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BARRY KEEL
Chief Executive
Floor 1 - Civic Centre
Plymouth
PL1 2AA

www.plymouth.gov.uk/democracy

Date:	23/06/10	Telephone Enquiries	01752 307815	Fax	01752 304819
Please ask for	Katey Johns, Democratic Support Officer			e-mail	katey.johns@plymouth.gov.uk

AUDIT COMMITTEE
'TO FOLLOW' REPORTS

DATE: **MONDAY 28 JUNE 2010**
TIME: **10.00 AM**
PLACE: **COUNCIL HOUSE, PLYMOUTH (NEXT TO THE CIVIC CENTRE)**

Members –
Councillors Berrow, Evans, Murphy, Stark and Thompson.

Independent Members –
Mr. Clarke, Ms. Myles and Mr. Stewart.

PLEASE FIND ATTACHED REPORTS FOR CONSIDERATION UNDER AGENDA ITEM NOS. 12 AND 13.

BARRY KEEL
CHIEF EXECUTIVE

AUDIT COMMITTEE

12. STATEMENT OF ACCOUNTS 2009/10 (Pages 1 - 158)

The Director for Corporate Support will submit the Statement of Accounts for 2009/10.

13. EXTERNAL AUDIT - INTERIM AUDIT REPORT 2009/10 (Pages 159 - 180)

The City Council's External Auditor, Grant Thornton, will submit the Interim Audit Report for 2009/10.

Agenda Item 12

CITY OF PLYMOUTH

Subject:	Draft Statement of Accounts 2009/10 (subject to Audit)
Committee:	Audit Committee
Date:	28 June 2010
Cabinet Member:	Councillor Bowyer
CMT Member:	Director for Corporate Support
Author:	Sandra Wilson (Corporate Finance and Accountancy Manager)
Contact:	Tel: 01752 (30)4942 e-mail: sandra.wilson@plymouth.gov.uk
Ref:	ACCT/SW
Part:	1

Executive Summary:

A report on the Council's revenue and capital outturn for the financial year was reported to Cabinet on the 8 June 2010. This report being presented for Audit Committee's approval is the statutory form of accounts – the 'Statement of Accounts', which the Council is required to produce for audit and publication. The Accounts and Audit Regulations require that the accounts are available for public inspection for four weeks and this year the period of inspection commences on 5 July. The audit is due to commence on the same day.

The Draft Statement of Accounts for 2009/10 is attached.

Corporate Plan 2010- 2014

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

Implications for Medium Term Financial Plan and Resource Implications: Including Finance, Human IT and Land:

The 2009/10 final accounts 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 on future years.

Other Implications: e.g. Section 17 Community Safety, Health and Safety, Risk Management, Equalities Impact Assessment, etc:

N/A

Recommendations & Reasons for recommended action:

Audit Committee Approve the Statement of Accounts for 2009/10

Alternative options considered and reasons for recommended action:

None – Statutory requirement to produce and approve the Statement of Accounts

Background papers:

Final Accounts Working Papers 2009/10
Budget Papers 2009/10
Statement of Recommended Practice 2009 (SORP)
Best Value Accounting Code of Practice2009 (BVACoP)
Outturn Report to Cabinet 8 June 2010

Sign off:

Fin	MC1011. 002	Leg, Gov& Dem	TH 22/6	HR	n/a	Corp Prop	n/a	IT	n/a	Strat Proc	n/a
Originating SMT Member: Malcolm Coe											

Draft Statement of Accounts 2009/10

1. Introduction

1.1 The final revenue and capital outturn for the financial year was presented to Cabinet on 8 June 2010. This report presented for Audit Committee's approval is the statutory form of accounts – the 'Statement of Accounts', which the Council is required to produce for audit and publication. The Accounts and Audit Regulations require that the accounts are available for public inspection for four weeks and the period of inspection commences on 5 July 2010. The external audit of the accounts also commences on 5 July 2010.

1.2 Although forming part of the published Statement of Accounts, the Annual Governance Statement is being presented separately to this Audit Committee for approval.

1.3 The Accounts and Audit Regulations require the authority's Chief Finance Officer to seek approval of the accounts by a Committee of the Council. Advice from the External Auditor is that under the Local Government Act 2000 (Statutory Instrument SI 2853), the function of approval should not be the responsibility of an authority's executive i.e. cannot be the Cabinet. Therefore, for Plymouth it should be either the Audit Committee or Council to approve the accounts. The final date for approval of the accounts is 30 June 2010.

2. Accounting Code of Practice

2.1 The statements must be prepared in line with the Code of Practice on Local Authority Accounting produced by the Chartered Institute of Public Finance and Accountancy (CIPFA), which is represented by two key documents:

- The Statement of Recommended Practice (SORP) applicable for the 2009/10 accounts;

- The Best Value Accounting Code of Practice (BVACOP), which was introduced in 2000/01, and has been updated for 2009.

2.2 <u>SORP</u>

The main changes included in the 2009 SORP applicable to Plymouth's accounts are as follows:

2.2.1 <u>Accounting for PFI and similar schemes</u>

In the past local authorities have been able to account for PFI schemes as 'off balance sheet' transactions. However under International Financial Reporting Standards (IFRS) the assets created under these schemes will generally be required to be recognised on an authority's Balance Sheet where the authority has control over the services provided within the contract and the asset reverts to the authority at the end of the PFI contract.

A corresponding liability will be created in the Balance Sheet to reflect the financing provided by the PFI operator. The 2009 SORP has adopted the IFRS in advance of the move to full IFRS accounting, bringing local authorities in line with the Government and Health Sectors and enabling consistency of treatment within the IFRS based Whole of Government Accounts consolidation.

Regulations to offset any impact on authorities funding positions have been put in place by the Department for Communities and Local Government (DCLG). These regulations enable the statutory minimum revenue provision (MRP) charge to be based on a sum equal to the annual PFI liability payment.

Plymouth currently has one PFI scheme, the schools at Woodview campus and Riverside primary, operated by Pyramid Consortium.

2.2.2 Accounting for local taxes

The 2009 SORP includes detailed requirements for accounting for council tax and NNDR.

- Council Tax

  Authorities should account for Council tax income as an agent for the major preceptor's.

- NNDR
  Authorities should account for NNDR as an agent for the Government.

2.2.3 Financial Liabilities

Long term financial liabilities due to be settled within 12 months after the Balance Sheet date are to be presented within current liabilities.

2.2.4 Removal of Disclosure Notes

The following disclosure notes have been removed:
- Section 137 expenditure
- Expenditure on Publicity
- The Building control Account
- BID schemes

2.2.5 Officer Remuneration

The SORP 2009 requires the disclosure of officer remuneration to be in accordance with legislative requirements.

Regulation 4 of the Accounts and Audit (Amendment No2) (England) Regulations (SI 2009 No 3322) introduces a new legal requirement to increase transparency and accountability in Local Government for reporting remuneration of senior employees and senior police officers. The new Regulations came into force on 31 March 2010 and require more detailed information to be disclosed in relation to Senior Officers of the Council. The new disclosure is provided in Note 11 page 72 of the single entity accounts.

2.2.6 The changes for PFI and local taxation are required to be applied retrospectively and the accounts for 2008/09, together with the relevant disclosure notes, have been restated.

Note 1 to the accounts, page 63 outlines the impact in more detail.

2.3 <u>BVACOP</u>

The BVACOP for 2009 has removed the service category ‘Court and Probation Services’. These costs are now required to be shown within ‘Central Services to the Public’.

3. Difference from Outturn Report

3.1 The statutory accounts report the same period and ‘bottom line’ as the outturn report presented to Cabinet on 8 June 2010, but differs substantially in presentation terms. The main reasons for the differences are:

- <u>Accounting for Pensions</u>
  Financial Reporting Standard (FRS) 17 requires the full liabilities of the pension fund to be reflected in the financial statements. Whilst the Council’s management accounts include the cost of the employers actual annual pension contributions, FRS 17 requires these costs to be reversed out of service costs in the Income and Expenditure Account, and replaced by ‘costs’ of current service based on information provided by the pension fund actuary.

- <u>Capital Charges and Support Service Charges</u>
  Capital Charges and support service charges are allocated to services in the statutory accounts however, except for Housing and trading accounts, these charges are excluded from the Council’s management accounts.

- <u>Notional Interest – trading Accounts</u>
  A notional interest charge was made to Trading Services within the management accounts. This has then been reversed for the statutory accounts to follow the requirements of the SORP. However the transfers to and from reserves have been adjusted to ensure there is no overall impact on the bottom line General Fund position.

- Premiums and Discounts on the Early Repayment of debt
  Premiums and discounts resulting from the early repayment of debt, ie during debt rescheduling exercises, must be written out in the year they arise unless the replaced loan meets a strict test of modification. Regulations enable the impact of this to be reversed out ‘below the line’ and replaced with the charge actually made to the management accounts.

- Soft loans
  An adjustment is made to the interest payments received under loans that the Council has made to organisations at less than market rate. The payments in the statutory accounts are made on an effective interest rate, but are reversed out below the line and replaced with the actual repayments made as reflected in the management accounts.

- Variable rate loans eg LOBO’s
  The interest payable on variable rate loans is made to the statutory accounts on an effective interest rate. The difference is reversed out below the line to be replaced with the actual payments made.

4. Key Messages 2009/10

4.1 Housing Stock Transfer

2009/10 saw the completion of a major transformational change project, the transfer of the housing stock to Plymouth Community Homes on 20 November 2009. The Council transferred 14,813 dwellings, 1,458 right to buy leases, 8 shared equity properties, 2,901 garages, 128 shops, 22 other commercial lettings, 9 housing offices and various other land holdings. In addition, a total of 512 staff transferred to the housing association under TUPE arrangements. The transfer has resulted in a reduction in asset values in the Balance Sheet of £549.265m, of which £547.686m related to properties attributable to the HRA. Further details of the transfer and its impact on the Income and Expenditure Account, Housing Revenue Account and Balance Sheet can be found in the notes to the accounts. Although the transfer was effectively for nil consideration, the Council has negotiated a share of future Right to Buy Receipts (RTB) and VAT shelter monies as part of the transfer arrangements. These receipts will be paid to the Council as a capital receipt.

The removal of the assets are charged to the Income and Expenditure Account and show as a loss on disposal. This has led to a deficit for the year of £541.949m an increase over 2008/09 of £353.055m. However, the written off value is not a charge against the Council Tax as the cost of fixed assets is fully provided for under separate arrangements for capital financing and the loss has been reversed out via the Statement of Movement on the General Fund Balance and charged to the Capital Adjustment Account.

4.2 Sale of CityBus

The Council sold its shareholding in its subsidiary company, Plymouth Citybus Ltd on 1 December 2009 to Go Ahead Group PLC for a sum of £18.755m. In accordance with accounting standard FRS2 , the Council's original investment in the company (it's shares) has been carried on the Council's Balance Sheet at cost of £1.290m. The net receipt has been shown within the other operating income section of the Income and Expenditure account as Other Income. However under separate arrangements for capital financing the gain has been reversed out via the Statement of Movement on the General Fund Balance to the Capital Receipts Account.

The main impact of the sale will be on the Council's group accounts.

4.3 Pensions Deficit

Authorities are required to show the full liability under the pension fund on its Balance Sheet. The latest FRS17 valuation shows the deficit has increased by a further £121.326m, or 35% and now stands at £469.547m.

The current pension fund regulations require that contributions are set to meet 100% of the estimated liabilities of the fund. The previous regulations required contributions to be set to meet only 75% of the liabilities. The increase in contributions ('back funding') needed to bring the fund up to the 100% level is being phased in, which means that contributions will continue to rise each year until the fund reaches the 100% level. At 31 March 2010 the solvency of the fund (the assets verses liabilities) stood at 46.1% (49.2% 31 March 2009). The Council's annual contributions are set by an independent actuary following a triennial review of the fund. The next review is being undertaken during 2010/11 and new contribution rates will become effective from 1 April 2011.

4.4 Reported Position

4.4.1 Income and Expenditure Account

The removal of the assets transferred to Plymouth Community Homes under the stock transfer are required to be charged to the Income and Expenditure Account and show as a loss on disposal. This has led to a deficit for the year of £541.949m an increase over 2008/09 of £353.055m.

However, the written off value is not a charge against the Council Tax as the cost of fixed assets is fully provided for under separate arrangements for capital financing and the loss has been reversed out via the Statement of Movement on the General Fund Balance and charged to the Capital Adjustment Account.

4.4.2 Balance Sheet Position

The size of the deficit on the pensions fund together with the reduction in the asset base following the stock transfer has meant a reduction in the Council's net worth or reserves of £616.248m and resulted in a 'negative' Balance Sheet position of (£44.471m). In the private sector a negative balance sheet would indicate insolvency of a company.

However, within local Government statutory arrangements for funding the pensions deficit means that the deficit will be made good by increased contributions over the remaining working life of employees, as assessed by the Scheme Actuary. The Council continues to maintain a general Working Balance of £11.517m equating to 5.7% of its net revenue spend and earmarked reserves of £19.310m set aside to fund future policy initiatives.

The underlying financial position of the Council therefore remains healthy.

5. Post Balance Sheet Events

5.1 Although the Statement of Accounts shows the financial outturn position for 2009/10 and Balance Sheet position as at 31 March 2010, the Council is required to take into account items occurring after 31 March 2010 if they would have a material effect on the figures. The Council has no such items to report as at 22 June 2010.

6. Recommendations

6.1 Audit Committee Approve the Statement of Accounts for 2009/10

City of Plymouth

STATEMENT OF ACCOUNTS 2009/2010

(SUBJECT TO AUDIT)

PLYMOUTH CITY COUNCIL
STATEMENT OF ACCOUNTS 2009/2010

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HOUSING REVENUE ACCOUNT INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31 MARCH 2010

This account shows in more detail the income and expenditure on HRA Services included in the whole authority Income and Expenditure Account.

2008/09 £000		Note	2009/10 £000
	INCOME		
(40,570)	Rents - Dwellings	2	(26,447)
(2,393)	Rents - Non Dwellings		(1,545)
(3,272)	Charges for Services & Facilities	3	(1,647)
0	Subsidy Receivable (inc. MRA)	4	0
(860)	Transfer from GF re Supporting People	5	(809)
(47,095)	**Total Income**		**(30,448)**
	EXPENDITURE		
15,352	Repairs & Maintenance	6	10,136
16,521	Supervision and Management		10,215
0	Rents, Rates, Taxes & Other Charges		0
2,015	Negative Subsidy Payable (inc. MRA)	4	959
945	Transfer to GF re Rent Rebates	7	543
119,017	Depreciation & Impairment (Dwellings)	13	9,137
697	Depreciation & Impairment (Other Assets)	13	788
(57)	Amortised Grants	15	(1)
56	Debt Management Expenses		23
158	Increase in Bad Debts Provision	9	179
154,704	**Total Expenditure**		**31,980**
107,609	**Net Cost of Services (as included in whole PCC I&E)**		**1,532**
164	HRA Services Share of Corp & Democratic Core	10	128
0	HRA Share of Other Amounts - Not Allocated to Specific Services		0
107,773	**Net Cost of HRA Services**		**1,659**
8581	Gain or Loss on Sale of HRA Fixed Assets	21	456,962
0	Other income	22	(63)
2883	Interest Payable and Similar Charges	11	1,908
(377)	Interest & Investment Income		(157)
0	Pensions Interest Cost & Expected Return on Pension Assets		0
118,860	**Surplus / Deficit for year on HRA Services**		**460,310**

STATEMENT OF MOVEMENT ON THE HOUSING REVENUE ACCOUNT BALANCE

This reconciliation statement summarises the difference between the outturn on the Income and Expenditure Account and the Housing Revenue Account Balance

2008/09 £000			2009/10 £000
118,860	**Surplus / Deficit for year on the Housing Revenue Account**		460,310
	Items included in the HRA Income and Expenditure account but excluded from the movement on the HRA balance for the year		
(110,187)	Difference between any other item of income and exp determined in accordance with the SORP and determined in accordance with statutory HRA requirements		(670)
850	Difference between amounts charged to Income and Expenditure for premiums and discounts and the charge for the year determined in accordance with statute		506
(8,581)	Gain/Loss on sale of HRA fixed assets		(456,890)
655	Net charges made for retirement benefits in accordance with FRS17	12	257
	Items not included in the HRA Income and Expenditure Account but included in the movement on HRA balance		
0	Capital Expenditure Funded by HRA		0
(116)	Transfers from / to Major Repairs Reserve	14	(3,263)
(410)	Transfers to / (from) other Earmarked Reserves		0
1,071	**(Increase) / Decrease in Housing Revenue Account Balance for the year**		**250**
(3,113)	**Housing Revenue Account Balance Brought Forward**		**(2,042)**
(2,042)	**Housing Revenue Account Balance Carried Forward**		**(1,792)**

NOTES TO THE HOUSING REVENUE ACCOUNT

Note 1 – Exceptional Items

The Council completed the transfer of its Housing stock to Plymouth Community Homes (PCH) on 20 November 2009.

The Housing Revenue Account (HRA) remains open until formal consent to close the Account has been received from the Secretary of State. This cannot be sought until the final subsidy claim for 2009/10 has been certified as correct by the external Auditor, the deadline for audit certification being 31 December 2010.

The stock transfer has had a major impact on the Council's accounts for 2009/10 and where appropriate additional comments have been included within the individual notes to the accounts. The more significant issues arising from the transfer are outlined below with further details shown in Note 4, page 65, of the single entity notes:

- The HRA has remained open for the whole of 2009/10. However in the main transactions relate to the part year period 1 April 2009 to 20 November 2009.

- The Council transferred 14,813 dwellings, 1,458 right to buy leases, 8 shared equity properties, 2,901 garages, 128 shops, 22 other commercial lettings, 9 housing offices and various other land holdings. The value of the HRA properties on the Balance Sheet was £546.375m. The properties have been written out of the Balance Sheet and show a loss on disposal in the Housing Revenue Account Income and Expenditure Account. The written off value is not a charge against the Housing Rents as the cost of fixed assets is fully provided for under separate arrangements for capital financing and the loss has been reversed out via the Statement of Movement the Housing Revenue Account Balance and charged to the Capital Adjustment Account.

- As part of the stock transfer arrangements, Central Government repaid £91.37m of the Council's PWLB debt, together with an additional £25.94m in respect of premiums incurred on the early repayment of the debt.

- The building maintenance and manufacturing trading operations were also transferred to PCH.

- Government guidance requires the Local Government Pension Scheme (LGPS) pension fund to be fully funded for the staff transferring from the Council to PCH. In order to achieve this, Devon County Council effectively transferred additional pension fund assets from the City Council's share of the pensions fund to the new fund set up for PCH. Effectively this crystallised the share of the pension fund deficit attributable to the transferring staff by £23.67m.

- Rent and service charge arrears were assigned to Plymouth Community Homes in consideration for a payment of £1.077m. The remaining balance of rent debt outstanding has been written off to the HRA bad debt provision account in 2009/10.

- Prepaid rent in respect of current tenants as at transfer date, totalling £0.615m, was transferred to PCH.

- A special Subsidy Determination was issued by the Department for Communities and Local Government (DCLG) for 2009/10 in June 2010, requiring an adjustment to the Mid Year Subsidy Capital Financing Requirement to reflect the repayment of £91.37m PWLB debt by DCLG.

The Council has also transferred 130 dwellings to Devon and Cornwall Housing Association in accordance with the Devonport development agreement. The properties are scheduled for demolition as part of the Devonport Urban Village regeneration scheme. All tenants had been decanted prior to transfer.

Note 2 - Gross Rent Income

Total rent income for the period prior to transfer was £26.095m. Rent income in respect of the retained properties of the SHIP and Raglan Court continued to be credited to the HRA until 31 March 2009, when formal consent to transfer the properties to the General Fund was given by the Secretary of State.

A policy statement issued in December 2000: 'The Way Forward for Housing' set out the Government's proposals for keeping social housing rents at affordable levels. In adhering to these proposals, authorities were required to move their rents towards a 'formula' rent over a 10 year period which commenced in April 2002.

The formula rent is increased each year by inflationary factors set out in the subsidy determinations.

Following the introduction of rent restructuring, the Council's policy has been to increase rents in line with the 2012 convergence target and to reach that target in approximately equal steps. However, the 2008/09 subsidy determinations changed the date by which convergence had to be achieved to 2016.

In order to achieve rent convergence in equal steps by 2016/17, the 2008/09 rents would need to be increased by the retail price index (RPI) plus 0.5% plus 1/8th of the difference between actual rents and the formula rent. However, the Government has stated that no individual rent should increase by more than RPI plus 0.5% plus £2 per week as a result of rent restructuring, although there is no similar limit to any downward movement in rent and, therefore, reductions have to be fully reflected. Applying the formula resulted in an average rent rise of 5.88% and an average rent of £57.73 and this was approved by Cabinet on 20 January 2009.

However, on 6 March 2009, the Minister for Housing outlined proposals to implement a reduction in the national average guideline rent increase for local authority tenants. The original average increase in guideline rent published on 18 December 2009 in the Housing Revenue Account Subsidy Determination 2009/10 was 6.2%. The proposed new average guideline rent increase for 2009/10 was reduced to 3.1%.

In the light of the pending stock transfer and the potential implications on the future income streams on Plymouth Community Homes' business plan, Plymouth sought Government approval to implement the reduced rent increase by means of granting tenants a rent free week. The rent free week was applied to accounts across a 4 week period during August 2009.

Following the implementation of the rent reductions, average weekly rents for the period up to transfer (31 weeks) were £56.09 compared to a full year average rent of £54.47 (50 week basis) in 2009/10, an increase of £1.62 per week or 3%.

During the period 1 April 2009 to 20 November 2009, on average 1.14% of lettable properties were vacant. The full year figure in 2008/09 was 1.03%.

Note 3 - Service Charges

The Council operated de-pooled service charges in line with the Government Rents Restructuring Policy. The average weekly service charge to tenants in respect of de-pooled service charges in 2009/10 was £2.43 (£3.60 in 2008/09). During 2009/10 the Council removed the service charge relating to gas servicing and refunded tenants amounts collected under this charge in previous years.

Service charges are also made to tenants of sheltered housing as well as to the Council's leaseholders in respect of ex-Council flats purchased under the Right to Buy (RTB) System.

Note 4 - Housing Subsidy

The Council was issued with a Special Subsidy Determination for 2009/10 in June 2010. The Determination reflects the part year impact following the transfer of the stock to PCH on 20 November 2009, and the repayment of £91.37m of PWLB debt by CLG.

The final subsidy for the year was a net contribution to the redistribution pool of £0.959m after adjusting for the Major Repairs Allowance (MRA) of £5.992m. The MRA is transferred to the Major Repairs Reserve (MRR) and may only be used to finance capital spend (see note 19 page 140)

A breakdown of the subsidy into its various elements is shown in the following table

HRA Subsidy	2008/09 £000	2009/10 £000
Housing Element Entitlement	(11,369)	(6,952)
Major Repairs Allowance	9,354	5,992
Subsidy receivable/(payable) from/(to) redistribution pool	**(2,015)**	**(959)**

Note 5 - Transfer from General Fund re Supporting People Grant

Supporting People Grant is a Government initiative, which came into effect on 1 April 2003. Whilst the Supporting People Grant is a General Fund grant, it is aimed at meeting the costs of providing accommodation related support to all tenants, including those in Council properties. An amendment to the statutory HRA definition (item 10) permits the grant in respect of Council tenant support to be transferred from the General Fund to the HRA. The grant is received in respect of support provided to tenants at the SHIP Hostel, Sheltered Schemes and Raglan Court.

The grant for 2009/10 reflects payments for support services to tenants in sheltered accommodation for the period up to 20 November 2009, and the full year costs of support to tenants at the SHIP and Raglan Court.

Note 6 - Repairs

The repairs figure of £10.136m includes a transfer of the surplus from the Building Maintenance trading operation of £0.691m. Further details of the trading position are outlined in Note 5.1 in the main notes to the Core statement, pages 66 to 69.

Note 7 - Rent Rebates

Assistance with rents is available under the Housing Benefit Scheme for those on low incomes. From 1 April 2004 the cost of rent rebates was removed from the HRA, and HRA subsidy, and is now accounted for within the Council's General Fund. However the HRA is required to make a mandatory transfer to the General Fund to cover the residual liability from the rent rebate subsidy limitation scheme. The amount transferred in 2009/10 was £0.543m (2008/09: £0.945m).

As at 20 November 2009, 64%, (2008/09: 63%) of the Council's tenants were receiving some help with the cost of their rent.

Following the transfer to PCH, all rent assistance will be made in the form of rent allowance, the administration, payment and costs of which remain with the City Council and for which a reimbursement is made by the Government in the form of Housing Benefit subsidy.

Note 8 - Council House Arrears

At 20 November 2009 rent arrears totalled £2.409m, 9.23% of the amount due (7.44% in 2008/09). The arrears were assigned to PCH on transfer date in consideration for a payment of £0.902m. The remaining arrears for transferred properties have been written off in full to the HRA bad debt provision, leaving arrears of £0.039m in relation to properties retained by the Council.

A further sum of £0.232m has been written off in respect of outstanding overpaid housing benefit. Whilst this debt has not been transferred to PCH the debt relates to periods prior to 31 March 2004 and is now unlikely to be recovered. The analysis of arrears is as follows:

Rent Arrears	2008/09 £000	2009/10 £000
Rent Arrears	2,946	39
H.B. Overpayment Arrears	247	0
Miscellaneous accounts	33	0
Total Arrears at 31 March	**3,226**	**39**

Note 9 - Allowance for uncollectability of debt

The HRA receives income from Council rents and service charges as well as income from shops on Council Estates and general invoices raised for ad hoc works, including invoices raised to recover the costs of repairs to properties.

As part of the transfer arrangements, outstanding debt relating to rents and leasehold service charges was assigned to PCH. The balance of all debt raised on the rent accounting system has been written off to the HRA bad debt provision.

The Council retained the debt relating to commercial rent income and all general debt. At 31 March 2010, after allowing for the write-offs outlined above, the HRA allowance for the uncollectability of debt stood at £0.383m. The movement in the allowance can be shown as follows:

Movement in allowance for uncollectability of debt	2008/09 £000	2009/10 £000
Balance 1 April	2,551	2,406
Provision in Year	157	179
Written off in Year	(302)	(2,202)
Balance C/F 31 March	**2,406**	**383**

An analysis of the debt written off in year is provided as follows:

HRA Debt write-offs	2008/09	2009/10
	£000	**£000**
Housing Rents	185	1,950
Housing Benefit Overpayments (accounts raised prior to 31/03/04)	93	232
General Debtors	24	20
Total Write-offs in year	**302**	**2,202**

Note 10 - HRA share of Corporate and Democratic Core

The HRA is required to contribute towards the Council's overall costs of the Corporate and Democratic Core (CDC). This charge is made to the HRA via a support service recharge. The total support service charge to the HRA was approximately £1.8m in 2009/10 and the amount specifically relating to CDC was £0.128m (£0.164m in 2008/09). Although the HRA remained open for the full year, the charge has been adjusted to reflect the period up to transfer only.

Note 11 - Interest Charge to HRA

The interest charge to the HRA Balance is calculated in accordance with statute. HRA debt outstanding at the start of the year was £64.958m (2008/09 £61.775m) and the average interest rate was 4.13% (2008/09 4.80%). An interest charge of £1.908m (2008/09 £2.883m) was made to the HRA as adjusted for the part year prior to transfer. As part of the stock transfer the CLG repaid £91.37m of the Council's PWLB debt , plus associated premium costs of £25.94m. The Council is currently awaiting a special determination from the CLG as a result of the PWLB repayment which may require an amendment to the interest charge.

Note 12 - FRS 17 (re HRA)

The entries have been made on the basis that neither ring-fencing nor resource accounting in the HRA require the HRA to be treated differently from other services on the grounds of proper practice.

The principle of FRS 17 is to match pension costs in the accounts to the period in which the benefit was earmarked or awarded, although the contributions paid to the fund in the year may be different. The pension payments for the HRA have been adjusted to leave only the current service cost for 2009/10 within the Supervision and Management accounts. The adjustment for 2009/10 is £0.257m (£0.655m in 2008/09). The amount is matched by a pensions reserve transfer and therefore has no impact on the HRA net position.

Note 13 - Depreciation and Impairment

The total charge made for depreciation for 2009/10 was £9.255m. In addition, a charge of £0.670m has been written off to the HRA resulting from a downwards revaluation of other assets as there are insufficient balances available in the revaluation reserve. The total depreciation and impairment charge to the HRA was £9.925m, analysed between Council dwellings and other assets is shown in the table below:

Depreciation and Impairment	2008/09 £000	2009/10 £000
Depreciation:		
Council Dwellings	9,354	9,137
Other Assets	116	118
	9,470	9,255
Impairment and Downward Revaluation charge to HRA		
Council Stock	109,663	0
Other Assets	581	670
	110,244	670
Total Depreciation & Impairment Charge for the Year	**119,714**	**9,925**

Further details of depreciation and impairment across asset category are shown in Note 16 – Movement in Fixed Assets.

In accordance with audit recommendations, the method of depreciation applied to the Council stock is reviewed annually. For 2009/10 depreciation was based on the residual cost value, assuming a 40 year life (in 2008/09 the Major Repairs Allowance was used as a proxi).

Note 14 - Transfer from/to Major Repairs Reserve - accounting adjustment

In order to ensure that the depreciation charge does not impact on Council rent levels, an adjustment is required to reverse out any depreciation charge above the MRA. In accordance with current Council policy a full year depreciation charge of £9.255m based on residual cost method assuming 40 year life has been made to the HRA in respect of properties in the Account at 1 April 2009. The MRA for the year was £5.992m, resulting in an adjustment for 2009/10 of £3.263m as follows:

Transfer to Major Repairs Reserve	2008/09 £000	2009/10 £000
Total depreciation	9,470	9,255
MRA	(9,354)	(5,992)
Transfer from/to MRR	**116**	**3,263**

Note 15 - Amortised Grants

Capital Grants and Contributions are received towards the cost of financing certain Capital projects. Grants and Contributions used to finance Capital Expenditure are transferred to the Government Grants and Contributions Deferred Account and released to revenue over the life of the asset they finance to offset future charges for depreciation. Total grant released to the HRA in 2009/10 was £0.001m (£0.057m in 2008/09). Amortised grants are reversed out to the Capital Adjustment Account via the Statement of Movement on HRA Balance.

Grants and contributions totalling £0.889m remained to be amortised as at transfer date and these have been written off in full against the loss on disposal.

Note 16 - Fixed Assets

As part of the stock transfer, the Council transferred 14,813 dwellings, 1,458 right to buy leases, 8 shared equity properties, 2,901 garages, 128 shops, 22 other commercial lettings, 9 housing offices and various other land holdings to PCH.

The value of the HRA properties on the Balance Sheet at transfer date was £546.375m.

The Council retained 13 flats at Raglan Court, and the Ship Hostel to be used to discharge the Council's statutory homelessness function. Secretary of State approval to transfer these properties to the General Fund was given on 31 March 2010.

Assets totalling £5.294m remained within the HRA at 31 March 2010. In the main these relate to areas of open space and playgrounds on land to the North of the City and a number of investment properties for which a rental income is received. All remaining assets will be appropriated to the General Fund during 2010/11 as part of the formal closure of the Account.

Fixed Assets	Dwellings	Other Land & Buildings	Vehicles & Plant	Infrastructure Assets	Community Assets	Investment Properties	Total HRA Assets
	£000	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Net Book Value 1 April 09	541,784	1,469	191	67	107	10,284	553,902
Movement in year							
Additions (note 17)	8,522		38				8,560
Disposals:							
Transfer to PCH	(540,455)	(352)			(4)	(5,564)	(546,375)
Right to Buy	(714)						(714)
Other						(20)	(20)
Appropriated to GF		(372)					(372)
Revaluations/ Restatements		128				110	238
Depreciation for the year	(9,137)	(68)	(23)	(3)	(24)		(9,255)
Impairment (see note 13)						(670)	(670)
Net Book Value 31 March 2010	**0**	**805**	**206**	**64**	**79**	**4,140**	**5,294**

The HRA assets form part of the overall asset base of the Council. They are incorporated into the values of fixed assets shown in the Balance Sheet on page 59.

Council dwellings are valued and carried on the Balance Sheet on an Existing Use (Social Housing) basis. The equivalent vacant possession value of Council Dwellings at 1 April 2009 was £1,214,197,854 (£1,484,519,547 at 31 March 2008). The difference between the vacant possession value and the Balance Sheet value of the land, houses and other property within the authority's HRA represents the economic cost to Government of providing Council housing at less than open market rents.

Note 17 - Capital Expenditure on HRA Assets

A sum of £8.561m, (2008/09: £13.178m) was spent on HRA capital schemes during the year as shown below. This includes a payment of £0.900m to PCH to enable completion of scheduled decanting of properties within the Devonport Urban Village.

Capital Expenditure	2008/09	2009/10
	£000	**£000**
Expenditure:		
Devonport Urban Village	261	1,223
Major Repairs and Adaptations to Stock	2,745	2,688
Decency Standard Improvements to Stock	9,287	4,066
Capitalised Salaries- Staff delivering improvement schemes	885	584
Total	**13,178**	**8561**

Financed By:	2008/09 £000	2009/10 £000
Borrowing	2,076	2,076
Major Repairs Reserve	10,285	6,229
Grants & Contributions	817	95
Capital Receipts	0	160
Total	**13,178**	**8561**

An analysis of the spend by asset category is shown below:

Fixed Assets:	2008/09 £000	2009/10 £000
Dwellings	13,149	8,561
Vehicles, Plant and Equipment	29	29
Total	**13,178**	**8,561**

Note 18 - Capital Receipts from disposal of HRA Assets

Receipts totalling £0.784m were received from the sale of HRA assets during the year. An analysis of the receipts is shown below:

HRA Capital Receipts	2008/09 £000	2009/10 £000
Sale of Council Dwellings	1,278	753
Repayment of Mortgage Principal	21	31
Land Disposals	0	0
	1,278	**784**

The Local Government Act 2003 removed the requirement to set aside an element of HRA capital receipts and replaced this with receipt 'pooling'. Under receipt pooling a proportion of receipts from the Right To Buy (RTB) sales and other dwelling and land sales must be paid over to the Department for Communities & Local Government (DCLG) for redistribution. Although there is no exemption from the requirement to pool 75% of receipts from RTB sales, authorities may deduct an amount up to the value of its' 'capital allowance' pot before pooling receipts from other dwelling and land sales.

In 2009/10 the receipts were allocated as follows:

Allocation of Capital Receipts	2008/09 £000	2009/10 £000
Useable receipts	337	220
Offset against Capital Allowance	0	0
Paid to DCLG under pooling requirements	962	564
Total Receipts	**1,299**	**784**

Note 19 - Major Repairs Reserve

The Major Repairs Allowance (MRA) payable as part of Housing Subsidy is available for capital spend only. Local authorities are however free to determine how they wish to spend the allowance and may carry forward any unused allowance to future years. A Major Repairs Reserve account was set up on 1 April 2002. The MRA was fully utilised in 2009/10. The movement on the account for 2009/10 is shown in the table below

Major Repairs Reserve	2008/09	2009/10
	£000	£000
Income		
Depreciation Fixed Assets		
- Dwellings MRA	(9,354)	(9,137)
- Other Assets	(116)	(118)
	(9,470)	(9,255)
Expenditure		
- Depreciation above MRA	0	3,145
- Depreciation Other Fixed Assets	116	118
- Total Transfer to HRA	116	3,263
Major Repairs and Decency Works to Council Stock	10,698	6,2229
	10,814	9,492
(Surplus)/Deficit for Year	1,344	237
Balance Brought Forward 1 April	(1,581)	(237)
Balance Carried Forward 31 March	**(237)**	**0**

Note 20 - Council Stock

At the start of the year, there were 14,969 dwelling properties within the HRA. At the date of transfer there were 14,956 properties, of which 14,813 were transferred to PCH, 130 transferred to Devon and Cornwall Housing Association with the remaining 13 were transferred to the General Fund on 31 March 2010. The Council was responsible for managing on average 14,963 dwellings during 2009/10, as follows:

Council Stock	2008/09	2009/10
	No.	No.
Houses and Bungalows	7,893	7,869
Flats	7,196	7,094
	15,089	**14,963**

The change in stock from year to year can be summarised as follows:

Movement in Stock	2008/09	2009/10
	No.	No.
Stock at 1 April *	15,209	14,969
Less: Sales	(20)	(13)
Demolitions / Conversions	(2)	0
Transfer to DCHA	(0)	(130)
Transfer to PCH	(215)	(14,813)
Transfer to General Fund		(13)
Add: Appropriations/Acquisitions	(3)	0
Stock at 31 March*	**14,969**	**0**

Note 21 – Gain or loss on Sale of HRA Fixed assets

The Council transferred 14,813 dwellings, 1,458 right to buy leases, 8 shared equity properties, 2,901 garages, 128 shops, 22 other commercial lettings, 9 housing offices and various other land holdings. The transfer was made for nil consideration. The value of the HRA properties on the Balance Sheet was £546.375m. The properties have been written out of the Balance Sheet and show a loss on disposal in the Housing Revenue Account Income and Expenditure Account. The asset write-out is partially offset by the repayment of PWLB debt and write-out of HRA grants and contributions.

The written off value is not a charge against the Housing Rents as the cost of fixed assets is fully provided for under separate arrangements for capital financing and the loss has been reversed out via the Statement of Movement the Housing Revenue Account Balance and charged to the Capital Adjustment Account.

Note 22- Other income

Other income relates to repaid RTB discounts.

STATEMENT OF ACCOUNTING POLICIES

INTRODUCTION

The Statement of Accounts summarises the Council's transactions for the 2009/10 financial year and its position at the year-end of 31 March 2010. It has been prepared in accordance with the Code of Practice on Local Authority Accounting, a Statement of Recommended Practice 2009 (the SORP), published by the Chartered Institute of Public Finance and Accountancy (CIPFA) and other relevant statutory requirements, such as the Best Value Accounting of Practice (BVACOP). Previous year's figures, where shown for comparison, have been restated where necessary to reflect the requirements of the Code.

Accounting polices are the principles, bases, conventions, rules and practices applied by the Council, that specify how the effects of transactions and other events are to be reflected in its financial statements through recognising, selecting measurement bases for, and presenting assets, liabilities, gains, losses and changes in reserves.

The principles and practices of accounting require a Statement of Accounts to be prepared which give a “true and fair view” of the financial position and transactions of Plymouth City Council, and of group financial statements where the Council has material interests in other organisations.

Whilst the SORP specifies many of the accounting policies and estimation techniques to be adopted for material items, it remains the responsibility of the Council to ensure that the Accounts present a true and fair view of the financial performance and position of the Council. Accounting policies should therefore be selected and reviewed regularly. In selecting and applying the most appropriate policies and estimation techniques, Council officers have had regard to the policies and concepts outlined in this document.

This document contains technical language, and a glossary to help explain some of the terms can be found at the back of the publication.

ACCOUNTING CONVENTION

The accounting convention adopted is historical cost, modified by the revaluation of certain categories of tangible fixed assets.

GENERAL CONCEPTS

These statements have been prepared with due regard to the following:

- Quality of Information.

- Relevance – providing financial information that is useful for assessing the stewardship of public funds and for making economic decisions.

- Reliability – providing financial information that properly represents what it purports to represent, is neutral, free from material error, is complete within the bounds of materiality and which has been prudently prepared.

- Comparability – is consistent and can be compared with the previous year’s activity.

- Understandability – allowing the reader to interpret the financial position of the Council.

- Materiality - an item of information is material to the Financial Statements if its misstatement or omission might reasonably be expected to influence assessment of Plymouth City Council's stewardship, economic decisions or comparison with other organisations, based on those financial statements.

OVERRIDING ACCOUNTING CONCEPTS

Accruals – Financial Statements other than the Cash Flow Statement are prepared on an accruals basis.

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

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

CHANGES TO ACCOUNTING POLICIES AFFECTING THE 2009/10 ACCOUNTS

The following changes to accounting policies have been made within the 2009/10 Accounts.

