted for review by this committee on the 29 September 2022 and the AGS for 2022/23 was submitted to the Audit & Governance Committee for review on the 25 July 2023. A review of these documents has determined that no changes are required.

5. Changes from draft publication of the 2021/22 draft Accounts

- 5.1 The GT Audit Findings Report is being presented to this committee. This is on the basis that the backstop legislation and limitations on the external audit resource do not allow for the accounts to be audited.
- 5.2 The draft accounts for 2021/22 have been adjusted to reflect issues raised in the GT Audit Findings Reports of the accounts for 2019/20 and 2020/21, the main changes are listed below:
 - Changes to reflect the accounting treatment of the pension transaction from 2019/20 and associated movements through reserves;
 - Removal of associated Minimum Revenue Provision (MRP) in relation to the pension transaction and associated reserve movements;
 - Changes to the accounting treatment of the Interest Rate Swap (previously accounted for as a Hedge transaction;
 - Amendments to the notes on Heritage Assets to add items below £100k & special books collection;
 - Correction to Property, Plant & Equipment (PPE) arising from making annual depreciation charges on "material" assets revalued as at 31 March.

6. Changes from draft publication of the 2022/23 draft Accounts

- 6.1 The GT Audit Findings Report is being presented to this committee. This is on the basis that the backstop legislation and limitations on the external audit resource do not allow for the accounts to be audited.
- 6.2 The draft accounts for 2022/23 have been adjusted for the following:
 - Changes to reflect the accounting treatment of the pension transaction from 2019/20 and associated movements through reserves;

- Removal of associated Minimum Revenue Provision (MRP) in relation to the pension transaction and associated reserve movements;
- Changes to the accounting treatment of the Interest Rate Swap (previously accounted for as a Hedge transaction;
- Amendments to the notes on Heritage Assets to add items below £100k & special books collection
- Correction to PPE arising from the current year depreciation on "material" assets not written out as part of the revaluations.

7. Letter of Representation & Audit Completion

- 7.1 Appendices E and F are letters of representation from the Council to the external auditor and set out certain facts the external auditor has relied upon to complete their reports. These require approval by the Audit and Governance Committee, although delegated permission for the Section 151 Officer and Chair to sign this is being sought at this committee today.
- 7.2 The audited accounts for 2021/22 and 2022/23 for the Council can then be approved by the Committee and this will mark the end of accounting process for these two financial years. The audited accounts will be published on the website and the 2023/24 accounts will then be the latest open set of Council accounts.
- 7.3 It is likely to take several financial years to move from a set of disclaimed audit opinions to a true and fair view on the financial position. Grant Thornton are currently auditing the accounts for 2023/24. The backstop date for the 2023/24 financial year is 28 February 2025. Further information will be presented to Committee on this set of accounts in due course.

2021/22 STATEMENT OF ACCOUNTS



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NARRATIVE REPORT FROM THE SERVICE DIRECTOR FOR FINANCE AND SECTION 151 OFFICER

INTRODUCTION

My role as the Service Director for Finance and Section 151 Officer is to ensure that the Council's financial affairs are properly administered and its financial position remains stable and robust. The preparation of the Statement of Accounts provides the opportunity to look back at the past financial year and to report on the current financial and non-financial position of the Council.

Plymouth City Council is a large and diverse organisation and the accounts contained in this document are by their nature both technical and complex, so this narrative aims to explain some of the statements and provides a summary



of the Council's financial performance for 2021/22 and its financial prospects. Where necessary, estimates and judgements have been made in preparing these accounts which comply with the Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 (the Code), published by the Chartered Institute of Public Finance and Accountancy (CIPFA).

The COVID-19 pandemic has resulted in the most widespread adjustment to our way of life. The events of the last two years have had a significant impact on the Council itself, in terms of flexible working arrangements and the more customer focused approach which has been adopted.

BACKGROUND

The Council is working with the Government department to resolve an outstanding technical issue relating to the Statement of Accounts for 2019/20.

Discussions around the transaction have been on-going, and the need for a resolution to allow the 2019/20 accounts to be signed off by the auditors came to more prominence at the end of June 2023.

The draft accounts for 2021/22 have needed to be revised prior to the external audit for 2019/20 being completed by Grant Thornton. The original accounting treatment was as a capital transaction; our auditors have advised we needed to reflect the transaction as a revenue transaction. The revenue treatment meant that the Council's income for 2019/20 and 2020/21 and 2021/22 was insufficient to meet its expenditure. Due to this change in accounting treatment, it has been necessary for the Council to request a retrospective Capitalisation Direction from the Department for Levelling Up, Housing and Communities (DLUHC). This support is provided via the Exceptional Financial Support



Framework which has been agreed in principle. The Capitalisation Direction will permit the Council to meet the revenue cost through capital resources. The draft accounts for 2022/23 and 2023/24 will also need to be revised to reflect the change in accounting for this transaction. The revised statements for 2021/22 will be presented to the Audit and Governance Committee prior to the backstop deadline of the 13 December 2024. The arrangements for audit of local authority accounts were amended by the Accounts and Audit (Amendment) Regulations 2024 - known as the "backstop" legislation – which came into force on 30 September 2024. The "backstop" legislation is a response to widescale delays in the production and finalisation of accounts across the sector, including Plymouth City Council. It set a date of the 13 December 2024 by which all accounts up to the year 2022/23 must be completed by and then set target dates for subsequent years up to 2027/28. I am pleased to re-present our Annual Financial Report and Statement of Accounts for 2021/22. The Narrative Report provides me with an opportunity to set the financial scene and to highlight the financial challenges currently being faced by the Council as it strives to continue to provide high quality services to Plymouth residents with diminishing financial resources. The Statement of Accounts aim to not only present the Council's outturn financial position for 2021/22, but also to provide a summary of Plymouth City Council's financial affairs for the 2021/22 financial year and of our financial position as at 31 March 2022.

Returning to the request for a Capitalisation Direction, why have we been required to rewrite the draft accounts for 2019/20 and 2020/21, 2021/22 and 2022/23 and what does it mean for this and future years?

The CIPFA Code of Practice on Local Authority Accounting (the Code) sets out the proper accounting practices to be applied in the preparation of local authority statements of accounts to give a 'true and fair' view of the financial position, performance, and cash flows of a local authority. The Code's overriding requirement is that the statement of accounts and the financial statements within the annual accounts give a 'true and fair view'.

In a set of financial statements prepared in accordance with the Code, the net assets of the authority are balanced by reserves. An authority's reserves are distinguished between those that are 'usable' to fund expenditure or reduce local taxation and other 'unusable' reserves.

Certain usable reserves are statutorily ring-fenced and are only available for specified purposes. These reserves include capital reserves and schools' balances. As a result of the £72m amendment, the Council's overall usable reserves are now showing as a deficit balance.

What does this mean?

Where a local authority's General Fund enters a deficit position, the following are key considerations:

- (i) Has the authority appropriately ring-fenced revenue reserves where it is statutorily required to? Yes, we have ring-fenced as required.
- (ii) Has the authority released all non-ringfenced voluntarily earmarked reserves and disclosed these movements? The deficit position reflects the requirement to charge the £72m transaction to revenue, rather than capital. We have taken the approach, as agreed with our external auditors, to make this retrospective change to one reserve balance only, namely the "working balance". From a previous positive balance of £8.744m reported in the 1st set of Draft Accounts, we are now showing a negative balance of £60.138m. This is considered the cleanest way to show this transaction, given that there is an expectation that the Capitalisation Direction will be applied in 2024/25 and the £72m will again revert to the balance sheet as a capital transaction. The movement has been fully documented.

In the context of our deficit General Fund position, the CIPFA code asks:

(i) Has the authority considered including more detail in the Balance Sheet, specifically including further analysis of usable reserves between statutorily ring-fenced and non-ringfenced reserves, to bring greater prominence to the deficit position on the General Fund? Yes, this is set out in the notes to the accounts.

In this document the Council demonstrates that it has a secure and sustainable financial standing, notwithstanding the reported £72m deficit revenue position, and resultant impact on usable reserves. The Council has fulfilled its stewardship function for all of the public money entrusted to it in a cost effective and appropriate manner, and the approach to DLUHC represents further good stewardship. We are confident that the current "minded to" decision for our request will become a decision to grant the Capitalisation Direction.

One of Europe's most vibrant waterfront cities where an outstanding quality of life is enjoyed by everyone



WHAT WE WANT TO ACHIEVE...

LEADING CITY

A city fulfilling its strategic role as a major economic driver for the heart of the South West

HEALTHY CITY

People live in happy, healthy, safe and aspiring communities

GROWING CITY

A city which has used its strengths to deliver quality and sustainable growth

INTERNATIONAL CITY

Plymouth is internationally renowned as the UK's premier marine city, and famous for its waterfront, maritime heritage and culture.

HOW WILL WE KNOW WE'RE SUCCESSFUL?

Plymouth is recognised as a **key regional economic** driver

Plymouth has **high quality strategic** services and facilities

The quality and resilience of Plymouth's transport and digital connectivity has improved

Plymouth's strategic defence role has been safeguarded and strengthened

Plymouth's stunning setting and natural assets have been enhanced

People get the **best start to life**, enjoy a better quality
of life and increased life
expectancy

More people are taking care of themselves or **finding care** within their community

More residents are contributing to and involved in their community

There is **good quality health** and social care for people who need it

Plymouth has good quality neighbourhoods where people feel **safe and happy** Plymouth's population has grown to more than **300,000**

Plymouth continues to be recognised as a leading Green City

Plymouth has more vibrant, productive and innovative businesses

People have the skills to be school ready and work ready to meet the needs of the city

Plymouth has the right environment for **growth** and investment

Plymouth offers a diverse cultural experience with a major events programme

Plymouth is internationally renowned as a leading UK tourist destination

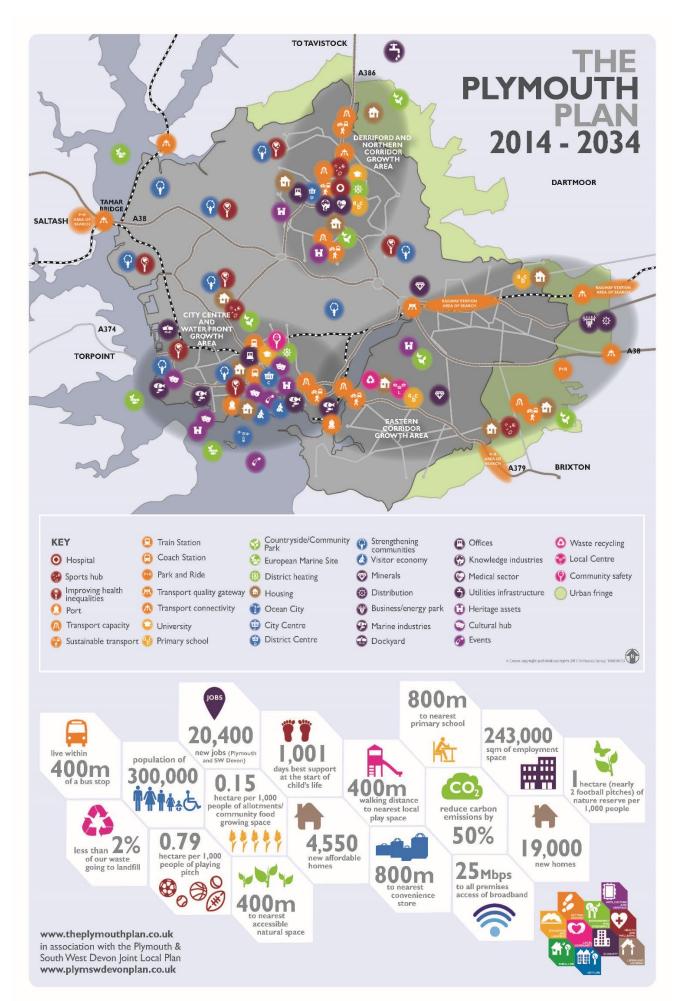
Plymouth is recognised internationally for **marine science** and high technology manufacturing

Plymouth has a reputation for world class universities and research institutions

Plymouth has a reputation as a **welcoming and multicultural city** with diverse communities

WHAT PRINCIPLES WILL GUIDE US?





OUR PLAN YOUR CITY, YOUR COUNCIL



CITY VISION Britain's Ocean City

One of Europe's most vibrant waterfront cities, where an outstanding quality of life is enjoyed by everyone.

OUR MISSION To build back better and make Plymouth a great place to live, work and visit.

OUR VALUES we are:

DEMOCRATIC

Plymouth is a place where people can have their say about what is important to them and where they are empowered to make change happen.

RESPONSIBLE

We take responsibility for our actions, we are accountable for their impact on others and the environment and expect others to do the same.

FAIR

We will be honest and open in how we act. We will treat everyone with respect, champion fairness and create opportunities.

COLLABORATIVE

We will provide strong community leadership, working with residents, communities and businesses to deliver our common ambition.

OUR PRIORITIES

UNLOCKING THE CITY'S POTENTIAL

A clean and tidy city

A green, sustainable city that cares about the environment

0"

A vibrant economy, developing quality jobs and skills

An exciting, cultural and creative place Create a varied, efficient, sustainable transport network

CARING FOR PEOPLE AND COMMUNITIES

A friendly welcoming city

Reduced health inequalities

People feel safe in Plymouth

Focus on prevention and early intervention

Keep children, young people and adults protected

Improved schools where pupils achieve better outcomes

DELIVERING ON OUR COMMITMENTS BY:

Empowering our people to deliver Providing a quality service to get the basics right first time Engaging with and listening to our residents, businesses and communities

Providing value for money Championing Plymouth regionally and nationally

Plymouth Britain's Ocean City

www.plymouth.gov.uk/ourplan

AIMS, OBJECTIVES AND ACHIEVEMENTS

The Statement of Accounts should be read in conjunction with the Council's Corporate Plan and Corporate Plan Performance Report, which is focused on our mission to 'make Plymouth a fairer city, where everyone does their bit'. That means everyone working together towards our shared ambition to be a growing city and a caring Council. Our Corporate Plan 2021 to 2025 has a greater emphasis on ensuring Council decisions are driven by our shared values and priorities. We want to explore new ways of working and making the best use of our assets as we balance the books.

PLYMOUTH CITY COUNCIL DEMOCRACY AND GOVERNANCE

Democracy and governance plays a huge part for the Council in ensuring good governance and strong decision making across the Council. The Council is a complex and large organisation. Policies are directed by the political leadership (Leader and Cabinet) and implemented by the Corporate Management Team (CMT).

The Council is made up of 57 councillors for 20 wards. The political make-up of the Council during 2021/22 was:

- Conservative Party 26 Councillors
- Labour Party 24 Councillors
- Independent 7 Councillors

Following the election in May 2021, the Council was left in no overall control, with the Conservatives needing 29 seats to hold a majority. However, the Independent Members joined with the Conservative Party and appointed Cllr Nick Kelly as the Leader of the Council. The Council has adopted the 'Strong' Leader and Cabinet model as its political management structure. The Leader of the Council has responsibility for the appointment of Members of the Cabinet (also known as the Executive), the allocation of Portfolios and the delegation of executive functions. The Cabinet is the main decision-making body of the Council. It is responsible for policies, plans and strategies, which must be implemented within the budgetary and policy framework adopted by Full Council. The Council elects the Leader each year at the Annual General Meeting (usually held in May).

Councillors are supported by CMT, which is headed by the Council's Chief Executive, Tracey Lee. CMT are responsible for the overall management of the Council, for setting and monitoring overall direction and ensuring high performance in the delivery of council services. Including the Chief Executive, CMT is made up of eight members.

The Council also has a number of committees which include Planning, Licensing, Audit and Governance, various Overview and Scrutiny Committees and a number of others to support the democratic process.

The Council operates by way of the Council Constitution. The Constitution is a legal document and includes items such as Council procedure rules, financial regulations, the scheme of delegation and responsibility for functions. The Council is also required to produce an Annual Governance Statement (AGS) each year to meet the requirements of the Accounts and Audit Regulations 2015 and the principles set out in the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Authority Chief Executives (SOLACE) Framework: 'Delivering Good Governance in Local Government'.

Plymouth - Britain's Ocean City

Plymouth City Council is a unitary local authority responsible for over 300 local services including transport, social care and education. With a resident population of 264,700 (2021) and a further 100,000 residents in the travel to work area, Plymouth is the largest city on the South coast and the 15th biggest city in the country. Plymouth is also the most significant urban area on the south west peninsula with an economic output of £5.2 billion, supporting 107,800 jobs and is the key urban hub

of the Heart of the South West Enterprise Partnership making it a key location for growth. The city has the highest concentration of manufacturing and engineering employment in the whole of the South of England. 20% of the UK's blue—tech marine companies are based here.

Plymouth is 'Britain's Ocean City' and its connections to the sea go back to the sailing of the Mayflower in 1620 and now includes Western Europe's largest naval base, a thriving commercial and ferry port, a significant fishing industry and one of the most significant global concentrations of marine research and production.

Regional Influence

Plymouth City Council has representation on the Board of the Heart of the South West Partnership Local Enterprise Partnership (HotSW LEP). The HotSW LEP is one of 38 LEPs in England covering Devon, Plymouth, Somerset and Torbay. This is a business-led partnership between the private sector, local authorities, universities and colleges. The LEP vision is to create a dynamic, highly prosperous region with high living standards and an outstanding quality of life; their mission is to raise productivity and ensure prosperity for all. The LEP Board comprises both public and private sector members who work collaboratively to ensure that decisions are made in the interests of promoting inclusive growth, prosperity and improved productivity across the Heart of the South West. The LEP Board oversees the LEP's delivery programme of infrastructure, business support and skills projects worth three-quarters of a billion pounds, which are currently planned to be delivered by 2025 in line with the Local Assurance Framework.

Future Vision

The Council's vision for Plymouth is to become one of Europe's most vibrant waterfront cities, where an outstanding quality of life is enjoyed by everyone. Through the visionary Plymouth Plan which sets out far reaching growth plans to 2034, promoting a shared direction of travel for the long term future of the city bringing together, for the first time in Plymouth (and perhaps in the UK), a number of strategic planning processes into one place. Since its introduction, the Plymouth Plan has been at the heart of policy and plan-making in the city. It sets the direction for the city's economy; it plans for the city's transport and housing needs; it looks at how the city can improve the lives of children and young people and address the issues which lead to child poverty. It sets out the Council's mission to 'Make Plymouth a fairer city, where everyone does their bit'.

The Plymouth Plan includes plans to increase its resident population to 300,000, build an additional 19,000 homes (of which 4,550 are affordable), reduce carbon emissions by 50%, improved broadband for all premises and to create 20,400 jobs. The Council worked closely with local strategic partners West Devon and South Hams Councils to create 'The Plymouth and South West Devon Joint Local Plan' to support local thriving towns and villages. The three councils joined up to create this plan (now adopted) which looks at every aspect of how we want our cities, towns and villages to look and feel over the next 20 years. The existing policies in the Plymouth Plan will now be combined with the Plymouth-specific policies in the new Joint Local Plan to create one document.

Municipal Journal - Local Authority of the Year

Plymouth City Council has scooped the top award beating five other councils who were shortlisted for the prestigious awards organised by the Municipal Journal.

Council Leader Nick Kelly, Deputy Shadow Leader Councillor Sue Dann and Chief Executive Tracey Lee were presented with the award by Ed Balls at a ceremony in London.

The judges said: "Pride in the city leaps off the pages of Plymouth's submission. It has taken a novel, consistent and effective approach to putting the city on the map as Britain's Ocean City. The Council is clearly ambitious, strongly engaged in its communities and is working well with partners on key agendas."

2020 was always going to be a big year for Plymouth, with years of preparation leading up to the 400th anniversary of the sailing of the Mayflower – but instead the Council, like many others, found

itself dealing with a global pandemic, lockdowns and the myriad of challenges it brought. Here's just some of outstanding achievements:

- Our Economy: We launched our Resurgam programme to address the unprecedented economic challenges caused by the pandemic and to get back on track in meeting the city's ambitious growth targets. It sets out action plans for the city's 11 key economic sectors; including a focus on increasing spend in the local economy; a Skills Launchpad and supporting Marine, Green and Culture priorities;
- We distributed over £95 million to 6,029 Plymouth businesses. The Skills Launchpad worked with over 100 businesses to identify 8,000 job creations over 18 months, and enabled 10,000 citizens to access self-support;
- Our infrastructure: £200 million investment including the Forder Valley Link Road and Interchange, the Brunel Plaza redevelopment at the railway station; £47m of highway maintenance and engineering projects and 12 projects under the Transforming Cities Fund for sustainable travel and green infrastructure;
- We opened The Box the £42m redevelopment of the Grade II listed former museum and art gallery and central library buildings with a contemporary extension;
- We've kept on track with our improvement journey in supporting children and young people in need of social care. In Spring 2020, social workers completed risk assessments for every child and young person in the service. These identified which children needed face-to-face visits;
- 800 laptops delivered to vulnerable children, enabling regular contact and better management of schoolwork;
- We maintained the timeliness of single assessments at 95 per cent, and children in need, child protection and children in care visits were all completed on time;
- Our school meals provider CATERed Limited, which we own with the city's schools ensured free school meals were available to all eligible pupils throughout school closures

 that's nearly 14,000 meals a week in the summer 2020, rising to 47,000 meals a week when schools reopened;
- We supported 97 care homes with our adult social care provider Livewell Southwest, University Hospitals Plymouth and the Devon Clinical Commissioning Group. We provided dedicated infection control advice and training, managed staffing and resources, delivered emergency PPE, and set up local testing arrangements for residents and staff prior to national testing programmes;
- Through Caring for Plymouth, our partnership with Livewell Southwest and the voluntary and community sector, we took over 8,000 calls from vulnerable people, carried out 3,000 welfare checks, delivered hundreds of food parcels and fetched medicine and prescriptions 1,600 times;
- Through the Plymouth Alliance Contract we are taking a system approach for people with complex needs, covering substance misuse, homelessness, mental health and offending and have seen a dramatic drop in rough sleeping and the prevention or relief of homelessness for 988 households over the last year – double our annual target;
- We agreed our City Climate Emergency and Corporate Carbon Reduction plans which have over 100 realistic, achievable and deliverable actions. Successes so far include upgrading homes of vulnerable residents with energy efficient measures; installation of 77 electric charging points; a rolling investment in LED lighting in subways and other highway infrastructure. Our Transforming Cities Fund programme includes 300 public electric vehicle charge points, 400 electric bikes, setting up an electric car club, 14 kilometres of

off road-cycle improvements, junction improvements and a new control centre, hosting the latest in technological signal advancements.

Plymouth City Council's Pause Social Outcomes Partnership was highly commended in the 'Delivering Better Outcomes' category. Pause is a charity that works with women who have experienced, and are at risk of, having children removed from their care. The programme offers an intensive relationship-based, trauma-informed model of support to women, so the removal of a child should never have to happen more than once.

Plymouth was the first council in the UK to commission a Pause service through an innovative Social Outcomes Partnership, in which the Council works collaboratively alongside other local and national organisations including Trevi, Bridges Outcomes Partnerships and the Pause national charity, with a shared aim to improve outcomes experienced by some of the city's most vulnerable families.

Resurgam - COVID-19 Economic Recovery Plan

The Council launched an exciting COVID-19 Economic Recovery Plan – Resurgam as a local response to the global pandemic. This is a plan for recovery and it has six key pillars:

- I. Sector Action Plans setting up of sector taskforces to work with sector leaders and groups to deliver focused and tailored support;
- 2. Build 4 Plymouth to help stimulate recovery by accelerating big construction, building and infrastructure projects that will create jobs and build foundations for future prosperity;
- 3. City Centre Renaissance developing the city centre for mixed use and a more locally distinctive offer for the people of Plymouth;
- 4. Spend 4 Plymouth focusing on the importance of spending in Plymouth to support local jobs and the economy;
- 5. Recovery Beacons transformational projects that will symbolise the city's recovery and set the direction for positive change in the city;
- 6. Skills 4 Plymouth helping people to gain the skills they need to meet the demand of local employers and sectors to aid the recovery and address future skills demands.

A number of key strategic projects are now taking shape and are in the process of being delivered which should help the city recover from the impact of COVID-19.

COVID-19 Support for Plymouth Businesses and Residents

Plymouth City Council is part of an ambitious cross-border project that will deliver a unique package of COVID-19 recovery support for local businesses and people.

The C-CARE (COVID Channel Area Response Exchange) initiative, funded by the Interreg France (Channel) England programme, is set to reach businesses and people that have been hit hardest in the pandemic.

Drawing on a range of expertise from local government, enterprise and tourism in the UK and France, the project will support people at risk of exclusion from the labour market and businesses at risk of closure.

C-CARE aims to reach 4,500 people and almost 2,000 businesses through its pilot initiatives which include skills training to help individuals find new routes into employment or starting a business, and advice and grants aimed at helping companies reset their business models in response to the pandemic.

It is hoped that the insights and evidence gathered from both sides of the Channel will feed into local plans for Plymouth, to aid recovery and resilience planning and ensure measures are in place to support businesses and people adapt to future pandemics or economic shocks.

The package of support covers four strands of activity:

- Respond, Reflect, Report will enable partners, stakeholders and other Channel projects to review initial COVID-response, gather good practice and bring together lessons learnt in order to shape a new package of COVID-19 response and recovery actions.
- 2. **C-CARE Support for Social Inclusion** will deliver targeted support to more than 4,547 individuals to develop new skills and tools to help them into employment or start a business.
- 3. **C-CARE Support for Business Recovery** will provide direct support to over 1,947 businesses via advice, vouchers and grants aimed at helping sectors hard-hit by the pandemic to develop new business models to respond market changes and ensure a green, inclusive and sustainable economic recovery.
- 4. **C-CARE Reset and Redesign** will develop blueprints for future town centres to improve long term prospects for businesses and work on new ways to tackle social exclusion.

The C-CARE initiative will mean additional support for people and businesses in Plymouth. This will include the creation of bespoke 'skills action plans' for 500 people that have been disproportionately affected by the pandemic, equipping them with the skills they need for the work opportunities that are available.

The project will also support the 'Resurgam Charter' programme, which focuses on inclusive economic growth and provides local businesses with useful tools to help adapt to new ways of working and build resilience.

The C-CARE project received €6.7million from the European Regional Development Fund via the Interreg France (Channel) England programme. The project runs until June 2023.

National Marine Park (NMP)

Partners across the city created the UK's first ever National Marine Park in 2019 and the 'Park in the Sea' was awarded £9.5 million in 2021 from the National Lottery Heritage Fund Horizon Awards to fully develop the idea.

Now the search is on for an interim chief executive officer to set up all aspects of the park, shape a city wide programme, support the community and stakeholder engagement and help make the park vision become a reality.

The 'Park in the Sea' aims to:

- Support the ongoing enhancement of our world class natural environment and heritage landscape;
- Get the entire city and surrounding communities involved with the Sound;
- Increase access to our heritage so everyone can enjoy the benefits;
- Provide new employment opportunities and career pathways in sustainable future ocean jobs;
- Position Plymouth as a UK top day-visitor destination;
- Champion health and wellbeing with a new generation of engaged volunteers, communities and champions;
- Support the positive transition to net zero carbon by 2030.

Over the next two years the interim chief executive will guide the NMP into being a legal entity in its own right, to further develop relationships with over 100 organisations involved in the Sound and establish a marine parks operating model.

In July 2021 the City Council NMP project team outlined its ambition to create five 'gateways' to the park, each with a particular focus that will inspire more people to explore, connect and enjoy the sea. They include:

- Tinside for health and wellbeing activities
- National Marine Aquarium a hub for nature and the environment
- Mountbatten active recreation
- Mount Edgcumbe learning about the Sound's epic history including over 600 wrecks that lie beneath the waves
- Smart Sound digital harnessing the power of the latest digital technology

The Council will be consulting with partners over the next two years with a full engagement programme to be developed to ensure everyone has their say in what they would like to see as part of the National Marine Park.

World's First 5G Marine-focused Testbed

The city of Plymouth has long been established as a leader in the international maritime industry, and the deployment of a 5G Mobile Private Network (MPN) to create the world's first marine-focused 5G testbed is another breakthrough. The Smart Sound Connect Marine 5G MPN, deployed by Vodafone in partnership with Nokia and operated by Plymouth Marine Laboratory (PML), is to be the world's first 5G marine-focused testbed, cementing Plymouth's position at the forefront of marine and maritime innovation. The testbed will be free to use for local and international businesses to create and develop marine 5G use cases.

Some of the first companies to make use of the 5G environment are:

- Marine Assured Autonomy Testbed (MAAT): Led by Lloyds Register and the National Physical Laboratory (NPL), the MAAT programme will see the creation of a fully synthetic and virtualised environment to test, prove and assure marine autonomy scenarios by utilising live data from Smart Sound Connect on a digital platform. This "digital twin" environment will form the basis for a marine autonomy certification and classification programme for autonomous vehicles.
- Requirements for Operational Assurance of Data Standards (ROADS): ROADS is an international collaborative programme to develop specific digital standards and measurements. The creation of such standards will be supported by and coordinated through leading UK agencies, including the National Physical Laboratory (NPL), who are partnering with Lloyd's Register and Ocean Futures on the Maritime Assured Autonomous Testbed (MAAT) programme.
- Bounty Project: The Bounty Project is an educational and public programme that utilises Bounty's End, a replica sailing vessel from the channel 4 series, "Mutiny". The project will see live cameras and data sensors mounted on the vessel to provide live streaming from voyages around Plymouth Sound to be used publicly and in schools and colleges.

Access to these private networks is delivered through high performance remote operations centres based in Oceansgate and Plymouth Marine Laboratory (PML). The service is fully managed by PML.

Smart Sound Connect has been funded by the Heart of the South West Local Enterprise Partnership. The network is the first of its kind and will be free for businesses, academics and Government organisations to use in their testing and research on and under the waters of Plymouth Sound.

Featuring five mobile sites, including one on The Sound's iconic Napoleonic era fort, the network will provide private connectivity for guaranteed performance.

A Mobile Private Network (MPN) has all the features of the widespread mobile network but is private and only available to specific users and devices. This has the benefit of increased security, guaranteed performance. An MPN can be deployed in any location and can range from a single office or factory to wide areas of farmland or coastline.

The Way We Work

The Workforce Modernisation Programme's vision is:

'To be a modern workforce where our people are empowered to be progressive, responsible and offer great services to customers.'

'The Way We Work' programme has fundamentally changed in response to the COVID-19 pandemic. The Council's ability to change at pace has enabled the programme to be re-prioritised into three key projects to be more flexible and responsive. The revised programme will work in a more agile way and covers three work streams; Accommodation, Business Support Review and Digital.

It is expected that the programme will modernise our workforce over the next three years and deliver outcomes that realise four key benefits:

- reducing expenditure;
- increasing employee performance and improved staff health and well-being;
- increasing organisational compliance;
- improving customer satisfaction.

The future shape of Plymouth City Council will reflect an intelligent organisation making effective use of the data available, working closely with their communities, developing models for alternative service delivery vehicles, supported by streamlined services and placing the customer at the heart of the Council's culture.

Services have been modernised and we have created a number of profitable arms-length companies or Alternative Service Delivery Vehicles (ASDV) to support the Council and partners in the city such as DELT Shared Services Ltd, CATER^{ed} Limited, FullyCATER^{ed} Limited, ARCA (Plymouth) Limited and @PlymouthCare Limited.

We have also introduced new technology to provide staff with more efficient ways of working and we are delivering a modern library service that is more focused on the needs of Plymouth residents.

We are now moving into the next stage of our journey, which will enable us to respond to drivers for change including delivering the ambitions for growth set out in the Plymouth and South West Devon Joint Local Plan.

Our priorities include:

- continuing to improve our performance;
- meeting the changing expectations from residents;
- joining up our services with partners to improve efficiency and make things easier for customers;
- supporting the transformation of NHS services through its Strategic Transformation Plan (STP):
- working with schools to change our education services;
- working with our partners across the South West to pursue our shared interests.

The Council's Performance

The Plymouth City Corporate Plan 2021-25 sets out the Councils vision of Plymouth being 'Once of Europe's most vibrant waterfront cities, where an outstanding quality of life is enjoyed by everyone'. This was approved by Full Council in June 2021. The Corporate Plan priorities are delivered through specific programmes and projects which are coordinated and resourced through cross-cutting strategic plans, capital investments and directorate business plans. The key performance indicators (KPIs) and their associated targets are monitored quarterly to inform us on how we are doing in delivering what we have set out to achieve in the Corporate Plan. We have continued to transform how we deliver services to ensure they are more efficient and better focused on customer needs. This includes working in new ways, joining services up with our partners and maximising the opportunities from digital technology.

In very difficult financial circumstances we continue to retain and improve our core services. The COVID-19 pandemic has had far reaching impacts across all services, including the ability for the Council to report on performance against some indicators.

FINANCIAL PERFORMANCE

Devon Business Rates Pool

The Devon Business Rates Pool (DBRP) has been operating since April 2013 and each year the pool has delivered a pool gain to its members. The table shown below demonstrates the benefit to pool members for each financial year from 2013 to the end of March 2022. As can be seen from the table below Plymouth has benefitted from an additional £11.106m since 1 April 2013 and the Devon economy has benefitted overall by £58.546m since the pool's inception in 2013.

The DBRP working group has worked together to produce the forecasts, share best practices and develop the detailed workings which are complex. The group has also been supported by LG Futures who developed the initial workings and have provided support to the Pool since its inception.

	Devon Business Rate Pooling Gains 2013 to 2022								
Business Rate Retention Scheme	2013-16 50%	2016/17 50%	2017/18 50%	2018/19 100% Pilot	2019/20 50%	2020/21 50%	2021/22 50%	Total	
	£	£	£	£	£	£	£	£	
Devon	1,774,429	856,728	1,383,502	15,306,012	2,228,157	2,145,986	2,511,070	26,205,884	
East Devon	250,785	124,356	204,928	1,669,512	315,779	303,873	355,874	3,225,107	
Exeter	562,211	279,293	443,865	961,211	682,088	656,335	768,694	4,353,697	
Mid Devon	132,305	65,383	107,621	195,650	166,760	160,490	187,934	1,016,143	
North Devon	258,998	128,363	206,831	658,941	319,050	307,028	359,561	2,238,772	
South Hams	151,543	0	0	460,047	308,947	297,284	348,174	1,565,995	
Teignbridge	255,425	126,470	205,035	480,085	316,768	304,841	356,989	2,045,613	
Torridge	106,051	52,241	89,908	382,617	139,918	134,669	157,684	1,063,088	
West Devon	97,992	48,424	83,235	270,162	128,901	124,053	145,268	898,035	
Plymouth	1,536,610	750,350	1,204,222	1,727,204	1,904,143	1,837,986	2,145,916	11,106,431	
Torbay	761,647	370,922	580,334	263,329	922,674	888,429	1,039,828	4,827,163	
Total	5,887,996	2,802,530	4,509,481	22,374,770	7,433,185	7,160,974	8,376,992	58,545,928	

Strategy and Resource Allocation – The Council's Budget and Medium Term Financial Plan 2021/22 to 2026/27

The Council's gross revenue budget for 2021/22 was £519.061m, which after adjusting for income equates to a net budget requirement of £195.568m. This was approved by Full Council on the 22 February 2021 and included £21.069m of increased pressures in 2021/22 due to reductions or insufficient increases in government grant funding. The budget was developed following input and reviews with Directors and other officers and Members, including Cabinet. The budget was formulated having regard to a number of factors including funding availability; risks and uncertainties; inflation; priorities; demography and service pressures. The savings plans included in the budget take into account Council priorities and are assessed against an agreed set of impact criteria and equality assessments. Budget monitoring and scrutiny arrangements were in place throughout the year, which included arrangements for the identification of early remedial action supported by a clear action plan, reporting and regular monitoring.

A summary of the overall budget position is shown below, which includes the Medium Term Financial Plan for the next three years (2022/23 to 2026/27). The Medium Term Financial Plan is integral to the Budget Preparation process and is regularly reported to Members as part of the budget updates through the year:

Madisus Tama Fiscasial Blan	Budget		Fore	ecast	
Medium Term Financial Plan	2022/23	2023/24	2024/25	2025/26	2026/27
	£m	£m	£m	£m	£m
Revenue Resources Available	(196.529)	(202.996)	(210.393)	(216.012)	(221.757)
Baseline spend requirement	195.568	195.568	195.568	195.568	195.568
Plus identified additional costs	29.506	44.800	56.297	66.970	75.624
Overall Spend Requirement	225.074	240.368	251.865	262.538	271.192
Total Funding Gap Before Savings	28.545	37.372	41.472	46.526	49.435
Savings	(6.181)	(11.303)	(11.303)	(11.303)	(11.303)
One-off	(6.123)	0.000	0.000	0.000	0.000
Grant income	(12.591)	(2.823)	(2.823)	(2.823)	(2.823)
Total Savings	(24.895)	(14.126)	(14.126)	(14.126)	(14.126)
Shortfall	3.650	23.246	27.346	32.400	35.309
Assumed Resource Increase to Balance Budget	(3.650)	(3.650)	(3.650)	(3.650)	(3.650)
Budget Gap	0.000	19.596	23.696	28.750	31.659

Before COVID-19 the Council already faced a significant financial challenge over the medium term. The government had announced that a full multi-year spending review would take place in 2021 and there were a number of other changes planned that would impact on the Council's main funding sources:

- The Fair Funding Review of the Local Government finance system.
- The Business Rates system would move nationally to a 75% retention system and there
 were other proposed changes to the Business Rates baselines and revaluations.

All of this has now been put on hold due to the unknown mid to long-term impact of the COVID-19 pandemic. This means that there is currently very little indication of the level of funding Local Authorities can expect to receive for 2022/23 and beyond. This uncertainty, when combined with the direct financial impact of the pandemic on the Council with falling revenue income from Council Tax, Business Rates and other fees and charges, it makes financial planning for the medium term extremely difficult.

2021/22 Revenue Outturn

The Council had balanced its budget, reporting a breakeven position for 2021/22 prior to the adjustments for the pension transaction. The overall net spend matches the net budget of £195.568m. The outturn position needs to be considered in the context of a challenging financial climate, made more so with responding to COVID-19. The setting aside of resources, as approved by Full Council on the 28 February 2022, has assisted in balancing the 2022/23 Revenue Budget.

Across the Council, management actions to reduce the potential of a business as usual overspend being incurred included a review of all discretionary spend and delayed expenditure wherever possible.

Most directorates, with the exception of Corporate Items and People, came in on or under budget for their business as usual activity.

The net revenue budget of £195.568m was allocated to council services as follows:

Directorate	2021/22 Gross Expenditure	2021/22 Gross Income	2021/22 Council Approved Net Budget	Business as Usual 2021/22 Outturn	Year End Over/ (Under) Spend
	£m	£m	£m	£m	£m
Executive Office	6.088	(0.550)	5.538	5.538	0.000
Corporate Items	18.595	(41.024)	(22.429)	(22.118)	0.311
Customer and Corporate Services	115.655	(71.685)	43.970	43.925	(0.045)
People Directorate	272.956	(129.804)	143.152	143.413	0.261
Office for the Director of Public Health	19.497	(19.972)	(0.475)	(0.890)	(0.415)
Place Directorate	86.270	(60.458)	25.812	25.700	(0.112)
Total	519.061	(323.493)	195.568	195.568	0.000

Government Funding for COVID

As in 2020/21, the Council received a range of grants including compensation for Business Rate Reliefs from Central Government to support the overall response to the COVID-19 pandemic. The financial impact of these grants is included within the outturn and Statement of Accounts. The grants and Business Rate Reliefs were administered by the Council in line with the guidance received from Central Government.

The Council had to determine whether in administering the grants received they were acting as an agent or principal:

- The Council acted as an agent where it did not have 'control' of the grant conditions and there was no flexibility over the level of grant payable;
- The Council acted as principal if it was able to use its own discretion when allocating the amount of grant payable and the conditions of the grant.

Grant Support for Businesses

The Business Grant schemes operating across 2020/21 and 2021/22 are set out in the table below. The Council paid out £95.857 million in Government grants to more than 6,029 local businesses during 2020/21 and 2021/22.

A huge team of up to 50 staff from several departments across the Council were involved in the largest business grant exercise the Council has ever undertaken. There were a number of separate Government grant schemes to administer over the two years of administration, this involved running a business helpline, providing Frequently Answered Questions (FAQs) and regular updates on the

Council and Invest Plymouth website and proactively reaching out to businesses that were eligible for payments to ensure they didn't miss out on the funding made available by Government. The support was vital to help businesses survive ongoing restrictions.

The Council spent 100% of its allocation for the award of discretionary Business Grants where it was acting as Principal and did its best to identify eligible businesses where it was acting as an agent for the government. The table below summarises the position for each grant scheme at the end of the two year period of administration:

		COVID Busir	ness Grants				
Grant Name	Funding	Spend	Balance	Payment Count	Unique Business Count	% Spend	Scheme Status
Lockdown 1							
SBRG and RLHSG	£45,457,650	£45,415,000	£42,650	3,748	3,519	100%	Closed
Discretionary Scheme	£2,270,750	£2,270,750	£0	367	357	100%	Closed
	£47,728,400	£47,685,750	£42,650	4,115	3,870		
Lockdown 2							
LRSG (Closed) November	£4,009,122	£3,302,344	£706,778	2,075	1,878	82%	Closed
December 2020 Tier 2/3 Restrictions							
LRSG (Closed) December	£291,260	£335,320	-£44,060	447	425	115%	Closed
LRSG (Open) December	£1,079,936	£813,532	£266,404	647	602	75%	Closed
Christmas Support Payment	£118,000	£117,000	£1,000	117	108	99%	Closed
	£1,489,196	£1,265,852	£223,344	1,211	722		
Other Lockdown 2 & Tier 2/3							
LRSG (Sector)	£0	£33,281	-£33,281	10	9	N/A	Closed
Lockdown 3							
LRSG (Closed) January	£6,013,683	£4,993,521	£1,020,162	2,090	1,892	83%	Closed
Closed Business Lockdown Payment	£12,024,000	£10,002,000	£2,022,000	2,092	1,893	83%	Closed
LRSG (Closed) February	£6,300,049	£5,171,162	£1,128,887	2,070	1,878	82%	Closed
	£24,337,732	£20,166,683	£4,171,049	6,252	1,982		
Post Lockdown 3							
Restart Grant	£13,788,369	£12,037,437	£1,750,932	1,573	1,417	87%	Closed
Post Lockdown 1 Discretionary							
Additional Restrictions Grant	£9,040,203	£9,040,203	£0	3,609	2,383	100%	Closed
<u>Omicron</u>							
Omicron Hospitality and Leisure Grant	£2,658,168	£2,325,478	£332,690	696	622	87%	Closed
Totals	£103,051,190	£95,857,028	£7,194,162	19,541	6.029	93%	

COVID-19 Ringfenced Grants

Throughout 2021/22 the Government has provided significant financial support to the Council, local businesses and City residents to help deal with the impacts of the pandemic. The table below sets out all of the funding received, the body awarding the grant, whether the Council was acting as an agent or as principal and a brief explanation of its purpose.

Grant Name	Awarding Body	PCC Acting as Agent or Principal	Brought Forward into 2021/22	Grant Received in 2021/22	Total Grant	Expenditure as at 31 March 22	Grant Remaining
			£	£	£	£	£
Additional dedicated Home to School and college Transport	Department for Education (DfE)	Principal	177,137	33,921	211,058	211,058	0

Grant Name	Awarding Body	PCC Acting as Agent or Principal	Brought Forward into 2021/22	Grant Received in 2021/22	Total Grant	Expenditure as at 31 March 22	Grant Remaining
			£	£	£	£	£
Clinically Extremely Vulnerable Fund	Department for Levelling Up, Homes & Communities (DLUHC)	Principal	201,600	462,775	664,375	664,375	0
Community Testing	Department of Health and Social Care (DHSC)	Principal	28,345	293,972	322,317	322,317	0
Contain Outbreak Management Fund	DHSC	Principal	3,148,294	2,026,937	5,175,231	5,175,231	0
Council Tax Hardship Fund	DLUHC	Principal	0	2,927,382	2,927,382	1,784,478	1,142,904
COVID - 19 PPE Grant	DHSC	Principal	0	31,210	31,210	31,210	0
COVID Catch-up Premium Schools	DfE	Principal	0	219,827	219,827	219,827	0
COVID Channel Area Response Effort – C-Care	European Regional Development Fund (ERDF)	Principal	0	244,148	244,148	1,169,000	0
COVID Local Grant Scheme	Department for Work and Pensions (DWP)	Principal	0	1,089,460	1,089,460	1,089,460	0
COVID School Exceptional Costs	DfE	Principal	0	9,026	9,026	9,026	0
COVID Winter Grant Scheme	DWP	Principal	0	325,579	325,579	325,579	0
Emergency Funding for Local Government	DLUHC	Principal	7,714,000	7,854,381	15,568,381	15,568,381	0
Free School Meals COVID Grant	DfE	Principal	0	46,967	46,967	46,967	0
Income Compensation Scheme	DLUHC	Principal	0	91,454	91,454	91,454	0
Infection Control	DHSC	Agent	0	5,019,769	5,019,769	5,019,769	0
Local Transport Authority - Bus Recovery Grant	Department for Transport (DfT)	Principal	81,950	176,479	258,429	249,969	8,460
National Leisure Recovery Fund	Department for Culture media and Sport	Principal	330,690	0	330,690	273,167	57,523
Practical Support Grant	DHSC	Principal	65,369	637,909	703,278	703,278	0
Recovery Premium	DfE	Principal	0	177,480	177,480	177,480	0
Reopening High Streets Safely	ERDF	Principal	53,840	0	53,840	53,840	0
School Led Tutoring	DfE	Principal	0	177,312	177,312	177,312	0

Grant Name	Awarding Body	PCC Acting as Agent or Principal	Brought Forward into 2021/22	Grant Received in 2021/22	Total Grant	Expenditure as at 31 March 22	Grant Remaining
			£	£	£	£	£
Schools National Testing Programme	DfE	Principal	0	202,840	202,840	202,840	0
Summer Schools Programme	DfE	Principal	0	100,197	100,197	100,197	0
Test & Trace Support Grant	DLUHC	Principal	1,143,299	0	1,143,299	853,728	289,571
Test & Trace Support Payment Admin Grant	DLUHC	Principal	97,070	73,996	171,066	171,066	0
Test and Trace Support Payments Grant	DHSC	Principal	0	1,164,500	1,164,500	1,169,000	0
Travel Demand Management	DfT	Principal	79,149	0	79,149	79,149	0
Welcome Back Fund	ERDF	Principal	0	303,756	303,756	303,756	0
Wellbeing Grant	DfE	Principal	0	29,437	29,437	26,557	2,880
Workforce Recruitment & Retention	DfE	Principal	0	869,446	869,446	869,446	0
Total COVID Relate	ed Funding Rece	ived	13,120,743	24,590,161	37,710,903	37,138,917	1,501,338

Other COVID-19 Grants

The announcement of several Business Rate Reliefs was announced after the 2021/22 budget had been set:

 Grant in lieu of Business Rates – Compensation for the award of Retail, Leisure, Hospitality and Nursery Business Rate Relief.

This meant that once the reliefs were awarded it created a Collection Fund deficit for which a compensating grant was awarded. However, due to the complexities of Collection Fund accounting, the grant is applied through the revenue budget of the following year (2022/23). When the 2022/23 budget was set, it was assumed that £12.727m of reliefs would be awarded, so the 2022/23 budget was prepared anticipating this impact. This sum has therefore been included in both the Collection Fund outturn and in the earmarked reserves.

COVID-19 Additional Relief Fund (CARF)

On 25 March 2021, the Government announced the CARF to enable Local Authorities to provide Business Rate Relief to businesses other than those already receiving COVID-19 reliefs. The details of the scheme were finally issued in December 2021 and the Council was awarded £5.831m at the end of February 2022. The Council had to adopt a local discretionary scheme which was approved by a Delegated Decision on the 2 March 2022. The scheme was implemented and £5.031m was applied to business rate accounts prior to the 31March 2022.

Council Tax Energy Rebate

In February 2022, the Government announced that Councils would be responsible for administering the Council Tax Energy Rebate scheme. Although this was a 2022/23 scheme the Council received

£16.633m on 30 March 2022 for non-discretionary payments where it will be acting as an agent on behalf of the government. This was held on the Balance Sheet at the end of March 2022 as a liability.

Working Balance

The Working Balance as at 31 March 2022 after the adjustments for the transaction of £73.375m is a negative balance of £60.138m (prior to these adjustments the Council's Working Balance was £8.744m). It is expected that the Working balance will return to this level once the Capitalisation Direction is awarded by Government. The Working Balance has a recommended minimum set at 5% of the net revenue budget. This minimum requirement has been approved by Council.

Other Financial Performance

In addition to the financial outturn reports within this report there were a range of other significant performance achievements which have contributed to the year-end position. In year collection targets are set for our Council Tax, Business Rates, Commercial Rents, and Sundry Debt Income including our Trade Waste Income. The 2021/22 revenue budget was based on the achievement of the required targets.

We continue to increase our collection rates in core income streams and explore alternative ways of making further improvements. For example, we created a new team within existing resources to focus on recovering debt due to the Council with a specific focus on reducing housing benefit overpayments.

Some key indicators are:

- 96.75% of Council Tax collected in year for 2021/22 towards the total collection target of 96.5% (96.41% in 2020/21). This equates to £141.062m. This is above the in-year target and heralds a return to more normal levels of council tax collection.
- 98.74% of NDR collected in year for 2021/22 towards the total collection target of 99.00% (98.53% in 2020/21). The collection rate for both years was affected by impacts of the COVID-19 pandemic on businesses and the changing levels of support available to them as restrictions across the country eased. The amount collected equates to £72.923m.
- Average borrowing rate of 1.70% was achieved above target of 1.60% in 2021/22 (1.90% in 2020/21). This equates to additional borrowing costs of £0.538m.
- Average investment return of 1.30% was achieved against target of 1.0% in 2021/22(1.30% in 2020/21). This equates to additional interest of £0.565m.
- VAT partial exemption at 4.38% against a limit of 4.99% in 2021/22 (4.43% in 2020/21).

Capital

During the year 2021/22 the Council spent £75.275m on capital projects within the city. This is shown by Directorate in the following table. This is within the approved five year (2021-26) Capital Budget of £402.356m reported to Full Council on 28 February 2022.