<u>SORP 2009</u>

The changes to the accounting policies as required under the SORP 2009 are as follows:

<u>PFI</u>

The accounting requirements for the Private Finance Initiative (PFI) and similar contracts are no longer based on UK Accounting Standard FRS 5, but on International Financial Reporting Standard, IFRIC 12. The Council currently has one PFI scheme, the contract with Pyramid Consortium to build and operate schools at Riverside and Woodview. Under previous arrangements, PFI schemes were generally treated as 'off balance sheet' arrangements. Under the new rules, however, the Council is required to recognise the PFI properties on its Balance Sheet along with a liability for the financing provided by the PFI operator.

Assets to the value of £37.191m have been added to the Balance Sheet at 1 April 2009, together with a deferred liability of £36.303m. Further details are contained in Note 16, pages 76 and 77.

<u>Accounting for local taxes</u>

- <u>Council Tax</u>
  The SORP includes a requirement to include appropriate shares of Council Tax debtors in the billing authority (Plymouth) and major preceptors (Devon and Cornwall Police and Devon and Somerset Fire Service) Balance Sheets. The amount to be shown in Plymouth's Income and Expenditure Account will now also be based on accrued income for the year, rather than the precept on the Collection Fund agreed as part of the Council Tax setting process. The difference between the two figures is accounted for in a new Collection Fund Adjustment Account. The impact on the accounts is an adjustment in the Collection Fund Adjustment Account of £0.047m at 31 March 2009.

- <u>NNDR</u>
  Under the 2009 SORP, the Council is no longer required to recognise NNDR debtors in its accounts, but should instead recognise a creditor or debtor for cash collected from NNDR debtors as an agent of the Government, but not yet paid over (or overpaid) to the Government at the Balance Sheet date.

Financial Liabilities

There is now a requirement that the portion of long term financial liabilities due to be settled within 12 months after the balance sheet date be presented within current liabilities.

The changes for PFI and local taxation are required to be applied retrospectively and the Accounts for 2008/09, together with the relevant disclosure notes, have been restated. Note 1, page 63, outlines the impact in more detail.

Other changes made to the Accounting Policies for 2009/10

The Council is required to keep under review its accounting policies to ensure that the Accounts present a true and fair view of the financial position of the Council. The Council has made the following changes to the Accounting Policies for the 2009/10 financial statements:

- Trust Schools
  Several of the Council's schools have effectively secured 'Trust' status during the year. Under trust status, the school building and associated land effectively passes to the Trustees of the school. Current Council policy is to remove transferred assets from the Council's Balance Sheet upon formal legal transfer. Due to a number of outstanding legal issues, the legal transfer has not yet been completed for 4 school trusts. However, in accordance with FRS5 "substance over form" test, the Council's 'interest' in these schools has been revalued to Nil and the Balance Sheet carrying values adjusted as appropriate.

- HRA – depreciation.
  Officers have applied the Residual Value method to calculate the HRA depreciation for the year, as this is considered more representative than the Major Repairs Allowance given the reduced allowance as a result of the part year impact of the stock transfer.

- Capital Financing Requirement
  The Council has incorrectly included capital grants unapplied within the Capital Financing Requirement (CFR) since the introduction of the prudential capital financing regime in 2004, which has understated the annual statutory Minimum Revenue Provision (MRP) charge . This has been corrected in 2009/10 and an additional MRP payment of £1.637m has been made in the accounts. Note 23.7, page 93 shows the implication on the CFR from this amendment.

POLICIES

1. Accruals of Income and Expenditure

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

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

Supplies and Services
The cost of supplies and services are recorded as expenditure when they are consumed or received. Accruals are made for all material sums unpaid at the year-end for goods or services received or works completed. However, certain quarterly payments (e.g. gas, electricity, telephones) are charged at the date of meter reading rather than being apportioned between financial years. This policy is consistently applied each year and therefore does not have a material effect on the year's accounts. A de-minimus of £500 is generally applied for all accruals unless they are automatically accrued via the Financial System, Civica Authority Financials, where there is no de-minimus value.

Where there is a gap between the date supplies are received and their consumption, they are carried as stocks on the Balance Sheet.

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

Employee Costs
No accruals have generally been made for employee costs paid in arrears, such as overtime and car allowances. This is in line with practice adopted in previous years and the accounts for 2009/10 therefore incorporate transactions relating to March 2009 to February 2010 for these items.

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

2. Debtors and Creditors

Short term debtors and creditors

Where income and expenditure has been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet.

Debtors and creditors fall within the definition of a financial instrument and therefore fall under the accounting requirements of FRS 25, 26 and 29, which require these to be measured using the effective interest rate method, unless they are of ‘short duration with no stated interest rate’ in which case they may be measured at original invoice value. The Council defines short duration as a period of up to one year and therefore, debtors and creditors included within the current asset and current liabilities section of the Balance Sheet are measured at original invoice value.

The Council has a significant amount of debt outstanding in excess of one year. The Council continues to make an allowance for the potential ‘uncollectability’ of debt based on observable data such as:

- adverse changes in the payment status of debtors, eg an increase in the number of delayed or missed payments;
- national or local economic conditions that correlate with defaults on the assets within the group, particularly relevant for commercial rental income;
- disputes over legality of debt which are unlikely to be resolved in the Council’s favour due to time lag or inability to provide evidence supporting the debt;
- it becoming probable that the debtor will enter bankruptcy or is experiencing significant financial difficulty.

The allowance for the uncollectability of debt is netted off the debtors on the Balance Sheet. The movement on this allowance during the year is shown in Note 26.2 to the Core Statements on page 96.

Long Term Debtors

The Council may provide financial assistance to individuals or organisations in the form of a loan, including for example the granting of mortgages to individuals to purchase their council houses under the Right to Buy legislation. Where the repayment period exceeds one year these are classified as Long Term Debtors on the Balance Sheet.

This debt is required to be reflected on the Balance Sheet at amortised cost and interest charged to the Income and Expenditure Account based on the effective interest rate method.

This figure is reviewed annually for any impairment and the carrying values are adjusted as appropriate.

3. Stocks and Works in Progress

Stocks and Work In Progress are shown in the Accounts at cost (less any foreseeable losses on Work In Progress). This is a departure from the SORP, which states that stock should be included at the lower of cost and net realisable value, and is permitted since the valuation basis would not materially affect the Council's reported position. The total value of stocks in the Council's Balance Sheet is £0.429m compared to total current assets of £174.820m, (0.2%).

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

4. Overheads and Support Services

The cost of central staffing, accommodation, telephones, mail-handling, computing and other support services are recharged to services on the basis of time allocations or other appropriate measures of resources used. The basis of recharge was updated for 2008/09 and although work is still ongoing to refine the methodology, the charges made to the Accounts have been based on the most up to date apportionments.

The following charges are not apportioned to services but accounted for as separate headings in the Income and Expenditure Account as part of Net Cost of Services:

Corporate and Democratic Core – costs relating to the Council's status as a multi functional, democratic organisation.

Non Distributed Costs – the cost of discretionary benefits awarded to employees retiring early.

5. VAT

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

6. Provisions

Provisions are made where an event has taken place that gives the Council an obligation that properly requires settlement by a transfer of economic benefits, ie usually a cash payment, 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 revenue account when the Council becomes aware of the obligation, based on the best estimate of the likely settlement. Estimated settlements are reviewed at the end of each financial year and increased or reduced as appropriate by debiting or crediting the relevant revenue account. Movements in provisions during the year are shown in Note 33 to the Core Statements on pages 108 to 110.

Where some or all of the payment required to settle a provision is expected to be met by another party (e.g. from an insurance claim) this is only recognised as income in the relevant revenue account if it is virtually certain that reimbursement will be received if the obligation is settled.

Back dated equal pay claims

The Council has made a provision for the costs of settling claims for back pay arising from discriminatory payments incurred before the Council implemented its equal pay strategy. However, statutory arrangements allow settlements to be financed from the General Fund in the year that the payments actually take place, not when the provision is established. The provision is therefore balanced by an Equal Pay Back Pay account that will be debited to the Statement of Movement in the General Fund Balance (STMGFB) in future years as payments are made.

7. Revenue Reserves

The Council sets aside specific amounts for future policy purposes or to cover contingencies.

When expenditure is incurred to be met from a reserve, it is charged to the appropriate service revenue account in that year to score against net service cost and a transfer made from the reserve so that there is no overall charge against Council Tax for the expenditure.

Transfers to and from reserves are not included within the Income and Expenditure Account but are shown within the STMGFB.

Details of the Council's Revenue Reserves and the movement in the year are shown in Note 35.10 to the core statements on pages 116 to 118.

8. Government Grants and Contributions (Revenue)

Government grants and contributions are recognised as income at the date that the Council satisfies the conditions of entitlement to the grant/contribution and there is reasonable assurance that the monies will be received.

Revenue grants are matched in service revenue accounts with the service expenditure to which they relate. Grants to cover general expenditure (eg Revenue Support Grant) are credited at the bottom of the Income and Expenditure Account after Net Operating Expenditure.

Grant received by the Council as the Accountable Body under a specific Government initiative, is only recognised in the Accounts where the Council has direct or significant influence over the awarding of the grant. Where grant allocations are determined by separate independent boards or panels, only that element of grant awarded to the City Council is recognised in the Accounts. This is in line with FRS 5.

9. Pensions

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

- The Teachers Pension Scheme, administered by the Department for Children Families and Schools (DCFS)
- The Local Government Pensions Scheme, administered by Devon County Council.

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

The arrangement for the Teachers' Scheme, however, means that liabilities for these benefits cannot be identified by the Council. The Scheme is therefore accounted for as if it was a defined contributions scheme - no liabilities for future payments of benefits are recognised in the Balance Sheet and the full cost of unfunded pensions is charged direct to revenue. The Scheme is administered by Capita Hartshead on behalf of the Teachers Pensions Agency.

Local Government Pension Scheme

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

All Council employees (with the exception of teachers) are eligible to join the Local Government Pension Scheme. The pension costs that are charged to the Council's accounts in respect of its employees are equal to the contributions paid to the funded pension scheme managed by Devon County Council for these employees. Further costs arise in respect of certain pensions paid to retired employees on an un-funded basis and these are charged direct to revenue as they arise.

- 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 ie an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projections of projected earnings for current employees.

- Liabilities are discounted to their value at current prices, using a discount rate of 5.5%.

- 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 pensions liability is analysed into seven components:

    - current service cost – the increase in liabilities as a result of years of service earned this year- allocated in the Income and Expenditure Account to the revenue accounts of services for which the employees worked

    - past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of services earned in earlier years- debited to the Net Cost of Services in the Income and Expenditure Account as part of Non Distributed Costs

    - interest cost – the expected increase in the present value of liabilities during the year as they move one year closer to being paid- debited to Net Operating Expenditure in the Income and Expenditure Account

    - expected return on assets – the annual investment return on the fund assets attributable to the Council, based on an average of the expected long term return- credited to Net Operating Expenditure in the Income and Expenditure Account

    - gains/losses on settlements and curtailments – the result of actions to relieve the Council of liabilities or events that reduce the expected future service or accrual of benefits of employees – debited to the Net Cost of Services in the Income and Expenditure Account as part of Non Distributed Costs

- actuarial gains and losses- changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions- debited to the Statement of Total Recognised Gains and Losses

- contributions paid to the Devon Pension Fund – cash paid as employers' contributions to the Pension Fund.

The current Pension Fund Regulations require that contributions are set to meet 100% of the estimated liabilities of the Fund. The previous Regulations required contributions to be set to meet only 75% of the liabilities. The increase in contributions ('back funding') needed to bring the Fund up to the 100% level is being phased in, which means that contributions will continue to rise each year until the Fund reaches the 100% level. At 31 March 2010 the solvency of the Fund (the assets versus liabilities) stood at 46.1% (49.2% 31 March 2009).

The Actuary for the Devon County Pension Scheme is Barnett Waddingham.

Financial Reporting Standard (FRS) 17

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 in the year, not the amount calculated according to the relevant Accounting Standards (FRS17). In the STMGFB, this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the Pension Fund and any amounts payable to the Fund but unpaid at the year end.

In preparing the Housing Revenue Account (HRA), the accounting entries for FRS 17 have been made on the basis that neither ring-fencing nor resource accounting in the HRA require the HRA to be treated differently from other services on the grounds of proper practice, and therefore only the current service cost is included in the HRA.

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) 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.

10. Capital Reserves

Capital reserves are not available for revenue purposes and some may only be used for a specific statutory purpose, for example the Useable Capital Receipts Reserve and Major Repairs Reserve. Details of the Council's capital reserves and the movement on these reserves during the year are given in Note 35 to the Core Financial Statements, pages 111 to 118.

11. Tangible Fixed Assets

Tangible fixed assets are assets that have physical substance and are held for use in the provision of services or for administrative purposes on a continuing basis.

Recognition

All expenditure on the acquisition, creation or enhancement of fixed assets is capitalised on an accruals basis. Capital expenditure is subject to a de-minimus level of £10,000, with the exception of vehicles and plant where a de-minimus of £5,000 is applied and schools expenditure met from devolved capital grant where there is no de-minimus. Expenditure below these levels is charged direct to the relevant service revenue account.

Where substantial expenditure has been incurred on assets valued at open market value, a revaluation of the asset has been undertaken to ensure that the Balance Sheet reflects the true value of any enhancements. Any difference between the new valuation and the carrying value after the enhancements is adjusted through the Revaluation Reserve in the first instance and/or, if a downwards movement with an insufficient balance in the Revaluation Reserve, written down to the Income and Expenditure Account and reversed out via the STMGFB.

Expenditure on routine repairs and maintenance of fixed assets is charged directly to revenue.

Measurement

Assets are initially measured at cost, comprising all expenditure that is directly attributable to bringing the asset into working condition for its intended use. Assets are then carried in the Balance Sheet using the basis recommended by CIPFA and in accordance with guidance issued by the Royal Institute of Chartered Surveyors (RICS) as follows:

- **Operational land and buildings** are valued at open market for existing use or, where there exists insufficient evidence of market transactions for that use, at the depreciated replacement cost. Freehold land is not depreciated.

- **Investment properties and surplus assets held for disposal** are valued on the basis of open market value.

- **Infrastructure and community assets** are included in the Balance Sheet at historic cost, net of depreciation, where appropriate. Most community assets are deemed to have an infinite life and for these assets no depreciation is made. Many community assets are included in the Balance Sheet at a nominal value of £1 and further details of these assets are included in the Fixed Asset Note 23, pages 88 to 94 Where community assets do have a finite life (for example playgrounds) then these assets are depreciated over an appropriate period.

  Museum assets - These assets have been valued at historic cost where details are available. However, in some instances, assets were donated to the museum and such assets may have been included at current insurance value. Museum assets are not subject to depreciation. The total amount included in the Balance Sheet for museum assets is therefore a nominal £7m. Assets loaned to the museum are not included within the Balance Sheet. The comparable insurance value for all of the Council's artefacts is £37.5m, including those held at Mount Edgcumbe House and Port Eliot, St Germans.

- **Vehicles, Plant and Equipment** is included on the Balance Sheet at cost, net of depreciation.

- **Assets under construction** relate to schemes that at the year-end were incomplete, and are held on the Balance Sheet at cost until such time as the asset becomes operational, at which time it is reclassified to the correct Balance Sheet category and a revaluation undertaken as appropriate.

- **Assets identified as surplus to requirements** and available for disposal are revalued and reclassified in the Balance Sheet at the date the Surplus Property Declaration is approved. The value of these assets continues to be reviewed at the appropriate time under the five year rolling programme.

The current capital accounting arrangements require those fixed assets which are included in the Balance Sheet at current value to be revalued at intervals of not more than 5 years. The Council operates a five year rolling annual review of assets.

All valuations for 2009/10 have been carried out internally by qualified valuers under the supervision of Miss K A Birrell, BSc (Hons) MRICS in accordance with the Statement of Asset Valuation Practice and Guidance Notes published by the Royal Institution of Chartered Surveyors.

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

Increases in valuations are matched by a credit to the Revaluation Reserve and included on the Statement of Total Gains and Losses (STRGL) in recognition of unrealised gains.

Impairment
Decreases in value due to the consumption of economic benefits are written off to the relevant service revenue account. The costs are then reversed out of the Income and Expenditure Account via the Statement of Total Movement on the General fund Balance (STMGFB) and charged to the CAA.

Downward valuations
Decreases in value due to the downturn in economic conditions are written off through the Revaluation Reserve only to the extent that a previous revaluation gain for that asset exists, otherwise a downward valuation is written off to the Income and Expenditure Account. The Revaluation Reserve came into force with effect from 1 April 2007 and commenced with a nil balance, therefore in the short term it is likely that all such events will need to be written off to the Income and Expenditure Account. The effects of this are reversed out via the STMGFB and charged to the CAA to ensure there is no impact on Council Tax levels.

Disposals

When an asset is disposed of, the value of the asset in the Balance Sheet is written off to the Income and Expenditure Account as part of the gain or loss on disposal. Receipts from disposals are also credited to the Income and Expenditure Account as part of the gain or loss on disposal. Any revaluation gains in the Revaluation Reserve are transferred to the CAA.

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

The written off value of disposals is not a charge against council tax, as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the CAA from the STMGFB.

Details of Capital Receipts for year are shown in Note 35.3, page 113.

Capital Allowance

The Capital Allowance was set up as part of the changes made to the pooling of HRA receipts in 2004/05. This allowance is made up of all the capital expenditure incurred or planned by the Council on 'regeneration or affordable housing'. The Council is then permitted to retain the element of receipt from HRA land and property sales (not RTB) that would have been paid over to the Government under the pooling arrangements, providing that the amount in its Capital Allowance exceeds the value that should have been pooled. The Capital Allowance is a memorandum account only. It is topped up by actual and future expenditure on qualifying projects, and reduced by the value of 'pooled' receipts retained. Further detail of the Capital Allowance is included in Note 35.3, page 113.

Depreciation

Where depreciation is provided for, this is calculated on a straight-line basis over the estimated useful economic life of each asset. The depreciation charge is based on the asset value as at 1 April 2009, as adjusted for any revaluations. Disposals and acquisitions are adjusted the following year ie in arrears.

The total depreciation charge made within the statutory accounts for 2009/10 was £26.563m with a further £9.137m in relation to HRA dwellings charged to the Major Repairs Reserve. The relevant periods used for each class of asset are as follows:

Operational Buildings	
- Council dwellings	40 years
- Car parks	10 to 15 years
- Schools	10 to 40 years
- PFI schools	60 years
- Administrative buildings	5 to 35 years
- Libraries	10 to 60 years
- Museums	20 to 60 years
- Other buildings	5 to 60 years
Infrastructure	20 to 40 years
Vehicles and Plant	5 to 20 years
Community Assets	10 to 30 years
Intangible Assets	5 to 15 years

In line with SORP requirements, the Council undertakes an annual review of the most appropriate method to apply depreciation to its Council Stock. For 2009/10, the residual cost method has been used with a 40 year life (in 2008/09 MRA was used as a proxy for the depreciation charge). This is in line with the Council’s current policy to charge depreciation in arrears, and reflects the reduction in the MRA following the stock transfer during the year. HRA depreciation is charged to the Major Repairs Reserve.

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

12. Intangible Fixed Assets

Expenditure on assets that do not have physical substance but are identifiable and controlled by the Council, is capitalised when it will bring benefits to the Council for more than one financial year. Intangible assets on the Balance Sheet relate to the purchase of software licences. Intangible assets are recognised at cost and amortised to the relevant revenue account over the economic life of the investment to reflect the pattern of consumption of benefits, normally a maximum of five years.

Internally developed intangible assets such as the development and implementation of computer systems are not capitalised but are written down to the relevant service revenue account and reversed out via the STMGFB under the provisions for revenue expenditure funded from capital under statute.

13. Charges to Revenue for Fixed Assets

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

- depreciation attributable to the assets used by the relevant service
- impairment losses attributable to the clear consumption of economic benefits on tangible fixed assets used by the service and other losses where there are no accumulated gains in the Revaluation Reserve against which they can be written off
- amortisation of intangible fixed assets attributable to the service

The Council is not required to raise Council Tax to cover depreciation, impairment losses or amortisations. It is required, however, to make an annual provision from revenue to contribute 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, impairment losses and amortisations are therefore replaced by revenue provision in the Statement of Movement on the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account for the difference between the two.

14. Capital Salaries

The salary costs of technical staff working directly on the development and supervision of capital schemes have been treated as capital expenditure.

15. Revenue Expenditure Funded from Capital Under Statute

Expenditure incurred during the year that may be capitalised under statutory provisions, but does not result in the creation of fixed assets, has been charged as expenditure to the relevant service revenue expenditure account in the year. Where the Council has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer to the CAA then reverses out the amounts charged in the STMGFB so there is no impact on the level of council tax.

In 2009/10 the Council treated the following as revenue expenditure financed from Capital under statute:

- Expenditure incurred on the acquisition or preparation of a computer program, including expenditure on the acquisition of a right to use the program, if the Council acquires or prepares the program for use for a period of at least one year for any purpose relevant to its functions.

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

16. Capital receipts not arising from a disposal of an asset

Capital receipts may arise from repayment of grants or premiums on leases, or long term debtor repayments. Where appropriate, the capital receipt is charged to the revenue account against the relevant service expenditure line. Where this is not possible, the Council classifies the receipt as other income in the other operating costs section in the Income and Expenditure Account.

All capital receipts are appropriated to the Usable Capital Receipts Reserve from the STMGFB.

17. Capital receipt from sale of Investment

The capital receipt from the sale of the Council's subsidiary Company, Plymouth Citybus, has been classified as 'other income' in the Other Operating Costs section in the Income and Expenditure Account and appropriated to the Usable Capital Receipts Reserve from the STMGFB.

18. Capital Grants and Other Contributions

Capital grants are received by the Council towards the cost of financing certain capital projects, the main source being Central Government. In addition, Section 106 receipts are received from developers for planning obligations arising from new developments. The use of the receipts is restricted and is usually applied to capital works associated with the development.

Government grants and contributions are recognised as income at the date that the Council satisfies the conditions of entitlement to the grant/contribution and there is reasonable assurance that the monies will be received.

Capital grants and contributions that are used to finance capital expenditure during the year, are transferred into the Grants Applied section of the Government Grants Deferred Account. They are released to the revenue account over the life of the assets they finance, to offset any future charges for depreciation. Capital grants used to finance revenue expenditure (under the provisions for revenue expenditure financed from Capital Under Statute), or other capital expenditure not adding to the value of assets, are credited to the relevant service revenue account in the year they are used and reversed out via the STMGFB to the CAA.

Grants and contributions received but not yet utilised are held as Capital Grants and Contributions Unapplied. Although they are shown in the Balance Sheet under Capital Grants and Contributions Deferred, they are separately disclosed in a note to the Accounts.

Further details of capital grants received in 2009/10 and the movement in grants during the year is shown in Note 21.4 & 21.5, page 85.

19. Section 106 Developer Contributions

Section 106 Developer Contributions are included within Government grants and contributions in line with SORP recommendations and written out on the same basis as other Government grants and capital contributions. Details of the Section 106 receipts are shown in Note 21.6, pages 86 & 87.

20. Minimum Revenue Provision

New regulations relating to Minimum Revenue Provision (MRP) came into force on 31 March 2008. These Regulations require authorities to make a prudent provision for debt, although the Regulations do not define 'prudent provision'. Authorities need to approve their MRP policy at the start of each financial year. The Council's MRP policy for 2009/10 was approved by full Council on 2 March 2009, and subsequently updated on 6 July 2009. A retrospective update was submitted to Council 5 July 2010 following an update to the Capital Finance Regulations issued in March 2010, effective for financial year 2009/10, aimed at mitigating the financial impact of bringing PFI schemes on to the Balance Sheet.

The MRP policy for 2009/10 was as follows:

> <u>Supported Borrowing</u>
> For borrowing supported by Revenue Support Grant the Council will continue to use the current method of 4% of the adjusted Non-HRA capital financing requirement.
>
> <u>Unsupported Borrowing</u>
> For new borrowing under the prudential system for which no Government support is being given and is therefore self-financed, MRP will be made in equal annual instalments over the life of the asset.
>
> <u>Capitalisation Directions</u>
> For capitalisation directions on expenditure incurred since 1 April 2008, MRP will be made in equal annual instalments over 20 years in line with DCLG guidance.
>
> <u>PFI/Leases</u>
> MRP in respect of PFI and leases brought on to the Balance Sheet under the 2009 SORP and IFRS will be based on a charge equal to the amount that has been taken to the Balance Sheet to reduce the liability.
>
> In all cases, MRP will commence in the financial year following the one in which the expenditure is incurred.

21. Financial Instruments

Financial liabilities
Loans/Borrowings- The Council's loans are initially measured at fair value and carried at their amortised cost. Annual charges to the Income and Expenditure Account for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. 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 Income and Expenditure Account is the amount payable for the year in the loan agreement. The Council has incurred fees of £0.036m in 2009/10. These have not been added to the value of the loan but charged direct to revenue. Whilst this is a departure from the SORP, the transactions fees should be considered in the light of total loans on the Balance Sheet of £237.267m.

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

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

Financial Guarantees
Guarantees given before 1 April 2006 which were not previously recognised on the Balance Sheet are not recognised as Financial Instruments. The Council does not therefore recognise the guarantee to PLUSS in its Balance Sheet, but continues to disclose the guarantee as a contingent liability.

Financial Assets
Financial assets are classified into two types:
• Loans and receivables – assets that have fixed or determinable payments but are not quoted in an active market
• Available for sale assets - assets that have a quoted market price and/or do not have fixed or determinable payments

The Council does not have any available for sale assets

Loans and receivables
Investments - are initially measured at fair value and are carried at their amortised cost. Annual credits to the Income and Expenditure Account for the interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the loans that the Council has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Income and Expenditure Account receivable for the year in the loan agreement.

The fair value of investments as at 31 March 2010 and the methods and assumptions in valuation techniques is outlined in the Financial Instruments Disclosure Note 31.4, pages 100 and 101.

All investments are managed internally by the Council's Treasury Management Officers.

Soft loans - The Council has made a small number of loans to other parties at less than market rates (soft loans). When soft loans are made, a loss is recorded in the Income and Expenditure Account for the present value of the interest foregone over the life of the instrument resulting in a lower amortised cost than the outstanding principal. Interest is credited at a marginally higher effective rate of interest than the rate receivable from these bodies, with the difference serving to increase the amortised cost of the loan in the Balance Sheet. Statutory provisions require that the impact of soft loans on the General Fund balance is the interest receivable in the financial year. The reconciliation of amounts debited or credited to the Income and Expenditure Account to the net gain required against the General Fund Balance is managed by a transfer from the FIAA in the STMGFB.

Car loans-The Council has made a number of car loans to staff at preferential interest rates. These are carried at cash value and not adjusted to amortised cost. The total amount outstanding on car loans on 31 March 2010 was £0.034m.

Impairment

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the Income and Expenditure Account. Any gains and losses that arise on derecognition of the assets are credited or debited to the Income and Expenditure Account.

The Council continues to make an impairment charge in respect of its investments in Iceland based on the latest available information. In 2009/10 the Council has chosen to take advantage of a Capitalisation Direction and has charged the full impairment to the revenue Account. The impairment charge is, however, effectively reversed out and charged to the CAA to be financed from capital resources. An adjustment has been made to the Financial Instruments Adjustments Account (FIAA) to reverse the impairment charge for 2008/09 as deferred under Regulations.

The Impairment has been calculated on the following basis:

Bank	Amount Invested	Recovery Basis	Recovery %	Impairment loss to be declared 2009/10
	£000			£000
Heritable	3,000	N/A	85	443
Glitnir	6,000	Non priority	29	4,514
Landsbanki	4,000	Priority	95	947
Total	**13,000**			**5,904**

This differs from the guidance issued by CIPFA under LAAP 82 (as updated May 2010) which, given the uncertainties around priority status, recommends the recoveries for Landsbanki and Glitnir banks should both be based on a weighted probability of 67% priority status, 33% non priority. If the Council had applied this methodology, the impairment charge to the accounts would have been £3.504m, a difference (reduction) of £2.400m.

Further details of the latest position on the Council's investments in Iceland and the impairment for 2009/10 are given in Note 31.5, pages 101 to 108.

The Council continues to make an impairment charge for its Landfill Allowance Trading Scheme ("LATS") long term debtor as the tradable value of LATS allowances has fallen below the carrying value. The impairment has been charged to the relevant service revenue account.

22. Dividends

Dividends are credited to revenue when declared. Dividends are shown within interest and investment income below the cost of services in the Income and Expenditure Account on page 56.

23. Interest

Interest is apportioned between the Housing Revenue Account and the General Fund in accordance with statutory regulations.

Interest relating to the General Fund is reflected in the Council's accounts as follows:

- Interest receivable is shown below the cost of services in the Income and Expenditure Account on page 56.

- Interest payable is also shown below the cost of services in the Income and Expenditure Account shown on page 56. Part of this cost relates to the financing of the Housing Revenue Account capital programme, and a recharge is made to the HRA for interest costs in line with a formula prescribed by Regulations.

Interest due or payable at year end is accrued and added to the value of the loan or investment. The element due to be paid within 12 months is shown within current assets or liabilities regardless of whether the loan/investment is due to be repaid within this period.

24. Borrowing

The Prudential Code gave authorities the power to borrow in advance to meet capital expenditure. The Council has no advance borrowing at 31 March 2010.

The fair value of the loans as 31 March 2010 and the methods and assumptions in valuation techniques are outlined in the Financial Instruments Disclosure Note 31.4, pages 100 and 101.

25. Provision for Credit Liabilities (PCL)

The Provision for Credit Liabilities (PCL) was abolished in 2004/05 as part of the changes to the Capital Finance Regulations. The Council, however, continues to disclose as a note to the Balance Sheet, the amounts set aside for debt repayment as part of the agreement with the Audit Commission to redress the wrongful use of the PCL to repay a deferred purchase agreement in 1991/92 and 1992/93. Details of this arrangement are given in Note 35.2 to the Core Financial Statements on page 112. The current auditor, Grant Thornton UK LLP concurs with this treatment.

26. Leasing

Finance Leases
The Council accounts for leases as finance leases when substantially all the risks and rewards relating to the leased property transfer to the Council. The Council has identified a number of properties that it considers meet the definition of a finance lease. The properties form part of the Council's fixed assets and are accounted for using the policies applied to tangible fixed assets. The assets held under a finance lease are disclosed in Note 23.1, pages 88 to 90.

The Council has also acquired equipment for use in residential homes under a finance lease.

Many of the leases are historical and the Council does not have a matching liability in the Balance Sheet, with annual payments being made via the relevant service line in the Income and Expenditure Account. This is a departure from the SORP, which requires the asset to be matched with a liability in the Balance Sheet at the start of the lease with the liability written down as the rent becomes payable, and is permitted as it does not materially mis-state the Council's reported position. Many of the leases are held on a long lease at peppercorn rental with the total value of lease payments per annum at £0.030m. This should be compared to total liabilities in the Balance Sheet of £1,030m. There are no annual payments in respect of property leases. The total liability for equipment leases is £0.111m as detailed in Note 14.2, pages 74 - 75.

Operating leases
Leases in –
Leases that do not meet the definition of finance leases are accounted for as operating leases. Fixed assets such as vehicles and computers are available for use under an operating lease, as well as some buildings and land, and the rentals payable are charged to the revenue account. The cost of these assets and the related liabilities for the future rentals are not shown in the Balance Sheet because the ownership does not pass to the City Council. The outstanding un-discharged leasing obligations are disclosed in Note 14.1 to the Core Statements on page 74.

Schools may make their own arrangements for operating leases using income from their schools budget share. These are included within total lease payments. Schools are not permitted to enter into finance leases.

Leases out-
The Council has a large investment property portfolio from which it obtains substantial rental income. All leases are classified as operating leases, with the properties recorded as fixed assets (investment property) on the Council's Balance Sheet. Rental income from the leases is recognised on a straight-line basis in the revenue account, over the period of the lease unless an alternative method is more representative.

27. Agency Services

Business Improvement District

The Council acts as an agent for Plymouth City Centre Company. The Council does not recognise income and expenditure relating to the Company in its accounts.

Plymouth Primary Care Trust

The Council carries out certain work on an agency basis on behalf of the Plymouth Primary Care Trust and strategic partners. The Council does not recognise income and expenditure in respect of these activities within its accounts. The Council does receive an administration fee which is included within net cost of services (Adult Social Care).

Council Tax

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

NNDR

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

28. Contingent Assets and Liabilities

Contingent Assets and Liabilities are not recognised in the accounting statements but are disclosed in Note 38 to the Core Statements on pages 127 to 130.

29. Landfill Allowance Trading Scheme (LATS)

The Landfill Allowance Trading Scheme is a 'cap and trade' scheme which allocates tradable landfill allowances to Waste Disposal Authorities.

LATS gives rise to:
- an asset for allowances held
- LATS grant income
- A liability for actual Biodegradable Municipal Waste (BMW) landfill usage.

Allowances are recognised as assets and valued at the lower of cost and net realisable value. The liability is measured at best estimate of expenditure required to meet the obligation at Balance Sheet date.

Any surplus/deficit for the year is credited/ written off to revenue as is any reduction in value.

30. Private Finance Initiative (PFI)

PFI contracts are agreements to receive services, where the responsibility for making available the asset needed to provide the service 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 fixed assets (Riverside Primary and schools at Wood View Campus) will pass to the Council at the end of the contracts for no additional charge, the Council carries the fixed assets used under the contracts on the Balance Sheet.

The original recognition of these fixed assets was balanced by the recognition of a liability for amounts due to the scheme operator to pay for the assets. The liability has been written down by capital contributions of £1.3m made in 2008/09 and £2.6m made in 2009/10.

Fixed assets recognised on the Balance Sheet were recognised at construction cost, depreciated to 1 April 2008. The assets are revalued and depreciated in the same way as property, plant and equipment owned by the Council. The first revaluation of the properties will be undertaken on 1 April 2010 as part of the Council's rolling programme.

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

- Fair value of services received during the year – debited to the relevant service in the Income and Expenditure Account
- Finance costs – an interest charge of 8.73% on the outstanding Balance Sheet liability, debited to Interest Payable and Similar Charges in the Income and Expenditure Account
- Contingent rent – increases in the amount to be paid for the property arising during the contract, debited to Interest Payable and Similar Charges in the Income and Expenditure Account
- Payment towards liability- applied to write down the Balance Sheet liability towards the PFI operator
- Lifecycle replacement costs – recognised as fixed assets on the Balance Sheet if spend meets the capital definition (none 2009/10).

<u>PFI credits</u>

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 interest and contingent rent charge is allocated to general grants within the Balance Sheet. The remaining grant is treated as a specific grant and included within the relevant service revenue account.

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.

31. Long Term contract – AMEY

The Council has a long term contract with Amey to manage the Council's Local Transport Plan (LTP) revenue works, including maintenance, preplanned and ad hoc works on highways, footpaths, gritting, walls etc. Amey also undertakes design works and delivery of an element of the Council's capital Local Transport Plan programme. The Council only includes current year spend within its accounts. Future commitments are disclosed in Note 13, page 73.

32. Plymouth Airport

Plymouth Airport was let on a 150 year lease to Plymouth Sutton Harbour Holdings Plc/Plymouth City Airport Ltd commencing 1 April 2004. The Council does not receive any rent under the lease.

In the event that the airport should cease to operate, the Council would receive 75% of any capital receipt from the sale of the site. As the airport remains a going concern, the Council has taken the view that its interest in this site is valued at zero as at 31 March 2010, in accordance with the Fair Value principles. The airport does not therefore appear on the Council's Balance Sheet as an asset.

33. Interests in Companies and Other Entities

The Council has material interests in a number of companies, which are regarded as subsidiary, joint ventures or associates and which require the Council to prepare group accounts. In the Council's own single entity accounts, the interests in the investments are recorded as investments ie at cost, less any provision for losses. On 1 December 2009 the Council sold its shares in Plymouth Citybus Ltd to Go Ahead PLC. The part year income and expenditure for Plymouth Citybus has been included in the Group Income and Expenditure Account as a discontinued service.

The companies included in the Council's group accounts are:

- Plymouth Citybus Limited (discontinued operation - part year 2009/10 only)
- Theatre Royal (Plymouth) Ltd.,
- Plymouth Investment Partnership Ltd.,
- PLUSS
- Tamar Bridge and Torpoint Ferry Joint Committee.

The Council is required to produce a Group Revenue Account and Balance Sheet that consolidates all the transactions of the related companies. Theatre Royal (Plymouth) Ltd and Plymouth Investment Partnership Ltd, have been incorporated as a Subsidiary, with PLUSS incorporated as an associate and Tamar Bridge and Torpoint Ferry Joint Committee incorporated as a joint venture. Plymouth Citybus Limited has been included within the Income and Expenditure Account as a discontinued service.

These Accounts are shown on pages 147 to 159 and, in general, follow the accounting policies outlined in this section. Where there are departures from these policies, for example, in order to comply with UK GAAP, these are detailed within the Group Accounts, "Supplementary Statement of Accounting Policies relevant to Group Accounts", page 148.

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

The Authority's responsibilities

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 Director for Corporate Support.

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

- to approve the Statement of Accounts.

The Director for Corporate Support's responsibilities:

The Director for Corporate Support is responsible for the preparation of the Authority's statement of accounts which, in terms of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in Great Britain ("the SORP") is required to give a true and fair view of the financial position of the authority at the accounting date and its income and expenditure for the year (ended 31 March 2010).

In preparing this statement of accounts, the Director for Corporate Support has:

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

The Director for Corporate Support has also:

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

A Broome
Director for Corporate Support

Dated: 22 JUNE 2010

APPROVAL OF STATEMENT OF ACCOUNTS BY AUDIT COMMITTEE

The Council is required to approve the Statement of Accounts. The 2009/10 Statement was approved by the Council's Audit Committee on 28 June 2010 and was signed on its behalf by the Member presiding over the meeting.

Signed: Dated:

Cllr P. Berrow

INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31 MARCH 2010

This account summarises the resources that have been generated and consumed in providing services and managing the Council during the last year. It includes all day-to-day expenses and related income on an accruals basis, as well as transactions measuring the value of fixed assets actually consumed and the real projected value of retirement benefits earned by employees in the year.

Restated 2008/09		Note	2009/10 Gross Exp.	2009/10 Gross Inc.	2009/10 Net Exp.
£000			£000	£000	£000
	Expenditure on General Fund Services:				
5,219	Central Services to the Public	1	26,877	(22,673)	4,204
57,437	Cultural, Environmental, Regulatory & Planning Services		85,523	(29,638)	55,885
67,918	Adult Social Care		91,646	(19,137)	72,509
75,488	Education and Children's Services		328,084	(219,500)	108,584
18,161	Highways & Transport Services		29,255	(12,122)	16,767
107,609	Housing-(Housing Revenue Account)		31,980	(30,448)	1,532
5,843	Other Housing Services		103,301	(100,582)	2,719
5,691	Corporate & Democratic Core		5,334	(106)	5,228
8,475	Non Distributable Costs		4,987	0	4,987
351,841	**Net Cost of Services**		**706,987**	**(434,206)**	**272,781**
	Other Operating Income & Expenditure:				
23,091	Loss/(gain) on Disposal of Fixed Assets	4 & 23.2			461,228
(1,214)	Other Income	6			(18,910)
190	Precepts & Levies				193
209	(Surplus)/deficit on trading activities not included in Net Cost of Services	5.2			(108)
21,983	Interest Payable and Similar Charges	9			21,855
1,473	Contribution to Devon County Council Pre-Reorganisation Debt	30			1,414
962	Contribution of Housing Capital Receipts to Government Pool	7			564
(15,932)	Interest & Investment Receivable				(7,542)
13,410	Pensions interest cost and expected return on pension assets	36			25,656
396,013	**Net Operating Expenditure**				**757,131**
(88,640)	Demand on the Collection Fund	17			(92,837)
(30,086)	General Government Grants	21.2			(38,269)
(88,393)	Non Domestic Rates Distribution				(84,076)
188,894	**TOTAL DEFICIT FOR THE YEAR**				**541,949**

STATEMENT OF MOVEMENT ON THE GENERAL FUND BALANCE

The Income and Expenditure Account shows the Council's actual financial performance for the year, measured in terms of the resources consumed and generated over the last twelve months. However, the authority is required to raise Council Tax on a different accounting basis, the main differences being:

- Capital investment is accounted for as it is financed, rather than when the fixed assets are consumed.
- Retirement benefits are charged as amounts become payable to pension funds and pensioners, rather than as future benefits are earned.

The General Fund Balance shows whether the Council has over- or under-spent against the Council Tax that it raised for the year, taking into account the use of reserves built up in the past and contributions to reserves earmarked for future expenditure.

This reconciliation statement summarises the differences between the outturn on the Income and Expenditure Account and the General Fund Balance.

Restated 2008/09 £000		Note	2009/10 £000
188,894	Deficit for the year on the Income and Expenditure Account		541,949
(188,904)	Net additional amount required by statute and non-statutory proper practices to be debited or credited to the General Fund Balance for the year	19	(541,727)
(10)	**(Increase)/Decrease in General Fund Balance for the Year**		**222**
(270)	**Movement in Schools Balances**	35.9	3,037
(280)	**Net Movement in General Balances**		**3,259**
(20,610)	**General Fund Balances Brought Forward**		**(20,890)**
(20,890)	**General Fund Balances Carried Forward**		**(17,631)**
(9,151)	**Amount of General Fund Balance held by schools under local management schemes**		**(6,114)**
(11,739)	**Amount of General Fund Balance generally available for new expenditure**		**(11,517)**
(20,890)			**(17,631)**

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

This Statement brings together all the gains and losses of the Council for the year and shows the aggregate increase/decrease in its net worth. In addition to the deficit incurred on the Income and Expenditure Account, it includes gains and losses relating to the revaluation of fixed assets and re-measurement of the net liability to cover the cost of retirement benefits.

The changes to Financial Instruments introduced under SORP 2007 resulted in a number of entries being made to the General Fund Balance through the Statement of Movement in General Fund Balance (STMGFB). In accordance with Statutory Regulations, these entries are reversed out to the Financial Instruments Adjustment Account. The Financial Instrument Adjustment Account is included within the reserves section of the Balance Sheet and therefore movements to and from this account affect the net worth of the Council as stated on the Balance Sheet. However entries to and from this account in accordance with the Statutory Regulations are not reflected within the Income and Expenditure Account, and therefore an additional line has been added to the Statement of Total Recognised Gains and Losses in order to distinguish the movement in the Balance Sheet between actual gains and losses for the year, and the impact of the Statutory transactions via the Financial Instruments Adjustment Account.

Restated 2008/09 £000		Notes	2009/11 £000
188,894	Deficit for the year on the Income and Expenditure Account		541,949
(56,870)	Deficit/(surplus) arising on revaluation of fixed assets	35.1	(24,677)
124,180	Actuarial (gains)/losses on pension fund assets and liabilities	36	101,204
256,204	**Total recognised (Gains)/losses for the year**		**618,476**
(1,695)	Movement in Financial Instrument Adjustment via STMGFB	35.4	(2,226)
254,509	**Net Movement in Worth as reflected on Balance Sheet***		**616,250**

*Difference of £0.002m due to roundings

The Council has restated its Balance Sheet as at 31 March 2009 for the PFI scheme and local taxation as required by the 2009 SORP and further details are outlined in note 1, page 63. The restatements have resulted in an increase in reserves/net worth on the Balance Sheet as at 31 March 2009 of £0.470m.

BALANCE SHEET AS AT 31 MARCH 2010

The Balance Sheet is fundamental to the understanding of the Council's position at year-end. It shows its balances and reserves and its long term indebtedness, and the fixed and net current assets employed in its operations, together with summarised information on the fixed assets held.

Restated 31 Mar 09 £000		Notes	31 Mar 10 £000	31 Mar 10 £000
	Fixed Assets			
	Intangible Assets			
1,860	Software Licences	24		1,783
	Tangible Assets			
	Operational Assets	23		
541,784	Council Dwellings		0	
532,030	Other Land and Buildings		530,207	
18,183	Vehicle, Plant & Equipment		17,341	
72,071	Infrastructure		76,887	
11,566	Community Assets		11,961	
1,175,634				636,396
	Non Operational Assets	23		
110,568	Investment Properties		102,060	
2,530	Surplus Assets Held for Disposal		2,114	
37,917	Assets Under Construction		38,727	142,901
1,328,509	**Net Fixed Assets**			781,080
51,341	Long-term Investments	25 & 31	29,088	
969	Long Term Debtors	26.1	555	29,643
1,380,819	**Total Long Term Assets**			810,723
	Current Assets			
991	Stocks and work in progress	28	429	
39,298	Debtors	26.2	48,655	
172,237	Short Term Investments	31	122,433	
3,050	Cash and bank		2,949	
354	Imprests		354	
215,930				174,820
	Current Liabilities			
(55,707)	Creditors	29.1	(55,039)	
(87,870)	Short Term Loans	31	(73,697)	
(25,380)	Long Term Loans maturing within next 12 months	31	(3,222)	
(168,957)				(131,958)
1,427,792	**Total Assets less Current Liabilities**			853,585
(17,691)	Creditors falling due after more than 12 months	29.2	(20,853)	
(263,405)	Long Term Borrowing	31	(160,348)	
(35,351)	Deferred Liabilities- Devon Debt	30	(33,937)	
(36,303)	Deferred Liability - PFI	16	(33,156)	
(11,838)	Provisions	33	(10,770)	
(160,897)	Government Grants Deferred	21.5	(189,611)	
(330,530)	Liability related to defined benefit pension scheme	36	(449,381)	
(856,015)				(898,056)
571,777	**Total Assets less Liabilities**			**(44,471)**

BALANCE SHEET AS AT 31 MARCH 2010 (CONT)

Restated 31 Mar 09 £000		Notes	31 Mar 10 £000	31 Mar 10 £000
	Financed By:			
95,963	Revaluation Reserve	35.1	118,375	
782,329	Capital Adjustment Account	35.2	252,370	
0	Trust funds & Special Balances	34	0	
151	Deferred Capital Receipts	35.5	56	
5,376	Usable Capital Receipts Reserve	35.3	21,359	
(348,221)	Pensions Reserve	35.6	(469,547)	
237	Major Repairs Account		0	
(7,928)	Financial Instruments Adjustment Account	35.4	(3,721)	
(1,843)	Unequal Pay Back Pay Account	35.8	(1,843)	
(47)	Collection Fund Adjustment Account	35.7	(253)	
22,828	Other Earmarked Reserves	35.10	19,310	
548,845				(63,894)
	Balances:-			
11,739	General Fund		11,517	
9,151	Schools Balances		6,114	
2,042	Housing Revenue Account		1,792	
0	Collection Fund		0	
22,932				19,423
571,777				**(44,471)**

CASH FLOW FOR THE YEAR ENDED 31 MARCH 2010

Restated 2008/09 £000		Notes	2009/10 £000	2009/10 £000
	Revenue Activities			
(30,473)	Net Revenue Activities Cash Flow	37.1		(16,467)
	Dividends From Joint Ventures and Associates			
	Cash Inflows			
(378)	Dividends Received			(366)
	Returns on Investments and Servicing of Finance:			
	Cash Outflows			
20,437	External Interest paid		17,760	
2,039	Interest on Finance Leases		2,992	
22,476			20,752	
	Cash Inflows			
(14,223)	Interest received		(11,464)	
8,253	**Net Cost of Servicing Finance**			9,288
	Capital Activities:			
	Cash Outflows			
68,085	Purchase of fixed assets		73,782	
8,385	Other capital expenditure		18,862	
12,017	Long Term Investments		0	
88,487			92,644	
	Cash Inflows			
(5,203)	Sale of fixed assets		(3,499)	
(45,210)	Capital grants & contributions received	21.4	(51,637)	
0	Other capital cash receipts		(17,000)	
38,074	**Net Capital Cash (Inflows) / Outflows**			20,508
	Acquisitions and disposals			
0	**Cash Ouflows**		0	
	Cash Inflows			
0	Sale of investment in subsidiary		(18,755)	
0	**Net (Inflows) / Outflows**			(18,755)
15,476	Net Cash (Inflow) / Outflow before Financing			(5,792)
	Management of Liquid Resources			
13,236	Net Increase/(Decrease) in Short Term Deposits	37.2	(43,749)	
(188)	Net Increase/(Decrease) in Other Liquid Resources		206	
13,048				(43,543)
	Financing:			
	Cash Outflows			
97,572	Repayment of Borrowing		46,289	
1,818	Capital element of finance lease rental payments and PFI payments		3,147	
99,390			49,436	
	Cash Inflows			
(50,083)	New Long Term Loans Raised		0	
(80,116)	New Short Term Loans		0	
(130,199)			0	
(30,809)	**Net Reduction/(Increase) in Financing**	37.3		49,436
(2,285)	**(Increase)/Decrease in Cash and Cash Equivalents**	37.4		**101**

NOTES TO CORE FINANCIAL STATEMENTS

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Note 1 –2008/09 Restatements

The 2009 SORP has introduced a change to accounting treatment for PFI and local taxation. These changes are required to be applied retrospectively, and the accounts for 2008/09, together with the relevant disclosure notes, have been restated.

In addition the BVACOP has removed the category for ‘Court and Probation Services’. Expenditure and Income on these services is now required to be shown under ‘Central Services to the Public’.

The impact on the core statements from these changes is shown below.

1.1 Income and Expenditure Account

	2008/09	PFI	Council Tax	NNDR	BVACOP	2008/09 Restated
	£000	£000	£000	£000	£000	£000
Expenditure on General Fund Services:						
Central Services to the Public	4,504				715	5,219
Court & Probation Services	715				(715)	0
Children’s and Education Services	75,958	(470)				75,488
Other Operating Income & Expenditure:						
Interest Payable and Similar Charges	19,986	1,997				21,983
Demand on the Collection Fund	(88,452)		(188)			(88,640)
General Government Grants	(28,089)	(1,997)				(30,086)
TOTAL	**(15,378)**	**(470)**	**(188)**	**0**	**0**	**(16,036)**

1.2 Statement of Movement on the General Fund Balance

	2008/09	PFI	Council Tax	NNDR	BVACOP	2008/09 Restated
	£000	£000	£000	£000	£000	£000
Deficit for the year on the Income and Expenditure Account	189,552	(470)	(188)	0	0	188,894
Net additional amount required by statute and non-statutory proper practices to be debited or credited to the General Fund Balance for the year	(189,562)	470	188	0	0	(188,904)
Increase/(Decrease) in General Fund Balance for the Year	**(10)**	**0**	**0**	**0**	**0**	**(10)**

1.3 Balance Sheet

	31 March 2009 £000	PFI £000	Ctax £000	NNDR £000	31 March 2009 Restated £000
Fixed Assets					
- Other Land and Buildings	496,135	35,895			532,030
- Vehicle, Plant & Equipment	18,183				18,183
- Infrastructure	70,775	1,296			72,071
- Community Assets	11,566				11,566
Other Long Term Assets - PFI	418	(418)			0
Current Assets					
Debtors	42,282		(129)	(2,855)	39,298
Current Liabilities					
Creditors	(58,691)		129	2,855	(55,707)
Liability - PFI	0	(36,303)			(36,303)
Liability related to defined benefit pension scheme	(330,530)				(330,530)
Total Assets less Liabilities		**470**	**0**	**0**	
Financed By:					
Capital Adjustment Account	781,056	1,273			782,329
Collection Fund Adjustment Account			(47)		(47)
Other Earmarked Reserves	23,631	(803)			22,828
Collection Fund	(47)		47		0
		470	**0**	**0**	

1.4 Cash Flow Statement

	2008/09 £000	PFI £000	Council Tax £000	NNDR £000	2008/09 Restated £000
-					
Net Revenue Activities Cash Flow	(26,846)	(3,815)	188		(30,473)
Interest on Finance Leases	42	1,997			2,039
Net Increase/(Decrease) in Other Liquid Resources	0		(188)		(188)
Capital element of finance lease rental payments and PFI payments	0	1,818			1,818
TOTAL	**(26,804)**	**0**	**0**	**0**	**(26,804)**

Note 2 - Authorised for Issue Date

The 2009/10 Statement of Accounts was authorised for issue by the Chief Finance Officer, Adam Broome CPFA, Director for Corporate Support, on the 22 June 2010. This is the date that the 2009/10 Statement of Accounts was issued as a public document in preparation for scrutiny and approval by members of the Audit Committee at its meeting on 28 June 2010.

Note 3 - Events After the Balance Sheet

Although the Statement of Accounts shows the financial outturn position for 2009/10 and Balance Sheet position as at 31 March 2010, the Council is required to take into account items occurring after 31 March 2010 if they would have a material effect on the figures. The Council has no such items to report as at 22 June 2010.

Note 4 - Exceptional Items

4.1 Stock Transfer

The Council completed the transfer of its Housing stock to Plymouth Community Homes (PCH) on 20 November 2009.

The stock transfer has had a major impact on the Council's accounts for 2009/10 and where appropriate comments have been included within the individual notes to the accounts. Further information is also contained within the Housing Revenue Account (HRA) and HRA disclosure notes pages 131 to 142. The more significant issues from the transfer are outlined below:

- The Council transferred 14,813 dwellings, 1,458 right to buy leases, 8 shared equity properties, 2,901 garages, 128 shops, 22 other commercial lettings, 9 housing offices and various other land holdings. The total value of the properties on the Balance Sheet was £547.677m, of which £546.375m related to properties attributable to the HRA. The properties have been written out of the Balance Sheet and show a loss on disposal in the General Fund Income and Expenditure Account and the Housing Revenue Account Income and Expenditure Account. The written off value is not a charge against the Council Tax or Housing Rents as the cost of fixed assets is fully provided for under separate arrangements for capital financing and the loss has been reversed out via the Statement of Movement on the General Fund Balance (and Statement of Movement on the Housing Revenue Account Balance) and charged to the Capital Adjustment Account.

- As part of the stock transfer arrangements, Central Government reimbursed all outstanding debt, by making a payment to the Public Works Loan Board (PWLB) totalling £91.37m, together with an additional £25.94m in respect of premiums incurred on the early repayment of the debt.

- As part of the transfer arrangements, the building maintenance and manufacturing trading operations were also transferred.

- Government guidance requires the Local Government Pension Scheme (LGPS) pension fund to be fully funded for the staff transferring from the Council to PCH. In order to achieve this, Devon County Council transferred additional pension fund assets from the City Council's share of the pensions fund to the new fund set up for PCH. Effectively this crystallised the share of the pension fund deficit attributable to the transferring staff at £23.67m. Under the transfer agreement the Council is required to make good any further deficit following the pensions triennial review, subject to a maximum increase of 5% or £1.183m which ever is the lower. Any decrease in the liability will result in pension assets being transferred back to PCC. There is no limit on any reduction.

- Rent and service charge arrears were assigned to Plymouth Community Homes in consideration for a payment of £1.077m. The remaining balance of rent debt outstanding has been written off to the HRA bad debt provision account in 2009/10.

- Prepaid rent in respect of current tenants as at transfer date, totalling £0.615m, was transferred to PCH.

- A special Subsidy Determination was issued by the Department for Communities and Local Government (DCLG) for 2009/10 in June 2010, requiring an adjustment to the Mid Year Subsidy Capital Financing Requirement to reflect the repayment of the £91.37m PWLB debt by DCLG, which has adjusted the subsidy for the year. This has been reflected within the HRA for 2009/10.

4.2 Sale of Subsidiary Company- Plymouth Citybus Ltd

The Council sold its shareholding in its subsidiary company, Plymouth Citybus Ltd on 1 December 2009 to Go Ahead Group PLC for a sum of £18.755m. In accordance with accounting standard FRS2, the investment has been carried on the Council's Balance Sheet at cost of £1.290m. The investment has been written out of the Balance Sheet as a Gain on Disposal - Other Income in the General Fund Income and Expenditure Account. However under separate arrangements for capital financing the gain has been reversed out via the Statement of Movement on the General Fund Balance to the Capital Receipts Reserve and the Capital Adjustment Account The main impact of the sale will be on the Council's group accounts, pages 147 to 159.

4.3 Fleming Vat Claims

Under UK VAT law, claims for overpaid VAT must be made within three years of the end of the relevant VAT accounting period. A number of cases were brought before the UK Courts challenging the validity of the three year cap, particularly the lack of any transitional period at the time of clarification of VAT treatment in areas such as excess parking charges and library charges. The decision of the House of Lords in the two cases of Michael Fleming (t/a Bodycraft) v HMRC and Conde Nast Publications Ltd v HMRC held that the three year cap should be disapplied as no adequate transitional relief period was given at the time that the legislation was introduced. HM Revenue & Customs gave taxpayers until 31 March 2009 to make claims.

The Council, in common with many other local authorities submitted a number of claims at the end of 2008/09. Claims totaling £2.144m (net of fees) have been accepted by HRMC and reimbursed to the Council in 2009/10. The reimbursement (income) is shown within the Income and Expenditure Account as follows:

Fleming Vat Claims	**£000**
Net cost of Services:	
Culture Sport and Leisure	887
Highways and Transport Services	218
Net Operating Costs	
Interest receivable	1,039
	2,144

Note 5 - Trading Operations

The following Notes report on the Accounts in the required statutory format for each of the Council's main trading services. The Statutory Accounts differ from the Council's management accounts for these services due to a difference in the treatment of the following items:

- Pension Costs (FRS 17)
  A requirement to account for pension costs in line with FRS 17. Whilst the Council's management accounts include the cost of the employer's actual annual pension contributions, FRS 17 requires these costs to be reversed out of service costs in the Income and Expenditure Account and replaced by notional costs of current service based on information provided by the Actuary.

- Capital Charges-Notional Interest
  In order to satisfy the requirements of competition law, recharges for internal work done by the trading operation following competition with the private sector continue to be priced to include a cost of capital recovery. The SORP does not permit charges for cost of capital to be debited to trading accounts, so that the statutory adjustments that have been made result in a surplus for the accounts.

  The transfers to and from the Council's Earmarked Reserves are adjusted within the Statutory Accounts to ensure the net effect on the General Fund position of the trading accounts and reserve transfers remains in line with the out-turn position shown in the management accounts and reported to Cabinet.

The Council has a number of internal trading operations which form part of the Council's General Fund or Housing Revenue Account. In addition, the City Council operates its on and off-street parking facilities, and Plymouth City Market in the City Centre as trading undertakings. The net surplus or deficit on these accounts is transferred to an appropriate trading reserve. With the exception of Plymouth City Market, the trading position for each is included within the relevant service expenditure.

5.1 Internal Trading Operations

The Local Government Act 1999 abolished all statutory requirements regarding compulsory competitive tendering from January 2000. However, in accordance with CIPFA's recommended practice, the Council has continued to maintain trading accounts for a number of activities.

Responsibilities for these activities have been transferred across the Council's Directorates and surpluses or deficits for trading activities form part of the Council's General Fund Working Balance or, in the case of building maintenance, the Housing Revenue Account Working Balance. The net surplus or deficit for the year is included within the relevant service expenditure analysis within the Net Cost of Services.

The trading results for each operation, after making the necessary accounting adjustments described above, is as follows:

Internal Trading Accounts		Income	Expenditure	Deficit/ (Surplus)
2009/10		**£000**	**£000**	**£000**
General Fund Operations				
Street Services		(10,470)	10,642	172
Catering		(3,859)	4,182	323
Manufacturing	*	(2,833)	2,697	(136)
Total transferred to General Fund		**(17,162)**	**17,521**	**359**
HRA Operations				
Building Maintenance - total transferred to HRA	*	(7,048)	6,357	(691)
Total Trading Operations		**(24,210)**	**23,878**	**(332)**
2008/09				
General Fund Operations				
Street Services		(13,646)	13,738	92
Catering		(3,538)	4,053	515
Manufacturing		(4,303)	4,115	(188)
Total transferred to General Fund		**(21,487)**	**21,906**	**419**
HRA Operations				
Building Maintenance - total transferred to HRA		(10,783)	9,737	(1,046)
Total Internal Trading Operations		**(32,270)**	**31,643**	**(627)**

* Part year only. Operations transferred to Plymouth Community Homes (PCH) on 20/11/2009 as part of stock transfer arrangements.

The main activities of each division are:

Street Services - Responsible Director: Director for Community Services

This Division incorporates a wide range of activities and accounts for over half the total turnover of the Accounts. The Division is responsible for the following areas:

- Grounds Maintenance - The principal areas of work are grass cutting, maintenance of playing fields, team sport facilities, flowerbeds and tree and shrub maintenance. The Grounds maintenance division has a Service level agreement (SLA) with PCH to provide services in respect of land transferred. The SLA runs until March 2011.

- Vehicle Maintenance - This contract covers the maintenance of the Council's fleet and also services the plant and equipment used by the other divisions.

Catering - Responsible Director: Director for Children's Services

The provision of meals to 87 schools via local kitchens and cafeterias together with sundry catering facilities to staff.

Manufacturing and Building Maintenance

Prior to the housing stock transfer the Manufacturing and Building Maintenance operations provided the following services:

Manufacturing
- Joiners Shop- supply of window frames, doors, seats, street furniture as well as timber treatment.
- Metal Fabrication Shop- supply of playground equipment, architectural metalwork, fences and railings.
- UPVC Window Factory- manufacture and installation of windows
- Sign Shop- design service producing street nameplates, posters and engraved plaques.

Any surplus on the Manufacturing account is transferred to the General Fund.

Building Maintenance
- Maintenance work on the Council's housing stock.

Any surplus on the Building Maintenance account is transferred to the HRA.

As the majority of work undertaken by both of these operations was carried out on the Housing stock, the two trading divisions transferred to Plymouth Community Homes (PCH), under the arm of Plymouth Community Services Ltd, as part of the stock transfer. The Council has a Service Level Agreement (SLA) in place with PCH which enables the Council to continue to use these services. The SLA runs initially until March 2011.

5.2 Plymouth City Market

After making the statutory adjustments referred to above, the final position on Plymouth City Market for 2009/10 was a net trading surplus of £0.108m. The position prior to the adjustments was a deficit of £0.108m.

Plymouth City Market	2008/09 £000	2009/10 £000
Income from stall holders - Rents and charges	(1,242)	(1,241)
Expenditure	1,451	1,133
Trading (Surplus)/ Deficit	**209**	**(108)**

5.3 Car Parking Trading Operations

The income and expenditure relating to the Council's car parking activities is disclosed within the cost of Highways and Transport Services, as required under the Best Value Accounting Code of Practice (BVACOP). However, as the Council operates these activities as trading undertakings, the financial results of these operations have been included in this Note and are shown below.

Car Parking Trading Operations	2008/09 £000	2009/10 £000
Off Street Parking		
Income - Fees and charges	(5,705)	(5,404)
Expenditure	5,283	2,901
Trading (Surplus)/Deficit	**(422)**	**(2,503)**
On Street Parking		
Income - Fees & Charges	(2,882)	(2,798)
Expenditure	1,839	1,640
Trading (Surplus) / Deficit	**(1,043)**	**(1,158)**
Total Car Parking Trading Operations	**(1,465)**	**(3,661)**

Prior to the statutory adjustments, the position on the car parking accounts was as follows:
Off street parking – surplus £0.860m
On street parking - surplus £1.202m

Note 6 – Other Income

Other Income generally relates to capital receipts in year for which no asset can be identified, such as repaid discounts from Council House sales, covenants and lease premiums. In 2009/10, other income also includes the net income following the sale of Plymouth Citybus. In 2009/10, other income totalled £18.910m net of costs (£1.214m in 2008/09), of which £17.465m relates to the Citybus receipt less investment write-out.

Note 7 - Housing Capital Receipts to Government Pool

The Council is required to pay a proportion of its HRA capital receipts (75% Council House sale receipts and 50% other land sales) to a Central Government pool. In 2009/10, £0.564m was paid to the pool under these requirements (£0.962m in 2008/09).

Note 8 - Agency Services

The City Council carries out certain work on an agency basis on behalf of the Plymouth Primary Care Trust (PCT) and Strategic Improvement Partners, for which it is reimbursed. The funded nursing care element of nursing home payments is paid with the social care element. The cost in 2009/10 was £1.427m (2008/09 £1.751m). In addition, an administrative charge is made to facilitate these payments. This was £35,457 in 2009/10 (£35,456 in 2008/09).

Note 9 – Interest Payable and Similar Charges

Interest paid on loans and other similar charges for the year was £21.855m (£19.986m in 2008/09) as follows:

Interest Payable and Similar Charges	Restated 2008/09	2009/10
	£000	£000
Interest payable on loans	19,984	13,271
Discounts received from early repayment of debt	(1,940)	(101)
PFI	1,997	2,962
Impairment charge - Iceland Banks	1,942	5,723
Total Interest Payable & Similar charges	**21,983**	**21,855**

The cumulative impairment charge for the Icelandic banks is £7.665m, made up of principal of £5.904m and interest £1.761m. £1.942m was allowed for in 2008/09, leaving an increase to the impairment of £5.723m in 2009/10.

The Council has secured a Capitalisation Direction of £5.7m towards the costs of the principal element of £5.904m. This has been adjusted through the Statement of Movement in General Fund Balance where a transfer of £5.7m has been made to the Capital Adjustment Account. The difference of £0.204m has been met by a transfer from the Icelandic Bank Reserve ensuring there is no impact on the General Fund Balance.

Further details on the impairment charge are included in the Financial Instruments Disclosure Note 31 on pages 98 to 108.

Note 10 – Members' Allowances

The Council made payments totalling £0.939m (2008/09: £0.919m) to its Members in the year made up as follows:

Members Allowances	2008/09	2009/10
	£000	£000
Basic Allowance	570	572
Special Responsibility Allowance	349	364
Travel, subsistence and other expenses	4	3
Total	**923**	**939**

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

The Council is required to publish details of payments made to its Members and these can be obtained from the Council's website:

http://www.plymouth.gov.uk/homepage/councilanddemocracy/membersallowances.htm, or, in writing, from the Democratic Support Officer, Directorate for Corporate Support, Civic Centre, Plymouth PL1 2AA.

Note 11 - Officer's Remuneration

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

Remuneration Band	Restated* 2008/09	2009/10
£50,000 - £54,999	71	83
£55,000 - £59,999	49	56
£60,000 - £64,999	24	39
£65,000 - £69,999	16	17
£70,000 - £74,999	8	8
£75,000 - £79,999	4	2
£80,000 - £84,999	8	12
£85,000 - £89,999	3	6
£90,000 - £94,999	2	0
£95,000 - £99,999	5	4
£100,000 - £104,999	1	0
£105,000 - £109,999	0	2
£110,000 - £114,999	2	1
£115,000 - £119,999	2	1
£120,000 - £124,999	0	0
£125,000 - £129,999	0	0
£130,000 - £134,999	1	1
£135,000 - £139,999	0	0
£140,000 - £144,999	0	0
£145,000 - £149,999	0	0
£150,000 - £154,999	0	0
£155,000 - £159,999	0	0
£160,000 - £164,999	0	0
£165,000 - £169,999	0	0
£170,000 - £174,999	0	0
£175,000 - £179,999	1	1
Total	**197**	**233**

*restated - based on gross pay over £50,000, previously based on taxable pay over £50,000.

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

	2008/09	2009/10
Schools Based Staff:		
Teaching staff	127	140
Non teaching	2	5
Sub Total	129	145
Non Schools staff	68	88
Total	**197**	**233**

The Accounts and Audit Regulations 2009 introduced a new additional requirement for the reporting of senior officer remuneration. 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. Where an employee's remuneration exceeds £150,000 there is an additional requirement that they be identified by name. Plymouth defines relevant senior staff as members of the Corporate Management Team (Directors) and Departmental Management Teams (Assistant Directors).

Senior Management Remuneration over £50,000

Senior Management Post	Notes	Salary including fees & allowances	Benefits in Kind *	Total Remuneration (excluding pension contributions)	Pension Contributions	Total Remuneration including pension contributions 2009/10
Remuneration over £150,000		**£**	**£**	**£**	**£**	**£**
Chief Executive - Barry Keel		176,316	714	**177,030**	26,447	**203,477**
Remuneration over £50,000 but less than £150,000						
Director of Services for Children and Young People		129,699	589	**130,288**	19,455	**149,743**
Director for Community Services		114,637	885	**115,522**	17,196	**132,718**
Director for Corporate Support		113,097		**113,097**	16,964	**130,061**
Asst Dir for Adult Health & Social Care		88,389		**88,389**	13,258	**101,647**
Asst Director Learner & Family Support		84,606	906	**85,512**	12,691	**98,203**
Assistant Director for Lifelong Learning		84,606	584	**85,190**	12,691	**97,881**
Assistant Director for Children's Social Care		84,607	-145	**84,462**	12,691	**97,153**
Assistant Director for Environmental Services		84,606		**84,606**	12,691	**97,297**
Assistant Director for ICT		84,606	25	**84,631**	12,691	**97,322**
Assistant Director for Finance, Assets & Efficiencies		83,364	26	**83,390**	12,505	**95,895**
Assistant Director for Commissioning, P & P		81,393		**81,393**	12,245	**93,638**
Assistant Director Business Support		80,220	13	**80,233**	8,671	**88,904**
Assistant Director for Transport		70,393	-46	**70,347**	10,603	**80,950**
Assistant Director for Culture Sport Leisure		69,696	738	**70,434**	10,454	**80,888**
Assistant Director for Planning Services		69,696		**69,696**	10,454	**80,150**
Assistant Director - Strategic Housing	1	61,891	-2	**61,889**	9,284	**71,173**
Assistant Chief Executive	2	58,108		**58,108**	8,716	**66,824**
Assistant Director for Safer Communities		57,764	73	**57,837**	8,716	**66,553**
Director of Development	3	57,319		**57,319**	8,598	**65,917**
Director for Development & Regeneration	3	56,086	-251	**55,835**	8,413	**64,248**
Asst Director HR	4	54,221	23	**54,244**	8,026	**62,270**
Asst Director Economic Development	5	36,402		**36,402**	5,460	**41,862**
Asst Director Customer Services & Business Transformation	6	30,164		**30,164**	4,525	**34,689**
Asst Director Democracy & Governance	7	20,469	1	**20,470**	3,070	**23,540**
Asst Director HR & Organisational Development	4	19,787		**19,787**	2,968	**22,755**
Total (Including Chief Executive)		**1,952,142**	**4,133**	**1,956,275**	**289,483**	**2,245,758**

* P11D Mileage and Expenses

Officer Remuneration Notes:

Note 1 New appointee started 25/05/09, annualised salary will be £69,696

Note 2 New post holder start date was 01/09/09 annualised salary will be £99,614

Note 3 The Director of Development left the Council on 30/09/09. The new appointee started on 5/10/09, annualised salary will be £114,637

Note 4 The Assistant Director for HR left the Council on 19/11/09, the new appointee started on 17/01/10, annualised salary will be £84,606

Note 5 New appointee started 05/10/09, annualised salary will be £69,696

Note 6 New appointee started 26/10/09, annualised salary will be £69,696.

Note 7 New appointee started 04/01/10, annualised salary will be £84,606

The total spend on Senior Management remuneration for 2008/09 was £3,239,099. The Council restructured its senior management team in April 2009. Prior to the restructure there were 34 Senior Management posts this was reduced to 24 posts effective 1 April 2009. The full year cost for 2009/10 as outlined above is £2,245,758.

Note 12– Disclosure of Audit Costs

Plymouth City Council incurred the following fees relating to external audit and inspection:

Audit Area:	2008/09 £000	2009/10 £000
Fees payable to Grant Thornton with regard to external audit services carried out by the appointed auditor	322	319
Fees payable to the Audit Commission in respect of statutory inspection	55	*48
Fees payable to the Grant Thornton for the certification of grant claims and returns	54	80
Fees payable in respect of other services provided by the appointed auditor.	0	20
Total	**431**	**467**

* This figure represents the amount advised by the auditor for external assessments relating to financial year 2009/10, but undertaken during 2010/11 and may be subject to change following the recent announcement that the Comprehensive Area Assessment and Use of Resources external assessments are to cease.

The fees for other services payable in 2009/10 related to work undertaken by the Auditor around the sale of Plymouth Citybus.

Note 13 - Undisclosed Obligations Resulting from Long Term Contracts

Highways, Amey Contract

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

The contract is for a period of 10 years with an estimated total value of approximately £150m. The Council made a payment of £11.78m under the contract in 2009/10 and is anticipating making payments of £16.49m in 2010/11.

Note 14- Leasing

14.1 Operating Leases

Authority as a lessee

Lease payments are made by the Council in respect of vehicles, plant, furniture and equipment. In addition, schools enter into lease agreements for computers and other equipment, meeting the payments from their school budget share. The amount paid under these arrangements in 2009/10 was £1.922m (2008/09 £2.535m restated).

In addition, the Council leases a number of buildings for operational purposes. The rentals payable in 2009/10 were £1.261m (2008/09 £0.978m).

The total leasing commitments for 2010/11, analysed by date of lease expiry is £2.803m as follows:

Operating leases - Authority as a lessee	Land and Buildings £000	Vehicle, Plant and Equipment £000
Total rentals paid in 2009/10	**1,261**	**1,922**
Payments due in 2010/11:	1,187	1,616
Analysed by year of expiry of the lease:		
Year one - leases expiring 2010/11	139	494
Years two to five - leases expiring 2011/12 to 2014/15	767	1,107
Year six onwards - leases expiring 2015/16 onwards	281	15
Total payments due 2010/11	**1,187**	**1,616**

Authority as a Lessor

During the year the Council was a lessor of a number of investment properties, including city centre shops, shops on Council estates and several retail developments and industrial units for which rental income in the region of £5.279m was received. The shops on Council estates and some of the land relating to the Housing Revenue Account were transferred to Plymouth Community Homes as part of the Housing Stock transfer. Commercial leased properties are held on the Balance Sheet as an investment property. The movement in investment assets is outlined in the Capital and Fixed Asset note 23 page 90. Investment properties are not depreciated but are subject to an annual impairment review.

14.2 Finance Leases

Authority as a lessee

The Council has acquired equipment for use in residential homes and libraries under a finance lease. These leases have previously been disclosed. The assets are not included in the Council's Balance Sheet but have been written off in the year the lease commenced. This is a departure form the SORP and is disclosed in the Statement of Accounting Policies on pages 40 & 41. Payments made in respect of finance leases in 2009/10 totalled £0.030m (£0.042m in 2008/09). The Council's obligations under these leases, analysed by the amount payable each year is shown below.

Finance leases - Authority as a lessee	Land and Buildings £000	Vehicle, Plant and Equipment £000
Total rent paid in 2009/10	**0**	**30**
Obligations payable 2010/11	0	24
Obligations payable 2010/11 to 2014/15	0	75
Obligations payable 2015/16 onwards	0	12
Total future year obligations	**0**	**111**

In addition the Council leases in a number of buildings, mainly libraries, for its day to day operational purposes. These properties are included in the Council's Balance Sheet but the Council does not disclose a corresponding liability for these assets in the Balance Sheet as these properties are generally rented under a long lease at a peppercorn rental.

The Council did not incur any capital expenditure in respect of its leased properties in 2009/10. The net book value of these properties at 1 April 2009 was £3.849m. A depreciation charge of £0.017m was made to the relevant service accounts. One property was transferred to PCH, leaving a net book value at 31 March 2010 of £3.814m. Further details are outlined in the Capital and Fixed Asset note 23.1on pages 88 & 89.

Note 15 - Pooled Budgets

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

Plymouth City Council has entered into a pooled budget arrangement with Plymouth Primary Care Trust for the provision of community equipment services to enable the discharge of patients from hospital. The partnership also provides independent assessment, impartial advice and information about equipment and services for disabled people and their carers and provides a point of contact for professionals working in the Plymouth area. The pooled budget is managed by the City Council. The annual contributions from each body vary from year to year.

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

Pooled Budget	2008/09	2009/10
Income	**£000**	**£000**
Contribution from Plymouth City Council	(1,091)	(1,003)
Contribution from Plymouth Primary Care Trust	(422)	(512)
Gross Income	**(1,513)**	**(1,515)**
Expenditure		
Employees	59	65
Transport	0	1
Third Party Payments		
-Block Contracts	515	515
-Equipment	686	741
-Adaptations	253	193
Gross Expenditure	**1,513**	**1,515**
Net Expenditure/(Income) for year	**0**	**0**
Accumulated deficit/(surplus) brought forward	0	0
Accumulated deficit/(surplus) carried forward	**0**	**0**

Note 16- Private Finance Initiative (PFI)

The Council entered a PFI agreement with Pyramid Consortium on 27 February 2007 to provide new school facilities at Whitleigh and the amalgamation of primaries at Bull Point and Barne Barton. Payments under the contract became effective in February 2008 when the first of the schools, the new primary school at Riverside, was opened. The Whitleigh school campus, Woodview, opened in phases during 2008/09 with the final phase, and thus full campus, being opened in March 2009.

Under the 2009 SORP the schools created under this scheme have been brought onto the Council's Balance Sheet and are reflected under operational assets within the overall assets shown in note 23 page 88. The Balance Sheet for 2008/09 has been restated as outlined in Note 1. The PFI scheme includes the following assets:

Riverside Primary School
Schools at Woodview campus
Tamerton Foliot Road

16.1- PFI Assets

The assets constructed under the PFI have been added to the Balance Sheet based on the cost of construction, depreciated to 1 April 2008. The assets are scheduled for revaluation as at 1 April 2010 under the Council's annual rolling valuation programme. The value of the PFI assets and the movement in the year was as follows:

Movement in PFI Assets	Restated 2008/09 £000	2009/10 £000
Balance 1 April	6,929	37,191
Additions in year	30,389	0
Depreciation charge for year	(127)	(633)
Balance 31 March	**37,191**	**36,558**

16.2 – PFI Deferred Liability

A deferred liability has been created in the Balance Sheet to reflect the financing provided by the PFI operator and the movement in the liability was as follows:

Movement in PFI Deferred Liability	Restated 2008/09 £000	2009/10 £000
Liability 1 April	7,731	36,303
Additions in year	30,389	0
Payments in year	(518)	(547)
Capital Contribution	(1,300)	(2,600)
Liability 31 March	**36,303**	**33,156**

The liability does not match the value of the assets as the Council is committed to making a number of capital contributions towards the scheme in the early years which reduce the outstanding liability at a quicker rate than the depreciation of the asset.

16.3 – Outstanding Obligations

The total value of payments due under the PFI is £119.268m over a 25 year period. The Council has secured PFI credits to the value of £49m, to which interest is added resulting in total Government support of £101.888m over the contract period, and this together with an annual contribution from the Council of approximately £0.600m, will be used to meet the running costs of the contract, including the loan repayments. The contract payments are adjusted depending on a number of factors, including the performance of the contractor. Payments totalling £4.828m were made to the contractor during 2009/10. The Council is committed to a payment of £4.736m in 2010/11. The table below shows the outstanding obligations under the contract, based on the original operators model.

PFI outstanding obligations	£000
Total payments to operator in 2009/10	**4,828**
Obligations payable 2010/11	4,736
Obligations payable 2010/11 to 2014/15	23,678
Obligations payable 2015/16 to 2120/21	23,678
Obligations payable 2020/21 to 2125/26	23,678
Obligations payable 2026/27 to 2030/31	23,678
Obligations payable 2031/32 to 2033/34	11,444
Total future year obligations	**110,892**

The PFI credits will be paid to the Council at a rate of £3.982m per annum. Spend to be incurred during the contract will vary from year to year as lifecycle works are undertaken. The Council transfers any surplus resources for the PFI scheme to a PFI reserve to match commitments that will be incurred in later years. Under the PFI model, the Council incurred a liability of £0.803m prior to the scheduled commencement of the unitary payments to the contractor. In bringing the liability on to the Balance Sheet this has been offset by a transfer from the PFI reserve.