Directorate	Latest Forecast December 2021	Approvals Post December	Total Capital 2021-22	Re- Profiling	Variations	2021/22 Capital Spend	Movement in Quarter %
	£m	£m	£m	£m	£m	£m	%
Place Directorate	110.087	1.398	111.485	(51.761)	(0.179)	59.545	53.0
People Directorate	8.930	0.815	9.745	(1.041)	0.029	8.733	90.0
Customer and Corporate Services	8.768	2.524	11.292	(6.613)	(0.229)	4.450	39.0
Office for the Director of Public Health	12.370	0.000	12.370	(9.823)	0.000	2.547	21.0
Total Capital Programme	140.155	4.737	144.892	(69.238)	(0.379)	75.275	52.0

The 2021/22 programme outturn of £75.275m has enabled investment in the city and includes some notable capital schemes and areas of investment, including:

•	£18.045m	Forder Valley Link Road and interchange;
•	£5.307m	Highway maintenance and essential engineering;
•	£5.207m	Decarbonisation projects and home energy efficiency;
•	£4.739m	Strategic transport schemes;
•	£4.288m	Property and regeneration;
•	£3.185m	Environmental service vehicles/containers;
•	£3.108m	Disabled Facilities;
•	£2.719m	Corporate property improvements;
•	£2.547m	Development of a new crematorium;
•	£2.439m	Life Centre improvements;
•	£1.835m	Education and community neighbourhoods;
•	£1.768m	Oceansgate phase 2/3;
•	£1.512m	Information Systems;
•	£1.458m	Plymouth Railway Station;
•	£1.305m	City Centre Public Realm;
•	£0.453m	National Marine Park.

Capital Funding 2021-26

The latest capital programme is summarised as follows, this does not reflect the impact of the reprofiling of the budget for 2021/22 which is shown above:

Directorate	2021/22 Actual	2022/23 Forecast	2023/24 Forecast	2024/25 Forecast	2025/26 Forecast	Total
	£m	£m	£m	£m	£m	£m
Place Directorate	110.087	174.125	57.156	11.035	0.836	353.239
People Directorate	8.930	11.876	3.716	0.132	0.132	24.786
Customer and Corporate Services	8.768	3.193	0.000	0.000	0.000	11.961
Office for the Director of Public Health	12.370	0.000	0.000	0.000	0.000	12.370
Total	140.155	189.194	60.872	11.167	0.968	402.356

Capital Financing 2021/22

The following table shows the final financing of the 2021/22 capital programme:

Method of Financing	Total	Funding
	£m	%
Capital receipts	2	2
Grants (Government, HLF, LEP, Environment Agency)	34	45
Contributions, \$106 & CIL (neighbourhood elements)	I	2
Borrowing:		
Corporately funded	27	36
Service borrowing (revenue budget funded)	11	15
Capital Programme Financings 2021/22	75	100

Cash Flow Management

The Council has a comprehensive cash flow management system to ensure that:

- surplus cash is invested wisely;
- it can always meet its liabilities as they fall due.

Cash and short-term investment holdings at 31 March 2022 were £40.227m and are held to meet the Council's capital financing and cash flow requirements while obtaining a return on these investments. The Council also uses short-term borrowing from other local authorities to meet some of the funding of the Council's ambitious capital programme. As at 31 March 2022 the Council held £227.861m short-term borrowing and £325.629m long term borrowing which is within the Council's approved limits.

Balance Sheet Position

The Council's Balance Sheet position is as follows:

Position	Balance as at 31 March 21	Balance as at 31 March 22
	£000	£000
Non-current assets - principally land, buildings and equipment used to deliver council services	1,288,023	1,363,773
Net current assets - current assets less current liabilities	(513,674)	(377,868)
Long term liabilities and provisions (including pensions) see points 1 and 2	(946,288)	(867,508)
Net Liabilities	(171,939)	118,397
Represented by:		
Usable reserves (see point 3)	49,788	67,781
Unusable reserves	(221,727)	50,616
Total Reserves	(171,939)	118,397

- I. The Council's largest balance sheet liability is represented by £371.438m for pension liabilities. This includes a provision for the pension guarantee for Livewell Southwest and DELT Shared Services Ltd for the service deficit attributable to service up to the transfer date. The liability reduced significantly in 2019/20 as the Council paid £72m to Devon LGPS to reduce the Council's long-term pension liability. The treatment of the transaction as capital has been rejected by our auditors. The Council has now restated the transaction as revenue and has applied to Government for a Capitalisation Direction to capitalise the revenue costs as capital.
- 2. The Council has a number of liabilities at the year-end for which it has made provision. The most significant of which are:
 - The provision for Chelson Meadow which is a closed landfill site. The provision of £10.061m has been calculated on the future maintenance costs over the next 50 years and is reviewed each year;
 - In addition, the Council has set aside a provision for business rate appeals of £7.113m due to the COVID-19 pandemic and the uncertainty over business rates (£8.945m at 31 March 2021).
- 3. Usable reserves are currently split between those earmarked for capital investment and those allocated to revenue support and service development. Usable reserves also include £3.121m held on behalf of schools and a negative £60.138m general fund working balance. Prior to the changes applied for the pension transaction, the working balance was £8.744m which represented 4.47% of the net cost of services.
- 4. The Council holds a number of unusable reserves, the majority of which are required to be held for statutory reasons and some which are needed to comply with proper accounting practice. A further breakdown of unusable reserves can be found in the Notes to the Financial Statements section of the Statement of Accounts.

FINANCIAL MANAGEMENT AND IDENTIFYING RISKS

The Finance Service provides a high quality financial management service for the Council. In addition to the statutory reporting function for the Statement of Accounts, a key task is financial planning over a three year medium term timescale. Alongside budget preparation, the ability to look strategically beyond the current budget period is crucial to supporting the Council's long-term financial sustainability and resilience. Given the current level of uncertainty, the unknown impact of Brexit and the ongoing widespread pressures on revenue budgets, it is essential that the Finance Teams are planning effectively for the future.

The Council approves a number of key documents before the start of each financial year:

- a three year Medium Term Financial Plan (MTFP);
- a Treasury Management Strategy which includes our investment and borrowing strategies and includes the Council's 'Prudential indicators';
- Annual Revenue Budget.

These documents are continually updated and reviewed on a quarterly basis. The MTFP is wide ranging and includes estimates of future income and expenditure. It allows the Finance team to balance the financial implications of the Council's Corporate Plan, service objectives and policies with the constraints in resources. This year's budget (2021/22) and the modelling for future years budgets were prepared prior to the Ukrainian war taking place and they will be revisited in 2022/23 to determine what action needs to be taken to balance the budget.

The Department for Levelling Up, Homes and Communities (DLUHC) and CIPFA have published revised guidance and an updated Prudential Code to cover local authorities who invest in properties to obtain an income. The Council's Asset Investment Fund has been set up to invest in commercial properties to increase its revenue income.

Risk Management

The Council has a Strategic Risk and Opportunity Register and there are clear and consistent processes for identifying, assessing, managing, controlling, reviewing and reporting risks. These are subject to regular review and update. Some of the strategic risks which have been rated as high risk are shown as follows:

Risk	Link to Corporate Plan	Impact	Mitigation		
Financial					
Delivering Council services within the envelope of the resources provided in 2022/23-25/26 Medium Term Financial Plan, impact of COVID-19 and Brexit	Spending Money Wisely	Risk to services not delivering within reduced budgets and to delivery of the Plymouth Plan from reduced revenue and funding of the Capital Programme	Rigorous reporting framework from directorate DMT's through to monthly report to Scrutiny Committee, council is developing a multi-year savings programme to deal with future challenges		
Failure to meet statutory duties due to growing volume and complexity of demand for children's social care services	Spending Money Wisely	Hidden harm consequences of infection control and safe systems of working	A range of operational interventions in place to monitor, manage and reduce expenditure. All delivery plans have been reviewed and progress monitored. Additional social work capacity and review of high cost placements		
Compliance, Regulation & Safegu	arding				
Insufficient Pupil Attainment across Secondary Cohort	A Caring Council	Impact on quality of life outcomes for pupils	Ofsted inspection outcome tracking, Plymouth Education Board (PEB) Established Task Group. Strengthen School Causing Concern procedure. Development of Plymouth Standards Partnership Recovery and Improvement Plan		
Ongoing COVID-19 rates	A Caring Council	High risk of further waves of infection, timing uncertain	Local Outbreak Management Plan co-designed and published		
Failure to reduce health inequalities	A Caring Council	Poorest residents continue to live shorter lives and more years with ill-health	The Thrive Plymouth framework links to Plymouth Plan and Integrated Commissioning Strategies		

Risk	Link to Corporate Plan	Impact	Mitigation	
Development & Regeneration				
Insufficient Economic Performance to Sustain the City's Economy due to Recession & Lockdown	A Growing City	High number of business failures, impact on Council bad debt secondary redundancy wave	Cross department team created to harness resources across the city and to look at recovery and economic shock. Resurgam Plan for recovery	

LOOKING FORWARD

The Medium Term Financial Plan is updated quarterly and the budget report presented to Cabinet on 22 February 2021 set out the national context for large reductions in local government funding and the Local Government Finance Settlement.

The impact of pressures within Social Care continues to have a significant impact upon the Council's resources. Nationally and locally the costs of providing health and wellbeing services are rising as demand increases. Plymouth has an ageing population with more complex needs and higher levels of young children requiring our services.

To balance the budget there will be a continuing need for transformation, efficiencies and other financial initiatives for the foreseeable future.

STATEMENT OF ACCOUNTS 2021/22

The Statement of Accounts sets out the Council's income and expenditure for the year and its financial position as at 31 March 2022. The format and content of the statements is prescribed by the Chartered Institute of Public Finance and Accountancy (CIPFA), Code of Practice on Local Authority Accounting in the United Kingdom 2021/22. This is based on International Financial Reporting Standards (IFRS) adapted for use in a public sector context. Accounting policies are applied in accordance with these standards. The Statement of Accounts comprises:

Statement of Responsibilities for the Statement of Accounts	This sets out the respective responsibilities of the Council and the Chief Finance Officer (Service Director for Finance).				
Auditor's Report	This gives the auditor's opinion of the financial statements and of the Council's arrangements for securing economy, efficiency and effectiveness in the use of resources.				
Core Financial Stat	Core Financial Statements:				
Comprehensive Income and Expenditure Statement (CIES)	This shows the net cost of providing services for the year, including that for Plymouth's maintained schools. The top half of the statement provides an analysis by service area, on the same basis that these services are managed by the Council. The bottom half of the statement deals with in accordance with generally accepted accounting practices. The Expenditure Funding Analysis (note 7) compares the CIES with levels of income and expenditure which are taken into account when setting the annual budget and council tax since certain amounts are disregarded by statute.				

Core Financial Statements - Continued:					
Balance Sheet	The Balance Sheet shows a 'snapshot' of the Council's financial position at year end. The top half of the Balance Sheet sets out the Council's assets and liabilities, including provision for known liabilities from past events that can be reliably estimated. The lower half of the Balance Sheet shows the Council's reserves. Usable reserves reflect actual cash amounts and unusable reserves result from accounting adjustments required by statute or accounting standards and cannot be spent.				
Movement in Reserves Statement (MIRS)	This shows the movements in reserves during the year, analysed into the different funds held by the Council and classified as either 'usable' reserves which can be used to fund future expenditure or 'unusable' reserves which are maintained to meet specific statutory responsibilities and adjustments (e.g. valuation reserves showing the change in book value of assets and liabilities).				
Cash Flow Statement	This financial statement shows how changes in balance sheet accounts and income affect cash and cash equivalents. It breaks the analysis down to operating activities, investing activities (including capital spend and disposals) and financing activities (such as repayment of borrowing and other long-term activities).				
Supplementary Sta	tements and Notes:				
Collection Fund	This account demonstrates how income raised from local taxpayers has been redistributed to the Council and other precepting authorities for the provision of services.				
Statement of Accounting Policies	Sets out the accounting policies that have been followed in preparing the accounts and how the Code requirements have been met in practice.				
Disclosure Notes	These provide more detail about individual transactions and balances.				

ANNUAL GOVERNANCE STATEMENT

The Code also sets out the statutory requirement, under the Accounts and Audit (England) Regulations 2015, 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).

The AGS will be reported to and approved by the Audit Committee on the 29 September 2022. This can then be found on the Council's website.

CONCLUSION

The formal audit of the Draft Statement of Accounts for 2021/22 is yet to commence, and in line with our statutory duty the accounts were made available for scrutiny by interested members of the public from 1 August to 12 September 2022.

Following any adjustments, as a result of the audit and/or post balance sheet events, we will present the final Statement of Accounts to the Audit Committee as soon as is practicably possible and following formal sign off, we will publish them on our web pages.

Local Audit and Accountability Act 2014 and Accounts and Audit (England) Regulations 2015:

- a) Any person interested may inspect and make copies of the accounts 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 020 7728 3180.
- 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 Council's Service Director for Finance (Section 151 Officer) signed the final accounts by the statutory deadline of 31 July 2022.

Further information is available:

- on the Council's website; or
- from Carolyn Haynes, Financial Controller, Ballard House West Hoe Road, Plymouth PLI 3BJ, telephone 01752 398927, email corporateaccountancy@plymouth.gov.uk.

David Northey

Service Director for Finance and Section 151 Officer Ballard House West Hoe Road Plymouth PLI 3BJ

Dated:

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 Service Director for Finance;
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets;
- approve the Statement of Accounts.

The Service Director for Finance (Section 151 Officer) Responsibilities:

The Service Director for Finance 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 Service Director for Finance 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 Service Director for Finance 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 Service Director for Finance confirms that these statements give a 'true and fair' view of the financial position of the Council as at 31 March 2022 and of its expenditure and income for the year ended 31 March 2022.

David Northey

Service Director for Finance and Section 151 Officer Ballard House West Hoe Road Plymouth PLI 3BJ

Dated:

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT FOR THE YEAR ENDED 31 MARCH 2022

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. Councils raise taxation to cover expenditure in accordance with statutory regulations; this may be different from the accounting cost. The taxation position is shown in both the Expenditure and Funding Analysis and the Movement in Reserves Statement.

2020/2 I Gross Expenditure	2020/21 Gross Income	2020/2 I Net Expenditure		Note	2021/22 Gross Expenditure	2021/22 Gross Income	2021/22 Net Expenditure
£000	£000	£000			£000	£000	£000
6,254	(757)	5,497	Executive Office		7,800	(1,295)	6,505
17,988	(62,587)	(44,599)	Corporate Items		14,451	(42,191)	(27,740)
115,809	(76,637)	39,172	Customer and Corporate Services *		105,959	(69,632)	36,327
283,528	(148,489)	135,039	People Directorate		311,678	(163,888)	147,790
23,563	(23,272)	291	Public Health		28,141	(27,632)	509
107,692	(45,130)	62,562	Place Directorate		117,398	(49,635)	67,763
554,834	(356,872)	197,962	(Surplus)/Deficit on Continuing Operations		585,427	(354,273)	231,154
9,723	(1,502)	8,221	Other Operating Expenditure	П	17,839	(2,382)	15,457
51,699	(31,546)	20,153	Financing and Investment Income and Expenditure	13	48,432	(39,481)	8,951
0	(207,584)	(207,584)	Taxation and Non-specific Grant Income	14	0	(234,349)	(234,349)
616,256	(597,504)	18,752	(Surplus)/Deficit on Provision of Services		651,698	(630,485)	21,213
		(28,469)	(Surplus)/deficit on Revaluation of Non-current Assets	22.1			(59,920)
		110,711	Re-measurement of the Net Defined Benefit Liability (Assets)	22.4			(253,419)
		0	(Surplus)/deficit from investments in equity instruments designated at fair value through comprehensive income.				0
		932	Other recognised (gains)/losses				1,790
		83,174	Other Comprehensive Income and Expenditure				(311,549)
		101,926	Total Comprehensive Income and Expenditure				(290,336)

^{*} In 2021/22 the Finance Department merged with the Customer and Corporate Service Directorate for reporting purposes.

2021/22 STATEMENT OF ACCOUNTS

OFFICIAL PLYMOUTH CITY COUNCIL

MOVEMENT IN RESERVES STATEMENT FOR THE YEAR ENDED 31 MARCH 2022

The Movement in Reserves Statement shows the movement from the start of the year to the end 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 'unusable reserves'. The Statement shows how the movements in year of the Council's reserves are broken down between gains and losses incurred in accordance with generally accepted accounting practices and the statutory adjustments required to return to the amounts chargeable to council tax for the year. The Net Increase/(Decrease) line shows the statutory General Fund Balance movements in the year following those adjustments.

Movement in Reserves Statement	Note	General Fund Balance	Earmarked General Fund	Total General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
		£000	£000	£000	£000	£000	£000	£000	£000
Balance at 31 March 2020		(65,330)	24,057	(41,273)	16,247	11,321	(13,705)	(56,308)	(70,013)
Movement in Reserves 2020/21									
Total Comprehensive Income and Expenditure		(18,752)	0	(18,752)	0	0	(18,752)	(83,174)	(101,926)
Adjustments between accounting basis and funding under regulations	10	81,740	0	81,740	(69)	574	82,245	(82,245)	0
Net Increase/(Decrease) Before Transfer to Earmarked Reserves		62,988	0	62,988	(69)	574	63,493	(165,419)	(101,926)
Transfer (to)/from reserves	12	(59,145)	59,145	0	0	0	0	0	0
Net Increase/(Decrease) in 2020/21		3,843	59,145	62,988	(69)	574	63,493	(165,419)	(101,926)
Balance at 31 March 2021		(61,487)	83,202	21,715	16,178	11,895	49,788	(221,727)	(171,939)
Movement in Reserves 2021/22									
Total Comprehensive Income and Expenditure		(21,213)	0	(21,213)	0	0	(21,213)	311,549	290,336
Adjustments between accounting basis and funding under regulations	10	35,168	0	35,168	804	3,234	39,206	(39,206)	0
Net Increase/(Decrease) Before Transfer to Earmarked Reserves		13,955	0	13,955	804	3,234	17,993	272,343	290,336
Transfer (to)/from reserves	12	(12,606)	12,606	0	0	0	0	0	0
Net Increase/(Decrease) in 2021/22		1,349	12,606	13,955	804	3,234	17,993	272,343	290,336
Balance at 31 March 2022		(60,138)	95,808	35,670	16,982	15,129	67,781	50,616	118,397

2021/22 STATEMENT OF ACCOUNTS 32

BALANCE SHEET

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 are matched by the reserves held. Usable reserves are 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). Unusable reserves are those that the Council is not able to use to provide services, including reserves that hold unrealised gains and losses (for example the Revaluation Reserve), and reserves that hold timing differences shown in the Movement in Reserve Statement line 'Adjustments between accounting basis and funding basis under regulations'.

31 March 2021		Note	31 March 2022
£000			£000
890,583	Property Plant and Equipment	15	963,264
50,360	Heritage Assets	16	46,459
275,442	Investment Property	17	271,065
1	Intangible Assets		1
58,097	Long-term Investments	18.1	70,285
13,540	Long-term Debtors	19.2	12,699
1,288,023	Non-current Assets		1,363,773
526	Inventories		442
95,959	Short-term Debtors	19.1	75,505
41,859	Cash and Cash Equivalents	23.4	40,227
538	Assets Held for Sale		598
138,882	Current Assets		116,772
(464,242)	Short-term Borrowing	18.1	(227,861)
(110,962)	Short-term Creditors	20.1	(124,213)
(3,065)	Short-term Provisions	21	(8,292)
(8,950)	Grants Received in Advance - Revenue	29	(6,638)
(65,337)	Grants Received in Advance - Capital	29	(127,636)
(652,556)	Current Liabilities		(494,640)
(8,895)	Long-term Creditors	20.2	(11,597)
(18,057)	Long-term Provisions	21	(12,931)
(135,527)	Long-term Borrowing	18.1	(325,629)
(588,890)	Long-term Liabilities Pensions	34.3 & 34.9	(371,873)
(116,867)	Other Long-term Liabilities	20.3	(113,570)
(78,052)	Grants Received in Advance - Capital	29	(31,908)
(946,288)	Long Term Liabilities		(867,508)
(171,939)	Net Assets		118,397
49,788	Usable Reserves		67,781
(221,727)	Unusable Reserves	22	50,616
(171,939)	Total Reserves		118,397

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 (that is borrowing) to the Council.

2020/21		Note	2021/22
£000			£000
(18,752)	Net Surplus/(Deficit) on the Provision of Services	23.1	(21,213)
71,903	Adjustment to Net Surplus/(Deficit) on the Provision of Services for non-cash movement	23.1	69,480
(22,714)	Adjustments for items included in the Net Surplus/(Deficit) on the Provision of Services that are investing and financing activities	23.1	(34,670)
30,437	Net Cash Flows from Operating Activities		13,597
(31,222)	Investing activities	23.2	(7,598)
3,854	Financing activities	23.3	(7,631)
3,069	Net Increase/(Decrease) in Cash and Cash Equivalents		(1,632)
38,790	Cash and cash equivalents at the beginning of the reporting period	23.4	41,859
41,859	Cash and Cash Equivalents at the End of the Reporting Period		40,227

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I Accounting Policies

I.I General Principles

The Statement of Accounts summarises the Council's transactions for the 2021/22 financial year and its position at the year ended 31 March 2022. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit (England) Regulations 2015, 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 2021/22 (The Code), supported by International Financial Reporting Standards (IFRS).

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

These Accounts have been prepared on a going concern basis and it has been assumed that the functions of the Council will continue in operational existence for the foreseeable future.

1.2 Accruals of Income and Expenditure

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

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

1.3 Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in 90 days or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the cash flow statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Council's cash management.

1.4 Exceptional Items

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

1.5 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.

1.6 Prior Period Adjustments, Changes in Accounting Policies, 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, where the change provides more reliable or relevant information about the effect of transactions or other events and conditions on the Council's financial position or financial performance. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

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

1.7 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 non-current 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 Council 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 Council in accordance with statutory guidance. Depreciation, revaluation and impairment losses and amortisations are therefore replaced by the MRP contribution in the General Fund balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

1.8 Council Tax and Non-Domestic Rates

Billing authorities act as agents, collecting Council Tax and Non-Domestic Rates (NDR) on behalf of the major preceptors (including government for NDR) and, as principals, collecting Council Tax and NDR for themselves. Billing authorities are required by statute to maintain a separate fund (i.e. the Collection Fund) for the collection and distribution of amounts due in respect of Council Tax and NDR. Under the legislative framework for the Collection Fund, billing authorities, major preceptors

and central government share proportionately the risks and rewards that the amount of Council Tax and NDR collected could be less or more than predicted.

Accounting for Council Tax and NDR

The Council Tax and NDR income included in the Comprehensive Income and Expenditure Statement (CIES) is the Council's share of accrued income for the year. However, regulations determine the amount of Council Tax and NDR that must be included in the Council's General Fund. Therefore, the difference between the income included in the CIES and the amount required by regulation to be credited to the General Fund is taken to the Collection Fund Adjustment Account and included as a reconciling item in the Movement in Reserves Statement (MiRS).

The Balance Sheet includes the Council's share of the end of year balances in respect of Council Tax and NDR relating to arrears, impairment allowances for doubtful debts, overpayments and prepayments and appeals.

Where debtor balances for the above are identified as impaired because of a likelihood arising from a past event that payments due under the statutory arrangements will not be made (fixed or determinable payments), the asset is written down and a charge made to the Collection Fund. The impairment loss is measured as the difference between the carrying amount and the revised future cash flows.

1.9 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 Council.

Termination Benefits

Termination benefits (e.g. redundancy payments) 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 in exchange for those benefits and are charged on an accruals basis to the appropriate service, or where applicable the Corporate Service line in the CIES at the earlier of when the Council can no longer withdraw the offer of those benefits or when the Council recognises the cost of restructuring.

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 Pension Scheme, administered by Devon County Council.

Both schemes provide defined benefits to members (retirement lump sums and pensions) earned whilst 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 CIES 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.

The 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 2.6% (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 pension liability is analysed into the following components:

- Current service cost the increase in liabilities as a result of years of service earned this year – allocated in the CIES to the services for which the employees worked.
- Past service cost the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the provision of Services in the CIES as part of corporate items.
- Net interest on the net defined liability/(asset) i.e. net interest expense for the Council the change during the period on the net defined liability/(asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line in the CIES Statement this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability/(asset) during the period as a result of contribution and benefit payments.
- Re-measurement of the return on plan assets excluding amounts included in the net interest on the net defined liability/(asset)- charged to the pension reserve as Other Comprehensive Income and Expenditure.
- 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 – charged to Pensions Reserve as Other Comprehensive Income and Expenditure.
- Contributions paid to the Devon County Pension Fund cash paid as employer's contributions to the Pension Fund in settlement of liabilities; not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the Pension Fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the MIRS this means that there are appropriations to and from the Pensions Reserve to remove notional debits and

credits for retirement benefits and replace them with debits for the cash paid to the Pension Fund and pensioners and any such amounts payable but unpaid at the year-end. The negative balance that arises on the Pension Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

Discretionary Benefits

The 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.

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

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

I.II 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. They are initially measured at fair value and are carried at their amortised cost. Annual charges to the financing and investment income and expenditure line in the comprehensive income and expenditure statement (CIES) for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

Non-derivative financial liabilities are subsequently measured at amortised cost.

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 CIES is the amount payable for the year according to the loan agreement.

Where premiums and discounts have been charged to the CIES, regulations allow the impact on the general fund balance to be spread over future years. The 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 discount receivable when it was repaid.

Financial Assets

Financial assets are classified based on a classification and measurement approach that reflects the business model for holding the financial assets and their cash flow characteristics. The main classes of financial assets measured at:

- amortised cost;
- fair value through profit or loss (FVPL).

The Council's business model is to hold investments to collect contractual cash flows. Non-derivative financial assets are therefore classified as amortised cost, except for those whose contractual payments are not solely payment of principal and interest (i.e. where the cash flows do not take the form of a basic debt instrument).

Financial Assets Measured at Amortised Cost

Financial assets measured at amortised cost are recognised on the Balance Sheet when the Council becomes a party to the contracted provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the CIES for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the financial assets held by the Council, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the CIES is the amount receivable for the year in the loan agreement.

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

Expected Credit Loss Model

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

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

Financial Assets Measured at Fair Value through Profit and Loss

Financial assets that are measured at FVPL are recognised on the balance sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Fair value gains and losses are recognised as they arise in the surplus or deficit on the provision of services.

Fair Value Measurement of Financial Assets

Fair value of an asset is the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. The fair value measurements of the Council's financial assets are based on the following techniques:

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

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

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

Any gains and losses that arise on the derecognition of the asset are credited or debited to the financing and investment income and expenditure line in the CIES.

Financial Derivatives

Financial derivatives are measured at FVPL and therefore all gains and losses are taken to the Financing and Investment Income and Expenditure line in the CIES.

1.12 Revenue Recognition

With the adoption of accounting standard IFRS 15, revenue is defined as income arising as a result of the Council's normal operating activities and where income arises from contracts with service recipients it is recognised when or as the Council has satisfied a performance obligation by transferring a promised good or service to the service recipient.

Revenue is measured as the amount of the transaction price which is allocated to that performance obligation. Where the Council is acting as an agent of another organisation the amounts collected for that organisation are excluded from revenue.

The analysis carried out to date indicates that there will be no material impact on the revenue recognised in relation to the significant contracts entered into by the Council. A review will take place each year to identify whether any disclosure is necessary.

1.13 Government Grants and Contributions

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

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

Amounts recognised as due to the Council are not credited to the CIES until the 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 in the form of the grant or contribution are required to be consumed by the recipient as stated, or future economic benefits or service potential must be returned to the transferor (grant provider).

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-ringfenced revenue grants and all capital grants) in the CIES.

Where revenue grants that have been credited to the CIES 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 MiRS. A transfer back is made in future years to match expenditure as it is incurred.

Where capital grants are credited to the CIES, they are reversed out of the General Fund Balance in the MiRS. Where the grant has yet to be used to finance capital expenditure, it is 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.

1.14 Joint Operations

Joint operations are arrangements where the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities relating to the arrangement. The activities undertaken by the Council in conjunction with other joint operators involve the use of the assets and resources of those joint operators. In relation to its interest in a joint operation, the Council as a joint operator recognises:

- its assets, including its share of any assets held jointly;
- its liabilities, including its share of any liabilities incurred jointly;
- its revenue from the sale of its share of the output arising from the joint operation;
- its share of the revenue from the sale of the output by the joint operation;
- its expenses, including its share of any expenses incurred jointly.

1.15 Interests in Companies and Other Entities

An assessment of the Council's interests has been carried out during the year in accordance with the Code of Practice to determine the group relationships that exist. Inclusion in the group is dependent upon the extent of the Council's control over an entity. The Council controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Council does have a number of interests in companies and other entities, none of which would be material on consolidation due to the elimination of group transactions. Thus the production of group accounts is not required for these interests.

I.16 Investment Properties

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.

Investment properties are measured initially at cost and subsequently at fair value, defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Properties are not depreciated but are revalued annually according to market conditions at year-end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the CIES. The same treatment is applied to gains and losses on disposal.

Rentals received in relation to investment properties are credited to the financing and investment income line and result in a gain for the General Fund balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund balance. The gains and losses are therefore reversed out of the general fund balance in the MIRS and posted to the capital adjustment account and the capital receipts reserve.

1.17 Heritage Assets

The Plymouth City Museum and Art Gallery is responsible for over 800,000 artefacts and a proportion of the collections have been held on display in the museum, council buildings and other historic sites. These collections span a wide range of fine and decorative art, archaeology, world cultures, social and natural history and local and maritime history. These are held in support of the primary objective of the Council to ensure that these objects are preserved in trust for future generations because of their cultural, environmental or historical associations.

The Council classifies its Heritage Assets into five main categories – historic buildings and monuments, fine art and world cultures collections and gold, silver and jewellery collections, items under £100k, and the special books collection which are being formally recognised on the Balance Sheet on the basis of their insurance valuation.

Heritage Assets are recognised and measured (including the treatment of revaluation gains and losses) in accordance with the Council's accounting policies on Property, Plant and Equipment. However, some of the measurement rules are relaxed in relation to Heritage Assets, detailed as follows.

Where a historic building is being used significantly for the provision of services (for example Mount Edgcumbe House or the City Museum) this will be recognised as Other Land and Buildings rather than as a Heritage Asset.

The Council's collections are accounted for as follows:

Historic Buildings and Monuments

Historic buildings and monuments classified as Heritage Assets include Smeaton's Tower.

The list is relatively static and acquisitions and donations are rare. Where they do occur acquisitions would be initially recognised at cost and donations would be recognised at insurance value which is based on market values.

As these are deemed to have an indefinite life, the Council does not consider it appropriate to charge depreciation.

Fine Art and World Cultures Collection

The Council has a large and important fine art collection comprising paintings, watercolours, drawings, prints, miniatures and sculptures. Highlights include the outstanding Cottonian Collection and works by local artists such as Sir Joshua Reynolds, and this represents the largest fine arts collection in the south west. The world cultures collection consists of objects collected from foreign countries spanning the globe.

Acquisitions are made by purchase or donation. Acquisitions are initially recognised at cost and donations are recognised at insurance values, usually based on valuations provided by external valuers and with reference to appropriate commercial markets using the most relevant information from sales at auction.

As these items are deemed to have an indefinite life, the Council does not consider it appropriate to charge depreciation.

Gold, Silver and Jewellery Collection

The collection of gold, silver and jewellery includes local pieces dating from the 18 to 20 century and is representative of the thriving local community. Key pieces in the collection include the Eddystone Lighthouse Salt and the Drake Cup.

Acquisitions are made by purchase or donation. Acquisitions are initially recognised at cost and donations are recognised at insurance values, usually based on valuations provided by external valuers and with reference to appropriate commercial markets using the most relevant information from sales at auction.

Under £100k

The Council does not consider that reliable cost or valuation information can be obtained for the item held in its archaeological, decorative, natural history and other collections. This is because of the lack of comparable market values and, consequently, these are recognised on the Balance Sheet on the basis of their insurance valuation.

Special Books Collection

The Council does not consider that reliable cost or valuation information can be obtained for the items held in its special book collection. This is because of the lack of comparable market values and, consequently, these are recognised on the Balance Sheet on the basis of their insurance valuation.

The Council's policy for the acquisition, preservation and management of museum assets can be found on The Box website.

The carrying amount of Heritage Assets are reviewed on a regular basis to assess whether there has been any evidence of impairment caused by physical deterioration or breakage, or where doubts arise as to its authenticity. Any impairment is recognised and measured in accordance with the Council's general policies on impairments – see note 1.20 in this summary of significant accounting policies. If there is any occasion where a Heritage Asset is disposed of, the proceeds of such items are accounted for in accordance with the Council's general provisions for the disposal of property, plant and equipment. Disposal proceeds are disclosed separately in the Notes to the Financial Statements (see note 15.4) and are accounted for in accordance with statutory accounting requirements relating to capital expenditure and capital receipts – see note 1.20 in this summary of significant accounting policies.

1.18 Assets Held for Sale

When it becomes probable that the value of an asset will be recovered principally through a sale 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 and held at the lower of this amount and fair value less costs to sell. Depreciation is not charged on Assets Held for Sale.

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.

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

Lease payments are apportioned between:

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

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

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

Operating Leases

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

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

The Council as the Lessor (Assets Leased Out)

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 CIES. Credits are made on a straight-line basis over the life of the lease.

1.20 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 policy of assets capitalisation (including donated assets) with a minimum asset value of £10,000 for land and property and £5,000 for vehicle, plant and equipment. However, there is no minimum level applied for capital spend incurred by individual schools financed from capital grants.

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.

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

- infrastructure and community assets depreciated historical cost;
- assets under construction historical cost;
- surplus assets fair value;
- the Tamar Toll Bridge depreciated replacement cost;
- all other assets current value in their existing use.

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

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.

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

Impairment

Assets are assessed at each year-end to determine 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.

Depreciation

Depreciation is provided for on all Property, Plant and Equipment assets revalued as part of the 5 year rolling programme 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 CIES 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 5 to 50 years
Schools 5 to 50 years
Other buildings 5 to 60 years
Tamar Bridge 120 years

Infrastructure 20 to 40 years

Vehicles and Plant 5 to 25 years

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

Componentisation

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.

Disposals

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).

Highways Infrastructure Assets

Highways infrastructure assets include carriageways, footways and cycle tracks, structures (e.g. bridges), street lighting, street furniture (e.g. illuminated traffic signals, bollards), traffic management systems and land which together form a single integrated network.

Recognition

Expenditure on the acquisition or replacement of components of the network is capitalised on an accrual basis, provided that it is probable that the future economic benefits associated with the item will flow to the Council and the cost of the item can be measured reliably.

Measurement

Highways infrastructure assets are generally measured at depreciated historical cost. Plymouth City Council was incorporated as a unitary authority on the I April 1998 and the highways infrastructure assets was transferred from Devon County Council and recognised in the Balance Sheet at nil value. This means that the current highways infrastructure asset value only represents capital expenditure that has incurred since that time. Where impairment losses are identified, they are accounted for by the carrying amount of the asset being written down to the recoverable amount.

Depreciation

Depreciation is provided on the parts of the highways infrastructure assets that are subject to deterioration or depletion and by the systematic allocation of their depreciable amounts over their useful lives. Depreciation is charged on a straight-line basis. Annual depreciation is the depreciation amount allocated each year.

Disposals and Derecognition

When a component of the highways infrastructure asset is disposed of or decommissioned, the carrying amount of the component in the Balance Sheet is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if

any) are credited to the same line in the Comprehensive Income and Expenditure Statement, also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). The written-off amounts of disposals are not a charge against council tax, as the cost of non-current assets is fully provided for under separate arrangements for capital financing. Amounts are transferred to the capital adjustment account from the General Fund Balance in the Movement in Reserves Statement.

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's original recognition of PFI assets are based on the cost of construction or purchase cost of the property and is balanced by the recognition of a liability for amounts due to the scheme operator to pay for the capital investment.

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;
- finance costs an interest charge on the outstanding Balance Sheet liability;
- contingent rent increases in the amount to be paid for the property arising during the contract;
- payment towards finance liability applied to write down the Balance Sheet liability towards the PFI operator;
- lifecycle costs costs to maintain assets used to operationally acceptable standard.

Schools 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 the CIES. 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.

South West Devon Energy from Waste (EfW) PFI

For the Energy from Waste Scheme there is the additional element of deferred credit from the write down of the long-term liability for the expected third party income received during the year.

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 to the appropriate service in the year that the Council becomes aware of its obligation. It can only be used for the purpose for which it was established.

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 note 35.2.

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, note <u>35.1</u>, where it is probable that there will be an inflow of economic benefits or service potential.

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 MiRS.

When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus or Deficit on the Provision of Services in the CIES. The reserve is then appropriated back into the General Fund Balance in the MiRS so that there is no net charge against Council Tax for the expenditure.

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 CIES 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 MiRS 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.

1.25 Accounting for Schools

The Code of Practice on Local Authority Accounting in the United Kingdom confirms that the balance of control for Local Authority maintained schools lies with the Local Authority. The Code also stipulates that those schools' assets, liabilities, reserves and cash flows are recognised in the Local Authority financial statements. Therefore schools' transactions, cash flows and balances are recognised in each of the financial statements of the Council as if they were the transactions, cash flows and balances of the Council. The Council has the following types of maintained schools under its control:

- community; and
- voluntary controlled

School non-current assets are recognised on the Balance Sheet where the Council directly owns the assets or where the school or the school governing body own the assets but the Council is deemed to exercise control.

When a maintained school converts to an Academy, Voluntary Aided or Foundation Trust/Foundation; the school's non-current assets held on the Council's Balance Sheet are treated as a disposal. The carrying value of the asset is written off to Financing and Investment Income and Expenditure in the CIES. Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

The written off asset value is not a charge against the General Fund, as the cost of non-current asset disposals resulting from schools transferring to Academy status is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the MiRS.

The income and expenditure is included within the People directorate in the CIES. The reserves are included in the Education Reserve balance, which forms part of the Council's Useable reserves.

1.26 Value Added Tax

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

1.27 Fair Value Measurement of Non-Financial Assets

The Council measures some of its non-financial assets such as surplus assets and investment properties and some of its financial instruments such as equity shareholdings at fair value at each reporting date. Fair value is the price that would be receivable to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

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

The Council measures the fair value of an asset or liability using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

When measuring the fair value of a non-financial asset, the Council takes into account a market participants ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Council uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Inputs to the valuation techniques in respect of assets and liabilities for which fair value is measured or disclosed in the Council's financial statements are categorised within the fair value hierarchy, as follows:

- Level I quoted prices (unadjusted) in active markets for identical assets or liabilities that the Council can access at the measurement date.
- Level 2 inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 unobservable inputs for the asset or liability.

2 Material Items of Income and Expenditure

This note identifies material items of income and expenditure that are not disclosed on the face of the Comprehensive Income and Expenditure Statement. For the purposes of this Note the Council considers material items to be those greater than £6.91m.

The Council took the decision to make an early payment of £72m towards the Devon LGPS pension deficit. This was made to generate ongoing revenue savings over 21 years. In the draft accounts this transaction was treated as capital. However, following extensive third party legal and accounting advice and discussion with our auditors, we have now accounted for the transaction as a revenue transaction. The revenue treatment of this transaction means that the Council's income for 2019/20, 2020/21 and 2021/22 was insufficient to meet its expenditure. Due to this change in accounting treatment it has been necessary for the Council to request a retrospective Capitalisation Direction from Government.

3 Critical Judgements in Applying Accounting Policies

In applying the accounting policies set out in note <u>I</u>, the Council has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgement made in the Statement of Accounts is:

Tamar Bridge Valuation - Departure from the Code of Practice

The Tamar Bridge is a toll bridge that is jointly owned by Cornwall Council and Plymouth City Council. The Code of Practice on Local Authority Accounting requires infrastructure assets to be accounted for using depreciated historic cost, however both Councils use depreciated replacement cost (DRC) to value the asset. This is because the Tamar Bridge is an income generating asset and the income generated is used to maintain its upkeep. It is therefore treated as a separate class of asset and the reader of the Council's accounts might reasonably expect there to be a relationship between the income raised in tolls and the cost of maintaining and ultimately replacing the bridge. The current DRC value of the bridge is £62.585m, if the bridge was valued at its depreciated historic cost in line with other infrastructure assets the value would be £25.599m, so would therefore be misleading to use historic cost as a basis for valuation.

The Council has concluded that, taking account of the above, the financial statements present a true and fair view of the Council's financial position, financial performance and cash flows and has complied with the Code in all other respects.

4 Accounting Standards that have been Issued but have Not Yet Been Adopted

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

There are no changes in accounting requirements for 2022/23 that are anticipated to have a material impact on the Council's financial performance or financial position.

5 Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty

In preparing the Statement of Accounts, there are areas where estimates have been made. Estimates are made taking into account historical experience, current trends and other relevant factors. These

include the amount of arrears that will not be collected (based on past experience of collection for the different types of debt); useful lives and valuations of properties which are estimated by qualified valuers (for further details see note 1.20); and the liability for future pension payments, which carries

the most significant risk of material adjustment.

- G	cant risk of material adjustment.	Consequences
Item	Uncertainties	(if actual results differ from assumptions)
Property, Plant and Equipment	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Council will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets. Asset valuations are based on market prices, condition surveys and standards of professional practice set out by the Royal Institute of Chartered Surveyors (RICS) and a small proportion of assets are periodically re-valued using a 5-year rolling programme. The Council's valuers and external valuers provided valuations as at 31 March 2022 for approximately 87% of its operational portfolio in order to ensure that the Council does not materially misstate its Property, Plant and Equipment. The remaining balance of operational properties were also reviewed to ensure values reflect current values. The carrying value of this long term asset at the end of the reporting period was £963.264m. Valuations are reported on the basis of 'material valuation uncertainty' as per the RICS Red Book Global. This means that less certainty and a higher degree of caution should be attached to valuations.	Any change in the valuation or useful life of an asset would affect the carrying value of the asset in the balance sheet and the charge for depreciation or impairment would impact on the CIES. If the value of the Council's operational properties reduced by 10%, this would result in a net reduction of £28m which would either result in a decrease to the Revaluation Reserve and/or a charge to the CIES. An increase in estimated valuations would result in increases to the Revaluation Reserve and/or reversals of previous negative revaluations to the CIES. The above changes do not have an impact on the Council's General Fund position as the Council is not required to fund such non-cash charges from Council Tax receipts.
Fair value measurement of Investment Property	The Council's valuers use valuation techniques to determine the fair value of investment property. This involves developing estimates and assumptions consistent with how market participants would price the property. The COVID-19 global impact on financial markets has made judgements on valuations more challenging due to market uncertainty and a higher degree of caution should be attached to valuations than would normally be the case. Valuations are therefore reported on the basis of 'material valuation uncertainty' as per the RICS Red Book Global.	Estimated fair values may differ from the actual prices that could be achieved in an arm's length transaction at the reporting date.

Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. Barnett Waddingham are the consultant actuaries for the pension scheme providing expert advice about the assumptions to be applied. Those assumptions are detailed in note 34 to the accounts. The carrying value of this long term liability at the end of the reporting period was £371.873m.	The impact of a change in the actuarial assumptions will be to increase or decrease the net pension liability shown in the balance sheet and the cost shown in the CIES. The changes do not have an impact on the Council's General Fund position as the Council is not required to fund such non-cash charges from council tax receipts.
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Material Uncertainties

There are material uncertainties around valuations in the following areas:

Property, Plant and Equipment - Valuations Undertaken at 31 March 2022

Non-current asset valuations are based on professional valuations which themselves can use indicators such as market conditions. These are reviewed annually to ensure that they are materially correct when reported within the annual statement of accounts. However, as the value of Property, Plant and Equipment in the Council's balance sheet is in excess of £963m a small adjustment in these valuations could have a material impact on the value held in the Council's accounts.

Pensions Liability

The Council's liability as at the 31 March is based on a number of complex judgements relating to the discount rate used, the rate at which salaries may change, changes in mortality rates and expected returns on pension fund assets. There are uncertainties in the financial markets caused by the current Ukrainian war. The effects on the net pension liability of changes in individual assumptions can be measured. For example, a future 0.1% increase in the discount rate assumption would result in a reduction in the (gross) pension liability of £27.906m. Similarly, a reduction of I year in the mortality assumption would result in a reduction of £63.325m in the (gross) pension liability. Further detail is held in note 34 to the accounts. The impact of a change in the actuarial assumptions will be to increase or decrease the net pension liability shown in the balance sheet and the cost shown in the CIES. These changes do not have an impact on the Council's General Fund position as the Council is not required to fund such non-cash charges from council tax receipts.

6 Events After the Balance Sheet Reporting Period

The Council's Section 151 Officer authorised the Statement of Accounts on 31 July 2022. Events taking place after this date are not reflected in the financial statements. Where events taking place before this date provided information about conditions existing at 31 March 2022, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

On 15 September 2023 the Service Director for Finance (\$151 Officer) requested a retrospective Capitalisation Direction from Government. This support will be provided via the Exceptional Financial Support Framework which has been agreed in principle. The Capitalisation Direction will permit the Council to meet the £72m revenue cost through capital resources. The draft accounts for 2022/23 and 2023/24 will also need to be revised to reflect the change in accounting for the pension transaction. The revised statements will be presented to the Audit and Governance Committee at the earliest opportunity.

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7 Expenditure and Funding Analysis

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

2020/21 Directorate Total Reported for Outturn	2020/21 Adjustment to Arrive at the Net Expenditure Chargeable to the General Fund Balances	2020/21 Net Expenditure Chargeable to the General Fund Balances	2020/21 Adjustment s Between the Funding and Accounting Basis	2020/21 Net Expenditure	realized to presented more	2021/22 Directorate Total Reported for Outturn	2021/22 Adjustment to Arrive at the Net Expenditure Chargeable to the General Fund Balances	2021/22 Net Expenditure Chargeable to the General Fund Balances	2021/22 Adjustment s Between the Funding and Accounting Basis	2021/22 Net Expenditure to the CIES
£000	£000	£000	£000	£000		£000	£000	£000	£000	£000
5,589	I	5,590	(93)	5,497	Executive Office	5,538	234	5,772	733	6,505
(36,133)	(3,627)	(39,760)	(4,839)	(44,599)	Corporate Items	(22,118)	(12,779)	(34,897)	7,157	(27,740)
42,629	(6,898)	35,731	3,441	39,172	Customer and Corporate Services *	43,925	(6,787)	37,138	(811)	36,327
146,021	470	146,491	(11,452)	135,039	People Directorate	143,413	9,444	152,857	(5,067)	147,790
1,349	0	1,349	(1,058)	291	Public Health	(890)	54	(836)	1,345	509
33,872	508	34,380	28,182	62,562	Place Directorate	25,700	2,803	28,503	39,260	67,763
193,327	(9,546)	183,781	14,181	197,962	Net Cost of Service	195,568	(7,031)	188,537	42,617	231,154
		(246,769)	67,559	(179,210)	Other Income and Expenditure			(202,492)	(7,449)	(209,941)
		(62,988)	81,740	18,752	(Surplus)/Deficit on Provision of Service			(13,955)	35,168	21,213
		41,273			Opening General Fund and Earmarked Balance at 31 March			(21,715)		
		(62,988)			(Surplus)/Deficit on General Fund and Earmarked Balance in Year			(13,955)		
		(21,715)			Closing General Fund Balance at 3 I March			(35,670)		

^{*} In 2021/22 the Finance Department merged with the Customer and Corporate Service Directorate for reporting purposes.

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8 Note to the Expenditure and Funding Analysis

Adjustments between funding and accounting basis:

Adjustments from General Fund to Arrive at the CIES Amounts	Adjustments for Capital Purposes	Net Change for the Pensions Adjustments	Other Differences	Total Adjustments
2021/22	£000	£000	£000	£000
Executive Office	32	745	(44)	733
Corporate Items	(34)	3,193	3,998	7,157
Customer and Corporate Services *	876	3,858	(5,545)	(811)
People Directorate	2,148	11,545	(18,760)	(5,067)
Public Health	1,038	870	(563)	1,345
Place Directorate	40,038	6,545	(7,323)	39,260
Net Cost of Service	44,098	26,756	(28,237)	42,617
Other Income and Expenditure from the Expenditure and Funding Analysis	26,391	12,376	(46,216)	(7,449)
Difference Between General Fund Surplus or Deficit and CIES Surplus or Deficit on the Provision of Service	70,489	39,132	(74,453)	35,168

^{*} In 2021/22 the Finance Department merged with the Customer and Corporate Service Directorate for reporting purposes.

Adjustments from General Fund to Arrive at the CIES Amounts	Adjustments for Capital Purposes	Net Change for the Pensions Adjustments	Other Differences	Total Adjustments
2020/21	£000	£000	£000	£000
Executive Office	33	363	(489)	(93)
Corporate Items	(30)	2,238	(7,047)	(4,839)
Customer and Corporate Services *	4,511	1,788	(2,858)	3,441
People Directorate	2,932	154	(14,538)	(11,452)
Public Health	364	385	(1,807)	(1,058)
Place Directorate	35,269	2,940	(10,027)	28,182
Net Cost of Service	43,079	7,868	(36,766)	14,181
Other Income and Expenditure from the Expenditure and Funding Analysis	30,666	11,130	25,763	67,559
Difference Between General Fund Surplus or Deficit and CIES Surplus or Deficit on the Provision of Service	73,745	18,998	(11,003)	81,740

^{*} In 2021/22 the Finance Department merged with the Customer and Corporate Service Directorate for reporting purposes.

Adjustment for Capital Purposes

Adjustments for Capital Purposes – this column adds in depreciation, impairment and revaluation gains/losses in the services line and for:

- Other Operating Expenditure adjusts for capital disposals with a transfer of income on disposal of assets and the amounts written off for those assets.
- Financing and Investment Income and Expenditure the statutory charges for capital financing i.e. Minimum Revenue Provision and other revenue contributions are deducted from other income and expenditure as these are not chargeable under generally accepted accounting practices.

Taxation and Non-Specific Grant Income and Expenditure – capital grants are adjusted for income not chargeable under generally accepted accounting practices. Revenue grants are adjusted from those receivable in the year to those receivable without conditions, or for which conditions were satisfied throughout the year. The Taxation and Non Specific Grant Income and Expenditure line is credited with capital grants receivable in the year without conditions or for which conditions were satisfied in the year.

Net Charge for the Pension Adjustments

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

- Services this represents the removal of the employer pension contributions made by the Council as allowed by statute and the replacement with current service costs and past service costs
- Financing and Investment Income and Expenditure the net interest on the defined benefit liability is charged to the CIES.

Other Differences

Other differences between amounts debited/credited to the CIES and amounts payable/receivable to be recognised under statue:

- Financing and Investment Income and Expenditure the other differences column recognises adjustments to the General Fund for the timing differences for premiums and discounts.
- Taxation and Non-Specific Grant Income and Expenditure the charge represents the difference between what is chargeable under statutory regulations for Council Tax and NDR that was projected to be received at the start of the year and the income recognised under generally accepted accounting practices in the Code. This is a timing difference as any difference will be brought forward in future surpluses or deficits on the Collection Fund.

9 Expenditure and Income Analysed by Nature

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

Expenditure/Income	2020/21	2021/22
	£000	£000
Expenditure:		
Employee benefits expenses	143,756	167,319
Other service expenses	407,742	407,979
Depreciation, amortisation, impairment	50,080	61,886
Interest payments	14,678	14,514
Total Expenditure	616,256	651,698
Income:		
Fees, charges and other service income	(131,490)	(147,365)
Interest and investment income	(13,726)	(19,801)
Income from council tax, non-domestic rates, district rate income	(143,612)	(173,341)
Government grants and contributions	(308,676)	(289,978)
Total Income	(597,504)	(630,485)
Surplus or Deficit on the Provision of Service	18,752	21,213

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10 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.

	2020/21				2021/22			
Adjustments between Accounting Basis and Funding Basis Under Regulations	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
Adjustments involving the Capital Adjustment Account:								
Reversal of items debited or credited to the Comprehensive Income and Expenditure	Statement:							
Charges for depreciation and impairment of non-current assets	(35,649)	0	0	35,649	(35,450)	0	0	35,450
Revaluation losses on Property, Plant and Equipment	465	0	0	(465)	(16,075)	0	0	16,075
Movements in the market value of Investment Properties	(8,300)	0	0	8,300	(2,587)	0	0	2,587
Amortisation of intangible assets	(7)	0	0	7	(1)	0	0	I
Capital grants and contributions	22,248	0	(22,248)	0	32,666	0	(32,666)	0
Revenue expenditure funded from capital under statute	(20,483)	0	0	20,483	(13,078)	0	0	13,078
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	(8,772)	0	0	8,772	(17,310)	277	0	17,033
Deferred credit Energy from Waste	2,324	0	0	(2,324)	2,324	0	0	(2,324)
Revaluation losses on investment in shares	(60)	0	0	60	0	0	0	0
Insertion of items not debited or credited to the Comprehensive Income and Expendit	ure Statement	:						
Statutory provision for the financing of capital investment	14,854	1,373	0	(16,227)	16,515	1,063	0	(17,578)
Capital expenditure charged against the General Fund	533	0	0	(533)	11,629	0	0	(11,629)
Adjustments involving the Capital Receipts Reserve:								
Transfer of sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	0	(467)	0	467	0	0	0	0
Other Capital Receipts credited to the Comprehensive Income and Expenditure Statement	1,202	(1,202)	0	0	2,558	(2,281)	0	(277)
Total C/FWD	(31,645)	(296)	(22,248)	54,189	(18,809)	(941)	(32,666)	52,416

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		2020/21				2021/22			
Adjustments between Accounting Basis and Funding Basis Under Regulations	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	
Total B/FWD	(31,645)	(296)	(22,248)	54,189	(18,809)	(941)	(32,666)	52,416	
Long term debtor repayments in year	0	(1,478)	0	1,478	0	(1,503)	0	1,503	
Use of the Capital Receipts Reserve to finance new capital expenditure	0	1,843	0	(1,843)	0	1,640	0	(1,640)	
Adjustments involving the Capital Grants Unapplied Account:									
Use of the Capital Grants unapplied Account to finance new capital expenditure	0	0	21,674	(21,674)	0	0	29,570	(29,570)	
Repayment of Grant	0	0	0	0	0	0	(138)	138	
Adjustments involving the Financial Instruments Adjustment Account:									
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	554	0	0	(554)	613	0	0	(613)	
Adjustments involving the Pooled Investments Fund Adjustments Account									
Amount by which Financial Instruments charged to the Comprehensive Income and Expenditure Statement are different from amounts chargeable in the year in accordance of statutory requirements	1,493	0	0	(1,493)	6,252	0	0	(6,252)	
Adjustments involving the Pensions Reserve:									
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(33,779)	0	0	33,779	(54,199)	0	0	54,199	
Employer's pensions contributions and direct payments to pensioners payable in the year	14,781	0	0	(14,781)	15,067	0	0	(15,067)	
Adjustments involving the Collection Fund Adjustment Account:									
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	(32,688)	0	0	32,688	15,636	0	0	(15,636)	
Adjustment involving the Accumulating Compensated Absences Adjustment Account									
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	(456)	0	0	456	272	0	0	(272)	
Total Adjustments	(81,740)	69	(574)	82,245	(35,168)	(804)	(3,234)	39,206	

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General Fund Balances

The General Fund is the statutory fund into which all the receipts of an Council are required to be paid and out of which all liabilities of the Council are to be met, except to the extent that statutory rules might provide otherwise. These rules can also specify the financial year in which liabilities and payments should impact on the General Fund Balance, which is not necessarily in accordance with proper accounting practice. The General Fund Balance therefore summarises the resources that the Council is statutorily empowered to spend on its services or on capital investment (or the deficit of resources that the council is required to recover) at the end of the financial year.

Capital Receipts Reserve

The Capital Receipts Reserve holds the proceeds from the disposal of land or other assets, which are restricted by statute from being used other than to fund new capital expenditure or to be set aside to finance historical capital expenditure. The balance on the reserve shows the resources that have yet to be applied for these purposes at the year-end.

Capital Grants Unapplied

The Capital Grants Unapplied Account (Reserve) holds the grants and contributions received towards capital projects for which the council has met the conditions that would otherwise require repayment of the monies but which have yet to be applied to meet expenditure. The balance is restricted by grant terms as to the capital expenditure against which it can be applied and/or the financial year in which this can take place.

II Other Operating Expenditure

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

Other Operating Expenditure	2020/21	2021/22
	£000	£000
Levies	101	105
Gains/losses on the disposal of non-current assets	8,771	16,921
Pension administration costs	544	565
Other income*	(1,195)	(2,134)
Total	8,221	15,457

^{*} 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 and income received under the stock transfer agreement relating to VAT shelter receipts.

12 Movement in Earmarked Reserves

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

2021/22	Balance as at 31 March 2021 Transfers to Reserves 2021/22		Transfers from Reserves 2021/22	Balance as at 31 March 2022
	£000	£000	£000	£000
Education Reserves	(3,434)	(19)	332	(3,121)
Other Ringfenced	(3,944)	(690)	517	(4,117)
Other Reserves	(6,214)	(1,929)	1,657	(6,486)
PCC Earmarked Reserves:				
Integrated Finance Reserve	(7,928)	(15,234)	963	(22,199)
Collection Fund Reserve	(30,565)	(14,268)	23,275	(21,558)
Other PCC Earmarked Reserves	(31,117)	(14,766)	7,556	(38,327)
Total Reserves	(83,202)	(46,906)	34,300	(95,808)

2020/21	Balance as at 31 March 2020	Transfers to Reserves 2020/21	Transfers from Reserves 2020/21	Balance as at 31 March 2021
	£000	£000	£000	£000
Education Reserves	(1,965)	(3,378)	1,909	(3,434)
Other Ringfenced	(2,263)	(2,011)	330	(3,944)
Other Reserves	(4,700)	(2,878)	1,364	(6,214)
PCC Earmarked Reserves:				
Integrated Finance Reserve	(593)	(7,335)	0	(7,928)
Collection Fund Reserve	0	(30,565)	0	(30,565)
Other PCC Earmarked Reserves	(14,536)	(26,664)	10,083	(31,117)
Total Reserves	(24,057)	(72,831)	13,686	(83,202)

The main earmarked reserves and their purpose are as follows:

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 2022 balance relating to the School budget share was £2.926m (31 March 2021: £3.278m).

PFI Reserve – The Council receives PFI credits towards the schools PFI contract at Wood View Campus 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.

Collection Fund Reserve – The Collection Fund Reserve holds balances to 'smooth' the impact and movement of COVID-19 grant funding for Business Rates and Council Tax across multiple financial years.

Interest Rate Swap Reserve – The Interest Rate Swap Reserve holds gains from fair value movements in interest rate swaps. These gains will reverse over time as the swaps near maturity and are therefore not used to finance revenue expenditure.

13 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 17.1.

Analysis of Income/Expenditure	2020/21	2021/22
	£000	£000
Interest payable and similar charges	14,968	14,495
Fair value for capital share purchase	60	0
Fair value for Financial Instruments	(7,198)	(12,027)
Pensions interest cost and expected return on pension assets	10,523	11,623
Interest receivable and similar income	(3,334)	(2,343)
(Surplus)/deficit on trading undertakings not included in Net Cost of Service	184	245
Income and expenditure in relation to investment properties and changes in their fair value including (gains)/losses on disposal	4,950	(3,042)
Total	20,153	8,951

14 Taxation and Non-Specific Grant Income and Expenditure

Analysis of Income	2020/21	2021/22
	£000	£000
Council tax income	(115,319)	(123,020)
Non domestic rates	(28,293)	(50,321)
Non-ringfenced government grants	(52,476)	(36,458)
Capital grants and contributions	(11,496)	(24,550)
Total	(207,584)	(234,349)

15 Property, Plant and Equipment

15.1 Movement in Year

In accordance with the Temporary Relief offered by the Update to the Code on infrastructure assets this note does not include disclosure of gross cost and accumulated depreciation for infrastructure assets because historical reporting practices and resultant information deficits mean that this would not faithfully represent the asset position to the users of the financial statements. The Council continues to maintain that information and does not consider that the non-disclosure will be detrimentally impact on the readers of the Council's accounts and their understanding of the Council's financial position. The Council's reported position of its assets in the Balance Sheet remains unchanged.

Property, Plant and Equipment Assets	2020/21	2021/22
	£000	£000
Infrastructure Assets	163,228	172,563
Other Property, Plant and Equipment Assets	727,355	790,701
Total Property, Plant and Equipment Assets	890,583	963,264

Infrastructure Assets	2020/21	2021/22
	£000	£000
Opening Net Book Value	146,051	163,228
Additions	15,667	14,963
Reclassifications	13,748	6,679
Depreciation	(12,012)	(12,307)
Impairments	(226)	0
Balance as at 31 March	163,228	172,563

The movement in Property, Plant and Equipment (PPE) in 2021/22 is summarised in the following table:

Cost of Valuation		
Cost of Valuation	Total Property, Plant and Equipment	PFI Assets Included in Property, Plant and Equipment
Act I April 2021 618,053 77,117 59,567 3,605 3,045 62,182 Additions 14,024 4,769 2,677 0 0 0 39,139 Revaluation increases/(decreases) recognised in the Revaluation Reserve 20,842 0 0 0 0 0 2 0 Revaluation increases/(decreases) recognised in the surplus/deficit on the Provision of Services (20,295) 0 197 0 0 0 0 Derecognition - disposals (380) (100) 0 0 0 0 0 0 Other movements in cost or valuation (218) 24 144 0 773 (18,408) At 31 March 2022 632,026 81,810 62,585 3,605 3,820 82,913 Accumulated Depreciation and Impairment At 1 April 2021 (44,434) (50,470) 0 (1,302) (8) 0 Prior year adjustment 131 0 0 0 0 4 0 Depreciation charge (18,508) (4,596) 0 0 (40) 0 Depreciation written out to the surplus/deficit on the Provision of Services 4,024 0 0 0 0 0 112 0 Impairment losses/(reversals) recognised in the surplus/deficit on the Provision of Services 3 0 0 0 0 0 0 0 Derecognistion - disposals 139 97 0 0 0 0 0 0	£000	£000
Additions		
Revaluation	823,569	125,163
Increases/(decreases) recognised in the Revaluation Reserve 20,842 0 0 0 0 2 0	60,609	0
Increases/(decreases) recognised in the surplus/deficit on the Provision of Services (20,295) 0 197 0 0 0 0 0 0 0 0 0	20,844	453
Depreciation written out to the Revaluation Reserve 38,398	(20,098)	0
Cost or valuation (218) 24	(480)	0
Accumulated Depreciation and Impairment At I April 2021 (44,434) (50,470) 0 (1,302) (8) 0 Prior year adjustment 131 0 0 0 0 4 0 Depreciation charge (18,508) (4,596) 0 0 0 (40) 0 Depreciation written out to the Revaluation Reserve 38,398 0 0 0 0 112 0 Depreciation written out to the surplus/deficit on the Provision of Services 4,024 0 0 0 0 0 0 0 0 Impairment losses/(reversals) recognised in the surplus/deficit on the Provision of Services 3 0 0 0 0 0 0 0 0 Derecognistion - disposals 139 97 0 0 0 0 0 0	(17,685)	0
At I April 2021 (44,434) (50,470) 0 (1,302) (8) 0 Prior year adjustment 131 0 0 0 0 4 0 Depreciation charge (18,508) (4,596) 0 0 0 (40) 0 Depreciation written out to the Revaluation Reserve 38,398 0 0 0 0 112 0 Depreciation written out to the surplus/deficit on the Provision of Services 4,024 0 0 0 0 0 0 0 Impairment losses/(reversals) recognised in the surplus/deficit on the Provision of Services 3 0 0 0 0 0 0 0 Derecognistion - disposals 139 97 0 0 0 0 0 0	866,759	125,616
Prior year adjustment I 31 0 0 4 0 Depreciation charge (18,508) (4,596) 0 0 (40) 0 Depreciation written out to the Revaluation Reserve 38,398 0 0 0 112 0 Depreciation written out to the surplus/deficit on the Provision of Services 4,024 0 0 0 0 0 0 Impairment losses/(reversals) recognised in the surplus/deficit on the Provision of Services 3 0 0 0 0 0 0 Derecognition - disposals 139 97 0 0 0 0 0		
Depreciation charge (18,508) (4,596) 0 0 (40) 0 Depreciation written out to the Revaluation Reserve 38,398 0 0 0 0 112 0 Depreciation written out to the surplus/deficit on the Provision of Services 4,024 0 0 0 0 0 0 0 0 Impairment losses/(reversals) recognised in the surplus/deficit on the Provision of Services 3 0 0 0 0 0 0 0 Derecognition - disposals 139 97 0 0 0 0 0 0	(96,214)	(466)
Depreciation written out to the Revaluation Reserve 38,398 0 0 0 0 112 0 Depreciation written out to the surplus/deficit on the Provision of Services 4,024 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0	135	33
out to the Revaluation Reserve 38,398 0 0 0 0 112 0 Depreciation written out to the surplus/deficit on the Provision of Services 4,024 0 0 0 0 0 0 0 Impairment losses/(reversals) recognised in the surplus/deficit on the Provision of Services 3 0 0 0 0 0 0 Derecognition - disposals 139 97 0 0 0 0 0 0	(23,144)	(33)
out to the surplus/deficit on the Provision of Services 4,024 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0	38,510	0
losses/(reversals) recognised in the surplus/deficit on the Provision of Services 3 0 0 0 0 0 0 Derecognition - disposals 139 97 0 0 0 0	4,024	0
disposals 139 97 0 0 0 0	3	0
	236	0
Other movements in depreciation and impairment 108 392 0 0 (108) 0	392	0
At 31 March 2022 (20,139) (54,577) 0 (1,302) (40) 0	(76,058)	(466)
Net Book Value		
At 31 March 2022 611,887 27,233 62,585 2,303 3,780 82,913	790,701	125,150
At 31 March 2021 573,750 26,647 59,567 2,303 3,041 62,182	727,490	124,730

2020/21	Other Land and Buildings	Vehicles, Plant, Furniture and Fittings	Toll Bridge	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant and Equipment	PFI Assets Included in Property, Plant and Equipment
	£000	£000	£000	£000	£000	£000	£000	£000
Cost of Valuation								
At I April 2020	575,509	69,079	60,532	3,605	3,211	89,828	801,764	123,492
Additions	4,503	4,893	1,607	0	0	30,533	41,536	0
Revaluation increases/(decreases) recognised in the Revaluation Reserve	8,931	0	0	0	2	0	8,933	767
Revaluation Increases/(decreases) recognised in the surplus/deficit on the Provision of Services	3,416	0	(3,875)	0	(54)	0	(513)	904
Derecognition - disposals	(1,499)	(785)	0	0	0	0	(2,284)	0
Other movements in cost or valuation	27,193	3,930	1,303	0	(114)	(58,179)	(25,867)	0
At 31 March 2021	618,053	77,117	59,567	3,605	3,045	62,182	823,569	125,163
Accumulated Deprecia	tion and Impa	airment						
At I April 2020	(46,900)	(47,046)	0	(1,302)	(124)	0	(95,372)	(433)
Depreciation charge	(18,419)	(4,616)	(622)	0	(4)	0	(23,661)	(33)
Depreciation written out to the Revaluation Reserve	19,576	0	0	0	0	0	19,576	0
Depreciation written out to the surplus/deficit on the Provision of Services	385	0	622	0	ı	0	1,008	0
Impairment losses/(reversals) recognised in the Revaluation Reserve	0	0	0	0	119	0	119	0
Impairment losses/(reversals) recognised in the surplus/deficit on the Provision of Services	138	0	0	0	0	0	138	0
Derecognition - disposals	149	762	0	0	0	0	911	0
Other movements in depreciation and impairment	637	430	0	0	0	0	1,067	0
At 31 March 2021	(44,434)	(50,470)	0	(1,302)	(8)	0	(96,214)	(466)
Net Book Value								
At 31 March 2021	573,619	26,647	59,567	2,303	3,037	62,182	727,355	124,697
At 31 March 2020	528,609	22,033	60,532	2,303	3,087	89,828	706,392	123,059

15.2 Commitments Under Capital Contracts

The capital commitments outstanding on capital and other works contracts entered into as at 31 March 2022 amounted to £42.663m (31 March 2021: £39.565m). The Council is committed to complete these contracts under its latest approved Medium Term Capital Programme. Significant contractual commitments outstanding as at 31 March 2022 were as follows:

Project	Contractor	Amount
		£000
Forder Valley Link Road	Balfour Beatty	6,246
Forder Valley Link Road	Utilities	782
Forder Valley Interchange	Balfour Beatty	3,930
Bereavement Infrastructure	Kier Construction Ltd	5,078
Heat Sourcing in Corporate Buildings	Vital Energi Utilities	1,300
Re-development of Od Town Street/New George Street	Morgan Sindall	7,500
Crownhill Sustainable Transport Corridor	Balfour Beatty	6,220
Royal Parade Bus Infrastructure	South West Highways	2,000
New Data Centre Migration	DELT	729
Mobility Hubs	Smidsy (trading as Beryl)	644
Workplace Travel Package	Various	550
Douglass House Site Development	Coyde	561
Other Contractual Commitments under £500K		7,123
Total		42,663

15.3 Revaluations

The Council revalues a significant proportion of its Property, Plant and Equipment (PPE) on an annual basis and then carries out a rolling programme that ensures that all the remaining property required to be measured at fair value is revalued at least every five years. In 2021/22 an external valuer, the Torbay Development Agency (TDA) Group of Torbay, was appointed to carry out valuations undertaken on a Depreciated Replacement Cost basis. The TDA Group have a number of RICS Registered Valuers who oversee the work undertaken. The remaining valuations undertaken on an Existing Use Value basis were carried out internally under the supervision of the Council's internal RICS Registered Valuers, except for the Energy from Waste Plant which is revalued by an external valuer appointed by Devon County Council and the Tamar Bridge and Torpoint Ferry properties which are revalued by an external valuer appointed by Cornwall Council.

Revaluations	Other Land and Buildings	Vehicles, Plant, Furniture and Equipment	Surplus Assets	Total
	£000	£000	£000	£000
Carried at historical cost	1,006	27,233	0	28,239
Valued at Current Value as at :				
31 March 2022	549,700	0	3,780	553,480
31 March 2021	5,071	0	0	5,071
31 March 2020	22,506	0	0	22,506
31 March 2019	26,484	0	0	26,484
31 March 2018	7,120	0	0	7,120
Total Cost of Valuation	611,887	27,233	3,780	642,900

15.4 Gain/Loss on Disposal of Non-Current Assets

Assets Written Off Balance Sheet	2020/21	2021/22
	£000	£000
Land and property sales	1,810	269
Academy and trust schools	6,961	16,787
Investment properties	27	0
Total	8,798	17,056

16 Heritage Assets

The Council holds the following types of heritage assets:

Historic Buildings and Monuments

Historic buildings and monuments classified as heritage assets on the balance sheet include Smeaton's Tower and various statues and monuments, 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 and Equipment. These include Mount Edgcumbe House and The Box. In 2021/22 renovations works were completed at the Elizabethan House and Devonport Market Hall. Both properties are being used for the provision of services and, therefore, these have now been reclassified and recognised within Property, Plant and Equipment.

Gold, Silver, Jewellery, Fine Art and World Cultures

The Council's gold, silver, jewellery, fine art and world cultures collections are reported in the balance sheet at insurance valuation, which is based on market values.

The Council's policy for the acquisition, preservation and management of museum assets can be found on The Box website.

Items Under £100k

All heritage assets under £100k are recognised at insurance valuations, which are reviewed annually and the value of assets are adjusted accordingly.

Special Books Collection

The special books collection are recognised at insurance valuations, which are reviewed annually and the value of assets are adjusted accordingly.

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

Heritage Assets	Buildings	Fine Art	Gold, Silver and Jewellery	Items Under £100k	Special Books Collection	Total Assets
	£000	£000	£000	£000	£000	£000
Cost or Valuation						
As at 1 April 2020	5,914	17,451	4,730	16,695	3,500	48,290
Additions	1,243	61	0	0	0	1,304
Revaluations	0	(403)	0	102	0	(301)
Reclassification	1,067	0	0	0	0	1,067
As at 31 March 2021	8,224	17,109	4,730	16,797	3,500	50,360
Cost or Valuation						
As at I April 2021	8,224	17,109	4,730	16,797	3,500	50,360
Revaluations	0	0	2	504	0	506
Reclassification	(4,407)	0	0	0	0	(4,407)
As at 31 March 2022	3,817	17,109	4,732	17,301	3,500	46,459

17 Investment Properties

17.1 Income, Expenditure and Charges in Fair Value of 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 consist of offices, various ground rents (including retail, offices and industrial), industrial estates (including out of town), development sites, leisure (including restaurants, cafes and hotels) and retail (both in and out of town).

The following items of income and expenditure have been accounted for in the Financing and Investment Income and Expenditure line in the CIES:

Amounts Recognised in the Comprehensive Income and Expenditure Statement	2020/21	2021/22
	£000	£000
Rental income from Investment Property	13,816	16,084
Direct operating expenses arising from Investment Property	(10,440)	(10,454)
Net Gain/(Loss)	3,376	5,630

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

Analysis of Movement in Investment Properties	2020/21	2021/22
	£000	£000
Balance at I April	254,440	275,442
Additions	26,558	113
Disposals	(160)	0
Net gains/(losses) from fair value adjustments	(8,300)	(2,587)
Transfers:		
(To)/from Property, Plant and Equipment	2,904	(1,903)
Balance at 31 March	275,442	271,065

17.2 Fair Value Hierarchy for Investment Properties

Details of the Council's investment properties and information about the fair value hierarchy as at 31 March 2022 are as follows:

Recurring Fair Value Measurements Using	Quoted Prices in Active Markets for Identical Assets (Level I)	Other Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Fair Value as at 31 March 2022
2021/22	£000	£000	£000	£000
Industrial sites	0	67,951	0	67,951
Miscellaneous ground rents	0	6,581	3,905	10,486
Miscellaneous lets	0	22,548	37	22,585
Retail ground rents	0	28,378	0	28,378
Offices	0	15,683	0	15,683
Out of town retail	0	77,838	0	77,838
Out of town businesses	0	39,238	0	39,238
Development and Surplus Land	0	8,805	50	8,855
Lodges	0	51	0	51
Total	0	267,073	3,992	271,065

There were no transfers between Levels I and 2 during the year.

Recurring Fair Value Measurements Using	Quoted Prices in Active Markets for Identical Assets (Level I)	Other Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Fair Value as at 31 March 2021
2020/21	£000	£000	£000	£000
Industrial sites	0	66,426	0	66,426
Miscellaneous ground rents	0	6,628	3,698	10,326
Miscellaneous lets	0	24,787	34	24,821
Retail ground rents	0	33,469	0	33,469
Offices	0	15,679	0	15,679
Out of town retail	0	77,111	0	77,111
Out of town businesses	0	38,511	0	38,511
Development and surplus land	0	8,998	50	9,048
Lodges	0	51	0	51
Total	0	271,660	3,782	275,442

There were no transfers between Levels I and 2 during the year.

17.3 Valuation Techniques Used to Determine Level 2 and 3 Fair Values for Investment Properties

Significant Observable Inputs – Level 2

The Current Value (Fair Value) for the Investment portfolio has been based on the market approach using comparable evidence from recent property transactions in the Plymouth area and by analysing other relevant information. Market Conditions are such that similar properties are actively purchased and sold with the level of observable inputs significant. This has led to the properties being categorised at Level 2 in the fair value hierarchy.

In relation to the housing sites, each of the housing sites have been marketed on the open market by Plymouth City Council, with offers received subject to various conditions (including but not limited to planning or category of those specifications). These offers have been adjusted accordingly to reflect the individual conditions.

Significant Unobservable Inputs - Level 3

Assets categorised at Level 3 in the fair value hierarchy have been assessed where there is a significant level of unobservable inputs. Where there is no reasonably available market evidence available in the Plymouth area to determine the Current Value (Fair Value) the Valuer will use considered assumptions such as the potential yields, rental growth and occupancy levels.

Highest and Best Use of Investment Properties

In estimating the fair value of the Council's investment properties, the highest and best use of the properties is their current use.

Valuation Techniques

There has been no change in the valuation techniques used during the year for investment properties.

17.4 Reconciliation of Fair Value Measurements (Using Significant Unobservable Inputs) Categorised within Level 3 of the Fair funding Hierarchy

Investment Properties Categorised within Level 3	31 March 2021	31 March 2022
	£000	£000
Opening Balance	3,749	3,782
Total gains/(losses) for the period included in the surplus or deficit on the provision of services resulting from changes in fair value	33	210
Closing Balance	3,782	3,992

Gains or losses arising from changes in the fair value of the investment properties are recognised in Surplus or Deficit on the Provision of Services – Financing and Investment Income and Expenditure line.

Valuation Process for Investment Properties

The fair value of the authority's investment property is measured annually at each reporting date. All valuations are carried out internally, in accordance with methodologies and bases for estimation set out in the professional standards of the Royal Institute of Chartered Surveyors. The authority's valuation experts work closely with finance officers regarding all valuation matters.

18 Financial Instruments

18.1 Financial Instruments 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.

Financial Assets

A financial asset is a right to future economic benefits controlled by the Council that is represented by cash, equity instruments or a contractual right to receive cash or other financial assets or a right to exchange financial assets and liabilities with another entity that is potentially favourable to the Council.

The financial assets held by the Council during the year are accounted for under the following three classifications:

- Amortised cost (where cash flows are solely payments of principal and interest and the Council's business model is to collect those cash flow) comprising:
 - cash in hand;
 - bank current and deposit accounts;
 - fixed term deposits and reverse repurchase agreements with banks and building societies;
 - loans to other local authorities;
 - loans to smaller companies and housing associations;
 - certificates of deposit and covered bonds issued by banks and building societies;
 - treasury bills and gilts issued by the UK Government;
 - loans made for service purposes;
 - leases receivables;

- trade receivables for goods and services provided.
- Fair value through other comprehensive income (where cash flows are solely payments of principal and interest and the Council's business model is to both collect those cash flows and sell the instrument; and equity investments that the Council has elected into this category).
- Fair value through profit and loss (all other financial assets) comprising:
 - Interest rate swaps;
 - pooled funds, equity and property funds managed and held as strategic investments;
 - equity investments held for service purposes;
 - money market funds managed by fund managers;
 - loans where the cash flows are not solely payments of principal and interest;
 - structured deposits with banks and building societies.

Financial assets held at amortised cost are shown net of a loss allowance reflecting the statistical likelihood that the borrower or debtor will be unable to meet their contractual commitments to the Council.

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

Financial Assets	Fair Long-Term		Term	Short-Term		Total	
	Value Level	31 March 21	31 March 22	31 March 21	31 March 22	31 March 21	31 March 22
		£000	£000	£000	£000	£000	£000
At fair value through profit or	loss:						
Money Market Fund (MMF)	3	0	0	29,950	23,150	29,950	23,150
Pooled funds	2	52,407	58,759	0	0	52,407	58,759
Interest rate swap	2	5,617	11,453	0	0	5,617	11,453
Amortised Cost							
Investments	3	73	73	0	0	73	73
Cash and cash equivalents (less MMF)	3	0	0	11,909	17,077	11,909	17,077
Total Investments		58,097	70,285	41,859	40,227	99,956	110,512
Debtors							
Financial instruments	3	13,540	12,699	17,415	19,636	30,955	32,335
Non-financial instruments	3	0	0	78,544	55,869	78,544	55,869
Total		71,637	82,984	137,818	115,732	209,455	198,716

The fair value of long-term debtors is assumed to be approximate to the carrying amount.

The fair value of short-term financial assets including receivables is assumed to approximate to the carrying amount. Short-term debtors are split between financial instruments and non-financial instruments depending on whether they are statutory or non-statutory.

Financial Liabilities

A financial liability is an obligation to transfer economic benefits controlled by the Council and can be represented by a contractual obligation to deliver cash or financial assets or an obligation to exchange financial assets and liabilities with another entity that is potentially unfavourable to the Council.

The majority of the Council's financial liabilities held during the year are measured at amortised cost and comprised of:

- long-term loans from the Public Works Loan Board;
- short-term loans from other local authorities;
- overdraft;
- lease payables;
- Private Finance Initiative;
- trade payables for goods and services received.

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

Financial Liabilities	Fair Value			Short-Term		Total	
	Level	31 March 21	31 March 22	31 March 21	31 March 22	31 March 21	31 March 22
		£000	£000	£000	£000	£000	£000
Loans at amortised cost:							
PWLB	2	(40,532)	(230,532)	(177)	(1,129)	(40,709)	(231,661)
Market Loans	2	(82,634)	(82,567)	(1,345)	(1,349)	(83,979)	(83,916)
Other borrowing	2	(12,361)	(12,530)	(462,720)	(225,383)	(475,081)	(237,913)
Total Borrowing		(135,527)	(325,629)	(464,242)	(227,861)	(599,769)	(553,490)
Liabilities at amortised cost:							
Other liabilities	2	(116,867)	(113,570)	(4,664)	(5,644)	(121,531)	(119,214)
Creditors							
Financial instruments	3	0	0	(32,196)	(49,118)	(32,196)	(49,118)
Non-financial instruments	3	(8,895)	(11,597)	(74,102)	(69,451)	(82,997)	(81,048)
Total		(261,289)	(450,796)	(575,204)	(352,074)	(836,493)	(802,870)

^{*} These figures relate to the pre-local government reorganisation pension liability.

Short-term creditors are split between financial instruments and non-financial instruments depending on whether they are statutory or non-statutory.

LOBOs (Local Authority Lender's Option Borrower's Option loans) of £10m have been included in Market Loans but have a call date in the next 12 months. A call date means that the lender has the option to change the interest rate for the remaining period of the loan. The Council then has the option to accept the new rate or redeem.

Financial Liabilities Comparison to Fair Values

Financial Liabilities	Balance Sheet 31 March 21	Fair Value 31 March 21	Balance Sheet 31 March 22	Fair Value 31 March 22
	£000	£000	£000	£000
Loans at amortised cost:				
PWLB	40,709	65,211	231,661	194,496
LOBO loans	65,777	101,235	65,715	87,237
Other market loans	18,202	31,057	18,201	26,273
Other long-term loans	12,361	10,838	12,530	12,530
Short-term borrowing	462,720	462,720	225,383	225,383
Total Borrowing	599,769	671,061	553,490	545,919
PFI and lease liabilities	121,531	126,923	119,214	114,487
Total Liabilities	721,300	797,984	672,704	660,406

18.2 Equity Instruments Designated to Fair Value through Profit or Loss

The Council has investments made through the CCLA and other pooled funds. Under IFRS 9 the Code now requires that pooled funds are measured at Fair Value through Profit or Loss. However, to mitigate the impact of the change there is a statutory override for a period of five years meaning that there is no impact on the Council's General Fund.

18.3 Gains and Losses on Financial Instruments

The income, expense, gains and losses recognised in the CIES in relation to financial instruments are made as follows:

Gains and Losses on Financial Instruments		Surplus or Deficit on the Provision of Service		
	2020/21	2021/22		
	£000	£000		
Net Gains/Losses on:				
Financial assets measured at fair value through profit and loss	(1,493)	(6,252)		
Interest rate swaps at fair value through profit and loss *	(5,334)	(5,775)		
Total Net (Gains)/Losses on Financial Instruments	(6,827)	(12,027)		
Interest Revenue				
Investment income from financial assets measured through profit and loss	(2,832)	(1,992)		
Interest receivable from financial assets measured at amortised costs	(502)	(351)		
Total Interest Revenue	(3,334)	(2,343)		
Total Income	(10,161)	(14,370)		
Interest expense	14,968	14,495		
Total Interest Expense	14,968	14,495		
Net (Gain)/Loss for the Year	4,807	125		

^{*} SDPS is cash flows plus accrual; OCI is fair value minus accrual.

18.4 Financial Instruments - Fair Value

Financial instruments, except those classified at amortised cost, are carried in the Balance Sheet at fair value. For most assets, including bonds, treasury bills and shares in money market funds and other pooled funds, the fair value is taken from the market price.

The fair values of other instruments have been taken at cost value, as the council believes that cost may provide an appropriate estimate of fair value. Cost represents the best estimate of fair value:

- a) no significant change in the performance of the investee compared with budget;
- b) no significant change in the market for the investee's products, economic environment in which the entity operates;
- c) no change in expected performance in matters such as fraud, commercial disputes, litigation, changes in management or strategy.

Financial instruments classified at amortised cost are carried in the Balance Sheet at amortised cost.

The value of Lender's Option Borrower's Option (LOBO) loans have been increased by the value of the embedded options. Lenders' options to propose an increase to the interest rate on the loan have been valued according to a proprietary model for Bermudan cancellable swaps. 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;

- Other loans borrowed by the Council have been valued at cost on the basis of that most of the loans are short-term loans and/or borrowed from other public sector organisations;
- Shares in limited company have been valued at cost of the investment;
- The fair values of finance lease assets and liabilities and of PFI scheme liabilities have been calculated by discounting the contractual cash flows (excluding service charge elements) at the appropriate AA-rated corporate bond yield;
- Interest rate swaps have been valued using the market forward interest rate curve;
- No early repayment or impairment is recognised for any financial instrument;
- The fair value of short-term instruments, including trade payables and receivables, is assumed to be approximately the carrying amount given the low interest rate environment and the bad debt provisions already included in the statement of accounts.

Fair values are shown in note 18.1, split by their level in the fair value hierarchy:

- Level I fair value is only derived from quoted prices in active markets for identical assets or liabilities, e.g. bond prices;
- Level 2 fair value is calculated from inputs other than quoted prices that are observable for the asset or liability, e.g. interest rates or yields for similar instruments;
- Level 3 fair value is determined using unobservable inputs, e.g. non-market data such as cash flow forecasts or estimated creditworthiness.

18.5 Nature and Extent of Risks Arising from Financial Instruments

The Council complies with the CIPFA's Code of Practice on Treasury Management and the Prudential Code for Capital Finance in Local Authorities, both revised in December 2021.

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.

Full details of the Council's Treasury Management Strategy can be found on the Council's website.

The Treasury Management Strategy includes an Annual Investment Strategy in compliance with the Ministry for Housing, Communities and Local Government's (MHCLG) 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 deposits with banks and financial institutions as well as credit exposures to the Council's customers.

Asset Type	Credit Risk Management	Estimation of Impairment Loss
Loans to other authorities	Guaranteed by statute.	No allowance required.
Banks and financial institutions	Deposits are restricted in line with Council's approved Treasury Strategy.	No historic or forecast losses.
Loans	All loans subject to internal risk appraisal, where appropriate guarantees and/or security is obtained in event of default.	No historic or forecast losses.
Other Debtors	Debtors are not subject to internal credit ratings and have been grouped for the purposes of calculating expected losses.	Expected credit losses (impairment) estimated based on age and type of debt.

The Council manages credit risk by ensuring that treasury investments are only placed with organisations of high credit quality as set out in the Treasury Management Strategy. These include commercial entities, the UK government, other local authorities, and organisations without credit ratings upon which the Council has received independent investment advice. Recognising that credit ratings are imperfect predictors of default, the Council has regard to other measures including credit default swap, other contracts and equity prices when selecting commercial entities for investment.

A limit of £25m of the total portfolio is placed on the amount of money that can be invested with a single counterparty (other than the UK government). For unsecured investments in building societies there is a smaller limit of £10m applies. The Council also sets limits on investments in certain sectors.

The table below summarises the credit risk exposures of the Council's treasury management portfolio by credit rating and remaining time to maturity:

Cycdit Pating	31 Marc	ch 2021	31 March 2022		
Credit Rating	Long-Term	Short-Term	Long-Term	Short-Term	
	£000	£000	£000	£000	
AAA	0	0	0	0	
AA	0	29,950	0	23,150	
A+	73	11,025	0	11,475	
Α	0	0	0	0	
A-	0	0	0	0	
Unrated	0	0	0	0	
Total	73	40,975	0	34,625	
Credit risk not applicable*	60,582	884	58,832	28,752	
Total Investments	60,655	41,859	58,832	63,377	

^{*} Credit Risk is not applicable to shareholdings and pooled funds where the Council has no contractual right to receive any sum of money.

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.

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 does not generally allow credit for customers. After 28 days, recovery procedures are undertaken to recover any outstanding debt. The past due amount can be analysed by age as follows:

Past Due Amounts Analysed by Age	31 March 21	31 March 22
	£000	£000
Less than three months	9,673	29,572
Three months to one year	3,295	3,132
More than one year	4,423	4,851
Total	17,391	37,555

The credit risk inherent in interest rate swaps is managed by the selection of highly credit worthy counterparties and by the requirement for the counterparty to post cash collateral when the valuation exceeds agreed thresholds. £3.520m cash collateral was held at 31 March 2022 (31 March 2021: Nil).

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 meets its commitments.

It is however exposed to the risk that it will need to refinance a significant proportion of its short-term borrowing at a time of unfavourably high interest rates.

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

Loans Outstanding	31 March 2021	31 March 2022
	£000	£000
Public Works Loan Board	(40,709)	(231,661)
Market debt	(83,979)	(83,916)
Temporary borrowing	(462,720)	(225,384)
Other borrowing	(12,361)	(12,530)
Deferred liability (PFI)	(100,567)	(97,043)
Deferred liability (finance leases)	(1,465)	(1,412)
Other liabilities	(19,499)	(20,759)
Trade creditors	(106,298)	(118,569)
Long-term creditors	(8,895)	(11,597)
Total	(836,493)	(802,871)
Less than I year	(575,204)	(358,273)
Between I and 2 years	(17,903)	(2,462)
Between 2 and 5 years	(24,975)	(17,275)
Between 5 and 10 years	(43,758)	(64,557)
Between 10 and 20 years	(83,749)	(80,011)
Between 20 and 30 years	(3,295)	(6,468)
Between 30 and 40 years	(24,163)	(20,392)
Between 40 and 50 years	(25,174)	(215,188)
Over 50 years	(38,272)	(38,246)
Total	(836,493)	(802,872)

The Council has £64m (2020/21: £64m) of LOBO loans where the lender has the option to propose an increase in the rate payable; the Council will then have the option to accept the new rate or repay the loan without penalty. Due to current low interest rates, in the unlikely event that the lender exercises its option, the Council is likely to repay these loans. The maturity date is therefore uncertain.

£228m of short-term borrowing in place at 31 March 2022 was taken under approved authority to meet the Council's capital financing and cash flow requirements to the end of the financial year. These loans can be repaid from cash flow maturing deposits and short term borrowing in 2021/22 if required, thus reducing credit 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.

The Council has £228m short-term (less than 12 months) loans so there is an interest rate risk if the rates go up. The Council holds a £75m "pay fixed receive variable" interest rate swap to partly offset this risk. If there is a 0.5% increase in the bank rate it will cost an additional £1.950m per year (i.e. the impact is calculated on a net basis).

The Council has £64m (2020/21: £64m) of LOBO loans with fixed interest rates and with maturity dates between 2031 and 2078 where the lender has the option to propose an increase in the rate payable; the Council will then have the option to accept the new rate or repay the loan without penalty.

In the current low interest rate environment, the likelihood of the lender increasing the rate is low, however, the likelihood will increase in later years should market interest rates rise. For instance, a rise in interest rates would have the following effects:

- borrowings at variable rates the interest expense will rise;
- borrowings at fixed rates the fair value of the liabilities will fall;
- investments at variable rates the interest income will rise;
- investments at fixed rates the fair value of the assets will fall;
- pay fixed receive variable interest rate swaps the fair value of the assets will rise.

Investments measured at amortised cost and loans borrowed are not carried at fair value, so changes in their fair 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. Movements in the fair value of fixed rate investments measured at fair value will be reflected in Other Comprehensive Income or the Surplus or Deficit on the Provision of Services as appropriate. Movements in the fair value of the interest rates swaps will be reflected in 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. 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. Interest rate risk is also managed using interest rate swaps, and the Council currently holds a £75m interest rate swap maturing in 2040 with a strike rate of 0.56%. Changes in the fair value of the swap are taken to an earmarked reserve.

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's investment in a pooled property fund is subject to the risk of falling commercial property prices. This risk is limited by the Council's maximum exposure to property investment fund of £30.959m. A 1% fall in commercial property prices would result in a £0.310m charge to the surplus or deficit on the provision of services, which is then transferred to the pooled investment fund adjustment account.

The Council's investments in pooled investment funds is subject to the risk in falling share prices. The risk is limited by the Council's maximum exposure to equity investments of £29.935m. A 1% fall in share prices would result in a £0.299m charge to the surplus or deficit on the provision of services, which is then transferred to the pooled investment fund adjustment account.

19 Debtors

19.1 Short-Term Debtors

Debtors due within the next 12 months are:

Short-Term Debtors by Category	31 March 2021	31 March 2022
	£000	£000
Central government departments	48,174	25,579
NHS bodies	833	2,427
Other local authorities	3,311	3,059
Other entities and individuals	43,641	44,440
Total Short-Term Debtors	95,959	75,505

19.2 Long-Term Debtors

Debtors due after 12 months are:

Long-Term Debtors by Category	31 March 2021	31 March 2022
	£000	£000
Secured debt	1,142	1,085
Other loans/mortgages	12,398	11,614
Total Long-Term Debtors	13,540	12,699

19.3 Bad Debt Provision

Analysis of Bad Debt Provision Held	31 March 2021	Provision Made in Year	Provision Used in Year	31 March 2022
	£000	£000	£000	£000
General fund	(3,277)	(795)	586	(3,486)
Housing benefit overpayments provision	(4,799)	(661)	181	(5,279)
Collection fund	(8,617)	(1,003)	890	(8,730)
Total Provisions for Bad Debt	(16,693)	(2,459)	1,657	(17,495)

20 Creditors

20.1 Short-Term Creditors

Creditors payable within the next 12 months are:

Short-Term Creditors by Category	31 March 2021	31 March 2022
	£000	£000
Central government departments	(35,792)	(24,747)
Corporations and trading funds	(7)	0
NHS bodies	(398)	(4,463)
Other local authorities	(2,534)	(3,844)
Other entities and individuals	(72,231)	(91,159)
Total Short-Term Creditors	(110,962)	(124,213)

20.2 Long-Term Creditors

Creditors payable after 12 months are:

Long-Term Creditors by Category	31 March 2021	31 March 2022
	£000	£000
Other local authorities	(8,770)	(11,501)
Other entities and individuals	(125)	(96)
Total Long-Term Creditors	(8,895)	(11,597)

The amount included within Other Local Authorities relates to a liability to Devon County Council for unfunded pension liabilities in reference to pre Local Government Re-organisation (that is pre I April 1998).

20.3 Other Long-Term Liabilities

Analysis of Other Long-Term Liabilities	31 March 2021	31 March 2022
	£000	£000
PFI finance leases	(97,043)	(92,915)
Other finance leases	(1,412)	(1,355)
Cornwall Council - Tamar Bridge and Torpoint Ferry Joint Committee	(18,412)	(19,300)
Total Other Long-Term Liabilities	(116,867)	(113,570)

21 Provisions

The Council has a number of budget provisions set up to meet known liabilities. The balance on the provisions at year end together with movement in the year is outlined as follows:

Analysis of Provisions Held	31 March 2021	Provisions Made in Year	Payments Used in Year	Unused Amounts Reversed in Year	31 March 2022
	£000	£000	£000	£000	£000
Insurance provision	(3,470)	(2,049)	1,511	0	(4,008)
Landfill site provision	(8,667)	(1,790)	396	0	(10,061)
Other provisions	(8,985)	(1,213)	3,044	0	(7,154)
Total Provisions	(21,122)	(5,052)	4,951	0	(21,223)

The provisions include short-term provisions of £8.292m (2020/21: £3.065m) and long-term provisions of £12.931m (2020/21: £18.057m).

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.

Landfill Site Provision

The Council has a provision of £10.061m as at 31 March 2022 to reflect the Council's on-going liability for the closed landfill site at Chelson Meadow. The provision has been calculated on the future maintenance costs over the next 46 years and is reviewed each year to take into account the actual maintenance costs spent in the year.

Other Provisions

Included in Other Provisions is a provision of £7.113m as at 31 March 2022 (2020/21: £8.945m) for business rate appeals.

22 Unusable Reserves

The Council holds a number of unusable reserves in the Balance sheet. Some are required to be held for statutory reasons and some are needed to comply with proper accountancy practice.

Analysis of Reserves	Note	31 March 2021	31 March 2022
		£000	£000
Unusable Reserves:			
Revaluation Reserve	22.1	263,961	313,175
Capital Adjustment Account	22.2	176,990	162,781
Financial Instruments Adjustments Account	22.3	(26,044)	(25,431)
Pensions Reserve	22.4	(597,660)	(383,373)
Collection Fund Adjustment Account	22.5	(34,309)	(18,673)
Accumulating Compensated Absences Adjustment Account		(2,058)	(1,785)
Deferred Capital Receipts		11	288
Pooled Investment Fund Adjustment Account		(2,618)	3,634
Total Unusable Reserves		(221,727)	50,616

22.1 Revaluation Reserve

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

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

The Revaluation Reserve contains only revaluation gains accumulated since I 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	2020/21	2021/22
	£000	£000
Balance at I April	246,913	263,961
Upward revaluation of assets	39,097	88,416
Downward revaluation of assets and impairment losses not charged to the (surplus)/deficit on the Provision of Services	(10,628)	(28,496)
Surplus or (Deficit) on the Revaluation of Non-current Assets Not Posted to the (Surplus) or Deficit on the Provision of Services	28,469	59,920
Release of Investment Property Balance	0	(1,209)
Difference between fair value depreciation and historical cost depreciation	(7,827)	(7,244)
Accumulated gains on assets sold or scrapped	(3,594)	(2,253)
Amount Written Off to the Capital Adjustment Account	(11,421)	(10,706)
Balance at 31 March	263,961	313,175

22.2 Capital Adjustment Account

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

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

Movement in Capital Adjustment Account	2020/21	2021/22
	£000	£000
Balance at I April	198,648	176,990
Release of Investment Property balance in the Revaluation Reserve	0	1,344
Reversal of Items Relating to Capital Expenditure Debited or Credited to the Comprehensive Income and Expenditure Statement:		
Charges for depreciation and impairment of non-current assets	(35,649)	(35,450)
Revaluation losses on Property, Plant and Equipment	465	(16,075)
Amortisation of intangible assets	(7)	(1)
Revenue expenditure funded from capital under statue	(20,483)	(13,078)
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(5,640)	(15,054)
Adjusting amounts written out of the Revaluation Reserve	7,827	7,244
Revaluation losses on Share Purchase	(60)	0
Capital Financing Applied in the Year:		
Use of the Capital Receipts Reserve to finance new capital expenditure	1,843	1,640
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	21,674	29,570
Amounts Reserved for Future Capital Funding:		
Statutory provision for the financing of capital investment charged against the General Fund (includes TBTF element)	16,227	17,578
Capital expenditure charged against General Fund	533	11,629
Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	(8,300)	(2,587)
Other Movement on the CAA in Year:		
Landfill Site Provision	(934)	(1,790)
Write down of long-term debtors	(1,478)	(1,503)
Deferred credit - Energy from Waste	2,324	2,324
Balance at 31 March	176,990	162,781

22.3 Financial Instruments Adjustment Account

The Financial Instrument Adjustment Account absorbs the timing differences arising from the different arrangements for the accounting for income and expenditure relating to certain financial instruments and for bearing losses or benefitting from gains per statutory provisions. The Council uses the account to manage premiums paid and discounts received on the early redemption of loans. During the year there was no early redemption of LOBO loans. Premiums are debited and discounts are credited 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 net expense is posted back to the General Fund balance in accordance with statutory arrangements for spreading the burden on Council Tax payers. In the Council's case this period is the unexpired term that was outstanding on loans when they were redeemed.

Movement in Financial Instruments Adjustment Account	2020/21	2021/22
	£000	£000
Balance at I April	(26,598)	(26,044)
Financial Instruments written off	(57)	0
Proportion of premiums incurred in previous financial years to be charged against the General Fund Balance in accordance with statutory requirements	544	544
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	67	69
Balance at 31 March	(26,044)	(25,431)

22.4 Pension 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 CIES as the benefits are earned by employees accruing years of service, updating the liabilities to recognise and to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. 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	2020/21	2021/22
	£000	£000
Balance at I April	(467,951)	(597,660)
Opening balance adjustment	10	0
Actuarial gains or losses on pensions assets and liabilities	(110,721)	253,419
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	(37,569)	(51,469)
Employer's pensions contributions and direct payments to pensioners payable in the year	14,781	15,067
(Increase)/decrease in Plymouth's share of next deficit in year of Devon County Council Pension Fund	3,790	(2,730)
Balance at 31 March	(597,660)	(383,373)

22.5 Collection Fund Adjustment Account

The collection fund adjustment account manages the differences arising from the recognition of council tax and non-domestic rates income in the Comprehensive Income and Expenditure Statement as it falls due from council tax payers and business rates payers compared with the statutory arrangements for paying across amounts to the General Fund from the collection fund.