Note 17 – Demand on the Collection Fund

This is the amount of the City Council's net revenue expenditure financed from the Council Tax. The figure represents the accrued income for the year. This differs from the precept on the collection fund agreed as part of the budget setting exercise. The difference between the two figures is required to be accounted for within a new account on the Balance Sheet – the Collection Fund Adjustment Account.

The City Council is required to publish certain statements and other information relating to the Collection Fund. These are shown on143 to 146.

Note 18 –Related Party Transactions and Partnerships

18.1 Related Party Transactions

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

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

Related Party Transactions	2008/09		2009/10	
	Receipts	Payments	Receipts	Payments
Subsidiary & Associated Companies	**£000**	**£000**	**£000**	**£000**
Plymouth Citybus Ltd	(50)	3,636	(17)	3,791
Plymouth Investment Partnerships Ltd (PIP)	(104)	0	(56)	0
Tamar Bridge & Torpoint Ferry Joint Committee	(1)	0	(25)	0
Theatre Royal (Plymouth) Ltd (incl Talklight Ltd)	0	2,444	(3)	2,593
The PLUSS Organisation Ltd	(115)	2,753	(101)	2,525
Assisted Organisations				
Call 24 Hour Ltd	(10)	78	(38)	0
Connexions Cornwall and Devon Ltd	(4)	2,405	0	2,497
Mayflower no 2 Trust	(28)	8	(30)	8
Millfields CEDT	(86)	124	(86)	112
Mount Batten Sailing and Water Sports Centre - Board of Directors	(68)	57	(71)	57
Pembroke Street Estate Management Board Ltd	(0)	142	0	8
Plymouth Citizens Advice Bureaux	0	175	0	354
Plymouth City Centre Company	(155)	0	(108)	0
Plymouth City Development Company Ltd	0	202	(75)	350
Routeways Board	(10)	378	0	357
Shekinah Mission	0	137	0	205
Tamar Science Park Ltd - Board of Directors	(55)	5	(52)	30
Wolseley CEDT	(322)	328	(323)	352
Totals	**(1,008)**	**12,872**	**(985)**	**13,239**

Central Government has effective control over the general operations of the Council – it is responsible for providing the statutory framework, within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. Housing Benefits). Details of transactions with Government Departments are set out in note 21 pages 83 to 87.

Members of the Council have direct control over the Council's financial and operating policies. During 2009/10 Members and Officers of the Council returned 59 declarations of Related Party Transactions for 2009/10, a response rate of 92%. Travelling, subsistence, relocation and Members' allowances were discounted entirely in the assessment of related party transactions. There was 1 return containing itemised transactions considered to be related transactions. The relevant Member did not take part in any discussion or decision relating to these transactions, details of which are recorded in the Register of Members' Interest, which is open to public inspection.

18.2 Accountable Body Schemes

New Deal for Communities (NDC)

The Council is the Accountable Body for the New Deal for Communities (NDC) Grant. The NDC projects are delivered and managed through the Devonport Regeneration Community Partnership Board (DRCP) which is required to produce an annual delivery plan, which must be agreed by the Department for Communities and Local Government (DCLG). The funding to meet the expenditure plans is paid over to the City Council which then reimburses the expenditure incurred by projects.

The final grant allocation for the 2009/10 was £7.621m and this amount was fully spent.

The Council currently holds a sum of £1.164m in a revenue reserves and has £0.433m in a capital reserve relating to agreements with DRCP to fund LA spend from NDC grant on the understanding that the City Council would meet DRCP spend to an equivalent amount by 2010/11

The Council only recognises grant awarded for Council projects within its Accounts. The total NDC grant included within the Council's Accounts for 2009/10 is £4.264m (£2.484m in 2008/09). Details of the projects supported will be included with the published Statement of Accounts following completion of the final Statement of Grant Expenditure (SOGE) return.

Surestart

The Council also acts as the Accountable Body for Surestart funding.

The total Surestart revenue grant for the year of £7.638m has been spent in full.

Surestart capital grant for the year was £1.610m. In addition a sum of £0.614m was brought forward from 2008/09 bringing total grant available of £2.224m. Final spend for the year was £0.896m. All unspent Capital funds from the 2009/10 allocation will be carried forward to 2009/10.

Details of the projects supported will be included with the published Statement of Accounts as in previous years.

Note 19 - Net additional amount required by statute and non-statutory practices to be debited or credited to the General Fund Balance for the year

	Restated 2008/09 £000	2009/10 £000
Amounts included in the Income and Expenditure Account but required by statute to be excluded when determining the Movement on the General Fund Balance for the year		
Depreciation and Impairment of Fixed Assets (Note 23)	(168,031)	(83,622)
Amortisation of Intangible Assets (Note 24)	(744)	(607)
Amortisation of Government Grants Deferred (Note 21)	7,262	18,595
Revenue Expenditure funded from Capital under statute (Note 23)	(8,431)	(16,262)
Net Loss/Gain on sale of fixed assets	(21,710)	(441,867)
Differences between amounts debited/credited to the Income and expenditure account and amounts payable/receivable to be recognised under statutory provisions relating to soft loans and premiums/discounts on early repayment of debt (Note 35.4)	930	1,384
Amount deferred under Regulations to Equal Pay back pay account	(1,843)	0
Amount by which Pension Costs calculated in accordance with FRS 17 are different from the contributions due under the Pension Scheme regulations (Note 36)	(9,100)	(17,647)
Amount by which Council Tax income and residual community charge adjustment included in the Income and Expenditure Account is different from the amount taken to the General Fund in accordance with Regulation (Note 35.7)	188	(206)
	(201,479)	**(540,232)**
Amounts not included in the Income and Expenditure Account but required to be included by statute when determining the Movement on the General Fund Balance for the year		
Minimum Revenue Provision for capital financing (Note 22)	6,988	8,627
Capital expenditure charged in year to the General Fund Balance	1,623	389
Transfer from Capital Receipts reserve to meet payments to Housing capital receipts pool equal to the amount payable into the Housing Capital Receipts Pool (Note 7)	(962)	(564)
	7,649	**8,452**
Transfers to or from the General Fund Balance that are required to be taken into account when determining the Movement on the General Fund Balance for the year		
Transfer to / (from) HRA Balance	(1,071)	(250)
Transfer to /(from) Schools Balances	270	(3,037)
Transfer to / (from) Earmarked Reserves	5,727	(6,660)
	4,926	**(9,947)**
Net additional amount required to be credited to the General Fund Balance for the year	**(188,904)**	**(541,727)**

Note 20 – Interest in Companies

The Council maintains involvement with a number of subsidiary and associated companies and joint ventures. Where the Council has a significant controlling influence in these companies, they are consolidated within the Council's Group Financial Statements. Details of the Council's transactions with these companies during the year are outlined in the Related Party Transactions Note 18, pages 78 & 79.

A summary of the accounts for each company, excluding Plymouth Citybus, will be made available with the Council's published accounts at the end of September 2010. The companies consolidated in the Group Accounts are:

20.1 Plymouth Citybus Limited – Discontinued Operation

Plymouth Citybus was a subsidiary of Plymouth City Council, established in 1987 following the Government's deregulation of bus undertakings. The Council sold its shares in the Company to Go Ahead Group Plc on 1 December 2009. The accounts included for Plymouth Citybus relate to the period 1 April 2009 to 1 December 2009, and have been based on unaudited management accounts only.

20.2 Plymouth Investment Partnership Limited – Subsidiary

A subsidiary of Plymouth City Council, this Company's principal activity is to invest in the promotion, assistance and establishment of businesses to improve the employment and economy of Plymouth and its surrounding area. The Company is limited by guarantee and has five directors, all of whom are Plymouth City Council Members. All the directors and members of the Company are guarantors of the Company to the extent of £1 each. On dissolution, the assets and liabilities will be transferred to Plymouth City Council. At 31 March 2010 the Company had net assets of £1.407m.

Full accounts may be obtained from:

Mr N Flay
Group Accountant
Department for Corporate Support
Plymouth City Council
Civic Centre
Plymouth, PL1 2AA

20.3 Tamar Bridge and Torpoint Ferry Joint Committees – Joint Venture

The operation, maintenance and control of the Tamar Bridge and Torpoint Ferry are carried out by the Tamar Bridge and Torpoint Ferry Joint Committee on behalf of Plymouth City Council and Cornwall Council. Income and expenditure, together with surpluses, deficits and reserves etc. are shared between the Constituent authorities on a 50/50 basis. At 31 March 2010 the net assets of the Joint Committee were £207.902m, including a General Fund Balance of £0.800m.

Full accounts may be obtained from:

Corporate Support
Cornwall Council
New County Hall
Truro
TR1 3AY

20.4 Theatre Royal (Plymouth) Limited – Subsidiary

Theatre Royal (Plymouth) Limited is a registered charity (No 284545) and company limited by guarantee. It is a subsidiary of Plymouth City Council. It has thirteen trustees, of whom six are members of Plymouth City Council. The Company was established to run the Plymouth Theatre Royal, built by Plymouth City Council. At 1 April 1996, the Theatre amalgamated with Plymouth Pavilions (which runs the Pavilions leisure facility). The primary objectives of the charity are to provide art and education in the region. At 31 March 2010 the Company's net reserves totalled £9.274m.

Full accounts may be obtained from:

Mr Adrian Vinken
Chief Executive
Theatre Royal (Plymouth) Limited
Royal Parade
Plymouth
PL1 2TR

20.5 PLUSS Organisation Limited – Associated Company

This Company, which commenced trading on 1 August 2005, is limited by guarantee and has 10 directors of which 1 is a member of Plymouth City Council. The company was established following the transfer of services previously delivered through the Social Services departments of Plymouth City Council, Devon County Council and Torbay Borough Council. In July 2006 Somerset County Council became an additional member of the company. Its primary purpose is the provision of employment and work related services for people with disabilities. At 31 March 2010 the Company's net reserves totalled £3.855m.

Full accounts may be obtained from:

Mr Paul Love
22 Marsh Green Road
Marsh Barton
Exeter
Devon
EX2 8PQ

20.6 Other interests

The following companies are also subsidiaries, associated or joint ventures of Plymouth City Council. However they are not considered material in financial terms and they are not consolidated within the Group Accounts

Call 24 Hour Ltd	Associate
Connexions Cornwall and Devon Ltd	Simple Investment
Mayflower (No.2) Trust	Subsidiary
Mount Batten Sailing and Water Sports Centre + Mount Batten Park Ltd	Associate
Plymouth Centre for Faiths and Cultural Diversity Ltd	Associate
Plymouth City Centre Company	Simple Investment
South West Public Transport Information	Simple Investment

Note 21 –Government Grants and Other Contributions

21.1 Dedicated Schools Grant

The Council's expenditure on schools is funded primarily by grant monies provided by the Department for Children, Schools and Families (DSCF), the Dedicated Schools Grant (DSG). DSG is ring fenced and can only be applied to meet expenditure properly included in the Schools Budget, as defined in the Schools Finance (England) Regulations 2008. The Schools Budget includes elements for a range of educational services provided on an authority-wide basis and for the Individual Schools Budget, which is divided into a budget share for each maintained school.

Details of the deployment of DSG receivable for 2009/10 are as follows:

Schools Budget Funded by Dedicated Schools Grant 2009/10		Schools Budget Funded by Dedicated Schools Grant 2009/10		
		Central Expenditure	**Individual Schools Budget**	**Total**
Notes		**£000**	**£000**	**£000**
A	Final DSG for 2009/10			140,166
B	Carry Forward from 2008/09			144
C	Brought fwd from 2010/11 agreed in advance			177
D	Agreed budgeted distribution in 2009/10	16,295	124,192	140,487
E	Actual central expenditure	19,270		
F	Actual ISB deployed to schools		125,071	
G	Local authority contribution for 2008/09	2,579	0	0
H	Carry forward to 2010/11 Under/(Overspend)	(396)	(879)	(1452)

A: DSG Figure as issued by DCSF on 25 June 2009

B: Figure brought forward from 2008/09 as agreed with DCSF

C: Amount the Council decided after consultation with the schools forum to bring forward to 2009/10 rather than distribute in 2010/11. The Schools Forum in March 2009 agreed to bring forward £350k from 2010/11, which has been reduced by the balance brought forward from 2008/09 £144k and the difference between Final and estimated DSG £29k, both these amounts were unknown when the budget was set in March 2009.

D: Budgeted distribution of DSG as per Published Section 52 Budget Statement as reported to the Schools Forum in March 2009.

E: Actual amount of central expenditure items in 2009/10

F: Amount of ISB actually distributed to schools

G: Any contribution from the local authority in 2009/10 which will have the effect of substituting for DSG in funding the Schools Budget

H: Carry forward to 2010/11:

- For central expenditure = difference between budgeted distribution of DSG and actual expenditure, plus any local authority contribution (D-E+G)
- For ISB = difference between budget and amount actually deployed to schools, plus any local authority contribution. Over or under-deployment on ISB can arise from transfers from central expenditure during the year, eg for contingencies; or from adjustments to schools' budget shares during the year e.g. for named SEN pupils (D-F+G)
- Total = carry forward on central expenditure (H) plus carry forward on ISB (H) minus brought forward from 2010/11 already agreed (C).

21.2 General Government Grants

Grants received from the Government that are not ringfenced for a specific policy or service initiatives are shown in the Income and Expenditure Account as a general grant. The total grants received, not allocated to services in 2009/10 was £38.269m (£30.086m in 2008/09).

General Government Grants	Restated 2008/09 £000	2009/10 £000
Revenue Support Grant	12,305	19,406
Area Based Grant (ABG)	14,988	14,727
LABGI (Local Authority Business Growth Incentive Scheme)	796	229
Planning and Delivery Grant*	0	745
Seaside Towns	0	200
PFI grant	1,997	2,962
Total	**30,086**	**38,269**

* £0.781m received in 2008/09, allocated to Cultural, Environmental, Regulatory and Planning Service.

21.3 Other Government Grants Received for Revenue Activities

The Council receives a number of grants from the Government towards its revenue activities. Many of these grants are ringfenced for specific service or policy initiatives. These grants are therefore included within the net cost of services. The table below shows the main grants received.

Other Government Grants - Revenue	2008/09 £000	2009/10 £000
Mandatory Rent Allowances & Non HRA Rent Rebates #	39,643	61,589
Rent Rebates granted to HRA Tenants #	24,744	15,759
Council Tax Benefit Grant	17,176	19,577
Benefits Admin Grant	2,303	2,630
Housing Subsidy (HRA) *- payable to national pool	(2,015)	(960)
Supporting People	8,275	8,306
Schools Standards Grant	7,821	7,825
Education Standards Fund	14,535	15,739
Learning and Skills Council	21,118	22,059
Surestart	6,959	7,658
DSG & Other Education Grants	137,581	140,898
Mental Health	69	209
Other Social Services Grants	261	1,230
New Deal for Communities	1,995	1,315
Homelessness	606	653
Local Public Service Agreements	270	0
Planning Delivery Grant **	781	0
Capacity Building	449	0
Local Area Agreements - Pump Priming Monies	21	187
Concessionary Fares	1,060	1,085
Family Intervention	187	0
Diploma Specific Grant	287	438
Intensive Supervision & Surveillance Programme	157	0
Growth Fund	327	371
Think Family / Parent Practitioner Grants	37	690
Youth Offending Grants	743	662
Other Revenue Grants	716	1,844
Total Revenue Grants Received	**286,106**	**309,764**

Rent assistance to HRA tenants paid as Rent Rebate. Following transfer to PCH, rent assistance made in form of Rent Allowance
* 2008/9 restated
** treated as General Grant in 2009/10

21.4 Capital Grants & Contributions

The Council also receives grants and contributions towards its capital expenditure. The capital grants and contributions received in 2009/10 were as shown in the table below. This table is shown on a **cash** basis to support the figures in the cash flow statement. (All other tables are on an accruals basis).

Capital Grants and Contributions	Restated 2008/09 £000	2009/10 £000
Department of Communities & Local Government	3,462	5,046
National Lottery	108	591
Big Lottery	0	1,000
South West Regional Development Agency	1,620	1,173
New Deal for Communities	87	5,138
Standards Fund	24,889	19,448
Children’s Centre Grant	446	3,449
Other Children's Services Capital Grants	8,008	6,583
Department of Health (Social Services)	273	277
Department for Transport	1,165	1,256
Housing Disabled Facilities Grant	511	609
Private Sector Renewal	1,379	1,656
DEFRA	640	287
Other Capital Grants	857	1,080
Section 106 Developers Contributions	634	662
Other Capital Contributions	1,131	3,382
Total Grants & Contributions Received	**45,210**	**51,637**

21.5 Government Grants Deferred

The movement on the Government Grants and Contributions Deferred Account for 2009/10 is shown in the table below which includes both applied and unapplied grants and contributions and Section 106 Receipts. The applied element of £161.457m at 31 March 2010, represents the value of grants and contributions that have been used to finance capital expenditure and are being amortised to revenue over the life of the asset financed as required by the SORP. The unapplied grants and contributions which total £28.154m at 31 March 2010, including £6.658m of Section 106 monies, is available to meet the costs of capital expenditure in future years.

Government Grants Deferred	Applied Grants & Contributions £000	Unapplied Grants £000	Unapplied Contributions £000	Total Government Grants Deferred £000
Balance at 1 April 2009	133,711	16,846	10,340	160,897
Restatement			(884)	(884)
Received in Year *		45,079	4,403	49,482
Amounts amortised in year	(8,964)			(8,964)
Amounts Written out to Revenue in year	(10,519)			(10,519)
Used to finance Capital spend in year	47,229	(41,586)	(5,643)	0
Used to finance Revenue spend in year			(401)	(401)
Balance at 31 March 2010	**161,457**	**20,339**	**7,815**	**189,611**

* An adjustment of £5,598 has been made in 2009/10 relating to grants and contributions incorrectly classified in previous years.

21.6 Section 106 Developers Contributions

Section 106 receipts are received from developers for planning obligations arising from new developments. The use of the receipts is restricted and is usually for works associated with the development. Examples of Section 106 receipts include children's playgrounds, highway works, environmental improvements etc. The movement in these balances, with major funds (above £50,000) being separately identified, is shown below:

The Council introduced a new Planning Tariff in January 2009. Planning Tariff receipts are received from developers for planning obligations arising from new developments along side Section 106 agreements. The receipts can be distributed according to the need for infrastructure etc, as per the Local Development Framework. To date there have been no receipts from this tariff. This is partly due to the economic climate and the Council's Market Recovery Scheme which encourages developments by discounting Tariff charges.

Section 106	Balance 31 Mar 09	Income	Revenue Financing & Other	Used for Capital Expenditure	Balance 31 Mar 10
	£000	£000	£000	£000	£000
Hillside Centre	645	0	(50)	0	595
Staddiscombe (Highways)	642	0	(13)	0	629
Duke St Chapel St	574	0	(77)	(36)	461
Land at Frobisher Approach	465	0	(32)	0	433
Land at Recreation Road	362	0	(18)	(22)	322
Brentor Road	199	0	(26)	(21)	152
Land at Belliver Reservoir	183	0	(10)	0	173
Park and Ride	175	0	0	0	175
Ballard Centre	148	0	(74)	(12)	62
Land at Moon Street	140	6	(100)	(10)	36
Seaton Barracks Highway Improvements	138	0	0	0	138
Salt Quay House	121	0	(18)	0	103
Radford Woods	121	0	0	0	121
Grainery's Joinery Bilbery Street	118	0	(11)	0	107
East Quays Boat Yard Sutton Road	106	0	(26)	0	80
Southway Drive	101	0	(101)	0	0
Rowes Building Glanville Street	100	0	0	0	100
Tamar Science Park - 04/02096	100	0	(5)	0	95
B&Q Tavistock Road	88	0	0	(88)	0
Plymouth International	83	0	(83)	0	0
Lidl St, St Budeaux	80	0	(9)	4	75
Treverbyn House	78	0	0	(32)	46
Salisbury Warehouse	77	1	0	(21)	57
Land at James Place, North Hill	76	0	0	0	76
Barbican Leisure Park - Signals	75	0	0	0	75
Cattedown Affordable Housing	75	0	0	0	75
Sub Total C/F	**5,070**	**7**	**(653)**	**(238)**	**4,186**

Section 106	Balance 31 Mar 09	Income	Revenue Financing & Other	Used for Capital Expenditure	Balance 31 Mar 10
	£000	£000	£000	£000	£000
Sub total B/F	**5,070**	**7**	**(653)**	**(238)**	**4,186**
Meadowcroft	73	0	(6)	(7)	60
Seaton Barracks - Leisure Facilities	72	0	0	0	72
St Michaels Church	69	0	(6)	(14)	49
Cattedown Road	67	0	0	0	67
Yacht Haven Quay	66	0	(6)	0	60
Ham Drive	63	0	0	(1)	62
St Marks Church	63	0	(6)	(25)	32
Plymouth Albion Rugby Ground	62	0	0	0	62
Sainsbury's Extension	61	0	0	(60)	1
Millbay Road	60	0	(50)	0	10
Tesco, Woolwell	58	0	(5)	(2)	51
Lidl Wolseley House	54	0	0	0	54
Shephards Wharf	53	(5)	(0)	0	48
Land at Hallerton Close	51	0	(5)	0	46
Marjons	51	0	(29)	0	22
Goodwins House, Ebrington Street	50	(1)	(5)	0	44
Plymouth Hospitals NHS Trust	50	0	(50)	0	0
Agaton farm	50	0	0	0	50
Nicholls Builders Yard	22	220	(22)	0	220
Lidl Food Store	0	52	0	0	52
Plymouth Airport Plymbridge Lane	0	85	0	0	85
Alma Road	0	111	0	0	111
Radford Quarry	0	136	0	0	136
Other S106 Under £50,000	1,709	57	(442)	(246)	1,078
Totals	**7,874**	**662**	**(1,285)**	**(593)**	**6,658**

The sum of £1.285m shown above as 'Revenue Financing & Other' comprises £1.244m transferred to revenue and £0.041m of balances invoiced in error or refunded to developers.

Note 22 - Minimum Revenue Provision

The Council is required by statute to set aside a Minimum Revenue Provision (MRP) for the redemption of external debt. The Capital Finance Regulations have introduced a requirement for each authority to make 'prudent' provision for the repayment of debt. The Council's MRP policy for 2009/10 is outlined in the Accounting Policies Statement page 37. The MRP must include an amount for the write down of the PFI deferred liability. For 2009/10 the MRP provision was £8.627m (2008/09 as restated for PFI £6.988m).

The MRP for 2009/10 includes a prior year adjustment of £1.637m relating to an incorrect calculation in the capital financing requirement since the introduction of the prudential capital financing regime. Whilst the error occurred from 2004/05 to 2008/09, the Capital Finance Regulations 2008 provide an amnesty for the period 2004/05 to 2006/07 whereby incorrect MRP calculations are to be treated as if they were correct. The adjustment therefore relates to financial years 2007/08 to 2008/09.

Note 23 – Capital and Fixed Assets

23.1 Movement in Fixed Assets

The movement in fixed assets during the year is summarised in the following table, with a further analysis of Operational and Non-Operational Assets provided below this. Restatements for prior years relates to the addition of the PFI assets onto the Balance Sheet. Reclassifications in year, in the main, relate to assets that were under construction in the previous year and have been completed during 2009/10.

Further details of the depreciation policy and measurement basis applied to fixed assets are outlined in the Statement of Accounting Policies on pages 32 to 34. The total depreciation charge, including HRA depreciation, applied in 2009/10 was £35.700m.

With the exception of the Council stock, there has been no change to the method of depreciation applied in the year. In the case of the Council Stock, the residual value method based on a 40 year life has been used for depreciation purposes, reflecting the Council's policy to apply a full year depreciation in year of disposal, giving a depreciation charge for the year of £9.137m. In 2008/09 MRA was used as a proxy for depreciation giving a depreciation of £9.536m.

Total Fixed Assets	Operational Assets	Non Operational Assets	Total
	£000	£000	£000
Cost or Valuation			
At 1 April 2009	**1,213,828**	**151,024**	**1,364,852**
Restatement - PFI	37,318	0	37,318
Restated Cost or Valuation At 1 April 2009	**1,251,146**	**151,024**	**1,402,170**
Additions	45,174	27,611	72,785
Disposals	(565,065)	(6,574)	(571,639)
Reclassifications	23,132	(23,095)	37
Revaluations	(44,815)	(6,064)	(50,879)
At 31 March 2010	**709,572**	**142,902**	**852,474**
Depreciation and Impairments			
At 1 April 2009	**(75,385)**	**(9)**	**(75,394)**
Restatement- PFI	(127)	0	(127)
Restated Depreciation and Impairment At 1 April 2009	**(75,512)**	**(9)**	**(75,521)**
Charge for 2009/10	(35,700)	0	(35,700)
Disposals	19,541	0	19,541
Reclassifications	438	(438)	0
Revaluations	18,057	446	18,503
At 31 March 2009	**(73,176)**	**(1)**	**(73,177)**
Net Balance Sheet amount at 31 March 2010	**636,396**	**142,901**	**779,297**
Net (Restated) Balance Sheet amount at 1 April 09	**1,175,634**	**151,015**	**1,326,649**

*note £0.037m reclassified from intangibles as at 31 March 2010

The Movement in Operational and Non operational assets are shown in more detail in the following Tables:

Operational Assets	Council Dwellings	Other Land & Buildings	Vehicles & Plant	Infra-structure Assets	Community Assets	Total
	£000	£000	£000	£000	£000	£000
Cost or Valuation						
At 1 April 2009	**551,138**	**532,002**	**25,115**	**91,379**	**14,194**	**1,213,828**
Restatement - PFI		35,988	0	1,330	0	37,318
Restated Cost or Valuation At 1 April 2009	**551,138**	**567,990**	**25,115**	**92,709**	**14,194**	**1,251,146**
Additions	8,522	24,444	3,314	8,190	704	45,174
Disposals	(559,660)	(3,571)	(1,061)	(731)	(42)	(565,065)
Reclassifications	0	21,123	233	1,526	250	23,132
Revaluations	0	(44,179)	(638)	0	2	(44,815)
At 31 March 2010	**0**	**565,807**	**26,963**	**101,694**	**15,108**	**709,572**
Depreciation and Impairments						
At 1 April 2009	**(9,354)**	**(35,867)**	**(6,932)**	**(20,604)**	**(2,628)**	**(75,385)**
Restatement - PFI	0	(93)	0	(34)	0	(127)
Restated Depreciation and Impairment at 1 April 2009	**(9,354)**	**(35,960)**	**(6,932)**	**(20,638)**	**(2,628)**	**(75,512)**
Charge for 2009/10	(9,137)	(18,609)	(3,239)	(4,169)	(546)	(35,700)
Disposals	18,491	550	482	0	18	19,541
Reclassifications	0	437	0	0	1	438
Revaluations	0	17,982	67	0	8	18,057
At 31 March 2010	**0**	**(35,600)**	**(9,622)**	**(24,807)**	**(3,147)**	**(73,176)**
Balance Sheet amount at 31 March 2010	**0**	**530,207**	**17,341**	**76,887**	**11,961**	**636,396**
Restated Balance Sheet amount at 1 April 09	**541,784**	**532,030**	**18,183**	**72,071**	**11,566**	**1,175,634**
Nature of asset holding 31 March 2010						
Owned	0	493,897	17,218	75,623	11,961	598,699
Finance Lease		1,014				1,014
PFI		35,296	123	1,264		36,683
	0	**530,207**	**17,341**	**76,887**	**11,961**	**636,396**

Non Operational Assets	Investment Properties	Surplus Assets Held For Disposal	Assets Under Construction	Total
	£000	£000	£000	£000
Cost or Valuation				
At 1 April 2009	**110,568**	**2,539**	**37,917**	**151,024**
Restatement PFI	0	0	0	0
Restated Cost or Valuation at 1 April 2009	**110,568**	**2,539**	**37,917**	**151,024**
Additions	0	0	27,611	27,611
Disposals	(6,475)	(99)	0	(6,574)
Reclassifications	3,305	401	(26,801)	(23,095)
Revaluations	(5,338)	(726)	0	(6,064)
At 31 March 2010	**102,060**	**2,115**	**38,727**	**142,902**
Depreciation and Impairments				
At 1 April 2009	**0**	**(9)**	**0**	**(9)**
Restatement PFI	0	0	0	0
Restated Depreciation and Impairment at 1 April 2009	**0**	**(9)**	**0**	**(9)**
Charge for 2009/10	0	0	0	0
Disposals	0	0	0	0
Reclassifications	(446)	8	0	(438)
Revaluations	446	0	0	446
At 31 March 2010	**0**	**(1)**	**0**	**(1)**
Balance Sheet amount at 31 March 2010	**102,060**	**2,114**	**38,727**	**142,901**
Restated Balance Sheet amount at 1 April 09	**110,568**	**2,530**	**37,917**	**151,015**
Nature of asset holding				
Owned	99,260	2,114	38,727	140,101
Finance Lease	2,800	0	0	2,800
PFI	0	0	0	0
	102,060	**2,114**	**38,727**	**142,901**

23.2 Gain/Loss on Disposal of Fixed Assets

In 2009/10, the Council incurred a net loss on disposal of fixed assets of £461.228m. Included within this amount was the transfer of the council stock and associated land and buildings to Plymouth Community Homes as shown below:

(Gain) /Loss on Disposal of Fixed Assets	£000	£000
Stock Transfer		
HRA Assets	546,375	
General Fund Assets Transferred to PCH	1,302	
PWLB debt repayment	(88,548)	
Grants Written Down	(889)	458,240
Net (gain) / loss from other asset sales 2009/10		1,426
Reclassification of under construction b/f		764
Other Assets written off balance sheet		798
		461,228

23.3 Impairment /Revaluations

There was no impairment due to a decline in property condition in 2009/10.

Decreases in value due to the downturn in economic conditions are written off through the Revaluation Reserve only to the extent that a previous revaluation gain for that asset exists, otherwise a downward valuation is written off to the Income and Expenditure Account. The effects of this are reversed out via the STMGFB and charged to the Capital Adjustment Account (CAA) to ensure there is no impact on Council Tax levels. The charges made in 2009/10 were as follows:

Downward Revaluations/Impairment	2008/09 £000	2009/10 £000
Downward Revaluation:		
Charged to Revaluation Reserve	8,428	14,326
Charged to I&E	109,569	57,059
Impairment due to decline in property condition charged to I&E	33,202	0
Total	**151,199**	**71,385**

23.4 Major Fixed Assets held at 31 March

The Council held the following major fixed assets at 31 March 2010. These assets are classified as operating assets and held on the Balance Sheet at market value or depreciated historic cost.

Asset	31 March 10 Number
Admin. Offices	8
Schools/Colleges	79
Youth & Community Centres	9
Libraries	13
Social Services Centres	18
Museums	2
Sports Complexes and Swimming Pools	7
Car Parks	62
Public Conveniences	31
Theatres	2
Cemeteries	2
Waste Management Centre	2

23.5 Community Assets

In addition to the assets above, the Council owns a number of Community Assets. Most community assets are deemed to have an infinite life and many are included in the Balance Sheet at a nominal value of £1. The Council's community assets include:

Allotments	28
Artwork/Art Collections	20
Bowling	4
Memorials	23
Parks/open spaces	290
Mount Edgcumbe	1
Shelters/Changing Rooms/Stores	14
Public Art/Street Landscaping	3
Plympton Guildhall	1
Plympton Castle	1
Charles Church	1
Plymouth Castle	1
Smeatons Tower	1
Grand Total	**388**

23.6 Trust, Foundation and Voluntary Aided Schools

The Council has a number of schools that are operated by various trusts or are classed as voluntary aided schools. The Council is responsible for providing funding to the schools from the DSG and Capital Resources. However, under foundation, trust or voluntarily aided status the school building and associated land effectively passes to the Trustees of the school who have control over the use of the assets. The assets are therefore not shown on the Council's Balance Sheet.

The following schools receive funding from the Council but do not appear in the Council's Balance Sheet:

Voluntary Aided Schools
Cathedral School of St Mary
Holy Cross Catholic primary
Keyham Barton Catholic primary
Plympton St Mary's C of E infant
St Andrew's C of E primary
St Budeaux foundation C of E junior
St George's C of E primary
St Joseph's Catholic primary
St Paul's Roman Catholic primary
St Peter's C of E primary
St Peter's Roman Catholic primary
Notre Dame Roman Catholic
St Boniface's Roman Catholic college

Trust Schools
Elburton primary
Widewell primary
Lipson Community College
Plymstock School
Stoke Damerel Community College

23.7 Summary of Capital Expenditure and Sources of Finance

	Restated 2008/09 £000	2009/10 £000
Opening Capital Financing Requirement (CFR) 1 April	**248,462**	**290,120**
Prior Year adjustments	429	26,822
PFI liability added to Balance Sheet	38,121	0
Adjusted opening CFR	**287,012**	**316,942**
Capital Investment		
Operational Assets	39,818	45,201
Non Operational Assets	29,893	27,584
Revenue Expenditure Funded from Capital under Statute	6,845	16,262
Other Capital Expenditure	1,540	3,174
	78,096	**92,221**
Sources of Finance		
Capital Receipts	0	(6,386)
Grants & Contributions Received	(46,222)	(47,229)
less S106 Contributions used to finance Revenue	296	1,285
Revenue & Other Funds	(12,396)	(6,618)
	(58,322)	**(58,948)**
Minimum Revenue Provision	(8,461)	(10,041)
Capital Receipts Set Aside in Year	(6,923)	(638)
Long Term Debtors written out in year	18	0
PWLB loan repayment stock transfer	0	(88,548)
Capital contribution to PFI	(1,300)	(2,600)
Closing Capital Financing Requirement 31 March 2009	**290,120**	**248,388**
Explanation of Movement in Year		
Increase in underlying need to borrow (supported by Government financial assistance)	6,640	18,157
Increase in underlying need to borrow (un supported by Government financial assistance)	10,855	14,469
Reduction in underlying need to borrow resulting from other changes in Capital financing Requirement	(14,387)	(101,180)
Increase/Decrease in Capital Financing Requirement	**3,108**	**(68,554)**

The Council has incorrectly included capital grants unapplied within the Capital Financing Requirement (CFR) since the introduction of the prudential capital financing regime in 2004. This has been corrected in 2009/10 requiring an adjustment of £27.186m to the opening CFR. As part of the correction, an additional MRP payment of £1.637m has been made in the accounts in 2009/10. A further adjustment of (£0.364m) has been made to the opening CFR in respect of reclassification of capital grants.

23.8 Revenue Expenditure Funded from Capital Under Statute (REFCUS)

Expenditure incurred during the year that may be capitalised under statutory provisions but does not result in the creation of fixed assets has been charged as expenditure to the relevant service revenue expenditure account in the year. However in recognition that this expenditure is financed from capital resources, an equivalent amount is debited to the Capital Adjustment Account via the STMGFB. REFCUS expenditure for 2009/10 was £16.262m and included a Capitalisation Direction of £7.166m.

23.9 Commitments Under Capital Contracts

The capital commitments outstanding on capital and other works contracts entered into as at 31 March 2010 amounted to £72.810m (2008/09 £57.215m). The Council is committed to complete these contracts under its latest approved Medium Term Capital Programme which spans a five year period. Major commitments (over £100,000) under capital contracts were as follows:

Capital Commitments	**£000**
Transport & Highways - Amey LG Ltd	13,000
Chelson Meadow Waste Infastructure - Mott McDonald	1,236
Devonport Park Pavillion - J & E Regan	276
Stonehouse CPO - Ian Williams	236
Chelson Meadow Consultancy Support - Hyder Consulting	159
Estover Campus - Kier Regional	15,956
Efford Reorganisation - Interserve	4,651
PFI Contribution - Pyramid Consortium	700
Estover Campus - EC Harris	396
Childrens Play, Tothill Park - Park Leisure	180
Efford Reorganisation - EC Harris	169
Montpelier - Mansell Construction Services	136
Life Centre - Balfour Beatty	35,374
Devonport Library (St Aubyn's Church) - Devon Contractors	160
Other Schemes under £100,000	181
Total Commitments as at 31 March 2010	**72,810**

23.10 Valuations of Fixed Assets carried at Current Value

The following statement shows the progress of the Council’s rolling programme for the revaluation of fixed assets. The HRA stock revaluation was undertaken by Savills. All other valuations, including the annual HRA valuation uplift, have been carried out internally under the supervision of Miss K A Birrell, BSc (Hons) MRICS. The basis of valuation is set out in the Statement of Accounting Policies pages 32 & 33.

Valuations of Fixed Assets	**Other Land & Buildings**	**Investment Properties**	**Surplus**	**Total**
	£000	**£000**	**£000**	**£000**
Valued at historical cost				0
PFI	35,878			35,878
Other	12,224	927		13,151
Valued at current value in:				
2009/10	181,478	38,905	59	220,442
2008/09	154,255	60,687	880	215,822
2007/08	21,670	276	1,175	23,121
2006/07	59,665	1,185		60,850
2005/06	65,037	80		65,117
Total	**530,207**	**102,060**	**2,114**	**634,381**

Note 24 –Intangible Assets

The Council's intangible assets relate to purchased software licences. The movement on intangible assets is shown in the following table.

Intangible Assets	2008/09 £000	2009/10 £000
Balance at 1 April	3,364	1,860
Expenditure in year	240	574
Reclassifications		(37)
Amortised to revenue in year	(744)	(614)
Balance at 31 March	**1,860**	**1,783**

Note 25 – Long Term Investments

The Council's long term Investments at each Balance Sheet date are as follows.

Long Term Investments	31 Mar 09 £000	31 Mar 10 £000
Plymouth Citybus – Share Capital (shares sold 1 December 2009)	1,290	0
Other	57	57
Loans to Financial Institutions*	49,994	29,031
Total Long Term Investments	**51,341**	**29,088**

*Loans to financial institutions shown at amortised cost – see Financial Instruments Disclosure note 31 page 100.

Note 26 – Debtors

26.1 Long Term Debtors

Long Term Debtors	31 Mar 09 £000	31 Mar 10 £000
Council House Mortgages	75	46
Other Loans/Mortgages	487	437
Citybus	211	0
LATS Purchases	522	192
	1,295	**675**
Less Provision for Impairment & Bad Debts	(326)	(120)
Total Long Term Debtors	**969**	**555**

The Council sold its shareholding in its subsidiary company, Plymouth Citybus Ltd on 1 December 2009 to Go-Ahead Group PLC and as part of the settlement the balances outstanding in respect of debentures and legal charges were repaid.

Under the Landfill Allowance Trading Scheme (LATS), the Council, in previous years, purchased LATS allowances in advance, which may be used towards the cost of Biodegradable Municipal Waste (BMW) landfill useage. The current tradeable value of LATS allowances has reduced and the Council has made a provision for impairment within its Accounts.

26.2 Short-Term Debtors

Debtors are carried in the Balance Sheet at amortised cost, which generally equates to invoice value. The carrying value of the debt is reduced, however, to take into account the potential non-collectability of debt.

Short Term Debtors	Restated 31 Mar 09 £000	31 Mar 10 £000
Amounts Falling Due in One Year		
Central Government Departments	13,559	18,824
Corporations & Trading Funds	0	0
NHS Bodies	1,667	2,860
Other Local Authorities	3,204	3,540
Sundry Debtors	33,212	33,700
	51,642	**58,924**
Less Provisions for Bad Debts		
General Fund	(1,143)	(1,318)
Housing Benefit Overpayments	(1,955)	(2,069)
Housing Revenue Account (HRA)	(2,406)	(383)
Collection Fund	(6,840)	(6,499)
	39,298	**48,655**

The analysis of debtors has been amended to reflect the requirements of IFRS to facilitate restatement of the 2009/10 comparatives for 2010/11 Accounts.