Collection Fund Adjustment Account	2020/21	2021/22
	£000	£000
Balance at I April	1,621	34,309
Amount by which council tax and non-domestic rates income credited to the Comprehensive Income and Expenditure Statement is different from council tax and non-domestic rates income calculated from the year in accordance with statutory requirements	32,688	(15,636)
Balance at 31 March	34,309	18,673

23 Notes to Cash Flow

23.1 Cash Flow Statement - Operating Activities

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

Analysis of Operating Activities	2020/21	2021/22	
	£000	£000	
Net Surplus/(Deficit) on the Provision of Services	(18,752)	(21,213)	
Adjust Net Surplus/(Deficit) on the Provision of Services for Non-Cash Movement	ents:		
Depreciation	35,190	51,525	
Impairment and downward valuations	(7,827)	(7,243)	
Impairment losses on loans and advances debited to surplus or deficit on the provision of service in year	0	4,101	
Impairment losses on investments debited to surplus/(deficit) on the Provision of Services in year	59	0	
Adjustment for movements in fair value of investments classified as fair value through profit and loss	0	(12,188)	
Adjustments for effective interest rates	1,255	0	
(Increase)/decrease in interest creditors	5,038	0	
(Increase)/decrease in creditors	2,615	(20,656)	
(Increase)/decrease in interest and dividend debtors	2,946	0	
(Increase)/decrease in debtors	(8,731)	(4,720)	
(Increase)/decrease in inventories	154	84	
Pension liability	18,999	39,132	
Contributions to/(from) Provisions	8,265	101	
Unwinding the discount on deferred receipts	0	(277)	
Carrying amount of non-current assets sold	5,640	17,034	
Movement in Investment Property values	8,300	2,587	
Total	71,903	69,480	
Adjust for Items Included in the Net Surplus or Deficit on the Provision of Servi Activities	ices that are Invest	ing or Financing	
Capital grants credited to surplus/(deficit) on the Provision of Services	(22,248)	(32,666)	
Proceeds from the sale of Property, Plant and Equipment, Investment Property and Intangible Assets	(466)	(2,004)	
Total	(22,714)	(34,670)	
Net Cash Flows from Operating Activities	30,437	13,597	

The cash flows for operating activities include the following items:

Analysis of Interest Paid and Received	2020/21	2021/22
	£000	£000
Interest received	7,535	2,066
Interest paid	(15,593)	(14,495)

23.2 Cash Flow Statement - Investing Activities

Analysis of Investing Activities	2020/21	2021/22	
	£000	£000	
Purchase of Property, Plant and Equipment, Investment Property and Intangible Assets	(83,089)	(79,301)	
Purchase of short-term and long-term investments	(7,304)	0	
Other payments for Investing Activities	4,434	13,281	
Proceeds from the sale of Property, Plant and Equipment, Investment Properties and Intangible Assets	471	2,004	
Proceeds from short-term and long-term investments	12,000	0	
Other Receipts from Investing Activities	42,266	56,418	
Net Cash Flows from Investing Activities	(31,222)	(7,598)	

23.3 Cash Flow Statement – Financing Activities

Analysis of Financing Activities	2020/21	2021/22
	£000	£000
Cash receipts of short-term and long-term borrowing	99,053	(46,403)
Billing Authorities - Council Tax and NDR adjustments	2,962	42,395
Repayment of short-term and long-term borrowing	(94,505)	0
Payments for the reduction of a finance lease liability	(99)	(103)
Payments for the reduction of a PFI liability	(3,557)	(3,520)
Net Cash Flows from Financing Activities	3,854	(7,631)

23.4 Cash Flow Statement - Cash and Cash Equivalents

Analysis of Cash and Cash Equivalents	2020/21	2021/22
	£000	£000
Cash and bank balances	440	1,857
Cash Investments - regarded as cash equivalents	40,974	34,625
Tamar Bridge and Torpoint Ferry	445	3,745
Net Cash Flows from Cash and Cash Equivalents	41,859	40,227

24 Pooled Budgets - Integrated Fund

The Council has a pooled budget arrangement with the Devon Clinical Commissioning Group (Devon CCG), under Section 75 of the NHS Act 2006, to enable an integrated approach to commissioning a range of health, public health and social care services to meet the needs of people living in the Plymouth area. The pooled budget is currently hosted by Devon CCG on behalf of the two partners to the agreement, although the two partners keep their own accounts in their separate ledgers. All spend is allocated a lead commissioner. The risk share allows for the Council and Devon CCG to share the risk and reward of over and under-spends, up to the value of 0.5% of the agreed applicable value of the Integrated Fund, is proportional to the value of the contribution of each party to the Integrated Fund and also ensures that the risk to each partner is capped. In 2020/21, because

of the global pandemic, and its effects on the costs of health and social care, it was agreed to amend the risk share for the year to 0% risk on both parties to the agreement and this was again agreed for 2021/22. This decision will be reviewed for 2022/23.

Pooled Budget - Integrated Fund	2020/21	2021/22	
	£000	£000	
Contribution to the Pooled Budget:			
Plymouth City Council's contribution:			
Pooled	191,784	188,065	
Aligned	76,868	75,690	
Total Plymouth City Council	268,652	263,755	
Devon CCG's contribution:			
Pooled	165,884	175,049	
Aligned	221,118	292,095	
Total Devon CCG	387,002	467,144	
Total Combined Integrated Fund	655,654	730,899	
Expenditure Met from the Pooled Budget:			
Plymouth City Council	274,755	273,459	
Devon CCG	390,350	466,621	
Total Expenditure on Integrated Fund	665,105	740,080	
Net (Surplus)/Deficit on the Integrated Fund During the Year	9,451	9,181	

The figures above include amounts of the Plymouth Better Care Fund, of whom the lead commissioners are:

Plymouth Better Care Fund	2020/21	2021/22
	£000	£000
Devon CCG Lead Commissioner	10,904	12,356
Plymouth City Council Lead Commissioner	11,415	11,415
Total Plymouth Better Care Fund	22,319	23,771

25 Members' Allowances

The Council paid the following amounts to members of the council during the year:

Analysis of Members' Allowances	2020/21	2021/22
	£000	£000
Salaries	644	656
Allowances	373	337
Total Members' Allowances	1,017	993

The Council is required to publish details of payments made to its Members and these can be found on the Council's website, or you can obtain a copy, in writing, from the Democratic Support Officer, Chief Executive Office, Ballard House, Plymouth PLI 3BJ.

26 Officers' Remuneration

26.1 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 are identified by name. Plymouth defines relevant senior staff as members of the Corporate Management Team (Directors) and Departmental Management Teams (Service Directors).

Senior Management Post	Financial Year	Salaries, Fees and Allowances	Compensation for Loss of Office	Pension Contributions	Total Remuneration	Notes
Salary over £150,000		£	£	£	£	
Tracey Lee - Chief Executive	2021/22	183,560	0	27,560	211,120	Includes plaction duty payments as the Beturning Officer
(Head of Paid Service)	2020/21	163,573	0	27,153	190,726	Includes election duty payments as the Returning Officer.
Salary over £50,000 but les	s than £150,0	00				
Assistant Chief Executive	2021/22	124,230	0	19,005	143,235	Includes additional duty payments and election duty payments as Deputy Returning Officer.
	2020/21	121,001	0	20,086	141,087	Includes additional duty payments.
Director of Children's	2021/22	130,365	0	21,641	152,006	
Services	2020/21	128,438	0	21,321	149,759	
Director of Public Health	2021/22	111,715	0	16,065	127,780	
Director of Fublic Health	2020/21	108,553	0	15,610	124,163	
Strategic Director of	2021/22	131,345	0	21,641	152,986	Includes election duty payments.
Customer and Corporate Services	2020/21	128,438	0	21,321	149,759	
Strategic Director for People	2021/22	131,345	0	21,641	152,986	Includes election duty payments.
Strategic Director for reopie	2020/21	128,438	0	21,321	149,759	
Strategic Director for Place	2021/22	133,471	0	22,156	155,627	
ou ategic Director for Flace	2020/21	131,499	0	21,829	153,328	

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Senior Management Post	Financial Year	Salaries, Fees and Allowances	Compensation for Loss of Office	Pension Contributions	Total Remuneration	Notes
		£	£	£	£	
Service Director for	2021/22	99,077	0	16,447	115,524	
Children, Young People and Families	2020/21	97,613	0	16,204	113,817	
Service Director for Customer Services and	2021/22	0	0	0	0	Post vacant.
Service Centre	2020/21	74,514	35,977	0	110,491	The post holder left the authority on 18 December 2020.
Service Director for	2021/22	79,229	0	13,062	92,291	Includes election duty payments.
Community Connections	2020/21	77,521	0	12,868	90,389	
Service Director for	2021/22	102,593	0	17,052	119,645	
Economic Development	2020/21	100,485	0	16,800	117,285	
Service Director for	2021/22	93,862	0	15,581	109,443	
Education, Participation and Skills	2020/21	34,678	0	5,757	40,435	A new post holder commenced 16 November 2020.
Service Director for Finance	2021/22	106,575	0	17,691	124,266	
(Section 151 Officer)	2020/21	37,333	0	6,197	43,530	A new post holder commenced 23 November 2020.
Service Director for HR and	2021/22	99,447	0	16,447	115,894	Includes election duty payments.
Organisational Development	2020/21	97,613	0	16,204	113,817	
Service Director for	2021/22	96,293	0	15,857	112,150	Includes election duty payments.
Integrated Commissioning	2020/21	94,111	0	15,622	109,733	
Service Director for	2021/22	102,723	0	17,052	119,775	
Strategic Planning and Infrastructure	2020/21	101,205	0	16,800	118,005	
Service Director for Street	2021/22	84,053	0	13,850	97,903	Includes election duty payments.
Services	2020/21	84,121	0	13,964	98,085	

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Senior Management Post	Financial Year	Salaries, Fees and Allowances	Compensation for Loss of Office	Pension Contributions	Total Remuneration	Notes
		£	£	£	£	
	2021/22	3,831	0	636	4,467	A new post holder commenced 17 March 2022.
Head of Legal Services	2021/22	36,002	0	5,820	41,822	Role covered by a Senior Lawyer from 16 August 2021 to 17 March 2022.
(Monitoring Officer)	2021/22	44,066	0	6,885	50,951	Role covered by the Assistant Head of Legal Services who left the authority 31 October 2022.
	2020/21	71,102	0	11,803	82,905	Role covered by the Assistant Head of Legal Services.

Local authorities receive a government grant for national election duties.

26.2 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 following numbers do not include the senior management as disclosed in note 26.1.

Danis and in Bandings	2020/21		2021/22	
Remuneration Bandings	Schools	Non-schools	Schools	Non-schools
£50,000 - £54,999	18	45	17	57
£55,000 - £59,999	14	27	7	30
£60,000 - £64,999	6	2	7	17
£65,000 - £69,999	1	9	2	7
£70,000 - £74,999	2	4	4	7
£75,000 - £79,999	2	3	2	2
£80,000 - £84,999	3	I	2	0
£85,000 - £89,999	2	3	2	0
£90,000 - £94,999	2	0	I	2
£95,000 - £99,999	1	0	I	0
£100,000 - £104,999	0	1	0	1
£105,000 - £109,999	0	0	0	0
£110,000 - £114,999	0	0	1	0
Total	51	95	46	123

26.3 Employee Exit Packages

The numbers of exit packages with total cost per band and total cost of the compulsory and other redundancies are set out in the following table:

Banding	Comp	ber of ulsory dancies	Other De	ber of epartures reed	Total Number of Exit Packages by Cost Band		t Packages by Packages in Each	
	2020/21	2021/22	2020/21	2021/22	2020/21	2021/22	2020/21	2021/22
							£000	£000
£00,001 - £20,000	6	12	74	12	80	24	851	128
£20,001 - £40,000	1	3	27	0	28	3	749	101
£40,001 - £60,000	2	2	0	0	2	2	92	96
£60,001 - £80,000	0	1	0	0	0	1	0	79
£80,001 - £100,000	0	0	0	0	0	0	0	0
£100,001 - £150,000	0	1	0	0	0	1	0	110
Total	9	19	101	12	110	31	1,692	514

The Council terminated the contracts of a number of employees in 2021/22, including school based staff, incurring liabilities of £0.641m (2020/21: £1.692m). This includes a sum of £0.298m to the pension fund in respect of pension strain payments (for example, of the payments in the £100,001 - £150,000 band, 82% relates to the strain payment). The Council's expenditure on Schools is primarily funded from the Dedicated Schools Grant Provided by the Department of Education.

27 External Audit Costs

The Council has incurred the following costs in relation to the audit of the Statement of Accounts:

Analysis of External Audit Costs	2020/21	2021/22
	£000	£000
Fees payable to Grant Thornton LLP with regard to external audit services carried out by the appointed auditor for the year	186	210
Additional fees payable to Grant Thornton LLP with regard to extended audit servics carried out by the appointed auditor for the year	81	0
Fees payable in respect of other services provided by Grant Thornton LLP during the year	29	33
Total External Auditor Costs	296	243

28 Dedicated Schools Grant

The Council's expenditure on schools is funded primarily by grant monies provided by the Education and Skills Funding Agency (ESFA), the Dedicated Schools Grant (DSG). The DSG is ringfenced and can only be applied to meet expenditure properly included in the Schools Budget, as defined in the School Finance and Early Years (England) Regulations 2021. The Schools Budget includes elements for a range of educational services provided on an authority-wide basis and for the Individual Schools Budget (ISB), which is divided into a budget share for each maintained school.

Details of the deployment of DSG receivable are as follows:

			2021/22			
Analys	is of Dedicated Schools Grant	Central Expenditure	Individual Schools Budget	Total		
Note		£000	£000	£000		
Α	Final DSG before academy and high needs recoupment			235,212		
В	Academy and high needs figure recouped			(161,238)		
С	Total DSG after academy and high needs recoupment			73,974		
D	Brought forward from 2020/21 - surplus			885		
E	Carry-forward to 2022/23 agreed in advance			0		
F	Agreed initial budgeted distribution in 2021/22	28,908	45,951	74,859		
G	In year adjustments	0	(367)	(367)		
Н	Final budgeted distribution	28,908	45,584	74,492		
1	Less: actual central expenditure	28,050		28,050		
J	Less: actual ISB deployed to schools		44,149	44,149		
K	Plus: Local Authority contribution	0	0	0		
L	In-year carry-forward to 2022/23	858	1,435	2,293		
М	Plus: carry-forward to 2022/23 agreed in advance			0		
N	Carry-forward to 2022/23 - surplus			2,293		
R	Net DSG position at the end of 2021/22			2,293		

A. Final DSG figure before any amount has been recouped from the authority as published March 2022, excluding the January 2021 early years block adjustment.

- B. Figure recoupled from the authority in 2021/22 by the DfE for the conversion of maintained schools into academies and for high needs payments made by ESFA.
- C. Total DSG figure after academy and high needs recoupment for 2021/22, as published March 2022.
- D. Figure brought forward from 2020/21.
- E. Any amount with the authority decided after consultation with the school forum to carry forward to 2022/23 rather than distribute in 2021/22.
- F. Budgeted distribution of DSG, adjusted for carry forward, as agreed with the Schools Forum.
- G. Changes to the initial distribution, for example the final 2020/21 early years block adjustment.
- H. Budgeted distribution of DSG as at the end of the financial year.
- I. Actual amount of central expenditure items in 2021/22.
- J. Amount of ISB actually distributed to schools (ISB is regarded for DSG purposes as spent by the Authority once it is deployed to schools budget shares).
- K. Any contribution from the Local Authority in 2021/22 which has the effect of substituting for DSG in funding the Schools Budget.
- L. In-year position at end of 2021/22:
 - For central expenditure difference between final budgeted distribution of DSG and the actual expenditure.
 - For ISB difference between final budgeted distribution and the actual deployed to schools, plus any local authority contribution.
- M. Plus/(minus) any carry forward to 2022/23 already agreed.
- N. Total is carry-forward on central expenditure, plus carry-forward on ISB, plus/(minus) any carry-forward to 2022/23 already agreed.
- O-R. Local Authorities with deficit DSG balance are required to create an unusable DSG reserve this is not relevant to Plymouth as there is a surplus balance.

29 Grant Income

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2021/22:

Credited to Taxation and Non-specific Grant Income and Expenditure	2020/21	2021/22
	£000	£000
Section 31 grants	(36,060)	(20,217)
Capital grants and contributions	(11,496)	(24,550)
PFI credits	(6,728)	(6,499)
Revenue Support Grant	(9,688)	(9,742)
Total	(63,972)	(61,008)

Grants Credited to Services	2020/21	2021/22
	£000	£000
Benefits Admin Grant	(913)	(913)
Dedicated Schools Grant and Other Education Grants	(73,735)	(72,421)
Housing Benefit Subsidy	(64,848)	(57,758)
Learning and Skills Council	(3,050)	(2,648)
Improved Better Care Fund	(11,738)	(10,453)
Transforming Social Care Grant	(7,853)	(9,929)
New Homes Bonus	(3,423)	(1,621)
Public Health Grant	(15,864)	(15,504)
Troubled Families Grant	(957)	(971)
Arts Council	(1,337)	(2,099)
Department of Health Grant	(7,276)	(7,411)
COVID-19 Emergency Fund	(31,694)	(11,105)
Other Revenue Grants	(22,016)	(36,137)
Total	(244,704)	(228,970)

The Council has received a number of grants, contributions and donations that have yet to be recognised as income as they have conditions attached to them that will require the monies or property to be returned to the grantor. The grants are held on the Balance Sheet as a creditor in a Grants Receipts in Advance Account and are split between Revenue and Capital Grant Receipts in Advance as follows:

Revenue Grant Receipts in Advance - Current Liabilities	2020/21	2021/22
	£000	£000
Adult Skills Budget, Participation Funding & Support Funds (including OCSW)	206	13
Business role on behalf of SWLEP	352	319
Changing Futures	15	457
City Deal - A deal for young people	292	148
Community Renewal Fund	0	328
Controlling Migration Fund (Plymouth Integrate II)	121	0
Council Tax Rebate Discretionary Fund	0	557
COVID-19 Additional Dedicated Home to School & College Transport/Travel demand	177	0
COVID-19 Contain Outbreak Management Fund	3,148	0
COVID-19 National Leisure Recovery Fund	331	58
COVID-19 Test and Trace Service	1,143	0
Domestic Abuse Bill preparation	0	555
Export Health Certificate Support Fund Grant	150	0
Green Minds	945	211
Heating & Cooling Network Grant (ESCo/HNDU)	135	181
iMayflower	290	444
Local Authority EU Exit Preparation (BREXIT)	124	0
National Portfolio Organisation	0	150
One Public Estate Phase 4	304	344
Opportunity Areas Twinning	0	593
Plymouth National Grid	0	159
Port Health Transition Fund	0	175
RegEnergy	111	162
Section 256 Revenue Grant (SARC)	0	183
Sub-National Transport Body	0	331
Syrian Resettlement Programme (SRP)	665	758
Other	441	512
Total	8,950	6,638

Capital Grant Receipts in Advance - Current Liabilities	2020/21	2021/22
	£000	£000
Department for Transport	25,111	40,109
Department for Environment Food & Rural Affairs	177	252
Highways England	189	189
Department for Digital Culture Media and Sport	294	2,914
Football Foundation	1,189	1,221
Heritage Lottery Fund	0	1,381
Arts Council	725	4,940
Growth Deal	14,379	36,937
Growth & Housing Fund	4,470	4,470
Get Building Fund	0	6,920
Department for Levelling Up, Homes & Communities	600	7,653
Ministry for Housing Communities & Local Government	5,545	5,628
European Regional Development Funding	1,258	3,906
Department for Business, Energy & Industrial Strategy	9,841	8,835
Warm Homes Fund	567	683
Heatnet	400	0
NHS England	14	200
Office of Police & Crime Commissioner	326	350
Innovate UK	0	603
S278 Agreements	199	199
Other	53	246
Total	65,337	127,636

Capital Grant Receipts in Advance - Long-term Liabilities	2020/21	2021/22
	£000	£000
Heritage Lottery Fund	12,617	0
Arts Council	3,966	0
European Regional Development Agency	2,247	0
Department for Transport	2,103	2,280
Section 106	16,486	15,073
Growth Deal	30,212	9,755
Homes England	10,421	4,800
Total	78,052	31,908

30 Related Parties

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

			2020/21		2021/22		
Related Party Transactions	Details of Arrangement	Receipts	Payments	Outstanding Balances/ Commitments	Receipts	Payments	Outstanding Balances/ Commitments
Subsidiaries, Associate	es and Joint Arrangements	£000	£000	£000	£000	£000	£000
Subsidiaries							
Arca (Plymouth) Ltd	Arca is responsible for the administration and management of The Box and St Luke's Church and is a wholly owned by the Plymouth City Council.	(227)	95	(245)	(104)	483	495
CATER ^{ed} Ltd	CATERed is a co-operative trading company which is jointly owned by 67 local schools and Plymouth City Council. Plymouth City Council is the majority shareholder with 51% of the shares.	(147)	995	138	(195)	1,154	87
Plymouth Investment Partnerships Ltd (PIP)	PIP invests in the promotion, assistance and establishment of business to improve the employment and economy of Plymouth and its surrounding area. Plymouth City Council has full ownership of PIP.	(78)	0	78	(79)	0	0
Joint Arrangements							
DELT Shared Services Ltd	DELT provide ICT and systems to partners. DELT is jointly and equally controlled and owned by Plymouth City Council and Devon CCG.	(242)	11,875	5	(174)	11,568	(598)
Plymouth Science Park Ltd	Plymouth Science Park is a science and technology park for businesses and provide provision of support, advisory and facilities management services. Plymouth Science Park is jointly and equally owned by Plymouth City Council and Plymouth University.	(326)	3	(1,956)	(94)	0	0

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Central Government

Central Government has significant influence 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 <u>29</u>.

Members and Officers

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

The total of members allowances paid in 2021/22 is disclosed in note 25.

Members and Officers of the Council have returned 98 declarations of Related Party Transactions for 2021/22, a response rate of 85 per cent.

Other Interests in Companies

There are a number of companies which are also linked to the Council which fall under the definition of an assisted organisation. This includes the provision of financial assistance to voluntary organisations. However they are not considered material in financial terms. Examples include Access Plymouth Ltd, Plymouth Citizens Advice Bureau and the Shekinah Mission (Plymouth) Limited. Independent Futures and the Plymouth City Centre Company are examples of larger organisations supported by the Council.

DELT Shared Services Limited

DELT was launched I October 2014 and is a publicly owned private limited company (09098450). It was set up to deliver ICT services and systems to its partners; Plymouth City Council and Devon Clinical Commissioning Group. 2021/22 was the seventh year in which DELT was operational.

DELT is jointly and equally controlled by its partners with both partners carrying equal full voting rights. The collaborative arrangement is classed as a joint venture.

For more information about DELT and its financial performance, please visit the DELT Services website.

CATER^{ed} Limited

CATER^{ed} is a cooperative trading company (09355912) which is jointly owned by Plymouth City Council and 67 local schools, providing all school meals in the city. CATER^{ed} is 49 per cent owned by schools and 51 per cent by the Council and serves almost 2.5 million meals to Plymouth school children every year.

Plymouth City Council is the majority shareholder of CATER^{ed} with 51 per cent of shares and voting rights allocated one vote per share. The collaborative arrangement is classed as a subsidiary of the Council.

For more information about CATER^{ed} and its financial performance, please visit the CATER^{ed} website.

Arca (Plymouth) Limited

Arca (Plymouth) is a wholly owned subsidiary of the Council which is responsible for the administration and management of The Box and St Luke's Church which opened in September 2020.

@PlymouthCare Limited

@PlymouthCare was incorporated on the 10 June 2021 and the company was created by the Council to help people remain as independent in their own home, by providing support and care services for people.

Joint Committees

The Council is a member of a couple of joint committees where local authorities have joined together to provide a service. These are listed as follows:

Devon Audit Partnership

From April 2009 Plymouth City Council set up a Joint Committee with Devon County Council and Torbay Council for the provision of a shared internal audit service. The service is also able to provide audit services to other organisations. This is a shared service arrangement and is constituted under section 20 of the Local Government Act 2000.

Devon County Council is the host Council for the Joint Committee with all staff now employed by Devon County Council. Assets and Liabilities of the Joint Committee are split on an agreed basis (number of FTE's on inception of the Committee); Plymouth's share equates to 27 per cent and its contribution to the partnership for 2021/22 was £0.315m (2020/21: £0.331m).

South West Devon Waste Disposal Partnership

Plymouth City Council, Torbay Council and Devon County Council are now working together and have jointly contracted a PFI project for an Energy from Waste Plant (based in Plymouth) to dispose of residual waste collected by the three Councils. As part of the Joint Working Agreement between the three Councils the South West Devon Waste Partnership Joint Committee has been established to facilitate the procurement and subsequent operation and management of the facilities (by the selected contractor). The Plant became operational in April 2015.

Plymouth is the Lead Authority with the expenditure associated with this project is incurred and then allocated on an estimated tonnage share basis to Torbay and Devon County Councils. Plymouth's share of the expenditure is reflected within the cost of services on the Comprehensive Income and Expenditure Statement.

For more information about external bodies which Plymouth City Council have an interest in please visit the Council's website.

31 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 Requirements	2020/21	2021/22
	£000	£000
Opening Capital Financing Requirement I April	667,608	736,675
Capital Investment		
Property, Plant and Equipment	57,203	75,572
Investment Properties	26,558	113
Heritage Assets	1,304	0
Intangible Assets	0	2
Revenue Expenditure Funded from Capital Under Statute	20,483	13,090
Initial recognition of share purchase	60	100
Other capital expenditure	3,544	248
Total	109,152	89,125
Sources of Finance		
Capital Receipts	(1,843)	(1,502)
Other movements in Long-Term Debtors	(117)	(841)
Grants and Contributions applied in year	(21,674)	(29,570)
Revenue and Other Funds	(533)	(11,629)
Minimum Revenue Provision	(16,227)	(17,578)
Use of landfill provision	309	396
Repayment of conditional grant	0	138
Total	(40,085)	(60,586)
Closing Capital Financing Requirement 31 March	736,675	765,214
Explanation of Movement in Year		
Increase in underlying need to borrow	61,286	40,186
Increase in underlying need to borrow resulting from other changes in capital financing requirement	7,781	(11,647)
Increase/Decrease in Capital Financing Requirement	69,067	28,539

32 Leases

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

Operating Leases - Authority as a Lessor	31 March 21	31 March 22
	£000	£000
Not later than one year	15,208	16,038
Later than one year and not later than five years	51,874	53,385
Later than five years	225,476	230,800
Total Operating Leases	292,558	300,223

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.

33 Private Finance Initiatives (PFI) and Similar Contracts

33.1 Schools PFI

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 £5.729m was made in 2021/22 (2020/21: £5.687m). Payments remaining to be made under the PFI contract at 31 March 2022, 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 2021/22	2,594	1,136	1,999	5,729
Payable in 2022/23	2,748	1,305	1,900	5,953
Payable within two to five years	12,314	5,851	6,399	24,564
Payable within six to ten years	17,237	10,596	4,703	32,536
Payable within eleven to fifteen years	5,238	4,002	393	9,633
Total	37,537	21,754	13,395	72,686

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	2020/21	2021/22
	£000	£000
Balance outstanding I April	23,932	22,890
Payments during the year	(1,042)	(1,136)
Balance Outstanding 31 March	22,890	21,754

The Council has secured PFI credits to the value of £53m, to which interest is added resulting in total Government support of £105.871m over the contract period, and this together with an annual contributions from the Council and the schools which 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 £3.982 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 future years.

33.2 South West Devon (SWD) Energy from Waste (EfW) Partnership

2015/16 was the first year of operation of the EfW public/private service concession arrangement whereby the SWD local authority partnership granted the right to MVV Umwelt (MVVU), the operator, to treat and render inert waste that otherwise would have been disposed of in landfill sites. The SWD partnership comprising Plymouth City Council, Devon County Council and Torbay Council appointed MVVU under a fixed price contract to finance, construct and design the 245,000 tonne capacity facility and to maintain it to a minimum acceptable condition over a 50 year term.

PFI Outstanding Liabilities	Payment for Services	Reimbursement of Capital Expenditure	Interest	Total
	£000	£000	£000	£000
Total payments to operator in 2021/22	4,282	65	3,620	7,967
Payable in 2022/23	3,981	499	3,593	8,073
Payable within two to five years	17,702	2,782	13,762	34,246
Payable within six to ten years	26,553	5,905	15,257	47,715
Payable within eleven to fifteen years	30,196	12,968	10,250	53,414
Payable within sixteen to twenty years	17,411	11,308	1,952	30,671
Total	95,843	33,462	44,814	174,119

The EfW facility is located on MOD land at Camel's Head, North Yard in Devonport Dockyard, Plymouth. The SWD partnership specifies the activities offered by the facility, the opening hours and the expected minimum standard of service to be provided by the operator. MVVU is required to receive all the residual waste from the defined area of the local authority partnership for which the councils are obliged to pay a fixed gate fee based on a guaranteed minimum tonnage of waste, with an additional charge for any extra waste delivered by the councils over and above the contractual waste.

Movement in PFI Liability	2020/21 Plymouth Share	2020/21 Deferred Income	2021/22 Plymouth Share	2021/22 Deferred Income
	£000	£000	£000	£000
Balance outstanding I April	33,725	46,473	33,528	44,149
Payments during the year	(197)	(2,324)	(65)	(2,324)
Balance Outstanding 31 March	33,528	44,149	33,463	41,825

Under a separate 25 year agreement between the operator and the MOD, MVVU processes the waste to provide environmentally sustainable heat and electricity to HM Naval Base Devonport. Power is sold at a capped, index linked, guaranteed base price, with any surplus electricity being exported to the National Grid based on a long-term Power Purchase Agreement (PPA) to a company within the MVV group.

The SWD partnership receives 50% of the income earned by EVVU from any excess waste it processes or any excess energy it supplies to third parties. EMVU 3rd party revenues are unrestricted and the SWD partnership is obliged to compensate the operator for any loss of third party income should the councils exceed their contractual maximum tonnage.

Income and expenditure, assets and liabilities are recorded in each of Plymouth City Council, Devon County Council and Torbay Council's Statements of Accounts respectively in the ratio 48:35:17. Plymouth City Council's share of the total construction costs of £195.324m is carried at depreciated replacement cost in its balance sheet as detailed in note 15.1 (Property, Plant and Equipment) together with a corresponding liability.

34 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.

34.1 Pension Scheme Accounted for as Defined Contribution Schemes

Teachers' Pension Scheme

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

The scheme is technically a defined benefit scheme. However, the scheme is unfunded and the Department for Education uses a notional fund as the basis for calculating the employers' contribution rate paid by local authorities. The 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 2021/22, Plymouth City Council paid £3.560m to Teachers' Pensions in respect of teachers' retirement benefits (2020/21: £3.892m). There were no contributions remaining payable at the year-end. In 2021/22 the minimum member contribution was 7.4 per cent of salary, the maximum was 11.7 per cent.

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 34.2.

34.2 Defined Benefit Pension Schemes

Local Government Pension Scheme (LGPS)

Plymouth City Council and Tamar Bridge and Torpoint Ferry Joint Committee participate in the Local Government Pension Scheme (LGPS). The LGPS is a defined benefit scheme with benefits earned up to 31 March 14 being linked to final salary. Benefits earned after 31 March 14 are based on Career Average Revalued Earnings (CARE). The Plymouth City Council scheme is administered by Devon County Council, however, the Joint Committee Scheme is administered by Cornwall Council and so separate notes have been included to represent Plymouth City Council's 50 per cent interest.

As a result of the High Court's recent Lloyds ruling on the equalisation of Guaranteed Minimum Pension (GMP), a number of pension schemes have made adjustments to accounting disclosures. Barnett Waddingham (Council actuaries) have made the valuation assumption that they do not need to make any adjustments to the value placed on the liabilities as a result of this ruling.

The McCloud/Sargeant cases relate to age discrimination within the Judicial and Fire Pension Schemes respectively. On the 15 July 2019 the Government released a statement to confirm that it expects to have to amend all public service pension schemes, including LGPS. The Scheme Advisory Board with consent from MHCLG commissioned the Government Actuary Department (GAD) to report on the possible impact of the McCloud/Sargeant judgement on LGPS liabilities. This followed a CIPFA briefing note which said that local authorities should consider the materiality of the impact. The estimated cost of the impact of the McCloud/Sargeant judgement have been incorporated into the pension notes as at 31 March 2022.

PENSION INFORMATION FOR THE PLYMOUTH CITY COUNCIL (PCC) SCHEME

Transactions Relating to Post-Employment Benefits

The Council recognises the cost of retirement benefits in the surplus/deficit on continuing services 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 CIES and the General Fund Balance via the MiRS during the year:

Comprehensive Income and Expenditure Statement	2020/21	2021/22
	£000	£000
Cost of Services		
Service cost comprising:		
current service cost	26,745	38,629
past service cost	98	569
(gain)/loss from settlements	(905)	(789)
Financing and Investment Income and Expenditure		
Net interest expense	10,444	11,506
Other Operating Expenditure		
Administration expenses	544	565
Total Post-employment Benefit Charged to the Surplus/Deficit on the Provision of Services	36,926	50,480
Other Post-employment Benefits charged to the Comprehensive Income and	Expenditure Statemo	ent
Re-measurement of the net defined benefit liability comprising:		
return on plan assets (excluding the amount included in the net interest expense)	(162,702)	(50,118)
actuarial gains and losses arising on changes in demographic assumptions	(12,664)	(75,098)
actuarial gains and losses arising on changes in financial assumptions	304,288	(51,867)
experience gain/(loss) on defined benefit obligation	(20,265)	(77,736)
other actuarial gains/(losses) on assets	0	2,565
Total Premeasurements Recognised in the Comprehensive Income and Expenditure Statement	108,657	(252,254)
Total Post-employment Benefits Charged to the Comprehensive Income and Expenditure Statement	145,583	(201,774)
Movement in Reserves Statement		
Reversal of net charges made to the Surplus or Deficit on the Provision of Services for post-employment benefit in accordance with the Code	(36,926)	(50,480)
Actual Amount Charged Against the General Fund Balance for Pensions in the	Year:	
employers' contribution payable to the scheme	14,360	14,635
retirement benefits payable to pensioners	3,178	3,099
adjustment re: net increase/(decrease) per LGR pension liability	(3,790)	(2,730)

34.3 Assets and Liabilities in Relation to Post-Employment Benefits (PCC)

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

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.

Reconciliation of Present Value of the Scheme Liabilities (Defined Benefit Obligation)	2020/21	2021/22
	£000	£000
Opening Balance at I April	(1,163,520)	(1,456,291)
Current service cost	(26,745)	(38,629)
Interest cost	(26,974)	(28,795)
Contributions by scheme participants	(5,843)	(5,897)
Re-measurement (gain) and losses:		
actuarial gains/losses arising from changes in demographic assumptions	12,664	75,098
actuarial gains/losses arising from changes in financial assumptions	(304,288)	51,867
experience loss/(gain) on defined benefit obligation	20,265	77,736
Past service costs, including curtailments	(98)	(569)
Liabilities assumed/(extinguished) on settlements	2,249	1,231
Benefits paid	33,941	34,545
Unfunded pension payments	2,058	1,953
Closing Present Value of Liabilities	(1,456,291)	(1,287,751)

Reconciliation of the Movement in the Fair Value of Scheme (Plan) Assets	2020/21	2021/22
	£000	£000
Opening Fair Value of Scheme Assets	711,467	873,015
Interest income	16,530	17,289
Re-measurement gain/(loss):		
the return on plan assets, excluding the amount included in the net interest expense	162,702	50,118
other actuarial gains/(losses)	0	(2,565)
Administration expenses	(544)	(565)
Contributions from employer	14,360	14,635
Contributions from employees into the scheme	5,843	5,897
Benefits paid	(35,999)	(36,498)
Settlement prices received/(paid)	(1,344)	(442)
Closing Present Value of Assets	873,015	920,884
Closing Balance at 31 March	(583,276)	(366,867)

34.4 Scheme History (PCC)

The liabilities show the underlying commitments that the Council has in the long run to pay post-employment (retirement) benefits. The total liability of £366.867m 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 2023 is £12.637m.

34.5 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, gender, salary levels, investment returns, interest rates, etc. Both the Local Government Pension Scheme and Discretionary Benefits liabilities have been assessed by Barnett Waddingham LLP, an independent firm of actuaries, with the estimates for the City Council's share of the Fund being based on the latest full valuation of the scheme as at 31 March 2022.

Basis for Estimating Assets and Liabilities	2020/21	2021/22
Mortality assumptions:		
Longevity at 65 for current pensioners:		
men	22.6	21.7
women	23.9	22.9
Longevity at 65 for future pensioners:		
men	24.0	23.0
women	25.4	24.3
Rate of inflation (CPI)	2.80%	3.20%
Rate of increase in salaries	3.80%	4.20%
Rate of increase in pensions	2.80%	3.20%
Rate for discounting scheme liabilities	2.00%	2.60%

Impact on the Defined Benefit Obligation in the Scheme	Decrease in Assumption	No Change	Increase in Assumption
	£000	£000	£000
Longevity (increase or decrease in I year)	1,226,892	1,287,751	1,351,867
Rate of increase in salaries (increase or decrease by 0.1%)	1,286,019	1,287,751	1,289,497
Rate of increase in pensions (increase or decrease by 0.1%)	1,265,123	1,287,751	1,311,044
Rate for discounting scheme liabilities (increase or decrease by 0.1%)	1,312,963	1,287,751	1,263,274

34.6 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	2020/21	2021/22
	%	%
Equities	72	69
Gilts	3	13
Property	12	14
Cash	I	L
Other investments	12	3
Total	100	100

34.7 Pension Assets and Liabilities Recognised in the Balance Sheet

The amount included in the Balance Sheet arising from the Council's obligation in respect of its defined benefit plan is as follows:

Pension Assets and Liabilities Recognised in the Balance Sheet	2020/21	2021/22
	£000	£000
Present value of the defined benefit obligation	1,424,510	1,255,910
Fair value of plan assets	(873,015)	(920,884)
Net Liability	551,495	335,026
Other movements in the liability	31,781	31,841
Net Liability Arising from Defined Benefit Obligation	583,276	366,867

PENSION INFORMATION FOR TAMAR BRIDGE AND TORPOINT FERRY JOINT COMMITTEE (TBTF)

34.8 Transactions in the Comprehensive Income and Expenditure Statement and Movement in Reserves Statement (TBTF)

Comprehensive Income and Expenditure Statement	2020/21	2021/22
	£000	£000
Cost of Services		
Service cost	564	872
Financing and Investment Income and Expenditure		
Net interest expense	79	117
Total Post-employment Benefit Charged to the Surplus/Deficit on the Provision of Services	643	989
Other Post-employment Benefits charged to the Comprehensive Income and E	xpenditure Statem	ent
Re-measurement of the net defined benefit liability comprising:		
return on plan assets (excluding the amount included in the net interest expense)	(1,212)	(440)
actuarial gains and losses arising on changes in demographic assumptions	175	(267)
actuarial gains and losses arising on changes in financial assumptions	3,234	(1,002)
experience gain/(loss) on defined benefit obligation	(133)	132
other actuarial gains/(losses) on assets	0	412
Total Premeasurements Recognised in the Comprehensive Income and Expenditure Statement	2,064	(1,165)
Total Post-employment Benefits Charged to the Comprehensive Income and Expenditure Statement	2,707	(176)
Movement in Reserves Statement		
Reversal of net charges made to the Surplus or Deficit on the Provision of Services for post-employment benefit in accordance with the Code	(643)	(989)
Actual Amount Charged Against the General Fund Balance for Pensions in the	Year:	
Employers' contribution payable to the scheme	421	432

34.9 Assets and Liabilities in Relation to Post-Employment Benefits (TBTF)

Reconciliation of Present Value of the Scheme Liabilities (Defined Benefit Obligation)	2020/21	2021/22
	£000	£000
Opening Balance at I April	(12,528)	(16,404)
Adjustment to opening balance	10	0
Current service cost	(564)	(872)
Interest cost	(292)	(334)
Contributions from scheme participants	(111)	(111)
Re-measurement (gain) and losses:		
actuarial gains/losses arising from changes in demographic assumptions	(175)	267
actuarial gains/losses arising from changes in financial assumptions	(3,234)	1,002
experience loss/(gain) on defined benefit obligation	133	(132)
Benefits paid	357	400
Closing Present Value of Liabilities	(16,404)	(16,184)

Reconciliation of the Movements in the Fair Value of Scheme (Plan) Assets	2020/21	2021/22	
	£000	£000	
Opening fair value of scheme assets	9,191	10,790	
Interest income	213	217	
Re-measurement gain/(loss):			
the return on plan assets, excluding the amount included in the net interest expense	1,212	440	
other acruarial gains/(losses)	0	(412)	
Contributions from employer	420	432	
Contributions from employees into the scheme	111	Ш	
Benefits paid	(357)	(400)	
Closing Fair Value of Scheme Assets	10,790	11,178	
Closing Balance at 31 March	(5,614)	(5,006)	

The liabilities show the underlying commitments that the Joint Committee has to pay in the long run to pay post-employment (retirement) benefits. The total liability of £5.006m 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 2023 is £0.809m.

34.10 Scheme History (TBTF)

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, gender, salary levels, investment returns, interest rates, etc. The Cornwall Council pension scheme liabilities have been assessed by Hymans Robertson LLP, an independent firm of actuaries, with the estimates for the City Council's share of the Fund being based on the latest full valuation of the scheme as at 31 March 2022.

34.11 Basis for Estimating Assets and Liabilities (TBTF)

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, gender, salary levels, investment returns, interest rates, etc. Both the Local Government Pension Scheme and Discretionary Benefits liabilities have been assessed by Hymans Robertson LLP, an independent firm of actuaries, with the estimates for the City Council's share of the Fund being based on the latest full valuation of the scheme as at 31 March 2022.

Basis for Estimating Assets and Liabilities	2020/21	2021/22	
Mortality assumptions:			
Longevity at 65 for current pensioners:			
men	21.5	21.5	
women	24.1	24.3	
Longevity at 65 for future pensioners:			
men	22.8	22.4	
women	25.8	25.8	
Rate of increase in salaries	2.85%	3.20%	
Rate of increase in pensions	2.85%	3.20%	
Rate for discounting scheme liabilities	2.00%	2.70%	

35 Contingent Assets and Liabilities

35.1 Contingent Assets

The Council has the following contingent assets to report:

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% less certain deductions. However the timing and amount of any such receipts, if any, is uncertain; and is subject to a review of strategic policies that are applicable to the site.

35.2 Contingent Liabilities

The Council has no known contingent liabilities to report.

COLLECTION FUND FOR THE YEAR ENDED 31 MARCH 2022

The Collection Fund is an agent's statement that reflects the statutory obligation for billing authorities to maintain a separate Collection Fund. The statement shows the transactions of the billing authority in relation to the collection from taxpayers and the distribution to Local Authorities and the Government of Council Tax and Non-Domestic Rates.

2020/21				2021/22			
Business Rates	Council Tax	Total		Note	Business Rates	Council Tax	Total
£000	£000	£000	Income		£000	£000	£000
0	(140,888)	(140,888)	Council tax receivable	I	0	(148,683)	(148,683)
(39,364)	0	(39,364)	Business rates receivable	2	(65,123)	0	(65,123)
(39,364)	(140,888)	(180,252)			(65,123)	(148,683)	(213,806)
			Expenditure				
			Apportionment of Previous Year's Surplus/ (Deficit)				
(1,437)	0	(1,437)	Central Government		(24,290)	0	(24,290)
(349)	1,115	766	Plymouth City Council		(23,805)	583	(23,222)
0	156	156	Devon and Cornwall Police and Crime Commissioner		0	82	82
(18)	64	46	Devon and Somerset Fire and Rescue Service		(486)	33	(453)
(1,804)	1,335	(469)			(48,581)	698	(47,883)
			Precepts, Demands and Shares				
45,376	0	45,376	Central Government		44,198	0	44,198
44,469	117,482	161,951	Plymouth City Council		43,314	120,884	164,198
0	16,535	16,535	Devon and Cornwall Police and Crime Commissioner		0	17,296	17,296
907	6,583	7,490	Devon and Somerset Fire and Rescue Service		884	6,580	7,464
90,752	140,600	231,352			88,396	144,760	233,156
			Charges to the Collection Fund				
211	0	211	Renewable Energy Disregard		220	0	220
253	1,659	1,912	Write offs of uncollectable amounts		270	900	1,170
949	1,218	2,167	Increase/(Decrease) in Bad Debt Provision		(495)	455	(40)
14,400	0	14,400	Increase/(Decrease) in Provision for Appeals		(3,739)	0	(3,739)
311	0	311	Cost of collection allowance		309	0	309
16,124	2,877	19,001			(3,435)	1,355	(2,080)
65,708	3,924	69,632	(Surplus)/Deficit for the Year		(28,743)	(1,870)	(30,613)
			Collection Fund Balance				
2,298	(2,744)	(446)	Balance as at 1 April		68,006	1,180	69,186
65,708	3,924	69,632	(Surplus)/Deficit for the year (as above)		(28,741)	(1,870)	(30,611)
68,006	1,180	69,186	Balance as at 31 March		39,265	(690)	38,575
			Allocated to:				
34,003	0	34,003	Central Government		19,632	0	19,632
33,323	985	34,308	Plymouth City Council		19,240	(567)	18,673
0	140	140	Devon and Cornwall Police and Crime Commissioner		0	(93)	(93)
680	55	735	Devon and Somerset Fire and Rescue Service		393	(30)	363
68,006	1,180	69,186	Total Allocated		39,265	(690)	38,575

NOTES TO THE COLLECTION FUND

I Council Tax Income

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 and Cornwall Police and Crime Commissioner, Devon and Somerset Fire and Rescue Authority and the City Council for the forthcoming year and dividing this by the Council Tax base. The tax base 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: 73,115 in 2021/22 (2020/21: 74,603).

The basic amount of Council Tax for a Band D property (2021/22: £1,979.91) 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 Rates	Adjusted Band D Equivalents
Α	44,632	29,042	19,352	97.5%	18,868
В	31,587	25,447	19,792	97.5%	19,297
С	22,304	19,735	17,542	97.5%	17,103
D	9,342	8,522	8,522	97.5%	8,309
E	4,910	4,620	5,647	97.5%	5,506
F	1,772	1,676	2,421	97.5%	2,360
G	557	523	872	97.5%	850
Н	26	19	38	97.5%	37
	115,130	89,584	74,186		72,330
Adjustment for MOD P	roperties				785
Tax Base Totals			74,186		73,115

The Council Tax Base was calculated at the time the 2021/22 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 £144.761m (£1,979.91 x 73,115). In practice, however, the average number of properties and values of discounts vary from the estimates, and the actual income increased to £148.683m (2020/21: £140.888m).

2 Income from Business Ratepayers

The Council collects Non-Domestic Rates (NDR) for its area based on local rateable values provided by the Valuation Office Agency (VOA) multiplied by a uniform business rate set nationally by Central Government, this was frozen at 51.2p for 2021/22 at the same level as the rate for 2020/21, the rate for properties in receipt of Small Business Rate Relief was kept at 49.9p.

The administration of NDR is governed by the Business Rates Retention Scheme which was introduced in 2013/14. This aims to give councils a greater incentive to grow businesses but also increases the financial risk due to volatility of the NDR tax base and non-collection of rates due. In the case of Plymouth, the retained proportion of NDR income is 49 per cent. The remainder is distributed to preceptors: I per cent to the Devon and Somerset Fire and Rescue Authority (DSFRA) and 50 per cent to Central Government.

The business rates shares payable for 2021/22 were estimated before the start of the financial year as £44.198m to Central Government, £0.884m to DSFRA and £43.314m to Plymouth City Council.

These sums have been paid during 2021/22 and charged to the Collection Fund in year and include the previous year's deficit.

When the scheme was introduced the Government set a baseline funding level (based on local demand for services) for each authority and applied the system of tariffs and top-ups to ensure all authorities receive their baseline amount. In 2021/22 Plymouth had a baseline amount of £58.335m and received a tariff of £14.835m which was charged to the General Fund and included in note $\underline{14}$.

In addition to the top-up and tariffs, a safety net figure is calculated by Central Government. This mechanism is designed to protect local authorities from large fluctuation in their business rates income. The safety net threshold for Plymouth is £53.960m. As our adjusted retained income is above this level no safety net payment was due to Plymouth for 2021/22.

Section 31 Grant funding for Business Rate reliefs awarded by Central Government in 2021/22 was £3.176m based on the original estimates made in January 2022. Further reliefs of £20.540m were awarded during the year in response to the extended relief schemes introduced in 2021/22.

Under the rates retention scheme local authorities became liable for their share of the liability arising from the in-year and backdated impact of successful business rate appeals. Based on the analyses of previous year trends and the list of outstanding appeals provided by the VOA as at 31 March 2022 the Council included a provision of £8.292m.

For 2021/22, the total non-domestic rateable value at the end of the year was £228.871m (2020/21: £229.904m).

The total income from ratepayers in 2021/22 was £72.923m (2020/21: £38.871m), an increase from 2020/21 due to the impact of the reduction in the Government's extended relief schemes.

This sum included £2.430m of transitional protection payments from ratepayers, which under regulations should have a neutral impact on the Business Rates Retention Scheme and will be repaid to Central Government.

The impact of COVID-19 on the collection fund has been significant over the last two years, largely contributing to the Council's £19.240m deficit position at the end of 2021/22. This deficit will be offset in future years by government support through Section 31 grant. This has been received by the Council and is currently within the Collection Fund reserve (see note 12 to the accounts).

3 Precepts and Demands

3.1 Council Tax

The budgets of the City Council, Devon and Cornwall Police and Crime Commissioner, Devon and Somerset Fire and 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.

3.2 Non-Domestic Rates

As described in note $\underline{2}$ above, the administration of NDR is governed by the Business Rate Retention Scheme.

NDR surpluses declared by the billing authority in relation to the Collection Fund are apportioned to the relevant precepting bodies in the subsequent financial year in their respective proportions. Deficits likewise are proportionately charged to the relevant precepting bodies in the following year.



2022/23 STATEMENT OF ACCOUNTS



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NARRATIVE REPORT FROM THE SERVICE DIRECTOR FOR FINANCE AND SECTION 151 OFFICER

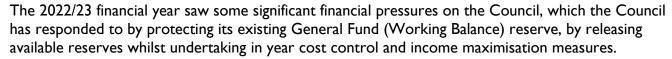
INTRODUCTION

Welcome to Plymouth City Council's provisional 2022/23 financial statements. By their nature, these statements are very technical but I hope you are able to follow the financial events of the past twelve, very difficult months.

The preparation of the Statement of Accounts provides the opportunity to look back at the past financial year and to report on the current financial and non-financial position of the Council.

We are a large and diverse organisation and the accounts are therefore complex, so providing this opening narrative aims to explain some of the

statements and provides a summary of the Council's financial performance for 2022/23 and its financial prospects. Where necessary, we have made estimates and judgements in preparing these accounts, complying with the Code of Practice on Local Authority Accounting in the United Kingdom.



Inflationary pressures were significant, and continue to be in the new financial year, alongside the continuing impact of the Covid-19 pandemic. It became evident very early in the financial year that the Council would be facing unprecedented increases in its cost base for 2022/23. The following examples highlight the utility increases experienced during 2022/23:

- The Life Centre had additional costs of £0.575m.
- Street Lighting saw costs increased by £0.919m.
- Utility costs for the general council estate cost an additional £1.974m.

Other key areas of additional cost include:

- Negotiations at national level for pay in Local Government in 2022/23 reached agreement in December 2022. We were required to top up the 2% provision set aside in the Budget, resulting in an additional cost.
- The ongoing impact of the pandemic remained evident in terms of demand pressures and saw an increase in volumes of domestic waste and reductions in parking revenues as employees generally maintain homeworking. In adult social care and following the dislocation of the pandemic the numbers of people presenting as homeless has become more costly.
- The Council's Children, Young People and Families Directorate ended the financial year with additional costs regarding specialist residential placements for vulnerable children and other demand pressures – part of a national trend.

The Council has balanced its budget reporting a breakeven position. The overall net spend matches the net budget of £197.750m. However, within this overall balanced position the following headline financial issues are reported:

- A nil variance on a gross expenditure budget of £540m. Given the character of the financial year in question and the continuing impact of national inflation and cost increases outside our control, this is a noteworthy achievement.
- The Council has overcome £20m of additional in-year costs and pressures.

- The drawdown of £7.9m of usable reserves throughout the year and the use of £1.1m of Corporate Adjustments.
- Drawdown from the Working Balance of £8.743m has not been required.

Continued robust cost management and focused delivery of planned revenue savings will be a key in the financial year 2023/24; the Council must ensure that it at least achieves a breakeven position, and delivers the £23.436m of savings.

The Council will submit the draft Statement of Accounts to the Audit and Governance Committee on the 25 July 2023, to allow Members the opportunity to review them before they are asked to formally approve them once audited.

BACKGROUND

The draft accounts for 2022/23 have needed to be revised prior to the external audit for 2019/20 being completed by Grant Thornton. The original accounting treatment was as a capital transaction; our auditors have advised we needed to reflect the transaction as a revenue transaction. The revenue treatment meant that the Council's income for 2019/20, 2020/21, 2021/22 and 2022/23 was insufficient to meet its expenditure. Due to this change in accounting treatment, it has been necessary for the Council to request a retrospective Capitalisation Direction from the Department for Levelling Up, Housing and Communities (DLUHC). This support is provided via the Exceptional Financial Support



Framework which has been agreed in principle. The Capitalisation Direction will permit the Council to meet the revenue cost through capital resources. The draft accounts for 2023/24 will also need to be revised to reflect the change in accounting for this transaction. The revised statements for 2022/23 will be presented to the Audit and Governance Committee prior to the backstop deadline of the 13 December 2024. The arrangements for audit of local authority accounts were amended by the Accounts and Audit (Amendment) Regulations 2024 - known as the "backstop" legislation - which came into force on 30 September 2024. The "backstop" legislation is a response to widescale delays in the production and finalisation of accounts across the sector, including Plymouth City Council. It set a date of the 13 December 2024 by which all accounts up to the year 2022/23 must be completed by and then set target dates for subsequent years up to 2027/28. I am pleased to re-present our Annual Financial Report and Statement of Accounts for 2022/23. The Narrative Report provides me with an opportunity to set the financial scene and to highlight the financial challenges currently being faced by the Council as it strives to continue to provide high quality services to Plymouth residents with diminishing financial resources. The Statement of Accounts aim to not only present the Council's outturn financial position for 2022/23, but also to provide a summary of Plymouth City Council's financial affairs for the 2022/23 financial year and of our financial position as at 31 March 2023.

Returning to the request for a Capitalisation Direction, why have we been required to rewrite the draft accounts for 2019/20 and 2020/21, 2021/22 and 2022/23 and what does it mean for this and future years?

The CIPFA Code of Practice on Local Authority Accounting (the Code) sets out the proper accounting practices to be applied in the preparation of local authority statements of accounts to give a 'true and fair' view of the financial position, performance, and cash flows of a local authority. The Code's overriding requirement is that the statement of accounts and the financial statements within the annual accounts give a 'true and fair view'.

In a set of financial statements prepared in accordance with the Code, the net assets of the authority are balanced by reserves. An authority's reserves are distinguished between those that are 'usable' to fund expenditure or reduce local taxation and other 'unusable' reserves.

Certain usable reserves are statutorily ring-fenced and are only available for specified purposes. These reserves include capital reserves and schools' balances. As a result of the £72m amendment, the Council's overall usable reserves are now showing as a deficit balance.

What does this mean?

Where a local authority's General Fund enters a deficit position, the following are key considerations:

- (i) Has the authority appropriately ring-fenced revenue reserves where it is statutorily required to? Yes, we have ring-fenced as required.
- (ii) Has the authority released all non-ringfenced voluntarily earmarked reserves and disclosed these movements? The deficit position reflects the requirement to charge the £72m transaction to revenue, rather than capital. We have taken the approach, as agreed with our external auditors, to make this retrospective change to one reserve balance only, namely the "working balance". From a previous positive balance of £8.744m reported in the 1st set of Draft Accounts, we are now showing a negative balance of £60.138m. This is considered the cleanest way to show this transaction, given that there is an expectation that the Capitalisation Direction will be applied in 2024/25 and the £72m will again revert to the balance sheet as a capital transaction. The movement has been fully documented.

In the context of our deficit General Fund position, the CIPFA code asks:

(i) Has the authority considered including more detail in the Balance Sheet, specifically including further analysis of usable reserves between statutorily ring-fenced and non-ringfenced reserves, to bring greater prominence to the deficit position on the General Fund? Yes, this is set out in the notes to the accounts.

In this document the Council demonstrates that it has a secure and sustainable financial standing, notwithstanding the reported £72m deficit revenue position, and resultant impact on usable reserves. The Council has fulfilled its stewardship function for all of the public money entrusted to it in a cost effective and appropriate manner, and the approach to DLUHC represents further good stewardship. We are confident that the current "minded to" decision for our request will become a decision to grant the Capitalisation Direction.

David Northey

Service Director for Finance and Section 151 Officer

One of Europe's most vibrant waterfront cities where an outstanding quality of life is enjoyed by everyone



WHAT WE WANT TO ACHIEVE...

LEADING

A city fulfilling its strategic role as a major economic driver for the heart of the South West

HEALTHY

People live in happy, healthy, safe and aspiring communities

GROWING

A city which has used its strengths to deliver quality and sustainable growth

INTERNATIONAL CITY

Plymouth is internationally renowned as the UK's premier marine city, and famous for its waterfront, maritime heritage and culture.

HOW WILL WE KNOW WE'RE SUCCESSFUL?

Plymouth is recognised as a **key regional economic** driver

Plymouth has **high quality strategic** services and facilities

The quality and resilience of Plymouth's **transport** and digital connectivity has improved

Plymouth's strategic defence role has been safeguarded and strengthened

Plymouth's stunning setting and natural assets have been enhanced

People get the **best start to life**, enjoy a better quality
of life and increased life
expectancy

More people are taking care of themselves or **finding care** within their community

More residents are contributing to and **involved in their community**

There is **good quality health** and social care for people who need it

Plymouth has good quality neighbourhoods where people feel **safe and happy** Plymouth's population has grown to more than 300,000

Plymouth continues to be recognised as a leading Green City

Plymouth has more vibrant, productive and innovative businesses

People have the skills to be school ready and work ready to meet the needs of the city

Plymouth has the right environment for growth and investment

Plymouth offers a diverse cultural experience with a major events programme

Plymouth is internationally renowned as a leading UK tourist destination

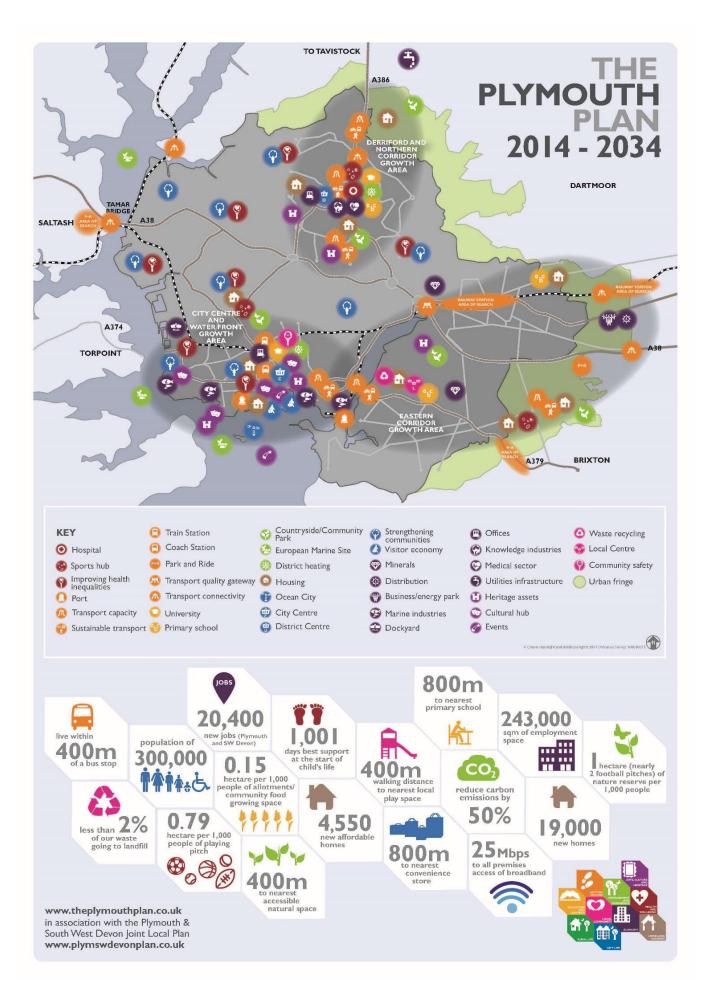
Plymouth is recognised internationally for **marine science** and high technology manufacturing

Plymouth has a reputation for world class universities and research institutions

Plymouth has a reputation as a welcoming and multicultural city with diverse communities

WHAT PRINCIPLES WILL GUIDE US?





OUR PLAN YOUR CITY, YOUR COUNCIL



CITY VISION Britain's Ocean City

One of Europe's most vibrant waterfront cities, where an outstanding quality of life is enjoyed by everyone.

OUR MISSION To build back better and make Plymouth a great place to live, work and visit.

OUR VALUES we are:

DEMOCRATIC

Plymouth is a place where people can have their say about what is important to them and where they are empowered to make change happen.

RESPONSIBLE

We take responsibility for our actions, we are accountable for their impact on others and the environment and expect others to do the same.

FAIR

We will be honest and open in how we act. We will treat everyone with respect, champion fairness and create opportunities.

COLLABORATIVE

We will provide strong community leadership, working with residents, communities and businesses to deliver our common ambition.

OUR PRIORITIES

UNLOCKING THE CITY'S POTENTIAL

A clean and tidy city

A green, sustainable city that cares

Offer a wide range of homes

A vibrant economy, developing quality jobs and skills

An exciting, cultural and creative place Create a varied, efficient, sustainable transport network

CARING FOR PEOPLE AND COMMUNITIES

A friendly welcoming city

Reduced health inequalities

People feel safe in Plymouth

Focus on prevention and early intervention

Keep children, young people and adults protected

Improved schools where pupils achieve better outcomes

DELIVERING ON OUR COMMITMENTS BY:

Empowering our people to deliver Providing a quality service to get the basics right first time Engaging with and listening to our residents, businesses and communities

Providing value for money Championing Plymouth regionally and nationally

Plymouth Britain's Ocean City

www.plymouth.gov.uk/ourplan

AIMS, OBJECTIVES AND ACHIEVEMENTS

The Statement of Accounts should be read in conjunction with the Council's Corporate Plan and Corporate Plan Performance Report, which is focused on our mission to 'make Plymouth a fairer city, where everyone does their bit'. That means everyone working together towards our shared ambition to be a growing city and a caring Council. Our Corporate Plan 2021 to 2025 has a greater emphasis on ensuring Council decisions are driven by our shared values and priorities. We want to explore new ways of working and making the best use of our assets as we balance the books.

PLYMOUTH CITY COUNCIL DEMOCRACY AND GOVERNANCE

Democracy and governance plays a huge part for the Council in ensuring good governance and strong decision making across the Council. The Council is a complex and large organisation. Policies are directed by the political leadership (Leader and Cabinet) and implemented by the Corporate Management Team (CMT).

The Council is made up of 57 councillors for 20 wards. The political make-up of the Council during 2022/23 was:

- Conservative Party 24 Councillors
- Labour Party 24 Councillors
- Green Party I Councillors
- Independent 8 Councillors

Following the election in May 2022, the Council was left in no overall control. However, the Independent Members joined with the Conservative Party and Cllr Richard Bingley was appointed as the Leader of the Council. Richard Bingley resigned on the 27 March 2023 and Cllr Mark Shayer became Acting Leader until the Annual General Meeting in May 2023. The Council has adopted the 'Strong' Leader and Cabinet model as its political management structure. The Leader of the Council has responsibility for the appointment of Members of the Cabinet (also known as the Executive), the allocation of Portfolios and the delegation of executive functions. The Cabinet is the main decision-making body of the Council. It is responsible for policies, plans and strategies, which must be implemented within the budgetary and policy framework adopted by Full Council. The Council elects the Leader each year at the Annual General Meeting (usually held in May).

Councillors are supported by CMT, which is headed by the Council's Chief Executive, Tracey Lee. CMT are responsible for the overall management of the Council, for setting and monitoring overall direction and ensuring high performance in the delivery of council services. Including the Chief Executive, CMT is made up of eight members.

The Council also has a number of committees which include Planning, Licensing, Audit and Governance, various Overview and Scrutiny Committees and a number of others to support the democratic process.

The Council operates by way of the Council Constitution. The Constitution is a legal document and includes items such as Council procedure rules, financial regulations, the scheme of delegation and responsibility for functions. The Council is also required to produce an Annual Governance Statement (AGS) each year to meet the requirements of the Accounts and Audit Regulations 2015 and the principles set out in the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Authority Chief Executives (SOLACE) Framework: 'Delivering Good Governance in Local Government'.

Plymouth - Britain's Ocean City

Plymouth City Council is a unitary local authority responsible for over 300 local services including transport, social care and education. With a resident population of 264,700 (2021) and a further 100,000 residents in the travel to work area, Plymouth is the largest city on the South coast and the

15th biggest city in the country. Plymouth is also the most significant urban area on the south west peninsula with an economic output of £5.03 billion, supporting 110,300 jobs and is the key urban hub of the Heart of the South West Enterprise Partnership making it a key location for growth. The city has the highest concentration of manufacturing and engineering employment in the whole of the South of England. 20% of the UK's blue—tech marine companies are based here and 14.6% of Plymouth's jobs are in the manufacturing industry, far exceeding the national average of 8.8% (2019).

Plymouth is 'Britain's Ocean City' and its connections to the sea go back to the sailing of the Mayflower in 1620 and now includes Western Europe's largest naval base, a thriving commercial and ferry port, a significant fishing industry and one of the most significant global concentrations of marine research and production.

Regional Influence

Plymouth City Council has representation on the Board of the Heart of the South West Partnership Local Enterprise Partnership (HotSW LEP). The HotSW LEP is one of 38 LEPs in England covering Devon, Plymouth, Somerset and Torbay. This is a business-led partnership between the private sector, local authorities, universities and colleges. The LEP vision is to create a dynamic, highly prosperous region with high living standards and an outstanding quality of life; their mission is to raise productivity and ensure prosperity for all. The LEP Board comprises both public and private sector members who work collaboratively to ensure that decisions are made in the interests of promoting inclusive growth, prosperity and improved productivity across the Heart of the South West. The LEP Board oversees the LEP's delivery programme of infrastructure, business support and skills projects worth three-quarters of a billion pounds, which are currently planned to be delivered by 2025 in line with the Local Assurance Framework.

Future Vision

The Council's vision for Plymouth is to become one of Europe's most vibrant waterfront cities, where an outstanding quality of life is enjoyed by everyone. Through the visionary Plymouth Plan which sets out far reaching growth plans to 2034, promoting a shared direction of travel for the long term future of the city bringing together, for the first time in Plymouth (and perhaps in the UK), a number of strategic planning processes into one place. Since its introduction, the Plymouth Plan has been at the heart of policy and plan-making in the city. It sets the direction for the city's economy; it plans for the city's transport and housing needs; it looks at how the city can improve the lives of children and young people and address the issues which lead to child poverty. It sets out the Council's mission to 'Make Plymouth a fairer city, where everyone does their bit'.

The Plymouth Plan includes plans to increase its resident population to 300,000, build an additional 19,000 homes (of which 4,550 are affordable), reduce carbon emissions by 50%, improved broadband for all premises and to create 20,400 jobs. The Council worked closely with local strategic partners West Devon and South Hams Councils to create 'The Plymouth and South West Devon Joint Local Plan' to support local thriving towns and villages. The three councils joined up to create this plan (now adopted) which looks at every aspect of how we want our cities, towns and villages to look and feel over the next 20 years. The existing policies in the Plymouth Plan will now be combined with the Plymouth-specific policies in the new Joint Local Plan to create one document.

National Marine Park (NMP)

Partners across the city created the UK's first ever National Marine Park in 2019 and the 'Park in the Sea' was awarded £9.5 million in 2021 from the National Lottery Heritage Fund Horizon Awards to fully develop the idea.

The 'Park in the Sea' aims to:

- Support the ongoing enhancement of our world class natural environment and heritage landscape;
- Get the entire city and surrounding communities involved with the Sound;

- Increase access to our heritage so everyone can enjoy the benefits;
- Provide new employment opportunities and career pathways in sustainable future ocean jobs;
- Position Plymouth as a UK top day-visitor destination;
- Champion health and wellbeing with a new generation of engaged volunteers, communities and champions;
- Support the positive transition to net zero carbon by 2030.

In July 2021 the City Council NMP project team outlined its ambition to create five 'gateways' to the park, each with a particular focus that will inspire more people to explore, connect and enjoy the sea. They include:

- Tinside for health and wellbeing activities;
- National Marine Aquarium a hub for nature and the environment;
- Mountbatten active recreation:
- Mount Edgcumbe learning about the Sound's epic history including over 600 wrecks that lie beneath the waves; and
- Smart Sound digital harnessing the power of the latest digital technology.

The Council will be consulting with partners over the next two years with a full engagement programme to be developed to ensure everyone has their say in what they would like to see as part of the National Marine Park.

Plymouth and South Devon Freeport

The Plymouth and South Devon Freeport was designated by statutory instrument in October 2022 and the government announced full business case approval in December 2022. The Freeport is a dynamic public/private partnership with Plymouth City Council, South Hams, District Council and Devon County Council working alongside Princess Yachts, Carlton Power, the Sherford Consortium and a wide range of stakeholders including the Universities of Plymouth and Exeter, Plymouth port operators, skills providers and the Heart of the South West LEP to ensure its success.

The Freeport represents a unique opportunity to level up, address historical challenges and leverage exciting new opportunities to transform the economy of Plymouth and South Devon through:

- Physical regeneration by delivering infrastructure to unlock key employment sites and innovation assets, supporting business clustering and clean growth opportunities.
- Economic regeneration by delivering inward investment, supply chain opportunities and productivity gains within our identified growth sectors.
- Social regeneration by delivering a pipeline of jobs across the spectrum of employment from entry level to higher skilled/high value with upskilling opportunities.

The Freeport intends to:

- Create a national hub for trading and investment
- Promote regeneration and job creation.
- Create a hotbed for innovation.

The Freeport will continue to build on the extensive partnership work initiated during the last two years and support interested businesses with contracting, designing and planning their place within the Freeport.

Devon Business Rates Pool

The Devon Business Rates Pool (DBRP) has been operating since April 2013 and each year the pool has delivered a pool gain to its members. The table shown below demonstrates the benefit to pool members for each financial year from 2013 to the end of March 2023. As can be seen from the table below Plymouth has benefitted from an additional £13.064m since 1 April 2013 and the Devon economy has benefitted overall by £66.186m since the pool's inception in 2013.

The DBRP working group has worked together to produce the forecasts, share best practices and develop the detailed workings which are complex. The group has also been supported by LG Futures who developed the initial workings and have provided support to the Pool since its inception.

	Devon Business Rate Pooling Gains 2013 to 2023								
Business Rate Retention Scheme	2013-18 50%	2018/19 100% Pilot	2019/20 50%	2020/21 50%	2021/22 50%	2022/23 50%	Total		
	£	£	£	£	£	£	£		
Devon	4,014,659	15,306,012	2,228,157	2,145,986	2,511,070	2,290,137	28,496,021		
East Devon	580,069	1,669,512	315,779	303,873	355,874	324,563	3,549,670		
Exeter	1,285,369	961,211	682,088	656,335	768,694	701,061	5,054,758		
Mid Devon	305,309	195,650	166,760	160,490	187,934	171,399	1,187,542		
North Devon	594,192	658,941	319,050	307,028	359,561	327,925	2,566,697		
South Hams	151,543	460,047	308,947	297,284	348,174	317,541	1,883,536		
Teignbridge	586,930	480,085	316,768	304,841	356,989	325,580	2,371,193		
Torridge	248,200	382,617	139,918	134,669	157,684	143,811	1,206,899		
West Devon	229,651	270,162	128,901	124,053	145,268	132,487	1,030,522		
Plymouth	3,491,182	1,727,204	1,904,143	1,837,986	2,145,916	1,957,110	13,063,541		
Torbay	1,712,903	263,329	922,674	888,429	1,039,828	948,340	5,775,503		
Total	13,200,007	22,374,770	7,433,185	7,160,974	8,376,992	7,639,954	66,185,882		

The Council's Approach to Climate Change

In early 2019, Councillors voted unanimously to declare a Climate Emergency, making a pledge to make Plymouth carbon neutral by 2030. The pledge exceeds the climate objectives of the UK and Plymouth have developed a Net Zero Action Plan (NZAP) to work towards the reduction in carbon emissions to ensure the Council is a net zero organisation by 2030.

The NZAP covers two main areas:

- Action commitments to reduce emissions from the facilities we own and the services we deliver.
- Action commitments about how the Council uses its powers to help the city as a whole move towards net zero.

The NZAP has been guided by the Carbon Management Hierarchy (CMH). This aims to give focus first to actions that avoid emissions in the first place, followed by those that reduce emissions.

The key priorities for net zero are:

- Cut our emissions from travel
- Cut our emissions from construction and buildings
- Deliver a step-change in low carbon energy generation

- Consume responsibly and reduce our waste
- Engage the whole city in the net zero mission
- As a last resort, offset the emissions we can't stop

The Way We Work

The Workforce Modernisation Programme's vision is:

'To be a modern workforce where our people are empowered to be progressive, responsible and offer great services to customers.'

'The Way We Work' programme has fundamentally changed in response to the COVID-19 pandemic. The Council's ability to change at pace has enabled the programme to be re-prioritised into three key projects to be more flexible and responsive. The revised programme will work in a more agile way and covers three work streams; Accommodation, Business Support Review and Digital.

It is expected that the programme will modernise our workforce over the next three years and deliver outcomes that realise four key benefits:

- Reducing expenditure;
- Increasing employee performance and improved staff health and well-being;
- Increasing organisational compliance;
- Improving customer satisfaction.

The future shape of Plymouth City Council will reflect an intelligent organisation making effective use of the data available, working closely with their communities, developing models for alternative service delivery vehicles, supported by streamlined services and placing the customer at the heart of the Council's culture.

Services have been modernised and we have created a number of profitable arms-length companies or Alternative Service Delivery Vehicles (ASDV) to support the Council and partners in the city such as DELT Shared Services Ltd, CATER^{ed} Limited, FullyCATER^{ed} Limited, ARCA (Plymouth) Limited, @PlymouthCare Limited and Plymouth Active Leisure Ltd.

We have also introduced new technology to provide staff with more efficient ways of working and we are delivering a modern library service that is more focused on the needs of Plymouth residents.

We are now moving into the next stage of our journey, which will enable us to respond to drivers for change including delivering the ambitions for growth set out in the Plymouth and South West Devon Joint Local Plan.

Our priorities include:

- continuing to improve our performance;
- meeting the changing expectations from residents;
- joining up our services with partners to improve efficiency and make things easier for customers;
- supporting the transformation of NHS services through its Strategic Transformation Plan (STP);
- working with schools to change our education services;
- working with our partners across the South West to pursue our shared interests.

The Council's Performance

The Plymouth City Corporate Plan 2021-25 sets out the Councils vision of Plymouth being 'Once of Europe's most vibrant waterfront cities, where an outstanding quality of life is enjoyed by everyone'.

This was approved by Full Council in June 2021. The Corporate Plan priorities are delivered through specific programmes and projects which are coordinated and resourced through cross-cutting strategic plans, capital investments and directorate business plans. The key performance indicators (KPIs) and their associated targets are monitored quarterly to inform us on how we are doing in delivering what we have set out to achieve in the Corporate Plan. We have continued to transform how we deliver services to ensure they are more efficient and better focused on customer needs. This includes working in new ways, joining services up with our partners and maximising the opportunities from digital technology.

In very difficult financial circumstances we continue to retain and improve our core services. The COVID-19 pandemic has had far reaching impacts across all services, including the ability for the Council to report on performance against some indicators.

FINANCIAL PERFORMANCE

Strategy and Resource Allocation – The Council's Budget and Medium Term Financial Plan 2022/23 to 2024/25

The Council's gross revenue budget for 2022/23 was £527.575m, which after adjusting for income equates to a net budget requirement of £197.750m. This was approved by Full Council on the 28 February 2022. The budget was developed following input and reviews with Directors and other officers and Members, including Cabinet. The budget was formulated having regard to a number of factors including funding availability; risks and uncertainties; inflation; priorities; demography and service pressures. The savings plans included in the budget take into account Council priorities and are assessed against an agreed set of impact criteria and equality assessments. Budget monitoring and scrutiny arrangements were in place throughout the year, which included arrangements for the identification of early remedial action supported by a clear action plan, reporting and regular monitoring.

A summary of the overall budget position is shown below, which includes the Medium Term Financial Plan for the next two years (2023/24 to 2024/25). The Medium Term Financial Plan is integral to the Budget Preparation process and is regularly reported to Members as part of the budget updates through the year:

Medium Term Financial Plan	2022/23 Budget	2023/24 Budget	2024/25 Forecast
	£m	£m	£m
Revenue Resources Available	(197.750)	(218.440)	(216.767)
Base Budget Costs	195.568	197.750	213.280
Plus identified additional costs	27.307	48.562	14.484
Savings	(12.534)	(23.436)	0.000
Grant income	(12.591)	(4.436)	0.000
Budget Requirement	197.750	218.440	227.764
Budget Gap	0.000	0.000	10.997

Before COVID-19 the Council already faced a significant financial challenge over the medium term. The government had announced that a full multi-year spending review would take place in 2021 and there were a number of other changes planned that would impact on the Council's main funding sources:

- The Fair Funding Review of the Local Government finance system;
- The Business Rates system would move nationally to a 75% retention system and there
 were other proposed changes to the Business Rates baselines and revaluations.

All of this has now been put on hold due to the unknown mid to long-term impact of the COVID-19 pandemic. This means that there is currently very little indication of the level of funding Local

Authorities can expect to receive for 2024/25 and beyond. This uncertainty, when combined with the direct financial impact of the pandemic on the Council with falling revenue income from Council Tax, Business Rates and other fees and charges, it makes financial planning for the medium term extremely difficult.

2022/23 Revenue Outturn

The Council had balanced its budget, reporting a breakeven position for 2022/23 prior to the adjustments for the pension transaction. The overall net spend matched the net budget of £197.750m. Within this overall balanced position the Council had overcome £20m of additional in-year costs and pressures. The setting aside of resources, as approved by Full Council on the 28 February 2022, assisted in balancing the 2022/23 Revenue Budget.

Across the Council, management actions to reduce the potential of a business as usual overspend being incurred included a review of all discretionary spend and delayed expenditure wherever possible.

Most directorates, with the exception of Executive Office, Customer and Corporate Services and People, came in on or under budget for their business as usual activity.

The net revenue budget of £197.750m was allocated to council services as follows:

Directorate	2022/23 Net Budget Expenditure	Additional Pressures	Additional Savings Achieved	Business as Usual 2022/23 Outturn	Year-End Over/ (Under) Spend
	£m	£m	£m	£m	£m
Executive Office	5.605	0.443	(0.316)	5.732	0.127
Customer and Corporate Services	47.636	4.338	(3.205)	48.769	1.133
People Directorate	157.370	9.072	(3.210)	163.232	5.862
Office for the Director of Public Health	(0.309)	0.000	(0.236)	(0.545)	(0.236)
Place Directorate	27.417	3.982	(4.824)	26.575	(0.842)
Corporate Items	(39.969)	2.582	(8.626)	(46.013)	(6.044)
Total	197.750	20.417	(20.417)	197.750	0.000

Council Tax Energy Rebate

In February 2022, the Government announced that Councils would be responsible for administering the Council Tax Energy Rebate scheme. Although this was a 2022/23 scheme the Council received £16.633m on 30 March 2022 for non-discretionary payments and a further £0.557m in funding for discretionary energy rebates. During 2022/23 the Council has paid out £15.901m in non-discretionary payments for energy rebates and £0.549m in discretionary energy rebates.

Working Balance

The Working Balance as at 31 March 2023 after the adjustments for the transaction of £73.375m is a negative balance of £60.138m (prior to these adjustments the Council's Working Balance was £8.743m). It is expected that the Working balance will return to this level once the Capitalisation Direction is awarded by Government. The Working Balance has a recommended minimum set at 5% of the net revenue budget.. This minimum requirement has been approved by Council.

Other Financial Performance

In addition to the financial outturn reports within this report there were a range of other significant performance achievements which have contributed to the year-end position. In year collection targets are set for our Council Tax, Business Rates, Commercial Rents, and Sundry Debt Income including our Trade Waste Income. The 2022/23 revenue budget was based on the achievement of the required targets.

We continue to increase our collection rates in core income streams and explore alternative ways of making further improvements. For example, we created a new team within existing resources to focus on recovering debt due to the Council with a specific focus on reducing housing benefit overpayments.

Some key indicators are:

- 96.66% of Council Tax collected in year for 2022/23 towards the total collection target of 96.50% (96.75% in 2021/22). This equates to £145.755m (£141.062m in 2021/22). This was slightly below the percentage collected in 2021-22.
- 99.01% of NDR collected in year for 2022/23 towards the total collection target of 99.00% (98.74% in 2021/22). This equates to £84.964m (£72.923m in 2021/22). The collection rate for both years was affected by impacts of the COVID-19 pandemic on businesses and the changing levels of support available to them as restrictions across the country eased.
- Average borrowing rate of 2.73% was achieved above target of 1.60% in 2022/23 (1.70% in 2021/22). Throughout 2022/23, the rate was higher than the target, ranging from 1.86% (April 22) to 2.90% (December 22).
- Average investment return of 3.93% was achieved against target of 1.0% in 2022/23 (1.30% in 2021/22).
- VAT partial exemption at 2.60% against a limit of 4.99% in 2022/23 (4.38% in 2021/22).

Capital

During the year 2022/23 the Council spent £86.653m on capital projects within the city. This is shown by Directorate in the following table. This is within the approved five year (2022-27) Capital Budget of £363.957m reported to Full Council on 28 February 2022.

Directorate	Approved Capital Budget 2022/23	Latest Forecast December 2022	Approvals Post December	Re- Profiling	Variation & Virements	2022/23 Capital Spend	% Spend Against December Forecast
	£m	£m	£m	£m	£m	£m	%
Place Directorate	174.125	85.269	2.425	(20.129)	(1.860)	65.705	77 / (37)
People Directorate	11.876	8.604	1.235	(3.071)	0.047	6.815	80 / (58)
Customer and Corporate Services	3.193	6.979	1.130	(2.337)	(0.220)	5.552	80 / (174)
Office for the Director of Public Health	0.000	9.823	0.000	(1.242)	0.000	8.581	87 / (0)
Total Capital Programme	189.194	110.675	4.790	(26.779)	(2.033)	86.653	78 / (46)

Throughout the year, the capital programme has experienced many challenges not least through high inflation, supply chain disruptions and labour shortages. These are national issues affecting the building and construction industry and these issues have played a part in the need for projects to be re-profiled. The 2022/23 programme outturn of £86.653m has enabled investment in the city and includes some notable capital schemes and areas of investment, including:

- £13.029m
 Forder Valley Link Road and interchange;
- £8.581m New crematorium;
- £7.060m Transforming Cities Fund programme;
- £6.319m City Centre schemes;
- £5.804m Highway maintenance and essential engineering;

• £4	52 4 m De	carbonisation	projects a	and home	energy efficiency;
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- £4.293m Morlaix Drive Access Improvements;
- £2.977m Sustainable transport schemes;
- £2.189m Property and regeneration;
- £2.576m Street lighting and traffic signals;
- £1.957m Environmental service vehicles/containers;
- £3.730m Disabled Facilities;
- £2.496m Corporate property improvements;
- £2.274m Accommodation Transformation;
- £0.629m Information Systems;
- £1.768m Various School Projects;

Capital Funding 2022-27

The latest capital programme is summarised as follows, this does not reflect the impact of the reprofiling of the budget for 2022/23 which is shown above:

Directorate	2022/23 Actual	2023/24 Forecast	2024/25 Forecast	2025/26 Forecast	2026/27 Forecast	Total
	£m	£m	£m	£m	£m	£m
Place Directorate	65.705	199.152	66.458	8.498	2.911	342.724
People Directorate	6.815	11.686	5.743	0.371	0.000	24.615
Customer and Corporate Services	5.552	10.831	0.605	0.000	0.000	16.988
Office for the Director or	5.552	10.831	0.603	0.000	0.000	16.766
Public Health	8.581	11.923	2.671	0.000	0.000	23.175
Total	86.653	233.592	75.477	8.869	2.911	407.502

Capital Financing 2022/23

The following table shows the final financing of the 2022/23 capital programme:

	<u> </u>		
Method of Financing		Total	Funding
		£m	%
Capital receipts		2.297	3
Grants (Government, HLF, LEP, Environment A	gency)	35.347	41
Contributions, \$106 & CIL (neighbourhood elen	nents)	4.535	5
Borrowing:			
Corporately funded		26.245	30
Service burrowing (revenue budget funded)		18.229	21
Capital Programme Financings 2022/23		86.653	100

Cash Flow Management

The Council has a comprehensive cash flow management system to ensure that:

surplus cash is invested wisely;

it can always meet its liabilities as they fall due.

Cash and short-term investment holdings at 31 March 2023 were £30.182m and are held to meet the Council's capital financing and cash flow requirements while obtaining a return on these investments. The Council also uses short-term borrowing from other local authorities to meet some of the funding of the Council's ambitious capital programme. As at 31 March 2023 the Council held £80.726m short-term borrowing and £484.223m long term borrowing which is within the Council's approved limits.

Balance Sheet Position

The Council's Balance Sheet position is as follows:

Position	Balance as at 31 March 2022	Balance as at 31 March 2023
	£000	£000
Non-current assets - principally land, buildings and equipment used to deliver council services	1,363,773	1,393,271
Net current assets - current assets less current liabilities	(377,868)	(297,778)
Long-term liabilities and provisions (including pensions) see points 1 and 2	(867,508)	(632,223)
Net Assets	118,397	463,270
Represented by:		
Usable reserves (see point 3)	67,781	72,170
Unusable reserves	50,616	391,099
Total Reserves	118,397	463,269

- I. The Council's largest balance sheet liability is the £484.223m of long-term borrowing which supports the capital programme. Until last year the Pension liability was the largest balance sheet item, but due to improvements in the triennial valuation the liability has now reduced to £27.465m (£371.873 in 2021/22).
- 2. The Council has a number of liabilities at the year-end for which it has made provision. The most significant of which are:
 - The provision for Chelson Meadow which is a closed landfill site. The
 provision of £6.971m has been calculated on the future maintenance costs
 over the next 45 years and is reviewed each year;
 - In addition, the Council has set aside a provision for business rate appeals of £6.013m due to the COVID-19 pandemic and the uncertainty over business rates (£7.113m at 31 March 2022).
- 3. Usable reserves are currently split between those earmarked for capital investment and those allocated to revenue support and service development. Usable reserves also include £3.662m held on behalf of schools and a negative £60.138m general fund working balance. Prior to the changes applied for the pension transaction, the working balance was £8.744m which represented 4.421% of the net cost of services.
- 4. The Council holds a number of unusable reserves, the majority of which are required to be held for statutory reasons and some which are needed to comply with proper accounting practice. A further breakdown of unusable reserves can be found in the Notes to the Financial Statements section of the Statement of Accounts.

FINANCIAL MANAGEMENT AND IDENTIFYING RISKS

The Finance Service provides a high quality financial management service for the Council. In addition to the statutory reporting function for the Statement of Accounts, a key task is financial planning over a three year medium term timescale. Alongside budget preparation, the ability to look strategically beyond the current budget period is crucial to supporting the Council's long-term financial sustainability and resilience. Given the current level of uncertainty, the unknown impact of Brexit and the ongoing widespread pressures on revenue budgets, it is essential that the Finance Teams are planning effectively for the future.

The Council approves a number of key documents before the start of each financial year:

- a three year Medium Term Financial Plan (MTFP);
- a Treasury Management Strategy which includes our investment and borrowing strategies and includes the Council's 'Prudential indicators';
- Annual Revenue Budget.

These documents are continually updated and reviewed on a quarterly basis. The MTFP is wide ranging and includes estimates of future income and expenditure. It allows the Finance team to balance the financial implications of the Council's Corporate Plan, service objectives and policies with the constraints in resources. This year's budget (2022/23) and the modelling for future years budgets were prepared prior to the Ukrainian war taking place and they will be revisited in 2023/24 to determine what action needs to be taken to balance the budget.

The Department for Levelling Up, Homes and Communities (DLUHC) and CIPFA have published revised guidance and an updated Prudential Code to cover local authorities who invest in properties to obtain an income. The Council's Property Regeneration Fund has been set up to invest in property in areas requiring regeneration.

Risk Management

The Council has a Strategic Risk and Opportunity Register and there are clear and consistent processes for identifying, assessing, managing, controlling, reviewing and reporting risks. These are subject to regular review and update. Some of the strategic risks which have been rated as high risk are shown as follows:

Risk	Link to Corporate Plan	Impact	Mitigation
Financial			
The Council's expenditure exceeds the resources available to meet that expenditure within the medium term financial plan period (2022/23-2025/26).	Responsible	Risk to services not delivering within reduced budgets and to delivery of the Plymouth Plan from reduced revenue and funding of the Capital Programme	Rigorous reporting framework from directorate DMT's through to monthly report to Scrutiny Committee, council is developing a multi-year savings programme to deal with future challenges
Failure to meet statutory duties due to growing volume and complexity of demand for children's social care services	Fair	Impact on quality of life outcomes for children	New approach on reviewing unregistered, use of residential care, enhanced oversight of the Improvement Plan for Fostering, new model of intervention for children at risk of care, ongoing rigour in decision making to manage demand via a new Children's Resource Panel
Compliance, Regulation &	& Safeguarding		
A Cyber-attack renders all of the Council's IT inaccessible for an extended period of time therefore impacting on the Councils ability to deliver services.	Responsible	Impact on Council's ability to provide services and to operate	LGA Cyber 360 review completed in March - review and findings. Cyber security briefing for SLT, cyber awareness week planned IT Health Check
IT supply chain constraints results in increased costs and extended lead times for equipment.	Responsible	High risk of further waves of infection, timing uncertain	PCC to pre plan as far ahead as possible on any purchases of technical goods or services, notifying Delt during the planning phase of such work. Delt have been provided with Capital Plan for 2022/23
Lack of adult social care workforce and growing fragility of Adult Social Care Market leading to inability of Authority to meet statutory duties and meet eligible need.	Fair	Council failure to meet statutory duty to the adult population of Plymouth	Health & ASC Winter Plan which will bring in additional elements of contingency planning, uplift in fee rate to help support the market. Risk to be monitored through contract monitoring and market intelligence.

LOOKING FORWARD

The Budget report presented to Cabinet on 27 February 2023 set out the national context for large reductions in local government funding and the Local Government Finance Settlement. The 2023/24 Budget Report contains a commitment to produce a revised MTFP for consideration at Full Council in September 2023, reflecting the Council's financial response to recent inflation and demand pressures.

The impact of pressures within Social Care continues to have a significant impact upon the Council's resources. Nationally and locally the costs of providing health and wellbeing services are rising as demand increases. Plymouth has an ageing population with more complex needs and higher levels of young children requiring our services.

To balance the budget there will be a continuing need for transformation, efficiencies and other financial initiatives for the foreseeable future.

STATEMENT OF ACCOUNTS 2022/23

The Statement of Accounts sets out the Council's income and expenditure for the year and its financial position as at 31 March 2023. The format and content of the statements is prescribed by the Chartered Institute of Public Finance and Accountancy (CIPFA), Code of Practice on Local Authority Accounting in the United Kingdom 2022/23. This is based on International Financial Reporting Standards (IFRS) adapted for use in a public sector context. Accounting policies are applied in accordance with these standards. The Statement of Accounts comprises:

Statement of Responsibilities for the Statement of Accounts	This sets out the respective responsibilities of the Council and the Chief Finance Officer (Service Director for Finance).
Auditor's Report	This gives the auditor's opinion of the financial statements and of the Council's arrangements for securing economy, efficiency and effectiveness in the use of resources.
Core Financial Staten	nents:
Comprehensive Income and Expenditure Statement (CIES)	This shows the net cost of providing services for the year, including that for Plymouth's maintained schools. The top half of the statement provides an analysis by service area, on the same basis that these services are managed by the Council. The bottom half of the statement deals with in accordance with generally accepted accounting practices. The Expenditure Funding Analysis (note $\underline{7}$) compares the CIES with levels of income and expenditure which are taken into account when setting the annual budget and council tax since certain amounts are disregarded by statute.
Balance Sheet	The Balance Sheet shows a 'snapshot' of the Council's financial position at year end. The top half of the Balance Sheet sets out the Council's assets and liabilities, including provision for known liabilities from past events that can be reliably estimated. The lower half of the Balance Sheet shows the Council's reserves. Usable reserves reflect actual cash amounts and unusable reserves result from accounting adjustments required by statute or accounting standards and cannot be spent.
Movement in Reserves Statement (MIRS)	This shows the movements in reserves during the year, analysed into the different funds held by the Council and classified as either 'usable' reserves which can be used to fund future expenditure or 'unusable' reserves which are maintained to meet specific statutory responsibilities and adjustments (e.g. valuation reserves showing the change in book value of assets and liabilities).
Cash Flow Statement	This financial statement shows how changes in balance sheet accounts and income affect cash and cash equivalents. It breaks the analysis down to operating activities, investing activities (including capital spend and disposals) and financing activities (such as repayment of borrowing and other long-term activities).
Supplementary State	ments and Notes:
Collection Fund	This account demonstrates how income raised from local taxpayers has been redistributed to the Council and other precepting authorities for the provision of services.
Statement of Accounting Policies	Sets out the accounting policies that have been followed in preparing the accounts and how the Code requirements have been met in practice.
Disclosure Notes	These provide more detail about individual transactions and balances.

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ANNUAL GOVERNANCE STATEMENT

The Code also sets out the statutory requirement, under the Accounts and Audit (England) Regulations 2015, 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).

The AGS will be reported to and approved by the Audit Committee on the 25 July 2023. This can then be found on the Council's website.

CONCLUSION

The formal audit of the Draft Statement of Accounts will commence as soon as is practicably possible and in line with our statutory duty the accounts will be made available for scrutiny by interested members of the public from 21 June to 1 August 2023.

Following any adjustments, as a result of the audit and/or post balance sheet events, we will present the final Statement of Accounts to the Audit Committee and following formal sign off, we will endeavour to publish them on our web pages soon after.

Local Audit and Accountability Act 2014 and Accounts and Audit (England) Regulations 2015:

- a) Any person interested may inspect and make copies of the accounts 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 020 7728 3180.
- 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 Council's Service Director for Finance (Section 151 Officer) is required to sign the final accounts by a statutory deadline of 31 May 2023 or to issue a public notice stating why this has not been possible.

Further information is available:

- on the Council's website: or
- from Carolyn Haynes, Lead Accountancy Manager, Ballard House West Hoe Road, Plymouth PLI 3BJ, email corporateaccountancy@plymouth.gov.uk.

David Northey

Service Director for Finance and Section 151 Officer Ballard House West Hoe Road Plymouth PLI 3BJ

Dated: 20 June 2023

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 Service Director for Finance;
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets;
- approve the Statement of Accounts.

The Service Director for Finance (Section 151 Officer) Responsibilities

The Service Director for Finance 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 Service Director for Finance 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 Service Director for Finance 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 Service Director for Finance confirms that these statements give a 'true and fair' view of the financial position of the Council as at 31 March 2023 and of its expenditure and income for the year ended 31 March 2023.

David Northey

Service Director for Finance and Section 151 Officer Ballard House West Hoe Road Plymouth PLI 3BJ

Dated: 20 June 2023

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT FOR THE YEAR ENDED 31 MARCH 2023

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. Councils raise taxation to cover expenditure in accordance with statutory regulations; this may be different from the accounting cost. The taxation position is shown in both the Expenditure and Funding Analysis and the Movement in Reserves Statement.

2021/22 Gross Expenditure	2021/22 Gross Income	2021/22 Net Expenditure		Note	2022/23 Gross Expenditure	2022/23 Gross Income	2022/23 Net Expenditure
£000	£000	£000			£000	£000	£000
7,800	(1,295)	6,505	Executive Office		7,061	(508)	6,553
14,451	(42,191)	(27,740)	Corporate Items		9,113	(41,334)	(32,221)
105,959	(69,632)	36,327	Customer and Corporate Services		106,702	(66,524)	40,178
311,678	(163,888)	147,790	People Directorate		326,543	(148,506)	178,037
28,141	(27,632)	509	Public Health		21,885	(22,360)	(475)
117,398	(49,635)	67,763	Place Directorate		115,452	(50,652)	64,800
585,427	(354,273)	231,154	(Surplus)/Deficit on Continuing Operations		586,756	(329,884)	256,872
17,839	(2,382)	15,457	Other Operating Expenditure	11	11,857	(2,593)	9,264
48,432	(39,481)	8,951	Financing and Investment Income and Expenditure	13	56,121	(39,785)	16,336
0	(234,349)	(234,349)	Taxation and Non-Specific Grant Income	14	0	(241,867)	(241,867)
651,698	(630,485)	21,213	(Surplus)/Deficit on Provision of Services		654,734	(614,129)	40,605
		(59,920)	(Surplus)/deficit on Revaluation of Non-Current Assets	22.1			(26,756)
		(253,419)	Re-measurement of the Net Defined Benefit Liability (Assets)	22.4			(356,018)
		1,790	Other recognised (gains)/losses				(2,703)
		(311,549)	Other Comprehensive Income and Expenditure				(385,477)
		(290,336)	Total Comprehensive Income and Expenditure				(344,872)

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MOVEMENT IN RESERVES STATEMENT FOR THE YEAR ENDED 31 MARCH 2023

The Movement in Reserves Statement shows the movement from the start of the year to the end 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 'unusable reserves'. The Statement shows how the movements in year of the Council's reserves are broken down between gains and losses incurred in accordance with generally accepted accounting practices and the statutory adjustments required to return to the amounts chargeable to council tax for the year. The Net Increase/(Decrease) line shows the statutory General Fund Balance movements in the year following those adjustments.

Movement in Reserves Statement	Note	General Fund Balance	Earmarked General Fund	Total General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Council Reserves
		£000	£000	£000	£000	£000	£000	£000	£000
Balance at 31 March 2021		(61,487)	83,202	21,715	16,178	11,895	49,788	(221,727)	(171,939)
Movement in Reserves 2021/22									
Total comprehensive income and expenditure		(21,213)	0	(21,213)	0	0	(21,213)	311,549	290,336
Adjustments between accounting basis and funding under regulations	10	35,168	0	35,168	804	3,234	39,206	(39,206)	0
Net Increase/(Decrease) Before Transfer to Earmarked Reserves		13,955	0	13,955	804	3,234	17,993	272,343	290,336
Transfer (to)/from reserves	12	(12,606)	12,606	0	0	0	0	0	0
Net Increase/(Decrease) in 2021/22		1,349	12,606	13,955	804	3,234	17,993	272,343	290,336
Balance at 31 March 2022		(60,138)	95,808	35,670	16,982	15,129	67,781	50,616	118,397
Movement in Reserves 2022/23									
Total comprehensive income and expenditure		(40,605)	0	(40,605)	0	0	(40,605)	385,477	344,872
Adjustments between accounting basis and funding under regulations	10	21,211	0	21,211	225	23,558	44,994	(44,994)	0
Net Increase/(Decrease) Before Transfer to Earmarked Reserves		(19,394)	0	(19,394)	225	23,558	4,389	340,483	344,872
Transfer (to)/from reserves	12	19,394	(19,394)	0	0	0	0	0	0
Net Increase/(Decrease) in 2022/23		0	(19,394)	(19,394)	225	23,558	4,389	340,483	344,872
Balance at 31 March 2023		(60,138)	76,414	16,276	17,207	38,687	72,170	391,099	463,269

2022/23 STATEMENT OF ACCOUNTS

BALANCE SHEET

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 are matched by the reserves held. Usable reserves are 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). Unusable reserves are those that the Council is not able to use to provide services, including reserves that hold unrealised gains and losses (for example the Revaluation Reserve), and reserves that hold timing differences shown in the Movement in Reserve Statement line 'Adjustments between accounting basis and funding basis under regulations'.

31 March 2022		Note	31 March 2023
£000			£000
963,264	Property, Plant and Equipment	15	1,018,586
46,459	Heritage Assets	16	46,459
271,065	Investment Properties	17	238,435
1	Intangible Assets		0
70,285	Long-Term Investments	18.1	80,179
12,699	Long-Term Debtors	19.2	9,612
1,363,773	Non-Current Assets		1,393,271
0	Short-Term Investments	18.1	0
442	Inventories		597
75,505	Short-Term Debtors	19.1	65,734
40,227	Cash and Cash Equivalents	23.4	30,182
598	Assets Held for Sale		330
116,772	Currents Assets		96,843
(227,861)	Short-Term Borrowing	18.1	(120,727)
(124,213)	Short-Term Creditors	20.1	(124,103)
(8,292)	Short-Term Provisions	21	(7,593)
(6,638)	Grants Received in Advance - Revenue	29	(9,793)
(127,636)	Grants Received in Advance - Capital	29	(132,405)
(494,640)	Current Liabilities		(394,621)
(11,597)	Long-Term Creditors	20.2	(10,178)
(12,931)	Long-Term Provisions	21	(9,684)
(325,629)	Long-Term Borrowing	18.1	(444,223)
(371,873)	Long-Term Liabilities Pensions	34.3 & 34.9	(27,465)
(113,570)	Other Long-Term Liabilities	20.3	(108,550)
0	Grants Received in Advance - Revenue		0
(31,908)	Grants Received in Advance - Capital	29	(32,124)
(867,508)	Long-Term Liabilities		(632,224)
118,397	Net Assets		463,269
67,781	Usable Reserves		72,170
50,616	Unusable Reserves	22	391,099
118,397	Total Reserves		463,269

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 (that is borrowing) to the Council.