The movement on the Allowance for Non-Collectability of Debt (Bad Debt Provision) Accounts over the year was as follows:

Bad Debt Provision	Restated Balance 31 Mar 09 £000	Provision made in year £000	Provision used in year £000	Balance 31 Mar 10 £000
General Fund	(1,143)	(182)	7	(1,318)
Housing Benefit Overpayments Provision	(1,955)	(285)	171	(2,069)
HRA Bad Debt Provision*	(2,406)	(180)	2,203	(383)
Collection Fund	(6,840)	(945)	1,286	(6,499)
Total Provisions For Bad Debt	**(12,344)**	**(1,592)**	**3,667**	**(10,269)**

*Rent and service charge arrears were assigned to Plymouth Community Homes at transfer date in consideration for a payment of £1.077m. The remaining balance of rent debt outstanding has been written off to the HRA bad debt provision account in 2009/10. A balance remains on the account to meet the costs of commercial rental income and other debt for which the Council has retained responsibility for collection.

Note 27 - LATS

The Landfill Allowances Scheme (LATS) was introduced in 2005/06.Under the scheme authorities are given an annual LATS allowance which is to be shown as an asset on the Balance Sheet, initially at face value. The allowances are used to meet the cost of Biodegradable Municipal Waste (BMW) landfill usage for the relevant year. If an authority's BMW liability for the year exceeds its LATS allowance it is required to pay a fine to DEFRA. However authorities can purchase additional allowances from other authorities on the open market to meet some or all of their excess liability. The LATS allowances are carried on the Balance Sheet at the lower of cost or net realisable value. Due to surplus in allowances available in the market the LATS allowances are no longer seen as a 'tradeable asset', and the net realisable value is now considered to be zero.

As the Council has enough LATS allowances including those purchased from other authorities to meet its liabilities in 2009/10 the corresponding liability is also shown on the Balance Sheet at zero value. Confirmation by DEFRA of the Council's tonnages used is not expected until September 2010.

Note 28 - Stock and Work-in-Progress

Stocks & Works in Progress	31 Mar 09 £000	31 Mar 10 £000
Work in Progress*	24	0
Stocks:		
Central Stores	156	186
Housing (including Manufacturing)	563	15
Print and Document Services	62	45
Leisure Services	24	28
Development	3	6
Catering	78	66
Building Cleaning	48	55
Lord Mayor	2	1
Information Systems Department	23	3
Other	8	24
Total Stock and Work-in Progress	**991**	**429**

*There is no work in progress to declare at the end of March 2010 following the transfer of the manufacturing and building maintenance operations to PCH.

Note 29 – Creditors

29.1 - Creditors payable within the next 12 months are:

Creditors	Restated 31 Mar 09 £000	31 Mar 10 £000
Central Government Departments	11,958	12,798
Corporations & Trading Funds	54	59
NHS Bodies	1,407	1,140
Other Local Authorities	3,825	4,626
Sundry Creditors	38,463	36,416
	55,707	**55,039**

29.2 – Creditors falling due after more than 12 months are:

Creditors falling due after more than 12 Months	31 Mar 09 £000	31 Mar 10 £000
Unfunded Pension liabilities - Devon County Council pre LGR pensions	17,691	20,166
S106 Revenue (maintenance/administration) fees	0	495
Maintenance of the Real time passenger information system	0	192
Total Long Term Creditors	**17,691**	**20,853**

Note 30 - Deferred Liabilities- Other

This balance recognises the 'transferred debt' arrangements between Devon County Council (DCC) and Plymouth City Council (PCC), arising from Local Government Re-organisation, which took effect in Plymouth from 1 April 1998. The responsibility for the management of the debt remains with DCC and PCC makes annual payments to the County Council for its share of the debt (apportioned according to tax base). The annual payments are shown in the Income and Expenditure Account on page 56. The table below shows the movement in deferred liabilities in the year.

DCC Transferred Debt	31 Mar 09 £000	31 Mar 10 £000
Balance at 1 April	36,824	35,351
Principal Repayments made to DCC in year	(1,473)	(1,414)
Balance at 31 March	**35,351**	**33,937**

Note 31 - Financial Instrument Disclosures

31.1 Compliance

This authority has complied with the following: -

1. It has adopted the CIPFA's Treasury Management in the Public Services: Code of Practice

2. Set Treasury Management indicators to control key financial instrument risks in accordance with CIPFA's Prudential Code

The 2009/10 Treasury Management Strategy was originally approved by the Council at its meeting of 2 March 2009. At that time, the economic interest rate view of the Council's treasury advisors, Arlingclose, was that rates were set to remain low with a high probability of zero or near zero interest rates. Market volatility was forecast to remain high, risk appetite at a low ebb, and markets were expected to continue in 'capital preservation mode' into early 2009.

In the light of the financial climate and falling interest rates, the Council's strategy for 2009/10 was to continue to reduce the underlying level of borrowing by repaying borrowing from maturing investments and surplus cash balances. Capital expenditure levels, market conditions and interest rate levels were to be monitored during the year in order to minimise borrowing costs over the medium to longer term. A prudent and pragmatic approach to any new borrowing, both in terms of temporary borrowing to cover cash flow and longer term to finance the capital programme, was to be maintained to minimise borrowing costs without compromising the longer-term stability of the portfolio, consistent with the Council's Prudential Indicators.

An annual report on the progress of Treasury Management activities against the strategy for the year is required to be presented to full Council.

31.2 Financial Instruments Balances

The borrowings and investments disclosed in the Balance Sheet are made up of the following categories of financial Instruments.

	Long-Term		Current		Total	
	Restated 31 Mar 2009	31 Mar 2010	Restated 31 Mar 2009	31 Mar 2010	Restated 31 Mar 2009	31 Mar 2010
	£000	£000	£000	£000	£000	£000
Borrowings Financial liabilities at amortised cost						
PWLB Debt	129,396	27,649	25,375	1,670	154,771	29,319
Other Borrowings	134,009	132,699	87,875	75,248	221,884	207,947
Devon Debt	35,351	32,580	0	1,357	33,351	33,937
Deferred Liabilities	36,303	32,453	0	703	36,303	33,156
Creditors	0	687	55,707	55,039	55,707	55,726
Total borrowings	**335,059**	**226,068**	**168,957**	**134,017**	**502,016**	**360,085**
Investments						
Loans and receivables:						
Investments	49,994	29,031	172,237	122,433	222,231	151,464
Contractual debtors (net of impairment)	969	555	39,298	48,655	40,267	49,210
Cash	0	0	3,050	2,949	3,050	2,949
Total investments	**50,963**	**29,586**	**214,585**	**174,037**	**265,548**	**203,623**

Note : LOBOs of £49m have been included in long term borrowing but have a call date in the next 12 months.

31.3 Gains and Losses on Financial Instruments

The gains and losses recognised in the Income and Expenditure Account and STRGL in relation to financial instruments are made up as follows:

	Financial Liabilities	Financial Assets	
2009/10	Liabilities measured at amortised cost	Loans and receivables	Total
	£000	£000	£000
Interest expense	16,233	0	16,233
Losses on derecognition	0	0	0
Impairment losses	0	5,723	5,723
Interest payable and similar charges	**16,233**	**5,723**	**21,956**
Interest income	0	(6,136)	(6,136)
Gains on derecognition	(101)	0	(101)
Interest and investment income	**(101)**	**(6,136)**	**(6,237)**
Net (gain)/loss for the year	**16,132**	**(413)**	**15,719**

Restated 2008/09	Financial Liabilities Liabilities measured at amortised cost	Financial Assets Loans and receivables	Total
	£000	£000	£000
Interest expense	21,981	0	21,981
Losses on derecognition	0	0	0
Impairment losses	0	1,942	1,942
Interest payable and similar charges	**21,981**	**1942**	**23,923**
Interest income	0	(15,553)	(15,553)
Gains on derecognition	(1,940)	0	(1,940)
Interest and investment income	**(1,940)**	**(15,553)**	**(17,493)**
Net (gain)/loss for the year	**20,041**	**(13,611)**	**6,430**

31.4 Fair Value of Assets and Liabilities carried at Amortised Cost

Financial liabilities and financial assets represented by loans and receivables are carried in the Balance Sheet at amortised cost. The fair value can be assessed by calculating the present value of cash flows that will take place over the remaining term of the instruments, using the new borrowing rate for a comparable loan using the assumptions outlined below:

- For PWLB debt, the discount rate used is the rate for premature borrowing as per rate sheet number 063/10
- For other market debt and investments the fair value has been based on the nearest equivalent SWAP rate sourced from Bloomberg as at 31 March 2010 based on the mid rate for the day
- We have used interpolation techniques between available rate where the exact maturity period was not available.
- We have calculated fair values for all instruments in the portfolio.
- The fair value of trade and other receivables is taken to be the invoiced or billed amount.

Liabilities at amortised cost	Restated 31st March 2009		31st March 2010	
	Carrying amount	Fair value	Carrying amount	Fair value
	£000	£000	£000	£000
PWLB - maturity	154,771	185,214	29,319	35,197
LOBOs	133,930	144,357	134,167	144,778
Bonds	83	83	83	83
Short term borrowing	87,870	87,870	73,697	73,697
Devon Debt	35,351	35,351	33,937	33,937
Deferred liability - finance lease	36,303	36,303	33,156	33,156
Creditors	55,707	55,707	55,726	55,726
Financial liabilities	**504,015**	**544,885**	**360,085**	**376,574**

*In October 2007, the PWLB introduced a separate rate of interest for early repayment of loans, and the fair value calculation as supplied by PWLB has been based on this lower rate of interest. This rate is not comparable with the valuation of market loans which are based on the actual market rate applicable for new borrowing as at 31 March 2010. The equivalent fair value for PWLB loans based on a comparable market rate would be £33.070m a reduction of £2.126m.

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

Assets carried at Amortised Cost	31st March 2009		31st March 2010	
	Carrying amount	Fair value	Carrying amount	Fair value
	£000	£000	£000	£000
Cash	3,050	3,050	2,949	2,949
Deposits with banks and building societies	201,887	205,569	145,880	147,240
Callable deposits	19,956	22,733	5,584	6,362
Debtors	43,375	43,375	48,655	48,655
Financial assets	**268,268**	**274,727**	**203,068**	**205,206**

The fair value is higher than the carrying amount because the Council's portfolio of investments includes a number of fixed rate deposits where the interest rate receivable is higher than the rates available for similar deposits at the Balance Sheet date. This guarantee to receive interest above current market rates increases the amount that the Council would receive if it agreed to early repayment of deposits.

31.5 Nature and Extent of Risks Arising from Financial Instruments

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.

The Council's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services. Risk management is carried out by a Treasury Management Board, comprising senior Officers of the Council, the Director for Corporate Support and the Cabinet Member for Finance, Property, People and Governance. The Board meets regularly and acts in accordance with the policies set out by the Council in the annual Treasury Management Strategy. Scrutiny of the Treasury Management Strategy and performance during the year is undertaken by the Audit Committee. The Council has fully adopted CIPFA's Code of Treasury Management Practices and has written principles for overall risk management as well as written polices and procedures covering credit, liquidity and market risk.

Credit Risk

Credit risk arises from the short-term lending of surplus funds to banks, building societies and other local authorities as well as credit exposures to the Council's customers. The risk is minimised through the annual Investment Strategy which outlines the credit criteria for the investment of the Council's funds. It is the policy of the Council to place deposits only with a limited number of high quality banks and building societies. In making investment decisions, the Council has regard to a range of information sources including:

- Central banks
- Government Departments
- Debt Management Office
- Multilateral agencies
- Multilateral development banks
- Newspapers and periodicals
- Financial data providers eg Bloomberg
- Professional bodies and associations
- Annual reports of Banks and Building Societies
- Ratings agencies
- Bank and Building Society websites

The Council's investment strategy for 2009/10 was originally approved by Council on 2 March 2009. During 2009/10 the Council restricted investments to the DMO, investments with banks and building societies which are Eligible Institutions under the UK Government's 2008 Credit Guarantee Scheme and with a long-term AA- (AA minus) rating. In the main the Council made use of reserve accounts, allowing instant access to funds. Where longer term investments were made these have been restricted to a maximum 364 days. The table below shows the criteria and institutions used during 2009/10.

Financial Asset Category	Criteria	Maximum Investment	Maximum Investment Term
Government Debt Management Office (DMO)	UK Government	£50m	1 year
UK banks and building societies supported by Government capitalisation or have access to the credit guarantee scheme:	F1+ Short term AA -or higher long term: Barclays HSBC Lloyds Banking Group Royal bank of Scotland Santander UK (PLC) (Banco Santander Group) Nationwide	£30m	1 year
Local Authorities	Unitary Councils County Councils Metropolitan Councils London Borough Councils	£5m	1 year
Nationalised Banks	UK Government: Northern Rock	£30m	3 Months
UK banks and building societies supported by Government capitalisation or have access to the credit guarantee scheme- Clydesdale bank	F1+ short term AA - or higher long term: Clydesdale	£30m	1 Month

The following analysis summarises the Council's potential maximum exposure to credit risk, based on past experience and current market conditions. No credit limits were exceeded during the financial year, and no potential additional loss has arisen from institutions being placed in administration. An update on the Council's investments in Icelandic banks is provided below.

Credit Risk	Amounts at 31 March 2010	Historical experience of default	Historical experience adjusted for market conditions as at 31 March 2010	Estimated maximum exposure to default and uncollectability
	£000	%	%	£000
Deposits with banks and other financial institutions	153,051	7.80%	6%	11,951
Customers	7,296	18.54%	n/a	1,353
Total	**160,347**			**13,304**

The historical experience of default is based on the outstanding amounts invested in Icelandic banks as a % of the Council's total investments at the end of the year. In terms of risk management, the majority of the Council's investment portfolio is now held in UK institutions. Whilst these institutions have access to the Government Credit Guarantee Scheme, there is a risk, albeit a small risk, should the UK Government, ie the sovereign state, collapse.

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 and includes balances outstanding up to 28 days:

Analysis of Customer Debt	31 Mar 09	31 Mar 10
	£000	£000
Less than two months	5,470	5,202
Two to three months	136	481
Three to four months	215	66
Four months to one year	864	408
More than one year	1,056	1,139
Total	**7,741**	**7,296**

Icelandic Banks

Early in October 2008, the Icelandic banks Landsbanki, Kaupthing and Glitnir collapsed and the UK subsidiaries of the banks, Heritable and Kaupthing Singer and Friedlander went into administration. The Council had £13m deposited across 3 of these institutions, with varying maturity dates and interest rates as follows:

	Amount Invested £	Interest Rate %	Maturity Date
Glitnir	1,000,000	6.210	09-Oct-08
	2,000,000	6.160	17-Oct-08
	2,000,000	6.140	20-Oct-08
	1,000,000	6.140	23-Oct-08
	6,000,000		
Landsbanki	1,000,000	6.170	29-Oct-08
	2,000,000	5.800	11-Mar-09
	1,000,000	5.900	11-May-09
	4,000,000		
Heritable	1,000,000	6.230	15-Oct-08
	1,000,000	6.150	17-Oct-08
	1,000,000	5.500	11-Feb-09
	3,000,000		

All monies within these institutions are currently subject to the respective administration and receivership processes. The amounts and timing of payments to depositors such as the Council will be determined by the administrators / receivers.

The current situation with regards to recovery of the sums deposited varies between each institution. Based on the latest information available the Council considers that it is appropriate to consider an impairment adjustment for the deposits, and has taken the action outlined below. As the available information is not definitive as to the amounts and timings of payments to be made by the administrators / receivers, it is likely that further adjustments will be made to the accounts in future years.

Heritable Bank

Heritable bank is a UK registered bank under Scots law. The company was placed in administration on 7 October 2008. 3 dividend payments, plus interest to 6 October 2008, have been received during the year as follows:

- July 2009 16.13p in £
- December 2009 12.66p in £
- March 2010 6.19p in £

bringing the total dividends paid to date to 34.98% of the claim or £1.049m, plus interest of £53,503.

The latest creditor report issued by the administrators Ernst and Young in January 2010 indicated a base case return to creditors of 79p to 85p in the £. The Council has decided to recognise an impairment based on it recovering 84.98p in the £. Future dividends are expected to be equally spread and payable at quarterly intervals until September 2012. Therefore in calculating the impairment the Council has made the following assumptions re timing of recoveries:

June 2010	5%	September 2011	5%
September 2010	5%	December 2011	5%
December 2010	5%	March 2012	5%
March 2011	5%	June 2012	5%
June 2011	5%	September 2012	5%

Recoveries are expressed as a percentage of the Council's claim in the administration, which includes interest accrued up to 6 October 2008.

Landsbanki

Landsbanki Islands hf is an Icelandic entity. Following steps taken by the Icelandic Government in early October 2008 its domestic assets and liabilities were transferred to a new bank (NBI) with the management of the affairs of Old Landsbanki being placed in the hands of a resolution committee. Old Landsbanki's affairs are being administered under Icelandic law.

The Landsbanki Winding up Board have agreed to the priority creditor status for local authorities but have received a number of objections to this decision from other creditors which will need to be resolved through the Icelandic courts. The Council has instructed Bevan Brittan Solicitors (and through them Icelandic and English Counsel) to act for the Council in pursuing our claim through the courts.

The latest creditor report was issued on 26 March 2010. This confirms that a settlement has been reached between Landsbanki and the successor bank in Iceland (NBI) about the way in which the successor will compensate Landsbanki for the assets taken over. Compensation is being provided through a series of interest-bearing bonds in a range of currencies. The report indicates a recovery of 95% for priority claims. No payments will be made until the litigation has been concluded, which is unlikely to be until 2011.

The Council has therefore decided to recognise an impairment based on it recovering 94.86p in the £ and has calculated the impairment based on the following assumptions re timing of recoveries

October 2011	22.17%	October 2015	8.87%
October 2012	8.87%	October 2016	8.87%
October 2013	8.87%	October 2017	8.87%
October 2014	8.87%	October 2018	19.47%

Recovery remains subject to the following uncertainties and risks:

- Outcome of the challenge on priority status through the Icelandic Courts
- The impact of exchange rate fluctuations on the value of assets recovered by the resolution committee and on the settlement of the Council's claim, which may be denominated wholly or partly in currencies other than sterling.

If preferential creditor status is not supported by the Courts, the recoverable amount may be as low as 38p in the £.

Recoveries are expressed as a percentage of the Council's claim in the administration, including contracted interest up to 22 April 2009.

Glitnir Bank hf

Glitnir Bank hf is an Icelandic entity. Following steps taken by the Icelandic Government in early October 2008 its domestic assets and liabilities were transferred to a new bank (new Glitnir) with the management of the affairs of Old Glitnir being placed in the hands of a resolution committee. Old Glitnir's affairs are being administered under Icelandic law.

The Winding Up Board for Glitnir has expressed a view that Local Authority deposits do not have priority creditor status. This contrasts with the view expressed by the Landsbanki Winding Up Board. The Council has through the Director of Corporate Support and Assistant Director of Democracy and Governance instructed Bevan Brittan Solicitors (and through them Icelandic and English Counsel) to act for the Council in pursuing its claim through the Icelandic courts. Bevan Brittan, (through the auspices of the LGA) are also acting for other public bodies allowing us to avoid duplication and share costs. This process is expected to take some time with a final ruling on the priority status unlikely to be forthcoming until 2011.

The latest information available regarding Glitnir is contained in the 2009 accounts, which indicates that 100% of claims would be recovered if priority status were agreed. This falls to 29% if the court case is not successful. Approximately one quarter of the amount expected to be recovered is related to the value of Glitnir's investments in the successor bank Islansbanki and in Luxembourg SPV's. It is expected that this would take at least 5 years to be realised.

The Council has decided to recognise an impairment based it recovering 29p in the £ (non priority status in line with the latest position) and has calculated the impairment based on the following assumptions re timing of recoveries

October 2011	4.35%	October 2014	4.35%
October 2012	4.35%	October 2015	11.6%
October 2013	4.35%		

The anticipated recovery for priority status remains at 100%.

Recovery is subject to the following uncertainties and risks:

- Outcome of the challenge on priority status through the Icelandic Courts
- The impact of exchange rate fluctuations on the value of assets recovered by the resolution committee and on the settlement of the Council's claim, which may be denominated wholly or partly in currencies other than sterling.

Recoveries are expressed as a percentage of the Council's claim in the administration, which it is expected may validly include contracted interest up to 22 April 2009.

The cumulative impairment charge for the Icelandic banks is £7.665m, made up of principal of £5.904m and interest £1.761m. £1.942m was allowed for in 2008/09, leaving an increase to the impairment of £5.723m in 2009/10.

The Council has secured a Capitalisation Direction of £5.7m towards the costs of the principal element of £5.904m. This has been adjusted through the Statement of Movement in General Fund Balance where a transfer of £5.7m has been made to the Capital Adjustment Account. The difference of £0.204m has been met by a transfer from the Icelandic Bank Reserve ensuring there is no impact on the General Fund Balance.

The impairment charge has been calculated by discounting the assumed cash flows at the effective interest rate of the original deposits in order to recognise the anticipated loss of interest to the Council until monies are recovered.

The calculation of the impairment by the Council differs from the guidance issued by CIPFA under LAAP 82 (as updated May 2010) which, given the uncertainties around priority status, recommends the recoveries for Landsbanki and Glitnir banks should be based on a weighted probability of 67% priority status, 33% non priority. If the Council had applied the weighted probability methodology the impairment charge to the accounts would have been £3.504m a difference (reduction) of £2.400m.

Adjustments to the assumptions will be made in future accounts as more information becomes available.

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. As a result there is no significant risk that the Council will be unable to raise finance to meets its commitments under financial instruments. Instead the risk is that the Council will be bound to replenish a significant proportion of its borrowings at a time of unfavourable interest rates. The Council has safeguards in place to ensure that a significant proportion of its borrowing does not mature for repayment at any one time in the future. The Council's policy is to ensure that not more than 30% of long-term loans are due to mature within any financial year.

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

Loans outstanding	**31 March 09**	**31 March 10**
	£000	**£000**
Public Works Loans Board	152,500	28,889
Market debt	130,000	130,000
Temporary borrowing	87,800	73,650
Local bonds	83	83
Devon Debt	35,351	33,937
Deferred Liability (PFI)	36,303	33,156
Trade Creditors	55,707	55,039
Total	**497,744**	**354,754**

Less than 1 year	173,072	132,069
Between 1 and 2 years	7,839	2,740
Between 2 and 5 years	3,616	6,014
Between 5 and 10 years	8,120	13,509
Between 10 and 20 years	32,998	15,602
Between 20 and 30 years	42,630	34,795
Between 30 and 40years	26,996	12,185
Between 40 and 50 years	84,842	22,432
Over 50 years	117,631	115,408
Total	**497,744**	**354,754**

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

The repayment of the £91.37m PWLB loans as part of the stock transfer has resulted in a significant proportion of the Council's remaining debt being in market loans, which will need to be addressed over time.

There is £49m in the over 50 year category of LOBO's which have a call date in the next 12 months.

£73.65m of short term borrowing in place at 31 March 2010 was taken under approved authority to replace earlier repayments of long-term debt and to meet the Council capital financing and cash flow requirements to the end of the financial year. These loans can be repaid from cash flow and maturing deposits in 2010/11if required thus reducing credit risk. These repayments are not subject to liquidity risk and as there is no need to replace this borrowing there will be no exposure to interest rate risk.

Market Risk

Interest rate risk

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

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

The Council has a number of strategies for managing interest rate risk. The Council seeks to minimise this risk through expert advice on forecasts of interest rates received from our treasury management consultants. This is used to formulate a strategy for the year for both investments and borrowing. This strategy is periodically reviewed during the year to update for any modifications required in the light of actual movements in interest rates. As part of this strategy limits are set for variable interest rate exposure to ensure that variable rate borrowing does not exceed variable rate investments. In both cases variable rates are considered to be any loan or investments with maturities of less than 1 year or longer term loans or investments with the period to maturity falling below 1 year. During periods of falling interest rates, and where economic circumstances make it favourable, fixed rate loans will be repaid early to limit exposure to losses. The treasury management team has an active strategy for assessing interest rate exposure that feeds into the setting of the annual budget. Any variations during the year are reported to the Treasury Management Board, who discuss action required in terms of any changes to the day to day implementation of the Council's investment strategy, and also form part of the bi-monthly monitoring reports to Cabinet.

Price Risk

The Council does not invest in equity shares and is not exposed to movements in price.

Foreign Exchange Risk

The Council has no financial assets or a liability denominated in foreign currencies and thus has no exposure to loss arising from movements in exchange rates.

Note 32 – Analysis of Net Assets Employed

The table below shows the analysis of net assets employed across the three funds. The Council does not prepare separate Balance Sheets for each of the three funds. The breakdown below represents the best information available at the year-end. It is based on a detailed analysis of the Asset Register together with identification of specific assets and liabilities attributable to each fund. The Council is however unable to accurately allocate items such as cash/bank balances across the funds. These balances have therefore been included within the General Fund totals.

Analysis of Net Assets Employed	Restated 31 March 09	31 March 10
	£000	£000
HRA	551,803	910
Trading	55,362	54,829
General Fund	(35,388)	(100,210)
	571,777	**(44,471)**

Although the Housing Stock has been transferred, the HRA remains open until formal Ministerial consent to close the account has been obtained.

Note 33 - Provisions

33.1 Insurance Provisions

Insurance Provisions	Balance 31 Mar 09	Provisions made in year	Provisions used in year	Balance 31 Mar 10
	£000	£000	£000	£000
- General Fund	3,099	1,752	(1,518)	3,333
- Housing HRA	366	45	0	411
- Employers' Liability	1,832	945	(675)	2,102
- Balance of Risk for Schools	132	0	(40)	92
- Pre LGR Insurance Liabilities	152	0	0	152
Total Insurances	**5,581**	**2,742**	**(2,233)**	**6,090**

Insurance Funds

With regard to the cost of insurances, 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.

Due to the ring-fencing legislation which applies between the General Fund and the Housing Revenue Account (HRA) a separate Insurance Fund has been established for the HRA, which is funded by contributions from the HRA. Although the housing stock has been transferred during the year there are a number of outstanding claims in relation to the HRA which remain the responsibility of the City Council. Additional claims may also be received in future relating to the period prior to stock transfer.

At the year end, the balance on the various funds equates to the best estimate of liabilities from claims.

The Insurance Funds are used to meet the cost of claims and other losses not covered by policies held with insurance companies. The policies can be summarised as follows:

	Not covered
Liability	First £100,000 of any claim
Main Fire Insurance	First £100,000 of any claim
Money & Fidelity Guarantee	First £10,000 of any claim
All Risks	Variable between £1,000 and £10,000 of any claim

The maximum liability (stop losses) for the Council in any one period is:

Liability	£3.6m
Main Fire	£0.5m
All Risks (General), Money & Fidelity	£0.05m

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.

33.2 Other Provisions

In addition to the insurance provision, the Council also has a number of other provisions set up to meet the costs of liabilities that have not been settled as at the Balance Sheet date. Movement in the provisions during the year are shown in the table below, with further details of the main provisions provided after. The majority of the obligations provided for within the provisions have been met during 2009/10.

Provision	Ref	Balance 31 Mar 09	Provisions made in year	Provisions used in year	Balance 31 Mar 10
		£000	£000	£000	£000
- DLO Provision for remedial works		51	0	(51)	0
- Provision for Cyclical Repairs*		8	0	(8)	0
- Section 117 Refunds	A	347	0	(347)	0
- Provision for Repayment of Renovation Grants		18	64	(66)	16
- Provision for Repayment of Education Awards	B	337	0	(10)	327
- Job Evaluation pay increases		300	437	(737)	0
- Backdated Equal Pay claims	C	3,330	0	0	3,330
- Plymouth Pavilions		80	0	(80)	0
- HRA Gas Servicing Ex-Gratia Payments	D	1,786	0	(779)	1,007
Total Other provisions		**6,257**	**501**	**(2,078)**	**4,680**

* Responsibility transferred to Plymouth Community Homes as part of stock transfer

The purposes of the main provisions are as follows:

A. **Section 117-** Under Section 117 of the Mental Health Act 1983, Social Services authorities are required to provide aftercare services for any person who has been discharged from in

B. Education Awards- This provision relates to monies transferred to PCC from Devon County Council for the provision of education awards and bursaries.

C. Back Dated Equal Pay claims – The Council has a number of outstanding equal pay claims which have yet to be heard through the employment tribunal.

D. Gas Servicing – All HRA tenants that were adversely affected by the incorrect levy of a gas servicing charge have now been refunded. The balance on the provision relates to a potential refund to the Department of Works and Pensions in respect of Housing Benefit paid on the gas service charges.

Note 34 - Trust Funds and Special Balances

The City Council holds 49 Trust Funds (2008/09: 49) and administers 4 (2008/09: 4) other special balances. The funds do not represent assets of the City Council. Although most of the accounting records of these funds are held within the City Council's financial accounting system, they do not form any part of the Council's Balance Sheet. Details of each of the funds is included below;-

Trust Funds	Ref	Income £000	Expenditure £000	Assets £000
Brock Trust	A	15	0	620
Emma Stirling Bequest	B	2	4	0
HB Smith Trust Fund	C	1	2	33
Plymouth Royal Navy and Military Free Schools Patriotic Fund Endowment	D	0	0	18
Plymouth Royal Navy and Military Schools Endowment	E	0	0	20
National Trust Plymbridge Woods	F	0	0	0
Various Other Trusts		31	28	109
Other Special Balances				
Lord Mayors Special Fund (current)	G	15	22	45
Various Other Special Balances		2	5	0
Total		**64**	**61**	**845**

A. Brock Trust

Brock Trust contributed to the construction and running costs of Brock House sheltered housing scheme. Brock House has transferred to PCH under stock transfer arrangements but the Council has retained its role as trustee of Brock Trust as well as retaining exclusive nomination rights into the 8 units leased to the Brock Trust.

B. Emma Stirling Bequest
This fund was established in 1990 to ensure the comfort of the residents of the Stirling Residential Home.

C. HB Smith Trust Fund
This fund was founded in 1952 to provide annual awards to support students proceeding to university to read Arts or Social Services.

D. Plymouth Royal Navy and Military Free Schools Patriotic Fund Endowment
This fund was established for the scholarship provision for higher education for the children of HM Forces personnel or the children of pensioned deceased members.

E. Plymouth Royal Navy and Military Schools Endowment
This Fund was established for the provision of maintenance allowances for higher education and apprenticeships for the children of seamen and mariners or pensioned/retired soldiers.

F. National Trust Plymbridge Woods
This fund was established in 1988 for the purpose of managing the woods.

G. The Lord Mayors Special Fund (Current Account)
The funds are held for general charitable purposes within the City of Plymouth.

Note 35 – Reserves

The Council holds a number of reserves in the Balance Sheet. Some are required to be held for statutory reasons, some are needed to comply with proper accountancy practice and others have been set up voluntarily to earmark resources for future spending plans. The following table outlines the main reserves and the purpose of the reserve. Further details of the movement in the year are provided in the following paragraphs.

Reserves	Restated Balance 31 Mar 09 £000	Net Movement In Year £000	Balance 31 Mar 10 £000	Purpose of Reserve
Revaluation Reserve	95,963	22,412	118,375	35.1
Capital Adjustment Account	782,329	(529,959)	252,370	35.2
Usable Capital Receipts	5,376	15,983	21,359	35.3
Financial Instruments Adjustment Account	(7,928)	4,207	(3,721)	35.4
Pensions Reserve	(348,221)	(121,326)	(469,547)	35.6
Housing Revenue Account	2,042	(250)	1,792	HRA Pages 131 to 142
Major Repairs Reserve	237	(237)	0	HRA Statements, note 19 Page 140
General Fund	11,739	(222)	11,517	Statement of Movement on the General Fund Balance, Page 57
Schools Balances	9,151	(3,037)	6,114	35.9
Deferred Capital Receipts	151	(95)	56	35.5
Collection Fund Adjustment Account	(47)	(206)	(253)	35.7
Equal Pay Back Pay Account	(1,843)	0	(1,843)	35.8
Other Earmarked Reserves	22,828	(3,518)	19,310	35.10
Total	**571,777**	**(616,248)**	**(44,471)**	

Further analysis of the movement over the capital reserves is shown below:

35.1 Revaluation Reserve

The revaluation reserve represents the store of gains on revaluation of fixed assets not yet realised through sales.

Revaluation Reserve	2008/09	2009/10
	£000	£000
Balance at 1 April	39,915	95,963
Restatement/Revaluations of Fixed Assets	56,870	24,677
Disposals of Fixed Assets during the year	0	(1,074)
Depreciation on Revaluations	(822)	(1,191)
Balance at 31 March	**95,963**	**118,375**

35.2 Capital Adjustment Account

The Capital Adjustment Account represents the store of capital resources set aside to meet past expenditure.

The movement in the Account in 2009/10 was as follows:

Capital Adjustment Account	Restated 2008/09	2009/10
	£000	£000
Balance at 1 April	**959,937**	**782,329**
Amount Reserved:-		
Capital Receipts	6,923	638
Loan Repayment re Housing Stock Transfer to PCH	0	91,372
Capital Financing:-		
Capital Receipts	0	5,748
Revenue & Other Funds	12,350	6,618
Other charges to CAA:-		
Depreciation and impairment	(167,952)	(83,038)
MRP	6,988	8,628
Principal Repayments to DCC re Pre LGR Debt	1,473	1,414
Transfer to HRA Major Repairs Reserve re HRA Resource Accounting	(9,470)	(9,137)
Write Down of Unamortised Premiums and Discounts re Loan Repayment	0	(2,822)
Write Down of Revenue Expenditure Funded from Capital under Statute	(8,431)	(16,262)
Write Down of Long Term Debtors	168	(287)
Write Down of Deferred Grants & Contributions	7,262	19,483
Write Down of Fixed Assets	(26,919)	(551,024)
Write Down of Long Term Investment	0	(1,290)
Balance at 31 March	**782,329**	**252,370**

From 1992/93 to 1998/99, the District Auditor qualified the Accounts in respect of entries made to the Accounts in 1991/92 and 1992/93. A total of £34.4m from the Council's Provision for Credit Liabilities (PCL) was used during these years to repay the debt outstanding on a deferred purchase arrangement and this was unlawful. The City Council and the District Auditor agreed arrangements, which would make good the resulting deficit in the PCL over a period of 30 years, commencing on 1 April 2000. This period represented the estimated remaining life of the Pavilions asset.

Following changes to the capital finance system in 2004/05 revised accounting arrangements were agreed with the District Auditor to replenish the set aside more quickly than was required under the original timetable agreed with the auditor – which required £13.5m to be repaid by 31 March 2012. The Council has been setting aside usable capital receipts over a number of years, financing the capital programme with an equivalent amount of unsupported borrowing (thus ensuring there is no impact on overall capital resources) gradually bringing forward the timescale. A further sum of £0.638m has been set aside in 2009/10 which has now fully restored the £34.4m required. The set aside is held within the Capital Adjustment Account.

35.3 Usable Capital Receipts Reserve

This account represents the proceeds from the sale of fixed assets. Capital receipts are received by the Council for the sale of assets and the repayment of mortgage loans. 75% of receipts from the sale of Council dwellings and 50% of other HRA land and property disposals are paid over to central Government (see Capital Allowance below), whilst the balance remaining may be used for the following:

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

The table below shows the movement in this Reserve during the year:

Usable Capital Receipts	**2008/09**	**2009/10**
	£000	**£000**
Balance at 1 April	8,058	5,376
Add: Receipts from sales of assets etc	5,241	22,957
Equated interest	4	0
	13,303	**28,333**
Less:		
Right to Buy Administration Costs	(42)	(24)
Set Aside to finance future repayment of debt	(6,923)	(638)
Transfer to Consolidated Revenue Account re Housing Pooled Capital Receipts	(962)	(564)
Used to Finance Capital Expenditure	0	(5,748)
Balance at 31 March	**5,376**	**21,359**

<u>Capital Allowance</u>

The Council is permitted to retain an element of HRA receipts arising from the sale of land and property (not Right to Buy receipts) providing the value is less than its capital allowance. The capital allowance is made up of all expenditure incurred or planned relating to regeneration and affordable housing, and reduced by the value of receipts retained. At 31 March 2010 the capital allowance stood at £9.096m (£7.319m at 31 March 2009). The capital allowance includes actual expenditure incurred on qualifying spend up to 31 March 2010. Following the transfer of the Council's stock to PCH, the Council will be seeking to transfer all retained HRA land and property to the General Fund and to formally close the HRA. Any future HRA receipts are therefore expected to be minimal and well within the capital allowance.

35.4 Financial Instruments Adjustment Account

This reserve is the balancing account to allow for differences in statutory requirements and proper accounting practices for borrowing and investments. The Account also includes a sum of £0.914m relating to the potential losses in Investments in Icelandic banks which the Council was permitted to defer charging to its revenue accounts until 2010/11. This sum has been reversed in 2009/10 reflecting the Council's decision to charge the full potential loss to the accounts in 2009/10 utilising a Capitalisation Direction approval.

The movement in the Account in 2009/10 is shown below:

Financial Instruments Adjustment Account	2008/09	2009/10
	£000	£000
Bal B/F 1 April	8,858	7,928
Movement in year:		
Discount received in year	(1,940)	(101)
Charge to STMGFB in year		
Premiums-amortised cost	(1,150)	(756)
Discounts - amortised cost	483	439
Soft loans adjustment	251	(7)
Stepped LOBO Loan Adjustment	512	(45)
Iceland impairment	1,942	(914)
Iceland - reversal Interest	(1,028)	
PWLB stock transfer repayments- premiums	0	(4,312)
PWLB stock transfer repayments- discounts	0	1,489
Balance 31 March	**7,928**	**3,721**

The Financial Instrument Adjustment Account is treated as a reserve in the Balance Sheet. Transactions to and from the Account using the statutory override Regulations are made via the STMGFB and are not charged to the Income and Expenditure Account. This has an impact on the Statement of Total Recognised Gains and Losses (STRGL) as this statement is intended to reconcile to the movement in net worth, represented by the change in Balance Sheet values from year to year. An adjustment has been made to the STRGL in respect of transactions within the Financial Instruments Adjustment Account that have not been charged to the Income and Expenditure Account in order to show the unrealised gains/losses for the year. The adjustment made has been calculated as follows:

FIAA movement on STRGL	2008/09	2009/10
	£000	£000
Balance 1 April	9,903	8,208
Amortisation premiums/ discounts via STMGFB	(2,607)	(418)
Actual Discount within Income and Expenditure Account	1,940	101
Iceland adjustment	(1,028)	914
PWLB stock transfer repayments- premiums	0	(4,312)
PWLB stock transfer repayments- discounts	0	1,489
Total not included in Income and Expenditure	**8,208**	**5,982**

The movement in the year required to be included on the STRGL is (£2.226m).

35.5 Deferred Capital Receipts

The balance on the Deferred Capital Receipts Account represents amounts outstanding on mortgages granted to ex- Council tenants to purchase their Council Houses under Right to Buy (RTB) Legislation. During the year, a total of £0.031m was repaid in respect of these loans. The Council no longer offers loans for this purpose. The mortgages remain the responsibility of the Council. The Housing mortgage portfolio is managed by LAMAC.

Deferred Capital Receipts	31 Mar 09 £000	31 Mar 10 £000
Council House Mortgages under Right to Buy Scheme	88	56
Citybus Realisation Account	63	0
Total Deferred Capital Receipts	**151**	**56**

35.6 Pensions Reserve

Balancing account to allow inclusion of the Pension Liability in the Balance Sheet

Pensions Reserve	2008/09 £000	2009/10 £000
Net deficit at beginning of year	(215,061)	(348,221)
Movements in year:		
Current service cost	(15,930)	(15,999)
Past service costs	(4,140)	0
Gain/loss on any settlements or curtailments	(620)	(872)
Contributions	26,310	26,233
Other Finance Income:		
- Expected return on Pension Fund assets	27,160	17,381
- Interest on pension scheme liabilities	(40,470)	(43,037)
Actuarial gain/loss	(124,180)	(101,204)
Increase in Plymouth's share of net deficit in year of Devon County Council Pension Fund	(1,290)	(3,828)
Net deficit at end of year	**(348,221)**	**(469,547)**

35.7 Collection Fund Adjustment Account

This is a new reserve required to account for the differences between council tax surplus or deficits distributed as part of the budget process and Plymouth's share of the actual deficit or surplus on the collection fund at the end of the year.