2021/22		Note	2022/23
£000			£000
(21,213)	Net Surplus/(Deficit) on the Provision of Service	23.1	(40,605)
69,480	Adjustment to the Net Surplus/(Deficit) on the Provision of Service for non-cash movements	23.1	111,350
(34,670)	Adjustments for items included in the Net Surplus/(Deficit) on the Provision of Service that are investing and financing activities	23.1	(39,301)
13,597	Net Cash Flows from Operating Activities		31,444
(7,598)	Investing activities	23.2	(55,269)
(7,631)	Financing activities	23.3	13,780
(1,632)	Net Increase/(Decrease)in Cash and Cash Equivalents		(10,045)
41,859	Cash and cash equivalents at the beginning of the reporting period	23.4	40,227
40,227	Cash and Cash Equivalents at the End of the Reporting Period		30,182

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I Accounting Policies

I.I General Principles

The Statement of Accounts summarises the Council's transactions for the 2022/23 financial year and its position at the year ended 31 March 2023. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit (England) Regulations 2015, 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 2022/23 (The Code), supported by International Financial Reporting Standards (IFRS).

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

These Accounts have been prepared on a going concern basis and it has been assumed that the functions of the Council will continue in operational existence for the foreseeable future.

1.2 Accruals of Income and Expenditure

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

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

1.3 Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in 90 days or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the cash flow statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Council's cash management.

1.4 Exceptional Items

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

1.5 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.

1.6 Prior Period Adjustments, Changes in Accounting Policies, 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, where the change provides more reliable or relevant information about the effect of transactions or other events and conditions on the Council's financial position or financial performance. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

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

1.7 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 non-current 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 Council 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 Council in accordance with statutory guidance. Depreciation, revaluation and impairment losses and amortisations are therefore replaced by the MRP contribution in the General Fund balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

I.8 Council Tax and Non-Domestic Rates

Billing authorities act as agents, collecting Council Tax and Non-Domestic Rates (NDR) on behalf of the major preceptors (including government for NDR) and, as principals, collecting Council Tax and NDR for themselves. Billing authorities are required by statute to maintain a separate fund (i.e. the Collection Fund) for the collection and distribution of amounts due in respect of Council Tax and NDR. Under the legislative framework for the Collection Fund, billing authorities, major preceptors and central government share proportionately the risks and rewards that the amount of Council Tax and NDR collected could be less or more than predicted.

Accounting for Council Tax and NDR

The Council Tax and NDR income included in the Comprehensive Income and Expenditure Statement (CIES) is the Council's share of accrued income for the year. However, regulations determine the amount of Council Tax and NDR that must be included in the Council's General Fund. Therefore, the difference between the income included in the CIES and the amount required by regulation to be

credited to the General Fund is taken to the Collection Fund Adjustment Account and included as a reconciling item in the Movement in Reserves Statement (MiRS).

The Balance Sheet includes the Council's share of the end of year balances in respect of Council Tax and NDR relating to arrears, impairment allowances for doubtful debts, overpayments and prepayments and appeals.

Where debtor balances for the above are identified as impaired because of a likelihood arising from a past event that payments due under the statutory arrangements will not be made (fixed or determinable payments), the asset is written down and a charge made to the Collection Fund. The impairment loss is measured as the difference between the carrying amount and the revised future cash flows.

1.9 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 Council.

Termination Benefits

Termination benefits (e.g. redundancy payments) 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 in exchange for those benefits and are charged on an accruals basis to the appropriate service, or where applicable the Corporate Service line in the CIES at the earlier of when the Council can no longer withdraw the offer of those benefits or when the Council recognises the cost of restructuring.

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 Pension Scheme, administered by Devon County Council.

Both schemes provide defined benefits to members (retirement lump sums and pensions) earned whilst 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 CIES 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.

The 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 4.8%.

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;
- unitised securities current bid price
- property market value.

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

- Current service cost the increase in liabilities as a result of years of service earned this year – allocated in the CIES to the services for which the employees worked.
- Past service cost the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the provision of Services in the CIES as part of corporate items.
- Net interest on the net defined liability/(asset) i.e. net interest expense for the Council the change during the period on the net defined liability/(asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line in the CIES Statement this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability/(asset) during the period as a result of contribution and benefit payments.
- Re-measurement of the return on plan assets excluding amounts included in the net interest on the net defined liability/(asset)- charged to the pension reserve as Other Comprehensive Income and Expenditure.
- 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 – charged to Pensions Reserve as Other Comprehensive Income and Expenditure.
- Contributions paid to the Devon County Pension Fund cash paid as employer's contributions to the Pension Fund in settlement of liabilities; not accounted for as an expense.

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

Discretionary Benefits

The 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.

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

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

I.II 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. They are initially measured at fair value and are carried at their amortised cost. Annual charges to the financing and investment income and expenditure line in the comprehensive income and expenditure statement (CIES) for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

Non-derivative financial liabilities are subsequently measured at amortised cost.

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 CIES is the amount payable for the year according to the loan agreement.

Where premiums and discounts have been charged to the CIES, regulations allow the impact on the general fund balance to be spread over future years. The 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 discount receivable when it was repaid. The reconciliation of amounts charged to the CIES to the net charge required against the General Fund balance is managed by a transfer to or from the financial instrument adjustment account in the Movement in Reserves Statement.

Financial Assets

Financial assets are classified based on a classification and measurement approach that reflects the business model for holding the financial assets and their cash flow characteristics. There are three main classes of financial assets measured at:

- amortised cost;
- fair value through profit or loss (FVPL), and;

The Council's business model is to hold investments to collect contractual cash flows. Non-derivative financial assets are therefore classified as amortised cost, except for those whose contractual payments are not solely payment of principal and interest (i.e. where the cash flows do not take the form of a basic debt instrument).

Financial Assets Measured at Amortised Cost

Financial assets measured at amortised cost are recognised on the Balance Sheet when the Council becomes a party to the contracted provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the CIES for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the financial assets held by the Council, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the CIES is the amount receivable for the year in the loan agreement.

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

Expected Credit Loss Model

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

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

Financial Assets Measured at Fair Value through Profit and Loss

Financial assets that are measured at FVPL are recognised on the balance sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Fair value gains and losses are recognised as they arise in the surplus or deficit on the provision of services.

Fair Value Measurement of Financial Assets

Fair value of an asset is the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. The fair value measurements of the Council's financial assets are based on the following techniques:

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

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

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

Any gains and losses that arise on the derecognition of the asset are credited or debited to the financing and investment income and expenditure line in the CIES.

Financial Derivatives

Financial derivatives are measured at FVPL and therefore all gains and losses are taken to the Financing and Investment Income and Expenditure line in the CIES.

I.12 Revenue Recognition

With the adoption of accounting standard IFRS 15, revenue is defined as income arising as a result of the Council's normal operating activities and where income arises from contracts with service recipients it is recognised when or as the Council has satisfied a performance obligation by transferring a promised good or service to the service recipient.

Revenue is measured as the amount of the transaction price which is allocated to that performance obligation. Where the Council is acting as an agent of another organisation the amounts collected for that organisation are excluded from revenue.

The analysis carried out to date indicates that there will be no material impact on the revenue recognised in relation to the significant contracts entered into by the Council. A review will take place each year to identify whether any disclosure is necessary.

1.13 Government Grants and Contributions

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

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

Amounts recognised as due to the Council are not credited to the CIES until the 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 in the form of the grant or contribution are required to be consumed by the recipient as stated, or future economic benefits or service potential must be returned to the transferor (grant provider).

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-ringfenced revenue grants and all capital grants) in the CIES.

Where capital grants are credited to the CIES, they are reversed out of the General Fund Balance in the MiRS. Where the grant has yet to be used to finance capital expenditure, it is 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.

1.14 Joint Operations

Joint operations are arrangements where the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities relating to the arrangement. The activities undertaken by the Council in conjunction with other joint operators involve the use of the assets and resources of those joint operators. In relation to its interest in a joint operation, the Council as a joint operator recognises:

- its assets, including its share of any assets held jointly;
- its liabilities, including its share of any liabilities incurred jointly;
- its revenue from the sale of its share of the output arising from the joint operation;
- its share of the revenue from the sale of the output by the joint operation;
- its expenses, including its share of any expenses incurred jointly.

1.15 Interests in Companies and Other Entities

An assessment of the Council's interests has been carried out during the year in accordance with the Code of Practice to determine the group relationships that exist. Inclusion in the group is dependent upon the extent of the Council's control over an entity. The Council controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Council does have a number of interests in companies and other entities, none of which would be material on consolidation due to the elimination of group transactions. Thus the production of group accounts is not required for these interests.

1.16 Investment Properties

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.

Investment properties are measured initially at cost and subsequently at fair value, defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Properties are not depreciated but are revalued annually according to market conditions at year-end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the CIES. The same treatment is applied to gains and losses on disposal.

Rentals received in relation to investment properties are credited to the financing and investment income line and result in a gain for the General Fund balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund balance. The gains and losses are therefore reversed out of the general fund balance in the MIRS and posted to the capital adjustment account and the capital receipts reserve.

1.17 Heritage Assets

The Plymouth City Museum and Art Gallery is responsible for over 800,000 artefacts and a proportion of the collections have been held on display in the museum, council buildings and other historic sites. These collections span a wide range of fine and decorative art, archaeology, world cultures, social and natural history and local and maritime history. These are held in support of the primary objective of the Council to ensure that these objects are preserved in trust for future generations because of their cultural, environmental or historical associations.

The Council classifies its Heritage Assets into five main categories – historic buildings and monuments, fine art and world cultures collections and gold, silver and jewellery collections, items under £100k, and the special books collection which are being formally recognised on the Balance Sheet on the basis of their insurance valuation.

Heritage Assets are recognised and measured (including the treatment of revaluation gains and losses) in accordance with the Council's accounting policies on Property, Plant and Equipment. However, some of the measurement rules are relaxed in relation to Heritage Assets, detailed as follows.

Where a historic building is being used significantly for the provision of services (for example Mount Edgcumbe House or the City Museum) this will be recognised as Other Land and Buildings rather than as a Heritage Asset.

The Council's collections are accounted for as follows:

Historic Buildings and Monuments

Historic buildings and monuments classified as Heritage Assets include Smeaton's Tower.

The list is relatively static and acquisitions and donations are rare. Where they do occur acquisitions would be initially recognised at cost and donations would be recognised at insurance value which is based on market values.

As these are deemed to have an indefinite life, the Council does not consider it appropriate to charge depreciation.

Fine Art and World Cultures Collection

The Council has a large and important fine art collection comprising paintings, watercolours, drawings, prints, miniatures and sculptures. Highlights include the outstanding Cottonian Collection and works by local artists such as Sir Joshua Reynolds, and this represents the largest fine arts collection in the south west. The world cultures collection consists of objects collected from foreign countries spanning the globe.

Acquisitions are made by purchase or donation. Acquisitions are initially recognised at cost and donations are recognised at insurance values, usually based on valuations provided by external valuers and with reference to appropriate commercial markets using the most relevant information from sales at auction.

As these items are deemed to have an indefinite life, the Council does not consider it appropriate to charge depreciation.

Gold, Silver and Jewellery Collection

The collection of gold, silver and jewellery includes local pieces dating from the 18th to 20th century and is representative of the thriving local community. Key pieces in the collection include the Eddystone Lighthouse Salt and the Drake Cup.

Acquisitions are made by purchase or donation. Acquisitions are initially recognised at cost and donations are recognised at insurance values, usually based on valuations provided by external valuers and with reference to appropriate commercial markets using the most relevant information from sales at auction.

Under £100k

The Council does not consider that reliable cost or valuation information can be obtained for the item held in its archaeological, decorative, natural history and other collections. This is because of the lack of comparable market values and, consequently, these are recognised on the Balance Sheet on the basis of their insurance valuation.

Special Books Collocation

The Council does not consider that reliable cost or valuation information can be obtained for the items held in its special book collection. This is because of the lack of comparable market values and, consequently, these are recognised on the Balance Sheet on the basis of their insurance valuation.

The Council's policy for the acquisition, preservation and management of museum assets can be found on The Box website.

The carrying amount of Heritage Assets are reviewed on a regular basis to assess whether there has been any evidence of impairment caused by physical deterioration or breakage, or where doubts arise as to its authenticity. Any impairment is recognised and measured in accordance with the Council's general policies on impairments – see note 1.20 in this summary of significant accounting policies. If there is any occasion where a Heritage Asset is disposed of, the proceeds of such items are accounted for in accordance with the Council's general provisions for the disposal of property, plant and equipment. Disposal proceeds are disclosed separately in the Notes to the Financial Statements (see note 15.4) and are accounted for in accordance with statutory accounting requirements relating to capital expenditure and capital receipts – see note 1.20 in this summary of significant accounting policies.

1.18 Assets Held for Sale

When it becomes probable that the value of an asset will be recovered principally through a sale 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 and held at the lower of this amount and fair value less costs to sell. Depreciation is not charged on Assets Held for Sale.

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.

1.19 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 Council as the 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. Initial direct costs of the authority are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability. Contingent rents are charged as expenses in the periods in which they are incurred. Lease payments are apportioned between:

- a charge for the acquisition of the interest in the property, plant or equipment applied to write down the lease liability, and
- a finance charge.

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

The Council is not required to raise council tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, a prudent annual contribution is made from revenue funds towards the deemed capital investment in accordance with statutory requirements.

Depreciation and revaluation and impairment losses are therefore substituted by a revenue contribution in the General Fund balance, by way of an adjusting transaction with the capital adjustment account in the Movement in Reserves Statement for the difference between the two.

Operating Leases

Rentals paid under operating leases are charged to the CIES as an expense of the services benefitting from use of the leased property, plant or equipment. Charges are made on a straight-line basis over the

life of the lease; even if this does not match the pattern of payments (e.g. there is a rent-free period at the commencement of the lease).

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

The Council as the Lessor (Assets Leased Out)

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 CIES. Credits are made on a straight-line basis over the life of the lease.

1.20 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 policy of assets capitalisation (including donated assets) with a minimum asset value of £10,000 for land and property and £5,000 for vehicle, plant and equipment. However, there is no minimum level applied for capital spend incurred by individual schools financed from capital grants.

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.

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

- infrastructure and community assets depreciated historical cost;
- assets under construction historical cost;
- surplus assets fair value;
- the Tamar Toll Bridge depreciated replacement cost;
- all other assets current value in their existing use.

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

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.

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

Impairment

Assets are assessed at each year-end to determine 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.

Depreciation

Depreciation is provided for on all Property, Plant and Equipment assets revalued as part of the 5 year rolling programme 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 CIES 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 5 to 50 years
Schools 5 to 50 years
Other buildings 5 to 60 years
Tamar Bridge 120 years

Infrastructure 20 to 40 years

Vehicles and Plant 5 to 25 years

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

Componentisation

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.

Disposals and Non-current Assets Held for Sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an asset held for sale. The asset is revalued at year-end before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the other operating expenditure line in the CIES. Gains in fair value are recognised only up to

the amount of any previously recognised losses in the surplus or deficit on the 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 revalued at year-end. Any subsequent move in value up or down will be treated in the same way as any other asset revaluation.

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

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether property, plant and equipment or assets held for sale) is written off to the other operating expenditure line in the CIES 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).

The written-off value of disposals is not a charge against council tax, as the cost of non-current 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.

Highways Infrastructure Assets

Highways infrastructure assets include carriageways, footways and cycle tracks, structures (e.g. bridges), street lighting, street furniture (e.g. illuminated traffic signals, bollards), traffic management systems and land which together form a single integrated network.

Recognition

Expenditure on the acquisition or replacement of components of the network is capitalised on an accrual basis, provided that it is probable that the future economic benefits associated with the item will flow to the Council and the cost of the item can be measured reliably.

Measurement

Highways infrastructure assets are generally measured at depreciated historical cost. Plymouth City Council was incorporated as a unitary authority on the I April 1998 and the highways infrastructure assets was transferred from Devon County Council and recognised in the Balance Sheet at nil value. This means that the current highways infrastructure asset value only represents capital expenditure that has incurred since that time. Where impairment losses are identified, they are accounted for by the carrying amount of the asset being written down to the recoverable amount.

Depreciation

Depreciation is provided on the parts of the highways infrastructure assets that are subject to deterioration or depletion and by the systematic allocation of their depreciable amounts over their useful lives. Depreciation is charged on a straight-line basis. Annual depreciation is the depreciation amount allocated each year.

Disposals and Derecognition

When a component of the highways infrastructure asset is disposed of or decommissioned, the carrying amount of the component in the Balance Sheet is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement, also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). The written-off amounts of disposals are not a charge against council tax, as the cost of non-current assets is fully provided for under separate arrangements for capital financing. Amounts are transferred to the capital adjustment account from the General Fund Balance in the Movement in Reserves Statement.

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's original recognition of PFI assets are based on the cost of construction or purchase cost of the property and is balanced by the recognition of a liability for amounts due to the scheme operator to pay for the capital investment.

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;
- finance costs an interest charge on the outstanding Balance Sheet liability;
- contingent rent increases in the amount to be paid for the property arising during the contract;
- payment towards finance liability applied to write down the Balance Sheet liability towards the PFI operator;
- lifecycle costs costs to maintain assets used to operationally acceptable standard.

Schools 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 the CIES. 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.

South West Devon Energy from Waste (EfW) PFI

For the Energy from Waste Scheme there is the additional element of deferred credit from the write down of the long term liability for the expected third party income received during the year.

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 to the appropriate service in the year that the Council becomes aware of its obligation. It can only be used for the purpose for which it was established.

Estimated settlements are reviewed at the end of each financial year. Where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

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

Contingent Liabilities

A contingent liability arises where an event has taken place that gives the 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 note 35.2.

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, note 35.1, where it is probable that there will be an inflow of economic benefits or service potential.

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 MiRS.

When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus or Deficit on the Provision of Services in the CIES. The reserve is then appropriated back into the General Fund Balance in the MiRS so that there is no net charge against Council Tax for the expenditure.

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 CIES 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 MiRS 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.

1.25 Accounting for Schools

The Code of Practice on Local Authority Accounting in the United Kingdom confirms that the balance of control for Local Authority maintained schools lies with the Local Authority. The Code also stipulates that those schools' assets, liabilities, reserves and cash flows are recognised in the Local Authority financial statements. Therefore schools' transactions, cash flows and balances are recognised in each of the financial statements of the Council as if they were the transactions, cash flows and balances of the Council. The Council has the following types of maintained schools under its control:

- community; and
- voluntary controlled

School non-current assets are recognised on the Balance Sheet where the Council directly owns the assets or where the school or the school governing body own the assets but the Council is deemed to exercise control.

When a maintained school converts to an Academy, Voluntary Aided or Foundation Trust/Foundation; the school's non-current assets held on the Council's Balance Sheet are treated as a disposal. The carrying value of the asset is written off to Financing and Investment Income and Expenditure in the CIES. Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

The written off asset value is not a charge against the General Fund, as the cost of non-current asset disposals resulting from schools transferring to Academy status is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the MiRS.

The income and expenditure is included within the People directorate in the CIES. The reserves are included in the Education Reserve balance, which forms part of the Council's Useable reserves.

1.26 Value Added Tax

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

1.27 Fair Value Measurement of Non-Financial Assets

The Council measures some of its non-financial assets such as surplus assets and investment properties and some of its financial instruments such as equity shareholdings at fair value at each reporting date. Fair value is the price that would be receivable to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

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

The Council measures the fair value of an asset or liability using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

When measuring the fair value of a non-financial asset, the Council takes into account a market participants ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Council uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Inputs to the valuation techniques in respect of assets and liabilities for which fair value is measured or disclosed in the Council's financial statements are categorised within the fair value hierarchy, as follows:

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

2 Material Items of Income and Expenditure

This note identifies material items of income and expenditure that are not disclosed on the face of the Comprehensive Income and Expenditure Statement. The Council has no material items which needs to be disclosed.

The Council took the decision to make an early payment of £72m towards the Devon LGPS pension deficit. This was made to generate ongoing revenue savings over 21 years. In the draft accounts this transaction was treated as capital. However, following extensive third party legal and accounting advice and discussion with our auditors, we have now accounted for the transaction as a revenue transaction. The revenue treatment of this transaction means that the Council's income for 2019/20, 2020/21, 2021/22 and 2022/23 was insufficient to meet its expenditure. Due to this change in accounting treatment it has been necessary for the Council to request a retrospective Capitalisation Direction from Government.

3 Critical Judgements in Applying Accounting Policies

In applying the accounting policies set out in note \underline{I} , the Council has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgement made in the Statement of Accounts is:

Tamar Bridge Valuation - Departure from the Code of Practice

The Tamar Bridge is a toll bridge that is jointly owned by Cornwall Council and Plymouth City Council. The Code of Practice on Local Authority Accounting requires infrastructure assets to be accounted for using depreciated historic cost, however both Councils use depreciated replacement cost (DRC) to value the asset. This is because the Tamar Bridge is an income generating asset and the income generated is used to maintain its upkeep. It is therefore treated as a separate class of asset and the reader of the Council's accounts might reasonably expect there to be a relationship between the income raised in tolls and the cost of maintaining and ultimately replacing the bridge. The current DRC value of the bridge is £61.473m, if the bridge was valued at its depreciated historic cost in line with other infrastructure assets the value would be £27.868m, so would therefore be misleading to use historic cost as a basis for valuation.

The Council has concluded that, taking account of the above, the financial statements present a true and fair view of the Council's financial position, financial performance and cash flows and has complied with the Code in all other respects.

4 Accounting Standards that have been Issued but Not Yet Adopted

Where a new standard has been published but has not yet been adopted by the Code, the Council is required to disclose information relating to the impact of these accounting changes. This requirement

applies to International Financial Reporting Standards (IFRS) that have not been applied in the 2022/23 Code and that came into effect on or before I January 2023.

For 2022/23 the following potentially relevant standards include:

- Definition of Accounting Estimates: amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors;
- Disclosure of Accounting Policies: amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2.

There are no changes in accounting requirements for 2023/24 that are anticipated to have a material impact on the Council's financial performance or financial position.

5 Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty

In preparing the Statement of Accounts, there are areas where estimates have been made. Estimates are made taking into account historical experience, current trends and other relevant factors. These include the amount of arrears that will not be collected (based on past experience of collection for the different types of debt); useful lives and valuations of properties which are estimated by qualified valuers (for further details see note 1.20); and the liability for future pension payments, which carries the most significant risk of material adjustment.

ltem	Uncertainties	Consequences (if actual results differ from assumptions)
Property, Plant and Equipment	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Council will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets. Asset valuations are based on market prices, condition surveys and standards of professional practice set out by the Royal Institute of Chartered Surveyors (RICS) and a small proportion of assets are periodically re-valued using a 5-year rolling programme. The Council's valuers and external valuers provided valuations as at 31 March 2023 for approximately 68% of its operational portfolio in order to ensure that the Council does not materially misstate its Property, Plant and Equipment. The remaining balance of operational properties were also reviewed to ensure values reflect current values. The carrying value of this long term asset at the end of the reporting period was £1,007.098m. Valuations are reported on the basis of 'material valuation uncertainty' as per the RICS Red Book Global. This means that less certainty and a higher degree of caution should be attached to valuations.	Any change in the valuation or useful life of an asset would affect the carrying value of the asset in the balance sheet and the charge for depreciation or impairment would impact on the CIES. If the value of the Council's operational properties reduced by 10%, this would result in a net reduction of £52m which would either result in a decrease to the Revaluation Reserve and/or a charge to the CIES. An increase in estimated valuations would result in increases to the Revaluation Reserve and/or reversals of previous negative revaluations to the CIES. The above changes do not have an impact on the Council's General Fund position as the Council is not required to fund such non-cash charges from Council Tax receipts.

Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets.	The impact of a change in the actuarial assumptions will be to increase or decrease the net pension liability shown in the balance sheet and the cost shown in the CIES.
	Barnett Waddingham are the consultant actuaries for the pension scheme providing expert advice about the assumptions to be applied. Those assumptions are detailed in note 34 to the accounts. The carrying value of this long term liability at the end of the reporting period was £27.465m.	The changes do not have an impact on the Council's General Fund position as the Council is not required to fund such noncash charges from council tax receipts.

Material Uncertainties

There are material uncertainties around valuations in the following areas:

Property, Plant and Equipment - Valuations Undertaken at 31 March 2023

Non-current asset valuations are based on professional valuations which themselves can use indicators such as market conditions. These are reviewed annually to ensure that they are materially correct when reported within the annual statement of accounts. However, as the value of Property, Plant and Equipment in the Council's balance sheet is in excess of £1,007.098m a small adjustment in these valuations could have a material impact on the value held in the Council's accounts.

Pensions Liability

The Council's liability as at the 31 March is based on a number of complex judgements relating to the discount rate used, the rate at which salaries may change, changes in mortality rates and expected returns on pension fund assets. There are uncertainties in the financial markets caused by the current Ukrainian war. The effects on the net pension liability of changes in individual assumptions can be measured. For example, a future 0.1% increase in the discount rate assumption would result in a reduction in the (gross) pension liability of £13.722m. Similarly, a reduction of I year in the mortality assumption would result in a reduction of £34.804m in the (gross) pension liability. Further detail is held in note 34 to the accounts. The impact of a change in the actuarial assumptions will be to increase or decrease the net pension liability shown in the balance sheet and the cost shown in the CIES. These changes do not have an impact on the Council's General Fund position as the Council is not required to fund such non-cash charges from council tax receipts.

6 Events After the Balance Sheet Reporting Period

The Council's Section 151 Officer authorised the Statement of Accounts on 19 June 2023. Events taking place after this date are not reflected in the financial statements. Where events taking place before this date provided information about conditions existing at 31 March 2023, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

On 15 September 2023 the Service Director for Finance (S151 Officer) requested a retrospective Capitalisation Direction from Government. This support will be provided via the Exceptional Financial Support Framework which has been agreed in principle. The Capitalisation Direction will permit the Council to meet the £72m revenue cost through capital resources. The draft accounts for 2023/24 will also need to be revised to reflect the change in accounting for the pension transaction. The revised statements will be presented to the Audit and Governance Committee at the earliest opportunity.

7 Expenditure and Funding Analysis

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

2021/22 Directorate Total Reported for Outturn	2021/22 Adjustment to Arrive at the Net Expenditure Chargeable to the General Fund Balances	2021/22 Net Expenditure Chargeable to the General Fund Balances	2021/22 Adjustments Between the Funding and Accounting Basis	2021/22 Net Expenditure to the CIES		2022/23 Directorate Total Reported for Outturn	2022/23 Adjustment to Arrive at the Net Expenditure Chargeable to the General Fund Balances	2022/23 Net Expenditure Chargeable to the General Fund Balances	2022/23 Adjustments Between the Funding and Accounting Basis	2022/23 Net Expenditure to the CIES
£000	£000	£000	£000	£000		£000	£000	£000	£000	£000
5,538	234	5,772	733	6,505	Executive Office	5,732	0	5,732	821	6,553
(22,118)	(12,779)	(34,897)	7,157	(27,740)	Corporate Items	(46,013)	5,376	(40,637)	8,416	(32,221)
43,925	(6,787)	37,138	(811)	36,327	Customer and Corporate Services	48,769	(10,961)	37,808	2,370	40,178
143,413	9,444	152,857	(5,067)	147,790	People Directorate	163,232	0	163,232	14,805	178,037
(890)	54	(836)	1,345	509	Public Health	(545)	2	(543)	68	(475)
25,700	2,803	28,503	39,260	67,763	Place Directorate	26,575	(52)	26,523	38,277	64,800
195,568	(7,031)	188,537	42,617	231,154	Net Cost of Service	197,750	(5,635)	192,115	64,757	256,872
		(202,492)	(7,449)	(209,941)	Other Income and Expenditure			(172,721)	(43,546)	(216,267)
		(13,955)	35,168	21,213	(Surplus)/Deficit on Provision of Service			19,394	21,211	40,605
		(21,715)			Opening General Fund and Earmarked Balance at 31 March			(35,670)		
		(13,955)			(Surplus)/Deficit on General Fund and Earmarked Balance in Year			19,394		
		(35,670)			Closing General Fund Balance at 31 March			(16,276)		

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8 Note to the Expenditure and Funding Analysis

Adjustments between funding and accounting basis:

Adjustments from General Fund to Arrive at the CIES Amounts	Adjustments for Capital Purposes	Net Change for the Pensions Adjustments	Other Differences	Total Adjustments
2022/23	£000	£000	£000	£000
Executive Office	29	265	527	821
Corporate Items	346	28	8,042	8,416
Customer and Corporate Services	4,308	1,298	(3,236)	2,370
People Directorate	8,729	3,372	2,704	14,805
Public Health	269	274	(475)	68
Place Directorate	42,030	2,533	(6,286)	38,277
Net Cost of Service	55,711	7,770	1,276	64,757
Other Income and Expenditure from the Expenditure and Funding Analysis	37,669	2,432	(83,647)	(43,546)
Difference Between General Fund Surplus or Deficit and CIES Surplus or Deficit on the Provision of Service	93,380	10,202	(82,371)	21,211

Adjustments from General Fund to Arrive at the CIES Amounts	Adjustments for Capital Purposes	Net Change for the Pensions Adjustments	Other Differences	Total Adjustments
2021/22	£000	£000	£000	£000
Executive Office	32	745	(44)	733
Corporate Items	(34)	3,193	3,998	7,157
Customer and Corporate Services	876	3,858	(5,545)	(811)
People Directorate	2,148	11,545	(18,760)	(5,067)
Public Health	1,038	870	(563)	1,345
Place Directorate	40,038	6,545	(7,323)	39,260
Net Cost of Service	44,098	26,756	(28,237)	42,617
Other Income and Expenditure from the Expenditure and Funding Analysis	26,391	12,376	(46,216)	(7,449)
Difference Between General Fund Surplus or Deficit and CIES Surplus or Deficit on the Provision of Service	70,489	39,132	(74,453)	35,168

Adjustment for Capital Purposes

Adjustments for Capital Purposes – this column adds in depreciation, impairment and revaluation gains/losses in the services line and for:

- Other Operating Expenditure adjusts for capital disposals with a transfer of income on disposal of assets and the amounts written off for those assets.
- Financing and Investment Income and Expenditure the statutory charges for capital financing i.e. Minimum Revenue Provision and other revenue contributions are deducted from other income and expenditure as these are not chargeable under generally accepted accounting practices.
- Taxation and Non-Specific Grant Income and Expenditure capital grants are adjusted for income not chargeable under generally accepted accounting practices.
 Revenue grants are adjusted from those receivable in the year to those receivable

without conditions, or for which conditions were satisfied throughout the year. The Taxation and Non Specific Grant Income and Expenditure line is credited with capital grants receivable in the year without conditions or for which conditions were satisfied in the year.

Net Charge for the Pension Adjustments

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

- Services this represents the removal of the employer pension contributions made by the Council as allowed by statute and the replacement with current service costs and past service costs
- Financing and Investment Income and Expenditure the net interest on the defined benefit liability is charged to the CIES.

Other Differences

Other differences between amounts debited/credited to the CIES and amounts payable/receivable to be recognised under statue:

- Financing and Investment Income and Expenditure the other differences column recognises adjustments to the General Fund for the timing differences for premiums and discounts.
- Taxation and Non-Specific Grant Income and Expenditure the charge represents the difference between what is chargeable under statutory regulations for Council Tax and NDR that was projected to be received at the start of the year and the income recognised under generally accepted accounting practices in the Code. This is a timing difference as any difference will be brought forward in future surpluses or deficits on the Collection Fund.

9 Expenditure and Income Analysed by Nature

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

Expenditure/Income	2021/22	2022/23
	£000	£000
Expenditure:		
Employee benefits expenses	167,319	142,074
Other service expenses	407,979	419,574
Depreciation, amortisation, impairment	61,886	74,155
Interest payments	14,514	18,931
Total Expenditure	651,698	654,734
Income:		
Fees, charges and other service income	(147,365)	(134,751)
Interest and investment income	(19,801)	(16,236)
Income from council tax, non-domestic rates, district rate income	(173,341)	(183,403)
Government grants and contributions	(289,978)	(279,739)
Total Income	(630,485)	(614,129)
Surplus or Deficit on the Provision of Service	21,213	40,605

OFFICIAL PLYMOUTH CITY COUNCIL

10 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.

		2021/22				2022/23			
Adjustments Between Accounting Basis and Funding Basis Under Regulations	General Fund Balance	Capital Receipt s Reserve	Capital Grants Unapplie d	Movemen t in Unusable Reserves	General Fund Balance	Capital Receipt s Reserve	Capital Grants Unapplie d	Movemen t in Unusable Reserves	
	£000	£000	£000	£000	£000	£000	£000	£000	
Adjustments involving the Capital Adjustment Account:									
Reversal of Items Debited or Credited to the Comprehensive Income and Expenditure Statement:									
Charges for depreciation and impairment of non-current assets	(35,450)	0	0	35,450	(39,697)	0	0	39,697	
Revaluation losses on Property, Plant and Equipment	(16,075)	0	0	16,075	(13,965)	0	0	13,965	
Movements in the market value of Investment Properties	(2,587)	0	0	2,587	(15,198)	0	0	15,198	
Amortisation of intangible assets	(1)	0	0	1	(2)	0	0	2	
Capital grants and contributions	32,666	0	(32,666)	0	36,708	0	(36,708)	0	
Revenue expenditure funded from capital under statute	(13,078)	0	0	13,078	(12,479)	0	0	12,479	
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(17,310)	277	0	17,033	(11,179)	(3)	0	11,182	
Deferred credit Energy from Waste	2,324	0	0	(2,324)	2,324	0	0	(2,324)	
Insertion of Items not Debited or Credited to the Comprehensive Income and Expenditure Statement:									
Statutory provision for the financing of capital investment	16,515	1,063	0	(17,578)	17,995	542	0	(18,537)	
Capital expenditure charged against the General Fund	11,629	0	0	(11,629)	704	0	0	(704)	
Adjustments involving the Capital Receipts Reserve:									
Other Capital Receipts credited to the Comprehensive Income and Expenditure Statement	2,558	(2,281)	0	(277)	2,590	(2,593)	0	3	
Total C/FWD	(18,809	(941)	(32,666)	52,416	(32,199	(2,054)	(36,708)	70,961	

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		202	1/22		2022/23			
Adjustments Between Accounting Basis and Funding Basis Under Regulations	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
Total B/FWD	(18,809)	(941)	(32,666)	52,416	(32,199)	(2,054)	(36,708)	70,961
Long term debtor repayments in year	0	(1,503)	0	1,503	0	(814)	0	814
Use of the Capital Receipts Reserve to finance new capital expenditure	0	1,640	0	(1,640)	0	2,643	0	(2,643)
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	0	0	0	0	0	0	0	0
Adjustments Involving the Capital Grants Unapplied Account:								
Use of the Capital Grants unapplied Account to finance new capital expenditure	0	0	29,570	(29,570)	0	0	13,150	(13,150)
Repayment of Grants	0	0	(138)	138	0	0	0	
Adjustments Involving the Financial Instruments Adjustment Account:								
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	613	0	0	(613)	617	0	0	(617)
Adjustments Involving the Pooled Investments Fund Adjustment Account								
Amount by which Financial Instruments charged to the Comprehensive Income and Expenditure Statement are different from amounts chargeable in the year in accordance of statutory requirements	6,252	0	0	(6,252)	(5,725)	0	0	5,725
Adjustments Involving the Pensions Reserve:								
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(54,199)	0	0	54,199	(25,970)	0	0	25,970
Employer's pensions contributions and direct payments to pensioners payable in the year	15,067	0	0	(15,067)	15,838	0	0	(15,838)
Adjustments Involving the Collection Fund Adjustment Account:								
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	15,636	0	0	(15,636)	26,487	0	0	(26,487)
Adjustment Involving the Accumulating Compensated Absences Adjustment Account								
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	272	0	0	(272)	(259)	0	0	259
Total Adjustments	(35,168)	(804)	(3,234)	39,206	(21,211)	(225)	(23,558)	44,994

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General Fund Balances

The General Fund is the statutory fund into which all the receipts of an Council are required to be paid and out of which all liabilities of the Council are to be met, except to the extent that statutory rules might provide otherwise. These rules can also specify the financial year in which liabilities and payments should impact on the General Fund Balance, which is not necessarily in accordance with proper accounting practice. The General Fund Balance therefore summarises the resources that the Council is statutorily empowered to spend on its services or on capital investment (or the deficit of resources that the council is required to recover) at the end of the financial year.

Capital Receipts Reserve

The Capital Receipts Reserve holds the proceeds from the disposal of land or other assets, which are restricted by statute from being used other than to fund new capital expenditure or to be set aside to finance historical capital expenditure. The balance on the reserve shows the resources that have yet to be applied for these purposes at the year-end.

Capital Grants Unapplied

The Capital Grants Unapplied Account (Reserve) holds the grants and contributions received towards capital projects for which the council has met the conditions that would otherwise require repayment of the monies but which have yet to be applied to meet expenditure. The balance is restricted by grant terms as to the capital expenditure against which it can be applied and/or the financial year in which this can take place.

II Other Operating Expenditure

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

Other Operating Expenditure	2021/22	2022/23
	£000	£000
Levies	105	119
Gains/losses on the disposal of non-current assets	16,921	10,388
Pension administration costs	565	556
Other income *	(2,134)	(1,799)
Total	15,457	9,264

^{*} 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 and income received under the stock transfer agreement relating to VAT shelter receipts.

12 Movement in Earmarked Reserves

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

2022/23	Balance as at 31 March 2022 Transfers to Reserves 2022/23		Transfers from Reserves 2022/23	Balance as at 31 March 2023
	£000	£000	£000	£000
Education Reserves	(3,121)	(3,914)	3,368	(3,667)
Other Ringfenced	(4,117)	(2,116)	2,606	(3,627)
Other Reserves	(6,486)	(1,598)	2,023	(6,061)
PCC Earmarked Reserves:				
Integrated Finance Reserve	(22,199)	(1,375)	5,369	(18,205)
Collection Fund Reserve	(21,558)	0	20,766	(792)
Other PCC Earmarked Reserves	(38,327)	(25,465)	19,730	(44,062)
Total Reserves	(95,808)	(34,468)	53,862	(76,414)

2021/22	Balance as at 31 March 2021	Transfers to Reserves 2021/22	Transfers from Reserves 2021/22	Balance as at 31 March 2022
	£000	£000	£000	£000
Education Reserves	(3,434)	(19)	332	(3,121)
Other Ringfenced	(3,944)	(690)	517	(4,117)
Other Reserves	(6,214)	(1,929)	1,657	(6,486)
PCC Earmarked Reserves:				
Integrated Finance Reserve	(7,928)	(15,234)	963	(22,199)
Collection Fund Reserve	(30,565)	(14,268)	23,275	(21,558)
Other PCC Earmarked Reserves	(31,117)	(14,766)	7,556	(38,327)
Total Reserves	(83,202)	(46,906)	34,300	(95,808)

The main earmarked reserves and their purpose are as follows:

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 2023 balance relating to the School budget share was £3.662m (31 March 2022: £2.926m).

PFI Reserve – The Council receives PFI credits towards the schools PFI contract at Wood View Campus 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.

Collection Fund Reserve – The Collection Fund Reserve holds balances to 'smooth' the impact and movement of COVID-19 grant funding for Business Rates and Council Tax across multiple financial years.

Interest Rate Swap Reserve – The Interest Rate Swap Reserve holds gains from fair value movements in interest rate swaps. These gains will reverse over time as the swaps near maturity and are therefore not used to finance revenue expenditure.

13 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 17.1.

Analysis of Income/Expenditure	2021/22	2022/23
	£000	£000
Interest payable and similar charges	14,495	18,972
Fair value for Financial Instruments	(12,027)	(9,306)
Pensions interest cost and expected return on pension assets	11,623	1,810
Interest receivable and similar income	(2,343)	(4,053)
(Surplus)/deficit on trading undertakings not included in Net Cost of Service	245	452
Income and expenditure in relation to investment properties and changes in their fair value including (gains)/losses on disposal	(3,042)	8,461
Total	8,951	16,336

14 Taxation and Non-Specific Grant Income and Expenditure

Analysis of Income	2021/22	2022/23
	£000	£000
Council tax income	(123,020)	(125,587)
Non domestic rates	(50,321)	(57,816)
Non-ringfenced government grants	(36,458)	(29,778)
Capital grants and contributions	(24,550)	(28,686)
Total	(234,349)	(241,867)

15 Property, Plant and Equipment

15.1 Movement in Year

In accordance with the Temporary Relief offered by the Update to the Code on infrastructure assets this note does not include disclosure of gross cost and accumulated depreciation for infrastructure assets because historical reporting practices and resultant information deficits mean that this would not faithfully represent the asset position to the users of the financial statements. The Council continues to maintain that information and does not consider that the non-disclosure will be detrimentally impact on the readers of the Council's accounts and their understanding of the Council's financial position. The Council's reported position of its assets in the Balance Sheet remains unchanged.

Property, Plant and Equipment Assets	2021/22	2022/23
	£000	£000
Infrastructure Assets	172,563	242,352
Other Property, Plant and Equipment Assets	790,701	776,234
Total Property, Plant and Equipment Assets	963,264	1,018,586

Infrastructure Assets	2021/22	2022/23
	£000	£000
Opening Net Book Value	163,228	172,563
Additions	14,963	32,649
Reclassifications	6,679	50,886
Depreciation	(12,307)	(13,746)
Balance as at 31 March	172,563	242,352

The movement in Property, Plant and Equipment (PPE) in 2022/23 is summarised in the following table:

2022/23	Other Land & Buildings	Vehicles, Plant, Furniture & Fittings	Toll Bridge	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
Cost of Valuation								
At I April 2022	632,026	81,810	62,585	3,605	3,820	82,913	866,759	125,616
Prior year adjustment	(10,464)	0	0	0	0	0	(10,464)	0
Additions	8,872	3,665	15	0	6	30,395	42,953	1
Revaluation increases/(decreases) recognised in the Revaluation Reserve	10,462	0	0	0	(356)	0	10,106	3,318
Revaluation increases/(decreases) recognised in the surplus/deficit on the Provision of Services	(12,119)	0	(542)	0	(1,352)	0	(14,013)	0
Derecognition - disposals	(429)	(1,700)	0	0	(131)	0	(2,260)	0
Other movements in cost or valuation	10,114	140	0	0	8,057	(62,917)	(44,606)	0
At 31 March 2023	638,462	83,915	62,058	3,605	10,044	50,391	848,475	128,935
Accumulated Depreciation and Impairment								
At I April 2022	(20,139)	(54,577)	0	(1,302)	(40)	0	(76,058)	(466)
Prior year adjustment	10,464	0	0	0	0	0	10,464	0
Depreciation charge	(20,076)	(5,324)	(585)	0	(40)	0	(26,025)	(5,586)
Depreciation written out to the Revaluation Reserve	16,614	0	0	0	40	0	16,654	5,553
Depreciation written out to the surplus/deficit on the Provision of Services	219	0	0	0	0	0	219	0
Derecognition - disposals	97	1,646	0	0	0	0	1,743	0
Other movements in depreciation and impairment	229	533	0	0	0	0	762	0
At 31 March 2023	(12,592)	(57,722)	(585)	(1,302)	(40)	0	(72,241)	(499)
Net Book Value								
At 31 March 2023	625,870	26,193	61,473	2,303	10,004	50,391	776,234	128,436
At 31 March 2022	611,887	27,233	62,585	2,303	3,780	82,913	790,701	125,150

2021/22	Other Land & Buildings	Vehicles, Plant, Furniture & Fittings	Toll Bridge	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
Cost of Valuation								
At I April 2021	618,053	77,117	59,567	3,605	3,045	62,182	823,569	125,163
Additions	14,024	4,769	2,677	0	0	39,139	60,609	0
Revaluation increases/(decreases) recognised in the Revaluation Reserve	20,842	0	0	0	2	0	20,844	453
Revaluation increases/(decreases) recognised in the surplus/deficit on the Provision of Services	(20,295)	0	197	0	0	0	(20,098)	0
Derecognition - disposals	(380)	(100)	0	0	0	0	(480)	0
Other movements in cost or valuation	(218)	24	144	0	773	(18,408)	(17,685)	0
At 31 March 2022	632,026	81,810	62,585	3,605	3,820	82,913	866,759	125,616
Accumulated Depreciation and Impairment								
At I April 2021	(44,434)	(50,470)	0	(1,302)	(8)	0	(96,214)	(466)
Prior year adjustment	131	0	0	0	4	0	135	33
Depreciation charge	(18,508)	(4,596)	0	0	(40)	0	(23,144)	(33)
Depreciation written out to the Revaluation Reserve	38,398	0	0	0	112	0	38,510	0
Depreciation written out to the surplus/deficit on the Provision of Services	4,024	0	0	0	0	0	4,024	0
Impairment losses/(reversals) recognised in the surplus/deficit on the Provision of Services	3	0	0	0	0	0	3	0
Derecognition - disposals	139	97	0	0	0	0	236	0
Other movements in depreciation and impairment	108	392	0	0	(108)	0	392	0
At 31 March 2022	(20,139)	(54,577)	0	(1,302)	(40)	0	(76,058)	(466)
Net Book Value								
At 31 March 2022	611,887	27,233	62,585	2,303	3,780	82,913	790,701	125,150
At 31 March 2021	573,750	26,647	59,567	2,303	3,041	62,182	727,490	124,730

15.2 Commitments Under Capital Contracts

The capital commitments outstanding on capital and other works contracts entered into as at 31 March 2023 amounted to £50.283m (31 March 2022: £42.663m). The Council is committed to complete these contracts under its latest approved Medium Term Capital Programme. Significant contractual commitments outstanding as at 31 March 2023 were as follows:

Project	Contractor	Amount
		£000
Derriford District Park	ADC Kimerley Ltd	17,860
The Park Crematorium	Kier Construction Ltd	12,500
City Centre Public Realm	Morgan Sindall Group Plc	1,964
City Centre Public Realm	Hardscape Products Ltd	1,318
Forder Valley Link Road	Balfour Beatty Plc	1,676
Forder Valley Link Road	Utilities (South West Water / Openreach)	954
Mobility Hubs	Wenea Plymouth Ltd	2,000
Mobility Hubs	Smidsy Ltd	644
Street Scene & Waste Vehicles	Dennis Eagle UK	2,281
Car Park - Capital Maintenance	CRL Ltd	1,600
Woolwell to the George	Balfour Beatty Plc	615
LED Lighting Replacement Programme	KK Controls	531
Other Contractual Commitments under £500K		6,340
Total		50,283

15.3 Revaluations

The Council revalues a significant proportion of its Property, Plant and Equipment (PPE) on an annual basis and then carries out a rolling programme that ensures that all the remaining property required to be measured at fair value is revalued at least every five years. In 2022/23 an external valuer, the Torbay Development Agency (TDA) Group of Torbay, was appointed to carry out valuations undertaken on a Depreciated Replacement Cost basis. The TDA Group have a number of RICS Registered Valuers who oversee the work undertaken. The remaining valuations undertaken on an Existing Use Value basis were carried out internally under the supervision of the Council's internal RICS Registered Valuers, except for the Energy from Waste Plant which is revalued by an external valuer appointed by Devon County Council and the Tamar Bridge and Torpoint Ferry properties which are revalued by an external valuer appointed by Cornwall Council.

Revaluations	Other Land & Buildings	Vehicles, Plant, Furniture & Equipment	Surplus Assets	Total
	£000	£000	£000	£000
Carried at historical cost	858	26,193	0	27,051
Valued at Current Value as at:				
31 March 2023	427,989	0	10,004	437,993
31 March 2022	176,051	0	0	176,051
31 March 2021	1,453	0	0	1,453
31 March 2020	9,304	0	0	9,304
31 March 2019	10,215	0	0	10,215
Total Cost of Valuation	625,870	26,193	10,004	662,067

15.4 Gain/Loss on Disposal of Non-Current Assets

Assets Written Off Balance Sheet	2021/22	2022/23
	£000	£000
Land and property sales	269	(24)
Academy and trust schools	16,787	10,412
Total	17,056	10,388

16 Heritage Assets

The Council holds the following types of heritage assets:

Historic Buildings and Monuments

Historic buildings and monuments classified as heritage assets on the balance sheet include Smeaton's Tower and various statues and monuments, 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 and Equipment. These include Mount Edgcumbe House and The Box.

Gold, Silver, Jewellery, Fine Art and World Cultures

The Council's gold, silver, jewellery, fine art and world cultures collections are reported in the balance sheet at insurance valuation, which is based on market values.

The Council's policy for the acquisition, preservation and management of museum assets can be found on The Box website.

Items Under £100k

All heritage assets under £100k are recognised at insurance valuations, which are reviewed annually and the value of assets are adjusted accordingly.

Special Books Collection

The special books collection are recognised at insurance valuations, which are reviewed annually and the value of assets are adjusted accordingly.

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

/ Car :						
Heritage Assets	Buildings	Fine Art	Gold, Silver & Jewellery	ltems Under £100k	Special Books Collection	Total Assets
	£000	£000	£000	£000	£000	£000
Cost or Valuation						
As at I April 2021	8,224	17,109	4,730	16,797	3,500	50,360
Revaluations	0	0	2	504	0	506
Reclassification	(4,407)	0	0	0	0	(4,407)
As at 31 March 2022	3,817	17,109	4,732	17,301	3,500	46,459
Cost or Valuation						
As at 1 April 2022	3,817	17,109	4,732	17,301	3,500	46,459
As at 31 March 2023	3,817	17,109	4,732	17,301	3,500	46,459

17 Investment Properties

17.1 Income, Expenditure and Changes in Fair Value of 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 consist of offices, various ground rents (including retail, offices and industrial), industrial estates (including out of town), development sites, leisure (including restaurants, cafes and hotels) and retail (both in and out of town).

The following items of income and expenditure have been accounted for in the Financing and Investment Income and Expenditure line in the CIES:

Amounts Recognised in the Comprehensive Income and Expenditure Statement	2021/22	2022/23
	£000	£000
Rental income from Investment Property	16,084	16,797
Direct operating expenses arising from Investment Property	(10,454)	(10,061)
Net Gain/(Loss)	5,630	6,736

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

Analysis of Movement in Investment Properties	2021/22	2022/23
	£000	£000
Balance at I April	275,442	271,065
Additions	113	(5)
Net gains/(losses) from fair value adjustments	(2,587)	(15,198)
Transfers:		
(To)/from Property, Plant and Equipment	(1,903)	(17,427)
Balance at 31 March	271,065	238,435

17.2 Fair Value Hierarchy for Investment Properties

Details of the Council's investment properties and information about the fair value hierarchy as at 31 March 2023 are as follows:

Recurring Fair Value Measurements Using	Quoted Prices in Active Markets for Identical Assets (Level I)	Other Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Fair Value as at 31 March 2023
2022/23	£000	£000	£000	£000
Industrial sites	0	66,211	0	66,211
Miscellaneous ground rents	0	6,462	3,904	10,366
Miscellaneous lets	0	22,965	35	23,000
Retail ground rents	0	24,916	0	24,916
Offices	0	6,950	0	6,950
Out of town retail	0	69,522	0	69,522
Out of town businesses	0	36,557	0	36,557
Development and Surplus Land	0	812	50	862
Lodges	0	51	0	51
Total	0	234,446	3,989	238,435

There were no transfers between Levels I and 2 during the year.

Recurring Fair Value Measurements Using	Quoted Prices in Active Markets for Identical Assets (Level I)	Other Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Fair Value as at 31 March 2022
2021/22	£000	£000	£000	£000
Industrial sites	0	67,951	0	67,951
Miscellaneous ground rents	0	6,581	3,905	10,486
Miscellaneous lets	0	22,548	37	22,585
Retail ground rents	0	28,378	0	28,378
Offices	0	15,683	0	15,683
Out of town retail	0	77,838	0	77,838
Out of town businesses	0	39,238	0	39,238
Development and surplus land	0	8,805	50	8,855
Lodges	0	51	0	51
Total	0	267,073	3,992	271,065

There were no transfers between Levels I and 2 during the year.

17.3 Valuation Techniques Used to Determine Level 2 and 3 Fair Values for Investment Properties

Significant Observable Inputs - Level 2

The Current Value (Fair Value) for the Investment portfolio has been based on the market approach using comparable evidence from recent property transactions in the Plymouth area and by analysing other relevant information. Market Conditions are such that similar properties are actively purchased and sold with the level of observable inputs significant. This has led to the properties being categorised at Level 2 in the fair value hierarchy.

In relation to the housing sites, each of the housing sites have been marketed on the open market by Plymouth City Council, with offers received subject to various conditions (including but not limited to planning or category of those specifications). These offers have been adjusted accordingly to reflect the individual conditions.

Significant Unobservable Inputs - Level 3

Assets categorised at Level 3 in the fair value hierarchy have been assessed where there is a significant level of unobservable inputs. Where there is no reasonably available market evidence available in the Plymouth area to determine the Current Value (Fair Value) the Valuer will use considered assumptions such as the potential yields, rental growth and occupancy levels.

Highest and Best Use of Investment Properties

In estimating the fair value of the Council's investment properties, the highest and best use of the properties is their current use.

Valuation Techniques

There has been no change in the valuation techniques used during the year for investment properties.

17.4 Reconciliation of Fair Value Measurements (Using Significant Unobservable Inputs) Categorised within Level 3 of the Fair Funding Hierarchy

	·	
Investment Properties Categorised within Level 3	31 March 2022	31 March 2023
	£000	£000
Opening Balance	3,782	3,992
Total gains/(losses) for the period included in the surplus or deficit on the provision of services resulting from changes in fair value	210	(3)
Closing Balance	3,992	3,989

Gains or losses arising from changes in the fair value of the investment properties are recognised in Surplus or Deficit on the Provision of Services – Financing and Investment Income and Expenditure line.

Valuation Process for Investment Properties

The fair value of the authority's investment property is measured annually at each reporting date. All valuations are carried out internally, in accordance with methodologies and bases for estimation set out in the professional standards of the Royal Institute of Chartered Surveyors. The authority's valuation experts work closely with finance officers regarding all valuation matters.

18 Financial Instruments

18.1 Financial Instruments- Classifications

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.

Financial Assets

A financial asset is a right to future economic benefits controlled by the Council that is represented by cash, equity instruments or a contractual right to receive cash or other financial assets or a right to exchange financial assets and liabilities with another entity that is potentially favourable to the Council.

The financial assets held by the Council during the year are accounted for under the following three classifications:

• Amortised cost (where cash flows are solely payments of principal and interest and the Council's business model is to collect those cash flow) comprising:

- cash in hand:
- bank current and deposit accounts;
- fixed term deposits and reverse repurchase agreements with banks and building societies;
- loans to other local authorities;
- loans to smaller companies and housing associations;
- certificates of deposit and covered bonds issued by banks and building societies;
- treasury bills and gilts issued by the UK Government;
- loans made for service purposes;
- leases receivables;
- trade receivables for goods and services provided.
- Fair value through other comprehensive income (where cash flows are solely payments of principal and interest and the Council's business model is to both collect those cash flows and sell the instrument; and equity investments that the Council has elected into this category).
- Fair value through profit and loss (all other financial assets) comprising:
 - interest rate swaps;
 - pooled funds, equity and property funds managed and held as strategic investments;
 - equity investments held for service purposes;
 - money market funds managed by fund managers;
 - loans where the cash flows are not solely payments of principal and interest;
 - structured deposits with banks and building societies.

Financial assets held at amortised cost are shown net of a loss allowance reflecting the statistical likelihood that the borrower or debtor will be unable to meet their contractual commitments to the Council.

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

	Fair	Long-Term		Short-Term		Total	
Financial Assets	Value Level	31 March 22	31 March 23	31 March 22	31 March 23	31 March 22	31 March 23
		£000	£000	£000	£000	£000	£000
At Fair Value Through Profit or Loss:							
Money Market Fund (MMF)	3	0	0	23,150	27,620	23,150	27,620
Pooled funds	2	58,759	53,034	0	0	58,759	53,034
Interest rate swap	2	11,453	27,072	0	0	11,453	27,072
Amortised Cost:							
Investments	3	73	73	0	0	73	73
Cash and Cash equivalents (less MMF)	3	0	0	17,077	2,562	17,077	2,562
Total Investments		70,285	80,179	40,227	30,182	110,512	110,361
Debtors							
Financial Instruments	3	12,699	9,612	19,636	18,227	32,335	27,839
Non-Financial Instruments	3	0	0	55,869	47,507	55,869	47,507
Total Financial Assets		82,984	89,791	115,732	95,916	198,716	185,707

The fair value of long-term debtors is assumed to be approximate to the carrying amount.

The fair value of short-term financial assets including receivables is assumed to approximate to the carrying amount. Short-term debtors are split between financial instruments and non-financial instruments depending on whether they are statutory or non-statutory.

Financial Liabilities

A financial liability is an obligation to transfer economic benefits controlled by the Council and can be represented by a contractual obligation to deliver cash or financial assets or an obligation to exchange financial assets and liabilities with another entity that is potentially unfavourable to the Council.

The majority of the Council's financial liabilities held during the year are measured at amortised cost and comprised of:

- long-term loans from the Public Works Loan Board;
- short-term loans from other local authorities;
- overdraft;
- lease payables;
- Private Finance Initiative;
- trade payables for goods and services received.

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

Figure del Liebilisie	Fair Long-		Term	Short-Term		Total	
Financial Liabilities	Value Level	31 March 22	31 March 23	31 March 22	31 March 23	31 March 22	31 March 23
		£000	£000	£000	£000	£000	£000
Loans at Amortised Cost:							
PWLB	2	(230,532)	(355,532)	(1,129)	(43,324)	(231,661)	(398,856)
Market Loans	2	(82,567)	(82,497)	(1,349)	(1,352)	(83,916)	(83,849)
Other borrowing	2	(12,530)	(6,194)	(225,383)	(76,051)	(237,913)	(82,245)
Total Borrowing		(325,629)	(444,223)	(227,861)	(120,727)	(553,490)	(564,950)
Liabilities at Amortised Cost:							
Other liabilities	2	(113,570)	(108,550)	(5,644)	(5,808)	(119,214)	(114,358)
Creditors							
Financial Instruments	3	0	0	(49,118)	(62,147)	(49,118)	(62,147)
Non-Financial Instruments	3	(11,597)	(10,178)	(69,451)	(56,148)	(81,048)	(66,326)
Total Financial Liabilities		(450,796)	(562,951)	(352,074)	(244,830)	(802,870)	(807,781)

^{*} These figures relate to the pre-local government reorganisation pension liability.

Short-term creditors are split between financial instruments and non-financial instruments depending on whether they are statutory or non-statutory.

LOBOs (Local Authority Lender's Option Borrower's Option loans) of £44m have been included in Market Loans but have a call date in the next 12 months. A call date means that the lender has the option to change the interest rate for the remaining period of the loan. The Council then has the option to accept the new rate or redeem.

Financial Liabilities Comparison to Fair Values

Financial Liabilities	Balance Sheet 31 March 22	Fair Value 31 March 22	Balance Sheet 31 March 23	Fair Value 31 March 23	
	£000	£000	£000	£000	
Loans at Amortised Cost:					
PWLB	231,661	194,496	398,856	253,837	
LOBO loans	65,715	87,237	65,644	76,944	
Other market loans	18,201	26,273	18,205	16,812	
Other long-term loans	12,530	12,530	6,194	6,194	
Short-term borrowing	225,383	225,383	76,051	76,051	
Total Borrowing	553,490	545,919	564,950	429,838	
PFI and lease liabilities	119,214	114,487	114,358	95,794	
Total Liabilities	672,704	660,406	679,308	525,632	

18.2 Equity Instruments Designated to Fair Value through Profit or Loss

The Council has investments made through the CCLA and other pooled funds. Under IFRS 9 the Code now requires that pooled funds are measured at Fair Value through Profit or Loss. However, to mitigate the impact of the change there is a statutory override for a period of five years meaning that there is no impact on the Council's General Fund.

18.3 Gains and Losses on Financial Instruments

The income, expense, gains and losses recognised in the CIES in relation to financial instruments are made as follows:

Gains & Losses on Financial Instruments		Surplus or Deficit on the Provision of Service		
	2021/22	2022/23		
	£000	£000		
Net Gains/Losses on:				
Financial assets measured at fair value through profit and loss	(6,252)	5,725		
Interest rate swaps at fair value through profit and loss *	(5,775)	(15,031)		
Total Net (Gains)/Losses on Financial Instruments	(12,027)	(9,306)		
Interest Revenue				
Investment income from financial assets measured through profit and loss	(1,992)	(3,673)		
Interest receivable from financial assets measured at amortised costs	(351)	(380)		
Total Interest Revenue	(2,343)	(4,053)		
Total Income	(14,370)	(13,359)		
Interest expense	14,495	18,972		
Total Interest Expense	14,495	18,972		
Net (Gain)/Loss for the Year	125	5,613		

^{*} SDPS is cash flows plus accrual; OCI is fair value minus accrual.

18.4 Financial Instruments - Fair Value

The fair value of a financial instrument is the price that would be received when selling an asset, or the price that would be paid when transferring a liability, to another market participant in an arms' length transaction. Where liabilities are held as an asset by another party, such as the council's borrowing, the fair value is estimated from the holder's perspective.

Financial instruments, except those classified at amortised cost, are carried in the Balance Sheet at fair value. For most assets, including bonds, treasury bills and shares in money market funds and other pooled funds, the fair value is taken from the market price.

The fair values of other instruments have been taken at cost value, as the council believes that cost may provide an appropriate estimate of fair value. Cost represents the best estimate of fair value:

- a) no significant change in the performance of the investee compared with budget;
- b) no significant change in the market for the investee's products, economic environment in which the entity operates;
- c) no change in expected performance in matters such as fraud, commercial disputes, litigation, changes in management or strategy.

Financial instruments classified at amortised cost are carried in the Balance Sheet at amortised cost.

- The value of Lender's Option Borrower's Option (LOBO) loans have been increased by the value of the embedded options. Lenders' options to propose an increase to the interest rate on the loan have been valued according to a proprietary model for Bermudan cancellable swaps. 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;
- Other loans borrowed by the Council have been valued at cost on the basis of that most of the loans are short term loans and/or borrowed from other public sector organisations;

- Shares in limited company have been valued at cost of the investment;
- The fair values of finance lease assets and liabilities and of PFI scheme liabilities have been calculated by discounting the contractual cash flows (excluding service charge elements) at the appropriate AA-rated corporate bond yield;
- Interest rate swaps have been valued using the market forward interest rate curve;
- No early repayment or impairment is recognised for any financial instrument;
- The fair value of short-term instruments, including trade payables and receivables, is assumed to be approximately the carrying amount given the low interest rate environment and the bad debt provisions already included in the statement of accounts.

Fair values are shown in note 18.1, split by their level in the fair value hierarchy:

- Level I fair value is only derived from quoted prices in active markets for identical assets or liabilities, e.g. bond prices;
- Level 2 fair value is calculated from inputs other than quoted prices that are observable for the asset or liability, e.g. interest rates or yields for similar instruments;
- Level 3 fair value is determined using unobservable inputs, e.g. non-market data such as cash flow forecasts or estimated creditworthiness.

18.5 Nature and Extent of Risks Arising from Financial Instruments

The Council complies with the CIPFA's Code of Practice on Treasury Management and the Prudential Code for Capital Finance in Local Authorities, both revised in December 2021.

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.

Full details of the Council's Treasury Management Strategy can be found on the Council's website.

The Treasury Management Strategy includes an Annual Investment Strategy in compliance with the DLUHC 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 deposits with banks and financial institutions as well as credit exposures to the Council's customers.

Asset Type	Credit Risk Management	Estimation of Impairment Loss
Loans to other authorities	Guaranteed by statute.	No allowance required.
Banks and financial institutions	Deposits are restricted in line with Council's approved Treasury Strategy.	No historic or forecast losses.
Loans	All loans subject to internal risk appraisal, where appropriate guarantees and/or security is obtained in event of default.	No historic or forecast losses.
Other Debtors	Debtors are not subject to internal credit ratings and have been grouped for the purposes of calculating expected losses.	Expected credit losses (impairment) estimated based on age and type of debt.

The Council manages credit risk by ensuring that treasury investments are only placed with organisations of high credit quality as set out in the Treasury Management Strategy. These include commercial entities, the UK government, other local authorities, and organisations without credit ratings upon which the Council has received independent investment advice. Recognising that credit ratings are imperfect predictors of default, the Council has regard to other measures including credit default swap, other contracts and equity prices when selecting commercial entities for investment.

A limit of £25m of the total portfolio is placed on the amount of money that can be invested with a single counterparty (other than the UK government). For unsecured investments in building societies there is a smaller limit of £10m applies. The Council also sets limits on investments in certain sectors.

The following table summarises the credit risk exposures of the Council's treasury management portfolio by credit rating and remaining time to maturity:

Credit Rating	31 March 2022		31 March 2023	
Credit Nating	Long-Term	Short-Term	Long-Term	Short-Term
	£000	£000	£000	£000
AAA	0	0	0	0
AA	0	23,150	0	27,620
A+	0	11,475	0	1,125
A	0	0	0	0
A-	0	0	0	0
Unrated	0	0	0	0
Total	0	34,625	0	28,745
Credit risk not applicable *	58,832	28,752	80,179	1,437
Total Investments	58,832	63,377	80,179	30,182

^{*} Credit Risk is not applicable to shareholdings and pooled funds where the Council has no contractual right to receive any sum of money.

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.

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 does not generally allow credit for customers. After 28 days, recovery procedures are undertaken to recover any outstanding debt. The past due amount can be analysed by age as follows:

Past Due Amounts Analysed by Age	31 March 22	31 March 23
	£000	£000
Less than three months	29,572	9,958
Three months to one year	3,132	2,862
More than one year	4,851	6,002
Total	37,555	18,822

The credit risk inherent in interest rate swaps is managed by the selection of highly credit worthy counterparties and by the requirement for the counterparty to post cash collateral when the valuation exceeds agreed thresholds. £28.530m cash collateral was held at 31 March 2023 (31 March 2022: £3.520m).

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 meets its commitments.

It is however exposed to the risk that it will need to refinance a significant proportion of its short-term borrowing at a time of unfavourably high interest rates.

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

Loans Outstanding	31 March 2022	31 March 2023
	£000	£000
Public Works Loan Board	(231,661)	(398,856)
Market debt	(83,916)	(83,849)
Temporary borrowing	(225,384)	(76,051)
Other borrowing	(12,530)	(6,194)
Deferred liability (PFI)	(97,043)	(92,916)
Deferred liability (finance leases)	(1,412)	(1,355)
Other liabilities	(20,759)	(20,087)
Trade creditors	(118,569)	(118,295)
Long-term creditors	(11,597)	(10,178)
Total	(802,871)	(807,781)
Less than I year	(358,273)	(244,829)
Between I and 2 years	(2,462)	(10,873)
Between 2 and 5 years	(17,275)	(19,197)
Between 5 and 10 years	(64,557)	(112,004)
Between 10 and 20 years	(80,011)	(60,818)
Between 20 and 30 years	(6,468)	(13,987)
Between 30 and 40 years	(20,392)	(17,651)
Between 40 and 50 years	(215,188)	(290,203)
Over 50 years	(38,246)	(38,219)
Total	(802,872)	(807,781)

The Council has £64m (2021/22: £64m) of LOBO loans where the lender has the option to propose an increase in the rate payable; the Council will then have the option to accept the new rate or repay the loan without penalty. Due to current low interest rates, in the unlikely event that the lender exercises its option, the Council is likely to repay these loans. The maturity date is therefore uncertain.

£80.726m of short-term borrowing in place at 31 March 2023 was taken under approved authority to meet the Council's capital financing and cash flow requirements to the end of the financial year. These loans can be repaid from cash flow maturing deposits and short term borrowing in 2022/23 if required, thus reducing credit 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 expense will rise;
- borrowings at fixed rates the fair value of the liabilities will fall;
- investments at variable rates the interest income will rise;
- investments at fixed rates the fair value of the assets will fall;
- pay fixed receive variable interest rate swaps the fair value of the assets will rise.

The Council has £80.726m short-term (less than 12 months) loans so there is an interest rate risk if the rates go up. The Council holds a £75m "pay fixed receive variable" hedge transaction to partly offset this risk. If there is a 0.5% increase in the bank rate it will cost an additional £1.950m per year.

The Council has £64m (2021/22: £64m) of LOBO loans with fixed interest rates and with maturity dates between 2031 and 2078 where the lender has the option to propose an increase in the rate payable; the Council will then have the option to accept the new rate or repay the loan without penalty.

Investments measured at amortised cost and loans borrowed are not carried at fair value, so changes in their fair 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. Movements in the fair value of fixed rate investments measured at fair value will be reflected in Other Comprehensive Income or the Surplus or Deficit on the Provision of Services as appropriate. Movements in the fair value of the interest rates swaps will be reflected in 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. 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. Interest rate risk is also managed using interest rate swaps, and the Council currently holds a £75m interest rate swap maturing in 2040 with a strike rate of 0.56%. Changes in the fair value of the swap are taken to an earmarked reserve.

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's investment in a pooled property fund is subject to the risk of falling commercial property prices. This risk is limited by the Council's maximum exposure to property investment fund of £26.241m. A 1% fall in commercial property prices would result in a £0.262m charge to the surplus or deficit on the provision of services, which is then transferred to the pooled investment fund adjustment account.

The Council's investments in pooled investment funds is subject to the risk in falling share prices. The risk is limited by the Council's maximum exposure to equity investments of £28.960m. A 1% fall in share prices would result in a £0.290m charge to the surplus or deficit on the provision of services, which is then transferred to the pooled investment fund adjustment account.

19 Debtors

19.1 Short-Term Debtors

Debtors due within the next 12 months are:

Short-Term Debtors by Category	31 March 2022	31 March 2023
	£000	£000
Central government departments	25,579	10,223
NHS bodies	2,427	2,125
Other local authorities	3,059	4,221
Other entities and individuals	44,440	49,165
Total Short-Term Debtors	75,505	65,734

19.2 Long-Term Debtors

Debtors due after 12 months are:

Long-Term Debtors by Category	31 March 2022	31 March 2023
	£000	£000
Secured debt	1,085	1,086
Other loans/mortgages	11,614	8,526
Total Long-Term Debtors	12,699	9,612

19.3 Bad Debt Provision

Analysis of Bad Debt Provision Held	31 March 2022	Provisions Made in Year	Provisions Used in Year	31 March 2023
	£000	£000	£000	£000
General fund	(3,486)	(1,096)	570	(4,012)
Housing benefit overpayments provision	(5,279)	(385)	120	(5,544)
Collection fund	(8,730)	(884)	648	(8,966)
Total Provisions for Bad Debt	(17,495)	(2,365)	1,338	(18,522)

20 Creditors

20.1 Short-Term Creditors

Creditors payable within the next 12 months are:

Short-Term Creditors by Category	31 March 2022	31 March 2023
	£000	£000
Central government departments	(24,747)	(17,716)
NHS bodies	(4,463)	(1,614)
Other local authorities	(3,844)	(5,676)
Other entities and individuals	(91,159)	(99,097)
Total Short-Term Creditors	(124,213)	(124,103)

20.2 Long-Term Creditors

Creditors payable after 12 months are:

Long-Term Creditors by Category	31 March 2022	31 March 2023
	£000	£000
Other local authorities	(11,501)	(10,022)
Other entities and individuals	(96)	(156)
Total Long-Term Creditors	(11,597)	(10,178)

The amount included within Other Local Authorities relates to a liability to Devon County Council for unfunded pension liabilities in reference to pre Local Government Re-organisation (that is pre I April 1998).

20.3 Other Long-Term Liabilities

Analysis of Other Long-Term Liabilities	31 March 2022	31 March 2023
	£000	£000
PFI finance leases	(92,915)	(88,680)
Other finance leases	(1,355)	(1,295)
Cornwall Council - Tamar Bridge and Torpoint Ferry Joint Committee	(19,300)	(18,575)
Total Other Long-Term Liabilities	(113,570)	(108,550)

21 Provisions

The Council has a number of budget provisions set up to meet known liabilities. The balance on the provisions at year end together with movement in the year is outlined as follows:

Analysis of Provisions Held	31 March 2022	Provisions Made in Year	Provisions Used in Year	Unused Amounts Reversed in Year	31 March 2023
	£000	£000	£000	£000	£000
Insurance provision	(4,008)	(2,250)	1,966	0	(4,292)
Landfill site provision	(10,061)	0	387	2,703	(6,971)
Other provisions	(7,154)	(3,853)	4,994	0	(6,013)
Total Provisions	(21,223)	(6,103)	7,347	2,703	(17,276)

The provisions include short-term provisions of £1.603m (2021/22: £8.292m) and long-term provisions of £15.674m (2021/22: £12.931m).

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.

Landfill Site Provision

The Council has a provision of £6.971m as at 31 March 2023 to reflect the Council's on-going liability for the closed landfill site at Chelson Meadow. The provision has been calculated on the future

maintenance costs over the next 45 years and is reviewed each year to take into account the actual maintenance costs spent in the year.

Other Provisions

Included in Other Provisions is a provision of £6.013m as at 31 March 2023 (2021/22: £7.113m) for business rate appeals.

22 Unusable Reserves

The Council holds a number of unusable reserves in the Balance sheet. Some are required to be held for statutory reasons and some are needed to comply with proper accountancy practice.

Analysis of Reserves	Note	31 March 2022	31 March 2023
		£000	£000
Unusable Reserves:			
Revaluation Reserve	22.1	313,175	326,867
Capital Adjustment Account	22.2	162,781	122,567
Financial Instruments Adjustments Account	22.3	(25,431)	(24,814)
Pensions Reserve	22.4	(383,373)	(37,487)
Collection Fund Adjustment Account	22.5	(18,673)	7,814
Accumulating Compensated Absences Adjustment Account		(1,785)	(2,042)
Deferred Capital Receipts		288	285
Pooled Investment Fund Adjustment Account		3,634	(2,091)
Total Unusable Reserves		50,616	391,099

22.1 Revaluation Reserve

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

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

The Revaluation Reserve contains only revaluation gains accumulated since I 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	2021/22	2022/23
	£000	£000
Balance at I April	263,961	313,175
Upward revaluation of assets	88,416	31,783
Downward revaluation of assets and impairment losses not charged to the (surplus)/deficit on the Provision of Services Surplus or (Deficit) on the Revaluation of Non-current Assets Not Posted	(28,496)	(5,027)
to the (Surplus) or Deficit on the Provision of Services	59,920	26,756
Release of Investment Property Balance	(1,209)	0
Difference between fair value depreciation and historical cost depreciation	(7,244)	(9,472)
Accumulated gains on assets sold or scrapped	(2,253)	(3,592)
Amount Written Off to the Capital Adjustment Account	(10,706)	(13,064)
Balance at 31 March	313,175	326,867

22.2 Capital Adjustment Account

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

The Account contains accumulated gains and losses on Investment Properties and gains recognised on donated assets that have yet to be consumed by the Council. It also contains revaluation gains accumulated on Property, Plant and Equipment before I 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:

Movement in Capital Adjustment Account	2021/22	2022/23
	£000	£000
Balance at I April	176,990	162,781
Release of Investment Property balance in the Revaluation Reserve	1,344	0
Reversal of Items Relating to Capital Expenditure Debited or Credited to the Comprehensive Income and Expenditure Statement:		
Charges for depreciation and impairment of non-current assets	(35,450)	(39,697)
Revaluation losses on Property, Plant and Equipment	(16,075)	(13,965)
Amortisation of intangible assets	(1)	(2)
Revenue expenditure funded from capital under statute	(13,078)	(12,479)
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	(15,054)	(7,592)
Adjusting amounts written out of the Revaluation Reserve	7,244	9,472
Capital Financing Applied in the Year:		
Use of the Capital Receipts Reserve to finance new capital expenditure	1,640	2,643
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	29,570	13,150
Amounts Reserved for Future Capital Funding:		
Statutory provision for the financing of capital investment charged against the General Fund (includes TBTF element)	17,578	18,537
Capital expenditure charged against General Fund	11,629	704
Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	(2,587)	(15,198)
Other Movement on the CAA in Year:		
Landfill Site Provision	(1,790)	2,703
Write down of long-term debtors	(1,503)	(814)
Deferred credit - Energy from Waste	2,324	2,324
Balance at 31 March	162,781	122,567

22.3 Financial Instruments Adjustment Account

The Financial Instrument Adjustment Account absorbs the timing differences arising from the different arrangements for the accounting for income and expenditure relating to certain financial instruments and for bearing losses or benefitting from gains per statutory provisions. The Council uses the account to manage premiums paid and discounts received on the early redemption of loans. During the year there was no early redemption of LOBO loans. Premiums are debited and discounts are credited 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 net expense is posted back to the General Fund balance in accordance with statutory arrangements for spreading the burden on Council Tax payers. In the Council's case this period is the unexpired term that was outstanding on loans when they were redeemed.

Movement in Financial Instruments Adjustment Account	2021/22	2022/23
	£000	£000
Balance at I April	(26,044)	(25,431)
Proportion of premiums incurred in previous financial years to be charged against the General Fund Balance in accordance with statutory	544	544
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	69	73
Balance at 31 March	(25,431)	(24,814)

22.4 Pension 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 CIES as the benefits are earned by employees accruing years of service, updating the liabilities to recognise and to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. 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	2021/22	2022/23
	£000	£000
Balance at I April	(597,660)	(383,373)
Actuarial gains or losses on pensions assets and liabilities	253,419	356,018
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	(51,469)	(27,448)
Employer's pensions contributions and direct payments to pensioners payable in the year	15,067	15,838
(Increase)/decrease in Plymouth's share of net deficit in year of Devon County Council Pension Fund	(2,730)	1,478
Balance at 31 March	(383,373)	(37,487)

22.5 Collection Fund Adjustment Account

The collection fund adjustment account manages the differences arising from the recognition of council tax and non-domestic rates income in the Comprehensive Income and Expenditure Statement as it falls due from council tax payers and business rates payers compared with the statutory arrangements for paying across amounts to the General Fund from the collection fund.

Collection Fund Adjustment Account	2021/22	2022/23
	£000	£000
Balance at I April	34,309	18,673
Amount by which council tax and non-domestic rates income credited to the Comprehensive Income and Expenditure Statement is different from council tax and non-domestic rates income calculated from the year in accordance with statutory		
requirements	(15,636)	(26,487)
Balance at 31 March	18,673	(7,814)

23 Notes to Cash Flow

23.1 Cash Flow Statement - Operating Activities

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

Analysis of Operating Activities	2021/22	2022/23
	£000	£000
Net Surplus/(Deficit) on the Provision of Services	(21,213)	(40,605)
Adjust Net Surplus/(Deficit) on the Provision of Services for Non-Cash Movements:		
Depreciation	51,525	53,663
Impairment and downward valuations	(7,243)	(9,471)
Impairment losses on investments debited to surplus/(deficit) on the Provision of Services in year	4,101	0
Adjustment for movements in fair value of investments classified as fair value through profit and loss	(12,188)	(9,337)
Losses or gains on derecognition of loans and advances in year	0	3,122
Adjustments for effective interest rates	0	(587)
(Increase)/decrease in interest creditors	0	607
(Increase)/decrease in creditors	(20,656)	47,488
(Increase)/decrease in debtors	(4,720)	(6,546)
(Increase)/decrease in inventories	84	(154)
Pension liability	39,132	10,132
Contributions to/(from) Provisions	101	(3,946)
Unwinding the discount on deferred receipts	(277)	0
Carrying amount of non-current assets sold	17,034	0
Carrying amount of short-term and long-term investments sold	0	11,181
Movement in Investment Property values	2,587	15,198
Total	69,480	111,350
Adjust for Items Included in the Net Surplus or Deficit on the Provision of Services that are Investing or Financing Activities		
Capital grants credited to surplus/(deficit) on the Provision of Services	(32,666)	(36,708)
Proceeds from the sale of Property, Plant and Equipment, Investment Property and Intangible Assets	(2,004)	(2,593)
Total	(34,670)	(39,301)
Net Cash Flows from Operating Activities	13,597	31,444

The cash flows for operating activities include the following items:

Analysis of Interest Paid and Received	2021/22	2022/23
	£000	£000
Interest received	2,066	3,466
Interest paid	(14,495)	(16,727)

23.2 Cash Flow Statement - Investing Activities

Analysis of Investing Activities	2021/22	2022/23
	£000	£000
Purchase of Property, Plant and Equipment, Investment Property and Intangible Assets	(79,301)	(76,019)
Purchase of short-term and long-term investments	0	0
Other payments for Investing Activities	13,281	(28,531)
Proceeds from the sale of Property, Plant and Equipment, Investment Properties and Intangible Assets	2,004	2,596
Other Receipts from Investing Activities	56,418	46,685
Net Cash Flows from Investing Activities	(7,598)	(55,269)

23.3 Cash Flow Statement - Financing Activities

Analysis of Financing Activities	2021/22	2022/23
	£000	£000
Cash receipts of short-term and long-term borrowing	(46,403)	157,987
Billing Authorities - Council Tax and NDR adjustments	42,395	(6,237)
Repayment of short-term and long-term borrowing	0	(147,485)
Other receipts from financing activities	(103)	13,699
Payments for the reduction of a PFI liability	(3,520)	(4,184)
Net Cash Flows from Financing Activities	(7,631)	13,780

23.4 Cash Flow Statement - Cash and Cash Equivalents

Analysis of Cash and Cash Equivalents	2021/22	2022/23
	£000	£000
Cash and bank balances	1,857	724
Cash Investments - regarded as cash equivalents	34,625	28,745
Tamar Bridge and Torpoint Ferry	3,745	713
Net Cash Flows from Cash and Cash Equivalents	40,227	30,182

24 Pooled Budgets - Integrated Fund

The Council has a pooled budget arrangement with the Devon Integrated Care Board (Devon ICB), under Section 75 of the NHS Act 2006, to enable an integrated approach to commissioning a range of health, public health and social care services to meet the needs of people living in the Plymouth area. The pooled budget is currently hosted by Devon ICB on behalf of the two partners to the agreement, although the two partners keep their own accounts in their separate ledgers. All spend is allocated a lead commissioner. The risk share allows for the Council and Devon ICB to share the risk and reward of over and under-spends, up to the value of 0.5% of the agreed applicable value of the Integrated Fund, is proportional to the value of the contribution of each party to the Integrated Fund and also ensures that the risk to each partner is capped. In 2020/21, because of the global pandemic, and its effects on the costs of health and social care, it was agreed to amend the risk share for the year to 0% risk on both parties to the agreement and this was again agreed for 2021/22 and 2022/23. This decision will be reviewed for 2023/24.

Pooled Budget - Integrated Fund	2021/22	2022/23
	£000	£000
Contribution to the Pooled Budget:		
Plymouth City Council's contribution:		
Pooled	188,065	207,690
Aligned	75,690	66,712
Total Plymouth City Council	263,755	274,402
Devon ICB's contribution:		
Pooled	175,049	176,838
Aligned	292,095	226,057
Total Devon ICB	467,144	402,895
Total Combined Integrated Fund	730,899	677,297
Expenditure Met from the Pooled Budget:		
Plymouth City Council	273,459	280,184
Devon ICB	466,621	399,518
Total Expenditure on Integrated Fund	740,080	679,702
Net (Surplus)/Deficit on the Integrated Fund During the Year	9,181	2,405

The figures above include amounts of the Plymouth Better Care Fund, of whom the lead commissioners are:

Plymouth Better Care Fund	2021/22	2022/23
	£000	£000
Devon ICB Lead Commissioner	12,356	13,541
Plymouth City Council Lead Commissioner	11,415	11,415
Total Plymouth Better Care Fund	23,771	24,956

25 Members' Allowances

Allowances paid to Members of the Council in 2022/23 totalled £1.054m (2021/22: £0.993m). These figures include Members' allowances and expenses. Further information can be found on the Council's website.

26 Officers' Remuneration

26.1 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 are identified by name. Plymouth defines relevant senior staff as members of the Corporate Management Teams (Directors) and Departmental Management Teams (Service Directors).

Senior Management Post	Financial Year	Salaries, Fees and Allowances*	Compensation for Loss of Office	Pension Contributions	Total Remuneration	Notes
Salary over £150,000		£	£	£	£	
Tracey Lee - Chief Executive (Head of Paid	2022/23	177,711	0	27,879	205,590	Includes election duty payments as the Returning Officer.
Service)	2021/22	183,560	0	27,560	211,120	Includes election duty payments as the Returning Officer.
Salary over £50,000 but less than £150,000						
	2022/23	119,460	0	19,005	138,465	Includes election duty payments as the Deputy Returning Officer.
Assistant Chief Executive	2021/22	124,230	0	19,005	143,235	Includes election duty payments as the Deputy Returning Officer.
	2022/23	113,540	0	18,848	132,388	A new post holder commenced on 13 June 2022.
Director of Children's Services	2022/23	35,828	0	5,410	41,238	The post holder left the authority on 30 June 2022.
	2021/22	130,365	0	21,641	152,006	
	2022/23	114,390	0	16,449	130,839	
Director of Public Health	2021/22	111,715	0	16,065	127,780	
Strategic Director of Customer and Corporate	2022/23	132,810	0	21,960	154,770	Includes election duty payments.
Services	2021/22	131,345	0	21,641	152,986	Includes election duty payments.

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Senior Management Post	Financial Year	Salaries, Fees and Allowances*	Compensation for Loss of Office	Pension Contributions	Total Remuneration	Notes
		£	£	£	£	
	2022/23	58,677	0	9,740	68,417	A new post holder commenced on 22 October 2022.
Strategic Director for People	2022/23	85,176	0	12,042	97,218	The post holder left the authority on 21 October 2022.
	2021/22	131,345	0	21,641	152,986	Includes election duty payments.
Control of Di	2022/23	135,396	0	22,476	157,872	
Strategic Director for Place	2021/22	133,471	0	22,156	155,627	
Service Director for	2022/23	39,906	0	0	39,906	A new post holder commenced on 6 November 2022.
Children, Young People and	2022/23	60,321	0	10,013	70,334	The post holder left the authority on 5 November 2022.
Families	2021/22	99,077	0	16,447	115,524	
Service Director for Digital	2022/23	0	0	0	0	Post vacant.
and Customer Services	2021/22	0	0	0	0	Post vacant.
Service Director for	2022/23	80,809	0	13,381	94,190	Includes election duty payments.
Community Connections	2021/22	79,229	0	13,062	92,291	Includes election duty payments.
Service Director for	2022/23	104,636	0	17,372	122,008	
Economic Development	2021/22	102,593	0	17,052	119,645	
Service Director for	2022/23	0	0	0	0	A new post holder commenced on 9 January 2022 via an Agency. †
Education, Participation and Skills	2022/23	63,858	0	10,600	74,458	The post holder left the authority on 30 November 2022.
	2021/22	93,862	0	15,581	109,443	
	2022/23	50,141	0	8,323	58,464	A new post holder commenced on 4 October 2022.
Service Director for Finance (Section 151 Officer)	2022/23	55,125	0	9,151	64,276	The post holder left the authority on 3 October 2022.
(Joseph 191 Sincer)	2021/22	106,575	0	17,691	124,266	
Service Director for HR and	2022/23	101,002	0	16,766	117,768	
Organisational Development	2021/22	99,447	0	16,447	115,894	Includes election duty payments.

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Senior Management Post	Financial Year	Salaries, Fees and Allowances*	Compensation for Loss of Office	Pension Contributions	Total Remuneration	Notes
		£	£	£	£	
	2022/23	57,043	0	9,428	66,471	A new post holder commenced on 4 November 2022 via an Agency. [†]
Service Director for Integrated Commissioning	2022/23	96,293	0	15,857	112,150	Includes election duty payments. The post holder vacated this post on 21 October 2022.
	2021/22	96,293	0	15,857	112,150	Includes election duty payments.
Service Director for	2022/23	102,723	0	17,052	119,775	
Strategic Planning and Infrastructure	2021/22	102,723	0	17,052	119,775	
Service Director for Street	2022/23	84,053	0	13,850	97,903	Includes election duty payments.
Services	2021/22	84,053	0	13,850	97,903	Includes election duty payments.
	2022/23	83,899	0	13,341	97,240	
Head of Legal Services (Monitoring Officer)	2021/22	83,899	0	13,341	97,240	Role covered by the Assistant Head of Legal Services until 31 October 2021. Role covered by Senior Lawyer November 2021 until 17 March 2022. A new post holder commenced on 17 March 2022.

^{*} Salaries, Fees and Allowances exclude immaterial expenses such as travel and subsistence

The Council secured services from various individuals on an interim basis during 2022/23. The amounts disclosed as follows in respect to these posts are the costs incurred by the Council to the Agency and are not the amounts the individuals actually received which will have been lower:

- Interim Service Director for Education, Participation and Skills from 9 January 2022 as a cost to the Council of £40,293.
- Interim Service Director for Integrated Commissioning from 4 November 2022 at a cost to the Council of £79,298.

Election Fees

The election fee allowances for 2022/23 covered one Local election and one Local By-election.

The election fee allowances for 2021/22 covered a combined Local and Police and Crime Commissioner election.

Funding is received from the Cabinet Office for the Police and Crime Commissioner election fees.

[†] Fees paid in respect of individuals engaged on an interim basis via an Agency

26.2 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 following numbers do not include the senior management as disclosed in note 26.1.

Remuneration Bandings	202	1/22	2022/23		
Remailer action Dandings	Schools	Non-schools	Schools	Non-schools	
£50,000 - £54,999	17	57	25	66	
£55,000 - £59,999	7	30	8	31	
£60,000 - £64,999	7	17	9	20	
£65,000 - £69,999	2	7	2	8	
£70,000 - £74,999	4	7	0	8	
£75,000 - £79,999	2	2	2	4	
£80,000 - £84,999	2	0	I.	1	
£85,000 - £89,999	2	0	4	0	
£90,000 - £94,999	I	2	0	2	
£95,000 - £99,999	I	0	1	0	
£100,000 - £104,999	0	1	0	0	
£105,000 - £109,999	0	0	0	0	
£110,000 - £114,999	1	0	1	1	
Total	46	123	53	141	

26.3 Employee Exit Packages

The numbers of exit packages with total cost per band and total cost of the compulsory and other redundancies are set out in the following table:

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	
	2021/22	2022/23	2021/22	2022/23	2021/22	2022/23	2021/22	2022/23
							£000	£000
£00,001 - £20,000	12	6	12	4	24	10	128	18
£20,001 - £40,000	3	0	0	0	3	0	101	0
£40,001 - £60,000	2	0	0	0	2	0	96	0
£60,001 - £80,000	1	0	0	0	1	0	79	0
£80,001 - £100,000	0	0	0	0	0	0	0	0
£100,001 - £150,000	1	0	0	0	1	0	110	0
Total	19	6	12	4	31	10	514	18

The Council terminated the contracts of a number of employees in 2022/23, including school based staff, incurring liabilities of £0.018m (2021/22: £0.641m). There were no strain payments in 2022/23. The Council's expenditure on Schools is primarily funded from the Dedicated Schools Grant Provided by the Department of Education.

27 External Audit Costs

The Council has incurred the following costs in relation to the audit of the Statement of Accounts:

Analysis of External Audit Costs	2021/22	2022/23
	£000	£000
Fees payable to Grant Thornton LLP with regard to external audit services carried out by the appointed auditor for the year	210	191
Fees payable in respect of other services provided by Grant Thornton LLP during the year	33	35
Total External Auditor Costs	243	226

28 Dedicated Schools Grant

The Council's expenditure on schools is funded primarily by grant monies provided by the Education and Skills Funding Agency (ESFA), the Dedicated Schools Grant (DSG). The DSG is ringfenced and can only be applied to meet expenditure properly included in the Schools Budget, as defined in the School Finance and Early Years (England) Regulations 2021. The Schools Budget includes elements for a range of educational services provided on an authority-wide basis and for the Individual Schools Budget (ISB), which is divided into a budget share for each maintained school.

Details of the deployment of DSG receivable are as follows:

			2022/23	
Analysi	Analysis of Dedicated Schools Grant		Individual Schools Budget	Total
Note		£000	£000	£000
Α	Final DSG before academy and high needs recoupment			245,766
В	Academy and high needs figure recouped			(169,077)
С	Total DSG after academy and high needs recoupment			76,689
D	Brought forward from 2020/21 - surplus			2,293
E	Carry-forward to 2022/23 agreed in advance			0
F	Agreed initial budgeted distribution in 2021/22	32,777	46,205	78,982
G	In year adjustments	0	100	100
н	Final budgeted distribution	32,777	46,305	79,082
1	Less actual central expenditure	33,295		33,295
J	Less actual ISB deployed to schools		44,613	44,613
K	Plus Local Authority contribution			0
L	In-year carry-forward to 2023/24	(518)	1,692	1,174
М	Plus: Carry-forward to 2022/23 agreed in advance			0
N	Carry-forward to 2023/24 - surplus			1,174
0	DSG unusable reserve at the end of 2021/22 (only relevant for DSG deficits)			0
Р	Addition to DSG unusable reserve at the end of 2022/23			0
Q	Total of DSG unusable reserve at the end of 2022/23			0
R	Net DSG Position at the end of 2022/23			1,174

- A. Final DSG figure before any amount has been recouped from the authority as published March 2023, excluding the January 2022 early years block adjustment.
- B. Figure recouped from the authority in 2022/23 by the DfE for the conversion of maintained schools into academies and for high needs payments made by ESFA.
- C. Total DSG figure after academy and high needs recoupment for 2022/23, as published March 2023.
- D. Figure brought forward from 2021/22.
- E. Any amount with the authority decided after consultation with the school forum to carry forward to 2023/24 rather than distribute in 2022/23.
- F. Budgeted distribution of DSG, adjusted for carry forward, as agreed with the Schools Forum.
- G. Changes to the initial distribution, for example the final 2021/22 early years block adjustment.
- H. Budgeted distribution of DSG as at the end of the financial year.
- I. Actual amount of central expenditure items in 2022/23.

- J. Amount of ISB actually distributed to schools (ISB is regarded for DSG purposes as spent by the Authority once it is deployed to schools budget shares).
- K. Any contribution from the Local Authority in 2022/23 which has the effect of substituting for DSG in funding the Schools Budget.
- L. In-year position at end of 2022/23:
 - For central expenditure difference between final budgeted distribution of DSG and the actual expenditure.
 - For ISB difference between final budgeted distribution and the actual deployed to schools, plus any local authority contribution.
- M. Plus/(minus) any carry forward to 2023/24 already agreed.
- N. Total is carry-forward on central expenditure, plus carry-forward on ISB, plus/(minus) any carry-forward to 2022/23 already agreed.
- O-R. Local Authorities with deficit DSG balance are required to create an unusable DSG reserve this is not relevant to Plymouth as there is a surplus balance.

29 Grant Income

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2022/23:

Credited to Taxation and Non-specific Grant Income and Expenditure	2021/22	2022/23
	£000	£000
Section 31 grants	(20,217)	(12,679)
Capital grants and contributions	(24,550)	(28,686)
PFI credits	(6,499)	(7,053)
Revenue Support Grant	(9,742)	(10,046)
Total	(61,008)	(58,464)

Grants Credited to Services	2021/22	2022/23
	£000	£000
Benefits Admin Grant	(913)	(923)
Dedicated Schools Grant and Other Education Grants	(72,421)	(78,311)
Housing Benefit Subsidy	(57,758)	(55,296)
Learning and Skills Council	(2,648)	(2,742)
Improved Better Care Fund	(10,453)	(12,933)
Transforming Social Care Grant	(9,929)	(13,502)
New Homes Bonus	(1,621)	(1,707)
Public Health Grant	(15,504)	(15,940)
Troubled Families Grant	(971)	(1,089)
Arts Council	(2,099)	(769)
Department of Health Grant	(7,411)	(54)
COVID-19 Emergency Fund	(11,105)	(16)
Other Revenue Grants	(36,137)	(37,993)
Total	(228,970)	(221,275)

The Council has received a number of grants, contributions and donations that have yet to be recognised as income as they have conditions attached to them that will require the monies or property to be returned to the grantor. The grants are held on the Balance Sheet as a creditor in a Grants Receipts in Advance Account and are split between Revenue and Capital Grant Receipts in Advance as follows:

Revenue Grant Receipts in Advance - Current Liabilities	2021/22	2022/23
	£000	£000
ACE Cultural Development Fund for iMayflower	444	32
Afghan Citizens Resettlement Scheme	0	416
Changing Futures	457	499
Council Tax Rebate Discretionary Fund	557	0
D2 Grids	0	436
Domestic Abuse Bill preparation	555	640
Family Hubs Start For Life	0	402
Homes for Ukraine	0	1,342
NIHR Plymouth Health Determinants Research	0	444
Opportunity Areas Twinning	593	148
Section 256 Revenue Grant (SARC)	183	573
Syrian Resettlement Programme (SRP)	758	690
Other	3,091	4,171
Total	6,638	9,793

Capital Grant Receipts in Advance - Current Liabilities	2021/22	2022/23
	£000	£000
Department for Transport	40,865	40,898
Department for Environment Food & Rural Affairs	252	1,478
Department for Digital Culture Media and Sport	2,914	3,393
Football Foundation	1,221	921
Arts Council	4,940	4,175
Growth Deal	36,937	36,180
Growth & Housing Fund	4,470	4,470
Get Building Fund	6,920	7,074
Department for Levelling Up, Homes & Communities	7,653	22,754
European Regional Development Fund	3,906	4,006
Department for Business, Energy & Industrial Strategy	8,835	4,467
Warm Homes Fund	683	1,060
NHS England	200	442
Innovate UK	603	0
Other	7,237	1,087
Total	127,636	132,405

Capital Grant Receipts in Advance - Long-Term Liabilities	2021/22	2022/23
	£000	£000
Heritage Lottery Fund	0	0
Arts Council	0	0
European Regional Development Agency	0	0
Department for Transport	2,280	6,684
Section 106	15,074	13,486
Growth Deal	9,755	7,154
Homes England	4,800	4,800
Total	31,909	32,124

OFFICIAL PLYMOUTH CITY COUNCIL

30 Related Parties

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

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			2021/22				
Related Party Transactions	Details of Arrangement	Receipts	Payments	Outstanding Balances/ Commitments	Receipts	Payments	Outstanding Balances/ Commitments
Subsidiaries, Associa	ites and Joint Arrangements	£000	£000	£000	£000	£000	£000
Subsidiaries							
Arca (Plymouth) Ltd	Arca is responsible for the administration and management of The Box and St Luke's Church and is a wholly owned by the Plymouth City Council.	(104)	483	495	(2)	805	(1,076)
CATERed Ltd	CATERed is a co-operative trading company which is jointly owned by 67 local schools and Plymouth City Council. Plymouth City Council is the majority shareholder with 51% of the shares.	(195)	1,154	87	(205)	1,564	49
Plymouth Investment Partnerships Ltd (PIP)	PIP invests in the promotion, assistance and establishment of business to improve the employment and economy of Plymouth and its surrounding area. Plymouth City Council has full ownership of PIP.	(79)	0	0	(106)	0	0
Joint Arrangements							
DELT Shared Services Ltd	DELT provide ICT and systems to partners. DELT is jointly and equally controlled and owned by Plymouth City Council and Devon CCG.	(174)	11,568	(598)	(199)	12,046	3,175
Plymouth Science Park Ltd	Plymouth Science Park is a science and technology park for businesses and provide provision of support, advisory and facilities management services. Plymouth Science Park is jointly and equally owned by Plymouth City Council and Plymouth University.	(94)	0	0	(50)	0	0

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Central Government

Central Government has significant influence 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 <u>29</u>.

Members

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

The total of members allowances paid in 2022/23 is disclosed in note 25.

Under the Code of Conduct, incorporated in the Council's constitution, Members are required to record in the Register of Members' Interests any financial and other personal interests, together with any gift, hospitality, material benefit or advantage. The register is open to inspection by the public and is available on an individual Member basis on the Council's website. Members who declare an interest do not take part in any discussion or decision relating to grants made or works or services commissioned. Details of all interests declared are recorded in the meetings of relevant meetings.

Members of the Council are nominated to serve on numerous outside bodies some of which either receive funding from the Council or issue levies and precepts to be paid by the Council. When sitting on these bodies Members are expected to act independently and not to represent the views of the Council.

Senior Officers

Under the Employees' Code of Conduct, officers are required to declare potential conflicts of interest arising from employment arrangements together with gifts or hospitality and offers thereof and, under Section 117 of the 1972 Local Government Act, contractual arrangements where there is a conflict of interest whether it be by direct or indirect involvement. Most professional bodies also have codes of professional conduct to which members of those bodies are expected to adhere.

Other Public Bodies

The Council has a pooled budget arrangement with Devon Integrated Care Board (Devon ICB) for the provision of care services. Further details of the arrangement, the transactions and balances outstanding are detailed in note 24.

Other Interests in Companies

There are a number of companies which are also linked to the Council which fall under the definition of an assisted organisation. This includes the provision of financial assistance to voluntary organisations. However they are not considered material in financial terms. Examples include Access Plymouth Ltd, Plymouth Citizens Advice Bureau and the Shekinah Mission (Plymouth) Limited. Independent Futures and the Plymouth City Centre Company are examples of larger organisations supported by the Council.

DELT Shared Services Limited

DELT was launched I October 2014 and is a publicly owned private limited company (09098450). It was set up to deliver ICT services and systems to its partners; Plymouth City Council and Devon Clinical Commissioning Group. 2022/23 was the eighth year in which DELT was operational.

DELT is jointly and equally controlled by its partners with both partners carrying equal full voting rights. The collaborative arrangement is classed as a joint venture.

For more information about DELT and its financial performance, please visit the DELT Services website.

CATERed Limited

CATERed is a cooperative trading company (09355912) which is jointly owned by Plymouth City Council and 67 local schools, providing all school meals in the city. CATERed is 49 per cent owned by schools and 51 per cent by the Council and serves almost 2.5 million meals to Plymouth school children every year.

Plymouth City Council is the majority shareholder of CATERed with 51 per cent of shares and voting rights allocated one vote per share. The collaborative arrangement is classed as a subsidiary of the Council.

For more information about CATERed and its financial performance, please visit the CATERed website.