35.8 Equal Pay Back Pay Account

Many authorities are experiencing large numbers of claims for back pay from appeals about equal pay arising from the implementation of the Single Status agreement. Regulations were made in 2007 providing discretion to authorities to defer charging equal pay back pay (including social security or other costs) expenditure to a 'revenue account', until the date on which the Council must pay the back payment. A balance sheet account called the Equal Pay Back Pay Account, which is similar in concept to the Pension Reserve, is used to hold an amount equal to the back pay which has been deferred from being charged to the General Fund under the Regulations pending actual payment of claims.

35.9 Schools Balances

This Reserve represents unspent balances remaining at the year-end against schools' delegated budgets. The main reasons why schools hold balances are: anticipation of future budget pressures usually arising from pupil number variations; to fund specific projects such as building works and IT; to provide for the balance of Government grants paid during the financial year (April–March) which cover expenditure occurring across the academic year (September – August); and to hold a contingency for reasons of prudence.

35.10 Other Earmarked Reserves

In addition to the specific capital reserves, the Council keeps a number of earmarked reserves to meet future spend or policy initiatives. The movement on the reserves is shown below:

Earmarked Reserves	Ref	Restated Balance 31 Mar 09	Transfer to Reserves in year	Transfers from Reserves in year	Balance 31 Mar 10
		£000	£000	£000	£000
Off Street Car Park	A	0	(1,556)	1,556	0
On Street Parking	A	0	(1,202)	1,202	0
Plymouth City Market	A	0	(78)	78	0
Commuted Maintenance	B	(931)	(197)	23	(1,105)
Education Reserves	C	(3,208)	(1,915)	3,059	(2,064)
Taxis	A	131	(121)	0	10
Street Trading	A	(104)	(6)	0	(110)
Land Charges Development Fund		(54)	0	2	(52)
Accommodation Reserve	D	(1,262)	(550)	0	(1,812)
Earmarked General Reserve (Includes Insurance)	E	(6,416)	(978)	2,888	(4,506)
DRCP	F	(1,145)	(91)	72	(1,164)
Corporate Improvement Reserve	G	(3,836)	(200)	1,738	(2,298)
Housing Stock Options/ Transfer		(735)	0	735	0
Capital Reserve	H	(975)	0	0	(975)
Waste Reserve	I	(750)	(750)	0	(1,500)
PFI Reserve	J	(998)	(345)	0	(1,343)
Job Evaluation/Equal Pay	K	(350)	0	0	(350)
Commercial rents sinking fund		0	(73)	0	(73)
Strategy for Change (BSF)	L	(250)	0	0	(250)
Iceland Bank	M	(281)	(54)	204	(131)
Urban Enterprise Fund	N	(1,000)	0	633	(367)
Other Reserves		(664)	(851)	295	(1,220)
Total		**(22,828)**	**(8,967)**	**12,485**	**(19,310)**

The main earmarked reserves and their purpose are as follows:

A. Trading Reserves

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

Plymouth City Market
On street Parking reserve
Off street Parking Reserve
Hackney Carriage and Private Hire
Street Trading

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

B. Commuted Maintenance Reserves

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

C. Education Reserves

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

D. Accommodation Reserve

This reserve has been set up to meet repair and maintenance costs of council accommodation, in particular any costs arising in respect of maintaining the Civic Centre pending a decision on its future over the longer term. In 2009/10 an additional transfer of £0.550m was made to the reserve specifically to meet planning permission and associated costs which may arise in the future.

E. Earmarked General Reserve (Includes Insurance)

Transfers are made to and from this reserve each year to meet policy and other known budget pressures. The reserve includes £1.179m set aside from the insurance provision surpluses to be used to mitigate any future in year fluctuations in insurance liabilities.

F. DRCP

In order to maximise the grant available to Devonport Regeneration Community Partnership in 2007/08, exceptional approval was given to use £2.056m of grant towards the Council's spend on the Devonport NDC area. The Council is required to 'payback' the grant to the programme before it completes in March 2011. The current balance on the reserve is £1.164m which includes an additional set aside in 2009/10 of £0.091m towards the Devonport Neighbourhood Manager post. As well as the revenue reserve, the Council holds £0.433 in a capital grant account to facilitate future capital expenditure.

G. Corporate Improvement Priorities

This reserve was set up in 2006/07 to support the Council’s Corporate Improvement Priorities. The reserve is used to meet the cost of major projects and/or pump priming initiatives.

H. Capital Reserve

Sums set aside in this reserve will be used in future years to meet the costs of temporary borrowing should there be a delay in realising receipts to finance the capital programme.

I. Waste Reserve

The Council has approved the submission to DEFRA of an Outline Business Case for the joint procurement, with Devon County Council and Torbay Council, of a waste treatment plant. The identified affordability gap represents a significant challenge for the Council although the early adoption and use of a ‘balancing fund’ is a prudent method to reduce the impact on the resources required in future years. An additional £0.750m has been applied to this reserve in 2009/10.

J. PFI Reserve

The Council receives PFI Credits towards the costs of the education PFI scheme. PFI credits are paid in equal instalments over the term 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.

K. Job Evaluation/Equal Pay

The Council set up this reserve in 2008/09 to meet the costs of successful equal pay claims. Although the Council has received over 700 claims, no claims have been formally heard by the employment tribunal.

L. Strategy for Change (BSF)

The Council has been entered into the Building Schools for the Future (BSF) programme. The £0.250m in reserves will be used to support programs as we move towards the outline business case stage.

M. Iceland Bank

The situation with regard to the recovery of monies invested in the Icelandic banks continues to be subject to much uncertainty. £0.204m was used in the year to fund part of the impairment charges and the remaining £0.131m will be used to fund the initial borrowing costs as a result of using the Capitalisation Direction.

N. Urban Enterprise Fund

The Urban Enterprise programme was set up to support the creation of new businesses and support these new businesses, employment opportunities and social enterprises for the Plymouth region and promote local economic growth. The PCC contribution in 2009/10 has helped to attract match funding from SWRDA which in turn draws match funding from the ERDF.

Note 36 – Pensions Disclosures

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 employees retire, the Council has a commitment to make the payments that needs to be disclosed at the time that employees earn their future entitlement.

Teachers Pension Scheme

The Teachers' Pension Scheme is a defined benefit scheme, administered by the Teachers Pension Agency (TPA). Although the Scheme is unfunded, the TPA uses a notional fund as the basis for calculating the employer's contribution rate. The Council is unable to identify its share of the underlying assets and liabilities in the teachers' pension fund, and the employer's contributions, are set in relation to the current service period only.

No information is available about the existence of any surplus or deficit in the Scheme and the implications of that surplus or deficit for the Council as employer.

In 2009/10 Plymouth City Council paid £11.321m (2008/09: £11.060m) to Capita Hartshead on behalf of the Teachers Pension Agency in respect of teachers' pension costs, which represented 15.69% (2008/09:14.98%) of teachers' pensionable pay.

In addition, the Council is responsible for all pension payments relating to added years it has awarded, together with the related increases. In 2009/10 these amounted to £0.015m, representing 0.021% of pensionable pay (2008/09: £0.011m representing 0.015% of pensionable pay).

Local Government Pension Scheme (LGPS)

Plymouth City Council participates in the Local Government Pension Scheme (LGPS). The LGPS is a defined benefit scheme based on final pensionable salary.

The Council recognises the cost of retirement benefits in the net cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However the charge made against the council tax is based on the cash payable in year, and the real cost of retirement benefits is reversed out in the Statement of Movement on General Fund Balance.

In 2009/10 the Council paid an employer's contribution of £21.703m (2008/09: £22.250m), representing 19.4% of employees' pensionable pay into Devon County Council's Pension Fund, which provides members with defined benefits, related to pay and service. Employees are also required to contribute to the pension scheme and the contribution rate is determined by annual salary level. In 2009/10 the minimum contribution level was 5.5% of salary, and the maximum level was 7.5%.

36.1 Income & Expenditure Account

The following transactions have been made in the Income and Expenditure Account and Statement of Movement in the General Fund balance during the year.

Income & Expenditure Account	2008/09 £000	2009/10 £000
Net Cost of Services		
Current Service Cost	15,930	15,999
Past Service Cost	4,140	0
Curtailments/Settlements	620	872
	20,690	**16,871**
Net Operating Expenditure		
Interest Cost	40,470	43,037
Expected Return on Assets in Scheme	(27,060)	(17,381)
	13,410	**25,656**
Net charge to Income and Expenditure Account	**34,100**	**42,527**

Net additional amount required by statute and non-statutory practices to be credited to the General Fund Balance for the year	**2008/09 £000**	**2009/10 £000**
Income and Expenditure Account B/F	34,100	42,527
Contribution to Pension Reserve	(9,100)	(17,647)
Actual amount charged against Council Tax for pensions in the year	**25,000**	**24,880**
Comprising		
Employers' contributions payable to scheme	(22,250)	(21,703)
Payments relating to enhanced retirement benefits	(2,750)	(3,177)
	(25,000)	**(24,880)**

Discretionary Increases in Pensions

The Council is responsible for funding all discretionary increases in pensions (e.g. added years) awarded to staff retiring early and monthly payments are made to Devon County Council for these additional costs. Payments in 2009/10 relating to these costs were £1.228m (2008/09: £1.198m).

Plymouth became a Unitary Authority from 1 April 1998, assuming responsibility for all local government services in Plymouth, including those previously provided by Devon County Council. Under the transfer arrangements, Plymouth and Torbay pay a proportion of Devon's annual pension costs in respect of discretionary pension payments agreed by Devon in earlier years (i.e. before reorganisation). Plymouth's payment to Devon in 2009/10 towards this liability was £1.353m (2008/09: £1.310m).

36.2 Statement of Total Recognised Gains and Losses

In addition to the recognised gains and losses included in the Income and Expenditure Account, actuarial losses of £101.204m (2008/09 loss of £124.180m) were included in the Statement of Total Recognised Gains and Losses. The cumulative amount of gains and losses recognised in the Statement of Total Recognised Gains and Losses is a £22.976m loss.

36.3 Assets and Liabilities in Relation to Retirement Benefits

Reconciliation of present value of the scheme liabilities:

Changes to the present value of liabilities during the accounting period	**2008/09**	**2009/10**
	£000	**£000**
Opening present value of liabilities	(592,560)	(651,400)
Current Service Cost	(15,930)	(15,999)
Interest Cost	(40,470)	(43,037)
Actuarial gains / (losses) on liabilities	(16,100)	(188,649)
Gains (losses) on curtailments	0	(1,713)
Liabilities extinguished on settlements	8,570	51,908
Estimated benefits paid	14,840	19,935
Past Service Cost	(4,140)	0
Contributions by scheme participants	(7,430)	(7,291)
Unfunded pension payments	1,820	1,995
Closing present value of liabilities	**(651,400)**	**(834,251)**
Changes to the present value of assets during the accounting period	**2008/09**	**2009/10**
	£000	**£000**
Opening present value of assets	395,210	320,870
Expected rate of return	27,160	17,381
Actuarial gains & (losses)	(108,080)	87,445
Employer contributions	23,180	22,885
Contributions by scheme participants	7,430	7,291
Benefits paid	(14,840)	(19,935)
Settlements	(9,190)	(51,067)
Closing present value of assets	**320,870**	**384,870**

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the balance sheet date. Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets.

The actual return on scheme assets in the year was £87.45m (2008/09: (£108.08m)).

36.4 Scheme History

Scheme History	**31 Mar 06 * £m**	**31 Mar 07 £m**	**31 Mar 08 £m**	**31 Mar 09 £m**	**31 Mar 10 £m**
Fair Value of Assets*	344.21*	383.76	395.21	320.87	384.87
Present value of funded liabilities	(547.28)	(593.05)	(560.69)	(614.71)	(795.45)
Net pension asset / (liability)	**(203.07)**	**(209.29)**	**(165.48)**	**(293.84)**	**(410.58)**

*The Council has elected not to restate fair values of scheme assets for 2005/06 as permitted by FRS17 (revised).

The liabilities show the underlying commitments that the Council has in the long run to pay retirement benefits. The total net liability of £449.381m has a substantial impact on the net worth of the Council as recorded in the Balance Sheet, resulting in a negative overall balance of £469.547m.

Statutory arrangements for funding the deficit, however, mean that the financial position of the Council remains healthy as the deficit on the Local Government Scheme will be made good by increased contributions over the remaining working life of employees, as assessed by the Scheme Actuary.

The total contributions expected to be made to the Local Government Pension Scheme by the Council in the year to 31 March 2010 is £21.70m. In addition, Strain on Fund Contributions may be required.

36.5 Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependant upon assumptions about mortality rates, salary levels etc. The City Council's liabilities have been assessed by Barnett Waddington an independent firm of actuaries, estimates for the City's share of the Fund being based on the latest full valuation of the scheme as at 1 April 2010.

The principal assumptions used by the actuary have been:

	2008/09	2009/10
Long-term expected rate of return on assets in the scheme:	%	%
Equities	7.0	7.5
Gilts	4.0	4.5
Other Bonds	5.8	5.5
Property	6.0	6.5
Cash	1.6	3.0
Absolute Return Funds	5.0	n/a
Mortality assumptions:		
Longevity at 65 for current pensioners		
Men	23.1	23.1
Women	25.0	25.0
Longevity at 65 for future pensioners		
Men	25.4	25.4
Women	27.3	27.3
Rate of inflation	3.5	3.9
Rate of increase in salaries	5.0	5.4
Rate of increase in pensions	3.5	3.9
Rate for discounting scheme liabilities	6.6	5.5
Take-up of option to convert annual pension into retirement lump sum	75%	75%

36.6 Constitution of the fair value of Scheme Assets

The Local Government pension scheme's assets consist of the following categories by proportion of the total assets held:

Categories by proportion of the total assets held	31 Mar 09	31 Mar 10
	%	%
Equities	52	69
Gilts	22	17
Other Bonds	1	0
Property	8	6
Cash	17	7
Absolute Return Funds	0	1

36.7 History of Experience Gains and Losses

The actuarial gains identified as movements on the Pensions Reserve in 2009/10 can be analysed into the categories shown in the table below, measured as a percentage of assets or liabilities at 31 March 2010:

In accordance with Paragraph 77 (o) of FRS17 (as revised), the assets for the current period and previous two periods are measured at current bid price. Asset values for periods ending 2007 and 2006 are shown at mid-market value and have not been re-measured as permitted by FRS17 (as revised).

Actuarial Gains	2005/06		2006/07		2007/08 (restated)		2008/09 (restated)		2009/10	
	£m	%	£m	%	£m	%	£m	%	£m	%
Differences between the expected and actual return on assets	47.08	13.70	3.53	0.90	(30.03)	(7.60)	(108.08)	(33.68)	87.45	22.72
Differences between actuarial assumptions about liabilities and actual experience	(0.39)	(0.01)	(1.10)	(0.20)	(5.27)	(0.90)	(2.78)	(0.40)	3.25	0.40
Total	**46.69**	**13.69**	**2.43**	**0.70**	**(35.30)**	**(8.50)**	**(110.86)**	**(34.08)**	**90.70**	**23.12**

The Council is required to show the gains or losses relating to the Pension Fund within its accounts. The actuarial assumptions used to calculate the reserve account balance are outlined in 36.5. Liability values do not depend on market returns but yields from corporate bonds and inflation expectations. The key parameter is the real corporate bond yield – i.e. the yield from corporate bonds less the assumption about future inflation.

A 1% change in the real bond yield will change the valuation of liabilities by 20% to 25%. The 12 months to 31 March 2010 saw large increases in market values of assets and significant reductions in bond yields. Despite experiencing an increase in asset value of 35%, liability values will have increased by more than asset values thus increasing deficits.

Further information can be found in Devon County Council's Pension Fund's Annual Report, which is available from The County Treasurer, Devon County Council, County Hall, Exeter EX2 4QJ.

Note 37 – Cash Flow Disclosures

The 2008 SORP allows Authorities to prepare their cash flow statement using either the direct or indirect method. The Council has adopted the indirect method for 2009/10 as this is the method used in the private sector and by the Councils group organisations and therefore enables the accounts to be produced on a more consistent basis. Previously the direct method was required to be used. The cash flow statement requires a number of disclosures to be made.

37.1 Reconciliation of Deficit /(Surplus) with Net Cash Flow from Revenue Activities

2008/09 Restated £000		2009/10 £000	2009/10 £000
	(Surplus)/Deficit for the year:		
(10)	- Revenue Account	222	
(47)	- Collection Fund	(206)	
2,890	- Other accounts	2,302	
2,833			2,318
	Non Cash Transactions:		
(6,988)	- Statutory Provision for repayment of Debt	(8,627)	
18,614	- Contribution to Reserves	8,967	
(5,537)	- Provisions set aside in the year	(4,428)	
(2,041)	- Revenue Contributions to Capital Outlay	(389)	
(11,968)	- Contributions from Reserves	(12,485)	
(1,071)	- Transfer to / (from) Housing Revenue Account Balance	(250)	
(10,946)	- Other Non Cash Transactions	(360)	
(19,937)			(17,572)
	Items on an Accruals basis:		
(2,034)	- Increase/ (Decrease) in Debtors	8,686	
(382)	- Increase/ (Decrease) in Stock and Work in Progress	(562)	
(2,322)	- (Increase)/ Decrease in Creditors	317	
(4,738)			8,441
	Items classified elsewhere in the Cash Flow Statement:		
(378)	- Dividends	(366)	
(8,253)	- Servicing of Finance - Net Interest paid	(9,288)	
(8,631)			(9,654)
(30,473)	**Net Cash Flow from Revenue Activities**		**(16,467)**

37.2 Reconciliation of Liquid Resources

2008/09 £000		2009/10 £000
159,726	Balance at 1 April	172,237
172,237	Balance at 31 March	122,433
12,511	**Net Increase/(Decrease) Short Term Deposits**	**(49,804)**
	Analysis of Movement in Short term Deposits	
13,236	Cash Transactions: New deposits less repaid deposits	(43,749)
(725)	Accrued Interest & Other Adjustments in line with the SoRP	(6,055)
12,511		**(49,804)**

The City Council includes its short-term investments within liquid resources. Since 2007/08 the SORP requires accrued interest on loans and investments to be added to loans and investments in the Balance Sheet, and an adjustment is shown above to balance the movement in cash to the movement as shown in the Balance Sheet.

37.3 Reconciliation of Financing Items

The movement in the City Council's long term borrowing is detailed in Note 31 page 98 to 108 and is summarised below.

Restated Total 2008/09 £000		Short Term Loans 2009/10 £000	Long Term Loans 2009/10 £000	Long Term Loans maturing in next 12 months 2009/10	PFI Liability 2009/10	Total 2009/10 £000
384,152	Balance at 1 April	87,870	263,405	25,380	36,303	412,958
412,958	Balance at 31 March	73,697	160,348	3,222	33,156	270,423
(28,806)	**Net Reduction / (Increase) in Financing**	**14,173**	**103,057**	**22,158**	**3,147**	**142,535**
	Analysis of Cash & Other adjustments in Financing Items					
(30,809)	Cash Inflow from net increase in Financing per cashflow statement					49,436
2,003	Accrued Interest & Other adjustments in line with the SoRP					93,099
(28,806)	**Net (Increase) / Decrease in Financing**					**142,535**

37.4 Reconciliation to Balance Sheet

Restated 2008/09 £000		2009/10 £000
3,404	Cash in Hand and at Bank/(Overdrawn) at 31 March	3,303
(1,119)	Less Cash in Hand and at Bank/(Overdrawn) at 1 April	(3,404)
2,285	**Increase/(Decrease) in Cash and Cash Equivalents per Cash Flow Statement**	(101)
(17,363)	Cashflow from (Increase) / Decrease in debt financing	50,850
0	Cashflow from Decrease in short term deposits	(17,000)
13,236	Cashflow from (Increase) / Decrease in short term deposits	(43,749)
2,461	Accrued Interest added to loans & other adjustments	81,791
619	Movement in net debt in year	71,791
(221,946)	Net debt at 1 April	(221,327)
(221,327)	Net Debt at 31 March	**(149,536)**

Movement in net debt in year was as follows:

Analysis of net debt 2009/10	**1 Apr 09 £000**	**Cashflow £000**	**Accrued interest & Other Adjust's £000**	**31 Mar 10 £000**
Cash in hand	3,050	(101)	0	2,949
Imprests	354	0	0	354
Short Term Borrowing	(87,870)	14,150	23	(73,697)
Long Term borrowing maturing within next 12 mths	(25,380)	25,380	(3,222)	(3,222)
Long Term borrowing maturing after 12 mths	(263,405)	6,759	96,298	(160,348)
PCC share of DCC Long Term borrowing	(35,351)	1,414	0	(33,937)
PFI Liability	(36,303)	3,147		(33,156)
Long Term Investments	51,341	(17,000)	(5,253)	29,088
Short Term Investments	172,237	(43,749)	(6,055)	122,433
Net Debt	**(221,327)**	**(10,000)**	**81,791**	**(149,536)**

Analysis of net debt 2008/09	**Restated 1 Apr 08 £000**	**Cashflow £000**	**Accrued interest & Other Adjust's £000**	**Restated 31 Mar 09 £000**
Cash in hand	801	2,249	0	3,050
Imprests	318	36	0	354
Short Term Borrowing	(2,700)	(85,114)	(56)	(87,870)
Long Term borrowing maturing within next 12 mths	(30,384)	4,998	6	(25,380)
Long Term borrowing maturing after 12 mths	(312,947)	47,489	2,053	(263,405)
PCC share of DCC Long Term borrowing	(36,824)	1,429	44	(35,351)
PFI Liability	(38,121)	1,818		(36,303)
Long Term Investments	38,185	12,017	1,139	51,341
Short Term Investments	159,726	13,236	(725)	172,237
Net Debt	**(221,946)**	**(1,842)**	**2,461**	**(221,327)**

Note 38 – Contingent Assets and Contingent Liabilities

38.1 Contingent Assets

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the entity's control. The Council has the following contingent assets to report:

1. Recovery of Legal Costs

The Council is currently seeking to recover the costs associated with an unsuccessful legal case relating to the Taxi Trade. The Council was challenged by a Private Hire Operator on its policy to limit the number of hackney carriage licences in the City. A major factor in determining this policy was a survey undertaken on the Council's behalf by a private company. The Council is in correspondence with the company's Solicitors with a view to seek recovery of the costs from them. Legal proceedings have not yet been issued.

2. VAT - 'Fleming' claims

Under UK VAT law, claims for overpaid VAT must be made within three years of the end of the relevant VAT accounting period. A number of cases were brought before the UK Courts challenging the validity of the three year cap, particularly the lack of any transitional period at the time of clarification of VAT treatment in areas such as excess parking charges and library charges. The decision of the House of Lords in the two cases of Michael Fleming (t/a Bodycraft) v HMRC and Conde Nast Publications Ltd v HMRC held that the three year cap should be disapplied as no adequate transitional relief period was given at the time that the legislation was introduced. HM Revenue & Customs gave taxpayers until 31 March 2009 to make claims.

The Council, in common with many other local authorities, has submitted a number of claims in respect of overpaid VAT in areas where HM Revenue & Customs (HMRC) has clarified the VAT liability of an activity as being a non-business or exempt supply (not subject to VAT), rather than a taxable supply as it had been previously treated.

A number of claims have been settled during 2009/10 but the Council still has 2 claims outstanding at an estimated value of £1m. These have been put on hold by HMRC pending clarification of policy issues.

38.2 Contingent Liabilities

A contingent liability is defined as either a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the entity's control; or a present obligation that arises from past events but is not recognised because it is not probable that a transfer of economic benefits will be required to settle the obligation or the amount cannot be measured with sufficient reliability.

1. Municipal Mutual Insurance Ltd – Scheme of Arrangement

In 1992 Municipal Mutual Insurance Ltd. (MMI), which the City Council and many other local authorities had insured with, experienced trading difficulties. The Company's creditors agreed a "Scheme of Arrangement" which allowed the Company to work towards a 'solvent run-off' (of the company) until all outstanding claims were settled. Under the arrangement, after all claims are settled, the Company will be wound up and any assets distributed to the creditors.

If the Company becomes insolvent, there is a claw back arrangement where the creditors are required to pay a proportion of the claims paid. These claims totalled £1.287m as at 31 March 2010. At this stage, the Directors of MMI continue to foresee a solvent run-off with full payment of agreed claims.

2. PLUSS Organisation Ltd

PLUSS was set up as a company on 1 August 2005. Currently the member authorities include Plymouth CC, Devon CC, Torbay BC & Somerset CC. PLUSS assumed the old Industrial Service Group function of Plymouth CC.

The Company is a not for profit company. Assets were transferred to it by the member authorities.

The three originating Councils, Plymouth, Torbay and Devon are technically 'members' of the company and agreed to provide a range of support to the company. Each of the three councils agreed to provide a loan to PLUSS to provide working capital for the Company on its formation. Plymouth provided £0.235m. The loan was to be deferred for the first five years and would fall due to be repaid over the following ten years.

Additionally Plymouth along with Devon, Torbay and Somerset provide PLUSS with a guarantee on their bank overdraft of £0.250m with Barclays plc.

The Council has re tendered some of the contracts previously undertaken by PLUSS in 2010/11 which could affect the long term viability of the organisation and thus the impact on the loan & overdraft monies, although at present PLUSS remains a going concern.

The Council has also guaranteed any necessary payments to the pension fund for transferred employees, which would become due in the event of PLUSS becoming insolvent. The liabilities in respect of redundancies and pension guarantees cannot be quantified and will reduce over time as staff leave or retire at normal retirement age.

3. Section 117 Refunds

Under Section 117 of the Mental Health Act 1983, social services authorities are required to provide aftercare services for any person who has been discharged from compulsory detention in hospital until they are satisfied that the person no longer needs such services. Many authorities (including Plymouth), charged such clients for accommodation up until 2000 when the Department of Health issued guidelines advising authorities to stop charging. The Council has repaid clients a total of £0.549m, the last payment made in February 2009. However there still remains a risk that the Council may receive further claims in respect of self-funders ie individuals who funded their own aftercare, although the last such claim was made in 2003 and therefore the risk is considered to be minimal.

4. Single Status Equal Pay Claims

The Council has received a number of equal pay claims. The claims are yet to be heard in court, so the actual value of claims cannot be assessed with any certainty. In addition, future claims are unknown. A provision has been set up in the accounts based on an estimated value for claims received up to 31 March 2010 using the approved Capitalisation Direction for 2007/08, with the provision increased for claims up to 31 March 2010. The value of claims for the period 1 April 2008 to 31 March 2010 have been reversed out of the accounts using the statutory override issued in 2009/10. The Council is not required to make specific budget provision for these costs until they are actually paid. A sum of £0.350m was set aside in the accounts during 2009/10 to meet claims arising since 1 April 2008. Caselaw is still evolving in this area and recent cases have highlighted that awards can be significant and have a significant impact on Councils' budgets.

5. Civic Centre

On 21 June 2007 the City Council was informed that the Civic Centre had been Grade II listed and since that time Council Officers have been working on solutions to determine the future for the building and site. A feasibility study to look at uses of the listed building has been jointly commissioned with English Heritage and the results of this will be used as evidence in support of a marketing campaign for the disposal of the property. If the property is not sold then the Council will consider alternative options for the property and which might include a detailed planning application for the demolition and comprehensive redevelopment of the site. The future of the building therefore still remains subject to uncertainty and as such the Council continues to include the Civic Centre on its strategic operational risk register.

The Council has an accommodation reserve account which will be used to meet the escalating costs of maintenance and repair in the short term.

6. Connexions

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

However, in setting up the company there is an expectation that the Councils will guarantee to meet the costs of any risks resulting from pension liabilities of Connexions staff should the company be wound up. Based on the latest actuarial returns there is a deficit on the fund at 31 March 2010, and therefore there could be a liability to the Council in the future. Although the deficit has increased during the year the company remains a going concern. The status of the fund will vary from year to year and will be updated by the Actuary.

7. Plymouth Community Homes

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

- an environmental warranty whereby the Council has agreed to warrant that no dangerous substance is present in the property that has transferred or that no part of the Property has been or could lawfully be designated as contaminated land;
- an asbestos warranty where the Council has agreed to reimburse Plymouth Community Homes the costs of asbestos containment or removal should the cost of such works exceed £10m in the first 12.5 years.

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

8. Contaminated Land

The Council has a statutory duty to review all land within its district to identify whether it may have been contaminated by past use and carry out a risk assessment if previous potentially contaminative land use is suspected. Assessment usually involves data collection, interpretation, site investigation and result analysis. If unacceptable risk to humans and/or the environment is identified, land may be classified as contaminated and remediation required.

The Council is responsible for remediation of any land that it owns/occupies, for remediation of sites where it may have been the original polluter, and also may be called upon to fund clean up/remediation of 'orphan' sites where ownership cannot be determined and/or where the original polluter cannot be found. Further cost to the Council might arise where former Council owned land is sold for development and contamination is subsequently discovered, for instance during development. Here there may be an additional ‘delayed works’ cost burden.

The Council has previously applied for government grant assistance to undertake investigative works around high risk sites. This will continue as long as assistance is available. The Council is also currently working in partnership with the Environment Agency, to explore the feasibility of future landfill gas capture.

The Council will continue to take the necessary steps to ensure that risk is managed appropriately including through any land sale contract, but should the purchaser be unable to meet any future liabilities that arise, some cost may still revert to the Council.

9. Local Land Charges income

Plymouth City Council has, in line with legislation, always charged clients for the provision of environmental information which it held relating to commercial transactions. The majority of requests are connected to planning data searches. However, recent changes to legislation around the disclosure of such environmental information, means PCC is no longer able to levy a charge. It is possible that there may be retrospective claims in respect of charges already levied by the Council. This is because the new legislation offers the possibility for clients, already charged, to submit a claim for a refund back to the date of the introduction of the new regulations.

10. Treasury Management – Potential Investment Losses

No treasury management activity is without risk. The successful identification, monitoring and control of risk is an important and integral element of the Council's treasury management activities. The credit crisis has refocused attention on the treasury management priority of security of capital monies invested. The Council will continue to maintain a counterparty list based on its approved investment criteria and will monitor and update the credit standing of the institutions on a regular basis.

Although the level of investment has reduced significantly, there remains an inherent risk in the portfolio in terms of investment in the current climate. The Council also has residual investments with institutions no longer on the approved counter party list, although these have reduced significantly over the year. Council Officers will continue to manage risk out by the most appropriate methods in conjunction with our Treasury Advisors.

In respect of the Icelandic banks, the Council has made an impairment adjustment in its accounts for potential losses based on the latest information available. The actual amount that may be recovered remains subject to much uncertainty and the final outcome on the Icelandic banks will not be known for some years to come as decisions are now subject to mitigation through the Icelandic Courts.

The Council has been awarded a Capitalisation Direction for 2009/10, and has applied this in full in its accounts. This will enable the impairment to be spread over a 20 year period. The Council also holds an earmarked reserve which will be used towards the borrowing costs of the Capitalisation Direction. It is likely that adjustments to the accounts will continue to be required in future years.

HOUSING REVENUE ACCOUNT INCOME AND EXPENDITURE ACCOUNT
FOR THE YEAR ENDED 31 MARCH 2010

This account shows in more detail the income and expenditure on HRA Services included in the whole authority Income and Expenditure Account.

2008/09 £000		Note	2009/10 £000
	INCOME		
(40,570)	Rents - Dwellings	2	(26,447)
(2,393)	Rents - Non Dwellings		(1,545)
(3,272)	Charges for Services & Facilities	3	(1,647)
0	Subsidy Receivable (inc. MRA)	4	0
(860)	Transfer from GF re Supporting People	5	(809)
(47,095)	**Total Income**		**(30,448)**
	EXPENDITURE		
15,352	Repairs & Maintenance	6	10,136
16,521	Supervision and Management		10,215
0	Rents, Rates, Taxes & Other Charges		0
2,015	Negative Subsidy Payable (inc. MRA)	4	959
945	Transfer to GF re Rent Rebates	7	543
119,017	Depreciation & Impairment (Dwellings)	13	9,137
697	Depreciation & Impairment (Other Assets)	13	788
(57)	Amortised Grants	15	(1)
56	Debt Management Expenses		23
158	Increase in Bad Debts Provision	9	179
154,704	**Total Expenditure**		**31,980**
107,609	**Net Cost of Services (as included in whole PCC I&E)**		**1,532**
164	HRA Services Share of Corp & Democratic Core	10	128
0	HRA Share of Other Amounts - Not Allocated to Specific Services		0
107,773	**Net Cost of HRA Services**		**1,659**
8581	Gain or Loss on Sale of HRA Fixed Assets	21	456,962
0	Other income	22	(63)
2883	Interest Payable and Similar Charges	11	1,908
(377)	Interest & Investment Income		(157)
0	Pensions Interest Cost & Expected Return on Pension Assets		0
118,860	**Surplus / Deficit for year on HRA Services**		**460,310**

STATEMENT OF MOVEMENT ON THE HOUSING REVENUE ACCOUNT BALANCE

This reconciliation statement summarises the difference between the outturn on the Income and Expenditure Account and the Housing Revenue Account Balance

2008/09 £000			2009/10 £000
118,860	**Surplus / Deficit for year on the Housing Revenue Account**		460,310
	Items included in the HRA Income and Expenditure account but excluded from the movement on the HRA balance for the year		
(110,187)	Difference between any other item of income and exp determined in accordance with the SORP and determined in accordance with statutory HRA requirements		(670)
850	Difference between amounts charged to Income and Expenditure for premiums and discounts and the charge for the year determined in accordance with statute		506
(8,581)	Gain/Loss on sale of HRA fixed assets		(456,890)
655	Net charges made for retirement benefits in accordance with FRS17	12	257
	Items not included in the HRA Income and Expenditure Account but included in the movement on HRA balance		
0	Capital Expenditure Funded by HRA		0
(116)	Transfers from / to Major Repairs Reserve	14	(3,263)
(410)	Transfers to / (from) other Earmarked Reserves		0
1,071	**(Increase) / Decrease in Housing Revenue Account Balance for the year**		**250**
(3,113)	**Housing Revenue Account Balance Brought Forward**		**(2,042)**
(2,042)	**Housing Revenue Account Balance Carried Forward**		**(1,792)**

NOTES TO THE HOUSING REVENUE ACCOUNT

Note 1 – Exceptional Items

The Council completed the transfer of its Housing stock to Plymouth Community Homes (PCH) on 20 November 2009.

The Housing Revenue Account (HRA) remains open until formal consent to close the Account has been received from the Secretary of State. This cannot be sought until the final subsidy claim for 2009/10 has been certified as correct by the external Auditor, the deadline for audit certification being 31 December 2010.

The stock transfer has had a major impact on the Council's accounts for 2009/10 and where appropriate additional comments have been included within the individual notes to the accounts. The more significant issues arising from the transfer are outlined below with further details shown in Note 4, page 65, of the single entity notes:

- The HRA has remained open for the whole of 2009/10. However in the main transactions relate to the part year period 1 April 2009 to 20 November 2009.

- The Council transferred 14,813 dwellings, 1,458 right to buy leases, 8 shared equity properties, 2,901 garages, 128 shops, 22 other commercial lettings, 9 housing offices and various other land holdings. The value of the HRA properties on the Balance Sheet was £546.375m. The properties have been written out of the Balance Sheet and show a loss on disposal in the Housing Revenue Account Income and Expenditure Account. The written off value is not a charge against the Housing Rents as the cost of fixed assets is fully provided for under separate arrangements for capital financing and the loss has been reversed out via the Statement of Movement the Housing Revenue Account Balance and charged to the Capital Adjustment Account.

- As part of the stock transfer arrangements, Central Government repaid £91.37m of the Council's PWLB debt, together with an additional £25.94m in respect of premiums incurred on the early repayment of the debt.

- The building maintenance and manufacturing trading operations were also transferred to PCH.

- Government guidance requires the Local Government Pension Scheme (LGPS) pension fund to be fully funded for the staff transferring from the Council to PCH. In order to achieve this, Devon County Council effectively transferred additional pension fund assets from the City Council's share of the pensions fund to the new fund set up for PCH. Effectively this crystallised the share of the pension fund deficit attributable to the transferring staff by £23.67m.

- Rent and service charge arrears were assigned to Plymouth Community Homes in consideration for a payment of £1.077m. The remaining balance of rent debt outstanding has been written off to the HRA bad debt provision account in 2009/10.

- Prepaid rent in respect of current tenants as at transfer date, totalling £0.615m, was transferred to PCH.

- A special Subsidy Determination was issued by the Department for Communities and Local Government (DCLG) for 2009/10 in June 2010, requiring an adjustment to the Mid Year Subsidy Capital Financing Requirement to reflect the repayment of £91.37m PWLB debt by DCLG.

The Council has also transferred 130 dwellings to Devon and Cornwall Housing Association in accordance with the Devonport development agreement. The properties are scheduled for demolition as part of the Devonport Urban Village regeneration scheme. All tenants had been decanted prior to transfer.

Note 2 - Gross Rent Income

Total rent income for the period prior to transfer was £26.095m. Rent income in respect of the retained properties of the SHIP and Raglan Court continued to be credited to the HRA until 31 March 2009, when formal consent to transfer the properties to the General Fund was given by the Secretary of State.

A policy statement issued in December 2000: 'The Way Forward for Housing' set out the Government's proposals for keeping social housing rents at affordable levels. In adhering to these proposals, authorities were required to move their rents towards a 'formula' rent over a 10 year period which commenced in April 2002.

The formula rent is increased each year by inflationary factors set out in the subsidy determinations.

Following the introduction of rent restructuring, the Council's policy has been to increase rents in line with the 2012 convergence target and to reach that target in approximately equal steps. However, the 2008/09 subsidy determinations changed the date by which convergence had to be achieved to 2016.

In order to achieve rent convergence in equal steps by 2016/17, the 2008/09 rents would need to be increased by the retail price index (RPI) plus 0.5% plus 1/8th of the difference between actual rents and the formula rent. However, the Government has stated that no individual rent should increase by more than RPI plus 0.5% plus £2 per week as a result of rent restructuring, although there is no similar limit to any downward movement in rent and, therefore, reductions have to be fully reflected. Applying the formula resulted in an average rent rise of 5.88% and an average rent of £57.73 and this was approved by Cabinet on 20 January 2009.

However, on 6 March 2009, the Minister for Housing outlined proposals to implement a reduction in the national average guideline rent increase for local authority tenants. The original average increase in guideline rent published on 18 December 2009 in the Housing Revenue Account Subsidy Determination 2009/10 was 6.2%. The proposed new average guideline rent increase for 2009/10 was reduced to 3.1%.

In the light of the pending stock transfer and the potential implications on the future income streams on Plymouth Community Homes' business plan, Plymouth sought Government approval to implement the reduced rent increase by means of granting tenants a rent free week. The rent free week was applied to accounts across a 4 week period during August 2009.

Following the implementation of the rent reductions, average weekly rents for the period up to transfer (31 weeks) were £56.09 compared to a full year average rent of £54.47 (50 week basis) in 2009/10, an increase of £1.62 per week or 3%.

During the period 1 April 2009 to 20 November 2009, on average 1.14% of lettable properties were vacant. The full year figure in 2008/09 was 1.03%.

Note 3 - Service Charges

The Council operated de-pooled service charges in line with the Government Rents Restructuring Policy. The average weekly service charge to tenants in respect of de-pooled service charges in 2009/10 was £2.43 (£3.60 in 2008/09). During 2009/10 the Council removed the service charge relating to gas servicing and refunded tenants amounts collected under this charge in previous years.

Service charges are also made to tenants of sheltered housing as well as to the Council's leaseholders in respect of ex-Council flats purchased under the Right to Buy (RTB) System.

Note 4 - Housing Subsidy

The Council was issued with a Special Subsidy Determination for 2009/10 in June 2010. The Determination reflects the part year impact following the transfer of the stock to PCH on 20 November 2009, and the repayment of £91.37m of PWLB debt by CLG.