Arca (Plymouth) Limited

Arca (Plymouth) is a wholly owned subsidiary of the Council which is responsible for the administration and management of The Box and St Luke's Church which opened in September 2020.

@PlymouthCare Limited

@PlymouthCare was incorporated on the 10 June 2021 and the company was created by the Council to help people remain as independent in their own home, by providing support and care services for people.

Plymouth Active Leisure Limited

Plymouth Active Leisure Limited was incorporated on the 17th November 2021. The company is a wholly owned subsidiary of the Council and took back responsibility for operating the Council's leisure centres from Sports and Leisure Management LTD (SLM) on the 1 April 2022.

Joint Committees

The Council is a member of a couple of joint committees where local authorities have joined together to provide a service. These are listed as follows:

Devon Audit Partnership

From April 2009 Plymouth City Council set up a Joint Committee with Devon County Council and Torbay Council for the provision of a shared internal audit service. The service is also able to provide audit services to other organisations. This is a shared service arrangement and is constituted under section 20 of the Local Government Act 2000.

Devon County Council is the host Council for the Joint Committee with all staff now employed by Devon County Council. Assets and Liabilities of the Joint Committee are split on an agreed basis (number of FTE's on inception of the Committee); Plymouth's share equates to 27 per cent and its contribution to the partnership for 2022/23 was £0.324m (2021/22: £0.315m).

South West Devon Waste Disposal Partnership

Plymouth City Council, Torbay Council and Devon County Council are now working together and have jointly contracted a PFI project for an Energy from Waste Plant (based in Plymouth) to dispose of residual waste collected by the three Councils. As part of the Joint Working Agreement between the three Councils the South West Devon Waste Partnership Joint Committee has been established to facilitate the procurement and subsequent operation and management of the facilities (by the selected contractor). The Plant became operational in April 2015.

Plymouth is the Lead Authority with the expenditure associated with this project is incurred and then allocated on an estimated tonnage share basis to Torbay and Devon County Councils. Plymouth's share of the expenditure is reflected within the cost of services on the Comprehensive Income and Expenditure Statement.

For more information about external bodies which Plymouth City Council have an interest in please visit the Council's website.

31 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 Requirements	2021/22	2022/23
	£000	£000
Opening Capital Financing Requirement I April	736,675	765,214
Capital Investment		
Property, Plant and Equipment	75,572	75,602
Investment Properties	113	(5)
Intangible Assets	2	0
Assets Held for Sale	0	112
Revenue Expenditure Funded from Capital Under Statute	13,090	12,479
Initial recognition of share purchase	100	0
Other capital expenditure	248	130
Total	89,125	88,318
Sources of Finance		
Capital receipts	(1,502)	(2,643)
Other movements in Long-Term Debtors	(841)	(2,402)
Grants and contributions applied in year	(29,570)	(13,150)
Revenue and other funds	(11,629)	(704)
Minimum Revenue Provision	(17,578)	(18,537)
Use of landfill provision	396	387
Repayment of conditional grant	138	0
Total	(60,586)	(37,049)
Closing Capital Financing Requirement 31 March	765,214	816,483
Explanation of Movement in Year		
Increase in underlying need to borrow	40,186	45,192
Increase in underlying need to borrow resulting from other changes in capital financing requirement	(11,647)	6,077
Increase/Decrease in Capital Financing Requirement	28,539	51,269

32 Leases

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

Operating Leases - Authority as a Lessor	31 March 22	31 March 23
	£000	£000
Not later than one year	16,038	17,527
Later than one year and not later than five years	53,385	58,318
Later than five years	230,800	213,743
Total Operating Leases	300,223	289,588

33 Private Finance Initiatives (PFI) and Similar Contracts

33.1 Schools PFI

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 £5.953m was made in 2022/23 (2021/22: £5.729m). Payments remaining to be made under the PFI contract at 31 March 2023, 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 2022/23	2,748	1,305	1,900	5,953
Payable in 2023/24	3,133	1,413	1,786	6,332
Payable within two to five years	14,135	6,148	5,888	26,171
Payable within six to ten years	19,323	11,681	3,777	34,781
Payable within eleven to fifteen years	1,771	1,208	44	3,023
Total	38,362	20,450	11,495	70,307

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	2021/22	2022/23
	£000	£000
Balance outstanding I April	22,890	21,754
Payments during the year	(1,136)	(1,305)
Balance Outstanding 31 March	21,754	20,449

The Council has secured PFI credits to the value of £53m, to which interest is added resulting in total Government support of £105.871m over the contract period, and this together with an annual contributions from the Council and the schools which 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 £3.983m 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 future years.

33.2 South West Devon (SWD) Energy from Waste (EfW) Partnership

2015/16 was the first year of operation of the EfW public/private service concession arrangement whereby the SWD local authority partnership granted the right to MVV Umwelt (MVVU), the operator, to treat and render inert waste that otherwise would have been disposed of in landfill sites. The SWD partnership comprising Plymouth City Council, Devon County Council and Torbay Council appointed MVVU under a fixed price contract to finance, construct and design the 245,000 tonne capacity facility and to maintain it to a minimum acceptable condition over a 50 year term.

PFI Outstanding Liabilities	Payment for Services	Reimbursement of Capital Expenditure	Interest	Total
	£000	£000	£000	£000
Total payments to operator in 2022/23	3,981	499	3,593	8,073
Payable in 2023/24	4,237	498	3,542	8,277
Payable within two to five years	19,426	2,429	13,494	35,349
Payable within six to ten years	25,844	7,986	14,540	48,370
Payable within eleven to fifteen years	30,984	14,791	8,806	54,581
Payable within sixteen to twenty years	11,370	7,259	839	19,468
Total	91,861	32,963	41,221	166,045

The EfW facility is located on MOD land at Camel's Head, North Yard in Devonport Dockyard, Plymouth. The SWD partnership specifies the activities offered by the facility, the opening hours and the expected minimum standard of service to be provided by the operator. MVVU is required to receive all the residual waste from the defined area of the local authority partnership for which the councils are obliged to pay a fixed gate fee based on a guaranteed minimum tonnage of waste, with an additional charge for any extra waste delivered by the councils over and above the contractual waste.

Movement in PFI Liability	2021/22 Plymouth Share	2021/22 Deferred Income	2022/23 Plymouth Share	2022/23 Deferred Income
	£000	£000	£000	£000
Balance outstanding April	33,528	44,149	33,462	41,826
Payments during the year	(65)	(2,324)	(499)	(2,324)
Balance Outstanding 31 March	33,463	41,825	32,963	39,502

Under a separate 25 year agreement between the operator and the MOD, MVVU processes the waste to provide environmentally sustainable heat and electricity to HM Naval Base Devonport. Power is sold at a capped, index linked, guaranteed base price, with any surplus electricity being exported to the National Grid based on a long-term Power Purchase Agreement (PPA) to a company within the MVV group.

The SWD partnership receives 50% of the income earned by EVVU from any excess waste it processes or any excess energy it supplies to third parties. EMVU 3rd party revenues are unrestricted and the SWD partnership is obliged to compensate the operator for any loss of third party income should the councils exceed their contractual maximum tonnage.

Income and expenditure, assets and liabilities are recorded in each of Plymouth City Council, Devon County Council and Torbay Council's Statements of Accounts respectively in the ratio 48:35:17.

Plymouth City Council's share of the total construction costs of £195.324m is carried at depreciated replacement cost in its balance sheet as detailed in note 15.1 (Property, Plant and Equipment) together with a corresponding liability.

34 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.

34.1 Pension Scheme Accounted for as Defined Contribution Schemes

Teachers' Pension Scheme

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

The scheme is technically a defined benefit scheme. However, the scheme is unfunded and the Department for Education uses a notional fund as the basis for calculating the employers' contribution rate paid by local authorities. The 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 2022/23, Plymouth City Council paid £3.535m to Teachers' Pensions in respect of teachers' retirement benefits (2021/22: £3.560m). There were no contributions remaining payable at the year-end. In 2022/23 the minimum member contribution was 7.4 per cent of salary, the maximum was 11.7 per cent.

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 34.2.

34.2 Defined Benefit Pension Schemes

Local Government Pension Scheme (LGPS)

Plymouth City Council and Tamar Bridge and Torpoint Ferry Joint Committee participate in the Local Government Pension Scheme (LGPS). The LGPS is a defined benefit scheme with benefits earned up to 31 March 14 being linked to final salary. Benefits earned after 31 March 14 are based on Career Average Revalued Earnings (CARE). The Plymouth City Council scheme is administered by Devon County Council, however, the Joint Committee Scheme is administered by Cornwall Council and so separate notes have been included to represent Plymouth City Council's 50 per cent interest.

As a result of the High Court's recent Lloyds ruling on the equalisation of Guaranteed Minimum Pension (GMP), a number of pension schemes have made adjustments to accounting disclosures. Barnett Waddingham (Council actuaries) have made the valuation assumption that they do not need to make any adjustments to the value placed on the liabilities as a result of this ruling.

The McCloud/Sargeant cases relate to age discrimination within the Judicial and Fire Pension Schemes respectively. On the 15 July 2019 the Government released a statement to confirm that it expects to have to amend all public service pension schemes, including LGPS. The Scheme Advisory Board with consent from DLUHC commissioned the Government Actuary Department (GAD) to report on the possible impact of the McCloud/Sargeant judgement on LGPS liabilities. This followed a CIPFA briefing

note which said that local authorities should consider the materiality of the impact. The estimated cost of the impact of the McCloud/Sargeant judgement was incorporated into the pension notes as at 31 March 2022, any changes to these costs in 2022/23 are not expected to be material.

PENSION INFORMATION FOR THE PLYMOUTH CITY COUNCIL (PCC) SCHEME

Transactions Relating to Post-Employment Benefits

The Council recognises the cost of retirement benefits in the surplus/deficit on continuing services 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 CIES and the General Fund Balance via the MiRS during the year:

Comprehensive Income and Expenditure Statement	2021/22	2022/23
	£000	£000
Cost of Services		
Service cost comprising:		
current service cost	38,629	24,980
past service cost	569	1
(gain)/loss from settlements	(789)	(755)
Financing and Investment Income and Expenditure		
Net interest expense	11,506	1,670
Other Operating Expenditure		
Administration expenses	565	556
Total Post-employment Benefit Charged to the Surplus/Deficit on the Provision of Services	50,480	26,452
Other Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement		
Re-measurement of the net defined benefit liability comprising:		
return on plan assets (excluding the amount included in the net interest expense)	(50,118)	47,049
actuarial gains and losses arising on changes in demographic assumptions	(75,098)	C
actuarial gains and losses arising on changes in financial assumptions	(51,867)	(503,150)
experience gain/(loss) on defined benefit obligation	(77,736)	105,092
other actuarial gains/(losses) on assets	2,565	0
Total Premeasurements Recognised in the Comprehensive Income and Expenditure Statement	(252,254)	(351,009)
Total Post-employment Benefits Charged to the Comprehensive Income and Expenditure Statement	(201,774)	(324,557)
Movement in Reserves Statement		
Reversal of net charges made to the Surplus or Deficit on the Provision of Services for post-employment benefit in accordance with the Code	(50,480)	(26,452)
Actual Amount Charged Against the General Fund Balance for Pensions in the Year:		
employers' contribution payable to the scheme	14,635	15,382
retirement benefits payable to pensioners	3,099	3,075
adjustment re: net increase/(decrease) per LGR pension liability	(2,730)	1,478

34.3 Assets and Liabilities in Relation to Post-Employment Benefits (PCC)

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

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.

Reconciliation of Present Value of the Scheme Liabilities (Defined Benefit Obligation)	2021/22	2022/23
	£000	£000
Opening Balance at I April	(1,456,291)	(1,287,751)
Current service cost	(38,629)	(24,980)
Interest cost	(28,795)	(36,080)
Contributions by scheme participants	(5,897)	(6,409)
Re-measurement (gain) and losses:		
actuarial gains/losses arising from changes in demographic assumptions	75,098	0
actuarial gains/losses arising from changes in financial assumptions	51,867	503,150
experience loss/(gain) on defined benefit obligation	77,736	(105,092)
Past service costs, including curtailments	(569)	(1)
Liabilities assumed/(extinguished) on settlements	1,231	2,761
Benefits paid	34,545	34,287
Unfunded pension payments	1,953	2,052
Closing Present Value of Liabilities	(1,287,751)	(918,063)

Reconciliation of the Movement in the Fair Value of Scheme (Plan) Assets	2021/22	2022/23
	£000	£000
Opening Fair Value of Scheme Assets	873,015	920,884
Interest income	17,289	34,410
Re-measurement gain/(loss):		
the return on plan assets, excluding the amount included in the net interest expense	50,118	(47,049)
other actuarial gains/(losses)	(2,565)	0
Administration expenses	(565)	(556)
Contributions from employer	14,635	15,382
Contributions from employees into the scheme	5,897	6,409
Benefits paid	(36,498)	(36,339)
Settlement prices received/(paid)	(442)	(2,006)
Closing Present Value of Assets	920,884	891,135
Closing Balance at 31 March	(366,867)	(26,928)

34.4 Scheme History (PCC)

The liabilities show the underlying commitments that the Council has in the long run to pay post-employment (retirement) benefits. The total liability of £26.928m 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 2024 is £18.978m.

34.5 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, gender, salary levels, investment returns, interest rates, etc. Both the Local Government Pension Scheme and Discretionary Benefits liabilities have been assessed by Barnett Waddingham LLP, an independent firm of actuaries, with the estimates for the City Council's share of the Fund being based on the latest full valuation of the scheme as at 31 March 2023.

Basis for Estimating Assets and Liabilities	2021/22	2022/23
Mortality assumptions:		
Longevity at 65 for current pensioners:		
men	21.7	21.8
women	22.9	22.9
Longevity at 65 for future pensioners:		
men	23.0	23.1
women	24.3	24.4
Rate of inflation (CPI)	3.20%	2.95%
Rate of increase in salaries	4.20%	3.95%
Rate of increase in pensions	3.20%	2.95%
Rate for discounting scheme liabilities	2.60%	4.80%

Impact on the Defined Benefit Obligation in the Scheme	Decrease in Assumption	No Change	Increase in Assumption
	£000	£000	£000
Longevity (increase or decrease in 1 year)	883,259	918,063	954,392
Rate of increase in salaries (increase or decrease by 0.1%)	917,084	918,063	919,050
Rate of increase in pensions (increase or decrease by 0.1%)	905,063	918,063	931,385
Rate for discounting scheme liabilities (increase or decrease by 0.1%)	932,129	918,063	904,341

34.6 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	2021/22	2022/23
	%	%
Equities	69	60
Gilts	13	0
Property	14	18
Cash	1	ı
Other investments	3	21
Total	100	100

34.7 Pension Assets and Liabilities Recognised in the Balance Sheet

The amount included in the Balance Sheet arising from the Council's obligation in respect of its defined benefit plan is as follows:

Pension Assets and Liabilities Recognised in the Balance Sheet	2021/22	2022/23
	£000	£000
Present value of the defined benefit obligation	1,255,910	892,179
Fair value of plan assets	(920,884)	(891,135)
Net Liability	335,026	1,044
Other movements in the liability	31,841	25,884
Net Liability Arising from Defined Benefit Obligation	366,867	26,928

PENSION INFORMATION FOR TAMAR BRIDGE AND TORPOINT FERRY JOINT COMMITTEE (TBTF)

34.8 Transactions in the Comprehensive Income and Expenditure Statement and Movement in Reserves Statement (TBTF)

Comprehensive Income and Expenditure Statement	2021/22	2022/23
	£000	£000
Cost of Services		
Service cost	872	856
Financing and Investment Income and Expenditure		
Net interest expense	117	140
Total Post-employment Benefit Charged to the Surplus/Deficit on the Provision of Services	989	996
Other Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement		
Re-measurement of the net defined benefit liability comprising:		
return on plan assets (excluding the amount included in the net interest expense)	(440)	99
actuarial gains and losses arising on changes in demographic assumptions	(267)	(122)
actuarial gains and losses arising on changes in financial assumptions	(1,002)	(5,920)
experience gain/(loss) on defined benefit obligation	132	934
other actuarial gains/(losses) on assets	412	0
Total Premeasurements Recognised in the Comprehensive Income and Expenditure Statement	(1,165)	(5,009)
Total Post-employment Benefits Charged to the Comprehensive Income and Expenditure Statement	(176)	(4,013)
Movement in Reserves Statement		
Reversal of net charges made to the Surplus or Deficit on the Provision of Services for post-employment benefit in accordance with the Code	(989)	(996)
Actual Amount Charged Against the General Fund Balance for Pensions in the Year:		
Employers' contribution payable to the scheme	432	456

34.9 Assets and Liabilities in Relation to Post-Employment Benefits (TBTF)

Reconciliation of Present Value of the Scheme Liabilities (Defined Benefit Obligation)	2021/22	2022/23
	£000	£000
Opening Balance at I April	(16,404)	(16,184)
Current service cost	(872)	(856)
Interest cost	(334)	(445)
Contributions from scheme participants	(111)	(124)
Re-measurement (gain) and losses:		
actuarial gains/losses arising from changes in demographic assumptions	267	122
actuarial gains/losses arising from changes in financial assumptions	1,002	5,920
experience loss/(gain) on defined benefit obligation	(132)	(934)
Benefits paid	400	390
Closing Present Value of Liabilities	(16,184)	(12,111)

Reconciliation of the Movements in the Fair Value of Scheme (Plan) Assets	2021/22	2022/23
	£000	£000
Opening fair value of scheme assets	10,790	11,178
Interest income	217	305
Re-measurement gain/(loss):		
the return on plan assets, excluding the amount included in the net interest expense	440	(99)
other actuarial gains/(losses)	(412)	0
Contributions from employer	432	456
Contributions from employees into the scheme	111	124
Benefits paid	(400)	(390)
Closing Fair Value of Scheme Assets	11,178	11,574
Closing Balance at 31 March	(5,006)	(537)

The liabilities show the underlying commitments that the Joint Committee has to pay in the long run to pay post-employment (retirement) benefits. The total liability of £0.537m 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 2024 is £0.453m.

34.10 Scheme History (TBTF)

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, gender, salary levels, investment returns, interest rates, etc. The Cornwall Council pension scheme liabilities have been assessed by Hymans Robertson LLP, an independent firm of actuaries, with the estimates for the City Council's share of the Fund being based on the latest full valuation of the scheme as at 31 March 2023.

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34.11 Basis for Estimating Assets and Liabilities (TBTF)

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, gender, salary levels, investment returns, interest rates, etc. Both the Local Government Pension Scheme and Discretionary Benefits liabilities have been assessed by Hymans Robertson LLP, an independent firm of actuaries, with the estimates for the City Council's share of the Fund being based on the latest full valuation of the scheme as at 31 March 2023.

Basis for Estimating Assets and Liabilities	2021/22	2022/23
Mortality assumptions:		
Longevity at 65 for current pensioners:		
men	21.5	20.2
women	24.3	22.4
Longevity at 65 for future pensioners:		
men	22.4	22.6
women	25.8	26.2
Rate of increase in salaries	3.20%	3.00%
Rate of increase in pensions	3.20%	3.00%
Rate for discounting scheme liabilities	2.70%	4.75%

35 Contingent Assets and Liabilities

35.1 Contingent Assets

The Council has the following contingent assets to report:

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% less certain deductions. However the timing and amount of any such receipts, if any, is uncertain; and is subject to a review of strategic policies that are applicable to the site.

35.2 Contingent Liabilities

The Council has no known material contingent liabilities to report.

COLLECTION FUND FOR THE YEAR ENDED 31 MARCH 2023

The Collection Fund is an agent's statement that reflects the statutory obligation for billing authorities to maintain a separate Collection Fund. The statement shows the transactions of the billing authority in relation to the collection from taxpayers and the distribution to Local Authorities and the Government of Council Tax and Non-Domestic Rates.

	2021/22				2022/23		
Business Rates	Council Tax	Total		Note	Business Rates	Council Tax	Total
£000	£000	£000	Income		£000	£000	£000
0	(148,683)	(148,683)	Council tax receivable	ı	0	(151,981)	(151,981)
(65,123)	0	(65,123)	Business rates receivable	2	(80,732)	0	(80,732)
(65,123)	(148,683)	(213,806)			(80,732)	(151,981)	(232,713)
			Expenditure				
			Apportionment of Previous Year's Surplus/ (Deficit)				
(24,290)	0	(24,290)	Central Government		(21,146)	0	(21,146)
(23,805)	583	(23,222)	Plymouth City Council		(20,723)	(895)	(21,618)
0	82	82	Devon and Cornwall Police and Crime Commissioner		0	(127)	(127)
(486)	33	(453)	Devon and Somerset Fire and Rescue Service		(423)	(54)	(477)
(48,581)	698	(47,883)			(42,292)	(1,076)	(43,368)
			Precepts, Demands and Shares				
44,198	0	44,198	Central Government		38,443	0	38,443
43,314	120,884	164,198	Plymouth City Council		37,674	123,287	160,961
0	17,296	17,296	Devon and Cornwall Police and Crime Commissioner		0 18,204		18,204
884	6,580	7,464	Devon and Somerset Fire and Rescue Service		769	6,777	7,546
88,396	144,760	233,156			76,886	148,268	225,154
			Charges to the Collection Fund				
220	0	220	Renewable Energy Disregard		209	0	209
270	900	1,170	Write offs of uncollectable amounts	ite offs of uncollectable amounts		669	850
(495)	455	(40)	Increase/(Decrease) in Bad Debt Provision		36 274		310
(3,739)	0	(3,739)	Increase/(Decrease) in Provision for Appeals		(2,244) 0		(2,244)
309	0	309	Cost of collection allowance		308	0	308
(3,435)	1,355	(2,080)			(1,510)	943	(567)
(28,743)	(1,870)	(30,613)	(Surplus)/Deficit for the Year		(47,648)	(3,846)	(51,494)
			Collection Fund Balance				
68,006	1,180	69,186	Balance as at I April		39,265	(690)	38,575
(28,741)	(1,870)	(30,611)	(Surplus)/Deficit for the year (as above)	plus)/Deficit for the year (as above) (47,648)		(3,846)	(51,494)
39,265	(690)	38,575	Balance as at 31 March		(8,383)	(4,536)	(12,919)
			Allocated to:				
19,632	0	19,632	Central Government		(4,191)	0	(4,191)
19,240	(567)	18,673	673 Plymouth City Council (4,108)		(4,108)	(3,762)	(7,870)
0	(93)	(93)	Devon and Cornwall Police and Crime Commissioner 0		0	(563)	(563)
393	(30)	363	Devon and Somerset Fire and Rescue Service		(84)	(211)	(295)
39,265	(690)	38,575	Total Allocated		(8,383)	(4,536)	(12,919)

NOTES TO THE COLLECTION FUND

I Council Tax Income

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 and Cornwall Police and Crime Commissioner, Devon and Somerset Fire and Rescue Authority and the City Council for the forthcoming year and dividing this by the Council Tax base. The tax base 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: 73,830 in 2022/23 (2021/22: 73,115).

The basic amount of Council Tax for a Band D property (2022/23: £2,008.23) 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 Rates	Adjusted Band D Equivalents
Α	44,741	29,332	19,545	97.5%	19,057
В	31,631	25,568	19,886	97.5%	19,389
С	22,458	19,922	17,709	97.5%	17,266
D	9,423	8,660	8,660	97.5%	8,443
E	4,929	4,654	5,688	97.5%	5,546
F	1,801	1,712	2,473	97.5%	2,411
G	562	531	885	97.5%	863
Н	27	20	40	97.5%	39
	115,572	90,399	74,886		73,014
Adjustment for MOD pr	roperties				816
Tax Base Totals			74,886		73,830

The Council Tax Base was calculated at the time the 2022/23 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 £148.268m (£2,008.23 \times 73,830). In practice, however, the average number of properties and values of discounts vary from the estimates, and the actual income increased to £151.981m (2021/22: £148.683m).

2 Income from Business Ratepayers

The Council collects Non-Domestic Rates (NDR) for its area based on local rateable values provided by the Valuation Office Agency (VOA) multiplied by a uniform business rate set nationally by Central Government, this was frozen at 51.2p for 2022/23 at the same level as the rate for 2020/21, the rate for properties in receipt of Small Business Rate Relief was kept at 49.9p.

The administration of NDR is governed by the Business Rates Retention Scheme which was introduced in 2013/14. This aims to give councils a greater incentive to grow businesses but also increases the financial risk due to volatility of the NDR tax base and non-collection of rates due. In the case of Plymouth, the retained proportion of NDR income is 49 per cent. The remainder is distributed to preceptors: I per cent to the Devon and Somerset Fire and Rescue Authority (DSFRA) and 50 per cent to Central Government.

The business rates shares payable for 2022/23 were estimated before the start of the financial year as £38.443m to Central Government, £0.769m to DSFRA and £37.674m to Plymouth City Council.

These sums have been paid during 2022/23 and charged to the Collection Fund in year and include the previous year's deficit.

When the scheme was introduced the Government set a baseline funding level (based on local demand for services) for each authority and applied the system of tariffs and top-ups to ensure all authorities receive their baseline amount. In 2022/23 Plymouth had a baseline amount of £58.335m and received a top-up of £14.835m which was charged to the General Fund and included in note 14.

In addition to the top-up and tariffs, a safety net figure is calculated by Central Government. This mechanism is designed to protect local authorities from large fluctuation in their business rates income. The safety net threshold for Plymouth is £53.960m. As our adjusted retained income is above this level no safety net payment was due to Plymouth for 2022/23.

Section 31 Grant funding for Business Rate reliefs awarded by Central Government in 2022/23 was £14.243m based on the original estimates made in January 2023. Under the rates retention scheme local authorities became liable for their share of the liability arising from the in-year and backdated impact of successful business rate appeals. Based on the analyses of previous year trends and the list of outstanding appeals provided by the VOA as at 31 March 2023 the Council included a provision of £12.272m.

For 2022/23, the total non-domestic rateable value at the end of the year was £227.710m (2021/22: £228.871m).

The impact of COVID-19 on the collection fund has been significant over the last three years, largely contributing to the Council's £20.723m deficit position at the end of 2021/22. The deficit was funded through a government Section 31 grant received in 2021/22 and held in an earmarked reserve at the end of 2021/22 to fund the posting of the deficit in 2022/23.

3 Precepts and Demands

3.1 Council Tax

The budgets of the City Council, Devon and Cornwall Police and Crime Commissioner, Devon and Somerset Fire and 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.

3.2 Non-Domestic Rates

As described previously in note $\underline{2}$, the administration of NDR is governed by the Business Rate Retention Scheme.

NDR surpluses declared by the billing authority in relation to the Collection Fund are apportioned to the relevant precepting bodies in the subsequent financial year in their respective proportions. Deficits likewise are proportionately charged to the relevant precepting bodies in the following year.



Independent auditor's report to the members of Plymouth City Council

Report on the Audit of the Financial Statements

Disclaimer of opinion

We were engaged to audit the financial statements of Plymouth City Council (the 'Authority') for the year ended 31 March 2022, which comprise the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement, the Collection Fund Statement, and notes to the financial statements, including a summary of significant accounting policies. The notes to the financial statements also include Notes to the Collection Fund. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2021/22.

We do not express an opinion on the accompanying financial statements of the Authority. Because of the significance of the matter described in the basis for disclaimer of opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

Basis for disclaimer of opinion

The Accounts and Audit (Amendment) Regulations 2024 ('the Regulations') require the Authority to publish audited financial statements for the year ended 31 March 2022 by 13 December 2024 ('the backstop date'). The backstop date has been put in law with the purpose of clearing the backlog of historical financial statements. We have not been able to obtain sufficient appropriate audit evidence by the backstop date to conclude that the Authority's financial statements for the year ended 31 March 2022 as a whole are free from material misstatement. We were also unable to obtain sufficient appropriate evidence for the corresponding figures for the same reason. We have therefore issued a disclaimer of opinion on the financial statements. This enables the Authority to comply with the requirement in the Regulations that they publish audited financial statements for the year ended 31 March 2022 by the backstop date. We have concluded that the possible effects on the financial statements of undetected misstatements arising from this matter could be both material and pervasive.

Other information we are required to report on by exception under the Code of Audit Practice

Because of the significance of the matter described in the basis for disclaimer of opinion section of our report, we have been unable to consider whether the Annual Governance Statement does not comply with 'delivering good governance in Local Government Framework 2016 Edition' published by CIPFA and SOLACE or is misleading or inconsistent with the information of which we are aware from our audit. We are not required to consider whether the Annual Governance Statement addresses all risks and controls or that risks are satisfactorily addressed by internal controls.

Opinion on other matters required by the Code of Audit Practice

The Service Director for Finance is responsible for the other information. The other information comprises the information included in the Statement of Accounts, other than the Authority's financial statements and our auditor's report thereon. Because of the significance of the matter described in the basis for disclaimer of opinion section of our report, we have been unable to form an opinion, whether based on the work undertaken in the course of the audit of the financial statements and our knowledge of the Authority gained through our work in relation to the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources, whether the other information published together with the financial statements in the Statement of Accounts for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

Under the Code of Audit Practice, we are required to report to you if:

 we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or

- we make a written recommendation to the Authority under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit: or:
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014, in the course of, or at the conclusion of the audit.

We have nothing to report in respect of the above matters.

Responsibilities of the Authority, the Service Director for Finance and Those Charged with Governance for the financial statements

As explained in the Statement of Responsibilities for the Statement of Accounts (set out on page 28), the Authority 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 authority, that officer is the Service Director for Finance. The Service Director for Finance is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2021/22, for being satisfied that they give a true and fair view, and for such internal control as the Service Director for Finance determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Service Director for Finance is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless there is an intention by government that the services provided by the Authority will no longer be provided.

The Audit and Governance Committee is Those Charged with Governance. Those Charged with Governance are responsible for overseeing the Authority's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our responsibility is to conduct an audit of the Authority's financial statements in accordance with International Standards on Auditing (UK) and to issue an auditor's report. However, because of the matter described in the basis for disclaimer of opinion section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on those financial statements.

We are independent of the Authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK).

The audit was defective in its ability to detect irregularities, including fraud, on the basis that we were unable to obtain sufficient appropriate audit evidence due to the matter described in the basis for disclaimer of opinion section of our report.

Report on other legal and regulatory requirements – the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

Matter on which we are required to report by exception – the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

Under the Code of Audit Practice, we are required to report to you if, in our opinion, we have not been able to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2022.

We have nothing to report in respect of the above matter except:

In November 2022 we identified three significant weaknesses in relation to the Council's arrangements for financial sustainability. The findings were in relation to the following:

- Members had not followed advice from the Council's Section 151 officer and continuing to do so would, potentially, mean the failure to increase Council Tax within the referendum limits for the 2023/24 financial year. This could mean that the Council fail to both reduce the funding gap and build up sufficient reserves
- The Council's Medium Term Financial Plan needed to be updated so that it reflects the latest inflationary and energy price increase. Further, it should be triangulated with savings, capital, treasury, workforce and operational business planning
- There is insufficient capacity and capabilities within the finance team to offer substantive support to the newly appointed Section 151 officer. There is a risk that the Council will not be able to adequately address future financial challenges which may subsequently impact on the Council's ability to deliver services effectively and efficiently.

We recommended that:

- Members should follow the advice of the Section 151 officer and, if recommended, allow for the
 increase of council tax within the referendum limits for the financial year so that the Council can
 reduce its funding gap and build up a sustainable level of reserves
- The Council's Medium Term Financial Plan (MTFP) needs to be updated for mid-year Cabinet and Council meetings so that it reflects the latest inflationary and energy price increase. The MTFP needs to be robustly triangulated with savings, capital, treasury, workforce and operational business planning
- The Council needs to employ an interim senior finance officer to support the Section 151 officer
 to ensure that the Finance Department has adequate capacity and knowledge to help manage
 the significant financial challenges for future financial years.

The above matters highlight pervasive financial sustainability weaknesses at the Authority. The failure to appropriately discharge duties and address the ongoing forecasted shortfall in the Council's finances could lead to excessive use of reserves.

These matters are evidence of weaknesses in proper arrangements for informed decision making and governance arrangements to allow the Authority to maintain and deliver statutory functions.

Responsibilities of the Authority

The Authority is responsible for putting in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

Auditor's responsibilities for the review of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to be satisfied that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of

the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance issued by the Comptroller and Auditor General in November 2024. This guidance sets out the arrangements that fall within the scope of 'proper arrangements'. When reporting on these arrangements, the Code of Audit Practice requires auditors to structure their commentary on arrangements under three specified reporting criteria:

- Financial sustainability: how the Authority plans and manages its resources to ensure it can continue to deliver its services;
- Governance: how the Authority ensures that it makes informed decisions and properly manages its risks; and
- Improving economy, efficiency and effectiveness: how the Authority uses information about its costs and performance to improve the way it manages and delivers its services.

We have documented our understanding of the arrangements the Authority has in place for each of these three specified reporting criteria, gathering sufficient evidence to support our risk assessment and commentary in our Auditor's Annual Report. In undertaking our work, we have considered whether there is evidence to suggest that there are significant weaknesses in arrangements.

Report on other legal and regulatory requirements – Audit certificate

We certify that we have completed the audit of Plymouth City Council for the year ended 31 March 2022 in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice.

Use of our report

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the Authority's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

Signature:
Paul Dossett, Key Audit Partner
or and on behalf of Grant Thornton UK LLP, Local Auditor
London
Date:

Independent auditor's report to the members of Plymouth City Council

Report on the audit of the financial statements

Disclaimer of opinion

We were engaged to audit the financial statements of Plymouth City Council (the 'Authority') for the year ended 31 March 2023, which comprise the which comprise the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement, the Collection Fund Statement, and notes to the financial statements, including a summary of significant accounting policies. The notes to the financial statements also include Notes to the Collection Fund. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23.

We do not express an opinion on the accompanying financial statements of the Authority. Because of the significance of the matter described in the basis for disclaimer of opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

Basis for disclaimer of opinion

The Accounts and Audit (Amendment) Regulations 2024 ('the Regulations') require the Authority to publish audited financial statements for the year ended 31 March 2023 by 13 December 2024 ('the backstop date'). The backstop date has been put in law with the purpose of clearing the backlog of historical financial statements. We have not been able to obtain sufficient appropriate audit evidence by the backstop date to conclude that the Authority's financial statements for the year ended 31 March 2023 as a whole are free from material misstatement. We were also unable to obtain sufficient appropriate evidence for the corresponding figures for the same reason. We have therefore issued a disclaimer of opinion on the financial statements. This enables the Authority to comply with the requirement in the Regulations that they publish audited financial statements for the year ended 31 March 2023 by the backstop date. We have concluded that the possible effects on the financial statements of undetected misstatements arising from this matter could be both material and pervasive.

Other information we are required to report on by exception under the Code of Audit Practice

Because of the significance of the matter described in the basis for disclaimer of opinion section of our report, we have been unable to consider whether the Annual Governance Statement does not comply with 'Delivering Good Governance in Local Government Framework 2016 Edition' published by CIPFA and SOLACE, or is misleading or inconsistent with the information of which we are aware from our audit. We are not required to consider whether the Annual Governance Statement addresses all risks and controls or that risks are satisfactorily addressed by internal controls.

Opinion on other matters required by the Code of Audit Practice

The Service Director for Finance is responsible for the other information. The other information comprises the information included in the Statement of Accounts, other than the Authority's financial statements and our auditor's report thereon. Because of the significance of the matter described in the basis for disclaimer of opinion section of our report, we have been unable to form an opinion, whether based on the work undertaken in the course of the audit of the financial statements and our knowledge of the Authority gained through our work in relation to the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources, whether the other information published together with the financial statements in the Statement of Accounts for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

Under the Code of Audit Practice, we are required to report to you if:

 we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or

- we make a written recommendation to the Authority under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014, in the course of, or at the conclusion of the audit.

We have nothing to report in respect of the above matters.

Responsibilities of the Authority and the Service Director for Finance

As explained more fully in the Statement of Responsibilities for the Statement of Accounts (set out on page 23), the Authority 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 authority, that officer is the Services Director for Finance. The Services Director for Finance is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23, for being satisfied that they give a true and fair view, and for such internal control as the Services Director for Finance determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Services Director for Finance is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they have been informed by the relevant national body of the intention to dissolve the Authority without the transfer of its services to another public sector entity.

Auditor's responsibilities for the audit of the financial statements

Our responsibility is to conduct an audit of the Authority's financial statements in accordance with International Standards on Auditing (UK) and to issue an auditor's report. However, because of the matter described in the basis for disclaimer of opinion section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on those financial statements.

We are independent of the Authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations.

The audit was defective in its ability to detect irregularities, including fraud, on the basis that we were unable to obtain sufficient appropriate audit evidence due to the matter described in the basis for disclaimer of opinion section of our report.

Report on other legal and regulatory requirements – the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

Matter on which we are required to report by exception – the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

Under the Code of Audit Practice, we are required to report to you if, in our opinion, we have not been able to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2023.

We have nothing to report in respect of the above matter except:

In March 2024 we identified:

- a significant weakness in relation to the Council's arrangements for financial sustainability.
 Signs of financial stress were identified as a threat to the Council's financial sustainability in the Medium-Term Financial Strategy (MTFS). We recommended that the Council undertake a detailed revision of the MTFS to address how it mitigates the risks against the financial stress indicators.
- a significant weakness in the Council's arrangements for improving economy, efficiency and
 effectiveness. In May 2023, the Department for Education issued the Council with a statutory
 Improvement Notice requiring all areas of improvement in Children's Services to be addressed
 by the Council and its partners. We recommended:
 - the Children's Improvement Plan needed to be costed with timeframes, so the Council is clear f the investment required to meet the quality standards required to remove the Statutory Notice
 - the transformational issues need to be planned and resourced in detail and reflected in the Council's revised MTFS
 - members need assurance that Children's Services have the resources and capacity to improve, as well as the timeline for improvement required.

The above matters highlight pervasive financial sustainability and improving economy, efficiency and effectiveness weaknesses at the Authority to allow the Authority to maintain and deliver statutory functions.

Responsibilities of the Authority

The Authority is responsible for putting in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

Auditor's responsibilities for the review of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to be satisfied that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

We undertake our review in accordance with the Code of Audit Practice, having regard to the guidance issued by the Comptroller and Auditor General in November 2024. This guidance sets out the arrangements that fall within the scope of 'proper arrangements'. When reporting on these arrangements, the Code of Audit Practice requires auditors to structure their commentary on arrangements under three specified reporting criteria:

- Financial sustainability: how the Authority plans and manages its resources to ensure it can continue to deliver its services;
- Governance: how the Authority ensures that it makes informed decisions and properly manages its risks; and
- Improving economy, efficiency and effectiveness: how the Authority uses information about its
 costs and performance to improve the way it manages and delivers its services.

We document our understanding of the arrangements the Authority has in place for each of these three specified reporting criteria, gathering sufficient evidence to support our risk assessment and commentary in our Auditor's Annual Report. In undertaking our work, we consider whether there is evidence to suggest that there are significant weaknesses in arrangements.

Report on other legal and regulatory requirements - Audit certificate

We certify that we have completed the audit of Plymouth City Council for the year ended 31 March 2023 in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice.

Use of our report

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 44 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the Authority's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

Signature:
Paul Dossett, Key Audit Partner
for and on behalf of Grant Thornton UK LLP, Local Auditor
London
Date:



Grant Thornton UK LLP 2 Glass Wharf Bristol BS2 0EL David Northey
Director of Finance
Plymouth City Council
Floor I, Ballard House
West Hoe Road
Plymouth
PLI 3BJ

www.plymouth.gov.uk

11 December 2024

Dear Grant Thornton UK LLP

Plymouth City Council - Financial Statements for the year ended 31 March 2022

This representation letter is provided in connection with the audit of the financial statements of Plymouth City Council for the year ended 31 March 2022.

We confirm that to the best of our knowledge and belief having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

Financial Statements

- i. We have fulfilled our responsibilities for the preparation of the Council's financial statements in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 ("the Code"); in particular the financial statements are fairly presented in accordance therewith.
- ii. We have complied with the requirements of all statutory directions affecting the Council and these matters have been appropriately reflected and disclosed in the financial statements.
- iii. The Council has complied with all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance. There has been no non-compliance with requirements of any regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.
- iv. We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.
- v. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable. Such accounting estimates include land and buildings valuations, investment property valuations and the valuation of the net pension fund liability. We are satisfied that the material judgements used in the preparation of the financial statements are soundly based, in accordance with the Code and adequately disclosed in the financial statements. We understand our responsibilities includes identifying and considering alternative, methods, assumptions or source data that would be equally valid under the financial reporting framework, and why these alternatives were rejected in favour of the estimate used. We are satisfied that the methods, the data and the significant assumptions used by us in making accounting estimates and their related disclosures are appropriate to

- achieve recognition, measurement or disclosure that is reasonable in accordance with the Code and adequately disclosed in the financial statements.
- vi. We confirm that we are satisfied that the actuarial assumptions underlying the valuation of pension scheme assets and liabilities for IAS19 Employee Benefits disclosures are consistent with our knowledge. We confirm that all settlements and curtailments have been identified and properly accounted for. We also confirm that all significant post-employment benefits have been identified and properly accounted for.
- vii. Except as disclosed in the financial statements:
 - a. there are no unrecorded liabilities, actual or contingent;
 - b. none of the assets of the Council has been assigned, pledged or mortgaged; and
 - c. there are no material prior year charges or credits, nor exceptional or non-recurring items requiring separate disclosure.
- viii. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards and the Code.
- ix. All events subsequent to the date of the financial statements and for which International Financial Reporting Standards and the Code require adjustment or disclosure have been adjusted or disclosed.
- x. The Council's financial statements are free from material misstatements, misclassifications and disclosure changes and misstatements, including omissions.
- xi. The financial statements are free of material misstatements, including omissions.
- xii. Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards.
- xiii. We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.
- xiv. We have considered the property portfolio of the Council with regard to Reinforced Autoclaved Aerated Concrete (RAAC). Our assessment is that there is no material impact on the valuation of any affected buildings included in the financial statements as at 31 March 2022.
- xv. We have considered whether the Council are required to reflect a liability in respect of equal pay claims within its financial statements. We confirm that we are satisfied that no liability needs to be recognised
- xvi. We have updated our going concern assessment. We continue to believe that the Council's financial statements should be prepared on a going concern basis and have not identified any material uncertainties related to going concern on the grounds that:
 - a. the nature of the Council means that, notwithstanding any intention to cease its operations in their current form, it will continue to be appropriate to adopt the going concern basis of accounting because, in such an event, services it performs can be expected to continue to be delivered by related public authorities and preparing the financial statements on a going concern basis will still provide a faithful representation of the items in the financial statements;
 - b. the financial reporting framework permits the entry to prepare its financial statements on the basis of the presumption set out under a) above; and
 - c. the Council's system of internal control has not identified any events or conditions relevant to going concern.

We believe that no further disclosures relating to the Council's ability to continue as a going concern need to be made in the financial statements.

xvii. The Council has complied with all aspects of ring-fenced grants that could have a material effect on the Council's financial statements in the event of non-compliance.

Information Provided

- xviii. All transactions have been recorded in the accounting records and are reflected in the financial statements.
- xix. We have disclosed to you the identity of the Council's related parties and all the related party relationships and transactions of which we are aware.
- xx. On 30 September 2024 parliament approved the Accounts and Audit (Amendment) Regulations 2024. These Regulations set a publication date for financial statements in respect of 2021/22 of 13 December 2024. The new National Audit Office Code which was approved on 14 November 2024 also requires that where auditors are unable to conclude their work, they should issue either a qualified audit opinion or a disclaimer of opinion by this date, known as the 'statutory backstop date'. Due to ongoing legal issues in relation to the financial statements for 2019-20, it has not been possible to provide you with the all the required information for you to complete your audit for year ending 31 March 2022 by the statutory backstop date. This includes the following:
 - a. providing you with:
 - i. access to all information of which we are aware that is relevant to the preparation of the Council's financial statements such as records, documentation and other matters;
 - additional information that you have requested from us for the purpose of your audit: and
 - iii. access to persons within the Council via remote arrangements from whom you determined it necessary to obtain audit evidence.
 - b. communicating to you all deficiencies in internal control of which management is aware.
 - c. disclosing to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
 - d. disclosing to you all information in relation to fraud or suspected fraud that we are aware of and that affects the Council and involves:
 - i. management;
 - ii. employees who have significant roles in internal control; or
 - iii. others where the fraud could have a material effect on the financial statements.
 - e. disclosing to you all information in relation to allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, analysts, regulators or others.
 - f. disclosing to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.
 - g. disclosing to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

Annual Governance Statement

xxi. We are satisfied that the Annual Governance Statement (AGS) fairly reflects the Council's risk assurance and governance framework and we confirm that we are not aware of any significant risks that are not disclosed within the AGS.

Narrative Report

xxii. The disclosures within the Narrative Report fairly reflect our understanding of the Council's financial and operating performance over the period covered by the Council's financial statements.

Approval

The approval of this letter of representation was minuted by the Council's Audit and Governance Committee at its meeting on 11 December 2024.

Yours faithfully
Name
Position
Date
Name
Position
Date

Signed on behalf of the Council



Grant Thornton UK LLP 2 Glass Wharf Bristol BS2 0EL David Northey
Director of Finance
Plymouth City Council
Floor I, Ballard House
West Hoe Road
Plymouth
PLI 3BI

www.plymouth.gov.uk

11 December 2024

Dear Grant Thornton UK LLP

Plymouth City Council - Financial Statements for the year ended 31 March 2023

This representation letter is provided in connection with the audit of the financial statements of Plymouth City Council for the year ended 31 March 2023.

We confirm that to the best of our knowledge and belief having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

Financial Statements

- i. We have fulfilled our responsibilities for the preparation of the Council's financial statements in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 ("the Code"); in particular the financial statements are fairly presented in accordance therewith.
- ii. We have complied with the requirements of all statutory directions affecting the Council and these matters have been appropriately reflected and disclosed in the financial statements.
- iii. The Council has complied with all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance. There has been no non-compliance with requirements of any regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.
- iv. We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.
- v. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable. Such accounting estimates include land and buildings valuations, investment property valuations and the valuation of the net pension fund liability. We are satisfied that the material judgements used in the preparation of the financial statements are soundly based, in accordance with the Code and adequately disclosed in the financial statements. We understand our responsibilities includes identifying and considering alternative, methods, assumptions or source data that would be equally valid under the financial reporting framework, and why these alternatives were rejected in favour of the estimate used. We are satisfied that the methods, the data and the significant assumptions used by us in making accounting estimates and their related disclosures are appropriate to

- achieve recognition, measurement or disclosure that is reasonable in accordance with the Code and adequately disclosed in the financial statements.
- vi. We confirm that we are satisfied that the actuarial assumptions underlying the valuation of pension scheme assets and liabilities for IAS19 Employee Benefits disclosures are consistent with our knowledge. We confirm that all settlements and curtailments have been identified and properly accounted for. We also confirm that all significant post-employment benefits have been identified and properly accounted for.
- vii. Except as disclosed in the financial statements:
 - a. there are no unrecorded liabilities, actual or contingent;
 - b. none of the assets of the Council has been assigned, pledged or mortgaged; and
 - c. there are no material prior year charges or credits, nor exceptional or non-recurring items requiring separate disclosure.
- viii. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards and the Code.
- ix. All events subsequent to the date of the financial statements and for which International Financial Reporting Standards and the Code require adjustment or disclosure have been adjusted or disclosed.
- x. The Council's financial statements are free from material misstatements, misclassifications and disclosure changes and misstatements, including omissions.
- xi. The financial statements are free of material misstatements, including omissions.
- xii. Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards.
- xiii. We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.
- xiv. We have considered the property portfolio of the Council with regard to Reinforced Autoclaved Aerated Concrete (RAAC). Our assessment is that there is no material impact on the valuation of any affected buildings included in the financial statements as at 31 March 2023.
- xv. We have considered whether the Council are required to reflect a liability in respect of equal pay claims within its financial statements. We confirm that we are satisfied that no liability needs to be recognised
- xvi. We have updated our going concern assessment. We continue to believe that the Council's financial statements should be prepared on a going concern basis and have not identified any material uncertainties related to going concern on the grounds that:
 - a. the nature of the Council means that, notwithstanding any intention to cease its operations in their current form, it will continue to be appropriate to adopt the going concern basis of accounting because, in such an event, services it performs can be expected to continue to be delivered by related public authorities and preparing the financial statements on a going concern basis will still provide a faithful representation of the items in the financial statements;
 - b. the financial reporting framework permits the entry to prepare its financial statements on the basis of the presumption set out under a) above; and
 - c. the Council's system of internal control has not identified any events or conditions relevant to going concern.

We believe that no further disclosures relating to the Council's ability to continue as a going concern need to be made in the financial statements.

xvii. The Council has complied with all aspects of ring-fenced grants that could have a material effect on the Council's financial statements in the event of non-compliance.

Information Provided

- xviii. All transactions have been recorded in the accounting records and are reflected in the financial statements.
- xix. We have disclosed to you the identity of the Council's related parties and all the related party relationships and transactions of which we are aware.
- xx. On 30 September 2024 parliament approved the Accounts and Audit (Amendment) Regulations 2024. These Regulations set a publication date for financial statements in respect of 2022/23 of 13 December 2024. The new National Audit Office Code which was approved on 14 November 2024 also requires that where auditors are unable to conclude their work, they should issue either a qualified audit opinion or a disclaimer of opinion by this date, known as the 'statutory backstop date'. Due to ongoing legal issues in relation to the financial statements for 2019-20, it has not been possible to provide you with the all the required information for you to complete your audit for year ending 31 March 2023 by the statutory backstop date. This includes the following:
 - a. providing you with:
 - i. access to all information of which we are aware that is relevant to the preparation of the Council's financial statements such as records, documentation and other matters;
 - additional information that you have requested from us for the purpose of your audit; and
 - iii. access to persons within the Council via remote arrangements from whom you determined it necessary to obtain audit evidence.
 - b. communicating to you all deficiencies in internal control of which management is aware.
 - c. disclosing to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
 - d. disclosing to you all information in relation to fraud or suspected fraud that we are aware of and that affects the Council and involves:
 - i. management;
 - ii. employees who have significant roles in internal control; or
 - iii. others where the fraud could have a material effect on the financial statements.
 - e. disclosing to you all information in relation to allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, analysts, regulators or others.
 - f. disclosing to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.
 - g. disclosing to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

Annual Governance Statement

xxi. We are satisfied that the Annual Governance Statement (AGS) fairly reflects the Council's risk assurance and governance framework and we confirm that we are not aware of any significant risks that are not disclosed within the AGS.

Narrative Report

xxii. The disclosures within the Narrative Report fairly reflect our understanding of the Council's financial and operating performance over the period covered by the Council's financial statements.

Approval

The approval of this letter of representation was minuted by the Council's Audit and Governance Committee at its meeting on 11 December 2024.

Yours faithfully
Name
Position
Date
Name
Position
Date

Signed on behalf of the Council