The final subsidy for the year was a net contribution to the redistribution pool of £0.959m after adjusting for the Major Repairs Allowance (MRA) of £5.992m. The MRA is transferred to the Major Repairs Reserve (MRR) and may only be used to finance capital spend (see note 19 page 140)

A breakdown of the subsidy into its various elements is shown in the following table

HRA Subsidy	**2008/09** **£000**	**2009/10** **£000**
Housing Element Entitlement	(11,369)	(6,952)
Major Repairs Allowance	9,354	5,992
Subsidy receivable/(payable) from/(to) redistribution pool	**(2,015)**	**(959)**

Note 5 - Transfer from General Fund re Supporting People Grant

Supporting People Grant is a Government initiative, which came into effect on 1 April 2003. Whilst the Supporting People Grant is a General Fund grant, it is aimed at meeting the costs of providing accommodation related support to all tenants, including those in Council properties. An amendment to the statutory HRA definition (item 10) permits the grant in respect of Council tenant support to be transferred from the General Fund to the HRA. The grant is received in respect of support provided to tenants at the SHIP Hostel, Sheltered Schemes and Raglan Court.

The grant for 2009/10 reflects payments for support services to tenants in sheltered accommodation for the period up to 20 November 2009, and the full year costs of support to tenants at the SHIP and Raglan Court.

Note 6 - Repairs

The repairs figure of £10.136m includes a transfer of the surplus from the Building Maintenance trading operation of £0.691m. Further details of the trading position are outlined in Note 5.1 in the main notes to the Core statement, pages 66 to 69.

Note 7 - Rent Rebates

Assistance with rents is available under the Housing Benefit Scheme for those on low incomes. From 1 April 2004 the cost of rent rebates was removed from the HRA, and HRA subsidy, and is now accounted for within the Council's General Fund. However the HRA is required to make a mandatory transfer to the General Fund to cover the residual liability from the rent rebate subsidy limitation scheme. The amount transferred in 2009/10 was £0.543m (2008/09: £0.945m).

As at 20 November 2009, 64%, (2008/09: 63%) of the Council's tenants were receiving some help with the cost of their rent.

Following the transfer to PCH, all rent assistance will be made in the form of rent allowance, the administration, payment and costs of which remain with the City Council and for which a reimbursement is made by the Government in the form of Housing Benefit subsidy.

Note 8 - Council House Arrears

At 20 November 2009 rent arrears totalled £2.409m, 9.23% of the amount due (7.44% in 2008/09). The arrears were assigned to PCH on transfer date in consideration for a payment of £0.902m. The remaining arrears for transferred properties have been written off in full to the HRA bad debt provision, leaving arrears of £0.039m in relation to properties retained by the Council.

A further sum of £0.232m has been written off in respect of outstanding overpaid housing benefit. Whilst this debt has not been transferred to PCH the debt relates to periods prior to 31 March 2004 and is now unlikely to be recovered. The analysis of arrears is as follows:

Rent Arrears	2008/09 £000	2009/10 £000
Rent Arrears	2,946	39
H.B. Overpayment Arrears	247	0
Miscellaneous accounts	33	0
Total Arrears at 31 March	**3,226**	**39**

Note 9 - Allowance for uncollectability of debt

The HRA receives income from Council rents and service charges as well as income from shops on Council Estates and general invoices raised for ad hoc works, including invoices raised to recover the costs of repairs to properties.

As part of the transfer arrangements, outstanding debt relating to rents and leasehold service charges was assigned to PCH. The balance of all debt raised on the rent accounting system has been written off to the HRA bad debt provision.

The Council retained the debt relating to commercial rent income and all general debt. At 31 March 2010, after allowing for the write-offs outlined above, the HRA allowance for the uncollectability of debt stood at £0.383m. The movement in the allowance can be shown as follows:

Movement in allowance for uncollectability of debt	2008/09 £000	2009/10 £000
Balance 1 April	2,551	2,406
Provision in Year	157	179
Written off in Year	(302)	(2,202)
Balance C/F 31 March	**2,406**	**383**

An analysis of the debt written off in year is provided as follows:

HRA Debt write-offs	2008/09	2009/10
	£000	£000
Housing Rents	185	1,950
Housing Benefit Overpayments (accounts raised prior to 31/03/04)	93	232
General Debtors	24	20
Total Write-offs in year	**302**	**2,202**

Note 10 - HRA share of Corporate and Democratic Core

The HRA is required to contribute towards the Council's overall costs of the Corporate and Democratic Core (CDC). This charge is made to the HRA via a support service recharge. The total support service charge to the HRA was approximately £1.8m in 2009/10 and the amount specifically relating to CDC was £0.128m (£0.164m in 2008/09). Although the HRA remained open for the full year, the charge has been adjusted to reflect the period up to transfer only.

Note 11 - Interest Charge to HRA

The interest charge to the HRA Balance is calculated in accordance with statute. HRA debt outstanding at the start of the year was £64.958m (2008/09 £61.775m) and the average interest rate was 4.13% (2008/09 4.80%). An interest charge of £1.908m (2008/09 £2.883m) was made to the HRA as adjusted for the part year prior to transfer. As part of the stock transfer the CLG repaid £91.37m of the Council's PWLB debt , plus associated premium costs of £25.94m. The Council is currently awaiting a special determination from the CLG as a result of the PWLB repayment which may require an amendment to the interest charge.

Note 12 - FRS 17 (re HRA)

The entries have been made on the basis that neither ring-fencing nor resource accounting in the HRA require the HRA to be treated differently from other services on the grounds of proper practice.

The principle of FRS 17 is to match pension costs in the accounts to the period in which the benefit was earmarked or awarded, although the contributions paid to the fund in the year may be different. The pension payments for the HRA have been adjusted to leave only the current service cost for 2009/10 within the Supervision and Management accounts. The adjustment for 2009/10 is £0.257m (£0.655m in 2008/09). The amount is matched by a pensions reserve transfer and therefore has no impact on the HRA net position.

Note 13 - Depreciation and Impairment

The total charge made for depreciation for 2009/10 was £9.255m. In addition, a charge of £0.670m has been written off to the HRA resulting from a downwards revaluation of other assets as there are insufficient balances available in the revaluation reserve. The total depreciation and impairment charge to the HRA was £9.925m, analysed between Council dwellings and other assets is shown in the table below:

Depreciation and Impairment	2008/09	2009/10
	£000	£000
Depreciation:		
Council Dwellings	9,354	9,137
Other Assets	116	118
	9,470	9,255
Impairment and Downward Revaluation charge to HRA		
Council Stock	109,663	0
Other Assets	581	670
	110,244	670
Total Depreciation & Impairment Charge for the Year	**119,714**	**9,925**

Further details of depreciation and impairment across asset category are shown in Note 16 – Movement in Fixed Assets.

In accordance with audit recommendations, the method of depreciation applied to the Council stock is reviewed annually. For 2009/10 depreciation was based on the residual cost value, assuming a 40 year life (in 2008/09 the Major Repairs Allowance was used as a proxi).

Note 14 - Transfer from/to Major Repairs Reserve - accounting adjustment

In order to ensure that the depreciation charge does not impact on Council rent levels, an adjustment is required to reverse out any depreciation charge above the MRA. In accordance with current Council policy a full year depreciation charge of £9.255m based on residual cost method assuming 40 year life has been made to the HRA in respect of properties in the Account at 1 April 2009. The MRA for the year was £5.992m, resulting in an adjustment for 2009/10 of £3.263m as follows:

Transfer to Major Repairs Reserve	2008/09	2009/10
	£000	£000
Total depreciation	9,470	9,255
MRA	(9,354)	(5,992)
Transfer from/to MRR	**116**	**3,263**

Note 15 - Amortised Grants

Capital Grants and Contributions are received towards the cost of financing certain Capital projects. Grants and Contributions used to finance Capital Expenditure are transferred to the Government Grants and Contributions Deferred Account and released to revenue over the life of the asset they finance to offset future charges for depreciation. Total grant released to the HRA in 2009/10 was £0.001m (£0.057m in 2008/09). Amortised grants are reversed out to the Capital Adjustment Account via the Statement of Movement on HRA Balance.

Grants and contributions totalling £0.889m remained to be amortised as at transfer date and these have been written off in full against the loss on disposal.

Note 16 - Fixed Assets

As part of the stock transfer, the Council transferred 14,813 dwellings, 1,458 right to buy leases, 8 shared equity properties, 2,901 garages, 128 shops, 22 other commercial lettings, 9 housing offices and various other land holdings to PCH.

The value of the HRA properties on the Balance Sheet at transfer date was £546.375m.

The Council retained 13 flats at Raglan Court, and the Ship Hostel to be used to discharge the Council's statutory homelessness function. Secretary of State approval to transfer these properties to the General Fund was given on 31 March 2010.

Assets totalling £5.294m remained within the HRA at 31 March 2010. In the main these relate to areas of open space and playgrounds on land to the North of the City and a number of investment properties for which a rental income is received. All remaining assets will be appropriated to the General Fund during 2010/11 as part of the formal closure of the Account.

Fixed Assets	Dwellings	Other Land & Buildings	Vehicles & Plant	Infrastructure Assets	Community Assets	Investment Properties	Total HRA Assets
	£000	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Net Book Value 1 April 09	541,784	1,469	191	67	107	10,284	553,902
Movement in year							
Additions (note 17)	8,522		38				8,560
Disposals:							
Transfer to PCH	(540,455)	(352)			(4)	(5,564)	(546,375)
Right to Buy	(714)						(714)
Other						(20)	(20)
Appropriated to GF		(372)					(372)
Revaluations/ Restatements		128				110	238
Depreciation for the year	(9,137)	(68)	(23)	(3)	(24)		(9,255)
Impairment (see note 13)						(670)	(670)
Net Book Value 31 March 2010	**0**	**805**	**206**	**64**	**79**	**4,140**	**5,294**

The HRA assets form part of the overall asset base of the Council. They are incorporated into the values of fixed assets shown in the Balance Sheet on page 59.

Council dwellings are valued and carried on the Balance Sheet on an Existing Use (Social Housing) basis. The equivalent vacant possession value of Council Dwellings at 1 April 2009 was £1,214,197,854 (£1,484,519,547 at 31 March 2008). The difference between the vacant possession value and the Balance Sheet value of the land, houses and other property within the authority's HRA represents the economic cost to Government of providing Council housing at less than open market rents.

Note 17 - Capital Expenditure on HRA Assets

A sum of £8.561m, (2008/09: £13.178m) was spent on HRA capital schemes during the year as shown below. This includes a payment of £0.900m to PCH to enable completion of scheduled decanting of properties within the Devonport Urban Village.

Capital Expenditure	2008/09	2009/10
	£000	**£000**
Expenditure:		
Devonport Urban Village	261	1,223
Major Repairs and Adaptations to Stock	2,745	2,688
Decency Standard Improvements to Stock	9,287	4,066
Capitalised Salaries- Staff delivering improvement schemes	885	584
Total	**13,178**	**8561**

Financed By:	2008/09 £000	2009/10 £000
Borrowing	2,076	2,076
Major Repairs Reserve	10,285	6,229
Grants & Contributions	817	95
Capital Receipts	0	160
Total	**13,178**	**8561**

An analysis of the spend by asset category is shown below:

Fixed Assets:	2008/09 £000	2009/10 £000
Dwellings	13,149	8,561
Vehicles, Plant and Equipment	29	29
Total	**13,178**	**8,561**

Note 18 - Capital Receipts from disposal of HRA Assets

Receipts totalling £0.784m were received from the sale of HRA assets during the year. An analysis of the receipts is shown below:

HRA Capital Receipts	2008/09 £000	2009/10 £000
Sale of Council Dwellings	1,278	753
Repayment of Mortgage Principal	21	31
Land Disposals	0	0
	1,278	**784**

The Local Government Act 2003 removed the requirement to set aside an element of HRA capital receipts and replaced this with receipt 'pooling'. Under receipt pooling a proportion of receipts from the Right To Buy (RTB) sales and other dwelling and land sales must be paid over to the Department for Communities & Local Government (DCLG) for redistribution. Although there is no exemption from the requirement to pool 75% of receipts from RTB sales, authorities may deduct an amount up to the value of its' 'capital allowance' pot before pooling receipts from other dwelling and land sales.

In 2009/10 the receipts were allocated as follows:

Allocation of Capital Receipts	2008/09 £000	2009/10 £000
Useable receipts	337	220
Offset against Capital Allowance	0	0
Paid to DCLG under pooling requirements	962	564
Total Receipts	**1,299**	**784**

Note 19 - Major Repairs Reserve

The Major Repairs Allowance (MRA) payable as part of Housing Subsidy is available for capital spend only. Local authorities are however free to determine how they wish to spend the allowance and may carry forward any unused allowance to future years. A Major Repairs Reserve account was set up on 1 April 2002. The MRA was fully utilised in 2009/10. The movement on the account for 2009/10 is shown in the table below

Major Repairs Reserve	2008/09 £000	2009/10 £000
Income		
Depreciation Fixed Assets		
- Dwellings MRA	(9,354)	(9,137)
- Other Assets	(116)	(118)
	(9,470)	(9,255)
Expenditure		
- Depreciation above MRA	0	3,145
- Depreciation Other Fixed Assets	116	118
- Total Transfer to HRA	116	3,263
Major Repairs and Decency Works to Council Stock	10,698	6,2229
	10,814	9,492
(Surplus)/Deficit for Year	1,344	237
Balance Brought Forward 1 April	(1,581)	(237)
Balance Carried Forward 31 March	**(237)**	**0**

Note 20 - Council Stock

At the start of the year, there were 14,969 dwelling properties within the HRA. At the date of transfer there were 14,956 properties, of which 14,813 were transferred to PCH, 130 transferred to Devon and Cornwall Housing Association with the remaining 13 were transferred to the General Fund on 31 March 2010. The Council was responsible for managing on average 14,963 dwellings during 2009/10, as follows:

Council Stock	2008/09 No.	2009/10 No.
Houses and Bungalows	7,893	7,869
Flats	7,196	7,094
	15,089	**14,963**

The change in stock from year to year can be summarised as follows:

Movement in Stock	2008/09 No.	2009/10 No.
Stock at 1 April *	15,209	14,969
Less: Sales	(20)	(13)
Demolitions / Conversions	(2)	0
Transfer to DCHA	(0)	(130)
Transfer to PCH	(215)	(14,813)
Transfer to General Fund		(13)
Add: Appropriations/Acquisitions	(3)	0
Stock at 31 March*	**14,969**	**0**

Note 21 – Gain or loss on Sale of HRA Fixed assets

The Council transferred 14,813 dwellings, 1,458 right to buy leases, 8 shared equity properties, 2,901 garages, 128 shops, 22 other commercial lettings, 9 housing offices and various other land holdings. The transfer was made for nil consideration. The value of the HRA properties on the Balance Sheet was £546.375m. The properties have been written out of the Balance Sheet and show a loss on disposal in the Housing Revenue Account Income and Expenditure Account. The asset write-out is partially offset by the repayment of PWLB debt and write-out of HRA grants and contributions.

The written off value is not a charge against the Housing Rents as the cost of fixed assets is fully provided for under separate arrangements for capital financing and the loss has been reversed out via the Statement of Movement the Housing Revenue Account Balance and charged to the Capital Adjustment Account.

Note 22- Other income

Other income relates to repaid RTB discounts.

COLLECTION FUND
FOR THE YEAR ENDED 31 MARCH 2010

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

2008/09 £000		Notes	2009/10 £000	2009/10 £000
	Income			
(87,844)	Council Tax Payers:	2		(91,127)
	Transfer from General Fund - Council Tax			
(17,057)	Benefits			(19,454)
(73,950)	Income Collectable from Business Ratepayers	3		(73,322)
(178,851)				(183,903)
	Expenditure			
	Precepts and Demands:	4		
88,239	Plymouth City Council		92,845	
10,870	Devon & Cornwall Police Authority		11,453	
5,090	Devon & Somerset Fire Authority		5,310	
104,199				109,608
	Non-Domestic Rates:			
73,648	Payment to National Pool		73,015	
302	Cost of collection allowance		307	
73,950				73,322
228	Provision for non payment of Council Tax	5		983
251	Collection Fund Surplus paid out in year	6		212
(223)	(Surplus)/Deficit for the year			222
277	(Surplus)/Deficit as at 1 April			54
54	**(Surplus)/Deficit as at 31 March**	7		**276**

NOTES TO COLLECTION FUND

Note 1 – SORP 2009

The 2009 SORP has introduced new requirements for accounting for Council Tax. Each authority is now required to include the appropriate shares of Council Tax debtors their individual Balance Sheets. The amount required to be shown in the income and expenditure account is the accrued income for the year, not the demand/precept agreed on the collection fund as part of the budget setting exercise. A new account has been set up- the Collection Fund Adjustment Account and differences between the amounts distributed as part of the budget process and the actual deficit/surplus on the collection fund at the year end are debited/credited to this account within the authorities Balance Sheets.

Changes were also introduced for accounting for NNDR, where the authority is no longer required to recognise NNDR debtors in its accounts but should instead recognise a creditor or debtor for cash collected from NNDR debtors as an agent for the government but not yet paid (or overpaid) to the Government at the Balance Sheet date.

The authority's accounts for 2008/09 have been restated for this change and further details are outlined in note 1 page 63 to the core statements.

The changes have no impact on the Collection Fund itself.

Note 2 - Council Tax

Council Tax income derives from charges raised according to the value of residential properties, which have been classified into 8 valuation bands based on an estimated 1 April 1991 value for this specific purpose. Individual charges are calculated by estimating the amount of income required to be taken from the Collection Fund by Devon & Cornwall Police Authority, Devon and Somerset Fire Authority and the City Council for the forthcoming year and dividing this by the Council Tax base - 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: 76,750 for 2009/10 (76,444 in 2008/09).

This basic amount of Council Tax for a Band D property (£1,428.11 for 2009/10) is multiplied by the proportion specified for the particular band to give an individual amount due. The calculation of the Council Tax Base and an analysis of the income due are shown in the following tables:

Calculation of Tax base					
Band	**No of Properties Before Discounts**	**No of Properties After Discounts**	**Band D Equivalents**	**Estimated Collection Rate**	**Adjusted Band D Equivalents**
A	45,909	37,362	24,900	98.5%	24,527
B	30,243	25,672	19,967	98.5%	19,667
C	21,348	18,720	16,640	98.5%	16,390
D	8,642	7,654	7,654	98.5%	7,539
E	4,453	4,025	4,919	98.5%	4,845
F	1,661	1,520	2,196	98.5%	2,163
G	561	458	763	98.5%	752
H	59	19	38	98.5%	37
	112,876	**95,430**	**77,077**		**75,920**
Adjustment for MOD Properties			830		830
TAX BASE TOTALS			**77,907**		**76,750**

The Council Tax Base was calculated at the time the 2009/10 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 £109.607m (76,750 x £1,428.11). In practice however, the average number of properties and values of discounts vary from the estimates, and the actual income increased to £110.581m made up of £19.454m from Council Tax Benefits and £91.127m from Council Tax Payers.

Note 3 - Income Collectable from Business Ratepayers

National Non Domestic Rates (NNDR) is organised on a national basis. The Government specifies an annual multiplier, which was 48.5p in 2009/10 (46.2p in 2008/09) and subject to the effects of transitionary arrangements, local businesses pay rates calculated by multiplying their rateable value by the specified amount. A lower amount of 48.1p (45.8p in 2008/09) is applied to businesses with rateable values less than or equal to £15,000. The City Council collects rates due from the ratepayers in its area as an agent for the Government, paying the proceeds into an NNDR pool administered by the Government. The Government redistributes the sums paid into the pool back to a local authority's General Fund as part of the settlement grant based on a fixed amount per head of population.

The NNDR income due, after reliefs and provisions, of £73.323m for 2009/10 (2008/09 in £73.950m) was based on a rateable value for the City Council's area of £182.129m for the year (2008/09: £181.221m). The income is calculated as follows:

NNDR Income	**2008/09 £000**	**2009/10 £000**
Gross Debit (£175,054,037 x 46.2p for 2009/10)	80,875	84,735
Gross Debit (£6,166,558 x 45.8p for 2009/10)	2,824	3,568
Reliefs & Adjustments	(8,762)	(13,551)
Provision for Bad Debts	(987)	(1,429)
Income Collectable from Business Ratepayers	**73,950**	**73,323**

Note 4 – Precepts and Demands

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

Note 5 - Provisions for Non Payment of Council Tax

Contributions are made from the Collection Fund Income and Expenditure Account to an Allowance for Non-Collectability of Debt (Bad Debt Provision) Account. During 2009/10 £0.983m (2008/09: £0.228m) was contributed to the account and £1.512m (2008/09: £1.240m) of irrecoverable debt was written off. Costs raised for debt recovery are also included in the Council Tax Allowance for Non-Collectability of Debt Account with any costs paid in the year transferred to the General Fund to offset the cost of collection. The movement in the provision is as follows:

Movement in Council Tax Allowance for Non-Collectability of Debt Account	2008/09 £000	2009/10 £000
Balance brought forward	8,122	7,334
Contributions in year	1,240	1,775
Write Offs	(1,240)	(1,512)
Paid costs transferred to General Fund	(788)	(649)
Allowance for Non-Collectability of Debts @ 31st March	**7,334**	**6,948**
Costs included in provision made in year (met from GF)	1,012	792
Net provision to the Allowance for Non-Collectability of Debt Account for Council Tax Arrears made in year	**228**	**983**

The bad debt provision is required to be apportioned between the 3 authorities in proportion to their precept/demand on the collection fund. The Police and Fire authority's proportion of the allowance for non-collectability for debt is £1.077m leaving a balance of £5.871m to cover Plymouth City Council's proportion of Council Tax arrears. The Police and Fire elements are shown in the Council's Balance Sheet as a debtor.

The total Collection Fund allowance for non-collectability for debt is £6.499m as shown in note 26.2 of the notes to the core financial statements on page 96. This includes an allowance for non-collectability of Community Charge of £0.628m.

Note 6 – Distribution of Collection Fund Surpluses and Deficits

The net accumulated deficit on the Collection Fund at 31 March 2010 amounts to £0.266m relating to Council Tax collection and £0.010m relating to Community Charge. This net deficit will be recovered from the City Council, Devon & Cornwall Police Authority and Devon & Somerset Fire Authority in 2010/11 and 2011/12 in proportion to each authority's demand/precept on the Collection Fund. A surplus of £0.107m had been forecast as part of the 2010/11 budget, and Plymouth's share of the assumed surplus of £0.089m was taken into account when setting Council Tax levels for 2010/11. The shortfall will be addressed as part of setting the budget for 2011/12. The liability for the deficit of the £0.276m is as follows:

	£000
Plymouth City Council (Balance Sheet page 59)	253
Devon and Cornwall Police Authority	31
Devon and Somerset Fire Authority	(8)
	276

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

GROUP ACCOUNTS 2009/10

Introduction

Group Accounts combine the Accounts of the Council with those of any other organisations that have been assessed as group members. Group members are organisations where the authority has a material interest and a significant influence. Plymouth City Council has analysed its relationship with a number of organisations and is submitting Group Accounts incorporating the following:

- **Plymouth Investment Partnerships Limited (PIP)**

PIP was set up by the Council in 1988 to invest in the promotion, assistance and establishment of business, to improve the employment and economy of Plymouth and its surrounding area. The Company is limited by guarantee. As all of its five directors are Council Members the Council's interest is 100%.

- **Theatre Royal (Plymouth) Limited**

This Company was set up in 1982 to operate the Theatre Royal, which is owned by the Council. In April 1986, Theatre Royal (Plymouth) Limited was amalgamated with Plymouth Pavilions - established in 1991 to run the Pavilions leisure facility - which is also owned by the Council. In addition, the company wholly owns a subsidiary company – Talklight Limited – which provides catering services for the Theatre and the Pavilions. The Council's interest is 100%.

- **PLUSS Organisation Limited**

PLUSS is a Company established in August 2005. It is a Local Authority controlled company and at 31 March 2006 the company had three members - Plymouth City Council, Devon County Council and Torbay Council. In July 2006, Somerset County Council became an additional member of the Company, giving each member equal voting rights of 25%. PLUSS is an associate of the Council. Its primary purpose is the provision of employment and work related services for people with disabilities. It is limited by guarantee and has no share capital.

- **Tamar Bridge and Torpoint Ferry Joint Committee**

The operation, maintenance and control of the Tamar Bridge and Torpoint Ferry is carried out by the Tamar Bridge and Torpoint Ferry Joint Committee on behalf of Plymouth City Council and Cornwall Council. Income and expenditure, together with surpluses, deficits and reserves etc. are shared between theconstituent authorities on a 50/50 basis. This is a Joint Venture of Plymouth City Council.

- **Plymouth Citybus Limited**

Plymouth Citybus was a subsidiary of Plymouth City Council, and was established in 1987 following the Government's deregulation of bus undertakings. The Council sold its shares in the Company to Go-Ahead Group Plc on 1 December 2009. The accounts included for Plymouth Citybus relate to the period 1 April 2009 to 5 December 2009 and have been based on unaudited management accounts only. Plymouth Citybus has been consolidated as a discontinued operation.

SUPPLEMENTARY STATEMENT OF ACCOUNTING POLICIES RELEVANT TO GROUP ACCOUNTS

The following statements of accounting policies are complementary to Plymouth City Council's main section on accounting policies. These cover those policies that are unique to the Group statements or where they differ from the Council's policies as an individual entity.

Basis of Consolidation

The Group Accounts have been prepared on the basis of a full consolidation of the financial transactions and balances of the Council and Plymouth Citybus Limited, Plymouth Investment Partnerships Limited (PIP) and Theatre Royal (Plymouth) Limited. PLUSS Organisation Limited has been incorporated as an associate, using the equity method – the Council's investment in the Company is incorporated at cost and adjusted each year by the Council's share of the Company's results (recognised in the Group Income and Expenditure Account) and its share of other gains and losses. Tamar Bridge and Torpoint Ferry Joint Committee has been consolidated as a joint venture. Plymouth Citybus incorporates results to 5 December 2009 only.

The financial statements in the Group Accounts are prepared in accordance with the policies set out in the Statement of Accounting Policies on pages 24 – 43 with the following additions and exceptions:

1. Value Added Tax

VAT paid by other group entities is accounted for in the Group Income and Expenditure Account to the extent that it is irrecoverable from HM Revenue and Customs.

2. Tangible Fixed Assets

<u>Disposals</u>

Profits and losses on the disposal of fixed assets are credited or debited to the Group Income and Expenditure Account.

GROUP INCOME & EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31 MARCH 2010

Restated 2008/09 Net Exp. £000		Notes	2009/10 Gross Exp. £000	2009/10 Gross Inc. £000	2009/10 Net Exp. £000
	Expenditure on General Fund Services:				
5,219	Central Services to the Public		26,877	(22,673)	4,204
58,181	Cultural, Environmental, Regulatory & Planning Services	3	99,792	(44,050)	55,742
67,918	Adult Social Care		91,646	(19,137)	72,509
75,488	Children's and Education Services		328,084	(219,500)	108,584
14,575	Highways & Transport Services		25,464	(12,105)	13,359
107,609	Housing - (Housing Revenue Account)		31,980	(30,448)	1,532
5,843	Housing Services - Other		103,301	(100,582)	2,719
5,691	Corporate & Democratic Core		5,334	(106)	5,228
8,475	Non Distributable Costs		4,987	0	4,987
348,999	**Subtotal – Continuing operations**		**717,465**	**(448,601)**	**268,864**
2,486	Discontinued Operations	2	10,100	(6,578)	3,522
351,485	**Subtotal**		**727,565**	**(455,179)**	**272,386**
(76)	Share of Operating Result of Associates		5,412	(5,369)	43
2,309	Share of Operating Result of joint ventures		5,978	(3,717)	2,261
353,718	**Net Cost of Services of Group c/f**		**738,955**	**(464,265)**	**274,690**

GROUP INCOME & EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31 MARCH 2009 (CONT)

Restated 2008/09 Exp. £000		2009/10 Exp. £000	2009/10 Inc. £000	2009/10 Exp. £000
353,718	**Net Cost of Services of Group b/f**	**738,955**	**(464,265)**	**274,690**
	Other Operating Income & Expenditure:			
23,086	Loss/(gain) on Disposal of Fixed Assets			461,224
(1,214)	Other Income			(12,104)
190	Precepts & Levies			193
209	Trading Services - Other (Pannier Market)			(107)
22,107	Interest Payable and Similar Charges			21,937
0	Share of interest payable of associates			6
866	Share of interest payable of joint ventures			850
1,473	Contribution to Devon County Council Pre-Reorganisation Debt			1,414
962	Contribution of Housing Capital Receipts to Government Pool			564
(15,614)	Interest & Dividends Receivable			(7,543)
(7)	Share of interest & investment income of associates			(1)
(92)	Share of interest & investment income of joint ventures			(7)
13,410	Pensions interest cost and expected return on pension assets			25,656
(35)	Share of pensions interest cost and expected return on pensions assets of associates			127
6	Share of pensions interest cost and expected return on pensions assets of joint ventures			96
332	Taxation of group entities			0
23	Share of taxation of associates & joint ventures			(39)
(3,407)	Appropriation to Group Income & Expenditure Reserve			(9,825)
396,013	**Net Operating Expenditure**			**757,131**
(88,640)	Demand on the Collection Fund			(92,837)
(30,086)	General Government Grants			(38,269)
(88,393)	Non Domestic Rates Distribution			(84,076)
188,894	**TOTAL DEFICIT FOR THE YEAR**			**541,949**

RECONCILIATION OF THE SINGLE ENTITY SURPLUS OR DEFICIT FOR THE YEAR TO THE GROUP SURPLUS OR DEFICIT

Restated 2008/09 £000		2009/10 £000
188,894	(Surplus) or deficit on single entity's I & E for the year	541,949
366	Less: subsidiary & associate dividend income & any other distributions from group entities included in the single entity surplus or deficit on the I & E account – discontinued operations	0
	Add: (surplus) or deficit arising from other entities included in the group accounts analysed into the amounts attributable to:	
(34)	Subsidiaries	6,493
(100)	Associates	132
3,089	Joint ventures	3,200
192,215	**Group Account (surplus)/deficit for the year**	**551,774**

GROUP STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

Restated 2008/09 £000		2009/10 £000
192,043	Deficit for the year on the Income and Expenditure Account	551,774
(56,612)	Deficit/(surplus) arising on revaluation of fixed assets	(32,571)
127,692	Actuarial (gains)/losses on pension fund assets and liabilities	103,312
(423)	Contribution to Cornwall Council MRP	(423)
262,700	**Total recognised (gains)/losses for the year**	**622,092**
(1,695)	Movement in Financial Instruments Adjustment Account (entries via STMGFB)	(2,226)
261,005	**Movement in Net Worth as reflected on Balance Sheet**	**619,866**

The Group Balance Sheet has been restated as at 31 March 2009 for the PFI scheme and local taxation as required by the 2009 SORP and the Theatre Royal's final position. The restatements have resulted in a net increase in reserves/net worth on the Group Balance Sheet as at 31 March 2009 of £0.231m.

GROUP BALANCE SHEET AS AT 31 MARCH 2009

Restated 31 Mar 09 £000		Notes	31 Mar 10 £000	31 Mar 10 £000
	Fixed Assets			
	Intangible Assets			
1,860	Software Licences			1,783
	Tangible Assets			
	Operational Assets			
541,784	- Council Dwellings		0	
547,237	- Other Land and Buildings	4	540,520	
25,152	- Vehicle, Plant & Equipment	5	17,967	
72,071	- Infrastructure		76,887	
11,566	- Community Assets		11,961	
1,197,810				**647,335**
	Non Operational Assets			
110,635	- Investment Properties		102,060	
2,530	- Surplus Assets Held for Disposal		2,114	
37,917	- Assets Under Construction		38,727	142,901
1,350,752	**Net Fixed Assets**			792,019
50,053	Long-term Investments		29,088	
(496)	Long-term Investments in associates		(918)	
112,441	Share in Gross Assets of Joint Ventures		117,641	
(11,788)	Share in Gross Liabilities of Joint Ventures		(13,690)	
758	Long Term Debtors		555	132,676
1,501,720	**Total Long Term Assets**			924,695
	Current Assets			
1,349	Stocks and work in progress		528	
172,462	Short Term Investments		122,433	
42,140	Debtors	6	50,779	
0	LATS Allowances		0	
7,387	Cash and bank		8,011	
354	Imprests		354	
223,692				182,105
	Current Liabilities			
(63,409)	Creditors	7	(61,806)	
(87,870)	Short Term Loans		(73,697)	
(25,380)	Long Term Loans maturing within next 12 months		(3,222)	
(176,659)				(138,725)
1,548,753	**Total Assets less Current Liabilities**			968,075
(18,914)	Creditors falling due after more than 12 months	8	(20,853)	
(263,405)	Long Term Borrowing		(160,348)	
(35,351)	Deferred Liabilities		(33,937)	
(12,691)	Provisions		(11,547)	
(160,897)	Government Grants Deferred		(189,610)	
(36,303)	Liability - PFI		(33,156)	
(332,084)	Liability related to defined benefit pension scheme		(449,381)	
(859,645)				(898,832)
689,108	**Total Assets less Liabilities**			**69,243**

GROUP BALANCE SHEET AS AT 31 MARCH 2010 (CONTINUED)

Restated 31 Mar 09 £000		Notes	31 Mar 10 £000	31 Mar 10 £000
	Financed by:-			
95,963	Revaluation Reserve			118,375
782,329	Capital Adjustment Account			252,370
0	Trust funds & special balances			0
151	Deferred Capital Receipts			56
5,376	Usable Capital Receipts Reserve			21,359
(348,221)	Pensions Reserve			(469,547)
237	Major Repairs Reserve			0
(7,928)	Financial Instruments Adjustment Account			(3,721)
(1,843)	Equal Pay Back Pay Account			(1,843)
(47)	Collection Fund Adjustment Account			(253)
22,828	Other Earmarked Reserves			19,310
9,931	Revaluation reserve of group entities & share of revaluation reserve of associates & joint ventures			14,094
6,747	Profit & loss and other reserves of group entities & share of profit & loss & other reserves of associates & joint ventures			3,430
0	Share of Fixed Assed Revaluation Account in respect of Joint Venture			0
100,703	Share of Capital Financing Account in respect of Joint Venture			98,720
(1,113)	Share of Pension Reserve in respect of Joint Venture			(2,929)
0	Share of earmarked reserve in respect of Joint Venture			0
665,113				**49,421**
	Balances:-			
1,063	Share of General Reserve of Joint Venture			400
11,739	General Fund			11,517
9,151	Schools Balances			6,114
2,042	Housing Revenue Account			1,791
0	Collection Fund			0
23,995				**19,823**
689,108				**69,243**

GROUP CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2009

Restated 2008/09 £000		Note	2009/10 £000	2009/10 £000
	Revenue Activities:			
(30,891)	**Net Cash Flow Revenue Activities**	9		(18,038)
	Dividends From Joint Ventures and Associates			
	Cash Inflows			
0	Dividends Received			0
	Returns on Investments and Servicing of Finance:			
	Cash Outflows			
20,453	External Interest paid		17,834	
2,120	Interest on Finance Leases		2,992	
22,573			20,826	
	Cash Inflows			
(14,467)	Interest received		(11,506)	
8,106	**Net Cost of Servicing Finance**			9,320
310	Taxation			0
	Capital Activities:			
	Cash Outflows			
70,007	Purchase of fixed assets		74,197	
8,385	Other capital expenditure		18,862	
12,017	Long Term Investments		0	
90,409			93,059	
	Cash Inflows			
(5,130)	Sale of fixed assets		(3,169)	
0	Other capital cash receipts		(17,000)	
(45,268)	Capital grants & contributions received		(51,637)	
40,011	**Net Capital Cash (Inflows) / Outflows**			21,253
0	**Sales of investments in subsidiary undertakings**			(19,051)
17,536	Net Cash Inflow before Financing c/f			(6,516)

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2010 (CONTINUED)

Restated 2008/09 £000		2009/10 £000	2009/10 £000
17,536	Net Cash Inflow before Financing b/f		(6,516)
	Management of Liquid Resources:		
11,199	Net Increase/(Decrease) in Short Term Deposits		(43,749)
(188)	Net Increase/(Decrease) in Other Liquid Resources		206
11,011			(43,543)
	Financing:		
	Cash Outflows		
97,595	Repayment of Borrowing	46,289	
1,818	PFI payments	3,147	
99,413		49,436	
	Cash Inflows		
(625)	New finance leases	0	
503	Payment of principal under finance leases	0	
(50,083)	New Long Term Loans Raised	0	
(80,116)	New Short Term Loans	0	
(130,321)		0	
(30,908)	**Net Reduction/(Increase) in Financing**		49,436
(2,361)	**(Increase)/Decrease in Cash and Cash Equivalents**		**(623)**

NOTES TO THE GROUP ACCOUNTS

The Council is required to provide a breakdown of the type of services it provides. Other members of the Group also provide similar services and these are illustrated in the tables below.

Note 1 – Restatements

The 2009 SORP has introduced changes in accounting for PFI schemes and local taxation. These changes are a change in Accounting Policy and require a restatement of the previous years accounts. Further details are outlined in note 1 of the single entity accounts page 63. The group accounts have also been restated for the final audited position on Theatre Royal 2008/09.

Note 2 – Discontinued Operations

The City Council sold its subsidiary company Plymouth Citybus Ltd to Go-Ahead PLC Group on 1 December 2009. The Council has included the company in its group accounts as a discontinued operation based on management accounts for the period 1 April 2009 to 5 December 2009. Net assets totalling £6.637m have been written off through the group income and expenditure account against the sale proceeds received by the City Council. Staff employed by Citybus were TUPE'd to the new company (Go-Ahead PLC). Go-Ahead PLC has been admitted into the LGPS as an admitted body protecting pension rights for existing staff in the scheme. TUPE rules require the pension fund to be fully funded for transferring staff at transfer date. The Council has a residual pensions liability (deficit) of £5.6m relating to staff in the LGPS scheme prior to deregulation and transfer to Citybus. The deficit has been funded by a notional transfer of pension fund assets from the Plymouth City Council element of the pension fund to the new 'Go-Ahead PLC' fund.

Note 3 - Cultural, Environmental Regulatory & Planning Services

	Gross Expenditure £000	Gross Income £000	Net Income £000
Plymouth City Council	82,930	(29,579)	53,351
Theatre Royal Plymouth Ltd	16,809	(14,185)	2,624
Plymouth Investments Partnerships Ltd	53	(286)	(233)
	99,792	**(44,050)**	**55,742**

Note 4 - Other Land and Buildings

	2008/09 Restated £000	2009/10 £000
Plymouth City Council	532,030	530,207
Plymouth Citybus Ltd	4,903	0
Theatre Royal Plymouth Ltd	9,135	9,133
Plymouth Investment Partnerships Ltd	1,169	1,180
	547,237	**540,520**

Note 5 - Vehicle, Plant & Equipment

	2008/09 £000	2009/10 £000
Plymouth City Council	18,183	17,341
Plymouth Citybus Ltd	6,350	0
Theatre Royal Plymouth Ltd	619	626
Plymouth Investment Partnerships Ltd	0	0
	25,152	**17,967**

The end of year Debtors and Creditors balances for the Council and the subsidiary members of the Group are shown below for years 2009/10 and 2008/09. All balances have been adjusted to remove inter-group transactions.

Note 6 – Debtors

	2008/09 Restated £000	2009/10 £000
Plymouth City Council	39,295	48,652
Plymouth Citybus Ltd	1,437	0
Theatre Royal Plymouth Ltd	1,343	2,102
Plymouth Investment Partnerships Ltd	65	25
	42,140	**50,779**

Note 7 – Creditors

	2008/09 Restated £000	2009/10 £000
Plymouth City Council	(55,674)	(55,039)
Plymouth Citybus Ltd	(2,540)	0
Theatre Royal Plymouth Ltd	(5,135)	(6,718)
Plymouth Investment Partnerships Ltd	(60)	(49)
	(63,409)	**(61,806)**

Note 8 - Creditors falling due after more than 12 months

	2008/09 Restated £000	2009/10 £000
Plymouth City Council	(17,691)	(20,853)
Plymouth Citybus Ltd	(1,223)	0
Theatre Royal Plymouth Ltd	0	0
Plymouth Investment Partnerships Ltd	0	0
	(18,914)	**(20,853)**

Note 9 Reconciliation of Operating profit to net cash flow from operating activities

	Restated 2008/09 £000	2009/10 £000
Operating profit/(loss) as per group I & E	**(8,005)**	**(8,241)**
Less disposal of fixed assets	0	0
I & E intergroup trans - income from PCC	6,080	6,384
I & E intergroup trans - costs from PCC	(156)	(76)
Less profit from restricted funds	0	0
Net inflow from returns on investment & servicing of finance	(203)	(49)
Additional depreciation (PCC revalued fixed assets)	86	0
Operating Profit/(Loss) as per entities P&L	**(2,198)**	**(1,982)**
Non cash transactions	19,937	17,572
CFS intergroup trans (opposite entry is on CFS Citybus - government grants received	0	0
Depreciation of tangible fixed assets	1,527	585
Depreciation of restricted funded assets	0	0
Loss/(Profit) on disposal of fixed assets	0	0
(Increase)/Decrease in stock	395	551
(Increase)/Decrease in debtors	2,265	(8,466)
Increase/(Decrease) in creditors	2,328	141
Increase/(Decrease) in provisions	(1,590)	(17)
Release of deferred capital grants	(49)	0
(Decrease)/increase in provisions for liabilities and charges	(354)	0
Difference between pension charge and cash contributions	0	0
Dividends	378	366
Servicing of Finance - Net Interest paid	8,252	9,288
(Decrease)/increase in cash and cash equivalents due to operations	**30,891**	**18,038**

Accounting Policies

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

Accruals

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

Actuarial Gains and Losses

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

a) events have not coincided with the actuarial assumptions made for the last valuation (experience gains and losses), or
b) the actuarial assumptions have changed.

Actuary

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

Amortisation

The writing down of a balance in the accounts over a specified period to signify the 'using up' of the benefit to the Authority of the expenditure or income. For example, grant funding is used to finance capital expenditure; and the grant is written down to the revenue account (amortised) over the life of the asset it funded.

Amortised Cost

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

Area Based Grant

A new grant introduced in April 2008. The grant replaces a number of specific grants. However, it is not ring fenced and no conditions on its use are prescribed.

Assets under Construction

The Capital Programme is a rolling programme, which means that all projects started in the financial year are not necessarily completed within the financial year. The Authority does not recognise an asset as a fixed asset until financial completion. Until that time the asset is shown on the face of the balance sheet at the value completed to the close of the financial year as an asset under construction and no capital charges are incurred on assets of this status.

Associate

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

Balance Sheet

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

Business Improvement District (BID)

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

Budget

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

Capital Adjustment Account (previously 'Capital Financing Account')

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

Capital Allowance

An 'allowance', made up of all the capital expenditure incurred, or planned, by the Authority in respect of "regeneration or the provision of Social Housing". The Authority may keep receipts from HRA land and property disposals (except Right to Buy sales) that would have been 'pooled' under the Capital Finance Regulations providing the amount in the capital allowance exceeds the value of the receipt. A memorandum account, it is topped up by actual and future years estimated spend on qualifying projects, and reduced by the value of "pooled" receipts retained.

Capital Charge

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

Capital Expenditure

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

Capital Programme

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

Capital Receipts

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

Capitalisation Direction

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

Cash Flow Statement

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

CIPFA

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

Collection Fund

This is a separate statutory fund, which details the transactions in relation to national non-domestic rates (NNDR) and the council tax, and the distribution to preceptors and the General Fund. It is consolidated with the other accounts in the Consolidated Balance Sheet.

Community Assets

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

Consistency

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

Contingent Asset

A contingent asset is a possible asset arising from a past event from which the council may benefit, but this remains subject to uncertainty and matters outside of the councils control.

Contingent Liability

A contingent liability is either:

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

Corporate and Democratic Core (CDC)

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

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

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

Council Tax

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

Creditors

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

Current Assets and Liabilities

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

Current Service Cost (Pensions)

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

Debtors

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

Dedicated Schools Grant (DSG)

A ring fenced grant given to Local Authorities to meet expenditure in schools and centrally to schools related budgets.

Deferred Liabilities

Money owed by the Council which by arrangement are payable beyond the next year at some point in the future or paid off by annual sum over a period of time.

De-Minimus Capital Expenditure

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

Depreciation

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

Derecognition

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

Direct Revenue Financing

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

Effective Interest Rate (financial instruments)

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

Exceptional Items

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

Fair value (financial instruments)

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

Financial instrument

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

Fixed Assets

Expenditure that yields benefits for a period of more than one year. These are split into Operational Assets, Non-Operational Assets, Infrastructure Asserts, Community Assets, and Intangible Assets.

General Fund

The main revenue fund from which day-to-day spending on services is met. The main exception to this is the Housing Revenue Account which records activity relating to the provision of Council Dwellings.

Government Grants

Sums of money paid by Government and inter-government agencies and similar bodies, whether local, national or international, in the form of cash or transfers of assets to an authority in return for past or future compliance with certain conditions relating to the activities of the authority. Government grants fall into two categories; general (where the authority has discretion over their use), or specific (where they must be used for certain items of expenditure under the conditions of the grant).

Government Grants Deferred Account

This account shows the government grants and contributions, which have been received by the Council and the extent to which they have been applied for capital financing. An allocation is made to the Capital Adjustment Account over the life of the assets being financed in the same way that depreciation is applied to the life of an asset.

Housing Benefits Overpayments

Overpayments made to clients receiving housing benefit which are recoverable by the authority.

Housing Revenue Account (HRA)

This is a statutory account maintained separately from General Fund services. It includes all revenue expenditure and income relating to the provision, maintenance and administration of Council Housing and associated areas.

Impairment

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

Impairment Review

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

Income and Expenditure Account

This is the Account which sets out the Council's income and expenditure for the year for non-capital spending. It is often referred to as the Revenue Account.

Infrastructure Assets

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

Intangible Assets

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

Investments

A long-term investment is an investment that is intended to be held for use on a continuing basis in the activities of the authority. Investments should be so classified only where an intention to hold the investment for the long term can clearly be demonstrated or where there are restrictions as to the investor's ability to dispose of the investment. Investments which do not meet the above criteria should be classed as current assets.

Joint Ventures

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

Landfill Allowance Trading Scheme (LATS)

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

Loans Outstanding

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

Lenders Option Borrowers Option Loans (LOBOs)

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

Local Government Reorganisation (LGR)

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

Market Value

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

Minimum Revenue Provision (MRP)

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

National Non-Domestic Rates (NNDR)

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

Net Book Value

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

Net Current Replacement Cost

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

Net Realisable Value

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

Non Distributed Costs (NDC)

This is a service heading within the Income and Expenditure Account, which bears costs, which would otherwise distort the cost of the frontline services. CIPFA dictates what can be charged to NDC as follows:-

- past service costs, settlements, curtailments in relation to pension costs;
- costs associated with unused shares of IT facilities;
- cost of shares of other long term unused but unrealisable assets.

Non-Operational Assets

Fixed assets held by a local authority but not directly occupied, used or consumed in the delivery of services. Examples of non-operational assets are investment properties and assets that are surplus to requirements, pending sale or redevelopment.

Operating Lease

A type of lease, which is similar to renting, where the Council does not actually own the asset.

Operational Assets

Fixed assets held, occupied, used or consumed by the local authority in the direct delivery of those services for which it as either a statutory or discretionary responsibility, or for the service or strategic objectives or the authority.

Out-turn

The final actual expenditure and income in a given period.

Pension Interest Costs

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

Post Balance Sheet Events

Those events, both favourable and unfavourable, which occur between the balance sheet date and the date on which the Statement of Accounts is signed by the Responsible Financial Officer.

Precept

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

Precepting Authority

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

Prior Year Adjustments

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

Private Finance Initiative (PFI)

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

Provisions

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

Prudence

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

Prudential Code

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

Public Works Loans Board

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

Related Party

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

Related Party Transactions

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

Rent Rebates

All amounts granted to tenants of Housing Revenue Account properties. Rent rebates are more commonly known as Housing Benefit. Rebates may be split between mandatory and discretionary.

Reserves

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

Resource Accounting

Resource Accounting was introduced into the Housing Revenue Account in April 2001. The objective of resource accounting is to encourage more efficient use of housing assets and to increase the transparency of the Housing Revenue Account.

Revaluation Reserve

A new reserve set up from 1 April 2007 to account for gains on the revaluation of assets not yet realised through sales.

Revenue Account

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

Revenue Expenditure

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

Revenue Support Grant

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

Right to Buy

A scheme whereby Council tenants are allowed to purchase their own homes.

Section 106 Receipts

Contributions from developers towards mitigating the effects of a development. These 106 contributions may be, for example, for additional education provision, playgrounds or transport infrastructure.

Section 151 Officer

The Council's Officer designated under section 151 of the Local Government Act 1972 to take overall responsibility for the financial administration of the local authority.

Specific Grants

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

Soft Loan

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

Statement of Movement on the General Fund Balance (STMGFB)

This is a statement which pulls together all the gains and losses of the local authority during the year.

Statement of Recommended Practice (SORP)

Recommendations by the Accounting Standards Boards as to Accounting treatment, but which do not have the same force as Financial Reporters Statements or statements of standard Accounting practice. SORPs are usually used to provide greater detail regarding the appropriate accounting treatment for a particular sector, such as local authorities or charities.

Stocks

Comprise the following categories:
(a) goods or other assets purchased for resale;
(b) consumable stores;
(c) raw materials and components purchased for incorporation into products for sale;
(d) products and services in intermediate stages of completion;
(e) long term contract balances; and
(f) finished goods

Subsidiary

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

Tangible Fixed Assets

Physical assets that yield benefits to the authority and the services it provides for a period of more than one year.

Temporary Borrowing

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

Useful Life

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

Working Balances

The accumulated surplus of income over expenditure. The authority holds working balances for the General Fund, Housing Revenue Account and Collection Fund. Balances on the General Fund and a share of the Collection Fund can be used to reduce future Council Tax increases.

Grant Thornton

Plymouth City Council

Interim Audit Report 2009-10

31 May 2010

Contents

1 Executive Summary

Introduction

1.1 In carrying out our audit, we comply with statutory requirements governing our duties, in particular, the Audit Commission Act 1998 and the Code of Audit Practice (the Code).

1.2 The Code of Audit Practice emphasises the respective responsibilities between audited bodies and their auditors. The Council is responsible for putting in place proper arrangements for the preparation of its accounts, governance of its affairs and for making adequate arrangements to secure economy, efficiency and effectiveness in the use of its resources. We are required to form an opinion on the Council's annual financial statements and whether the Council has adequate arrangements to secure economy, efficiency and effectiveness in the use of its resources.

Scope

1.3 We have completed our interim audit at the Council in accordance with our agreed audit strategy as set out in the Financial Statements Audit Plan presented to the Audit Committee on 26 March 2010. The scope of our interim audit covered:

- Interim Accounts Audit;
- Value for money (VFM) Conclusion;
- Review of VAT arrangements; and
- Follow Up of prior year recommendations.

Overall Conclusions

Accounts

1.4 Our initial assessment of risks facing the Council which could impact our audit, as set out in our 2009-10 Financial Statement Audit Plan, remains appropriate and provides a sound basis upon which to set our audit strategy.

1.5 We have discussed and reviewed the proposed accounting treatment for a number of these issues with the Council and we are satisfied that the Council has appropriate arrangements in place to ensure that these accounting issues are being appropriately addressed when preparing the accounts.

The Council is currently showing a £1.428m overspend due mainly to additional demand led Adult Social Care and Children's Services. Through a combination of additional unbudgeted income and departmental savings the Council is reporting a surplus of £1.515m and a reserve balance of £11.517m

1.6 The Council's internal audit service has joined up with those from Torbay Council and Devon County Council to form the Devon Audit Partnership joint committee from 1 April 2009. The Audit Commission has agreed to perform a detailed review of the new partnership against the CIPFA internal audit code of practice and share this with the external auditors of the other participating organisations. We have not yet received formal assurance from the audit commission in relation to their findings and overall conclusions against the code requirements.

1.7 This review will has been supplemented by our own consideration and assessment of the internal audit reports issued in the year. From this, we are able to conclude that we are satisfied that internal audit provide an independent and satisfactory service to the Council and we are able to take assurance from their work in contributing to an effective internal control environment at the Council.

1.8 Our information systems specialist performed a high level review of the general IT control environment, as part of the overall review of the internal control system. From our work to date, we have concluded that there are no material weaknesses in relation to the IT systems which could adversely impact the Council's financial statements. We have, however, made two recommendations which will further strengthen the Council's arrangements.

1.9 The Council has a detailed accounts closedown process and timetable in place, with sufficient guidance issued to enable staff to meet the submission of the financial statements by the 30 June 2010 statutory deadline. The Council continues to be proactive in bringing emerging technical accounting issues promptly to our attention enabling early agreement of approach.

1.10 Our follow up review of the action taken by the Council to implement recommendations made in our 2008-09 ISA 260 report shows that the Council has taken action to fully address six out of nine recommendations that we made, with the remaining three relating to our PAYE and Employment taxes review, being in progress.

VFM Conclusion

1.11 In providing our opinion on the financial statements, we are required to reach a conclusion on the adequacy of the Council's arrangements for ensuring economy, efficiency and effectiveness in its use of resources.

1.12 Our VFM conclusion is informed by our assessment of the Council's corporate performance management and financial management arrangements. In order for us to provide a positive conclusion, the Council needs to have met the minimum requirements for all relevant criteria as specified by the Audit Commission.

1.13 Our assessment to date has highlighted that the Council has strengthened their arrangements overall with significant improvement in their arrangements for producing relevant and reliable data and information to support decision making and manage performance. We will update our work with our conclusions arising from our local project work and report our final assessment in our 'Annual report to those charged with governance' in September 2010.

Use of this report

1.14 This report has been prepared to advise you of the matters arising from our interim audit and should not be used for any other purpose or be given to third parties without our prior written consent.

1.15 Our report is part of a continuing dialogue between the Council and ourselves and should not be relied upon to detect all errors, systems or control weaknesses or opportunities for improvements in management arrangements that might exist. The Council should assess the wider implications of our conclusions and recommendations before deciding whether to accept or implement them, seeking your own specialist advice as appropriate.

1.16 We accept no responsibility in the event that any third party incurs claims, or liabilities, or sustains loss, or damage, as a result of their having relied on anything contained within this report.

The way forward

1.17 We have set out our findings and recommendations in the appendices to this report. We have agreed action to implement the recommendations made with the Director for Corporate Support.

Acknowledgements

1.18 We would like to record our appreciation for the assistance and co-operation provided to us during our interim audit by the Council's staff.

Grant Thornton UK LLP

31 May 2010

2 Interim Accounts Audit

Introduction

2.1 As part of the interim audit, and in advance of our final accounts audit visit, we considered:

- the key risks facing the Council;
- the effectiveness of the internal audit service;
- our review of financial reporting controls, including information technology controls, journal entry controls, financial accounting systems and closedown procedures to prepare the draft financial statements; and
- emerging accounting issues.

2.2 Our 2009-10 Financial Statements Audit Plan was presented to the Audit Committee on 26 March 2010 and set out the key risks facing the Council which could impact on the 2009-10 audit.

2.3 As part of our interim audit, we reviewed these risks and have set out in Exhibit One, the outcome of work completed, and any further work planned. We can confirm that our initial risk assessment remains appropriate and provides a sound basis upon which to set our audit strategy.

Exhibit One: 2009-10 Key risks

SORP 2009 - Accounting for Private Finance Initiatives (PFI)	
Audit risk	The Council currently has one PFI agreement to provide new school facilities at Whitleigh and the amalgamation of primaries at Bull Point and Barne Barton. The 2009 SORP requires local authorities to adopt requirements for accounting for PFI schemes that are consistent with International Financial Reporting Standards and the adaptation of IFRIC 12 *Service Concessions Arrangements* contained in the Government's 2009-10 Financial Reporting Manual (FReM). We expect this to conclude that the PFI assets should be recorded on the Council's own balance sheet. There is a risk that these may be incorrectly accounting for, due to their complexity and nature.

Audit response	The Council engaged a PFI modelling consultant to review the financial close model against the new requirements. The consultant concluded that the scheme meets the IFRIC 12 definition of a service concession and should be brought onto the balance sheet in accordance with IFRIC 12 and the SORP. We have reviewed the work of the consultant and confirm that the scheme should be recognised on the balance sheet in 2009-10. The consultant has modelled the financial impact of this approach and calculated the accounting entries needed to reflect the scheme in the financial statements. We have reviewed the model and are satisfied the the Council have appropriate arrangements in place to ensure that the PFI scheme is recognised in the accounts in accordance with the IFRIC 12 and the SORP. The Council are currently considering other schemes/contracts outside of PFI that may be affected by IFRIC 12. Further work planned We will review the detailed accounting entries to bring the scheme onto the balance sheet as part of our final review of the financial statements during our final audit.

Impairment in deposits in Icelandic Banks	
Audit risk	The Council had £13 m invested in the Icelandic institutions when the banks collapsed in October 2008. These continues to be uncertainty regarding the amount that will be recovered in respect of these deposits. In particular, preferential creditor status has not been given to local government depositors by one of the Icelandic institutions and the status is being challenged in the courts for one of the others. The fact that such large sums of public money remains at risk has highlighted the importance of maintaining effective arrangements for managing investments and treasury management. The Council have been granted a capitalization direction. There is a risk that the Council will fail to recognise an appropriate level of impairment in the 2009-10 financial statements or that the capitalization director is either insufficient or not accounted for appropriately.

Audit response	The Council successfully applied for debt capitalisation funding from the Department of Communities and Local Government for expected losses of £5.7 m following formal announcements from the Icelandic Banks receivers of the likely level of recoveries. A LAAP bulletin providing guidance on the impairment of deposits with Icelandic Banks has recently been issued by CIPFA. The guidance provides updated estimates of expected losses for each bank but recognises that the ultimate responsibility for determining an appropriate provision for impairment lies with the responsible financial officer, and therefore will need to come to their own decision as the reliance to be placed on the guidance provided. Further work planned We will continue our discussions with the Council regarding the appropriateness of their expected losses to ensure that the amount capitalised is no more that its total expected losses. We will review any future updates to the CIPFA guidance and review the final impairment calculation and accounting entries to ensure it is appropriately treated in the financial statements.

SORP 2009 - Accounting for National Non Domestic Rates and Council Tax	
Audit risk	The 2009 SORP has introduced a number of changes in the accounting for national non domestic rates and council tax in the Council's financial statements. It now requires local authorities to account for transactions on an agency basis i.e. the Council only discloses its own share of debtors and creditors of the Collection Fund and any associated impairment allowance for doubtful debt. This is a change in accounting policy in respect of Council Tax balances and as such the 2008-09 balances will need to be restated. There is a risk that the Council does not correctly account for these changes.
Audit response	The Council understands the SORP 2009-10 requirements and the relevant guidance and are using the Council Tax models available on the CIPFA Finance Advisory Network to assist with the re-statement of the 2008-09 accounts for both billing and precepting authorities. Further work planned: We will review the working papers and the accounting entries to ensure that the financial statements are compliant with the SORP.

International Financial Reporting Standards	
Audit risk	CIPFA has confirmed that local authorities will be required to follow International Financial Reporting Standards from 1 April 2010. Financial data for 2009-10 will require restatement in order to provide comparative data in the financial statements. There is a risk that the Council has not put adequate plans in place to manage this transition and collate the required information to prepare the restatement entries.
Audit response	The Council has designated lead roles for IFRS implementation and is working to a formal timetable. The Council has taken note of the recent Audit Commission Report, Countdown to International Financial Reporting Standards, and has identified concerns over progress against the timetable and capacity to complete the work. Additional resources for finance and asset management teams have been identified in 2010-11 to address these concerns and we will continue to liaise regularly with the Council to assess ongoing progress

Current Economic Climate	
Audit risk	The Council's allocation from the government revenue settlement of 2009-10 has been set at £103.5m, an increase of 2.8%. In future years, it is anticipated that there will be cuts in real levels of revenue support grant and in capital grants. Increase demand for services coupled with a low grant increase is likely to result in severe revenue budget pressures for the Council and there is an increased risk that proper accounting practice may not be followed in preparing and reporting the financial statements which may result in an error of misstatement.
Audit response	The financial position reported to the Cabinet on the 8 June 2010 shows a provisional revenue overspend of £1.428m against a net revenue budget of £196.525m. The key reasons for this overspend relate to demand led Adult Social Care (rising number and complexity of cases) and Children's Services (additional referrals following high profile cases in 2009-10). The Council is reporting it will fund the overspend through utilising: • one off VAT "Fleming" repayments from HMRC of £2.144m; • additional unbudgeted Housing Planning Delivery Grant of £0.370m; • additional unbudgeted LABGI funding of £0.229m; and • • seaside towns funding grant of £0.200m. This results in the Council achieving a surplus of £1.515m and with an overall reserve balance of £11.517m, some 5.7% of the net revenue budget for 2010-11.

Large Scale Voluntary Transfer	
Audit risk	On 20 November 2009, the ownership and management of the Council's tenant's homes transferred to Plymouth Community Homes, a registered social landlord. This transfer will have a significant impact on the accounts and there is a risk that the Council does not correctly account for the transfer and other transfer related transactions.
Audit response	We have liaised closely with the Council throughout the process and have confirmed that the overhanging debt has been paid off (directly from the department to the Public Works Loan Board). Our VAT specialist reviewed correspondence with HMRC and we are satisfied that the treatment is in accordance with CLG and HMRC regulations. Further work planned: We will review the working papers and the accounting entries to ensure that the transfer is correctly accounted for in the financial statements.

Sale of Plymouth Citybus	
Audit risk	The Council sold its shareholding in Plymouth Citybus, which was a 100% subsidiary of the Authority, on 2 December 2009. Accounting for an undertaking that ceases to be a subsidiary can be complex. There is a risk that the Council does not correctly account for the disposal of this subsidiary in their accounts and in the group accounts.
Audit response	The Council have liaised with Go-ahead and obtained the management accounts at date of disposal. We will review the detailed working papers and the disclosures during our final accounts audit.

Group Accounts	
Audit risk	The Council is required to prepare Group Accounts. In 2008-09 and in prior years, the subsidiaries' accounts and audit opinions were signed late and not in accordance with the agreed timetable. This resulted in considerable amount of negotiation being undertaken by senior Council officers with the staff at the subsidiaries to ensure that the Council's Group accounts were signed within the required deadline. To prevent re-occurrence, the Chair of the Audit Committee has recommended that the 'subsidiaries accounts' should be added as an agenda item for a future Audit Committee meeting.

Audit response	A meeting has been held between Theatre Royal, their auditors, the Council and ourselves and a timetable was agreed for provision of the requisite material. The other significant joint venture consolidated within the group accounts is Tamar Bridge and Torpoint Ferry Joint Committee (TBTF). This committee is required to publish their audited accounts within the same statutory deadline as the Council. The Council has not yet received the draft accounts and are currently liaising with the finance team at TBTF to ensure delivery of the accounts in sufficient time for them to prepare the draft group accounts. The Council must ensure that they continue to liaise closely with their subsidiaries to ensure any significant issues are identified early. These issues can then be addressed to minimise the risk of the Council not publishing their accounts by the statutory deadline.

Remuneration disclosures	
Audit risk	The Accounts and Audit (Amendment No. 2; England) Regulations 2009 brings authorities in line with level of disclosures for other government bodies and companies. There is now a requirement to provide details of salaries for senior employees. There is a risk that remuneration disclosures are not complete in the accounts.
Audit response	The Council have referred to the recent CIPFA guidance on Senior Officer Remuneration and have obtained the necessary information from payroll. Senior Officers are aware of the requirements. There is currently a possible discrepancy between the CIPFA guidance and the regulations regarding the disclosure of pension costs. We understand that CIPFA will be issuing updated guidance to clarify their position.

The Internal Audit function

2.15 Following the formation of the new Devon Audit Partnership from the internal auditors of Plymouth, Torbay and Devon County Councils, the Audit Commission has undertaken a detailed review of the new organisation. At the date of this report we have not received the outcome of this work. We will consider the outcomes from this work once it has been received, but will ensure that we have completed sufficient work of the service provided to Plymouth specifically in forming our overall opinion on the assurance arrangements.

2.16 The Audit Commission's and our own review will be completed before we conclude on whether the Internal Audit service complies with the CIPFA internal audit code of practice and any issues will be reported in our 'Annual report to those charged with governance' in September 2010.

2.17 However, from our review of internal audit reports and detailed working papers to date, we are satisfied that the internal audit service provides an independent and satisfactory service to the Council and we are able to take assurance from their work in contributing to an effective internal control environment at the Council.

Review of Internal Audit work

2.18 Where possible, our work on the Council's fundamental financial systems places reliance on the various systems of control operated by the Council. In preparation for our accounts audit, we sought to review Internal Audit work on the Council's financial systems.

2.19 Internal Audit's work on these systems has been carried out as late in the year as possible, in order to provide us with controls assurance over the full financial year. The fundamental systems we planned to review during our interim audit visit are detailed in Exhibit Two.

Exhibit Two: Planned systems review

Fundamental System	Internal Audit file/report	Assurance placed on Internal Audit's work?
General Ledger	Main Accounting Systems (incorporating Budgetary Control)	TBC
Creditor Payments	Creditor Payments	✔
National Non Domestic Rates	NNDR	✔
Housing and Council Tax Benefits	Housing Benefits Council Tax	✔ ✔
Payroll	Payroll	✔
Cash and Treasury Management	Treasury Management	TBC
Debtor Receipts	Debtors	TBC
Housing Rents	Housing Rents (part year)	TBC
Adult Social Care expenditure	CareFirst / Domiciliary Care	TBC

2.20 In assessing the effectiveness of Internal Audit work, we reviewed Internal Audit's files to ensure that:

- systems were adequately documented;
- key controls had been identified and evaluated;
- key controls had been tested; and
- weaknesses had been reported to management.

2.21 Several key reports were unavailable at the time of our review. We are, therefore, unable to conclude the extent to which we will place reliance on financial systems. We will update our review once the final reports are available.

Closedown procedures

2.22 Our review considered the Council's timetable for closedown, and the arrangements for preparing the draft accounts, including guidance provided on working papers to be made available as part of the closedown process. The Council has updated the guidance to reflect issues identified in the 2008-09 ISA260 report. The Council continues to closely monitor the timetable and expects to meet the statutory deadline of 30 June 2010 and to provide detailed working papers to support the accounts at the start of our final accounts audit visit.

Information Technology Control Environment

2.23 The Council makes use of Civica Financials, a finance package purchased from a third party, to administer its accounts. Civica Financials is administered by the Financial Systems and Projects team within the Finance department and sits within the Council's main IT network, which is managed by the ICT department. Our information systems specialist performed a high level review of the general IT control environment, as part of the overall review of the internal controls system, and concluded that from the work undertaken to date, there are no material weaknesses which are likely to adversely impact on the Council's financial statements.

2.24 We have, however, identified two areas for improvement during the course of our work and these are set out below.

Account lockout threshold

2.25 The account lockout threshold on the Network is set to lock a user account after 30 invalid logon attempts. Best practice is to set this parameter between three and five invalid logon attempts.

2.26 By not implementing suitable logical access controls, such as adequate password parameters, there is the increased risk of financial applications being accessed by unauthorised individuals and placing the residing financial information at risk.

Recommendation one
Management should consider reducing the account lockout threshold from 30 invalid logon attempts to best practice of between three and five invalid logon attempts.

Network intrusion detection and prevention

2.27 There is some limited intrusion prevention as part of the Council's firewalls, but there is no separate and dedicated system for intrusion detection or prevention. Numerous weaknesses are discovered in both hardware and software on a daily basis that can severely compromise the security of council's information systems.

Recommendation two
The Council should consider implementing an intrusion detection or prevention system.

National Fraud Initiative

2.28 The National Fraud Initiative (NFI) matches electronic data within and between audited bodies to prevent and detect fraud and is operated by the Audit Commission. As part of our planned programme of work for 2009-10, we reviewed the procurement matches identified by the 2008-09 NFI exercise.

2.29 Our work indicates that there are no high risk data matches which might indicate a financial or reputational risk to the council. A number of low risk matches have been forwarded to the Council for follow up action.

Emerging Accounting Issues

2.30 During our interim audit work and training seminar, which was attended by representatives from the Council's finance team, we have discussed a number of emerging issues. Those that have not been raised elsewhere in this report are summarised, briefly, below.

Foundation and Trust schools

2.31 The accounting treatment for types of schools where ownership of some or all of the fixed assets used by the schools does not lie with the local authority, must be carefully considered (e.g. foundation and trust schools). The Council has a number of foundation and trust schools which they are proposing to show off balance sheet. We will review the Council's assessment of these schools to ensure that the substance of its interest in these assets does not override the formal situation that it does not own them (FRS 5).

CareFirst System

2.32 Internal Audit have identified fundamental weaknesses with the CareFirst application, the master record of all social care clients data. Improvements have been made since the original review and Internal Audit are intending to undertake a follow up review in the near future. Initial discussions with the Council indicates that data for the supporting people grants and direct payments to carers and clients originate from this system. We will continue to discuss with the Council what arrangements they have in place to mitigate against the risk of inaccurate or incomplete information being captured and reported in the accounts.

VAT review

2.33 As part of our added value offering to the Council, we asked our VAT specialists to review the Council's underlying arrangements for VAT. In particular;

- VAT transactions and correspondence with HMRC regarding the Large Scale Voluntary Transfer;
- Fleming claims for library charges, sports and leisure services, excess parking changes and for cultural exemptions;
- discussions on VAT implications of the Building Schools for the Future programme; and
- possibility of making a TNT claim for VAT incurred on postal services.

2.34 We concluded that the overall arrangements were sound with effective processes in place.

Progress in implementing prior year recommendations

2.35 As part of our planned programme of work, we followed up the recommendations made in our reports issued last year. Our work indicates that the Council has made good progress, fully implementing six of the nine recommendations.

2.36 Three recommendations are currently being actioned and are expected to be fully implemented by July 2010 as follows:

- The review of the nature and number of P11D forms, with a view to reducing these if possible, is yet to be completed.
- Guidelines and documented process for termination payments remain to be drafted.
- The results of a review of self employed status of certain employees have not been analysed.

3 Value for money (VFM) conclusion

Introduction

3.1 Our VFM assessment considers how well the Council is managing and using its resources to deliver value for money. In order to conclude on the use of resources, we perform an assessment against a number of Key Lines of Enquiry (KLoE), undertake local project work and consider any other issues which may impact on the VFM conclusion.

3.2 In undertaking this assessment, we adopted a risk-based approach, building on the baseline established in 2008-09.

3.3 Our findings from the use of resources assessment are summarised below under the three themes:

- sound and strategic financial management - Managing Finances
- strategic commissioning and good governance - Governing the Business
- the management of natural resources, assets and people - Managing Resources.

3.4 It should be noted that at in May 2010 the Government announced its intention to abolish the Comprehensive Area Assessment (CAA) regime and, at the end of May 2010, the Audit Commission required all auditors to stop their work on use of resources assessment beyond that required to form their value for money conclusion. As we have substantially completed all of our use of resources work, we are reporting our key findings and conclusions to the Council, but these are not being formally assessed or scored.

Theme: Sound and strategic financial management

3.5 The Council's arrangements for integration of financial planning with strategic and directorate planning processes on a medium-term basis remains sound.

3.6 The Council has demonstrated a significant and improved stakeholder consultation process in 2009-10. In particular, it has used interactive voting techniques at area committees and at the Drake Circus public event and the results of this were fed into an effective scrutiny process for the 2010-11 Corporate Plan and Budget.

3.7 VfM profile data indicates that the Council's total net current expenditure has not increased at the same rate as its benchmark group and the Council's drive for improved value for money is having a positive impact in respect of the Council's comparative position across key services. In some areas the Council has been able to reduce costs whilst improving service delivery, for example in waste collection where costs per head of population have fallen in 2009-10 and arrangements for collection have improved. In planning and development services key targets are being achieved and in adult social services the gross spend per adult head of population has been falling.

3.8 The appointment of a new corporate head of VfM and efficiencies has ensured that VfM remains focused and opportunities for improvement are pursued. Action plans are in place to address the services where costs per head of population compare unfavourably with its benchmark group and VfM delivery plans are being developed for all directorates. For 2009-10, total savings are expected to be £5.763m compared to an ambitious target of £6.2m.

3.9 The quality of financial governance and leadership has improved. For example, Audit Committee Members received specific external training in year which enabled them to robustly scrutinise the Treasury Management and Investment Policy. Cabinet members also received specific training prior to the scrutiny of the 2010-11 budget, which enable them to provide effective challenge and help to ensure that resources were targeted at priority areas.

3.10 The Council's financial and performance monitoring arrangements remain good and helps the Council to ensure that it applies their resources as intended and in accordance with corporate priorities. The refreshed Corporate Plan 2010-2013 provides an objective, balanced and understandable assessment of the Council's current performance and future challenges.

Strategic commissioning and good governance

3.11 The Council continues to develop its arrangements to ensure that it commissions and procures quality services and supplies, tailored to local needs to deliver sustainable outcomes and value for money.

3.12 Plymouth has a LSP, branded as Plymouth 2020, Joint strategic needs assessment, a sustainable community strategy and a sustainable procurement strategy, all underpinned by the Local Area Agreement, an accountability, governance and performance management framework and an assessment of the quality of life for residents of Plymouth.

3.13 The Council is engaged with a wide range of stakeholders including residents, business, the voluntary sector and people who use services and is developing its understanding of the supply market.

3.14 The Council is seeking to improve the customer experience and has now established a central contact centre, has made improvements to its website and has implemented improvements to front-line desk arrangements at key first-stop civic offices. As part of the "procure 2 pay" strategy, the Council is setting up professional buyer posts throughout the organisation to deal with all negotiated requirements whilst using systems catalogues to deal with contracted items. It has also implemented extra care as an alternative to residential care and commissioned lifestyle services as an alternative to traditional day care.

3.15 The Council has improved their arrangements for the production of relevant and reliable data and information to support decision making and manage performance. The level of internal auditing has increased to ensure data quality standards are being met throughout the council with particular focus on data sharing amongst partners. The Revenue and benefits service have significantly improved their arrangements for checking data accuracy, demonstrating a clear decrease in the number of errors (quantitative and qualitative) from 79% to 41% between quarters three and four.

3.16 Sound arrangements are in place to ensure data security and the Council are working towards becoming fully compliant with good practice standards. For example, ISO27001 and Government Secure Intranet.

3.17 Variance in performance is highlighted in joint finance and performance bimonthly reports to CMT and Cabinet. These reports include a dashboard of key performance indicators linked to the Council's CIPS. The Council are currently reviewing the format of these reports to ensure that they remain 'fit for purpose' and easy for decision makers to understand and use. These reports will now be reported on a quarterly basis, in line with the LSP.

3.18 The Council continues to have good arrangements for internal control, with a Scheme of Delegation, Financial Regulations and Constitution. The Council has undertaken an ethical governance survey and has implemented an action plan to address findings. A member development committee oversees development opportunities for members and a skills framework and accompanying development programme of events has been devised.

3.19 The Standards Committee is operating effectively and an ethical governance survey indicates members and officers have faith in the Chief Executive and Leader to behave ethically. The Council has undertaken an exercise to identify its partnerships and formal partnerships agreements are in place. Arrangements are in place to ensure improvements in leadership and governance within the third sector.

3.20 The Council continues to manage its risks and maintain a sound system of internal control. The Council has acted in response to financial risks of the current economic climate to identify means to re-focus resources from back-office functions to front-line services to mitigate the impact on service delivery.

3.21 There is a guide on risk management in partnerships, and clear outcomes of effective partnership risk management have been demonstrated. For example, the implementation of the SHEALD programme to relocate serious offenders with learning disabilities back into the community from out-of-area specialist treatment centres. Demonstrable controls for the risks involved were prerequisite to Home Office approval for the relocation and the Council worked with the PCT, police and others to demonstrate this.

3.22 The Audit Committee operates effectively in monitoring internal control and has demonstrated effective and informed scrutiny in a number of areas. For example, risk management and project management. The Audit Committee has completed a self assessment against the CIPFA guidance and has implemented an improvement plan. The previous Chair of the Audit Committee has produced an annual report demonstrating the work of the Audit Committee over the past year.

Management of natural resources, people and assets

3.23 The Council maintains sound arrangements for the management of its assets and the corporate asset plan links to CIPs and the capital strategy. The Council is now utilising the asset strategy as a key component of the financial strategy to maintain front-line service delivery at a time of worsening financial settlements and reduced income streams. The Accommodation Strategy approved in 2009 is leading, on a staged basis, to more effective use of Council properties. For example, the more effective use of two Council properties, through open-plan configuration and use of hot-desking, which will ultimately enable relocation and the disposal of the Council's less efficient properties.

3.24 Joint provision and collocation are actively pursued, and the Council is actively reviewing service delivery locations against those of partners such as the PCT and Police. The Council has actively pursued collocation for Adult Social Care teams with the local primary care trust, working cooperatively to resolve IS barriers and achieving 23 co-located teams to date, the largest of which is at the Beauchamp Centre at Mount Gould Hospital. The replacement of the demolished Plympton Library with a joint library and health centre facility is in the final stages of consultation.

3.25 The Council has built upon early outcomes from the implementation of the asset plan achieved in 2008-09, such as the BREEAM excellence awarded Brook Green centre for learning.. With increasing pressure on resources the Council has adopted a policy of only approving capital schemes for which funding is specifically identified (including spend-to-save). The Council actively engages with a benchmarking club of similar councils for asset and construction information.

3.26 The Council has a corporate approach to its workforce and has in place the fundamental processes for ensuring a productive and skilled workforce, underpinned by a "people strategy". It has a number of policies and strong arrangements for monitoring many aspects of its employment arrangements, including accidents and sickness. Sickness 'targets' are now set and monitored and the Council has reduced its sickness levels from an average of 8.11 days (2007-08) to 6.95 days (2008-09). In 2009-10, the average is 4.30 days (up to October 2009).

3.27 Staff and trade unions are actively engaged in local arrangements, and particularly in managing change. The Council appears committed to equality and diversity across the whole range of its services and in its dealings with the public. The Council has achieved level 2 under the revised Equality framework.

3.28 However the focus has been on establishing sound processes across the organisation and it is not yet clear that the Council has clearly identified all of the skills gaps across its departments or introduced comprehensive plans to address these gaps. In addition the Council has identified that it still needs to develop workforce development plans which align to departmental and corporate business plans.

3.29 Our review has identified that the Council does not have a consistent approach in ensuring it fully involves staff in the implementation of change and empowers them to help deliver it, or that the Council maintains, or improves, staff satisfaction and morale through the periods of change. The Council is also not currently considering implementing a total reward system or determining the benefits from such a system.

3.30 The Council has not been able to provide sufficient evidence to demonstrate how it is building a workforce broadly representative of the community at all levels including senior management, or that the Council receives positive feedback by service users on the way they are treated by council staff.

A Action Plan - Interim Accounts Audit

Rec. No.	Para Ref	Recommendation	Priority H/M/L	Council response	Implementation date and responsibility
1	3.15	Management should consider reducing the account lockout threshold from 30 invalid logon attempts to best practice of between three and five invalid logon attempts.	L	Lock out does occur after 3 attempts, but this resets itself after 30 minutes. The council is looking at implementing PCI data standards which will comply with the whole suite of security measures.	31 August 2010. Neville Canon (AD ICT)
2	3.17	The Council should consider implementing an intrusion detection or prevention system.	L	Compliance programme of work currently being scoped linking to the PCI standards work above. Intrusion detection system will be implemented by December 2010	31 December 2010. Neville Canon (AD ICT)

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